ACRON JOINT STOCK COMPANY

The Chemistry of Success

ANNUAL REPORT **2015**

Information on the approval of the Annual Report:

Preliminarily approved by Acron
Board of Directors on 25 April 2016

Approved by Acron General Meeting
on 26 May 2016

The Chemistry of Success

Annual Report 2015

ACRON

Table of Contents

STRATEGIC REPORT

Acron at a Glance

Company Overview

Acron Group is a leading vertically integrated mineral fertiliser producer in Russia and in the world. Its wide range of products includes complex and nitrogen fertilisers, as well as industrial products. In 2015, it sold 6.3 mn t of various products.

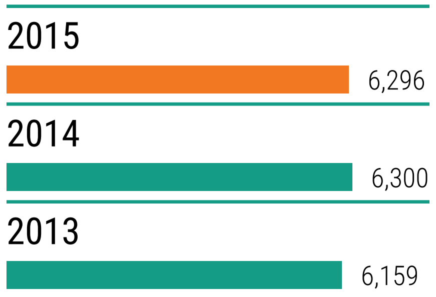
With three large chemical production facilities, phosphate mining operations, a project to develop a potash deposit, transportation infrastructure and an international distribution network, the Group leverages its vertical integration of all business processes as a platform for dynamic development.

Acron Group continuously expands its production capacity, develops distribution opportunities and diversifies its product portfolio.

2015 Performance Highlights

Sales of Key Products, ‘000 t

6.3 mn t



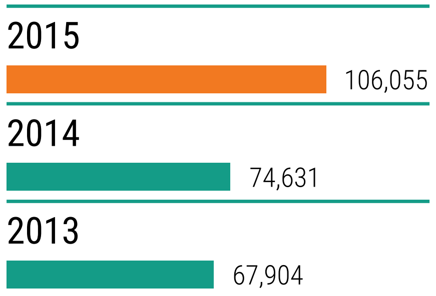
- Leading vertically integrated NPK producer in Russia, among the top five in the world by NPK capacity
- 2015 revenue: USD 1.7 bn, commercial output: 6.4 mn t
- Vertical integration in nitrogen and phosphate; implementation of potash project is under way

- Extensive logistics and distribution network with sales in 60 countries
- Listed on Moscow Exchange and LSE
- Over 13,000 employees in six countries

2015 Financial Highlights

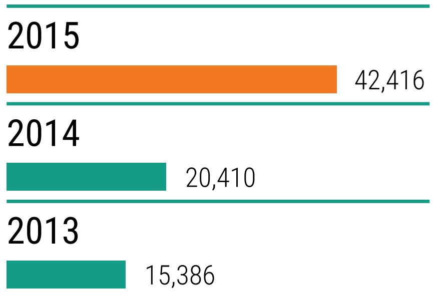
Revenue, RUB mn

RUB 106.1 bn



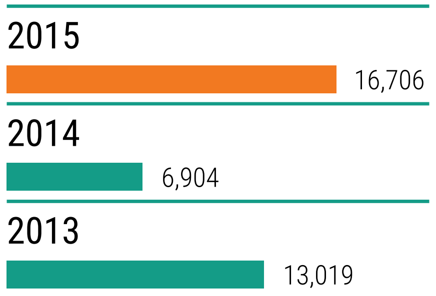
EBITDA, RUB mn

RUB 42.4 bn



Net Profit, RUB mn

RUB 16.7 bn



Acron Group Business Geography

Key 2015 results

Financial Performance (IFRS)	2015	2014	2013
Revenue (RUB mn)	106,055	74,631	67,904
Operating profit (RUB mn)	37,246	20,955	13,980
Net profit (RUB mn)	16,706	6,904	13,019
Earnings per share/GDR (RUB)	367.12/36.71	108.31/10.83	301.60/30.16
EBITDA (RUB mn) *	42,416	20,410	15,386
EBITDA margin (%)	40	27	23
Assets (RUB mn)	226,774	195,940	146,104
Available-for-sale investments (RUB mn)	4,956	3,632	19,398
Short-term borrowings (RUB mn)	12,995	52,559	27,467
Long-term borrowings (RUB mn)	68,611	28,002	22,720
Net debt (RUB mn) **	51,185	55,788	36,633
Cash flow from operating activities (RUB mn)	36,531	12,694	14,360
Capital expenditures (RUB mn)	15,107	11,478	14,443

Sales of Key Products ('000 t)	2015	2014	2013
Ammonia	46	112	161
Nitrogen fertilisers	2,547	2,512	2,443
Complex fertilisers	2,306	2,520	2,649
Organic compounds	214	195	192
Non-organic compounds	827	782	707
Apatite concentrate	356	180	8
Total	**6,296**	**6,300**	**6,159**

	2015	2014	2013
Number of the Group’s employees	13,261	15,100	15,722

* EBITDA is calculated as operating profit adjusted for depreciation of fixed and amortisation of intangible assets, exchange rate profit or loss and other non-cash and non-standard items.

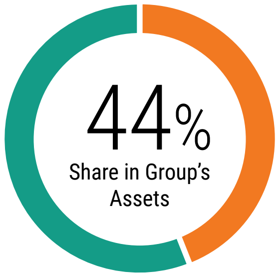
** Inclusive of irrevocable bank letters of credit

Our Business

Acron Group's vertically integrated business model is based on an efficient chain of connected business segments – **mining, production, logistics and distribution –** to deliver business **sustainability, efficiency and competitive advantages.**

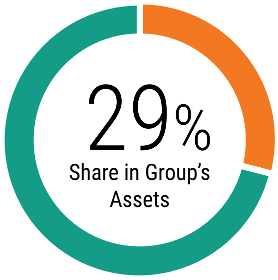
Mining

Over the years, the Group has consistently built its independent phosphate and potash raw material base by developing new deposits in Russia and Canada. Since 2013, NWPC has provided all phosphate inputs for the Group's Russian production facilities and sold apatite concentrate to third parties. In 2015, NWPC operating at full capacity posted record apatite concentrate output of 1.135 mn t and supplied 365,000 t to third parties. The Group is implementing potash projects to secure potash feedstock for its operations.



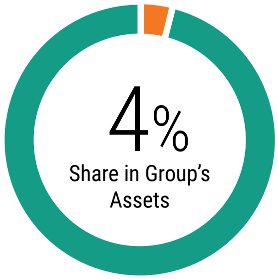
Chemical Production

Three large facilities (two in Russia and one in China) produce a wide variety of nitrogen and complex fertilisers, with ammonia production as the cornerstone.



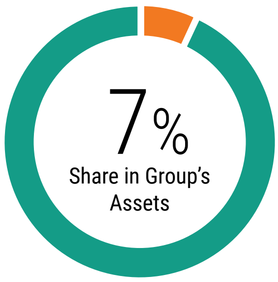
Logistics

The Group owns three Baltic Sea port terminals with total transshipment capacity of 5 mtpa for multiple types of cargo and a fleet of more than 2,000 railroad cars and tanks.



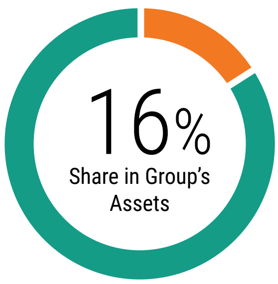
Distribution

The Group has two distribution networks in Russia and China and two international trading companies in Switzerland and the United States, with sales in 60 countries.



Portfolio Investments

Large liquid stakes in two companies, Uralkali (Russia) and Grupa Azoty (Poland), form a component of the Group's shareholder value.



Competitive Strengths




Acron Group enjoys the following competitive strengths in its industry:

- Independent production of all three key nutrients - nitrogen, phosphorous and potassium (prospective)
  Read more: Investment Programme, Mining
- World-class player in the industry thanks to advanced vertical integration
  Read more: Financial Review, Mining
- High product quality and streamlined logistics ensure significant shares of key markets
  Read more: Sales Geography, Logistics, Distribution
- Capable highly skilled and motivated personnel
  Read more: Personnel
- Acron Group is market oriented and focused on efficiency and development
  Read more: Development Strategy, Financial Review

2015 Highlights

February

Acron Group signed mineral fertiliser supply agreements with local agriculture departments in Russia’s regions for 2015.

May

Acron held its Annual General Meeting on 21 May 2015.

FitchRatings

July

Fitch Ratings upgraded Acron's Long-term Issuer Default Rating (IDR) to 'BB-'/Stable.

July

The Group reached record monthly output for UAN (101,600 t).

July

The Group reached record monthly output for apatite concentrate (107,000 t).

August

The Dorogobuzh extraordinary general meeting on 4 August 2015 approved a resolution to change the Company’s name to Public Joint Stock Company Dorogobuzh.

August

VPC received approval for the design documentation for its Talitsky mine from the Main Expert Review Board of Russia (Glavgosexpertiza), a federal independent agency.

October

Moody's Investors Service upgraded Acron's foreign currency corporate family rating (CFR) to Ba3/Stable from B1.

December

On 3 December 2015, representatives of Acron Group and the Perm Krai Ministry for Economic Development met to discuss implementation of the Talitsky potash project.

December

Dorogobuzh produced 54,200 t of ammonia, a company record for a month.

Business Geography and Sales Market

Acron Group has major assets in six countries.
In 2015, the Group sold its products to 60 countries.

Region	Share in Group's revenue	Sales volume	Products	Features	Outlook
United States and Canada	11%	636,000 t	UAN, AN, ammonia	The United States is the Group's largest UAN sales market (69% of total sales volume of this product in 2015).	The Group's stable position in the U.S. market (25% of total UAN imports in 2015) and increasing demand for liquid fertilisers allow maintaining high sales volume.
Latin America	16%	1.085 mn t	AN, NPK, urea	Brazil is the Group's largest export sales market for agricultural use AN (34% of total sales volume of this product). Peru, Argentina and Columbia are large consumers of industrial AN, while Brazil and Mexico purchase large amounts of complex and nitrogen fertilisers.	Maintaining high sales in Brazil (48% of total AN imports in 2015). Expansion to other countries of the region amid constantly growing demand for nitrogen fertilisers in the region; increasing supplies of industrial AN and urea; promoting NPK.
Europe	11%	704,000 t	Ammonia, bulk blends, AN, urea, UAN, NPK, apatite concentrate, industrial products	Stable market for sales of a wide variety of products. The major consumers of the Group's products in the region are France, Finland, Latvia and Lithuania. Europe is the key sales market for urea and bulk blends.	Further expansion to regional UAN markets.

Region	Share in Group's revenue	Sales volume	Products	Features	Outlook
Africa and Other Countries*	3%	154,000 t	AN, urea, NPK	Evolving sales market for nitrogen products and NPK. Morocco, Zimbabwe and Kenya are the Group's major consumers in this region.	Development of agriculture provides a good foundation for further expansion of mineral fertiliser market in various African countries.
Asia**	10%	481,000 t	NPK, AN, urea	Thailand is the largest sales market for the Group's NPK in this region (10% of the Group's total NPK sales volume). Stable supplies to Vietnam.	Ramping up the Group's sales in premium markets of the Southeast Asia. The Group gradually increases its NPK market share in Indonesia and Malaysia.
China***	23%	1.051 mn t	NPK, ammonia	The Group's largest NPK sales market (40% of total NPK sales). Hongri Acron sells all of its NPK on the domestic market. The Group's Russian production facilities account for 28% of Chinese NPK imports.	China remains the key sales market for NPK, and the Group is committed to retaining its status on this market.
CIS****	8%	466,000 t	NPK, AN, ammonia, apatite concentrate, industrial products	Ukraine is a large NPK sales market for the Group (12% of total NPK sales)	Despite the volatile political situation in Ukraine, the Group's sales volume in the region increased in 2015. Over the long term, demand for the Group's products in this region is expected to remain stable due to such factors as an extensive agricultural sector and a continued history of cooperation.
Russia	19%	1.719 mn t	AN, NPK, urea, apatite concentrate, industrial products	Russia is the largest AN sales market (33% of total AN sales), key market for industrial products (63%) and a large market for the Group's NPK (11%).	The Russian market remains a top priority. The Group is one of three largest fertiliser suppliers in Russia.

* Australia, Oceania and others
** Excluding China
*** Excluding sales of third-party products
**** Excluding Russia

Acron Group's Business Model

Mining
key segment

Structure

Phosphorus

NWPC, Oleniy Ruchey mine (Russia)

Potash (ongoing projects)

VPC, Talitsky mine (Russia)

North Atlantic Potash Inc. (NAP), potash permits in Saskatchewan (Canada)

KPI

100%

Complete phosphate independence

726.1 mn t

Reserves of A+B+C1 category potassium salts

Description

This is the Group's most dynamically developing business segment. The Group is implementing multiple greenfield projects and allocating a significant portion of its capital expenditures to this segment.

The segments task is providing the Group's chemical production facilities with feedstock, enhancing the Group's competitive edge and increasing its sales volume.

Chemical production
key segment

Structure

Nitrogen and complex mineral fertilisers, industrial products

Acron (Russia), Dorogobuzh (Russia), Hongri Acron (China)

KPI

6.43 mn t

Industrial products output

Description

Maintaining high performance at existing production facilities, boosting ammonia and nitrogen fertiliser output and implementing new complex fertiliser brands are the main tasks for this segment.

Logistics
auxiliary segment

Structure

Sea port terminals

AS DBT (Estonia), AS BCT (Estonia), Andrex (Russia)

Railway operator

Acron-Trans (Russia)

KPI

2.77 mn t

Transshipment by Acron Group's seaport terminals

Description

The Group's logistics infrastructure helps Russian production facilities operate smoothly and efficiently.

Handling cargo for third-party producers improves the profitability of this segment.

Distribution
auxiliary segment

Structure

Russia
Agronova

China
Yong Sheng Feng

USA
Agronova International Inc.

Switzerland
Agronova Europe AG

KPI

6.3 mn t

Group sales volumes

Description

The key objective of Acron's distribution network is to strengthen the Group's position in key markets and make advances in promising new markets.

Higher efficiency with a vertically integrated business model

Acron Group's business model is based on an efficient chain of interrelated business segments – mining, production, logistics and distribution. Vertical integration allows controlling the whole process of generating added value and delivering business efficiency and competitive advantage.

Reducing operating costs

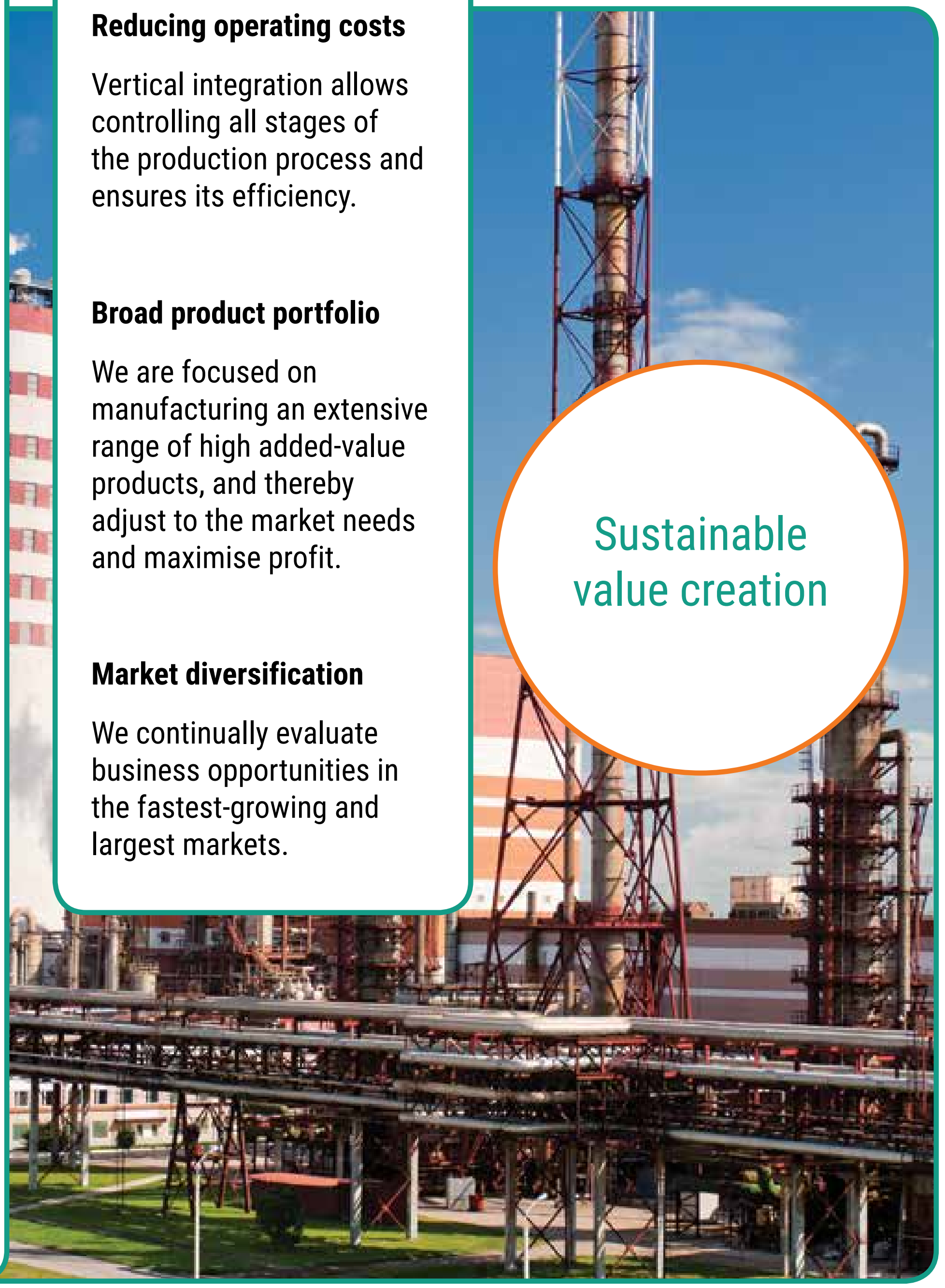
Vertical integration allows controlling all stages of the production process and ensures its efficiency.

Broad product portfolio

We are focused on manufacturing an extensive range of high added-value products, and thereby adjust to the market needs and maximise profit.

Market diversification

We continually evaluate business opportunities in the fastest-growing and largest markets.



Sustainable value creation

Acron Group's Structure

Acron

- Hongri Acron — 50.05%
- Dorogobuzh — 94.4%

Mining

NWPC
(phosphates production)
Share in authorised capital 100%

VPC
(potash project)
Share in authorised capital 51%

North Atlantic Potash Inc.
(potash project)
Share in authorised capital 100%

Logistics

AS DBT
(seaport terminal)
Share in authorised capital 100%

AS BCT
(seaport terminal)
Share in authorised capital 100%

Andrex
(seaport terminal)
Share in authorised capital 100%

Acron-Trans
(logistics)
Share in authorised capital 50%

Distribution

Agronova
(Russian distribution network)
Share in authorised capital 100%

Agronova International Inc. and Agronova Europe AG
(international traders)
Share in authorised capital 100%

Beijing Yong Sheng Feng AMPC, Ltd.
(distribution network in China)
Share in authorised capital 100%

Portfolio Investments

Uralkali
(Russian potash producer)
Share in authorised capital 0.93%

Grupa Azoty
(Polish fertiliser producer)
Share in authorised capital 20%

Note: percentage of the authorised capital as of 31 December 2015, both direct ownership and through subsidiaries

Development Strategy

In 2015, Acron Group's development strategy did not undergo material changes, and its key objective is still to enhance the Group's competitive edge and efficiency. Acron Group seeks to become the most efficient NPK producer globally by leveraging its vertical integration and expanding capacity.

The Group's development strategy is focused on balanced development. The Group seeks to dynamically develop its long-term investment programme without assuming the excessive risk of increased financial burden over the short- and mid-term. In 2015, its completed investment projects yielded tangible results, which, along with the weakening of the RUB to USD exchange rate, helped the Group considerably cut its debt burden. As at the end of 2015, net debt was USD 702 million, down 29% year-on-year, and the relative net burden dropped to 1.0 from 1.9 Net Debt/EBITDA.

Strategy Element	Key Performance Indicators	Risks	Achievements in 2015	Next Steps
Building an efficient and competitive business through vertical integration, and creating fundamental conditions for shareholder value growth	Comply with licence provisions Self-sufficiency in major raw materials Complete projects milestones CAPEX budget Additional EBITDA for the Group	• Industry risks • Operating risks • Financial risks • Social and environmental risks • Legal risks	**Phosphates** **Oleniy Ruchey mine** In 2015, the Group produced 1.135 mn t of apatite concentrate, up 27% year-on-year, including 356,000 t shipped to third-party consumers. Oleniy Ruchey mine generated EBITDA of USD 90 mn. **Potash** **Talitsky mine** In 2015, VPC continued implementing Acron Group's largest investment project to construct the Talitsky mine (Perm region). In 2015 design documentation was prepared and approved by the state expert review for the mine's underground and surface facilities, hydraulic backfill, external engineering utilities and linear structures. Design documentation for the construction of surface mine facilities was prepared and submitted for state environmental expert review. Construction of temporary buildings shaft sinking was completed.	**Phosphates** **Oleniy Ruchey mine** Continue construction of the underground mine and build up the processing plant capacity to increase apatite concentrate output by 2017. **Potash** **Talitsky mine** The design for the Talitsky mine facilities was completed; design documentation for surface facilities is undergoing state expert review. Ground freezing started for subsequent shaft sinking.

Strategy Element	Key Performance Indicators	Risks	Achievements in 2015	Next Steps
Improving operating results by building new production facilities	Complete projects milestones CAPEX budget Additional EBITDA for the Group Gas consumption rates for ammonia units Product output volume	• Operating risks • Social and environmental risks	**New Ammonia-4 unit** In 2015, Acron completed the majority of the work necessary to begin start-up and adjustment, with start of production in H1 2016. Due to the weakening RUB to USD rate, CAPEX for the Ammonia-4 unit in dollar terms is expected to be lower than initially budgeted. In 2015, Acron Group's ammonia units at the Veliky Novgorod production site consumed an average of 1,059 m^3 of natural gas per tonne of product, the same as last year. The Dorogobuzh ammonia unit reduced consumption from 1,121 m^3/t to 1,117 m^3/t. In 2015, the Group began selling REE to consumers. At year-end, output was 21.3 t for cerium and 1.0 t for neodymium (in terms of 100% oxides). Total commercial output increased to 6.4 mn t from 6.3 mn t.	The new 700-ktpa Ammonia-4 unit will start commercial production in H1 2016 after the completion of start-up and adjustment. Further reduction of gas consumption rate and increase of output at the existing ammonia units Measures to decrease heat and power consumption are being introduced at the Group's facilities. Launch of commercial production of lanthanum carbonate and medium and heavy REE carbonate concentrate.

Strategy Element	Key Performance Indicators	Risks	Achievements in 2015	Next Steps
Expanding sales markets	Selling prices Sales markets Sales volumes Market penetration Stable distribution channels	• Industry risks	Group sales volumes remained at 6.3 mn t. Group sells its products to 60 countries.	Expanding to sales markets with strong demand and global-price premium. Marketing ammonia produced by the new Ammonia-4 unit.

Strategy Element	Key Performance Indicators	Risks	Achievements in 2015	Next Steps
Raising capital for the investment programme; securing the Group's solid financial position and reducing the debt burden	Gross and net debt indices Net Debt/EBITDA Average interest rate 	• Industry risks • Financial risks	The Group's Net Debt in USD equivalent totalled USD 702 mn, down 29%. Gross debt decreased to USD 1,120 mn from USD 1,432 mn. Annual Net Debt/EBITDA dropped from 1.9 to 1.0 y-o-y. The share of long-term debt in the Group's debt portfolio increased to 84% from 35%. Average annual interest rate as of 31 December 2015 was 6.7% against 4.6% a year before. Acron issued BO-2 and BO-3 series bonds with 3-year maturity for a total of RUB 10 bn, with first to third coupon rate at 11.6% per annum in roubles. In 2015, Fitch Ratings and Moody's Investors Service upgraded Acron Group's credit rating from B+ to BB- and from B1 to Ba3, respectively, both with a stable outlook.	Further decrease in Net Debt/EBITDA level Improvement of credit ratings Decrease in average interest rate on loans and borrowings Monetisation of portfolio investments and/or non-core assets Securing sufficient liquidity and increasing the share of long-term debt Risk diversification for potash investment projects by engaging strategic partners
Enhancing investment attractiveness through transparency and excellent corporate governance	Compliance with corporate principles and legal requirements and most significant recommendations of Russian and international best practices Clear distribution of responsibility among the main management and supervision bodies of the Group's companies	• Legal risks	The annual general meeting held on 21 May 2015 resolved to elect three independent directors instead of one to Acron's Board of Directors.	Maintain and improve corporate governance system, bring it in line with most recent recommendations of the Corporate Governance Code
Corporate and social responsibility	Qualifications of personnel Industrial safety for the Group's production facilities Contribution to economic and social development in regions where the Group has its operations Maintaining a healthy environment in the footprint regions	• Social and environmental risks 	Industry and corporate awards were given to over 2,000 Group employees. In 2015, 9,104 employees of the Group completed advanced training and occupational and industrial safety courses. The total gross air pollutant emission by Novgorod-based Acron and Dorogobuzh did not exceed emission limits in the reporting year. In all regions of operation, the Group signed social and economic cooperation agreements with regional governments. Acron Group invested a total of RUB 131.5 mn in social and economic development in its footprint regions.	Enhance the level of employee qualification Measures were introduced to decrease the discharge of air and water pollutants and reduce the generation and storage of consumer and production waste.

Letter from the Chairman of the Board of Directors

Dear Shareholders,

This report describes Acron Group's performance in 2015. The last year was undoubtedly challenging for Russian business. Lower prices for oil and other inputs brought about changes in the economic environment, while turbulence in the currency market restricted access to capital and world trade was restrained by the tense geopolitical situation. In 2015, declining commodity markets caused mineral fertiliser prices to drop significantly. These developments were mainly driven by a weak demand in consumer countries, general market uncertainty, higher industry competition and lower production costs in a number of producing countries caused by lower prices for energy inputs and weaker national currencies.

The Russian fertiliser industry received support from the government, which committed to preserving the free currency market and avoiding an increase in the tax burden on business. A weaker rouble helped offset the decline in global fertiliser prices.

The Group was able to weather this volatile market environment and post some of the best results in its history by systematically implementing its long-term strategy, lowering the debt ratio, diversifying sales markets, and taking measures to improve performance and reduce production costs. Acron Group's net profit was USD 274 million. Despite a 10% decrease in dollar revenue to USD 1,740 million, the Group's EBITDA was up 31% to USD 696 million and EBITDA margin was 40%.

The Group's strategy for priority investment projects has paid off. For instance, our Oleniy Ruchey mine (NWPC) is operating with the highest margin among the Group's subsidiaries. NWPC's EBITDA was USD 90 million (13% of the Group's EBITDA). In 2015, Acron (Veliky Novgorod) completed major construction operations at the new ammonia unit. This project is intended to become the main driver for improving our performance over the next several years.

Having passed the peak of the investment cycle, we were able to reduce the Group's debt ratio. In 2015, our net debt dropped to USD 702 million from USD 992 million, and net debt /EBITDA was 1.0, against 1.9 in 2014. This decrease was supported by a lower volume of capital expenditures (in U.S. dollar equivalent) and higher earnings, which create opportunities to increase dividend payments in future.

The Group's market capitalisation was up to USD 2.1 billion from USD 1.3 billion in the previous year, proving that investors trust the Group's development strategy. The established rating agencies Fitch and Moody's upgraded Acron Group's long-term credit rating and corporate rating.

In 2015, the Board of Directors focused on continual improvement to corporate governance, including the institute of independent directors. The number of independent directors increased to three of the seven Board's members.

In future, we will continue paying close attention to risk management. The Group sees its key risk management tasks as monitoring implementation of the investment programme, maintaining a comfortable level of debt, diversifying sales markets, expanding sales in markets with strong demand and a high premium, creating a greater variety of products and improving labour safety. We are confident that only a proactive approach can ensure the Group's sustainable development and create the foundation for continuous growth and improvement of our competitive strength.

On behalf of the Board of Directors, I would like to thank all of Acron Group's employees for their excellent performance in 2015.

Alexander Popov,
Chairman of the Board of Directors

Letter from the Chief Executive Officer

Dear Shareholders, Colleagues and Partners!

Acron Group has been building up output of its main commercial products for the past seven years and intends to maintain this tradition in future. In the reporting year, the Group posted record operating results. The Group's output of fertilisers and industrial products was up 2.6% year-on-year to 6.431 million tonnes.

This increase was driven by higher output of apatite concentrate and non-organic compounds. Commercial output of mineral fertilisers and ammonia was down 1.5% year-on-year to 5.015 million tonnes because of a scheduled major overhaul at Acron (Veliky Novgorod) as well as an equipment upgrade at Hongri Acron to improve environmental safety.

Output at Dorogobuzh was up 21.6% to 1.807 million tonnes. In Q1 2015, our Oleniy Ruchey mining asset, reached its design capacity and produced a record 1,135,000 tonnes per year of apatite concentrate (up 27.4% year-on-year).

Investment Programme

In 2015, Acron Group continued implementing the strategic projects and technical development plan envisaged by its investment project. Construction of the ammonia unit at Acron (Veliky Novgorod) was completed and commissioning is underway. The 700,000-tonne Ammonia-4 unit will be the largest in Russia and will save resources because it consumes 11% less natural gas than the existing production units.

The launch of the Ammonia-4 project will create a strong blueprint for further expansion of processing facilities while reducing the Group's capital expenditures and improving its financial performance, which in turn will bring about an increase in free cash flows.

Construction of the second stage of the Oleniy Ruchey mine (NWPC) is ongoing. We expect to start processing ore from the underground mine in late 2016 and complete expansion of processing plant in 2017. In the next few years, apatite concentrate output will grow as the underground mine's output increases.

Verkhnekamsk Potash Company made progress drafting design documentation for mine facilities and temporary buildings and structures for shaft sinking and freezing at the Talitsky area, Verkhnekamsk potassium-magnesium salts deposit, Perm Krai. In 2016, we plan to obtain a complete set of design documentation and approvals for all mine facilities, which will open the gate for full-scale mine construction.

Financial Results

According to Acron Group's consolidated IFRS financial statements, in 2015 the Group's revenue was up 42% to RUB 106.1 billion because the weaker rouble offset the decline in global fertiliser prices.

Production costs were up 17%, mainly due to an increase in the price of potash, which is affected by the U.S. dollar exchange rate. Prices for other materials and components used in production were up, as were personnel costs. Selling, general and administrative costs were up 30% and transportation costs increased 30%. This jump was primarily due to extremely high foreign currency costs.

EBITDA increased by a factor of 2.1 year-on-year to RUB 42.4 billion. In 2015, EBITDA margin increased to 40%, against 27% in 2014. The Group's mining subsidiary North-Western Phosphorous Company (NWPC) contributed 13% to the Group's EBITDA.

In the reporting year, the Group's net profit increased by a factor of 2.4 year-on-year to RUB 16.7 billion.

Capital expenditures were RUB 15.1 billion, mostly spent on the Ammonia-4 project, a technical upgrade of chemical production facilities and the second stage of NWPC's phosphate project. Capital expenditures in the potash project were RUB 1.2 billion.

In the reporting year, the Group earmarked RUB 5.6 billion as dividends.

The increase in total debt in 2015 was insignificant (from RUB 80.6 billion to RUB 81.6 billion).

Sustainability

Acron Group is implementing a long-term sustainability policy. The Group's production facilities are cognisant of their impact on a wide range of interested parties on whom the Group's future success depends.

Acron Group's stable financial and production performance positively affects the development of footprint regions. We cooperate with local authorities at all levels to promote social and economic development through our active involvement in creating and modernising healthcare, education, cultural and sports facilities.

Our employees are the Group's major asset. Since 2011, Acron Group has been following the Fair Work programme, which focuses on employing highly skilled and motivated employees and protecting their rights and interests. The programme covers all the Group's capital assets and addresses the matters of human resources and social and environmental policy. The Fair Work programme is a key ingredient of Acron Group's long-term development programme.

We seek to provide the Group's employees with opportunities for professional growth and offer advanced professional training and re-training programmes. In 2015, approximately 9,000 employees attended advanced professional training courses. In addition, we invest in the professional training of potential employees by cooperating with schools, colleges and universities in our footprint regions.

Another top priority of the Group's sustainability efforts is managing the labour safety and health of Acron Group's many thousands of employees. In 2015, we increased our investments in the labour safety programme and other safety measures to RUB 0.6 billion.

In the reporting year, the average monthly salary at the Group's subsidiaries in Russia increased 15% year-on-year and was consistently much higher than the average income in the footprint regions.

By investing in professional development, training courses and health care, the Group ensures professional consistency and succession, encourages employees' pursuit of innovations and brings them job satisfaction.

Acron has always been committed to environmental matters. In the reporting year, total gross air pollutant emissions at Acron and Dorogobuzh were below the allowable norms. The Group's approved technical development plan, which includes equipment upgrades and commissioning of new, environmentally safe units, is intended to prevent accidents and further reduce pollutant emissions.

In 2016, Acron Group will continue implementing its approved strategy. We plan to launch the new engineering equipment at the ammonia unit in Veliky Novgorod soon and expect to obtain the first batch of ammonia by late April 2016. With the new unit on stream and fewer scheduled overhauls at the Group's production facilities, we expect business performance to respond positively in 2016. In 2017-2020, we plan to gradually increase apatite concentrate output as the second stage of the Oleniy Ruchey mine is launched.

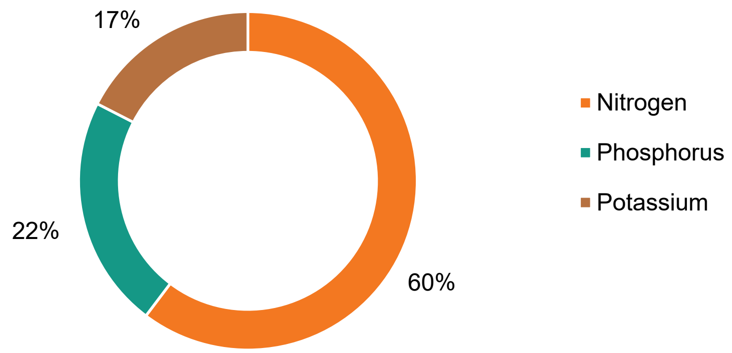
Vladimir Kunitsky,
Chief Executive Officer

Mineral Fertiliser Market Overview

The reporting year was challenging for the mineral fertiliser market. Demand was suppressed by several factors, including low prices for agricultural products and weaker national currencies in key consumer countries. The global market also suffered from oversupply.

According to the International Fertilizer Industry Association (IFA), in 2015 global mineral fertiliser consumption remained essentially flat year-on-year at 182.6 mn t in terms of nutrients. Potash fertiliser consumption was up just 0.2%, while phosphorous fertiliser demand decreased 0.6%. Nitrogen fertiliser consumption remained at the same level. Demand decreased in North America, Latin America and the Middle East and increased in South Asia, Africa and the CIS.

2015 Mineral Fertilizer Consumption*



182.6 mn t

Global mineral fertiliser consumption in 2015

*In terms of nutrients
Source: IFA, December 2015

Producers in emerging countries improved their competitive strength as their national currencies weakened. Factoring in oversupply, this resulted in lower prices across all segments. Nitrogen fertiliser prices dropped the most due to lower prices for gas and coal inputs.

Average Indicative Prices, USD/t, FOB Baltic/Black Sea

	Average prices			Year-end prices		
	2015	2014	Change	2015	2014	Change
Urea	267	311	-14.1%	229	313	-26.7%
DAP	474	479	-1.2%	408	488	-16.4%
Potash	287	276	4.2%	265	290	-8.6%

Sources: Fertecon, FMB.

China remained a dominant global exporter of urea and phosphorous fertilisers. Approximately 35% of Chinese urea and 35% of DAP/MAP were exported. China became the world’s major exporter of these fertilisers.

Notwithstanding the price drop, the weaker rouble kept Russian mineral fertiliser producers competitive.

According to IFA, in 2016 global mineral fertiliser consumption will be up 1.7% to 185.8 mn t in terms of nutrients. Nitrogen fertiliser, phosphorous fertiliser and potash consumption are forecast to increase 1.4%, 1.9% and 2.5% respectively.

World Fertiliser Consuption, mn t nutrients

	2014	2015E	2015/2014	2016F	2016/2015
Nitrogen, N	110.1	110.1	0.0%	111.7	1.4%
Phosphorus, P_2O_5	40.8	40.6	-0.6%	41.4	1.9%
Potassium, K_2O	31.8	31.9	0.2%	32.7	2.5%
Total	182.7	182.6	-0.1%	185.8	1.7%

Source: IFA estimates as of December 2015.

Nitrogen

In 2015, nitrogen demand remained flat year-on-year while ammonia and urea output increased 2%. The market was oversupplied.

Urea consumption increased in India, while demand softened in Brazil due to farmers' lower purchasing power caused by low agricultural products prices, the weaker national currency and higher interest rates on loans.

Urea output increased in Western and South Asia, China and Algeria. Production decreased in Ukraine due to political crisis and in Egypt because of disruption of gas supplies. The world's general utilisation rate was 92%.

World urea production

169.7 mn t

World urea exports

47.3 mn t

Urea exports from China

13.7 mn t

Worlds Urea Production and Export, mn t

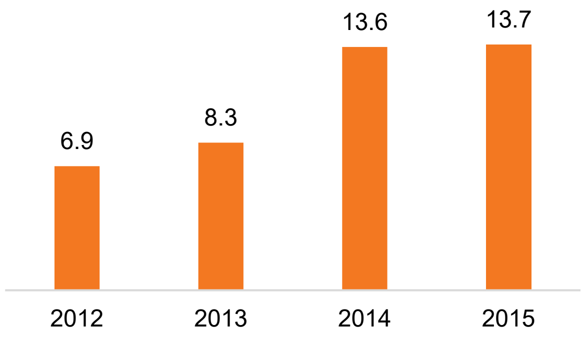
	2013	2014	2015O
Production	169.3	166.1	169.7
Export	44.8	47.5	47.3

Sources: IFA estimates as of December 2015.

Commissioning of new capacity is ongoing. In 2015, new facilities were put on stream in China, Indonesia, Vietnam, Algeria, Egypt, the United States, India, Russia and Saudi Arabia.

China remained the world's major urea exporter (30%). China's export volume was high because of a significant decrease in export duties.

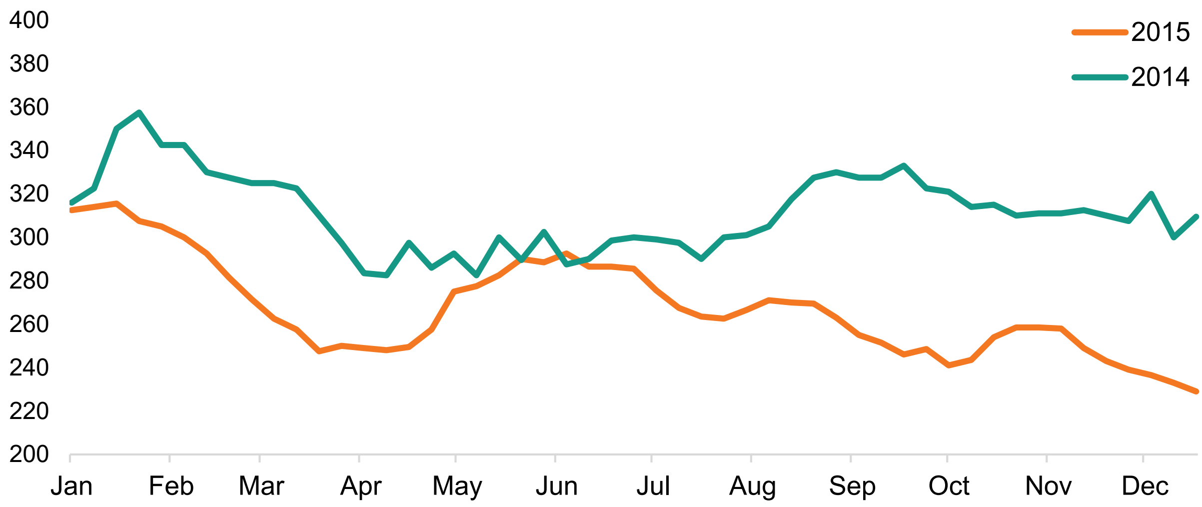
Urea Exports from China, mn t



Source: China Fertilizer Market Week.

Urea prices were pushed down by oversupply and lower production costs in a number of key regions. Producers in emerging countries with weaker national currencies found themselves more competitive. Production costs were down in Europe and the United States due to lower natural gas prices. Costs in China decreased because of the weaker yuan and a sharp decrease in the price of coal, which is a core input for urea production in China. However, intense competition forced Chinese producers to drop urea prices below their production cost (USD 240) by the end of the year.

Urea, FOB Baltic Sea, USD/t



Source: Fertecon.

In early 2016, urea prices dropped further to USD 200 per tonne (FOB China). As a result, Chinese producers failing to sustain competition refused to decrease prices further. This price level may force China to curtail production, returning the market to equilibrium. Producers with high costs will eventually be pushed out of the market by new production facilities outside China. However, because of China's imposing share in global urea production and export, Chinese production costs will continue to determine global prices.

New urea facilities are expected to come on line in 2016 in the United States, Nigeria, Egypt, Mexico, Iran, Bangladesh, Indonesia and Malaysia.

In 2015, prices for premium products (ammonium nitrate and UAN) fell farther than the basic product price (urea). The price of UAN was under pressure from massive Chinese exports. For instance, Chinese UAN exports in 2015 were up 84% to 411,000 t, 80% of which were supplied to the United States. American consumers took advantage of this oversupply and postponed UAN procurement in Q3 and Q4 2015 until the start of spring seeding season in order to get the lowest possible price. The AN price decreased due to soft demand from Brazil.

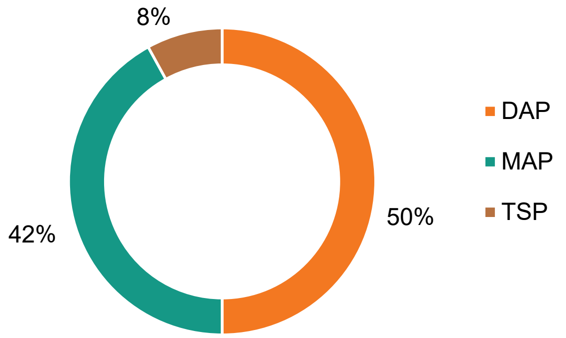
Despite lower prices, Russian producers maintain their competitive position in the global market because of the weaker rouble.

Russian nitrogen fertiliser consumption was up with encouragement from the import substitution programme and discounts granted to producers. According to the Russian Association of Fertiliser Producers, Russian producers supplied farmers with 3.5 mn t of AN, Russia's most popular nitrogen fertiliser (up 25% year-on-year).

Phosphates

In 2015, phosphates consumption was relatively weak. Higher demand in India was offset by a drop in consumption in Latin America. According to IFA, output of the key phosphorous fertilisers (DAP, MAP and TSP) was up 3% to 67 mn t (32.1 mn t of P_2O_5).

Main Phosphorous Fertilisers*



World DAP production

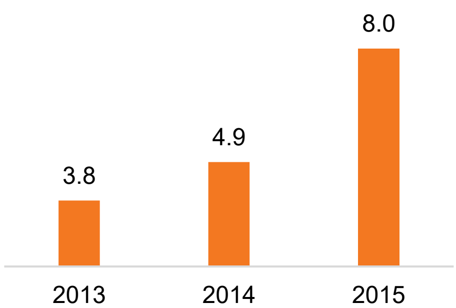
32.5 mn t

* In terms of P2O5.
Source: IFA, December 2015

Global DAP output was up 7% to 32.5 mn t. DAP production increased in China, Russia and Saudi Arabia and decreased in Jordan, the United States and Morocco. MAP output was up 2% to 26.4 mn t. MAP production increased in the United States and Morocco. TSP output was down 15% to 5.2 mn t.

In 2015, China remained the world's major exporter of DAP (43%) and MAP (32%). Chinese DAP output was up 14%, while consumption remained flat year-on-year. This, along with a significant decrease in export duties, resulted in a 64% jump in DAP exports.

DAP Exports from China, mn t



DAP exports from China

8.0 mn t

Source: China Fertilizer Market Week.

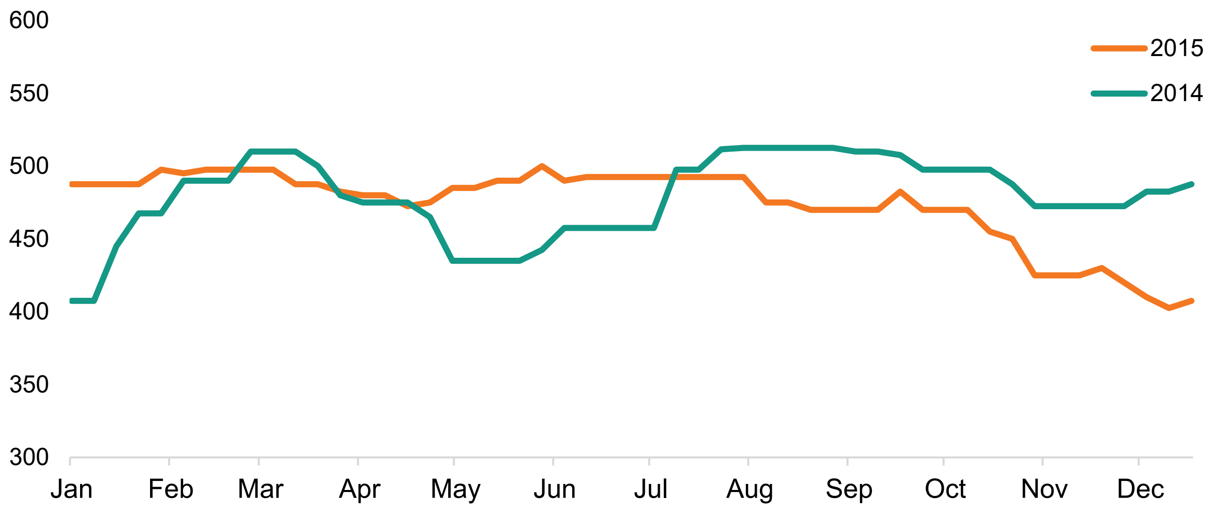
China supplied a large volume of phosphate fertilisers to India, where demand increased in 2015 after two years of recession. India was a major DAP importer, with a 40% share in the global market.

Brazil remained the world's major MAP importer (40%). In 2015, consumption of phosphorous fertilisers in Brazil significantly decreased due to low prices for agricultural products, a weaker national currency and higher credit interest rates.

In 2015, DAP/MAP production capacity decreased in the United States with the closure of Mississippi Phosphates and one of PotashCorp's production facilities. This was more than offset by the commissioning of two OCP production units in Morocco (1 mn t each) by the end of the year. In 2016, OCP is expected to launch another two similar units. Estimated global DAP and MAP capacity by the end of 2016 is 66.4 mn t and 22.8 mn t, respectively.

DAP prices remained stable in H1 2015 as India soaked up the Chinese mass export. When Indian demand slowed down in H2 2015, however, coinciding with the recession in Brazil and lower prices for the ammonia and sulphur used in DAP production, DAP prices suffered as a result.

DAP, FOB Baltic, USD/t



Source: FMB.

It is expected that China will continue increasing its phosphorous fertiliser output in 2016. Since domestic consumption remains stable, the excess will boost exports. At the same time, it is expected that India's demand will decrease in 2016 due to large inventory and higher domestic production. With this in mind, experts expect the market to be oversupplied, a situation that may be exacerbated when the new OCP facilities come on line.

Demand from India and Brazil was weak in early 2016. Oversupply from China and lower ammonia and sulphur prices resulted in a further drop for DAP prices. Prices stabilized when Chinese producers and Mosaic reacted by curtailing production.

Potash

According to IFA, following a record year in 2014 potash sales decreased 5% to 62.5 mn t in 2015 due to high inventory levels at the beginning of the year and weaker national currencies in key consumer countries. Imports to the United States, Brazil, Indonesia and Malaysia were down, while China increased its imports. Imports to Western Europe and India remained stable.

Global potash export

47.2 mn t

Global potash production

61.2 mn t

In 2015, potash output was down 4% to 61.2 mn t. Potash production increased in Canada, China and Jordan and decreased in Israel, Latin America, Russia and the United States. Russian potash output was down 6% due to an accident at one of Uralkali's mines. Global potash output was 82.3 mn t, down 1.3 mn t year-on-year.

Global potash production and export, mn t

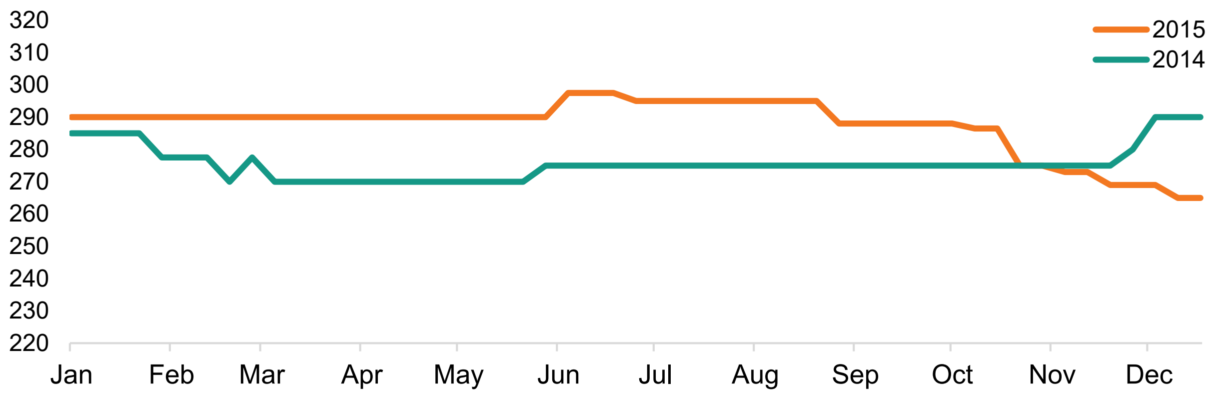
	2013	2014	2015O
Production	55.3	63.5	61.2
Export	41.8	50.4	47.2

Sources: IFA estimates as of December 2015.

Globally, producers are expanding existing production facilities and launching new projects. As of the end of 2015, BHP Billiton had completed 54% of its major Jansen project. Commissioning of the Legacy project by K+S is scheduled for late 2016. According to IFA estimates, 2016 potash output will be up 6.5 mn t to 88.8 mn t.

In 2015, potash prices decreased due to soft demand and greater competition. Uralkali and Belaruskali saw their production costs fall due to weaker national currencies. It is expected that in 2016, prices will continue to decline under the influence of competition; however, the profit margin in FSU countries remains relatively high.

Potash, Spot, FOB FSU, USD/t

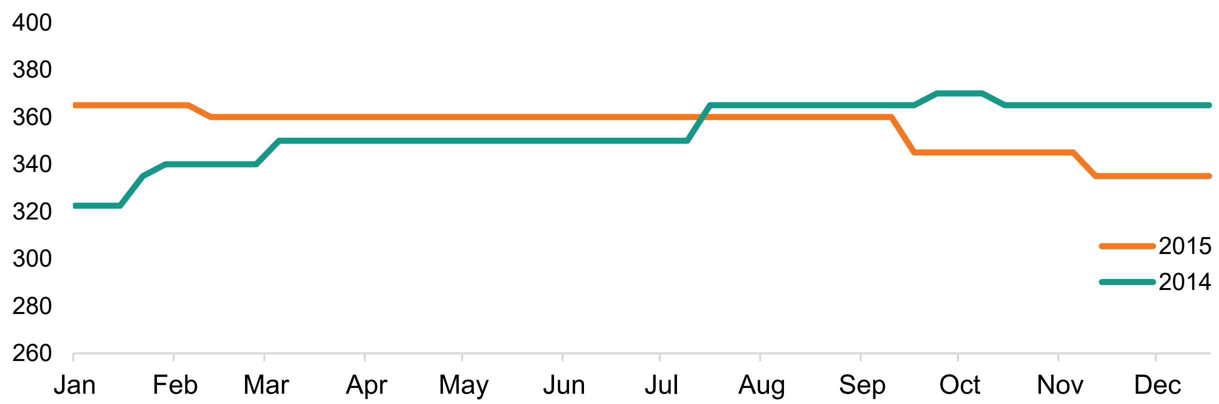


Source: FMB.

Complex Fertilisers

NPK is a niche product with stable demand, so NPK prices are traditionally less volatile than basic product prices. NPK prices remained stable in H1 2015. A decline in the prices of basic products resulted in lower NPK prices in H2 2015. The dip in NPK prices was moderate, however, and the premium over the basic product basket actually went up.

NPK, FOB FSU, USD/t



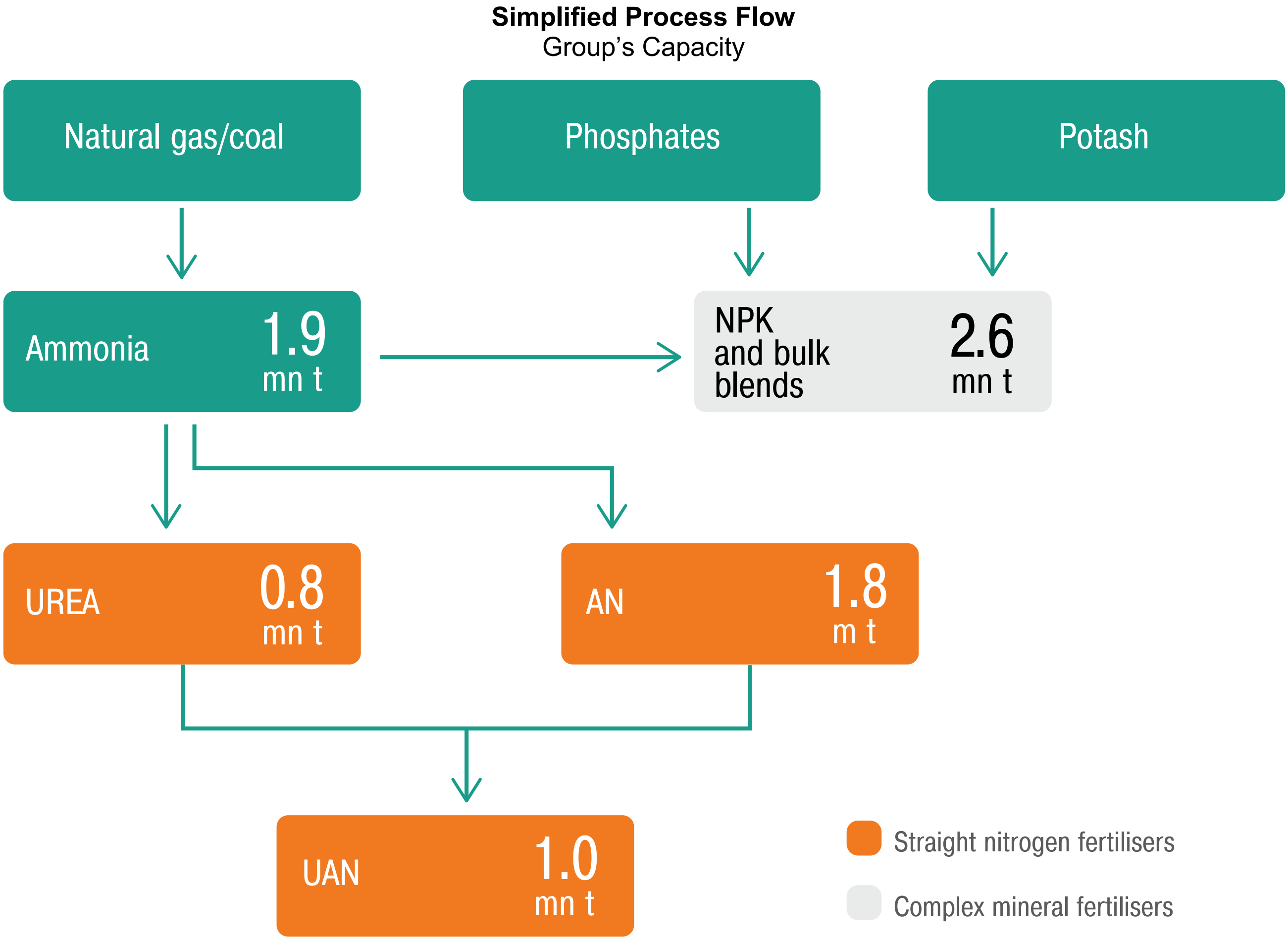
Source: FMB.

NPK is an effective fertiliser that is easy to store and apply. That is why global NPK demand continues to grow. China is a major NPK producer and consumer. In addition to its significant domestic production, China imports significant volumes of complex fertilisers each year. Other Pacific Rim, Latin American and African countries are also boosting their NPK consumption. Complex fertilisers are invariably popular in the CIS, where consumption of phosphorous and potash fertilisers is traditionally low.

Operating Results

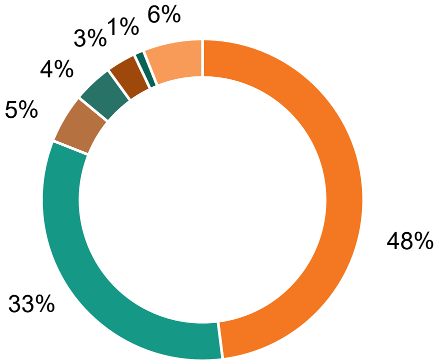
Chemical Production

Process Flow Diagram

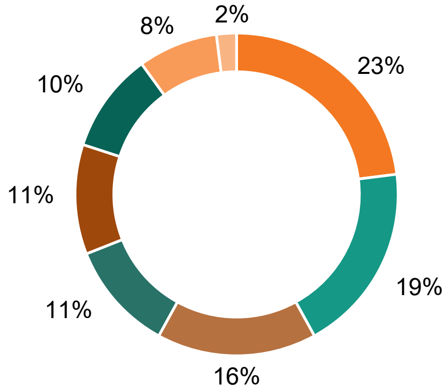


Shows aggregate production facilities of the Group's companies

Revenue by product in 2015



Revenue by region in 2015



Commercial output ('000 t)*	**2015**	**2014**	**2013**
Ammonia	36	115	155
Nitrogen fertilisers	2,518	2,481	2,528
Complex fertilisers	2,461	2,495	2,574
Organic compounds	215	194	191
Non-organic compounds	840	808	671
Apatite concentrate	360	173	12
Total	**6,431**	**6,267**	**6,131**

* Excluding turnover inside the Group

Key products sales ('000 t)	**2015**	**2014**	**2013**
Ammonia	46	112	161
Nitrogen fertilisers	2,547	2,512	2,434
Complex fertilisers	2,306	2,520	2,649
Organic compounds	214	195	192
Non-organic compounds	827	782	707
Apatite concentrate	356	180	8
Total	**6,296**	**6,300**	**6,159**

Nitrogen Fertilisers

Operating Results

- Ammonia output was 1.765 mn t (down 3% year-on-year). This decrease in output was caused by scheduled large-scale capital repairs at the Acron site in Veliky Novgorod.
- Nitrogen fertiliser output of 2.518 mn t (up 1.5% year-on-year) was possible due to record high output of nitrogen fertilisers at Dorogobuzh site – 1.031 mn t (up 25% year-on-year and up 12% from the previous record high in 2013).

Development Plans

- Increase urea production capacity at the Acron site in Veliky Novgorod to 1.0 mn tpa.
- Ramp-up ammonia production by 700,000 tpa after the new Ammonia-4 unit launches in 2016 at the Veliky Novgorod site.

Key Trends in the Nitrogen Fertiliser Market in 2015

- Demand for nitrogen fertilisers in 2015 remained unchanged year-on-year, while global output of ammonia and urea was up 2%. Market supply is currently higher than demand.
- Urea exports from China were high due to substantial export duties reduction.
- Production costs in key regions decreased due to weaker currency exchange rates in developing countries and lower gas and coal prices.
- Prices for nitrogen fertilisers faltered over 2015 and fell below the production costs of most Chinese manufacturers. Their Russian peers remained competitive.

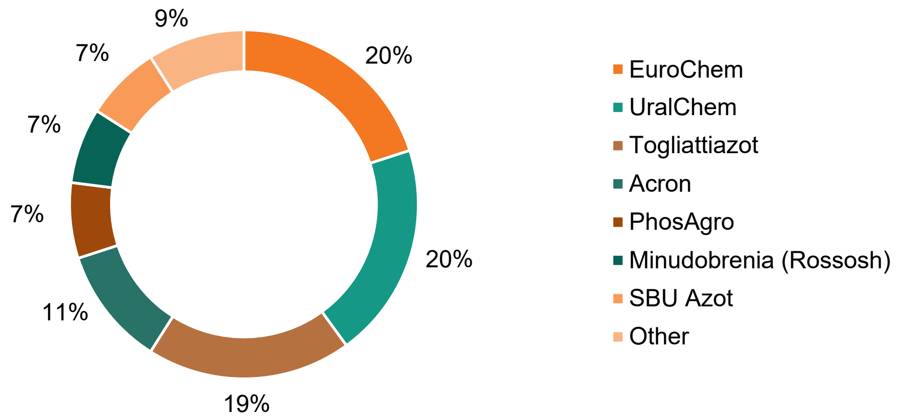
Read more at Fertiliser Market Overview.

2015 Operating Results ('000 t)

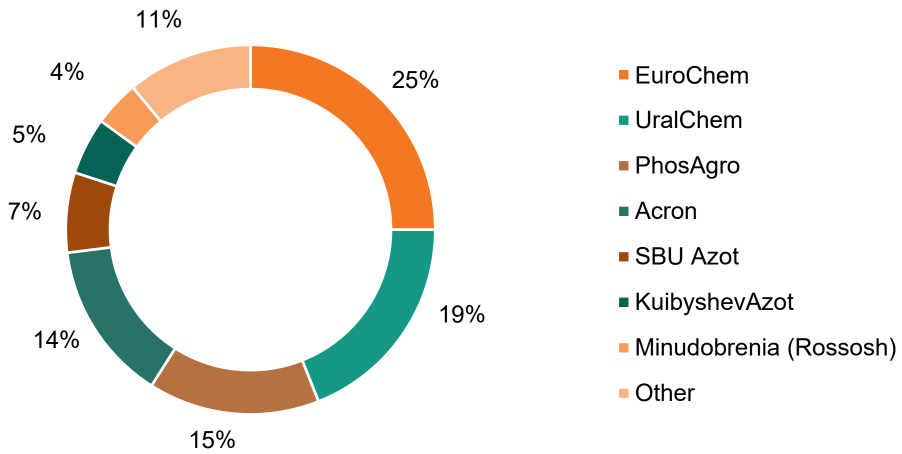
	Ammonia	**Nitrogen fertilisers**			
		AN	**Urea**	**UAN**	**Nitrogen fertilisers, total**
Output					
Acron (Veliky Novgorod)	**1,080**	453	624	860	**1,936**
Dorogobuzh	**628**	1,063	–	–	**1,063**
Hongri Acron	**57**	–	–	–	**–**
Total output	**1,765**	1,516	624	860	**2,999**
Incl. in-house consumption	***1,729***	*87*	*395*	–	***481***
Total commercial output	**36**	**1,429**	**229**	**860**	**2,518**
Year-on-year	***–68%***	***+9%***	***0%***	***–8%***	***+1%***
Sales*	**46**	**1,457**	**224**	**866**	**2,547**

* Sales of own products (excluding trading operations)

2015 ammonia production in Russia by producer



2015 nitrogen fertiliser production in Russia by producer*



* In terms of nutrient

Source: Azotecon-Plus

Acron (Veliky Novgorod)

Ammonia. Ammonia output was 1.080 mn t in 2015, down 12% year-on-year due to scheduled large-scale capital repairs at the production site. Natural gas consumption at the ammonia units in 2015 was 1,059 m^3/t, in line with 2014 levels. However, the natural gas consumption rate was 1,066 m^3/t at the Ammonia-2 unit (down 9 m^3/t, year-on-year) and 1,052 m^3/t at the Ammonia-3 unit (up 9 m^3/t, year-on-year), making Acron's (Veliky Novgorod) Ammonia-3 unit the second most energy-efficient unit in Russia according to the Scientific Research and Design Institute for the Nitrogen Industry and Organic Synthesis Products (GIAP).

In 2015, scheduled comprehensive capital repairs were completed at two ammonia units to increase their energy efficiency and productivity. As a result, by the end of 2015 the units were operating stably with a gas consumption rate of 1,060 m^3/t at the Ammonia-2 unit and 1,035 m^3/t at the Ammonia-3 unit. The entire output of ammonia was used for further processing of fertilisers and industrial goods.

AN. AN output was 708,000 t (453,000 t for agriculture and 255,000 t for industrial purposes) in the reporting year. Output was down 9% year-on-year due to the decrease in ammonia production. Output of agricultural AN dipped 19% as the Group shifted production towards the more profitable AN for industrial purposes (see section "Industrial Products") and urea. In-house consumption of AN was 55,000 tpa for production of UAN, dry blends, NPK 25:9:9 and ammonium nitrate solution.

Urea. Urea output was down 3% to 624,000 t in 2015 because of the reduced ammonia production. Acron processed 63% (395,000 t) of its total urea output internally to produce UAN and urea-formaldehyde resins.

In the reporting period, shipments of high-purity urea for AdBlue fluid, which is used to reduce nitrogen oxides emissions by heavy trucks, were up 61% to 29,000 t.

Acron upgraded its urea unit No. 5 in 2015, which stabilised the unit's operation and resulted in record high output of 1,030 tpd by the end of 2015. The ammonia pump supplying ammonia to two urea units was also replaced.

UAN. UAN output was down 8% in the reporting year to 860,000 t because of lower ammonia production and a new focus on urea as more profitable product in 2015. However, equipment modernisation drove monthly output of UAN to a record high of 101,600 t in 2015.

Dorogobuzh

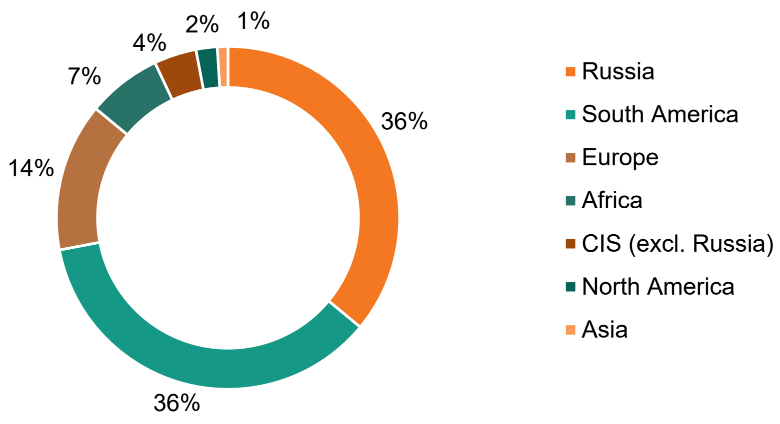
Ammonia. Ammonia output was up 102,000 t (19%) to 628,000 t in the reporting year, the highest the facility has posted since 2013. The production increase was made possible because there were no scheduled capital repairs in the reporting year, all such work having been completed in 2014. Upgrades in 2015 reduced the unit's natural gas consumption rate 0.4% to 1,117 m^3/t. Of the total ammonia output, 98% was used for further processing.

AN. AN output was up 187,000 t (21%) year-on-year to 1.074 mn t (including 11,000 t of AN for industrial use), another record for the facility since 2013. Higher AN output was primarily due to the increase in ammonia output. In-house AN consumption for dry-blended fertiliser production was 32,000 tpa (3% of total AN output).

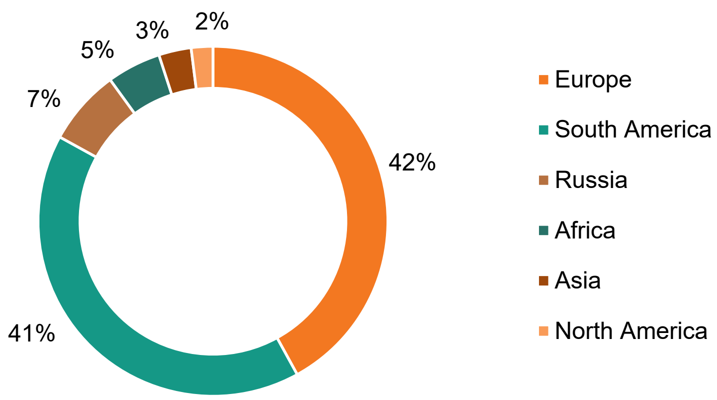
Hongri Acron

Ammonia. Ammonia output was down 23% in the reporting year to 57,000 t due to equipment modernisation that will make the process more environmentally sustainable. For the same reason, in-house consumption of ammonia fell to 35,000 t (down 21,000 t). Conversely, commercial ammonia shipments increased 21% to 22,000 t.

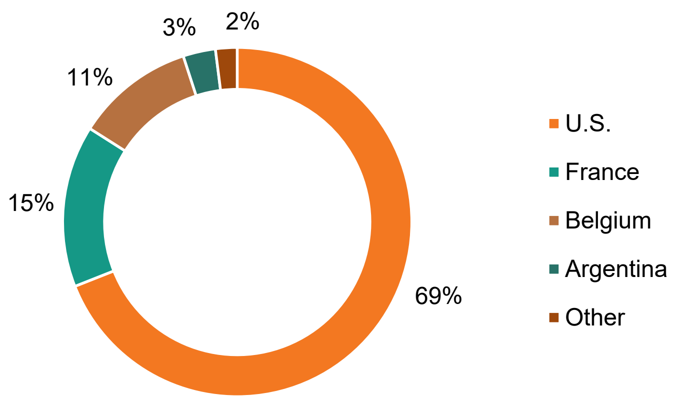
Geography of agricultural AN sales in 2015



Geography of urea sales in 2015



Geography of UAN sales in 2015



Note: in monetary terms; sales of own products (excluding trading operations)

Complex Fertilisers

Operating Results

- The Group produced a total of 2.485 mn t of complex fertilisers in 2015 (down 2% year-on-year).
- In 2015, North-Western Potash Company (NWPC) provided the Group's Russian facilities with all the apatite concentrate they needed.

Development Plans

- Gradually modernising NPK units to increase capacity
- Increasing output of new NPK brands
- Long term: using only internal source of potash feedstock once the Talitsky mine is commissioned

Key Trends in the Complex Fertiliser Market in 2015

- In 2015, NPK prices decreased as a result of lower prices for basic products.
- The NPK price drop was more moderate, and NPK premiums increased compared with the product basket.

Read more at Fertiliser Market Overview

2015 Operating Results ('000 t)

	NPK	Bulk blends	Complex fertilisers, total
Output			
Acron (Veliky Novgorod)	1,187	3	**1,190**
Dorogobuzh	661	53	**715**
Hongri Acron	580	–	**580**
Total output	**2,428**	**56**	**2,485**
Including in-house consumption	***24***	–	***24***
Commercial output, total	**2,405**	**56**	**2,461**
YOY	***0%***	***–36%***	***–1%***
Sales*	**2,251**	**56**	**2,306**

* Sales of own products (excluding trading operations)

Acron (Veliky Novgorod)

Despite the large-scale repairs performed in 2015, the Acron facility in Veliky Novgorod produced 1.187 mn t of NPK, in line with 2014 levels in terms of physical weight and a record high in Acron history. To satisfy the market in 2015, Acron produced 94,000 t of NPK 19-9-19, 25-9-9, 23-22-0, and SOP 15-15-15 in addition to NPK 16-16-16, and also developed new NPK brands with sulphur and magnesium compounds (NPKS brands 19-16-8-3 and 18-6-18-2S-2Mg). In addition, to meet market demand, Acron resumed manufacturing dry blends and produced 3,000 t in 2015.

This record NPK output was achieved by sustainably operating production units at increased loads, completing overhauls on a tight schedule and leveraging stable feedstock supply.

In the reporting year, all of Acron's apatite concentrate was provided by NWPC, which is building and operating the Oleniy Ruchey apatite-nepheline ore mine.

The project of sulphur and microelements introduction into NPK was implemented in 2015. This type of NPK compounds are in high demand. Energy efficiency measures involving air compression were also completed in the reporting year, which reduced the plant's air production costs.

Dorogobuzh

NPK output was up 121,000 t (22%) to 661,000 t which is a record high in the facility's history. The production increase was a result of capital repairs completed in 2014; no such repairs were scheduled in the reporting year. Dorogobuzh uses NPK and AN to produce dry blended fertilisers. In 2015, 21,000 t of NPK (3% of total output) were used for these purposes. Due to market changes, dry blended fertiliser output was down 39% to 53,000 t year-on-year.

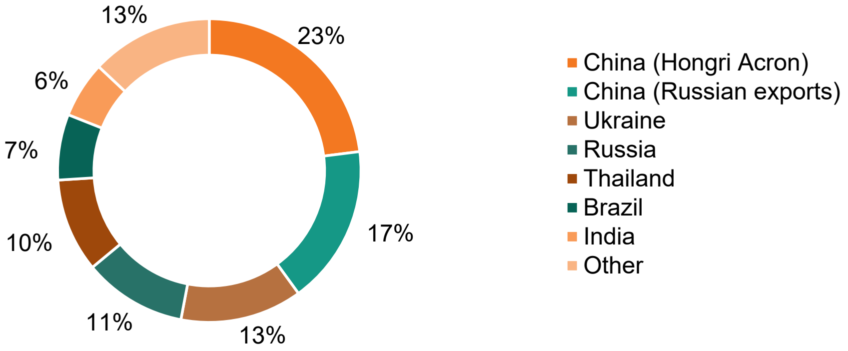
In 2015, daily NPK output was 2,000 t.

All of Dorogobuzh's apatite concentrate was supplied by NWPC in the reporting year.

Hongri Acron

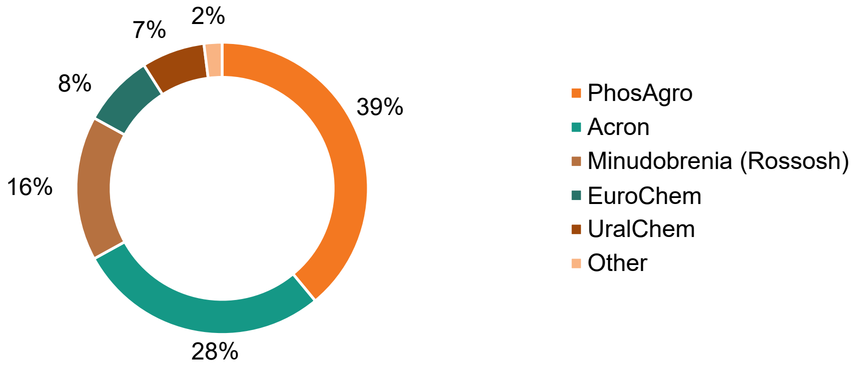
In 2015, NPK output was down 19%, from 716,000 t to 580,000 t. Complex fertiliser sales dropped 27% to 525,000 t. These decreases were the result of a production suspension in 2015 that was necessary in order to comply with environmental requirements. In the reporting year, the Chinese government announced a strategy of "zero growth" in mineral fertiliser production, which caused a sharp decrease in demand for this product and affected sales.

Geography of NPK sales in 2015



Note: in terms of volume; sales of own products (excluding trading operations)

2015 complex fertiliser production in Russia by producer*



* In terms of nutrient

Source: Azotecon-Plus

Mining

Phosphates

Oleniy Ruchey mine

Acron Group sources all of its apatite concentrate, a high quality phosphate raw material used by the Group's Russian facilities, from North-Western Phosphorous Company, its subsidiary operating the Oleniy Ruchey mine in Murmansk region.

Oleniy Ruchey Deposit Reserves

Apatite-nepheline ore balance reserves under Russian standards (as of 31 December 2015):

- Categories B+C1: 262.1 mn t (P_2O_5: 42.7 mn t)
- Category C2: 130.2 mn t (P_2O_5: 19.5 mn t)

Balance reserves will ensure the operation of NWPC for 57 years.

JORC resources and reserves (2011):

- Ore resources (measured, indicated and inferred): 280.2 mn t (P_2O_5: 43.6 mn t)
- Ore reserves (proved and probable): 255.4 mn t (P_2O_5: 34.4 mn t)

2015 Operating Results

- The Oleniy Ruchey mine produced a total of 1.135 mn t of apatite concentrate, up 244,000 t (27%) year-on-year.
- Output of apatite-nepheline ore from the open-pit mine was 4.806 mn t (against 3.134 mn t in 2014).
- In early 2015, the Oleniy Ruchey mine reached capacity of 1.1 mn t of apatite concentrate per year.
- In 2015, NWPC shipped a total of 356,000 t of apatite concentrate to third-party buyers (against 180,000 t in 2014).
- Total CAPEX since the start of deposit development exceeds USD 850 mn.

Development Plans

- Construction of the underground mine and expansion of the processing facility's to 2 mtpa. In 2016 NWPC plans to start ore production in the underground mine. Taking into account potential ore production capacity for the open pit and the underground mine, output will gradually increase up to 2 mtpa. After the completion of Stage 1, Acron Group started pulling back on investments in the Oleniy Ruchey project as it focused on its other project, Ammonia-4.

Key Trends in the Phosphate Fertiliser Market in 2015

- Global consumption of phosphate fertilisers in 2015 was relatively slow. Output was up 7 % for DAP and 2% for MAP.
- China massively increased its DAP and MAP export, which India consumed as it faced high demand in 2015.
- World market prices for DAP and MAP were stable in the first half of the year; however, decreased demand in Brazil and lower prices for ammonia and sulphur used for production drove down the prices for phosphate fertilisers by year-end.

Read more at Fertiliser Market Overview

Operating performance and investments

In 2015, the Oleniy Ruchey mine extracted 8.8 mn m^3 of rock, yielding 4.806 mn t of apatite-nepheline ore with an average P_2O_5 grade of 11.93%, against 3.134 mn t of apatite-nepheline ore with an average P_2O_5 grade of 12.91% in 2014. Output was up 53% due to better development conditions and technologies.

The processing facility produced 1.135 mn t of apatite concentrate, against 891,000 t in the previous year. The Oleniy Ruchey mine met all demand from the Group's Russian production facilities, providing them with 775,000 t of apatite concentrate in 2015. By early 2015, it achieved its first stage project capacity of 0.9 mtpa of apatite concentrate. Later, equipment optimisation helped the facility surpass its design capacity.

Commissioning the Oleniy Ruchey mine: a new stage in Acron Group's development

Start of implementation
Obtaining subsoil licence for the Oleniy Ruchey deposit

Launch of production
Start of apatite concentrate production

Increase in output
Apatite concentrate independence
Reaching 1.1 mn t capacity

Main objective: Construction of the mine's second stage and underground mine commissioning

2006 — 2012 — 2013 — 2015 — 2017

2006–2008: Preparations for the Oleniy Ruchey mine construction and passing state expert review

2009–2012: Construction of the mine's facilities, open pit and infrastructure

2013: Reaching stable output sufficient to satisfy in-house phosphate consumption at the Group's Russian facilities; start of apatite concentrate shipments to third-parties

2014: Reaching 1 mtpa output of apatite concentrate

2015: Reaching the first stage project capacity of 1.1 mtpa

Construction of the mine's second stage

Underground mine
Construction of the underground mine started in late 2011. By the end of 2015, miners had tunnelled 14.2 km and constructed three tunnels (for mineral extraction, conveyor and ventilation).

By 2017, the Group will construct ventilation and heating unit No. 1, the explosives warehouse, central step-down substation, main mine drainage and an auxiliary vertical shaft.

Processing plant
In 2016–2018, plant capacity will be expanded with construction of the second stage of the processing unit, filtration and drying shop. The Group will construct a railroad branch from the mine site to Titan station (approximately 30 km) in 2016-2018.

Potash

Talitsky mine

In 2015, VPC continued implementing Acron Group's major investment project to construct a mine at the Talitsky area of the Verkhnekamsk potassium-magnesium salts deposit in Perm Krai. Completion of this project will complete Acron Group's vertical integration for all key inputs – ammonia, phosphates and potash.

Talitsky Area Reserves

Balance sylvinite reserves according to State Reserves Committee (Rosnedra) (2012):

- Categories A+B+C1: 726.1 mn t of salts (K_2O: 163 mn t, KCl: 258 mn t) Recoverable reserves (including temporarily inactive reserves) in accordance with the 2014 Development Plan for Sylvinite Reserves at the Talitsky area: 255 mn t of KCl.

JORC resources (2011):

- Measured and indicated resources: 708.9 mn t of salts (K_2O: 156.9 mn t, KCl: 248.5 mn t)
- Inferred resources: 910.2 mn t of salts (K_2O: 155.9 mn t, KCl: 246.7 mn t).

Highlights

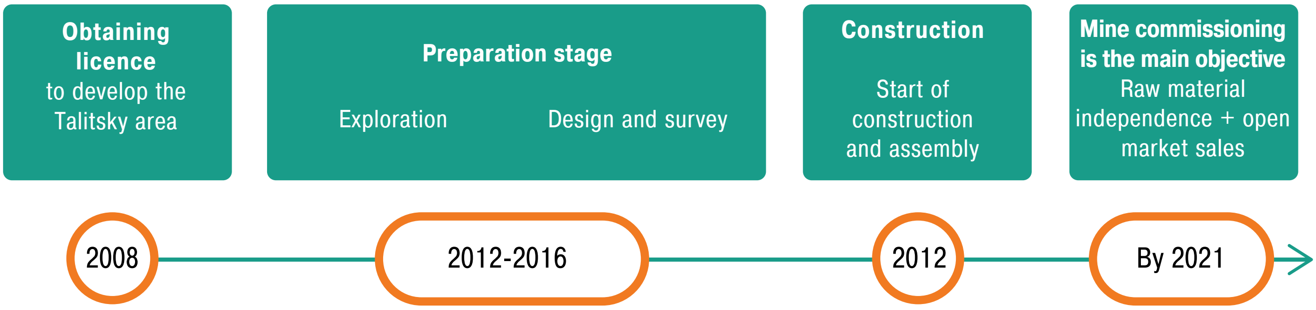
Designing:

- Project design documentation was drafted and an expert review was obtained for the underground and surface mine facilities and hydraulic backfill.
- Project design documentation was drafted and a positive expert review was obtained for power, railway and other infrastructure units.
- Engineering surveys for design and construction of the mine's surface facilities were completed.
- Design documentation to move 6.5 km of power lines was drafted and submitted for state expert review.
- Design documentation for construction of the Talitsky mine's surface facilities was drafted and submitted for state environmental expert review.

Construction:

- Skip shaft No. 1:
  - Construction and assembly of temporary structures and facilities for shaft sinking, including temporary head frames, are underway.
  - Completed grading and levelling at the shaft site
  - Finalised construction of mine gallery and installation of major brine pipelines
  - Completed construction of circular gallery
- Cage shaft No. 2:
  - Construction and assembly of temporary structures and facilities for shaft sinking, including temporary head frames, are underway.
  - Grading and levelling of the shaft site is completed.
- Finalised general construction of the building for mine rescue brigade and installation of the equipment for fire pumping station

Key Project Stages



Development Plans for 2016

- Obtaining state approvals for design documentation to construct surface facilities and external gas supply for the Talitsky mine and to develop the infrastructure for the public Berezniki-Sortirovochnaya station on the Sverdlovsk Railway
- Drafting construction documentation for surface facilities of the Talitsky mine
- Drafting mine construction documentation (underground and surface facilities and hydraulic backfill)
- Preparations for vertical shaft construction at the Talitsky mine, including construction of temporary facilities for freezing and sinking of mine shafts
- Start of construction of access road connecting Talitsky mine site with the Kungur-Solikamsk highway

Key Trends in the Potash Fertiliser Market in 2015

- High stocks at the start of the year and weaker currencies in major consumer countries led to a 5% decrease in global sales of potassium chloride in 2015.
- Production costs were down at Uralkali and Belaruskali due to weakening of their national currencies.
- Global prices for potassium chloride decreased in 2015 on the back of sluggish demand and greater competition; however, the profitability of producers in FSU countries remained relatively high.

Read more at Fertiliser Market Overview

Potash Assets in Canada

North Atlantic Potash Inc. (NAP, an Acron Group subsidiary) and CanPacific Potash Inc. (a joint venture between NAP and Rio Tinto Potash Management Inc.) hold 20 potash exploration permits for an approximately 1.4-million-acre (5,600 km^2) deposit in Saskatchewan, Canada. Acron Group considers these permits to be a long-term investment in its potash resource base. The area is divided into clusters, of which the most promising are the Albany project (nine permits in the south of the province), the Foam Lake project (four permits in the north of the province) and the Stockholm project (one permit in the southeast).

The available resource base provides a wide range of investment options. Depending on the cluster, both mid-scale and large-scale projects may be implemented, while geological structures allow for a range of potash production technology, from conventional underground mining to solution (leaching) mining.

Highlights

- Albany project (joint venture with Rio Tinto Potash Management Inc.). In 2011, a joint venture agreement was signed with Rio Tinto Potash Management Inc. for nine permits. In June 2014, the joint venture was established and all nine Albany Project permits with a total area of 586,000 acres were transferred to it. In 2011–2013, an extensive exploration programme costing USD 50 mn was completed for this cluster. Based on the exploration results, 1.4 bn t of salts (inferred resources) with average KCl content of 31% were recorded. The recoverable resources of KCl are estimated at 329 mn t. The Prefeasibility Study is scheduled for 2016-2017. The volume of resources, concentration of KCL, formation temperature and location make this project one of the world's best solution mining prospects.

- Foam Lake project (a cluster of four permits in the north of the province with a total area of 318,000 acres). In late 2012, resources were valuated according to NI 43-101 standards based on the exploration programme findings; 942 mn t of potash salts (indicated and inferred resources) at a depth of 1,000 to 1,100 m with average KCl content of 30% were recorded. Net recoverable KCl tonnage is estimated at 89 mn t. The cost of geological research was approximately USD 15 mn. This cluster is suitable for constructing a conventional potash mining facility.

- Stockholm project (permit KP 421). A short exploration programme was completed in 2012. The exploration well showed very high content of KCL: 34 to 45% at a depth of 1,100 to 1,200 m.

The key strategy for this asset is to analyse the prospects for each permit and select the appropriate development options: either joint ventures with investors or sale.

Industrial Products

Industrial products

2015 Operating Results, '000 t

	Acron	Dorogobuzh	Hongri Acron	Total output	Commercial products, total	YOY	Sales
Output							
Organic compounds				447	215	+11%	214
Methanol	91	–	–	91	8	–29%	8
Formalin	168	–	–	168	20	+124%	20
Urea-formaldehyde resins (UFR)	188	–	–	188	187	+8%	186
Non-organic compounds				840	840	+4%	827
Low-density and technical-grade AN	255	11	–	266	266	+16%	249
Calcium carbonate	382	23	–	405	405	+6%	405
Liquid carbon dioxide	23	34	–	57	57	+8%	57
Argon	6	–	–	6	6	–11%	6
Hydrochloric acid	–	–	107	107	107	–21%	111

Acron (Veliky Novgorod)

In the reporting year, Acron (Veliky Novgorod) produced 91,000 t of methanol, up 10% year-on-year. Output was in line with in-house and customer demand. Formalin output was 168,000 t, up 24,000 t (17%) year-on-year. Formalin production at the formalin and urea-formaldehyde concentrate unit exceeded the design capacity.

Acron uses methanol and formalin mainly for further processing and production of urea-formaldehyde resins (UFRs) (91% and 88% of the total output in 2015 respectively).

In 2015, Acron (Veliky Novgorod) became Russia's second major UFRs supplier. UFRs output was 188,000, up 8% year-on-year. UFRs are used in the wood-processing and furniture industries to produce chipboard and medium and high-density fibreboards. The resin market is highly competitive and consumers demand ongoing improvements to product quality and reduced toxic emissions. Acron strives to compete more effectively in this sector and is developing new resin formulas. In 2015, sales of melamine-based resins were up (to 17,700 t against 9,500 t in 2014) for producing chipboard in formaldehyde emissions class 1/2E-1.

In 2015, a new methanol synthesis unit was launched to ensure sustainable methanol production and reduce operating costs. Construction is underway on an aboveground methanol warehouse that will improve the safety of methanol storage and ensure sustainable interplant and external delivery of methanol. The warehouse commissioning is scheduled for 2016.

Overall output of non-organic compounds (low-density and technical-grade ammonium nitrate, liquid carbon dioxide, argon and calcium carbonate) increased 8% mainly due to a 17% increase in production of low-density and technical-grade ammonium nitrate.

This new production unit has increased monthly production of technical-grade ammonium nitrate from 10,000 to 40,000.

Dorogobuzh

In 2015, overall output of non-organic compounds was 68,000 t, up 26% year-on-year. This increase was primarily the result of a 135% (13,000 t) increase in calcium carbonate output in response to higher demand.

Hongri Acron

In the reporting year, hydrochloric acid output was down 21% to 107,000 t due to a suspension of production to comply with mandatory environmental requirements.

Apatite-Nepheline Ore Integrated Processing

Acron Group is implementing two innovative projects: development of pilot facilities for nepheline concentrate processing and extraction of rare earth elements from apatite concentrate.

Nepheline-10 project

Acron (Veliky Novgorod) developed an acid-based technology for nepheline concentrate processing to produce a range of products for the construction, chemical and metals industries.

In 2015, Acron continued construction and assembly at the site, where it is building a 10,000-tpa pilot facility for nepheline concentrate processing. Total project investments are estimated at USD 35 mn, and commissioning is scheduled for 2016.

Rare Earth Elements Project

Acron (Veliky Novgorod) developed a technology for extracting rare earth element concentrate from the apatite concentrate processing workflow to obtain several products: cerium oxide, neodymium oxide, lanthanum carbonate, medium and heavy REE concentrates, and light REE concentrate.

Since 2011, Acron has been operating a pilot unit to fine-tune the technology. In 2014, the Company completed construction of a 200-tpa production line (measured in terms of lanthanide oxides).

In 2015, Acron made efforts to extract new REE, increase their recovery rate and ensure sustainable production. The following results were achieved in 2015:

- Cerium oxide with target grade of 99.95% to 99.99% was extracted
- 99.5% neodymium oxide was extracted
- A pilot batch of lanthanum oxide was produced; lanthanum carbonate output was 1.00 t
- Extraction of medium and heavy REE was launched; output of the concentrate of medium and heavy REE carbonates was 0.95 t

In 2015, cerium output was 21.3 t; neodymium output was 1.0 t (in terms of 100% oxides).

Total project investments are estimated at USD 45 mn.

This project was included in the Rare and Rare Earth Elements sub-programme of a national government programme entitled Industrial Development and Competitive Growth.

Logistics

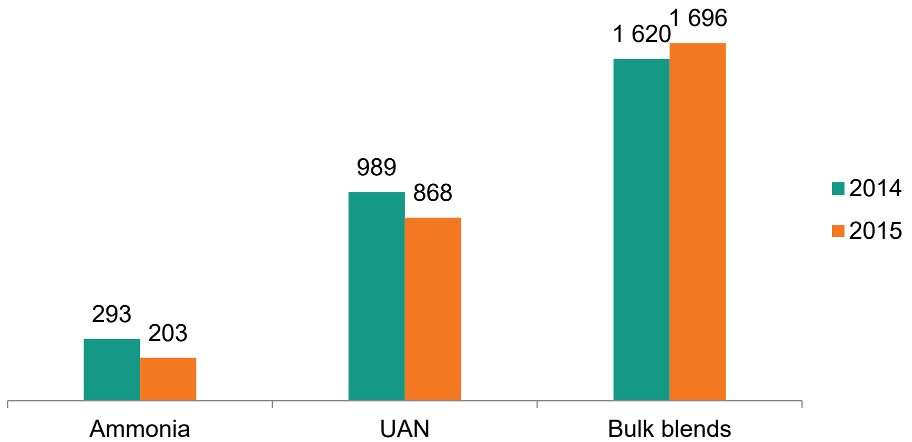
AS DBT, AS BCT and Andrex Seaport Terminals

Acron Group owns three port terminals on the Baltic Sea that ship most of the Group's export cargo. AS DBT (Muuga, Estonia) and Andrex (Kaliningrad, Russia) tranship bulk cargoes, while AS BCT (Sillamäe, Estonia) transships liquid fertilisers and ammonia.

Operating Results

In 2015, the Group's port terminals transshipped a total of 2.8 mn t, down 5% year-on-year. The Group's own cargo share was 86%, the same as last year.

Transshipment by Acron Group's seaport terminals in 2015 ('000 t)



The decrease in cargo turnover was mainly due to decreased transshipment of its own ammonia and liquid fertiliser UAN at AS DBT (down 170,000 t, or 16%). This was due to lower output of commercial ammonia and UAN at Acron's Veliky Novgorod facility. To some extent that was offset by greater transshipment of bulk cargo in the reporting year (75,000 t or 5%), including by Acron Group (44,000 t or 3%). Transshipment of third-party AN and liquid fertiliser UAN at AS DBT were down 40,000 t or 17%.

In 2015, AS BCT embarked on construction of an ammonia loading unit, to be implemented concurrently with the UAN loading unit at the same berth. Both units are planned for commissioning in the middle of 2016.

Rail Fleet

In 2015, Acron Group's Russian companies moved a total of 6.2 mn t of rail cargo. The railway operator Acron-Trans provides rail transportation of commodities and end products to port terminals and customers in Russia and the CIS for the Group's Russian companies. Acron-Trans operates over 2,000 railcars and tanks owned by the Group, as well as leased rolling stock of approximately 1,500 railcars.

Distribution

This segment of Acron Group's operations includes distribution networks in Russia (Agronova) and China (Yong Sheng Feng) and the wholly-owned trading companies Agronova Europe AG and Agronova International Inc.

Operating Results for the Segment

Russia (Agronova)

Agronova comprises 14 specialised trading companies that provide direct access to consumers in major farming regions of the country. Agronova's subdivisions store, sell and deliver mineral fertilisers. The distribution network has total storage capacity of 169,000 t.

Acron Group's products sold to regions of Russia

1.719 mn t

YSF's sales in the Chinese domestic market

130,000 t

In 2015, Acron Group sold its products to 75 regions of Russia. Total shipments were 1.719 mn t, up 26% year-on-year. This increase is mainly due to higher shipments of agricultural-grade AN and apatite concentrate, 39% and 157% respectively. The increase in shipments was also due to higher output of these products at Dorogobuzh and NWPC. This fuelled the 20% growth in mineral fertiliser sales (to 822,000 t in 2015), including low-density technical-grade AN. Sales of all brands of ammonium nitrate went up 33%, while sales of NPK were down 4%. According to the Russian Association of Fertiliser Producers, at year-end the Group accounted for 14% of AN and 18% of NPK (all brands) sold in the Russian market.

China (Yong Sheng Feng)

Yong Sheng Feng (YSF) focuses on wholesaling fertilisers produced by Acron Group and independent producers. The Company sells fertilisers both through retailers and through a network of distributors.

In 2015, YSF's sales in the Chinese domestic market were 130,000 t. The market was unstable and experienced a price decrease impacted by the introduction of VAT for NPK imports and the devaluation of Yuan, resulting in a significant drop in sales of independent manufacturers' products against 2014. Nevertheless, the Group's export sales from Russia were up to 123,000 t from 111,000 t, their highest level for the past five years. In 2015, YSF started selling Acron's new NPK brands in China. It also leased a warehouse in the major Chinese port of Chiwan to reduce transshipment and storage costs, and began improving its internal logistics and introducing agrochemical services.

Export

The trading companies Agronova Europe AG and Agronova International Inc. handle marketing, distribution and sea transportation of the Group's export fertilisers. In the reporting year, Agronova Europe AG and Agronova International Inc. posted aggregate sales of 3.2 mn t (down 8% year-on-year), excluding resale of third-party products.

Key Results by Sales Market

The Group's export strategy aims to achieve a diversified sales geography and increase the product range; the priority focus areas include increasing supplies to emerging markets and making direct sales to local distributors.

Asia

China and Thailand remain key markets for the Group's complex fertilisers in Asia. Traditionally, Acron Group has been a leading NPK supplier to these markets. In 2015, the Group's share in Chinese NPK imports was 27%. Acron also has a leading position in Thailand, despite the severe drought that depressed sales year-on-year. Southeast Asia remains a key market for NPK sales. In 2015, the Group increased sales in Malaysia. The Group sells its products to Asia exclusively on DAP terms, which maximises the return on sales and maintains control over distribution channels while providing qualified services to clients.

United States and Canada

The Group's sales of liquid nitrogen fertilisers UAN to the United States and Canada during the reporting year remained flat year-on-year (taking into account distribution of UAN produced by third parties).

Acron Group continues to expand direct cooperation with American and Canadian importers and distributors and began developing its own distribution network by entering local regional markets that serve major farmers, retailers and dealers. The Group's share in total U.S. UAN imports is approximately 25%.

Latin America

The Group continues its expanding its sales in Latin America. Nitrogen fertiliser sales in the region increased, particularly in Argentina, Peru, Chile and other countries where the Group increasing its presence. Sales of new NPK and bulk blend brands were also up.

Brazil remains the region's key market. Acron Group is known to be a reliable partner and supplier of high-quality products to Brazil, where, despite the unstable political situation in 2015, the Group kept its presence and increased nitrogen fertiliser sales.

Africa

The Group continues shipments of complex fertilisers to the markets of West Africa and East Africa. Various NPK brands are still the Group's key products in this region.

Europe

Europe is the Group's second most important UAN market and the most important urea market. In 2015, Acron strengthened its position in the region, executing new long-term contracts to supply agricultural and technical urea. The United Kingdom, Ireland and Finland are the largest consumers of dry blends. Lower grain and dairy prices negatively affected the European market in 2015.

Read more about sales markets in Business Geography and Sales Markets

Investment Programme

Acron Group's Investment Programme Objectives

Acron Group is working toward full vertical integration for all three main feedstock ingredients: nitrogen, phosphorous and potassium. The investment programme includes three key projects: Ammonia-4, the Oleniy Ruchey mine and the Talitsky mine.

Anticipated Results of Investment Programme

- Higher profitability and competitiveness in complex fertiliser production as third-party mineral feedstock is replaced by in-house sources
- Improved profitability achieved by selling excess phosphate and potash feedstock
- Increased output of commercial products from 6.4 mn t to 10 mn t within the next few years.

Nitrogen: Ammonia-4 Project

The ammonia units at Acron (Veliky Novgorod) are among the most efficient in Russia in terms of natural gas consumption. Natural gas consumption at the new unit that is close to completion will be even better.

Project Highlights

- The design capacity of the new Ammonia-4 unit is 700,000 tpa. Once it is commissioned, the Group's total ammonia capacity will reach 2.6 mtpa.
- The new ammonia unit will be 11% more efficient than existing units, with a gas consumption rate of 938 m^3/t.
- Additional ammonia capacity will meet the facility's growing needs for ammonia feedstock and open up opportunities for further production expansion.

Site: Acron, Veliky Novgorod, Russia

Capacity: 700,000 tpa of ammonia

Timeline: Most of the work necessary for launch was conducted in 2015, with further production starting in the first half of 2016.

Investments: USD 450 mn (including over USD 430 mn already invested)

Current status: Final equipment installation, land improvement, commissioning works

Phosphorous: Oleniy Ruchey Mine

In 2013, Acron Group completed vertical integration in the phosphate sector. In early 2015, the mine reached its project capacity of 1.1 mn t of apatite concentrate.

Project Highlights

- In early 2015, the Oleniy Ruchey mine reached capacity of 1.1 mtpa of apatite concentrate, which is not only covers the needs of all the Group's Russian chemical production facilities (750,000 tpa), but also makes the Group a major market supplier of apatite concentrate.
- The deposit has sufficient ore reserves for over 50 years of mine operations.

Site: North-Western Phosphorous Company, Murmansk region, Russia

Capacity:

- Stage 1: 0.9 mtpa of apatite concentrate (in operation)
- Stage 1 and Stage 2: 2 mtpa of apatite concentrate. Production at the underground mine is expected to start at the end of 2016. The processing plant will be expanded in 2017. In 2016-2021, the apatite concentrate output will gradually increase, following higher ore production by the underground mine.

Reserves: 262.1 mn t (42.7 mn t of P_2O_5) of B+C1 category apatite-nepheline ore

Investments: USD 1.1 bn, including infrastructure (including over USD 850 mn already invested)

Current status: Construction of Stage 1 completed; design and construction for Stage 2 and auxiliary infrastructure are in progress.

Potash: Talitsky Mine

Development of a world-leading potash deposit will help Acron Group complete vertical integration in the potash segment. The design capacity of the Talitsky mine is 2 mtpa, to be further increased to 2.6 mtpa.

Project Highlights

- Project aims both to meet internal demand for 600,000 tpa and sell excess potash in the market.
- Salt reserves are sufficient for approximately 40 years of mine life.
- Deposit is favourable for development due to its insignificant depth, well-developed infrastructure and high ore quality.

Site: Verkhnekamsk Potash Company, Perm Krai, Russia

Capacity: Design capacity is 2 mtpa of potassium chloride with further growth to 2.6 mtpa.

Reserves: 726.1 mn t (163 mn t of K_2O, 258 mn t of KCl) of A+B+C1 category potassium salts

Investments: USD 1.7 bn, excluding the licence cost (USD 150 mn already invested).

Current status: drilling of freezing boreholes completed, facilities construction completed and equipment installed for further shaft freezing and sinking. Document preparation is at the final stage – completed design documentation scheduled for approval by the state expert review board in Q3 2016.

Licence Terms:

- Start production by 2021
- Reach design capacity by 2023

Portfolio Investments

Key Objectives

- The Group's portfolio investments are liquid assets and are therefore included in the shareholder value of Acron (Veliky Novgorod). The Group may raise additional funds at any time through monetisation of these assets.
- Return on sales of financial investments may be used for investments, debt service and dividend payment.

Stake in Uralkali

In 2015, the Group did not sell any shares and retained its 0.93% stake in Uralkali. The market value of Acron's stake was RUB 4.8 bn as of 31 December 2015.

Stake in Grupa Azoty

In 2015, the Group did not sell its shares and retained its 20% stake in the Polish company Grupa Azoty. The market value of the Group's stake as of 31 December 2015 was RUB 37 bn.

Financial Overview

This financial performance analysis is based on the audited consolidated financial statements of Acron Group prepared in accordance with the international financial reporting standards ("IFRS") and should be reviewed jointly with it. It is based on a comparison of the results of the financial year that ended on 31 December 2015 and the financial year that ended on 31 December 2014. In addition to the IFRS financial results and indices, this section contains management financial and operational information.

Dividends

On 25 April 2016, Acron's Board of Directors recommended to the annual general meeting declaring dividends for 2015 in the amount of RUB 180 per ordinary share. No interim dividends were paid in 2015. The amount of declared dividends in 2014 (paid from retained earnings of previous years) was RUB 5,634 mn (RUB 139 per share), accounting for 82% of IFRS net profit for 2014. The Group's dividend policy stipulates that the annual dividend payment be no less than 30% of the Group's IFRS net profit.

Debt Structure

Net debt was down 8% to RUB 51,185 mn as of the end of 2015, against RUB 55,788 mn in 2014. In dollar terms, this index was down 29% to USD 702 mn. The relative debt burden was also down, and the net debt/EBITDA ratio was 1.2, against 2.7 year-on-year. In dollar terms, this index decreased to 1.0.

The Group's total loans and borrowings debt as of 31 December 2015 was up 1% to RUB 81,606 mn from RUB 80,561 mn year-on-year. The Group optimised its credit portfolio structure by significantly decreasing its share of short-term loans. As of 31 December 2015, long-term loans account for 84% and short-term loans make up the remaining 16% of the total debt. As of 31 December 2014, Group's long-term loans accounted for 35% and short-term - for 65%.

Net Debt Index (RUB mn)

	As of 31 December 2015	As of 31 December 2014	Change
Long-term loans and borrowings	68,611	28,002	145%
Short-term loans and borrowings	12,995	52,559	(75%)
Total debt	**81,606**	**80,561**	**1%**
Less:			
Cash and cash equivalents	30,421	24,773	23%
Net debt	**51,185**	**55,788**	**(8%)**
EBITDA	**42,416**	**20,410**	**108%**
Net debt/EBITDA	**1.2**	**2.7**	**(56%)**

The major borrowers among the Group's companies were Acron (Veliky Novgorod), Dorogobuzh, Hongri Acron, AS BCT, and North-Western Phosphorous Company (NWPC).

In 2015, the Group obtained a syndicated pre-export loan facility of USD 525 mn from a bank pool of Bank of China, HSBC Bank plc, International Investment Bank, PJSC Rosbank, Société Générale, AO UniCredit Bank, ING Bank, Black Sea Trade and Development Bank, ZAO Industrial and Commercial Bank of China.

In addition, the principal creditor banks included Sberbank of Russia, Sviaz-Bank, AO UniCredit Bank, AO Raiffeisenbank, and other Russian and international banks.

As of 31 December 2015, the share of dollar-denominated loans was 61%, against 74% in 2014; the share of rouble loans and borrowings was 27%, up from 15% in 2014; the share of Euro-nominated loans and borrowings remained unchanged at 6%; the share of loans and borrowings in Chinese yuans was also unchanged at 6%. The Group aims to keep its share of the rouble-denominated debt at 20-25%, which corresponds with rouble-denominated revenue.

As of 31 December 2015, the Group had four issues of its rouble bonds outstanding:

- Series 04 with a par value of RUB 3,750 mn to be redeemed in 2021 and offered in 2016. In 2012, Series 04 bonds were redeemed for RUB 1,380 mn under the Group's reorganisation. In 2015, securities worth RUB 10 mn were purchased during the offering. The remaining bonds are currently in circulation.
- Series 05 with a par value of RUB 3,750 mn to be redeemed in 2021 and offered in 2016. In 2012, Series 05 bonds were redeemed for RUB 1,997 mn under the Group's reorganisation. In 2015, securities worth RUB 9 mn were purchased during the offering. The remaining bonds are currently in circulation.
- Series BO-02 with a par value of RUB 5,000 mn to be redeemed in 2018 and offered in 2017 were issued in 2015. All bonds from this series are currently in circulation.
- Series BO-03 with a par value of RUB 5,000 mn to be redeemed in 2018 and offered in 2017 were issued in 2015. All bonds from this series are currently in circulation.

Series BO-01 with a par value of RUB 5,000 mn was fully redeemed in 2015.

The total volume of bonds in circulation as of 31 December 2015 was RUB 13,781 mn (less previously redeemed bonds and bonds held by Acron's subsidiaries).

Group's Credit Ratings

In July 2015, Fitch Ratings upgraded the Acron Group's long-term foreign currency issuer default rating to BB- from B+. In October 2015, Moody's Investors Service upgraded Acron Group's long-term foreign currency corporate family rating from B1 to Ba3.

Financial Performance

Revenue

In physical terms, the Group's main products sales volume remained the same year-on-year and was 6.3 mn t.

Acron Group's Main Products Sales ('000 t)

Product	2015	2014	Change
Ammonia	46	112	(59%)
Nitrogen fertilisers	2,547	2,512	1%
Complex fertilisers	2,306	2,520	(8%)
Organic compounds	214	195	10%
Non-organic compounds	827	782	6%
Apatite concentrate	356	180	98%
Fertiliser and industrial products	**6,296**	**6,300**	**0%**

Most of the Group's revenue is generated by sales of nitrogen and complex fertilisers. In 2015, Russia, China, Brazil, the United States, Ukraine, and Thailand were the Group's key markets by volume.

In 2015, the Group's revenue was up 42% to RUB 106,055 mn. This positive dynamic was driven by the rouble's depreciation against the U.S. dollar, which compensated for a decrease in global prices for the Group's products.

Average Indicative Global Fertiliser Prices (USD/t, FOB Black Sea or Baltic Sea Ports)

Product	2015	2014	Change
Ammonia	390	499	(22%)
Urea (prilled)	267	311	(14%)
AN	223	282	(21%)
UAN	198	243	(19%)
NPK 16-16-16	355	354	0%

Sources: Fertecon, FMB.

Official RUB/Foreign currency exchange Rate

Index	2015	2014	Change
USD exchange rate as of 31 December	72.8827	56.2584	30%
Average annual USD exchange rate*	60.9579	38.4217	59%

*Calculated average nominal exchange rate for the corresponding period

Source: the Central Bank of the Russian Federation.

In 2015, sales in Russia and the CIS were up 26% and 21% accordingly, which delivered a 57% increase in revenue from Russia and a 97% increase from the CIS countries.

Revenue by Region (RUB mn)

Region	2015	2014	Change
Russia	19,744	12,602	57%
European Union	11,561	8,681	33%
Commonwealth of Independent States	8,030	4,078	97%
U.S. and Canada	11,258	9,896	14%
Latin America	17,375	12,673	37%
China	24,339	15,988	52%
Asia (excl. China)	11,006	8,406	31%
Other regions	2,742	2,307	19%
Total	106,055	74,631	42%

Cost of Sales

In 2015, the total cost of the Group's sales was RUB 50,119 mn, up 17% year-on-year. This increase was mainly caused by higher prices for potassium chloride, pegged to the U.S. dollar exchange rate.

Cost of Sales (RUB mn)

Type of expense	2015	2014	Change
Change in inventories of finished goods and work in progress	(3,825)	(730)	Increase
Staff costs	6,016	5,067	19%
Materials and components used, including:	20,953	13,576	54%
Phosphate	*481*	*1,014*	*(53%)*
Potash	*7,951*	*4,877*	*63%*
Coal	*856*	*743*	*15%*
Sulphur	*1,179*	*790*	*49%*
Other	*10,486*	*6,152*	*70%*
Fuel and energy	6,154	5,483	12%
Natural gas	10,300	9,961	3%

Type of expense	2015	2014	Change
Depreciation and amortisation	4,594	3,871	19%
Impairment loss	205	97	111%
Services	363	305	19%
Production overheads	750	445	69%
Repairs and maintenance	3,900	3,743	4%
Drilling and blasting	154	301	(49%)
Social expenditures	555	565	(2%)
Total	**50,119**	**42,684**	**17%**

Change in Inventories of Finished Goods and Work in Progress

In 2015, the index of change in inventories of finished goods and work in progress was negative RUB 3,825 mn (increase in inventory).

Staff Costs

Staff costs only include the cost of production personnel. The cost of administrative staff is included in Selling, General and Administrative Expenses. In 2015, salary costs reflected in the cost of sales were up 19% to RUB 6,016 mn.

Total salary costs reflected in the cost of sales and in selling, general and administrative expenses in 2015 amounted to RUB 9,760 mn, up 22% year-on-year (against RUB 7,980 mn in 2014). Higher salary costs were triggered by an indexation of the Russian facilities' employees' rouble wages and higher foreign currency salary costs, including salaries at the Group's international facilities. Higher salary costs were partially compensated for by a 12% reduction in the Group's personnel to 13,261 persons, against 15,100 in 2014.

Materials and Components Used. Fuel and Energy. Natural Gas

These cost items account for the majority of costs. In the reporting year, the cost of materials and components were up 54%. Costs to purchase phosphate feedstock from third parties decreased due to lower consumption at Hongri Acron. Higher potash feedstock, coal and sulphur costs were caused by the fact that the prices are pegged to the U.S. dollar exchange rate.

Fuel and Energy

Fuel, energy and natural gas costs were up due to higher average prices for these resources in Russia in the reporting year against prices in 2014.

Inputs and Energy Consumption

	2015			2014		
	Price (RUB)*	Quantity	Amount (RUB mn)	Price (RUB)*	Quantity	Amount (RUB mn)
Acron and Dorogobuzh						
Natural gas (m^3 mn)	**4,478**	**2,305**	**10,321**	**4,275**	**2,330**	**9,959**
Acron	4,448	1,463	6,507	4,246	1,578	6,702
Dorogobuzh	4,529	842	3,814	4,336	751	3,257
Apatite concentrate ('000 t)	**9,509**	**789**	**7,506**	**6,378**	**732**	**4,666**
Acron	9,383	503	4,718	6,223	494	3,075
Dorogobuzh	9,728	287	2,788	6,700	237	1,591
Sylvite (potassium chloride) ('000 t)	**11,085**	**509**	**5,641**	**6,817**	**477**	**3,251**
Acron	11,083	330	3,655	6,755	327	2,207
Dorogobuzh	11,088	179	1,986	6,951	150	1,044
Energy (kWh mn)	**2,789**	**1,091**	**3,044**	**2,687**	**1,049**	**2,820**

	2015			2014		
	Price (RUB)*	**Quantity**	**Amount (RUB mn)**	**Price (RUB)***	**Quantity**	**Amount (RUB mn)**
Acron	2,729	795	2,170	2,626	779	2,047
Dorogobuzh	2,953	296	874	2,865	270	774
Thermal power (‘000 Gcal) Acron	**926**	**1,103**	**1,021**	**819**	**1,127**	**923**
Hongri Acron						
Phosphate ore (‘000 t)	**5,874**	**81**	**475**	**3,473**	**292**	**1,014**
Potash (‘000 t)	**19,193**	**119**	**2,284**	**11,307**	**145**	**1,645**
Coal (‘000 t)	**7,921**	**107**	**846**	**5,079**	**146**	**743**
Sulphur (‘000 t)	**11,360**	**103**	**1,165**	**6,710**	**118**	**790**
NWPC						
Energy (kWh mn)	**1,827**	**167**	**305**	**1,795**	**134**	**240**

* Inclusive of transportation costs and related expenses; unit prices: natural gas – per 1 k m^3; phosphate and potash inputs, coal and sulphur – per 1 t; energy – per 1 k kWh; thermal power – per 1 Gcal.

Transportation Expenses

In 2015, transportation expenses were up 30% year-on-year. Rouble-denominated freight costs were up due to a considerably weaker rouble. Railway transportation costs increased because shipments to Russia and the CIS were up 26% and 21%, respectively.

Transportation Expenses (RUB mn)

	2015	2014	Change
Railway tariff	3,423	2,548	34%
Freight	2,497	1,442	73%
Maintenance of rolling stock	543	562	(3%)
Container transportation	1,905	1,711	11%
Handling of goods	2,355	1,989	18%
Other	756	581	30%
Total	**11,479**	**8,833**	**30%**

Selling, General and Administrative Expenses

In 2015, selling, general and administrative expenses were up 30% to RUB 8,361 mn (against RUB 6,446 mn in 2014). This increase was primarily due to an indexation of rouble-denominated wages at the Group’s Russian subsidiaries and the fact that the salaries of some employees (including employees at the Group’s overseas subsidiaries) are denominated in foreign currency.

EBITDA

EBITDA is calculated as operating profit (operating results), including share of profit of equity accounted investees, and adjusted for depreciation of fixed assets and amortisation of licences and intangible assets, foreign exchange gain or loss and other non-cash and extraordinary items. In 2015, EBITDA was up 108% year-on-year to RUB 42,416 mn. EBITDA margin in 2015 increased to 40% (against 27% in 2014). This increase was due to a weaker rouble and greater efficiency at NWPC. In early 2015, the Oleniy Ruchey mine reached its design capacity of 1.1 mn tpa for the first stage. The Oleniy Ruchey mine’s EBITDA margin was 56%, the highest among the Group’s production facilities. Mine operator NWPC contributed USD 90 mn to the Group’s EBITDA.

EBITDA calculation (RUB mn)

	2015	2014
Operating profit including share of profit of equity accounted investees	**39,487**	**21,116**
Depreciation and amortisation	4,594	3,871
Net foreign currency gain on operations	(3,497)	(4,552)
Gains (loss) on operations with exploration permits	1,117	(154)
Loss on disposal of property, plant and equipment	715	129
Total consolidated EBITDA	**42,416**	**20,410**

Finance Income/ (Costs)

In 2015, the Group's finance costs were RUB 10,827 mn, against RUB 22,000 mn in 2014. This decrease was caused by a lower negative effect of a revaluation of the Group's liabilities. Foreign currency net losses were RUB 11,227 mn in 2015 (against net losses of RUB 22,324 mn in 2014).

Share of profit of equity accounted investees

In 2015, the Group's share in Grupa Azoty S.A. profit (Acron Group holds 20% in Grupa Azoty) was RUB 2,241 mn, against RUB 161 mn in 2015.

Net Profit

In 2015, the Group's net profit was up 142% to RUB 16,706 mn (against RUB 6,904 mn in 2014). The adjusted net profit margin was 16% in 2015, up from 9% in 2014.

Changes in Key Balance Sheet Indicators

Property, Plant and Equipment

In the reporting period, the Group's PP&E was up 17% to RUB 84,680 mn, against RUB 72,552 mn in 2014, due to implementation of the Group's investment programme, specifically of its mining projects and construction of a new ammonia plant. PP&E was 37% of the total book value of the Group's assets as of the end of 2015.

Exploration and Evaluation Licences and Expenditure

In the reporting period, this item changed only slightly and was RUB 32,232 mn.

Investment in equity accounted investees

During the reporting period, the Group's share in Grupa Azoty S.A. equity increased from RUB 24,695 mn to RUB 31,263 mn. This increase was due to a revaluation of the foreign currency value of Acron Group's share in Grupa Azoty S.A. and profit received by Grupa Azoty S.A. in 2015.

Inventories

In the reporting period, raw material and finished product inventories increased 33% to RUB 17,800 mn. This increase was due to a rise in rouble-denominated global end product and raw material prices, driven by a weaker rouble and an increase in inventories.

Non-controlling Interests

The Group's equity held by minority shareholders in its subsidiaries is recorded in Non-controlling interests under Equity. In the reporting period, this item increased to RUB 24,812 mn, against RUB 23,261 mn at the beginning of 2015.

Cash Flows

Operating Activities

Net cash generated from operating activities was up by a factor of 2.9 in 2015 to RUB 36,531 mn (against RUB 12,694 mn in 2014). This increase was due to higher net profit and an increase of RUB 2,931 mn in the Group's working capital in 2015 (against RUB 4,088 mn in 2014).

Investing Activities

In 2015, the net cash used in investing activities was up to RUB 14,818 mn, against RUB 11,408 mn in 2014. The Group's capital expenses totalled RUB 15,107 mn, against RUB 11,478 mn in 2014. This increase was primarily due to enhanced capital investments in the Ammonia-4 unit and major scheduled overhauls at Acron (Veliky Novgorod).

Financing Activities

Net cash used in financing activities in 2015 totalled RUB 23,116 mn (against cash generated of RUB 1,107 mn in 2014). This cash outflow can be attributed to loan repayments. In 2015, the net loan decrease was RUB 16,504 mn (against an increase of RUB 1,073 mn in 2014).

Segment Information

A business segment is a component of the Group's business that engages in commercial activity that may yield a return or result in losses, including revenue and expenses from transactions with other segments of the Group. Segment financial information includes revenues and EBITDA. Detailed information on business segments is presented in Note 4 to Acron's IFRS financial statements.

Information on reportable segments for the year ended 31 December 2015 (RUB mn)

	Segment Sales	Eliminable Intersegment Sales	External Sales	EBITDA	EBITDA Margin
Acron	50,382	(41,127)	9,255	21,963	44%
Dorogobuzh	26,652	(17,005)	9,647	11,989	45%
Hongri Acron	14,036	-	14,036	(803)	(6%)
Logistics	3,748	(3,049)	699	840	22%
Trading	72,181	(3,039)	69,142	851	1%
NWPC mining	9,820	(7,022)	2,798	5,479	56%
Other mining	-	-	-	(89)	-
Investments recorded based on equity method	-	-	-	2,241	-
Other	2,452	(1,974)	478	(55)	-
Total	**179,271**	**(73,216)**	**106,055**	**42,416**	**40%**

Information on reportable segments for the year ended 31 December 2014 (RUB mn)

	Segment Sales	Eliminable Intersegment Sales	External Sales	EBITDA	EBITDA Margin
Acron	39,404	(33,174)	6,230	13,181	33%
Dorogobuzh	16,103	(10,986)	5,117	4,040	25%
Hongri Acron	10,447	(12)	10,435	774	7%
Logistics	3,425	(2,790)	635	1,030	30%
Trading	53,116	(2,396)	50,720	207	0%
NWPC mining	4,888	(3,936)	952	1,143	23%
Other mining	-	-	-	(56)	-
Investments recorded based on equity method	-	-	-	161	-
Other	2,457	(1,915)	542	(70)	-
Total	**129,840**	**(55,209)**	**74,631**	**20,410**	**27%**

Acron, Dorogobuzh and Hongri Acron (jointly "Chemical Production")

Commercial product output at the Group's chemical production facilities in 2015 was down 0.4% to 6.070 mn tonnes. Hongri Acron decreased its output due to equipment upgrades aimed at improving its environmental performance, while Acron's (Veliky Novgorod) decrease in output was attributable to scheduled overhauls. This decrease was offset by a 22% increase in output to a record level at Dorogobuzh, which boosted ammonia output 19% in order to expand production of derivative products.

The Group's Russian facilities are its most profitable assets, with the EBITDA margin at 44–45% in 2015, against 25–33% in 2014. This increase in EBITDA margin was attributable to a weaker rouble. The EBITDA margin at Hongri Acron decreased to -6% in 2015, from 7% in 2014, due to a decrease in output and a product price drop.

Logistics

In the reporting year, turnover at the Group's seaport terminals was down 5% to 2.8 mn tonnes. The Group's turnover was flat year-on-year and represented 86% of the total. Logistics EBITDA was down to 22% from 30% in 2014.

Trading

The Group's consolidated sales were 6.296 mn tonnes, with in-house commercial product output of 6.361 mn tonnes (including apatite concentrate for sale).

As a secondary segment of the Group, trading generates the minimum profit required to secure its normal operations. The major objective of this segment is entry into promising sales markets. In recent years, the Group has achieved a strong footprint in rapidly growing markets in Asian and Latin American countries due to the efficient operation of its trading companies under the international brand Agronova. The Russian Agronova distribution network is one of the largest in the Russian mineral fertiliser market.

Mining NWPC

This is the Group's most intensively developing business segment. In 2015, NWPC's EBITDA was RUB 5,479 mn, against RUB 1,143 mn in 2014. In 2015, NWPC posted the Group's highest EBITDA margin of 56% (against 23% in 2014). This increase was due to production expansion and cost optimisation. In March 2015, the mine reached its first stage's design capacity of 1.1 mn tpa of apatite concentrate. In the reporting period, the Group's Russian production facilities received all their phosphate feedstock from NWPC the second year in a row. The surplus of 356,000 t of apatite concentrate was sold to third parties.

Procurement

Acron Group's procurement is based on each facility's internal needs and aimed at cost effective provision of high quality goods to production sites.

Competitive procurement is conducted in accordance with Russian regulations, facility analysis, formulation and performance standards for agreements with product suppliers and other bylaws. The key procurement areas are: feedstock, supporting materials, equipment and spare parts.

The Group follows the following principles in its procurement:

- **Transparency**
  New companies with successful experience supplying chemical and related facilities bid alongside companies that have previously supplied the Group

- **Competitive bidding**
  Companies bidding on contracts are considered as potential suppliers on a discrimination-free basis that focuses on prices, quality and guaranteed obligations, as well as delivery and payment terms

- **Cost effectiveness**
  The Group continually monitors how well its procurement efforts meet production needs and financial targets. Transaction details, product quality, compliance with the Group's technical and other requirements and supplier reliability are also monitored on a continual basis.

Acron Group's management has confidence in its multilevel procurement control system for ensuring effective procurement.

As a rule, procurement at the Group's facilities is prepared and conducted in accordance with procedures regulated by bylaws. The procurement process at JSC Acron is supported by and operates under the quality management system, which is certified by the international certification body DNV GL for the compliance with ISO 9001. In the reporting year, a procurement management system was introduced at Dorogobuzh in order to further optimise procurement. The new system tracks the progress of supply bids at all stages.

The Group's parent company has a Credit and Investment Committee that verifies and monitors the pricing of all agreements worth more than RUB 100,000. In 2015, the Group's Credit and Investment Committee reviewed approximately 9,000 issues.

The Group's Business Security Department performs additional spot inspections of certain transactions during and after performance.

CORPORATE GOVERNANCE

Board of Directors Report

Acron Group's Board of Directors presents the Group's annual report and audited financial statements for the year ended 31 December 2015.

Acron Group's Activities

Production, sales and marketing of mineral fertilisers and by-products are the Group's core business. Acron Group's production facilities are located in the Novgorod and Smolensk regions of Russia and in China. Acron Group independently produces apatite concentrate, a phosphate feedstock, at the Oleniy Ruchey mine in Murmansk region. The Group is also developing a project to construct the Talitsky potash mine in Perm Krai. Acron Group additionally owns transportation infrastructure and an international distribution network. Acron Group has assets in six countries and sells products to 60 countries.

More information about the Group's operating activity is available in the Strategic Report section.

Going Concern and Development Strategy

The Group's activity, strategy and factors that could affect its future performance are described in the Development Strategy section. Information on the Group's financial standing and cash flow is presented in the Financial Statements section.

Analysis of the Group's financial standing, development prospects and future cash flows gives the Group's management reason to believe that Acron Group will continue its business on a going basis in the future.

Risk management is a key element of Acron Group's long-term strategy. The Group is committed to mitigating risks, ensuring sustainability, creating the base for continuing growth and improving its competitive edge. Further information about key risks and measures undertaken to mitigate them is available in the Risks and Risk Mitigation Strategy section on page 91 of the Annual Report.

Financial Statements and Operating Results

The Group's management believes that information disclosed in the Financial Overview and Operating Results sections will help shareholders make an impartial assessment of the Group's performance in the reporting period.

Group's Leadership

Short biographies of Board of Directors and Managing Board members are available in Corporate Governance Report section of the Annual Report.

Corporate Governance

Corporate Governance system at Acron as Acron Group's parent company is described in Corporate Governance section. Information about remuneration of Board of Directors and Managing Board members is available in Remuneration and Compensation of Members of the Board of Directors and the Managing Board section.

Developing Local Communities

Acron Group is involved in the life of its footprint regions, implementing social and charity projects in compliance with the principles of transparency and cost efficiency.

To contribute to social and economic development in the regions of its operation, Acron Group's companies work together with local governments under cooperation agreements to implement programmes furthering education, culture, science and sports. (Read more in Sustainable Development section).

Annual General Meeting

Acron's annual general meeting will be held on 26 May 2016, at the Acron Cultural Centre (22a Lomonosov Street, Veliky Novgorod).

Acron Board of Directors

Statement on Compliance with Principles and Recommendations of the Corporate Governance Code

Among the existing diversity of legal entities, public companies whose securities are publicly traded on stock exchange hold a special position. Traditionally, public companies are larger than other legal entities in terms of their scope of business and number of members (shareholders) and other investors. Public corporations constitute an intersection of interests of various parties: shareholders and members of corporate management bodies; lenders having binding and other property relations with the legal entity; employees having labour relations with the corporation; and the government, with whom the corporation has public legal relations. Because these interests are diverse and the individuals and bodies representing these interests have unequal opportunities to exercise their influence, corporations require an efficient and transparent means of corporate governance, essentially a system regulating relations between executive bodies, the board of directors, shareholders of a joint stock company and other interested parties. Shareholders and other investors providing a public company with financial capital in exchange for its securities are interested in efficient governance and a reliable system of control over the persons involved in corporate governance. Efficient and transparent corporate governance of a public company is an important condition for investors looking to invest in publicly traded securities, which in turn directly affects a company's financial standing and prospects for further development.

As a public company in terms of its legal status, Acron makes corporate governance a core objective for management. Continuous improvements boost the Group's performance and increase investment inflow.

The Corporate Governance Code recommended by the Bank of Russia in 2014 for use by public joint-stock companies is one of Acron's key instruments for establishing corporate governance. The Corporate Governance Code defines the most important principles of corporate governance and recommends the ways and mechanisms not defined by legislation to put those principles into practice. The Corporate Governance Code encourages public companies to introduce the best practices of corporate governance and challenges them to improve corporate relations. Because the Corporate Governance Code is voluntary, the degree to which a public company applies it demonstrates its motivation to increase the attractiveness of its securities for existing and potential investors.

Acron periodically analyses whether it is feasible and viable to put certain recommendations of the Corporate Governance Code into practice. If there is no reason to decline the recommendations, Acron uses them when organising its corporate governance system.

The Acron Board of Directors confirms the Group's commitment to introducing the best practices of corporate governance with guidance from the Corporate Governance Code. Further improvement of the Group's corporate governance considering recommendations of the Corporate Governance Code is the most important objective for Acron's management and Board of Directors. A brief overview of the most important aspects of the Group's corporate governance model is available in the "Report on Corporate Governance" section of this annual report. In the reporting period, the Board of Directors assessed Acron's compliance with the principles and recommendations of the Corporate Governance Code; the details of this assessment are presented below.

Methodology used to assess Acron's compliance with principles of corporate governance established by Corporate Governance Code

The Group assessed its compliance with corporate governance principles within the scope recommended by the Bank of Russia in its information letter No. IN 06-52/8 dated 17 February 2015 "On disclosure of the Report on compliance with principles and recommendations of the Corporate Governance Code in the Annual Report of a public joint stock company."

Acron used the following compliance criteria (assessment criteria) recommended by the Bank of Russia to assess its compliance with the Corporate Governance Code. In cases where the Group met all criteria recommended by the Bank of Russia, it was reported that the principle under assessment is in compliance. If the Group did not meet all the criteria recommended for a principle, it was reported that the principle is in partial compliance or not in compliance. In such cases, the Group reported which criteria exactly were not met and provided a detailed description of the key reasons, factors and circumstances for each failure to meet a criterion. When required, the report provides a description of corporate governance practices (mechanisms and instruments) used by the Group instead of those recommended by the Corporate Governance Code.

Sources of information about the Group's corporate governance system and practices used for rating purposes: the Group's Charter and other internal documents regulating corporate relations; local regulatory documents regulating the legal status and activity of the Group's business units and officers; minutes of shareholder meetings and materials provided to those entitled to participate in the Group's general meeting; minutes of the Board of Directors meetings and materials provided to members of the Board of Directors; minutes of the Managing Board meetings and materials provided to members of the Managing Board; information to be disclosed by the Group under the Federal Laws "On Joint Stock Companies," "On the Securities Market," and "On Countering the Illegitimate Use of Insider Information and Market Manipulation and on Amending Certain Laws of the Russian Federation," and any other information disclosed by the Group on its website; comments (interviews) by members of the Group's management bodies, officers and the secretary of the general meeting (the Group's Board of Directors and Managing Board).

Overview of the results of an assessment of Acron's compliance with the corporate governance principles established by the Corporate Governance Code

The results of the assessment considered by the Board of Directors are presented in full in Appendix 3 in the form of a Report on compliance with the principles of corporate governance established by the Corporate Governance Code recommended by the Bank of Russia.

According to the Report, the Group's compliance with the main principles of the Corporate Governance Code is assessed as follows:

- Principles enforcing shareholder rights and ensuring equal opportunities to exercise shareholder rights: in compliance – 46%, partially in compliance – 31%, not in compliance – 23%
- Principles regarding efficient functioning of the Board of Directors: in compliance – 30.5%, partially in compliance – 39%, not in compliance – 30.5%
- Principles regarding efficient functioning of the Groups' Secretary: in compliance – 50%, partially in compliance – 0%, not in compliance – 50%
- Principles regarding remuneration of members of the Group's management bodies and key officers: in compliance – 50%, partially in compliance – 0%, not in compliance – 50%
- Principles regarding an effective risk management and internal control system: in compliance – 67%, partially in compliance – 33%, not in compliance – 0%
- Principles regarding the Group's information disclosure and information policy: in compliance – 57%, partially in compliance – 43%, not in compliance – 0%
- Principles regarding major corporate actions: in compliance – 20%, partially in compliance – 20%, not in compliance – 60%.

The assessment revealed that the Group's corporate governance system complies with 41% of the principles, partially complies with 30% of the principles and does not comply with 29% of the principles under assessment. **Therefore, the Group complies or partially complies with 71% of the principles recommended by the bank of Russia.** The Group complies with most of the principles regarding information disclosure and information policy, as well as maintaining an effective risk management and internal control system. The Group puts into its practice the Code's principles regarding major corporate actions to a lesser extent.

The summarised results of the assessment demonstrate that Acron complies or partially complies with most of the Code's principles. According to the Acron Board of Directors, these results confirm the Group's commitment to applying the best corporate governance practices recommended by the Code. A positive dynamic was demonstrated mainly in compliance with recommendation to elect independent directors to the Group's Board of Directors and increase the number of independent directors (up to a majority) on the Board of Directors committees. For instance, in 2014 the Group's Board of Directors and its committees had only one independent director, while in 2015 there were three independent directors (two of whom met all the criteria for independence set forth by the Code's recommendations, and one of whom was recognised as an independent director by resolution of the Board of Directors in a case stipulated by the Code).

According to report, the Group did not implement some of the recommendations of the Corporate Governance Code due to the Code's relatively recent adoption. Therefore the Group did not manage to put into practice more of its recommendations. The Group also opted not to apply some of the recommendations of the Corporate Governance Code because it needed to maintain sufficient flexibility in the powers and procedures of its executive bodies to make managerial decisions promptly. There are concerns that overregulation of corporate relations and hasty application of all the recommendations could significantly complicate the Group's corporate governance and hinder important decision-making in a dynamic market environment. The Group intends to continue assessing the advisability of opting not to comply with certain of the Code's recommendations and to make decisions about their future application after analysis of all positive and negative potential consequences. As it considers changes to the Group's practices in order to comply with more recommendations of the Corporate Governance Code, the Group will primarily take into account the expectations of the Group's shareholders and other investors, the current economic situation and applicable legal regulations.

Acron's plan of action and measures to improve the corporate governance model and practices

In 2016, Acron plans to expand the list of implemented recommendations from the Corporate Governance Code. The agenda for the 2015 annual general meeting included issues related to approving the Group's Charter and other internal documents (as amended) and regulating the Group's management and control bodies. For instance, the Group plans to amend its Regulations on the powers of the Group's management bodies so that their meetings are prepared, convened and held in accordance with Code's recommendations and to clarify the scope of rights and obligations of their members, including independent directors and the senior independent director. In 2016, the Regulation on the corporate secretary (drafted in 2015) will be approved and a person will be chosen to act as corporate secretary. The Group plans to make amendments to its internal documents and bylaws to reflect its adjusted approaches to and principles for the risk management system, internal audit and control.

Acron Board of Directors

Report on Corporate Governance

Corporate Governance System

Acron Group's strong performance is founded on an effective system of corporate governance. The Group's sophisticated vertically integrated business model, with a chain of interconnected business segments, requires the involvement of a professional management team and the application of modern standards for corporate governance and control.

The Group's corporate governance system is subject to legal requirements that regulate corporate relations at public companies, the listing rules of the Moscow Exchange, the recommendations of the Corporate Governance Code and international corporate governance standards.

Acron's system of corporate governance is based on principles aimed at sustainable, creditable and long-term development of the Group and respect for and protection of the rights and interests of shareholders and other related parties.

Corporate Governance Guidelines

The Group is committed to developing corporate relations in compliance with corporate governance principles that ensure:

Fairness

- Equal treatment of shareholders holding an equal number of shares of the same type (category), including minority and foreign shareholders

Accountability

- The Board of Directors performs the Group's strategic management and effective control over the Group's executive bodies. Members of the Group's Board of Directors are accountable to its shareholders.
- The Group's executive bodies manage its day-to-day business in order to ensure that Group develops sustainably over the long term for the benefit of shareholders. The Group's executive bodies are accountable to its Board of Directors and shareholders.

Transparency

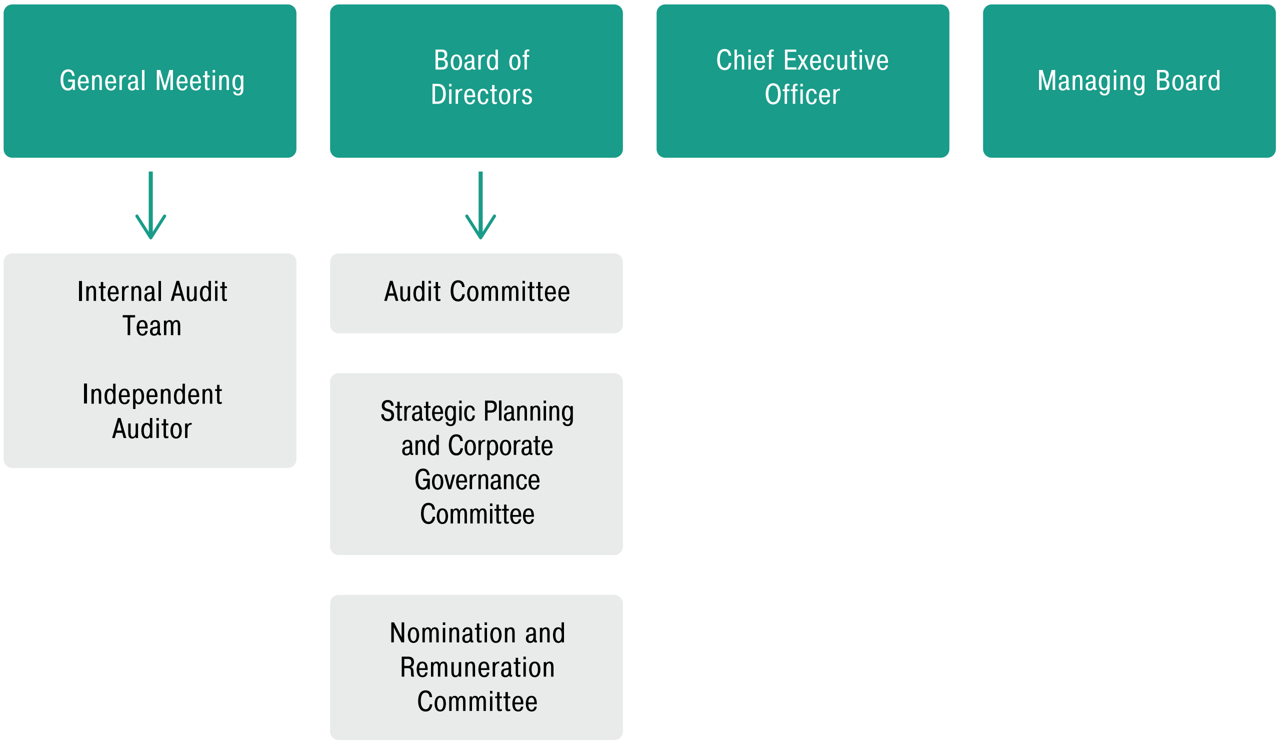
- Timely disclosure of complete and valid information about the Group in order to ensure that the Group's shareholders and investors have an opportunity to make informed decisions

Responsibility

- Effective control over the Group's financial and business activity in order to protect shareholders' rights and legitimate interests
- Respect for the rights and legitimate interests of other related parties

Acron's Charter and other internal documents regulating corporate governance procedures, principles and practice are available at http://www.acron.ru/en/investors/corporate_governance/corporate_documents/

Corporate Governance Structure



Management Structure

General Meeting

The general meeting is the Group’s supreme governing body, which acts within the scope of authority established by Russian law. Resolutions of the general meeting are binding for the Board of Directors, Managing Board, Chief Executive Officer and all employees of the Group. The annual general meeting elects the Board of Directors and the Internal Audit Team, approves the auditor, annual report, annual financial statements (accounts) and profit allocation decision, including payment (declaration) of dividends for the fiscal year, and handles other matters within the scope of the general meeting’s authority.

Acron promptly informs its shareholders and provides them with required materials relevant to the general meeting agenda; it also publishes these materials on the Group’s website on the “General Meeting” page.

In order to ensure that shareholders have equal access to information, the Group releases information provided to persons entitled to participate in general meeting on the corporate website in Russian and in English.

Information on Acron General Meetings

Information on Acron General Meetings on 21 May 2015	• Approved Acron's 2014 Annual Report, financial statements and profit and loss distribution • Declared dividends to be paid from retained earnings for previous years • Elected the Board of Directors and the Internal Audit Team • Approved auditors to confirm RAS and IFRS financial statements • Resolved to pay compensation and reimbursement to members of Acron's Board of Directors • Resolved to approve several related-party transactions, including transactions that Acron will be able to complete as ordinary business in the future
Acron Group's Extraordinary General Meeting on 24 February 2015	• Approved several related-party transactions: acquisition of additional issue of Acronit shares and transactions between Acron and Agronova Europe AG

Further information on the procedure for preparing, convening and holding the general meeting is available at http://www.acron.ru/en/investors/corporate_governance/governance_structure/

Board of Directors

Acron's Board of Directors performs general management of the Group's business in accordance with the Federal Law "On Joint Stock Companies", Acron's Charter and the Regulation on Acron Board of Directors. Acron informs shareholders on its business, achievements and plans at least once a year, and involves its shareholders in making decisions on the most critical business matters.

Members of the Board of Directors have diverse experience, which helps them give comprehensive consideration to matters prior to passing resolutions.

Scope of authority of Acron Board of Directors:

- Approving the Group's strategy and monitoring its implementation
- Ensuring that the internal control and risk management systems function effectively
- Approving annual and long-term business plans
- Making decisions on investment programmes
- Approving major and related-party transactions
- Monitoring management performance
- Other strategic matters

Structure of the Board of Directors

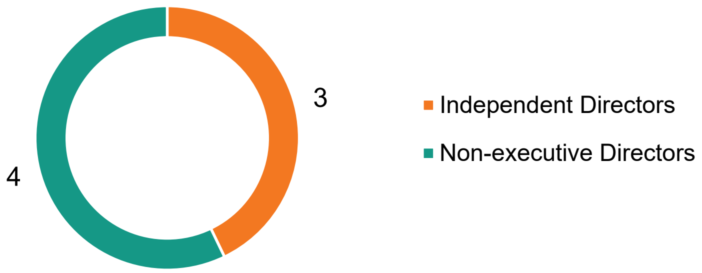
The Board of Directors was elected at Acron's annual general meeting held on 21 May 2015.

The Board of Directors includes the following members: Alexander Popov (Chairman of the Board of Directors), Vladimir Gavrikov (Deputy Chairman of the Board of Directors), Igor Belikov (Senior Independent Director), Yury Malyshev (Independent Director), Vladimir Sister (Independent Director), Alexander Dynkin and Valery Shvalyuk. Egor Gissin and Victor Kochubey, members of Acron's Board of Directors elected in 2014 and acting until 21 May 2015, left the Board of Directors (Yury Malyshev and Vladimir Sister joined Acron's Board of Directors).

At the annual general meeting held in May 2015, Acron's shareholders resolved to elect three Independent Directors. Previously, Acron's Board of Directors included one Independent Director. With more independent Directors, the Board will be better placed to assess the Group's performance without bias and improve the quality of managerial decisions.

As of 31 December 2015, Acron's Board of Directors included three Independent Directors and four non-executive directors who do not serve on the Group's executive bodies.

Structure of the Board of Directors (number of people)



43%

Share of Independent Directors in the Board of Directors structure

Alexander Popov

Born in 1969

Higher education: Finance Academy under the Government of the Russian Federation

Chairman of the Board of Directors

Senior Vice President

Member of Acron's Board of Directors since 2008

Member of the Strategic Planning and Corporate Governance Committee of the Board of Directors

Professional Experience

Alexander Popov was named Senior Vice President in 2007. He joined Acron in 1996 and served as head of the internal audit division under the Board of Directors, head of the audit and legal department and vice president for corporate construction and financial control.

Interest in the Group's share capital / stake in the Group's ordinary shares: 0.049%

Vladimir Gavrikov

Born in 1960

Higher education: Novomoskovsk branch of the D. Mendeleev Institute of Chemical Technology

Deputy Chairman of the Board of Directors

Executive Director

Member of Acron's Board of Directors since 2006

Member of the Strategic Planning and Corporate Governance Committee of the Board of Directors

Professional Experience

Vladimir Gavrikov was appointed executive director in 2005. He joined the Company in 1983 and served as head of the office for social and cultural programmes, deputy head of the social development office, head of the social development office, social programmes supervisor, and deputy CEO for HR and social programmes.

Has no stake in issuer's share capital / holds no ordinary shares

Igor Belikov

Born in 1956

Higher education: Voronezh State University, Doctoral Studies Department of the Institute for African Studies of the Russian Academy of Sciences (PhD), Finance Academy under the Government of the Russian Federation (Institute of Advanced Professional Training and Retraining), the Schulich School of Business, York University (Canada).

Senior Independent Director

Member of Acron's Board of Directors since 2008

Chairman of the Audit Committee and the Nomination and Remuneration Committee of the Board of Directors

Professional Experience

Igor Belikov has served on the boards of Sevmorneftegeofizika and Eurasia Drilling Company (EDC Group), and served as Chairman of the Board of Vnukovo Airport and Chairman of the Nomination and Remuneration Committee of the Agency for Housing Mortgage Lending, all since 2013. He has served on the boards of several Russian companies, including Lukoil, Sibirtelecom, North-West Telecom and Uralsviazinform. In 2006, he became a member of the non-profit partnership Institute of Internal Auditors. In 2005 - 2013, Belikov was a member of the Corporate Governance Task Force of the Russian Federal Financial Markets Service. He is co-author of the Russian Code of Corporate Governance and the first National Report on Corporate Governance (2004). He has led the Russian Institute of Directors since 2001.

Has no stake in issuer’s share capital / holds no ordinary shares

Alexander Dynkin

Born in 1948

Higher education: Moscow Aviation Institute

Doctor of Science (Economics), full member of the Russian Academy of Sciences

Adviser to the CEO

Member of Acron’s Board of Directors since 2008

Chairman of the Strategic Planning and Corporate Governance Committee of the Board of Directors

Professional Experience

Since 2012, Dynkin has been a member of the Russian Presidential Commission for Strategic Development of the Fuel and Energy Sector and Environmental Security, a member of the Russian Presidential Economic Council, and a member of the Expert Advisory Council under the Chairman of the Federation Council. Dynkin has served as a member the Presidium of the Russian Academy of Science since 2010 and as Acron’s Adviser to the CEO since 2009. He has been a member of the Presidium of the Russian Presidential Council on Science and Education since 2008. Since 2006, Dynkin has served as director of the Institute of World Economy and International Relations at the Russian Academy of Sciences (IMEMO).

Has no stake in issuer’s share capital / holds no ordinary shares

Yury Malyshev

Born in 1939

Higher education: Kemerovo Mining Institute

Doctor of Science (Engineering), Professor, full member of the Russian Academy of Sciences

Independent Director

Member of Acron's Board of Directors since 2015

Member of the Audit Committee and the Nomination and Remuneration Committee of the Board of Directors

Professional Experience

In 2015, Malyshev was appointed as president of the Vernadsky State Geological Museum of the Russian Academy of Sciences, where he served as director since 2010. Since 2010, he has been an independent member of Mechel's Board of Directors, chairman of the Board of Directors of the Integrated Shaft Constructing Company Soyuzspetsstroi, president of the Interregional Non-Governmental Organization Academy of Mining Sciences. In 1999 – 2013, he served as president of the non-profit organisation Russia's Mining Industrialists.

Has no stake in issuer's share capital / holds no ordinary shares

Vladimir Sister

Born in 1945

Higher education: Dzerzhinsky Institute of Chemical Technology in Dnepropetrovsk; Doctor of Science (Engineering), Professor, corresponding member of the Russian Academy of Sciences (RAS), full member of the Russian Academy of Natural Sciences and the Russian Academy of Engineering (Academician).

Independent Director

Member of Acron's Board of Directors since 2015

Member of the Nomination and Remuneration Committee and the Audit Committee of the Board of Directors

Professional Experience

Since 2015, Vladimir Sister has been the head of the Department of Processes and Equipment of Chemical Technology in the Moscow State University of Mechanical Engineering (MAMI) and CEO of the National Innovation Company. In 2011 – 2015, he served as a director of Process Technology and Alternative Energy Equipment Research Institute. In 2007 – 2015, Sister worked as a head of the Department of Engineering Ecology and Alternative Energy Sources in the Moscow State University of Mechanical Engineering (MAMI).

Has no stake in issuer's share capital / holds no ordinary shares

Valery Shvalyuk

He was born in 1967

Higher education: Moscow Auto-Mechanical Institute, State University of Management

Head of the Finance and Economics Department

Member of Acron's Board of Directors since 2011

Valery Shvalyuk was a Member of the Audit Committee till 21.05.2015

Professional Experience

Valery Shvalyuk has headed Acron's finance and economics department since 2005. He joined Acron in 1996 and held various positions, including assistant head of the finance division of the Board of Directors, head of the resource management and loan servicing group of the finance division of the Board of Directors, deputy head of the finance division of the Board of Directors, head of the finance division of the Board of Directors, and deputy head of the finance department.

Has no stake in issuer's share capital / holds no ordinary shares

Report on Performance of the Board of Directors

In 2015, the Board of Directors held 21 meetings (one meeting was held in person and the other 20 were absentee votes), addressed 42 matters and passed 47 resolutions. Alexander Popov has served as Chairman of the Board of Directors since 2008.

Acron's Board of Directors consists of

7 members

Number of meetings held

21

Number of matters addressed

42

In 2015, Acron's Board of Directors addressed the following matters:

- Approving nominees to the Board of Directors and the Internal Audit Team
- Selecting auditors
- Electing the Chairman of the Board of Directors, assessing the status of members of the Board of Directors and electing the Senior Independent Director, establishing the sole executive body and collegial executive body, forming committees of the Board of Directors, approving concurrent service of members of the Managing Board in management bodies of other organisations
- Considering proposals and approving the agenda for the general meeting
- Convening the annual general meeting, approving documents regulating its preparation and holding
- Convening the extraordinary general meeting, approving documents regulating its preparation and holding
- Approving the 2014 annual financial statements (accounts)
- Considering recommendations on distribution of profit and loss, including payment of dividends
- Approving major and related-party transactions
- Considering audit reports and the Internal Audit Team's report
- Approving reports on results of the issue of Acron's securities

Additionally, Acron's Board of Directors handled the following matters: possible participation of the Group in other companies, the auditor's fee for auditing Acron's financial statements (accounts), closing a representative office, approving a donation agreement with a non-governmental organisation.

Attendance at Board of Directors Meetings and Meetings of Board Committees

	Independent Director	Board of Directors	Audit Committee	Strategic Planning and Corporate Governance Committee	Nomination and Remuneration Committee
Alexander Popov		21/21		3/3	
Vladimir Gavrikov		20/21		3/3	5/6
Igor Belikov	+	21/21	7/7		6/6
Alexander Dynkin		20/21		3/3	
Valery Shvalyuk		20/21	5/5		

Persons who left the Board of Directors on 21 May 2015

	Independent Director	Board of Directors	Audit Committee	Strategic Planning and Corporate Governance Committee	Nomination and Remuneration Committee
Egor Gissin		10/10			5/5
Viktor Kochubey		10/10	5/5		

Persons who joined the Board of Directors on 21 May 2015

	Independent Director	Board of Directors	Audit Committee	Strategic Planning and Corporate Governance Committee	Nomination and Remuneration Committee
Yury Malyshev	+	11/11	2/2		1/1
Vladimir Sister	+	11/11	2/2		1/1

Information on changes to Board of Directors members' stakes in Acron Group's authorised capital and ownership of the Group's ordinary shares

In the reporting period, members of Acron's Board of Directors did not execute any transactions to acquire or dispose the Group's shares. There were no changes to their stakes in Acron Group's authorised capital or ownership of the Group's ordinary shares. Information on shares of Acron and its subsidiaries held by members of Acron's Board of Directors is available in the section "Investor and Shareholder Information" of this Annual Report.

Independent Directors

The election of a larger number of Independent Directors to the Group's Board of Directors was Acron Group's important achievement in improving its system of corporate governance. While the Group's Board of Directors and its committees included only one Independent Director in 2014, in the reporting period that number increased to three. The two new Independent Directors (Yury Malyshev and Vladimir Sister) met all the criteria of the Russian Corporate Governance Code and the Listing Rules of the Moscow Exchange. Igor Belikov was recognised as an Independent Director under the provisions of the Corporate Governance Code and by resolution of the Board of Directors, even though he is formally affiliated with the Group as a member of the Group's Board of Directors for over seven years in total. According to the Board of Directors, this factor is not material and does not affect his ability to make unbiased and reasonable judgements for the benefit of all Group shareholders. Pursuant to Clauses 109 - 110 of the Corporate Governance Code, substance prevails over form when assessing the independence of each member of the Board of Directors. In certain exceptional instances, when performing such assessment, the Board of Directors may deem a particular Board member to be independent even though he/she is formally affiliated with the Group, its substantial shareholder or any of its material counterparties or competitors, provided that such affiliation does not affect the member's ability to make independent, objective and bona fide judgements.

The election of three Independent Directors to the Board of Directors in 2015 by the annual general meeting significantly strengthened the role and influence of Independent Directors in discussing key issues and making decisions on matters reserved for the Board and its committees. Igor Belikov was elected Senior Independent Director at the first meeting of new Board of Directors. As recommended by the Corporate Governance Code, he was designated to coordinate the work of the Independent Directors and interact with Chairman of the Board of Directors. The election of a Senior Independent Director helped improve the effectiveness of the Independent Directors and their communication with management and shareholders.

As one of the most experienced members of the Board of Directors, the Senior Independent Director provided significant assistance to the Chairman of the Board of Directors and helped new members get up to speed and familiarise themselves with the core aspects of the Group's business, its system of corporate governance and procedures of the Board of Directors and its committees.

Since their election, the three Independent Directors have held two meetings under the supervision of the Senior Independent Director without participation of management to discuss information support for Independent Directors, the quality and promptness of management's response to requests sent by Independent Directors, and ways to improve the performance of the Board's committees, the Board of Directors in general and the corporate governance system.

By participating vigorously on the Board, the Independent Directors help form objective opinions on matters related to corporate governance and reach well-balanced decisions that take into account the interests of all shareholders, regardless of size of their stake. The Independent Directors are also instrumental in evaluating the real effectiveness of the Group's risk management and internal control systems and its compliance with the Corporate Governance Code recommended by the Bank of Russia and the Group's internal Corporate Governance Code. Acron's management appreciates the Independent Directors' contributions and consults with them on relevant managerial decisions.

With three Independent Directors, the Board's Audit Committee and Nomination and Remuneration Committee now solely consist of Independent Directors, as recommended by the Corporate Governance Code of the Bank of Russia and best international practices. The Independent Directors drafted the committees' working plans autonomously.

During the reporting period, the Audit Committee and the Nomination and Remuneration Committee addressed the following matters of corporate governance:

- Evaluated the risk management and internal control systems and the quality of material risk management
- Executed a working plan for the internal audit department
- Discussed the audit report and analysed the external auditors' comments and management's responses to the comments
- Studied the practice of counteracting corruption and fraud in the Group and compliance with the Corporate Governance Code
- Reviewed the Group's corporate social responsibility
- Evaluated the Group's system of incentives and professional development for managerial staff

Corporate Secretary

In 2015, the role of Corporate Secretary was performed by several of the Group's business units (securities circulation division, legal department, investor relations division and secretary of the Board of Directors), to ensure the Group's efficient cooperation with shareholders, state agencies regulating corporate relations, trade institutors on Russian and international stock exchanges, the registrar for the Group's shareholders and other professional securities market participants.

In the reporting period, the Nomination and Remuneration Committee considered and recommended for Board approval the Regulation on Acron's Corporate Secretary and a nominee to be appointed as Acron's Corporate Secretary in order to improve the Group's system of corporate governance.

The draft Regulation on Acron's Corporate Secretary grants the Corporate Secretary sufficient independence from the Group's executive bodies, because he/she shall report to the Board of Directors. It is planned that the Corporate Secretary will have sufficient powers to exercise his/her functions.

Appointment of the Group's Corporate Secretary is scheduled for H1 2016.

Information on Major and Related-Party Transactions Executed by the Group

In 2015, the Group executed 1,352 transactions (supplementary agreements thereto) that were recognised as related-party transactions in accordance with the Federal Law "On Joint Stock Companies". Most of these transactions were executed with Acron Group's subsidiaries, and therefore on formal grounds they constitute related-party transactions. The Board of Directors and/or the Group's general meeting approved all of the transactions as transactions that Acron Group can complete as ordinary business in future.

Further information on Acron Group's 2015 transactions recognised as related-party transactions in accordance with the Federal Law "On Joint Stock Companies" is available in Appendix 1.

In the reporting period, the Group did not execute any transaction recognised as major transactions in accordance with the Federal Law "On Joint Stock Companies" or the Group's Charter.

Board of Directors Committees

The Board of Directors includes three committees: the Audit Committee, the Strategic Planning and Corporate Governance Committee and the Nomination and Remuneration Committee. These committees play an important role in the corporate governance system, ensuring preliminary consideration and preparation of recommendations for the Board of Directors regarding strategic matters. The activities of the Board's committees are subject to Regulations on the committees approved by the Board of Directors and disclosed on Group's website.

Audit Committee

The Audit Committee's scope of authority includes matters related to risk management and internal control and audit, including preparation of recommendations to select an independent auditor and preliminary assessment of the auditor's report following the audit of the Group's performance, evaluation of financial statements, consideration of accounting matters, evaluation of the internal control system and tax planning policy.

Meetings held	Matters addressed
7	**14**

Audit Committee elected on 21 May 2015

The Committee consists of three Independent Directors:

- Igor Belikov (Chairman)
- Yury Malyshev
- Vladimir Sister

Audit Committee track record

In 2015, the Audit Committee held seven meetings and addressed 14 matters, including:

- The Group's cooperation with the external auditor on the auditing of financial statements and preparation of the audit report
- Selection of external auditors to audit the financial statements (accounts) of Acron Group, its subsidiaries and affiliates
- Transfer prising risks for Acron Group, risk mitigation measures
- The effectiveness of the Group's risk management and internal control systems
- Analysis of the report on the Group's compliance with the requirements of applicable legislation and the listing rules of Russian and foreign stock exchanges
- Efficient use of the Group's IT resources, IT risk management and mitigation
- Recommendations on selecting and approving auditors
- Consideration of the reports by the auditor and the Internal Audit Team
- Consideration of the Internal Audit Team's working plan

All meetings of the Audit Committee were held in person.

Strategic Planning and Corporate Governance Committee

The Strategic Planning and Corporate Governance Committee considers and prepares recommendations for the Board of Directors regarding priority areas for the Group's operations, strategic goals and risks, investment, loan and integration policy, the corporate system of securities and property management, improvement of corporate relations, and establishment of unified standards. The scope of authority of the Strategic Planning and Corporate Governance Committee includes matters related to preparing recommendations on increasing and decreasing the Group's authorised capital, bond issues, approval of bylaws and the Annual Report, profit distribution and convening general meetings.

Meetings held	Matters addressed
3	9

Strategic Planning and Corporate Governance Committee elected on 21 May 2015

- Alexander Dynkin (Chairman)
- Vladimir Gavrikov
- Alexander Popov

Strategic Planning and Corporate Governance Committee track record

In 2015, the Strategic Planning and Corporate Governance Committee held three meetings and addressed nine matters, including the following:

- Convening the annual and extraordinary general meetings, approving the documents for preparing and holding meetings
- Determining the market value of an additional issue of subsidiary shares to be acquired
- Proposing approval of related-party transactions for consideration by the general meeting
- Issuing recommendations for profit and loss distribution, including payment (declaration) of 2014 dividends
- Issuing recommendations for distribution of retained profit from past years, including payment (declaration) of dividends
- Issuing recommendations for approval of the Group's 2014 Annual Report

Nomination and Remuneration Committee

The scope of authority of the Nomination and Remuneration Committee includes preparing recommendations related to human resource policy, incentives, salaries and remuneration and outlining criteria for selection and preliminary assessment of nominees to the Board of Directors, the Internal Audit Team and the collegial and sole executive bodies. The Nomination and Remuneration Committee evaluates the performance of the Group's sole executive body, the members of the collegial executive body and the Internal Audit Team and prepares proposals for their potential re-election.

Meetings held	Matters addressed
6	7

Nomination and Remuneration Committee elected on 21 May 2015

The Nomination and Remuneration Committee consists of the following Independent Directors:

- Igor Belikov (Chairman)
- Yury Malyshev
- Vladimir Sister

Nomination and Remuneration Committee track record

In the reporting year, the Nomination and Remuneration Committee held six meetings and addressed seven matters, including the following:

- Preparing recommendations identifying priority issues related to human resources policy, incentives and professional development of the Group's key management, salary and remuneration, and evaluating the Group's existing practice in this area
- Considering the report on the Group's practice in application of the Code of Business Conduct and the Regulation on Anti-corruption Policy
- Outlining criteria for selection and preliminary assessment of nominees to the Board of Directors
- Preliminary consideration and recommendations to approve the Regulations on Corporate Secretary and the Corporate Secretary nominee
- Considering the report on the Group's corporate social responsibility practices and the sustainable development of the Group and its subsidiaries and affiliates

All meetings of the Nomination and Remuneration Committee were held in person.

Further information on Regulations governing the Board of Director's committees is available at http://www.acron.ru/en/investors/corporate_governance/governance_structure/

Managing Board

The Managing Board is the Group's collegial executive body. The Managing Board and the Chair of the Managing Board are the key players in directing the Group's day-to-day operations.

The Group's Managing Board is governed by the Charter and the Regulation on the Managing Board. The Chief Executive Officer acts as Chair of the Managing Board. Members of the Managing Board are elected by the Group's Board of Directors upon the recommendation of the CEO.

The Managing Board holds regular meetings, for which it follows the procedure established by the Regulation on the Acron Managing Board.

The Managing Board is composed of six members. Vladimir Kunitsky has served as the Board's Chair since 2011.

The Regulation on the Acron Managing Board is available on the Group's web site at:
http://www.acron.ru/en/investors/corporate_governance/governance_structure/

Managing Board consists of	Number of meetings held	Number of matters addressed
6 members	**14**	**18**

CEO (Chair of the Managing Board)

The CEO (sole executive body) administers the Group's daily operations in accordance with Russian Federation law, the Charter and the Regulation on the Acron Managing Board, and organises and ensures implementation of resolutions passed by the general meeting, the Board of Directors and the Managing Board. Since 2011, Vladimir Kunitsky has served as Acron's CEO.

The Managing Board has authority on the following issues:

- Considering and making recommendations on key issues of day-to-day business
- Coordinating the implementation of resolutions passed by the general meeting and the Board of Directors
- Approving forward-looking plans, developing the production programme and setting output levels
- Coordinating the operation of business units
- Performing staff recruitment
- Arranging the implementation of the social development programme and other issues

The Composition of the Managing Board

All members of the Managing Board have years of successful experience in the mineral fertiliser industry, have professional backgrounds in a relevant area and serve for the Group, which has a positive effect on the Group's financial and economic performance.

Members of the Managing Board have the obligation to act reasonably, in good faith and in the interests of the Group. Under the bylaws, members of the Managing Board and the Group's CEO must use sensitive information and other insider information exclusively to benefit the Group and must ensure the confidentiality of such information. Members of the Managing Board and the Group's CEO follow the restrictions on the use of insider information contained in the Regulation on Access to Acron's Inside Information. The Board of Directors controls the activity of the Group's executive bodies (the Managing Board and the CEO).

The membership of the Managing Board did not change in 2015. The six members are: Vladimir Kunitsky, Oscar Valters, Ivan Antonov, Alexei Milenkov, Irina Raber, and Dmitry Khabrat.

Vladimir Kunitsky

Born in 1948

Higher education – Gorky Urals State University

Chairman of the Managing Board

Chief Executive Officer (President)

Member of Acron's Managing Board since 2005

Professional Experience

Vladimir Kunitsky has worked for JSC Dorogobuzh (PJSC Dorogobuzh since 2015) since 1983. His previous posts include deputy head of AN operations, head of NPK operations and director general of Dorogobuzh Minudobreniya Production Association. Between 2006 and 2011, Kunitsky was Acron’s senior vice president. Since 2011, he has served as Acron’s CEO. In 2012-2013, he was CEO of North-Western Phosphorous Company.

Stake in issuer's share capital / number of issuer's ordinary shares owned: 0.037%

Oscar Valters

Born in 1963

Higher education – Moscow Auto-Mechanical Institute, State Finance Academy

Deputy Chairman of the Managing Board

Senior Vice President

Member of Acron's Managing Board since 2005

Professional Experience

Oscar Valters came to the Group in 1995 and has held a number of positions, including head of the financial management division of the Board of Directors, Chairman of the Board of Directors, Board of Directors deputy Chairman for finance, head of the finance department and vice president for finance.In 2011, he was appointed the Group’s senior vice president.

Stake in issuer's share capital / number of issuer's ordinary shares owned: 0.01%

Ivan Antonov

Born in 1950

Higher education – Leningrad Lensoviet Technology Institute

Advisor to CEO

Member of Acron's Managing Board since 2005

Professional Experience

Ivan Antonov has been with the Group since 1973. Between 2003 and 2005, he chaired Acron's Board of Directors and was in charge of international markets. He served as Acron's CEO from 2005 to 2011. Antonov served as Acron's vice president for production and development from 2011 to 2014.

Stake in issuer's share capital / number of issuer's ordinary shares owned: 0.08%

Alexei Milenkov

Born in 1973

Higher education: Togliatti State University

Finance Director

Member of Acron's Managing Board since 2010

Professional Experience

Alexei Milenkov has been with the Group since 2002, working as head of the information and research division. In 2008, Milenkov was appointed Acron's finance director. From 2012 to 2014, he was a Director of North Atlantic Potash Inc. (Canada). Member of the Board of Directors of North Atlantic Potash Inc. since 2015.

Stake in issuer's share capital / number of issuer's ordinary shares owned: 0.002%

Irina Raber

Born in 1949

Higher education – Moscow Electrical Engineering Institute of Communications, All-Union Extramural Polytechnic Institute, MGIMO Institute of State Management.

Vice President for Human Resources and Special Projects

Member of Acron's Managing Board since September 2014

Professional Experience

Irina Raber joined Acron in 2011. In 1991-2000, she headed the economics department of a prefecture in the North-East Administrative District of Moscow, and was promoted to deputy prefect and senior deputy prefect of the district. In 2000-2010, Ms Raber was Prefect of the North-East Administrative District of Moscow and held the rank of a Moscow Government Minister. In 2005, she was named president of the Figure Skating Federation of Moscow. She has been vice president of the Figure Skating Federation of Russia since 2006.

Has no stake in issuer's share capital / holds no ordinary shares

Dmitry Khabrat

Born in 1970

Higher education – Novgorod Polytechnic Institute, St. Petersburg State Academy of Engineering and Economics

Vice President Overseas

Member of Acron's Managing Board since 2012

Professional Experience

Dmitry Khabrat joined Acron in 1993. He has been Executive Director of YSF (China) since 2008. Khabrat has been a member of the Board of Directors of Acron-Trans since 2009. He has been Acron's head of foreign trade division and a member of the Board of AS DBT (Estonia) since 2010. Khabrat was appointed Acron's vice president overseas in 2012. He also served as Acron's Chairman of the Board of AS DBT (Estonia), Director of Agronova International Inc. (U.S.), and Chair of the Board of Directors of Hongri Acron (China). In 2012–2014, he served as Director of North Atlantic Potash Inc. (Canada). In 2014, Dmitry Khabrat was appointed as Director of Agronova Asia Limited.

Has no stake in issuer's share capital / holds no ordinary shares

Information about changes in the Managing Board membership, members' stakes in Acron's share capital and the number of the Group's ordinary shares they own

In 2015, Managing Board member Ivan Antonov increased his stake in Acron's share capital (the number of ordinary shares he holds) from 0.079% to 0.080% by purchasing 500 registered ordinary shares (notification dated 10 April 2015).

During the reporting year, no other Managing Board members made any transactions to purchase or dispose of shares. The stakes of other members of the Managing Board in the Acron's share capital and the number of ordinary shares they own did not change. Information about the number of shares of the Group and its subsidiaries held by members of the Managing Board is available in the "Information for Shareholders and Investors" section of this report.

Managing Board Performance Results

In 2015, Acron's Managing Board held 14 meetings (all in person). These meetings considered 18 matters and passed 47 resolutions.

In particular, in the reporting year the Managing Board:

- Reviewed and approved the Acron Group's CAPEX budget
- Reviewed and approved the Acron Group's budget for scheduled repairs
- Monitored implementation of the 2015 investment programme
- Passed resolutions to introduce cost-reduction measures and improve the Group's operating and financial efficiency
- Passed resolutions aimed at improving the efficiency of employees at Acron Group and its subsidiaries
- Considered matters and passed resolutions on provision of guarantees and compensations to Acron Group employees based on the results of a special assessment of working conditions

Remuneration and compensation of members of the Board of Directors and the Managing Board

A total of RUB 852.1 mn in remuneration was paid to Acron Group's top management (members of the Board of Directors and the Managing Board as well as other key management) in 2015.

Remuneration of Members of the Board of Directors

In accordance with the Group's remuneration practice for members of the Board of Directors, only independent directors are remunerated for participation in a managing body. The amount and the payment procedure for such remuneration are determined by the general meeting at the proposal of the Board of Directors (the Nomination and Remuneration Committee). Other members of the Board of Directors may be remunerated under labour contracts executed with them as with Group employees who hold other officers or under civil law contracts (when relevant). The Group also compensates all members of the Board of Directors for reasonable expenses related to the performance of their duties, in actual and documented amounts.

Remuneration of members of the Board of Directors (RUB, '000)

Remuneration	**2015**
Acron Group*	
Remuneration paid for participation in a managing body	4,698
Salary	82,111
Bonuses	132,619
Compensation for expenses related to performing duties as members of managing bodies	0
Other	535
Acron Group total	**219,964**
Including Acron (Veliky Novgorod):	
Remuneration paid for participation in a managing body	*4,698*
Salary	*51,211*
Bonuses	*81,146*
Compensation for expenses related to performing duties as members of managing bodies	0
Other	*522*
Acron (Veliky Novgorod) total	***137,577***

* Including Acron (Veliky Novgorod) and Dorogobuzh

Remuneration of Members of the Managing Board and CEO

In accordance with the Group's remuneration practice, Members of the Managing Board are not remunerated for participation in a managing body. Members of the Managing Board earn salaries under labour contracts executed with them as Group employees who hold other offices or under civil law contracts (when relevant).

The amount and the payment procedure for such remuneration of members of executive bodies and other key employees are established by labour contracts in accordance with the Group's bylaws, which determine the remuneration plan, including the Regulation on the Group's Employee Grading. This system of grading the positions held by members of executive bodies and other key employees allows the Group to set reasonable remuneration (compensation) and benefits for those persons that reflect their experience, competence and qualifications. The remuneration of members of executive bodies and other key management employees includes fixed and variable portions to incentivise and reward them for their performance and contributions to the Group's financial results.

Remuneration of members of the Managing Board and CEO (RUB, '000)

Remuneration	2015
Acron Group*	
Remuneration paid for participation in a managing body	0
Salary	180,475
Bonuses	169,586
Compensation for expenses related to performing duties as members of managing bodies	0
Other	1,752
Acron Group total	**351,813**
Including Acron (Veliky Novgorod):	
Remuneration paid for participation in a managing body	*0*
Salary	*94,113*
Bonuses	*88,528*
Compensation for expenses related to performing duties as members of managing bodies	0
Other	*1,751*
Acron (Veliky Novgorod) total	***184,393***

* Including Acron (Veliky Novgorod) and Dorogobuzh

Remuneration of Group's other key management (RUB, '000)*

Remuneration	2015
Remuneration paid for participation in a managing body	0
Salary	122,495
Bonuses	151,351
Compensation for expenses related to performing duties as members of managing bodies	0
Other	6,525
Acron Group total	**280,371**

* Including Acron (Veliky Novgorod), Dorogobuzh and NWPC

Management and Officers Liability Insurance (D&O)

Corporate legislation and the Group's bylaws place upon the CEO and members of the Group's collegial bodies the obligation to act reasonably and in good faith in the interests of the Group. Because managing the Group is such a complex process, there is a risk that managers and directors acting reasonably and in good faith may make decisions that result in negative consequences for the Group or its shareholders.

In order to address negative consequences that may be caused unintentionally by incorrect management decisions, Acron carries liability insurance for members of its managing bodies and other officers and employees since 2013. In addition to providing coverage for losses incurred by the Group or third parties, this insurance helps attract the most qualified specialists to the Board of Directors and the Managing Board.

In the reporting year, the Group obtained USD 70 million in liability insurance for the Group and its controlled entities, all members of executive bodies and members of the Group's Board of Directors (controlled entities), as well as certain other officers, through agreements with VTB Insurance Ltd. This insurance covers the liability risks of the Group, its controlled entities, their directors and other officers if they are targeted by lawsuits or other disputes regarding the actions taken by such persons within the scope of their duties.

Russia's Corporate Governance Code recommends that members of the Board of Directors and executive bodies have liability insurance. Such insurance is also a general practice at public joint stock companies, which bear higher risks of property and other claims due to scale of their operations.

Internal and External Control System

Internal Control

The Group's internal control system is a set of procedures for conducting financial and economic transactions and for identifying, preventing and managing risks within the Group's activity. The internal control system is implemented by the Group's bodies and business units in accordance with their authority as outlined by the internal control system.

The Group's internal control bodies develop, approve and implement procedures for internal control and for assessing the effectiveness of these procedures in achieving the goals of internal control.

The Group has created and operates an effective system of internal control over its financial and business activity. This system was developed in accordance with Russian law, the Group's Charter and its bylaws, and with consideration for the rules for listing securities on Russian stock exchanges and the Corporate Governance Code regulations recommended by the Bank of Russia.

In order to ensure that the internal control system functions effectively, the Group is guided by its Regulation on the Internal Control System for financial and business activity, which sets the goals, objectives and principles for internal control bodies.

The full text of the Regulation on the Internal Control System is available on the company's web site at
http://www.acron.ru/en/investors/corporate_governance/internal_control/

Key Participants in the Group's Internal Control System

Board of Directors	Participates in assessing risks related to financial and business activity and developing ecommendations on risk management and control
Internal Audit Department	Ensures application of and compliance with regulations governing financial and business operations, approves the annual audit plan and initiates unscheduled audits.
CEO	CEO plays a key role in the Group's internal control system. He monitors compliance with the internal control procedures, participates in improving risk management, control and corporate governance to ensure reliability and efficiency of internal control system, completeness and authenticity of financial and management information, effectiveness of risk management processes and the Group's compliance with the Russian legislation.
Internal Audit Team	Conducts the Group's annual performance-based audit and other audits at any time on its own initiative and/or by resolution of the general meeting and/or the Board of Directors, and /or at the request of a shareholder holding a total of at least 10% voting shares of the Group. The Internal Audit Team also participates in assessing the effectiveness of the internal control system.

Internal Audit Team

As specified by Acron's Charter, the Internal Audit Team is elected by the general meeting to exercise control over financial and business operations. The Internal Audit Team is elected to serve until the next annual general meeting. Persons elected to the Internal Audit Team may be re-elected for an unlimited number of times.

The main objectives of the Internal Audit Team include monitoring financial and business activity, performing an annual performance-based audit of the Group and assessing the effectiveness of the internal control system. The Internal Audit Team's activity is subject to the Regulation on the Internal Audit Team, which is approved by the general meeting.

The text of the Regulation on the Internal Audit Team is available on the web site at
http://www.acron.ru/en/investors/corporate_governance/internal_control/

The Internal Audit Team is composed of five members. On 21 May 2015, the general meeting elected the following members to the Internal Audit Team:

- Irina Klassen (Chair) – Head of the Protocol Unit, Secretary of Acron's Board of Directors and Managing Board
- Valentina Alexandrova – Chief Labour Economist of Acron's HR Department
- Tatyana Strigalyova – Head of Acron's Planning and Economy Department
- Nadezhda Preobrazhenskaya – Chief Expert of Acron's Internal Audit Department
- Tatyana Khrapova – Acron's Senior Deputy Chief Accountant

The Internal Audit Team's 2015 audit of Acron's financial and business activity detected no instances of non-compliance with the requirements of Russian law and confirmed the accuracy of the data contained in the Group's annual financial statements and Annual Report.

Remuneration of Members of the Internal Audit Team

Remuneration paid to Internal Audit Team members in 2015 (RUB, '000)

Remuneration	2015	2014
Salary	2,562	2,860
Bonuses	2,859	3,394
Other	233	114
Total	5,654	6,368

The Group's internal control system is based on a division of authority between the bodies involved in monitoring financial and business activity and developing, approving, implementing and assessing the effectiveness of internal control procedures.

As part of the internal control system, the Board of Directors participates in assessing the Group's financial and business risks through its Strategic Planning and Corporate Governance Committee; the Board also develops recommendations on risk management and control. The Group's CEO ensures the implementation of and compliance with regulations (standards) governing financial and business operations and monitors compliance with internal control procedures.

Internal Audit Department

The Internal Audit Department plays a key role in the internal control system. Department staff works closely with the Board of Directors to improve the risk management system and the control and corporate governance systems in order to ensure the reliability and effectiveness of the internal control system, the completeness and accuracy of financial information and management data, the effectiveness of risk management processes and compliance with Russian laws.

External Audit

Each year, the Group engages an external auditor that has no property interests in the Group or its shareholders to audit and confirm the accuracy of its RAS and IFRS financial statements (accounts).

A nominated auditor is put up for preliminary discussion at a meeting of the Audit Committee. The Audit Committee prepares recommendations for the Board of Directors regarding the proposed external auditor and the price of its services for the next financial year. Based on the recommendation by the Audit Committee, the Board of Directors proposes to approve the nominee at the annual general meeting and sets the price of its services.

When selecting its nominees, the Audit Committee takes into account the auditor's general and industry experience, the qualifications of its employees, and the quality and cost of its auditing services.

On 21 May 2015, the general meeting approved Baker Tilly Russaudit to audit the Group's RAS financial statements (accounts) and KPMG to audit its IFRS financial statements.

The external auditors received the following fees for auditing Acron Group's performance in the last ended financial year (2014): Baker Tilly Russaudit – RUB 3.6 million, KPMG – RUB 19.9 million.

Anti-Corruption Activity

The Group pays close attention to anti-corruption matters and pursues a transparency policy that governs employee and management interactions with third parties.

In designing its anti-corruption measures, the Group follows the provisions of the Code of Business Conduct adopted in 2013, which includes fundamental business ethics adopted in accordance with the Group's ethical values and applicable legislation. The Code is recommended for use at all Groups' subsidiaries. The Group's management has made the Code mandatory for all its subsidiaries where financial and business activity is associated with elevated corruption risks. The Group dedicated to developing corporate relationships and practicing fair business conduct at its subsidiaries and aims for deeper implementation of the Code's regulations in its subsidiaries' operations.

The Group's Regulation on Anti-Corruption Policy is an essential part of the Code. It consists of the Group's major principles on anti-corruption measures and is founded on zero tolerance for corruption. Employees and managers are specifically prohibited from participating in any corrupt activity, whether directly or indirectly, in person or through third parties.

The Group's anti-corruption strategy requires compliance with all principles of the Group's Code and the Regulation on Anti-Corruption Policy by employees and managers and regular comprehensive assessments of compliance with the code's provisions in order to detect and prevent violations and develop relevant recommendations.

In order to mitigate the risks of corruption-related violations, Acron carefully chooses its counterparties, follows the principles of fair competition and closely monitors all actions by business partners that may lead to negative consequences.

Acron's Ethics and Anti-Corruption Committee exercises the following powers:

- Monitoring compliance with the Regulation on the Anti-Corruption Policy
- Performing preliminary assessment of corruption and corporate integrity risks and designing tools to prevent such risks
- Providing the Group's employees with recommendations on counteracting corruption, complying with and implementing the Code and the Regulation on Anti-Corruption Policy
- Investigating allegations of corruption, ethical misconduct and proven or alleged violations of the Code and the Regulation on Anti-Corruption Policy reported by employees and other interested persons, conducting necessary investigations, providing recommendations to the Group's relevant executive bodies and officers

In order to promote compliance with the provisions of the Code of Business Conduct and the Regulation, the Group maintains a hot line that employees can use to contact the Committee, the Business Security Department and the Credit and Investment Committee.

The Committee is supervised by its Chair. During anti-corruption investigations, the Committee reports to the Board of Directors Nomination and Remuneration Committee on violations of the Code of Business Conduct in the reporting year or other period, the results of analysis and assessment of the anti-corruption system, and events, additional training and coaching programmes. Based on the information received, the Committee makes recommendations to the Board of Directors. In 2015, no violations of the Code were identified.

The Code of Business Conduct, the Regulation on Anti-Corruption Policy and the Regulation on the Ethics and Anti-Corruption Committee are available on the Group's web site at: http://www.acron.ru/en/investors/corporate_governance/corporate_documents/

Risks and Risk Mitigation Strategy

Acron's activity is associated with risks that can affect its operating and financial performance. Mitigating the effects of such risks is a key task for the Company's Board of Directors and the Managing Board.

As part of the risk management system, the Board of Directors and the Managing Board:

- Analyse and evaluate existing and potential risks
- Develop and implement measures to mitigate the effects of risks
- Elaborate and implement plans for crisis management and recovery

Historically, the major risks with the greatest impact on the Group's activity have been the ones related to purchasing mineral inputs, global fertiliser market trends and financing. Acron Group's long-term development strategy is aimed at mitigating the influence of these risks on the Group's business, ensuring stability and creating the foundation for continuing growth and improvement in the Company's competitive position.

The Group's operating results depend on fertiliser prices and return on sales, which in turn are contingent on demand for fertilisers. Demand is affected by several factors, including weather conditions, fertiliser price forecasts, public policy, consumers' access to financing and the availability of inventory in distribution channels.

Key Risks and Risk Mitigation Strategy

Major risks

Risks related to purchasing key raw materials: apatite concentrate and potash	Risks related to global mineral fertiliser market conditions	Financial risks related to debt servicing

Risk mitigation through development strategy

Creating own phosphate and potash raw material base to decrease exposure to higher raw material prices and ensure sustainable supply	Diversifying sales markets, increasing sales on premium markets with high demand Diversifying product portfolio	Monetising non-core assets Diversifying sources of financing

Risk	Description	Risk Mitigation
Industry Risks		
Risks related to changes of the global mineral fertiliser market	Decline in the macroeconomic situation, insufficient increase in demand (which depends, among other things, on government subsidies, yield and grain prices in key sales markets, current and forecast fertiliser inventory) or excess increase in production capacity may cause significant price fluctuation for fertilisers and inputs and may have a material effect on the Group's performance.	• Pursuing a vertical integration strategy to increase the Group's long-term competitive advantages • Signing long-term contracts with major fertiliser consumers in key markets (Brazil, the United States, China) to allocate 30 – 50% of certain products in advance • Selling through wholly owned trading and distribution companies
Risks related to seasonal fluctuation in demand for the Group's key products	Seasonal fluctuations in fertiliser application depend on weather and climate conditions. Abnormal climate phenomena such as droughts and floods may have a significant effect on demand in certain regions.	• Diversifying sales markets in order to promptly redistribute product flows and sales across 60 countries, mitigating the effects of seasonal factors • Diversifying the product portfolio, which includes fertilisers and industrial products, to reduce the Group's dependence on agricultural market dynamics • Advanced warehouse facilities at production sites and in key sales markets (Russia, China) smooth out seasonal fluctuations in sales
Risks related to price variance and changes to the terms for purchasing key inputs and services	Companies that are monopolies or dominate their markets supply Acron Group's Russian production facilities with key inputs and services. This situation increases the Group's exposure to risks related to uncontrolled price hikes and manipulation of raw material prices and supplies. Increased raw material and services prices result in higher production costs and decreased profit.	• Creating own phosphate and potash raw material base; since mid-2013, the Group's Russian production facilities receive all their raw materials from wholly owned phosphate assets. • Signing long-term contracts
	Natural gas. Natural gas prices in Russia are regulated by the government instead of the market. In recent years, the government has been implementing a strategy of restraining higher gas tariffs. Risks related to changes in government priorities and greater increases in gas tariffs remain long-term risks.	• The Russian government's decision to freeze in a long term tariffs for goods and services provided by natural monopolies mitigates the risk of immediate gas price increases in the short term. • The new Ammonia-4 unit at Acron (Veliky Novgorod) will use less natural gas than any of the Group's other ammonia units.
	Potash. Uralkali is Russia's sole potash supplier. Without competition, the supplier may abuse its monopoly position, leading to higher prices and manipulation of supply volume.	• Acron Group is building its own potash facility as part of its vertical integration strategy. • Acron (Veliky Novgorod) and Dorogobuzh have long-term contracts with Uralkali for necessary potash supplies through the end of 2017

Risk	Description	Risk Mitigation
	The cost of transportation services is a significant part of the Group's expenses. Increases in the cost of railway transportation or leasing of railcars, sea freight or cargo transshipment may materially impair the Group's financial position or weaken its competitive strength. On 1 January 2015, Russian railway transportation tariffs increased 10%.	• The government will control further indexation of railway transportation tariffs, so the risk of higher rail charges is finite. • The Group cooperates with a number of railway operators on a competitive basis in order to reduce the cost of leasing a railcar fleet. • Acron Group's logistics segment comprises three port terminals, warehouse facilities, own railcar fleet and a railway operator. • Freight expenses are offset by forming shiploads of optimum size and using own warehouses, terminals and trading companies.
Operating Risks		
Failures and unscheduled production shutdowns	Failures and unscheduled production shutdowns may cause higher repair costs and lower operating results.	• Acron Group makes sizeable annual investments in required engineering, upgrades and replacement of outdated equipment and construction of modern, safe facilities • The industrial safety and process control divisions ensure engineering supervision and occupational safety • The ammonia operations at Acron (Veliky Novgorod) and Dorogobuzh are fully insured with reliable insurance companies because they are the most hazardous and cost-intensive part of the Group's operations. Recovery costs associated with a failure would be covered by insurance
Technical risks related to the investment programme	Acron Group is implementing several investment projects simultaneously to construct new production assets and develop mineral deposits. Engineering complexities in the course of construction and lack of personnel resources may significantly delay completion of the projects or require additional costs.	• By thoroughly elaborating investment projects and hiring highly skilled personnel, the Group can meet deadlines and successfully commission new production capacity • Purchasing modern equipment from leading global manufacturers and selecting highly qualified contractors • Talitsky mine's CAR/EAR are insured by a pool of Russian and international insurance companies.
Social and Environmental Risks		
Personnel risks	Scarcity of highly skilled personnel and conflicts with trade unions may cause an increase in expenditures on professional training and expose the Group to the risk of strikes.	• The Fair Work Programme regulates the Group's social obligations to employees. • The career development programme includes advanced professional training courses and corporate training to ensure that Group personnel have the necessary qualifications for hi-tech operations.

Risk	Description	Risk Mitigation
Environmental risks	There are risks related to potential adverse environmental impact from the Group's operations caused by accidents, as well as the risk of failure to meet performance standards due to changes to environmental legislation, which may entail additional liabilities and expenditures.	• Upgrading equipment and commissioning environmentally safe facilities to avoid accidents and reduce emissions • Ongoing environmental monitoring and disclosure of information about environmental efforts • The Group insures its civil liability as the owner of hazardous production facilities and obtains extended insurance risk coverage, including for environmental risks.
Financial Risks		
Risks related to changes to interest rates	In 2015, the interest rates Russian banks charged on loans remained high relative to previous period. If this trend continues, it may hinder loan refinancing and entail an increase in interest payments.	• In order to mitigate risks related to changes in interest rates, Acron Group forms its debt portfolio using debt financing provided by a range of international and Russian lending institutions • Using diverse sources of financing • Executing loan agreements with varying maturity periods • The Group uses a variety of financing instruments, including ones with a flat base rate. Interest rates for most of foreign currency loans are tied to LIBOR. • In 2015, the Group's Fitch and Moody's credit rating improved and the Group further reduced its debt portfolio, which positively affected interest on loans. • The Group uses bank loans as well as other loan sources, for instance, rouble bonds and long-term loans covered by export-credit agencies
Currency risks	Most of the Group's revenues and committed loans are denominated in foreign currency, while its expenditures are primarily in roubles. As a result, exchange rate fluctuations have a material effect on the Group's financial performance.	The Group has balanced its debt portfolio and revenues in their foreign currency and rouble components, ensuring a natural hedging of its currency risks.
Liquidity risks	The Group's aggressive investment programme requires significant financial resources. Difficulties with debt financing may lead to the Company's failure to repay its liabilities on time.	• According to rating agencies, the Group has sufficient liquidity ensured by available undisbursed loan facilities in banks and significant cash on hand, which together exceed all its short-term liabilities. As a result, the Group is not exposed to any refinancing risk. • Registration of exchange bonds will help to obtain funds at the debt capital market, reacting promptly to the market environment and the need to borrow.

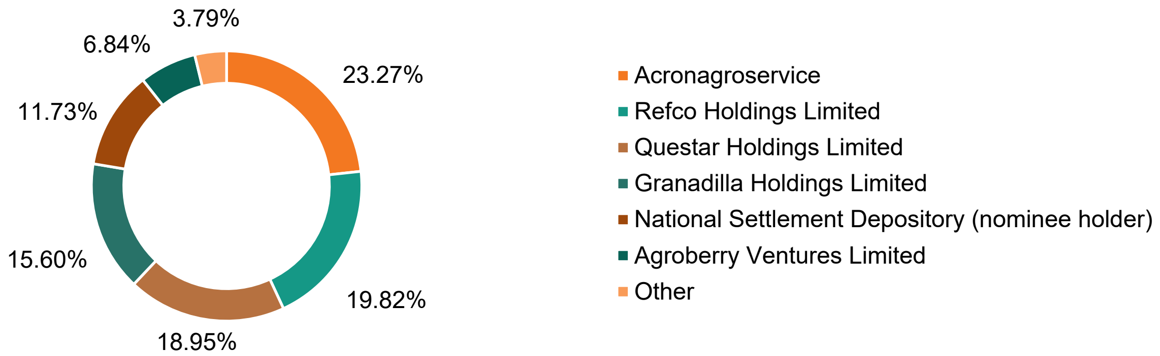
Risk	Description	Risk Mitigation
		• Maintaining a certain volume of undisbursed loan limits with creditor banks for immediate funding if needed • Availability of financial assets for sale if needed
Legal Risks		
Risks related to changes in legislation	Changes in Russian and international laws may create additional liabilities and limitations for the Group's operation.	In order to mitigate potential legal risks, the Group closely monitors all amendments to applicable laws, engages highly experienced legal professionals and continually improves its corporate procedures.
Risks related to changes in standards for licensing the Group's core business	Acron Group operates under a variety of licences related to its core business. The corresponding licence agreements mandate the subsoil user's actions and timeline. Licence requirements are related mainly to drafting design documentation, obtaining government approvals, commencing certain operations (exploration, extraction, processing) and ensuring compliance with industrial and environmental safety requirements. Any violation of licence agreements may result in licenses being withdrawn.	The Group monitors performance of its licence agreements on an ongoing basis and makes every effort to prevent violations.

Investor and Shareholder Information

Authorised Capital

As of 31 December 2015, Acron's authorised capital was RUB 202,670,000, divided into 40,534,000 ordinary shares with par value of RUB 5 per share.

Acron's Share Capital Structure



Acron's Shareholders

Full Name	Number of Shares as of 31 December 2015	Percentage in Equity Capital	Number of Shares as of 31 December 2014	Percentage in Equity Capital
Acronagroservice	9,430,800	23.27	9,430,800	23.27
Refco Holdings Limited	8,033,839	19.82	8,033,839	19.82
Questar Holdings Limited	7,681,193	18.95	7,681,193	18.95
Granadilla Holdings Limited	6,322,000	15.60	6,322,000	15.60
National Settlement Depositary (nominee holder)	4,754,956	11.73	5,357,399	13.22
Agroberry Ventures Limited	2,773,742	6.84	2,773,742	6.84
Other	1,537,470	3.79	935,027	2.30
Total	40,534,000	100	40,534,000	100

Acron management is not aware of any other shareholders with more than 5% of authorised capital.

The Group's ultimate parent is Subero Associates Inc. (British Virgin Islands). As of 13 December 2015, the Group was ultimately controlled by Viatcheslav Kantor.

Information on Shares of Acron and its Subsidiaries Held by Members of Acron's Board of Directors and Managing Board

Members of the Board of Directors and the Managing Board	Date of Change	Number of Acron's Ordinary Shares as of 31 December 2015	Interest in Acron's Share Capital, %
Alexander Popov	–	19,021	0.049
Igor Belikov	–	–	–
Vladimir Gavrikov	–	–	–
Egor Gissin	–	–	–
Alexander Dynkin	–	–	–
Viktor Kochubey	–	–	–
Valery Shvalyuk	–	–	–
Vladimir Kunitsky *	–	14,882	0.037
Ivan Antonov **	10 April 2015	32,000	0.080
Oscar Valters	—	4,163	0.01
Alexei Milenkov ***	—	790	0.002
Dmitry Khabrat	—	—	—
Irina Raber	—		

* Vladimir Kunitsky holds 95,910 preferred shares (0.01%) and 10,420 ordinary shares (0.001%) in Dorogobuzh.

** On 10 April 2015, Ivan Antonov filed notice that he acquired 500 (0.001%) registered ordinary shares in Acron under a sale agreement.

*** Alexei Milenkov holds 8,000 preferred shares (0.0009%) in Dorogobuzh.

Trading Floors

As of 31 December 2015, Acron's shares were traded in roubles at the Moscow Exchange (AKRN ticker) on the Level 1 (highest) quotation list.

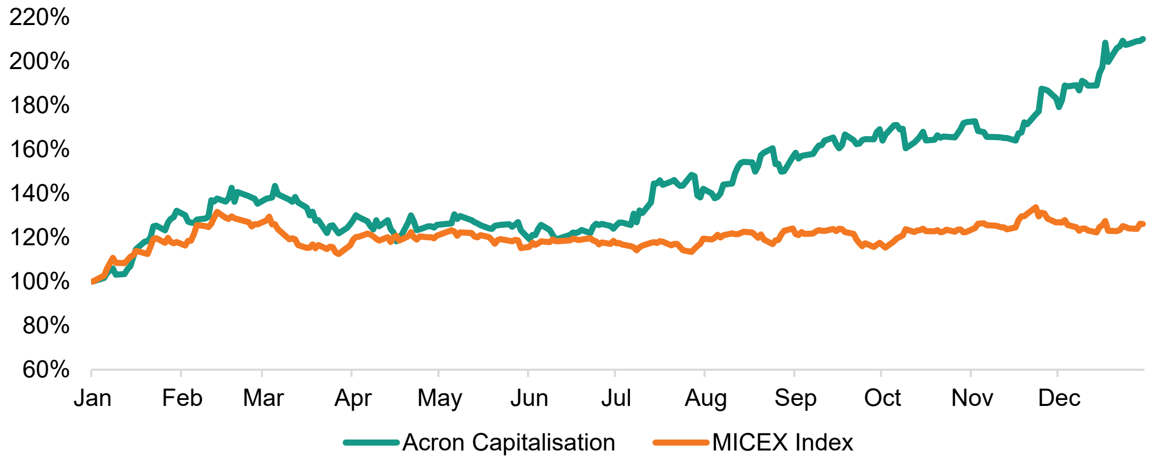
Since 2008, global depositary receipts (GDR) for Acron ordinary shares (each ordinary share represents ten GDRs) have been listed at the main London Stock Exchange (ticker: AKRN). As of December 2015, the number of Acron GDRs traded at the London Stock Exchange accounted for 0.90% of Acron's share capital.

Acron's Share Price in 2015

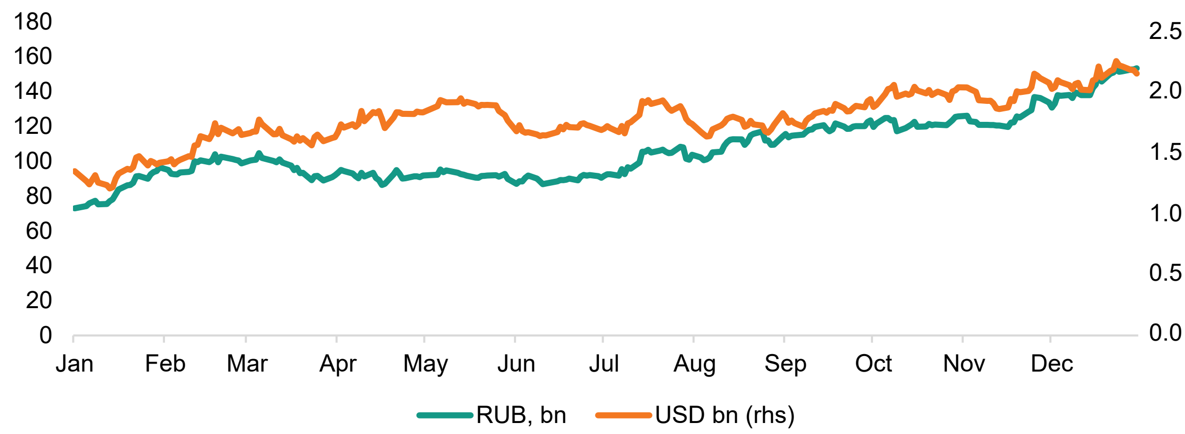
In 2015, Acron shares were among the fastest growing securities at the Moscow Exchange, with 110% growth compared to 26% for the MICEX index. This upturn was supported by considerable improvement in the Group's financials. Acron Group has been dynamically developing its business, and the weaker Rouble sustains its export-oriented operations. In 2015, Acron Group made considerable progress on its investment projects, which will support its performance highlights in coming years. The Group also improved its loan portfolio and decreased its debt burden. Dividends are paid without interruption and the Group plans to increase the disbursement ratio. Acron continues to contribute to the welfare of its shareholders, as reflected by its share price.

Read more: Financial overview and Investment Programme

Acron Market Capitalisation Against MICEX Index



Acron Capitalisation at Moscow Exchange



Trading in Acron's Ordinary Shares (AKRN)

MICEX	2015	2014
Low price (RUB)	1,605.0 (9 Jan 2015)	968.0 (3 Mar 2014)
High price (RUB)	3,880.0 (17 Dec 2015)	1,980.0 (11 Dec 2014)
Price at year-end (RUB)	3,779.0	1,799.0
Number of transactions for the year	161,004	137,842
Annual trading volume (RUB, mn)	5,557.3	4,750.3
Average daily trading volume (RUB, mn)	22.2	18.9

Trading in Acron's GDRs

LSE	2015	2014
Low price (USD)	3.25 (30 Jan 2015)	2.50 (31 March 2014)
High price (USD)	5.48 (24 Dec 2015)	4.08 (2 June 2014)
Price at year-end (USD)	5.05	3.40
Annual trading volume (USD, mn)	11.9	9.5

Bonds

As of 31 December 2015, four issues of Acron bonds worth RUB 14,103,615,000 (at nominal value) were in circulation.

On 28 May 2015, Acron purchased under option:

- 10,237 Series 04 bonds
- 8,904 Series 05 bonds.

On 13 October 2015, Acron fully discharged its obligations related to Series BO-01 bonds maturity.

On 24 November 2015, Acron placed exchange bonds worth RUB 10 billion (at nominal value):

- 5,000,000 Series BO-2 bonds
- 5,000,000 Series BO-3 bonds.

Key Details on Acron's Traded Bonds as of 31 December 2015

Item	Series 04	Series 05	Series BO-02	Series BO-03
Total par value of issue (RUB 1,000)	3,750,000	3,750,000	5,000,000	5,000,000
Bonds in circulation (RUB 1,000)	2,359,734	1,743,881	5,000,000	5,000,000
Original placement date	31 May 2011	31 May 2011	24 November 2015	24 November 2015
Offer date	26 May 2016	26 May 2016	26 May 2017	26 May 2017
Maturity date	18 May 2021	18 May 2021	20 November 2018	20 November 2018
Number of coupon periods and interest rate	20 periods Rate: Coupons 1–6: 7.95% Coupons 7–8: 10.25% Coupons 9 - 10: 13.60% 11 – 20: to be determined by the issuer	20 periods Rate: Coupons 1–6: 7.95% Coupons 7–8 – 10.25% Coupons 9 - 10: 13.60% 11 – 20: to be determined by the issuer	6 periods Rate: Coupons 1–3: 11.60% Coupons 4 - 6: to be determined by the issuer	6 periods Rate: Coupons 1–3: 11.60% Coupons 4 - 6: to be determined by the issuer

Credit Ratings

On 13 July 2015, Fitch upgraded Acron Group's credit rating by one level to BB–.

On 13 October 2015, Moody's upgraded Acron Group's credit rating by one level to Ba3.

Fitch Ratings

Date of assignment /updating	Credit rating/outlook
13 July 2015	Long-term Foreign Currency Issuer Default Rating BB–/Stable
13 July 2015	Long-term Local Currency Issuer Default Rating BB– /Stable
13 July 2015	Long-term National Rating A+ (rus)/Stable
13 July 2015	Short-term Issuer Default Rating B
13 July 2015	Local Currency Priority Unsecured Rating BB–/RR4

Moody's Investor Service

Date of assignment /updating	Credit rating/outlook
13 October 2015	Long-term Foreign Currency Corporate Rating Ba3/Stable
13 October 2015	Probability of Default Foreign Currency Rating (PDR) Ba3/Stable
13 October 2015	Foreign Currency Priority Unsecured Debt Rating Ba3/Stable
13 October 2015	Long-term National Scale Corporate Family Aa3.ru

Dividend Policy

Acron's Dividend Policy, approved by the Board of Directors in December 2012, was developed to provide shareholders with a transparent and clear system for determining the dividend rate and payment procedures and to guide the Board of Directors in making recommendations on the dividend rate, payment terms and procedures. According to the Dividend Policy, Acron shall distribute at least 30% of the Group's IFRS net profit in the form of dividends. The Group intends to pay dividends at least twice per fiscal year.

Since the Group incurred a RUB 7,935 mn loss based on Acron's 2014 RAS results (caused by the negative effects of debt liabilities revaluation), Acron's annual general meeting held on 21 May 2015 resolved not to pay 2014 dividends.

At the same meeting, shareholders approved the Board of Directors proposal to pay dividends from retained earnings for previous years in the amount of RUB 139 per ordinary share. A total of RUB 5,634 mn (82% of IFRS 2014 net profit) was allocated to pay dividends.

Acron's Dividend Payment History

Date of Annual General Meeting	Period	Dividends per share, including interim (RUB)	Total dividends accrued (RUB mn)	Percentage of IFRS net profit	Total dividends paid (RUB mn)
21 May 2015	retained earnings of previous years	139	5,634	82*	5,631
29 May 2014	retained earnings of previous years	152	6,161	47**	6,157
30 May 2013	2012	110	4,456	30	4,453
28 June 2012	2011	129	6,152	30	6 ,148
26 May 2011	2010	40	1,875	30	1,874
27 May 2010	2009	25	1,192	16	1,191
28 May 2009	2008	80	3,811	38	3,808

* of Acron 2015 IFRS net profit
** of Acron 2014 IFRS net profit

Declared dividends, including those to be paid under the Group's resolution dated 21 May 2015, were paid within the term specified by law.

Shareholder Relations and Information Disclosure

The Group prioritizes effective interaction with shareholders and investors and timely and regular disclosure of sufficient information about the Group's business in its corporate governance system.

Acron is committed to a stringent transparency policy. The Group's information policy is founded on prompt and regular disclosure of accurate information about the Group's activity, open availability of information, and a reasonable balance between information transparency and protection of trade secrets and insider information. The Group complies with all legal requirements for information disclosure governed by the Federal Law "On Joint-Stock Companies" and the Corporate Governance Code recommended by the Bank of Russia. The Group implements the Regulation on Information Policy (http://www.acron.ru/en/investors/corporate_governance/corporate_documents/) approved by the Board of Directors in 2011, which establishes the basic principles of information disclosure.

Acron informs interested parties in a timely manner by releasing its news to news agencies and media in accordance with the requirements of applicable laws and stock exchange listing rules, publishing information on the Group's website in the *Information Disclosure* section (http://www.acron.ru/en/investors/disclosure/acron_disclosure/) and on the Interfax website (http://www.e-disclosure.ru/portal/company.aspx?id=357), as well as through the Group's responses to questions from journalists, professional security market participants and other parties.

Because its securities are exchange-traded, Acron has to comply with additional information disclosure requirements about its operations. The Group releases notifications on its financial and operating performance on the London Stock Exchange website. Acron is careful to disclose any important information to all shareholders and analysts simultaneously under the UK Financial Services Authority (FCA) principles of openness and transparency.

In order to improve the Group's investment appeal, in 2015 Group representatives held 76 meetings with professional security market participants, one conference call and attended two investment conferences.

Acron 2014 Annual Report was awarded:

- Gold for printed Annual Report at the LACP Vision Awards 2014 International Annual Report Competition, "Chemicals" nomination
- Silver for Online Annual Report at the ARC Awards International, "Chemicals" nomination.

In 2015, Acron's website в 2015 was awarded:

- "Best Design and Navigation of a Corporate Website" at the 18th Annual Report Competition held by the Moscow Exchange.

Contact Information for Investors

Ilya Popov
Acron Investor Relations Division Head (Moscow)

phone: +7 495 411 55 94 (ext. 5252)
fax: +7 499 246 23 59

Nadezhda Bashkirtseva
Acron Securities Circulation Division Head (Veliky Novgorod)

phone: +7 8162 99 67 63
fax: +7 8162 99 65 83

GDR Programme Depositary Bank

Deutsche Bank Trust Company Americas
Depositary Receipts Department
60 Wall Street, New York, NY 10005, USA

Corporate Actions, New York: +1 (212) 250-15-04
Broker Services Group, London: + 44 (0) 207 547-65-00
DR Department, Moscow: +7 (495) 797 52 09

SUSTAINABILITY

Acron Group's sustainable development is based on the principle of honouring its responsibilities to society and future generations. Working in close cooperation with government and public organisations, it contributes to the economic, environmental and social health of its footprint areas, improving the quality of life for local residents and pursuing its long-term priorities.

In developing its sustainable business, the Group relies on the highest ethical, social and economic standards. In 2011, it implemented the Fair Work Programme to form a pool of highly motivated skilled professionals, protect their rights and interests, and build an efficient system of environmental and social responsibility. The programme involves all of the Group's major assets and covers human relations and social and environmental policies as key components of Acron Group's long-term development strategy.

As part of its corporate social responsibility efforts, the Group focuses on the following areas:

Personnel

- High motivation
- Training and development
- Preventative health, medical services and insurance
- Social aid for retirees and families with children
- Access to sports and fitness activities

Occupational and Industrial Safety

- Ensuring continuous and safe operation of production facilities
- Minimising the industrial injury rate and the number of accidents

Environmental Measures

- Reducing negative environmental impact by designing and implementing efficient and environmentally safe processes and innovative technologies
- Implementing environmental measures

Social Measures

- Contributing to the social and economic development of footprint regions
- Improving the standard of living for local residents in footprint regions
- Implementing and supporting charitable programmes

Personnel

As a large coroporation with varied business segments, Acron Group understands that personnel is its key asset for ensuring stable operation at each of its facilities, and skilled professionals are the cornerstone of the Group's success in general.

That is why Acron Group's HR policy is aimed at enhancing labour productivity, maintaining excellent benefits and industrial safety, and establishing a positive workplace climate for its employees.

43 %

of Acron Group's employees have higher education

The Group promotes open and transparent relations with its employees by practicing mutual respect and observing all human rights and laws, as well as the provisions of the Collective Agreement, which provide employees and their families with a strong set of benefits. The Group is also guided by its Code of Business Conduct, which regulates corporate relationships.

Number and Composition of Personnel

In 2015, Acron Group implemented a cost-cutting programme and optimised staffing levels, which brought the number of employees to 13,261, down 12.2% from 2014.

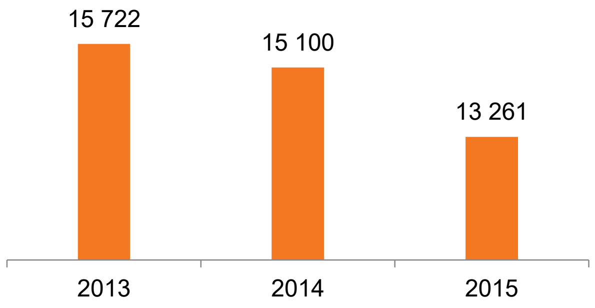
Turnover rate for the Group in 2015 was

7.6%

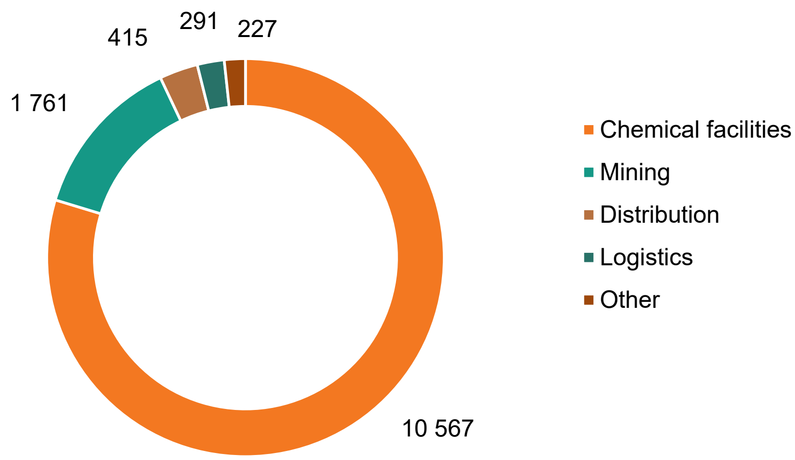
Average age of employees at the Group's Russian facilities was

42.4 years

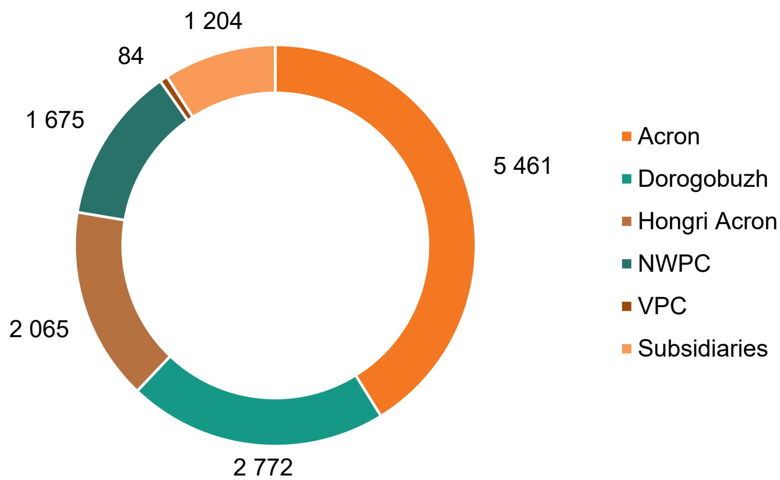
Number of Acron Group Employees (based on IFRS data)



Number of Employees by Business Segment (number of persons)

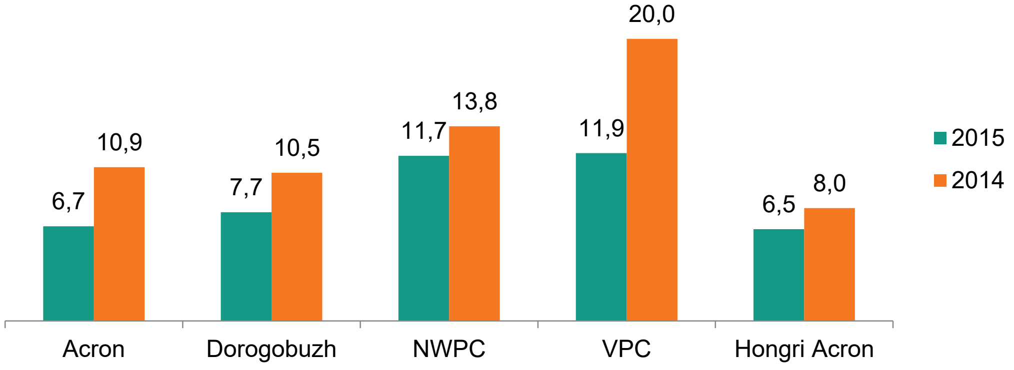


Number of Employees by Company (number of persons)*



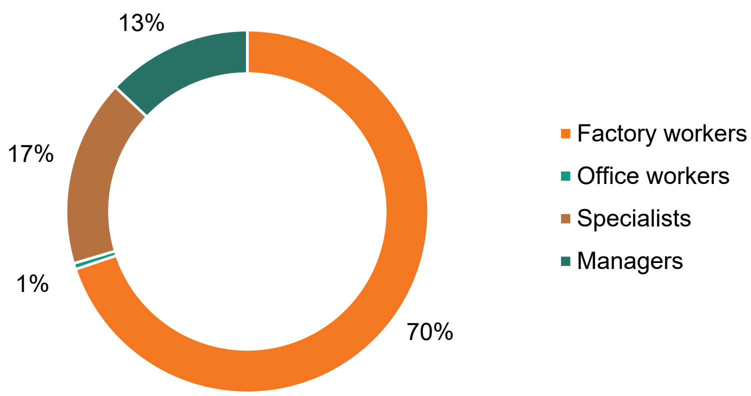
* Including subsidiaries at the companies' production sites

Acron Group Turnover Rate (%)

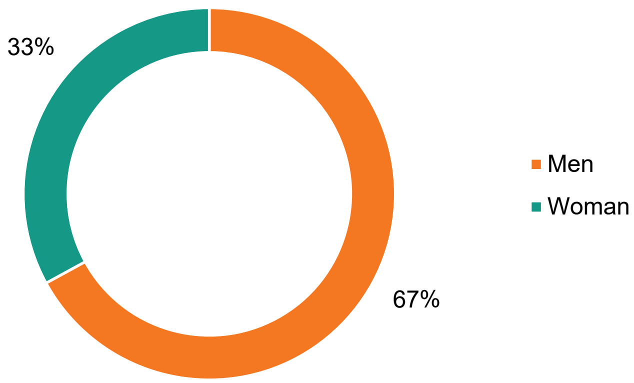


Employees at Acron Group's production facilities have trade union representation. The primary trade union organisation represents 64% of personnel at Acron, 47% at Dorogobuzh, 100% at Hongri Acron, 48% at NWPC and 49% at VPC.

Acron Group Employees by Category (%)



Acron Group Employees by Gender (%)



Incentive Programme

The Group's human resources strategy has been to retain highly professional and responsible employees by creating a favourable working environment, offering competitive salaries and social benefits, and implementing an effective incentive programme based on the principles of competitiveness, transparency and objectiveness.

Acron Group regularly adjusts employee salaries. In 2015, the payroll budget for employees at the Group's Russian chemical facilities increased 9.5%. Employees also receive incentive payments and performance bonuses.

Mining:
payroll budget up

6.6%

Russian chemical operations:
payroll budget up

9.5%

In 2015, the average monthly salary at the Group's Russian facilities was 14.5% higher than in 2014: RUB 43,000 at Acron (up 14.1%), RUB 36,100 at Dorogobuzh (up 14.6%), RUB 68,200 at NWPC (up 14.8%) and RUB 78,300 at VPC (up 23.3%). The average monthly salary at Hongri Acron was RUB 36,700 (up 62.3% because of changes in the yuan to rouble exchange rate).

The average monthly salary at Acron is

64% higher

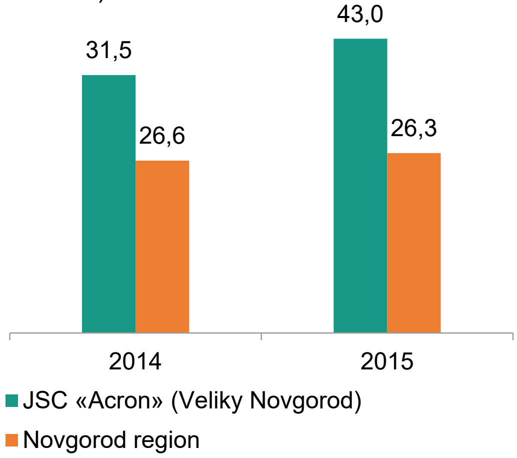
than in the Novgorod region.

The average monthly salary at Dorogobuzh is

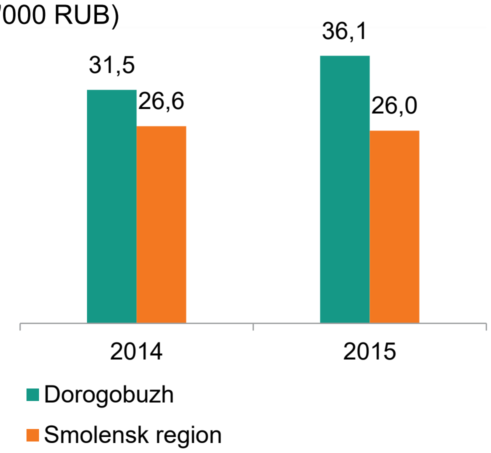
39% higher

than in the Smolensk region.

Average monthly salary in Acron
('000 RUB)



Average monthly salary in "Dorogobuzh"
('000 RUB)



Social Benefits and Guarantees

The Group provides its employees with social benefits, which include additional vacation time and incentive payments, specifically occupational safety payments. Additionally, employees receive cash assistance of various types.

The Group's management makes employee health a priority. All the Group's companies maintain voluntary insurance programmes for free medical services. The production facilities have on-site medical centres equipped with state-of-the art therapeutic and diagnostic equipment for their personnel.

For many years, the Group has subsidised treatment at health resorts and recreation camps. In the reporting year, the Group paid RUB 45.2 mn to treat 775 employees and their children, and RUB 10 mn to partially pay for the cost of attending recreation camps.

Social Programmes

Programme to Support Families with Children

Acron Group provides lump sum payments for the birth of a child, annual cash assistance for parental leave to care for children under three years old, interest-free loans and subsidised vouchers for children to attend summer health camp. Last summer, the Group spent RUB 13.6 mn to send 1,453 children to summer camps in the Novgorod and Dorogobuzh regions.

Young Specialist Support Programme

Over the years, the Group's chemical production facilities have run a support programme for young specialists from other regions, which includes reimbursement of relocation expenses, rent and partially mortgage interest. The Group's Veliky Novgorod production facility provides apartments in the Specialists' House to the most promising young employees for up to five years.

Over 2,000 employees

received corporate and industry awards in 2015

RUB 543.3 mn

Social payments to the Group's employees under the Collective Agreement in 2015

Retiree Support Programme

To take care of its retirees, Acron Group adopted the Veteran of Labour Programme at its chemical production facilities, providing them with the opportunity to use clinics, athletic and cultural centres on the same terms as employees. Retirees also receive cash assistance and are invited to special events. In the reporting year, financial aid to retirees at Acron and Dorogobuzh totalled RUB 27.5 mn.

Employee Healthcare Programme

Acron Group cares about its employees' health. To promote healthy lifestyles, the Group's facilities have athletics infrastructure: stadiums, swimming pools, fitness rooms and children's sports clubs. The athletics and cultural centres hold yearly athletics tournaments and entertainment events and organise amateur talent groups and clubs for employees and their families. In 2015, over 5,000 employees and their children participated in major sports competitions in Novgorod and Smolensk regions, as well as in a marathon organised by the newspaper Novgorodskie Versty.

Training and Career

Employee training and career growth play a major role in the Group's HR management. The training and career growth system focuses on professional training and re-training, advanced training, and occupational and industrial safety training, all of which are offered at the Group's training centres and includes distance education elements, industry workshops and courses.

The personnel training and development system focuses on maintaining a high level of expertise and observing the following key principles:

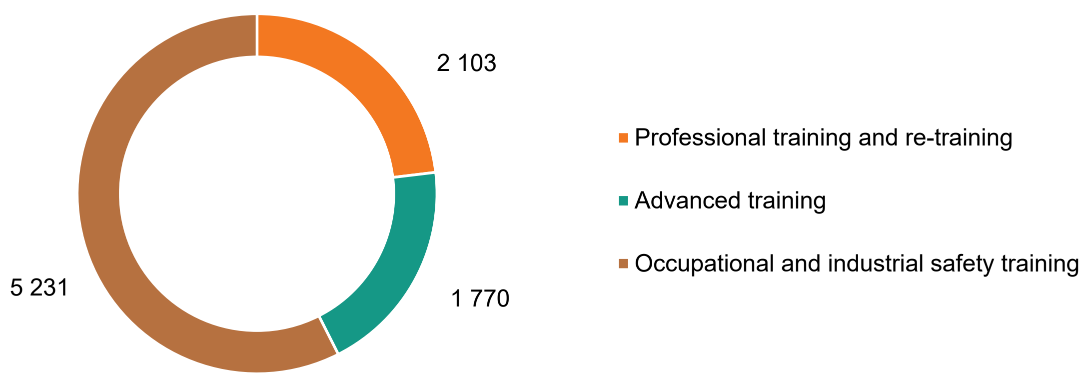
- **Advanced training**
  Acquiring knowledge and skills useful in the future in line with Group's strategy

- **Continuity**
  Continually promoting new knowledge and skills using a variety of methods, including self-paced education and on-the-job training

- **Targeting and individual approach**
  Creating courses and development programmes that meet the needs of targeted groups; individual employee development planning

- **Quality**
  Stringent requirements for trainers, methods, technical equipment, organisational support and practical focus of the education process, active use of technology in employee education and development

Types of training for Acron employees, number of people



In 2015, 9,104 Acron Group employees completed various training programmes, including occupational and industrial safety, professional training and re-training, and advanced training, for which purpose the Group spent RUB 19.6 mn.

Talent Pool

Forming a talent pool is crucial for building a sustainable personnel system for the Group's companies. The formation process starts with the Group's cooperation with educational institutions and continues during a young specialist's employment.

254 people

attended guided tours of the Group's chemical production facilities in 2015

Career Guide for High-school Students

The Group attracts young people to Acron and Dorogobuzh by offering career guidance and helping them obtain qualifications that are in demand in the industry.

The programme offers in-depth studies of vocation-related subjects in specialised classrooms, as well as guided tours of the production facilities, city job fairs and school competitions, open-house days and workshops.

Attracting Students and Graduates

As part of the programme to attract and hire students from specialised industrial schools, the Group's companies cooperate with leading Russian technology universities and colleges in the regions of operation.

The Group distributes videos, brochures and presentations to students at higher and secondary schools whose professions are in demand.

Under this programme, students and graduates are given comprehensive support as they embark on their careers: they sign up for apprenticeships at the Acron and Dorogobuzh production sites, sign mutual obligation agreements to receive scholarships, follow programmes of study developed by universities and colleges working jointly with the Group's specialists, and receive an allowance for special textbooks.

Longstanding partners in training specialists are Yaroslav-the-Wise Novgorod State University and the Novgorod Chemical Technical College for Acron and the Ivanovo State University and Verkhnedneprovsky Technology College for Dorogobuzh.

Young Specialists

Acron Group sees young specialists as a key resource for its talent pool. Employees are included in the talent pool based on recommendations from the personnel assessment committees, which systematically monitor the performance of managers, specialists and other employees in main segments of the Group's business.

In 2015, 231 university and college students participated in apprenticeship and internship programmes and passed certification at the Group's chemical production facilities. In the reporting period, ten young specialists were employed by Acron Group after graduation.

This programme includes part-time on-the-job training and an internship with final certification and bonuses, and provides an opportunity to explore the work environment, labour discipline and corporate culture in order to accelerate the employee's adaptation.

Mentoring

In order to develop the professional expertise and accelerate the adaptation of young specialists, Acron Group developed a mentoring programme, one of the most efficient forms of training. The Regulation on Mentoring stipulates that a young specialist shall follow an individual professional development plan under the guidance of a mentor.

Each year, business unit managers choose mentors based on their professional expertise, work experience, communication and organisation skills and ability to pass on their knowledge. In 2015, 518 people were appointed as professional education instructors and 204 people were appointed as teachers.

Talent Pool School Project

Talent Pool School is a key part of Acron's talent pool formation process. The goal of Talent Pool School is to create a well prepared pool of employees and managers using internal resources and complying with the principle of succession in corporate governance. The training programme covers such managerial skills as confident behaviour, positive influence, teamwork, personnel incentives, leadership potential and personal efficiency.

The training programme covers all management levels and includes measures to select and train specialists, plan and provide career development for trained employees, and form a customised talent pool for certain target positions. Employees are included in the talent pool based on recommendations from the personnel assessment committees, which monitor the performance of managers, specialists and other employees in main segments of the Group's business.

In 2015, another group of students finished their Talent Pool course. The programme included lectures, trainings and practice exercises. The course was led by the facility's managers and specialists, career coaches from consulting companies and management technology centres. In the reporting year, ten people were invited to the talent pool after professional assessment. Acron Group's talent pool includes a total of 54 employees.

Occupational and Industrial Safety

Acron Group's main goal for occupational and industrial safety is to implement preventive measures to ensure the continuous and safe operation of its facilities and reduce workplace accidents, injuries and occupational illness.

The Group's facilities operate under an industrial safety policy developed in accordance with the Federal Law on Industrial Safety at Hazardous Production Facilities. This policy focuses on maintaining an effective system for reducing production risks and promoting a culture of workplace safety.

Acron Group's management understands that, as the operator of major production and mining assets, it bears great responsibility for occupational safety. To this end, standards developed based on an analysis of accident causes have been implemented at the Group's Russian production facilities and are binding for all facility employees, contractors and visitors. Additionally, the Group has measures in place to protect employee life and health and ensure safe working conditions at the facilities.

At all of its facilities, Acron Group provides occupational and industrial safety instructions, trainings and examinations for its employees, and trainings and assessments for managers and specialists.

Pursuant to the requirements of Russian law, the Group conducts special assessments of labour conditions, including equipping and examining the workplace, and performs preliminary and regular medical examination of employees.

Employees at the Group's Russian facilities who work in a harmful working environment are provided with healthy meals, for which purpose the Group spent RUB 60.0 mn in 2015.

The occupational and industrial safety policy requires certification of equipment to ensure employee safety during all processes and certification of feedstock and materials.

Facility	Accident frequency index (Fi) per 1,000 employees	Accident severity index (Si)	Number of occupational illnesses	Accident increase/decrease y-o-y, %
Acron	2.22 (+109% y-o-y)	78.75 (+158% y-o-y)	not recorded	+75%
Dorogobuzh	0.8 (-43% y-o-y)	21.5 (+7.5% y-o-y)	not recorded	-33.3%
Hongri Acron	not recorded	–	not recorded	-
NWPC	4.76 (-23% y-o-y)	30.25 (-41% y-o-y)	not recorded	-27%
VPC	not recorded	–	not recorded	-

The increase in accident frequency at Acron (Veliky Novgorod) was caused by a group accident with no fatalities, for which remedial actions were taken.

In the reporting year, 5,231 Group employees completed occupational and industrial safety training, RUB 5.9 mn invested in training programs; RUB 645.5 mn was invested in occupational safety measures.

Environment

Acron Group is committed to implementing environmental measures. The Group's operations comply with environmental legislation and the principles of environmental friendliness and sustainable use of natural resources. Acron Group's environmental policy includes air and water protection, reduction of environmental impact and improvement of energy efficiency.

The Group's facilities have developed technical standards and operate an industrial environmental monitoring system to comply with these standards, mitigating their environmental impact, streamlining the use of natural resources, introducing new hardware and technology and providing continuous environmental monitoring.

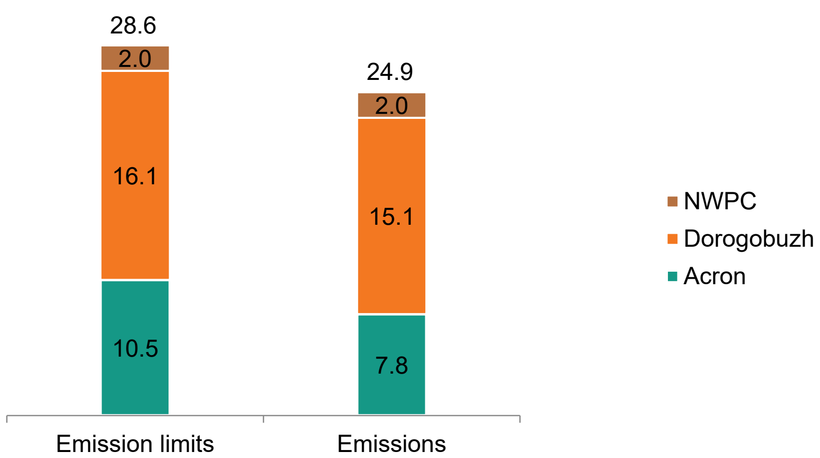
Acron Group's environmental efforts are based on the following principles:

- Compliance with Russian Federation environmental legislation
- Maintaining a balance of business and public interests while developing and implementing programmes focused on environmental management and environmentally-friendly operations
- Compliance with standards for emissions, discharge, waste generation and waste disposal
- Compliance with hygiene and sanitation standards for ambient air and water bodies
- Implementing environmental measures to reduce pollutant emissions and discharge and decrease generation and disposal of industrial and household waste
- Advanced environmental training for the Group's employees
- Developing and introducing sustainable and environmentally-friendly production processes

Atmospheric Emissions

In 2015, gross atmospheric pollutant emissions from all of Acron's sources totalled 24,900 tonnes, up 8,100 tonnes (48%) year-on-year. The increased emissions were caused by low-quality catalyst supplied to one of the Dorogobuzh production units. This fact is a subject of current legal proceedings against a supplier. Even taking into account this unexpected increase, the total volume of emissions does not exceed allowable limits. The defective catalyst will be replaced in 2016 during a scheduled overhaul.

Air Pollutant Emissions from Acron Group's Sources in 2015, '000 t



In 2015, Acron (Veliky Novgorod) took steps to ensure the stable and efficient operation of gas treatment facilities and compliance with standards for pollutant emissions from Acron sources in the NPK division, AN and nitric acid shops, and road transport shop.

In the reporting period, Dorogobuzh implemented the following projects:

- Filter cloth for scrubbing units and worn filtering elements of bag filters at mineral fertiliser production divisions were inspected and replaced.
- Catalysts in the weak nitric acid shop and activated alumina in the catalytic purification reactor were replaced.
- A design was developed to install gas-analysers to monitor the NO, NO2, CO, O2 content of BGM boiler emissions (in the boiler shop).

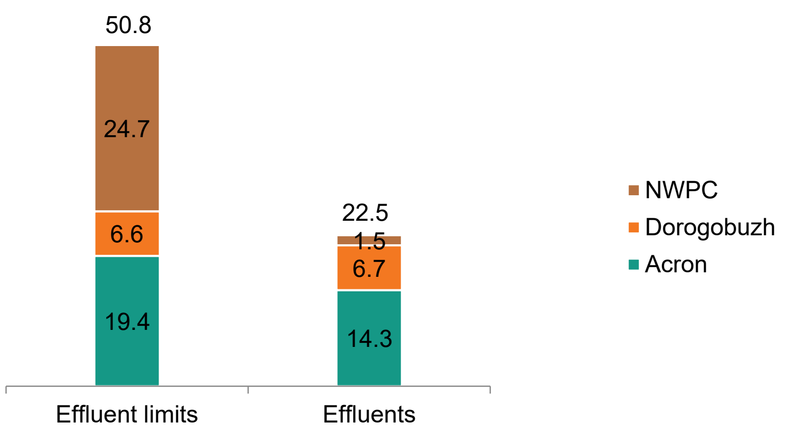
NWPC conducted an air monitoring programme within the Oleniy Ruchey licence area, performed wet dust suppression when drilling blast holes, irrigated dump and road surfaces during the dry season and took many other steps. The Company completed routine repairs of electric filters, smoke exhaust and the venturi scrubber. Gas-purifying equipment repairs helped keep emissions flat year-on year, despite an increase in output.

In 2015, the Group's Russian subsidiaries spent a total of RUB 40 million to reduce atmospheric emissions.

Water Resources

In 2015, Acron Group's Russian facilities discharged a total of 22.5 million cubic metres of waste water, up 2.7 million cubic metres (14%) year-on-year. Dorogobuzh contributed the most to this increase due to a 19% increase in ammonia output and an 18% increase in mineral fertiliser production. Effluent limits were exceeded insignificantly (within the permitted 20%).

Pollutant Effluents to Open Water and Pollutant Effluent Limits in 2015, mln m^3



In the reporting period, Acron (Veliky Novgorod) completed maintenance and repair operations at the biological treatment plant and the urea, nitric acid and NPK shops in order to ensure stable functioning of equipment, compliance with requirements for waste water treatment and standards for waste water discharge to the facility's sewage and water body.

Dorogobuzh adopted the following water protection measures in the reporting year:

- A pipeline was brought on stream to deliver waste water from the wastewater pond relief header to the Dnieper River
- An embankment at the Lastochka wellness centre was repaired and a supporting benchmark and control markers were installed
- A design was drafted to upgrade the sludge dump for the effluents neutralization division
- Storm sewers in the fertiliser shipment shop were repaired and reinforced-concrete rings were replaced
- Outdated pumps were replaced at the sewage pumping station for industrial and household effluents
- A design was developed to install a reservoir for ammonia containing effluents from a flare device in the ammonia shop
- A reservoir for polished effluents was repaired

NWPC conducted the following water protection operations:

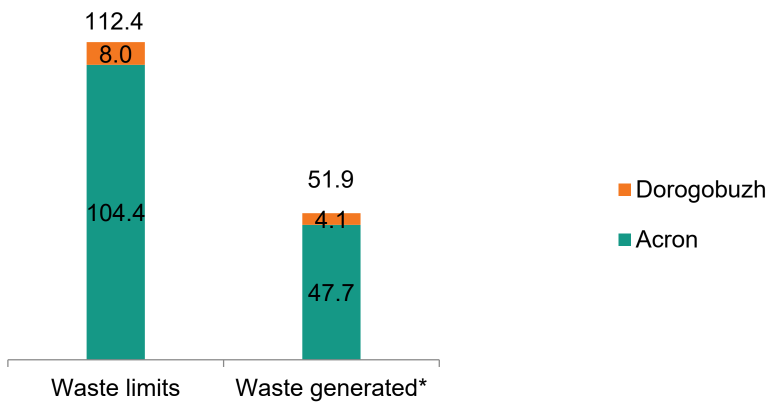
- Performed ongoing redevelopment of the site of biological water treatment facilities launched in 2014.
- A morphometric survey was conducted at the Komarinoe Lake water protection zone.
- Surface and underground water monitoring was performed pursuant to license requirements, including control sections of reservoirs for the water treatment facility under construction.
- NWPC continued internal monitoring of construction and pilot testing of water treatment facilities for shaft and mine water; continuous monitoring was performed at water protection zones for bodies of water in NWPC's area of responsibility.

In 2015, the Group's spent a total of RUB 56.2 million to reduce pollutant effluents.

Waste Management

In 2015, Acron (Veliky Novgorod) and Dorogobuzh generated a total of 51,900 tonnes of hazard class 1-5 waste, down 3,500 tonnes (6%) year-on-year. NWPC generated a total of 21.7 million tonnes of waste (down 2%), represented mainly by hazard class 5 (almost non-hazardous) overburden.

2015 Waste generation, '000 t



In the reporting period, Acron (Veliky Novgorod) implemented measures to comply with Russian health and environmental legislation while operating a solid-waste landfill and treating the waste generated by the biological water treatment facility and production shops.

In 2015, Dorogobuzh implemented the following waste treatment measures:

- Reinforcement of the dam for the second stage temporary calcium carbonate storage and unloading platform
- Reclamation of calcium carbonate storage with soil from the biological treatment facility's sludge bank

NWPC completed 48 integrated inspections of facilities focusing on waste treatment. All of the recommendations generated by these inspections are being implemented.

In 2015, Acron Group invested a total of RUB 9.4 million in waste management efforts.

Negative environmental impact fees

In 2015, the Group's Russian subsidiaries paid a total of RUB 29.6 million in negative environmental impact fees and RUB 160,000 in penalties.

In the reporting period, the Group invested a total of RUB 497.8 million in reducing its negative environmental impact, RUB 333.3 million of which were spent on arranging phosphogypsum disposal and equipment upgrade at Hongri Acron, China, to reduce pollutant emissions.

Energy Efficiency

Acron Group is committed to improving energy efficiency. In 2015, Acron (Veliky Novgorod) completed complex scheduled overhauls of two ammonia units, resulting in greater energy efficiency and performance at these units. Additionally, Acron (Veliky Novgorod) made efforts to improve the energy efficiency of air compression, reducing the costs of producing process and instrument air for general plant needs.

Three new air compressors and dryers were commissioned at the NPK shop compression division. These measures helped save RUB 57.4 million (2.5% of total energy costs).

The Group's new facilities under construction were designed to make the best use of energy saving technology. The new Ammonia-4 unit will be 11% more efficient than the existing units. The new unit will also include steam generating and energy saving elements to significantly reduce the need to purchase energy from external suppliers, increase the stability of energy supplies and improve energy self-sufficiency. Additionally, Acron (Veliky Novgorod) plans to start designing and constructing a new boiler facility that will ensure complete steam self-sufficiency.

Dorogobuzh (Smolensk region) is commissioning energy efficient capacity designed to decrease annual energy consumption by 25%.

In the reporting year, NWPC recorded a decrease in steam consumption from external sources due to an increase in steam generation at its own boiler facility and measures to improve equipment energy efficiency.

Social Responsibility

Acron Group has always been committed to creating a favourable social and economic environment in its footprint regions. The Group seeks to ensure social stability, which is one of its priority sustainability objectives, through cooperation with local authorities and residents.

The Group's production facilities implement several social and charity programmes that support non-governmental organisations and other social institutions.

In the reporting year, Acron (Veliky Novgorod), NWPC and VPC signed agreements on social and economic cooperation with local authorities in Novgorod region, Murmansk region and Perm Krai and supported local projects and initiatives of social importance under these agreements.

Key tools for social and economic cooperation in footprint regions

1. Financial support to repair municipal facilities and carry out site improvement in Veliky Novgorod and Novgorod region, Kirovsk and Koashva settlement, Usolsky municipal district and Berezniki
2. Assistance in organising and holding local events
3. Financing construction and repair of schools and youth centres and purchases of education and training infrastructure
4. Supporting and financing events held by NGOs and athletic organisations and city athletic competitions
5. Financial support to improve important local infrastructure.

In 2015, the Group invested a total of RUB 131.5 million in social and economic development in its footprint regions.

Key charity activities

1. Assistance to veterans, the handicapped, large families and low-income families
2. Assistance to non-profit and religious organisations and non-governmental charitable foundations
3. Targeted aid to under-privileged residents

In 2015, Acron Group allocated a total of RUB 42.2 million for charitable purposes.

Cooperation with Key Stakeholders

Acron Group develops its business with consideration for the interests of all key stakeholders. The Group believes that only close cooperation can develop productive, long-term relationships, and our efficient system for cooperation allows us to rapidly respond to local communities' requests in rapidly changing conditions.

	Goals of cooperation	Cooperation tools	Events, results in 2015
Shareholders and investors	• Ensure the Group's value grows over the long run • Provide information about the Group's development strategy • Increase the quality of corporate governance • Maintain liquidity level and share price	• Conferences for investors • Individual meetings with investors • Conference calls • Press releases and other materials within the required disclosure • Regular contact with analysts • Annual general meetings and mandatory reports • Corporate web site • Visits to production facilities for analysts and investors	• Acron's capitalization grew from USD 1.3 to 2.1 bn • 76 meetings with investors, one conference call • Regular cooperation with investment bank analysts • Participation in two investment conferences organised by leading investment banks • 40 press releases published on Group's web site • 207 messages and price sensitive information statements published on disclosure portals
Government authorities in footprint regions	• Assistance with social and economic development of footprint regions • Solutions to social and economic problems	• Execution of social and economic agreements, consideration of agreement conditions based on needs of footprint regions • Meetings with representatives of regional government and local residents • Support for local social and athletic organisations • Implementation of young professionals placement programme	• Agreements executed between Acron NWPC, VPC and local government authorities • 10 young specialists employed by the Group
Mass media	• Development of Group's positive reputation • Strengthening of Group's reputation in the business community • Increased disclosure and transparency levels	• Relations with media through meetings, press releases and other materials published and distributed on the Group's web site, visits to production facilities	• 22 issues of corporate newspaper • Publication of 40 press releases

	Goals of cooperation	Cooperation tools	Events, results in 2015
Local communities	• Implementation of support programme for young people, education and athletic development	• Group's facilities cooperate with general education schools, leading Russian institutions of higher education in the technology fields and polytechnic colleges • Education in specialised classes with advanced curriculum on industrial subjects with the participation of faculty from higher education institutions • Execution of mutual obligation agreements with students awarded scholarships • Funds for specialised literature available to students • Organisation of athletic events	• Participation in school Olympiads, organisation of meetings between Group specialists and professors, children and their parents, organisation of seminars for students of general education schools, open house days, excursions to facilities, Group's specialists take joint trips with graduating students, organisation of athletic competitions
Employees	• Creation of conditions for professional growth and social well-being of employees • Increased personnel motivation • Social support for current and retired employees • Development of efficient corporate culture • Efficient use of labour forces • Promotion of labour safety	• Personnel development programmes including talent pool formation programme • Intranet information portal for personnel • Meetings between personnel and Group management • Professional skills competitions for employees • Training events • Employee health care programme • Social benefits provided under the Collective Agreement	• 10 employees graduated from talent pool school • More than 5,000 employees participated in athletic events • 2,000 employees were awarded for contributions to the Group's development • 9,104 employees took advanced training classes • 775 employees received health resort treatment

	Goals of cooperation	Cooperation tools	Events, results in 2015
Consumers and partners	• Provision of high quality product to consumers • Expansion of sales markets and product assortment	• Cooperation of the Group's distribution network with Russian agricultural producers • Membership and participation in industrial organisations – the Russian Fertiliser Producers Association, the International Fertilizer Industry Association, the European Fertilizer Import Association • Participation in industrial conferences	• NPK additive units put into operation, new brands developed (such as 15:15:15 and 18:6+S+Mg) • On-site seminar on grain growing • Participation in 16 industrial conferences
Rating agencies	• Credit rating increase	• Holding annual meetings with analysts	• Rating agencies Fitch Ratings and Moody's Investors Service raised Acron Group's credit ratings from B+ to BB- and from B1 to Ba3; both ratings have stable forecast
Banks	• Provision of necessary credit resources to the Group's facilities	• Obtaining / repaying credits	• The ratio of long-term loans in the Group's credit portfolio increased from 35% to 84%

JSC "KPMG"
10 Presnenskaya Naberezhnaya
Moscow, Russia 123317

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

Independent Auditor's Report

To the Shareholders and Board of Directors of JSC Acron

We have audited the accompanying consolidated financial statements of JSC Acron (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and its cash flows for 2015 in accordance with International Financial Reporting Standards.

Audited entity: JSC Acron

Registered by administration of Veliky Novgorod 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, 173012

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

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 Self-regulated organization of auditors "Audit Chamber of Russia" (Association). The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

Ilya O. Belyatski
Director, (power of attorney dated 16 March 2015 No. 34/15)
JSC "KPMG"

13 April 2016
Moscow, Russian Federation

Joint Stock Company "Acron"
Consolidated Statement of Financial Position at 31 December 2015
(in millions of Russian Roubles)

	Note	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	10	84,680	72,552
Exploration and Evaluation Licences and Expenditure	11	32,232	32,103
Leasehold land	9	825	708
Goodwill	12	1,267	1,267
Available-for-sale investments	13	148	157
Investment in equity accounted investees	14	31,263	24,695
Long-term loans receivable		47	67
Long-term derivative financial instruments	15	-	366
Deferred tax assets	29	1,396	1,903
Other non-current assets		2,104	1,342
Total non-current assets		**153,962**	**135,160**
Current assets			
Inventories	8	17,800	13,420
Short-term loans receivable		5	107
Accounts receivable	7	10,948	12,049
Available-for-sale investments	13	4,808	3,475
Trading Investments	16	172	254
Short-term derivative financial instruments	15	7,816	6,301
Cash and cash equivalents	6	30,421	24,773
Other current assets		842	401
Total current assets		**72,812**	**60,780**
TOTAL ASSETS		**226,774**	**195,940**
EQUITY			
Share capital	20	3,046	3,046
Treasury shares		(3)	(1)
Retained earnings		60,523	51,816
Revaluation reserve		3,752	2,686
Other reserves		(1,209)	(446)
Cumulative currency translation difference		18,877	13,411
Share capital and reserves attributable to the Company's owners		**84,986**	**70,512**
Non-controlling interests	21	24,812	23,261
TOTAL EQUITY		**109,798**	**93,773**

Approved for issue and signed on behalf of the Board of Directors on 13 April 2016.

V.Y. Kunitskiy	**A.V. Milenkov**
President	Finance Director

The accompanying notes are an integral part of these consolidated financial statements.

Joint Stock Company "Acron"

Consolidated Statement of Financial Position at 31 December 2015

(in millions of Russian Roubles)

	Note	31 December 2015	31 December 2014
LIABILITIES			
Non-current liabilities			
Long-term borrowings	19	68,611	28,002
Long-term derivative financial instruments	15	9,282	4,433
Deferred tax liabilities	29	5,196	4,699
Other non-current liabilities		1,080	951
Total non-current liabilities		**84,169**	**38,085**
Current liabilities			
Accounts payable	17	8,435	6,459
Notes payable		2,138	750
Taxes payable	18	1,422	708
Short-term borrowings	19	12,995	52,559
Advances received		6,254	3,125
Other current liabilities		1,563	481
Total current liabilities		**32,807**	**64,082**
TOTAL LIABILITIES		**116,976**	**102,167**
TOTAL LIABILITIES AND EQUITY		**226,774**	**195,940**

Approved for issue and signed on behalf of the Board of Directors on 13 April 2016.

V.Y. Kunitskiy
President

A.V. Milenkov
Finance Director

The accompanying notes are an integral part of these consolidated financial statements.

Joint Stock Company "Acron"

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2015

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

	Note	2015	2014
Revenue	4	106,055	74,631
Cost of sales	23	(50,119)	(42,684)
Gross profit		**55,936**	**31,947**
Transportation expenses	25	(11,479)	(8,833)
Selling, general and administrative expenses	24	(8,361)	(6,446)
(Loss)/gain on exploration permits	11	(1,117)	154
Other operating income, net	27	2,267	4,133
Operating profit		**37,246**	**20,955**
(Loss)/gain on disposal of investments		(31)	8,088
Finance expense, net	26	(10,827)	(22,000)
Interest expense		(4,369)	(782)
(Loss)/gain on derivatives, net		(3,700)	2,051
Share of profit of equity accounted investees	14	2,241	161
Profit before taxation		**20,560**	**8,473**
Income tax expense	29	(3,854)	(1,569)
Profit for the year		**16,706**	**6,904**
Other comprehensive loss on items that will not be reclassified to profit or loss			
Share of other comprehensive loss of equity-accounted investees	14	(20)	-
Other comprehensive income/(loss) on items that are or may be reclassified to profit or loss			
Available-for-sale investments:			
- Gains arising during the year	13	1,333	1,155
- Reclassification of revaluation gain on disposal to profit and loss		-	(8,354)
- Income tax recorded directly in other comprehensive income	29	(267)	1,073
Currency translation differences		5,535	12,841
Other comprehensive income for the year		**6,581**	**6,715**
Total comprehensive income for the year		**23,287**	**13,619**
Profit is attributable to:			
Owners of the Company		14,739	4,381
Non-controlling interests		1,967	2,523
Profit for the year		**16,706**	**6,904**
Total comprehensive income is attributable to:			
Owners of the Company		21,271	10,112
Non-controlling interests		2,016	3,507
Total comprehensive income for the year		**23,287**	**13,619**
Earnings per share			
Basic (expressed in Russian Roubles)	28	367.12	108.31
Diluted (expressed in Russian Roubles)	28	367.12	108.31

The accompanying notes are an integral part of these consolidated financial statements.

Joint Stock Company "Acron"
Consolidated Statement of Cash Flows for the Year Ended 31 December 2015
(in millions of Russian Roubles)

	Note	2015	2014
Cash flows from operating activities			
Profit before taxation		**20,560**	**8,473**
Adjustments for:			
Depreciation and amortisation	23	4,594	3,871
Impairment losses of property, plant and equipment, net	10	114	31
Provision for impairment of accounts receivable	7	220	170
Reversal of provision for inventory obsolescence	8	(406)	(50)
Loss/(gain) on disposal of investments		31	(8,088)
Loss/(gain) on exploration permits		1,117	(154)
Share of profit of equity-accounted investees	14	(2,241)	(161)
Loss on disposal of property, plant and equipment		715	129
Interest expense		4,369	782
Interest income	26	(775)	(541)
Loss/(gain) on derivatives, net		3,700	(2,051)
Dividend income		-	(95)
Unrealised foreign exchange effect on non-operating balances		9,294	19,180
Operating cash flows before working capital changes		**41,292**	**21,496**
Decrease/(increase) in gross trade receivables		805	(1,830)
Decrease/(increase) in advances to suppliers		316	(866)
Decrease/(increase) in other receivables		261	(369)
Increase in inventories		(3,507)	(2,258)
Increase in other current assets		(441)	(6)
Increase in trade payables		634	1,389
Increase in other payables		1,746	699
Increase/(decrease) in advances from customers		2,685	(218)
Increase/(decrease) in other current liabilities		432	(629)
Cash generated from operations before income taxes and interest paid		**44,223**	**17,408**
Income taxes paid		(2,478)	(2,010)
Interest paid		(5,214)	(2,704)
Net cash generated from operating activities		**36,531**	**12,694**

The accompanying notes are an integral part of these consolidated financial statements.

Joint Stock Company "Acron"

Consolidated Statement of Cash Flows for the Year Ended 31 December 2015

(in millions of Russian Roubles)

	Note	2015	2014
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(15,107)	(11,478)
Loans provided		-	(3,951)
Proceeds from loans repaid		162	3,960
Interest received		709	356
Dividends received		-	98
Proceeds from sale of available-for-sale investments		-	3,984
Purchase of available-for-sale investments		-	(4,115)
Proceeds from sale of trading investments		51	8
Net change in other non-current assets and liabilities		(633)	(270)
Net cash used in investing activities		**(14,818)**	**(11,408)**
Cash flows from financing activities			
Acquisition of non-controlling interest		(237)	(822)
Dividends paid to shareholders of the Company	20	(5,565)	(6,161)
Dividends paid to non-controlling shareholders		(45)	(94)
Acquisition of treasury shares	20	(765)	(337)
Closing of subsidiary		-	9
Proceeds from sale of shares of subsidiaries		-	6,672
Irrevocable deposits proceeds		-	767
Proceeds from borrowings		55,844	30,192
Repayment of borrowings		(72,348)	(29,119)
Net cash generated (used in)/from financing activities		**(23,116)**	**1,107**
Net (decrease)/increase in cash and cash equivalents		**(1,403)**	**2,393**
Cash and cash equivalents at 1 January		24,773	12,787
Effect of movements in exchange rates on cash and cash equivalents		7,051	9,593
Cash and cash equivalents at the end of the year	6	**30,421**	**24,773**

The accompanying notes are an integral part of these consolidated financial statements.

Joint Stock Company "Acron"

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2015

(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 interests	Total equity
Balance at 1 January 2014	**3,046**	**-**	**52,944**	**9,374**	**(110)**	**992**	**13,231**	**79,477**
Total comprehensive income								
Profit for the year	-	-	4,381	-	-	-	2,523	6,904
Other comprehensive income								
Fair value loss on available-for-sale investments (Note 13)	-	-	-	1,155	-	-	-	1,155
Disposal of investments (Note 13)	-	-	-	(8,354)	-	-	-	(8,354)
Currency translation differences	-	-	-	(562)	-	12,419	984	12,841
Income tax recorded in other comprehensive income (Note 29)	-	-	-	1,073	-	-	-	1,073
Total other comprehensive income	**-**	**-**	**-**	**(6,688)**	**-**	**12,419**	**984**	**6,715**
Total comprehensive income for the year	**-**	**-**	**4,381**	**(6,688)**	**-**	**12,419**	**3,507**	**13,619**
Dividends declared (Note 20)	-	-	(6,161)	-	-	-	(94)	(6,255)
Sale of subsidiary	-	-	9	-	-	-	-	9
Acquisition of non-controlling interest of PJSC Dorogobuzh	-	-	512	-	-	-	(1,120)	(608)
Sale of non-controlling interest of JSC VPC	-	-	(384)	-	-	-	7,056	6,672
Sale and acquisition of other non-controlling interest	-	-	515	-	-	-	681	1,196
Acquisition of treasury shares	-	(1)	-	-	(336)	-	-	(337)
Total transactions with Company's owners	**-**	**(1)**	**(5,509)**	**-**	**(336)**	**-**	**6,523**	**677**
Balance at 31 December 2014	**3,046**	**(1)**	**51,816**	**2,686**	**(446)**	**13,411**	**23,261**	**93,773**

The accompanying notes are an integral part of these consolidated financial statements.

Joint Stock Company "Acron"

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2015

(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 interests	Total equity
Balance at 1 January 2015	**3,046**	**(1)**	**51,816**	**2,686**	**(446)**	**13,411**	**23,261**	**93,773**
Total comprehensive income								
Profit for the year	-	-	14,739	-	-	-	1,967	16,706
Other comprehensive income								
Fair value gains on available-for-sale investments (Note 13)	-	-	-	1,333	-	-	-	1,333
Currency translation differences	-	-	-	-	-	5,466	49	5,515
Income tax recorded in other comprehensive income (Note 29)	-	-	-	(267)	-	-	-	(267)
Total other comprehensive income	**-**	**-**	**-**	**1,066**	**-**	**5,466**	**49**	**6,581**
Total comprehensive income for the year	**-**	**-**	**14,739**	**1,066**	**-**	**5,466**	**2,016**	**23,287**
Dividends declared (Note 20)	-	-	(5,565)	-	-	-	(45)	(5,610)
Acquisition of non-controlling interest of PJSC Dorogobuzh	-	-	183	-	-	-	(420)	(237)
Acquisition of treasury shares	-	(2)	-	-	(763)	-	-	(765)
Other	-	-	(650)	-	-	-	-	(650)
Total transactions with Company's owners	**-**	**(2)**	**(6,032)**	**-**	**(763)**	**-**	**(465)**	**(7,262)**
Balance at 31 December 2015	**3,046**	**(3)**	**60,523**	**3,752**	**(1,209)**	**18,877**	**24,812**	**109,798**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

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

1. Acron Group and its Operations

These consolidated financial statements for the year ended 31 December 2015 comprise 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 fertilizers and related by-products. The Group's manufacturing facilities are primarily based in the Novgorod, Smolensk and Murmansk 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 31 December 2015 and 2014 the Group was ultimately controlled by Mr. Viatcheslav Kantor.

2. Basis of Accounting

Basis of preparation. These consolidated financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards ("IFRS") under the historical cost convention except as modified by the fair value revaluation of derivatives, available-for-sale and trading investments.

Functional and presentation currency. Functional currency of the Group's consolidated financial statements is the currency of the primary economic environment in which the Group operates. Company's functional currency and presentation currency is the national currency of the Russian Federation - Russian Rouble (RUB). The functional currency of the Company's subsidiary Shandong Hongri Acron Chemical Joint Stock Company Limited (PRC) is the Chinese yuan.

Unless otherwise indicated, all financial information presented in these consolidated financial statements are presented in millions of Russian Roubles (RUB). These consolidated financial statements have been prepared based on the statutory records, with adjustments and reclassifications recorded for the fair presentation in accordance with IFRS.

3. Critical Accounting Estimates, and Judgments in Applying Accounting Policies

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

Estimated impairment of goodwill. The Group tests goodwill for impairment at least once a year. The recoverable amounts of cash-generating units have been determined based on the higher of fair value less costs to sell or value in use (Note 12). These calculations require the use of estimates.

Evaluation of put/call options for JSC Verkhnekamsk Potash Company (JSC VPC) shares. The fair value of stock options is estimated based on Black–Scholes Option Pricing Model which was developed for use in estimating the fair value of short and medium term options on quoted shares. Option pricing method requires use of subjective inputs and assumptions including expected volatility of the share price and share spot price at the date of valuation. Since JSC VPC shares are not publicly traded, expected volatility was determined based on historical stock quotes of companies in the same industry, and an estimate of the spot price of the shares was made on the basis of discounted cash flows attributable to JSC VPC. The value of the long-term options calculated using the model was further adjusted to exclude the effect of presumed overestimation (Notes 15 and 32).

Accounting treatment for put options, that will be regulated by the Company's shares. In 2012 and 2014 the Group sold shares of JSC VPC to the non-controlling shareholders linked to put options, which gave the right to the non-controlling shareholders to sell their shares back to the Group in exchange for the variable amount of shares in JSC Acron. Because at the option exercise date the Group does not have obligation to deliver cash or another financial asset, the subsidiary's shares that are held by non-controlling interest holders were presented in equity as non-controlling interests and the put options were recognised as derivative financial liabilities (Note 20).

Impairment of exploration rights. The Group performed annual impairment test of mining and exploration rights of JSC VPC. The recoverable amount of the cash-generating unit (CGU) was determined based on value-in-use calculations as at 30 September 2015. These calculations used cash flow projections based on financial budgets approved by management and covering a 5-year period incorporating expected market prices for key fertilizers for the same period according to leading industry publications. The growth rate did not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates. The discount rate used reflected the risks inherent in this CGU, as further disclosed in Note 11.

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

Capitalisation of borrowing costs for exploration rights. Exploration rights represent part of investment projects for development of mineral deposits that necessarily take a substantial time to get ready for intended use. Accordingly, management considers exploration rights as qualifying assets for capitalization of borrowing costs. Management assesses whether capitalisation of borrowing costs shall be continued during periods when active development is interrupted while substantial design or technical work is carried out (Note 11).

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 capable to 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 PJSC Dorogobuzh;
- Hongri Acron – representing manufacturing and distribution of chemical fertilisers by Shandong Hongri Acron Chemical Joint Stock Company Ltd.;
- Mining NWPC – representing production of apatite-nepheline ore and subsequent processing in apatite concentrate;
- Mining excluding NWPC - comprise mining entities JSC VPC, North Atlantic Potash Inc. and other assets in Canada being at the stage of development, exploration and evaluation;

- Logistics – representing transportation an 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 & 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 significant business and risk profile.

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

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

Information for the reportable segments for the year ended 31 December 2015 is set out below:

	Segment sales	Eliminable intersegment sales	External sales	EBITDA
Acron	50,382	(41,127)	9,255	21,963
Dorogobuzh	26,652	(17,005)	9,647	11,989
Hongri Acron	14,036	-	14,036	(803)
Logistics	3,748	(3,049)	699	840
Trading	72,181	(3,039)	69,142	851
Mining NWPC	9,820	(7,022)	2,798	5,479
Mining excluding NWPC	-	-	-	(89)
Investment in equity accounted investees	-	-	-	2,241
Other	2,452	(1,974)	478	(55)
Total	**179,271**	**(73,216)**	**106,055**	**42,416**

Information for the reportable segments for the year ended 31 December 2014 is set out below:

	Segment sales	Eliminable intersegment sales	External sales	EBITDA
Acron	39,404	(33,174)	6,230	13,181
Dorogobuzh	16,103	(10,986)	5,117	4,040
Hongri Acron	10,447	(12)	10,435	774
Logistics	3,425	(2,790)	635	1,030
Trading	53,116	(2,396)	50,720	207
Mining NWPC	4,888	(3,936)	952	1,143
Mining excluding NWPC	-	-	-	(56)
Investment in equity accounted investees	-	-	-	161
Other	2,457	(1,915)	542	(70)
Total	**129,840**	**(55,209)**	**74,631**	**20,410**

Reconciliation of EBITDA to Profit Before Tax:

	2015	2014
Profit Before Tax	20,560	8,473
Loss/(gain) on derivatives, net	3,700	(2,051)
Loss/(gain) on disposal of investments	31	(8,088)
Interest expense	4,369	782
Finance expense, net	10,827	22,000
Operating Profit including share of profit of equity accounted investees	**39,487**	**21,116**
Depreciation and amortisation	4,594	3,871
Foreign currency gain on operating transactions, net	(3,497)	(4,552)
Loss/(gain) on exploration permits	1,117	(154)
Loss on disposal of property, plant and equipment	715	129
Total consolidated EBITDA	**42,416**	**20,410**

Information about geographical areas:

The geographic information below analyses the Group's revenue and non-current assets. In presenting the following information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets.

	2015	2014
Revenue		
Russia	19,744	12,602
European Union	11,561	8,681
Commonwealth of Independent States	8,030	4,078
USA and Canada	11,258	9,896
Latin America	17,375	12,673
PRC	24,339	15,988
Asia (excluding PRC)	11,006	8,406
Other regions	2,742	2,307
Total	**106,055**	**74,631**
Non-current assets		
Russia	102,905	91,382
PRC	7,000	5,295
Canada	4,456	5,034
Estonia	5,480	4,994
Total	**119,841**	**106,705**

Non-current assets represent non-current assets other than financial instruments, investment in equity accounted investees and deferred tax assets.

There are no individual customers contributing 10% or 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 31 December 2015 and 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	2015	2014
Trade receivables, gross	7	Companies under common control	8	2
Trade payables	17	Companies under common control	(4)	(1)

II Transactions with related parties

	Note	Relationship	2015	2014
Sales of chemical fertilisers	4	Companies under common control	15	18
Purchases of raw materials	23	Companies under common control	(66)	(63)
Charity	27	Companies under common control	-	4

III Key management personnel compensation

Total key management personnel compensation in the amount of RUB 852 (2014: RUB 435) was recorded in general and administrative expenses. Related state social and pension costs amounted to RUB 3 (2014: RUB 3).

6. Cash and Cash Equivalents

	2015	2014
Cash on hand and bank balances denominated in RUB	2,910	2,057
Bank balances denominated in USD	22,883	19,387
Bank balances denominated in EUR	2,405	2,152
Bank balances denominated in CAD	66	85
Bank balances denominated in CHF	7	19
Bank balances denominated in PLN	34	68
Bank balances denominated in CNY	2,116	1,005
Total cash and cash equivalents	**30,421**	**24,773**

Cash and cash equivalents include term deposits of RUB 18,441 (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. Analysis of the credit quality of bank balances and term deposits is as follows:

	2015	2014
A to AAA* rated	1,633	1,844
BBB- to BBB+* rated	23,398	11,414
BB- to BB+* rated	53	10,236
Ba2**	3,229	-
Chinese banks with top internal credit ratings	1,801	987
Unrated	307	292
Total	**30,421**	**24,773**

* Based on the credit ratings of Fitch Ratings, an independent rating agency.

** Based on the credit ratings of Moody's, an independent rating agency.

7. Accounts Receivable

	2015	2014
Trade accounts receivable	2,851	3,221
Notes receivable	530	407
Other accounts receivable	772	557
Impairment provision	(572)	(336)
Total financial assets	**3,581**	**3,849**
Advances to suppliers	2,353	2,669
Value-added tax recoverable	3,375	3,835
Income tax prepayments	1,505	1,662
Other taxes receivable	177	93
Impairment provision	(43)	(59)
Total accounts receivable	**10,948**	**12,049**

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

As at 31 December 2015, trade and other accounts receivable of RUB 572 (2014: RUB 336) were individually impaired and an impairment provision was recognised. The individually impaired receivables mainly relate to customers that are in unexpectedly difficult economic situations.

The aging of trade and other accounts receivable is as follows:

	Gross	Impairment	Gross	Impairment
	2015	2015	2014	2014
Not past due	2,996	-	3,339	-
Past due for less than 3 months	-	-	-	-
Past due from 3 to 9 months	83	(31)	106	(10)
Past due from 9 to 12 months	13	(13)	6	(6)
Past due over 12 months	531	(528)	327	(320)
Total	**3,623**	**(572)**	**3,778**	**(336)**

The movements in the provision for impairment of trade and other accounts receivable are as follows:

	2015	2014
	Trade and other receivables	**Trade and other receivables**
Provision for impairment at 1 January	**(336)**	**(213)**
Provision for impairment	(241)	(135)
Provision used	5	12
Provision for impairment at 31 December	**(572)**	**(336)**

As at 31 December 2015, the Group hold collateral as security for trade receivable in the amount of RUR 892.

Besides trade accounts receivable and advances to suppliers, the other classes within accounts receivable do not contain impaired assets.

8. Inventories

	2015	2014
Raw materials and spare parts, including	8,713	8,158
- Apatite-nepheline ore	612	576
- Apatite concentrate	38	24
Work in progress	656	572
Finished products	8,431	4,690
	17,800	**13,420**

Raw materials are shown net of obsolescence provision of RUB 129 (2014: RUB 535). No inventory was pledged as security at 31 December 2015 and 2014.

9. Leasehold Land

	2015	2014
Cost		
Balance at 1 January	**827**	**545**
Additions	-	-
Disposal	(56)	-
Translation difference	210	282
Balance at 31 December	**981**	**827**
Accumulated amortisation		
Balance at 1 January	**(119)**	**(64)**
Amortisation for the year	(11)	(9)
Translation difference	(26)	(46)
Balance at 31 December	**(156)**	**(119)**
Net book value		

	2015	2014
Balance at 1 January	708	481
Balance at 31 December	825	708

At 31 December 2015, the Group's leasehold land with net book value of RUB 670 (2014: RUB 415) was held and represent prepayments for land use rights with terms of 27 to 30 years expiring from March 2023 to November 2028. The leasehold land related to location of buildings and production facilities of Shandong Hongri Acron Chemical Joint Stock Company Ltd., the Group's subsidiary in the PRC.

At 31 December 2015, land use right with a net book value of RUB 481 (2014: RUB 481) had been pledged as security for long-term loans (Note 19).

10. Property, Plant and Equipment

	Buildings and constructions	Plant and equipment	Transport	Other	Land	Mining and primary ore dressing assets	Mining assets under construction	Assets under construction	Total
Cost									
Balance at 1 January 2015	**26,209**	**31,550**	**4,967**	**2,373**	**2,590**	**22,624**	**9,669**	**16,807**	**116,789**
Additions	-	-	-	-	-	-	2,919	13,290	16,209
Reclassification	-	-	-	-	-	-	-	-	-
Transfers	276	1,729	71	245	-	2,105	(2,105)	(2,321)	-
Disposals	(221)	(304)	(285)	(36)	(7)	(81)	-	(285)	(1,219)
Translation difference	1,378	1,840	344	54	-	-	-	83	3,699
Balance at 31 December 2015	**27,642**	**34,815**	**5,097**	**2,636**	**2,583**	**24,648**	**10,483**	**27,574**	**135,478**
Accumulated Depreciation									
Balance at 1 January 2015	**14,630**	**22,872**	**2,123**	**820**	**-**	**2,833**	**-**	**-**	**43,278**
Depreciation charge	776	1,605	326	158	-	2,163	-	-	5,028
Disposals	(214)	(138)	(119)	(23)	-	(10)	-	-	(504)
Translation difference	405	1,143	118	35	-	-	-	-	1,701
Balance at 31 December 2015	**15,597**	**25,482**	**2,448**	**990**	**-**	**4,986**	**-**	**-**	**49,503**
Accumulated Impairment Loss									
Balance at 1 January 2015	**379**	**563**	**-**	**6**	**-**	**-**	**-**	**11**	**959**
Impairment	20	94	-	-	-	-	-	-	114
Translation difference	84	125	-	1	-	-	-	12	222
Balance at 31 December 2015	**483**	**782**	**-**	**7**	**-**	**-**	**-**	**23**	**1,295**
Net Book Value									
Balance at 1 January 2015	**11,200**	**8,115**	**2,844**	**1,547**	**2,590**	**19,791**	**9,669**	**16,796**	**72,552**
Balance at 31 December 2015	**11,562**	**8,551**	**2,649**	**1,639**	**2,583**	**19,662**	**10,483**	**27,551**	**84,680**

	Buildings and constructions	Plant and equipment	Transport	Other	Land	Mining and primary ore dressing assets	Mining assets under construction	Assets under construction	Total
Cost									
Balance at 1 January 2014	**22,584**	**26,491**	**4,277**	**2,057**	**2,603**	**8,733**	**19,958**	**11,610**	**98,313**
Additions	-	-	-	-	-	-	3,163	9,016	12,179
Reclassification	-	(467)	-	-	-	467	-	-	-
Transfers	1,049	2,475	74	250	-	13,452	(13,452)	(3,848)	-
Disposals	(121)	(374)	(69)	(22)	(13)	(28)	-	-	(627)
Translation difference	2,697	3,425	685	88	-	-	-	29	6,924
Balance at 31 December 2014	**26,209**	**31,550**	**4,967**	**2,373**	**2,590**	**22,624**	**9,669**	**16,807**	**116,789**
Accumulated Depreciation									
Balance at 1 January 2014	**13,371**	**19,780**	**1,667**	**670**	**-**	**1,218**	**-**	**-**	**36,706**
Depreciation charge	634	1,348	317	102	-	1,631	-	-	4,032
Disposals	(92)	(320)	(55)	(15)	-	(16)	-	-	(498)
Translation difference	717	2,064	194	63	-	-	-	-	3,038
Balance at 31 December 2014	**14,630**	**22,872**	**2,123**	**820**	**-**	**2,833**	**-**	**-**	**43,278**
Accumulated Impairment Loss									
Balance at 1 January 2014	**218**	**312**	**-**	**2**	**-**	**-**	**-**	**7**	**539**
Impairment	5	26	-	-	-	-	-	-	31
Translation difference	156	225	-	4	-	-	-	4	389
Balance at 31 December 2014	**379**	**563**	**-**	**6**	**-**	**-**	**-**	**11**	**959**
Net Book Value									
Balance at 1 January 2014	**8,995**	**6,399**	**2,610**	**1,385**	**2,603**	**7,515**	**19,958**	**11,603**	**61,068**
Balance at 31 December 2014	**11,200**	**8,115**	**2,844**	**1,547**	**2,590**	**19,791**	**9,669**	**16,796**	**72,552**

Included in the 2015 additions to assets under constructions is approximately RUB 1,056 of capitalised borrowing costs in accordance with IAS 23, Borrowing costs (2014: RUB 701) at the average borrowing rate of 4.27% (2014: 4.77%).

At 31 December 2015, assets under property, plant and equipment with a net book value of RUB 2,712 (2014: RUB 371) had been pledged as security for long-term loans (Note 19).

An impairment loss in respect of individual assets was recognised in amount of RUB 114 (2014: RUB 31).

Non-current assets impairment test. Cash-generating units (CGUs) represent the lowest level within the Group at which the goodwill is monitored by management and which are not larger than a segment.

Management concluded that there were impairment indicators for CGUs as at on 31 December 2015, except for JSC VPC, where development phase determines the necessity to perform impairment testing. Goodwill is tested for impairment subject to IFRS requirements to perform annual impairment test for goodwill.

11. Exploration and Evaluation Licences and Expenditure

Licence of JSC Verkhnekamsk Potash Company (JSC VPC)

In May 2008 the Group's subsidiary, JSC VPC, following an auction process, acquired a license for the exploration and development of the Talitsky section of the Verkhnekamsk potash deposit, located in Perm region, Russian Federation. The license expires in April 2028. In accordance with the amended conditions of the license changed in 2013 JSC VPC has the following commitments:

- no later than 2016 a technical project of Talitsky area shall be agreed with authorities;
- no later than 2021 the mine shall be put into operation;
- no later than 2023 the mine output shall be brought to a designed capacity levels.

The Group did not capitalise borrowing costs during the reporting period (2014: RUB 1,179 at 4.77%). In 2016 the Group is finishing project documentation. The capitalisation of interest on loans will be continued after the resumption of active construction phase.

Permits for exploration

At 31 December 2015 the Group holds 11 permits to explore for potash deposits in the Canadian province of Saskatchewan for RUB 4,454 (2014: RUB 5,032). Permits expire in 2016. Following exploration results the Group have a preferential right for purchase of exploration licenses. The Group considered unpromising the development of several permits in the amount of RUB 1,117 and made impairment provision in the reporting period.

Group's transactions related to these permits are additionally disclosed in Note 22.

	2015	2014
Cost		
Balance at 1 January	**32,114**	**27,398**
Additions	719	2,905
Impairment	(1,117)	-
Currency translation difference	539	1,811
Balance at 31 December	**32,255**	**32,114**
Accumulated Amortisation		
Balance at 1 January	**(11)**	**(5)**
Amortisation charge	(12)	(6)
Disposals	-	-
Balance at 31 December	**(23)**	**(11)**
Net Book Value		
Balance at 1 January	**32,103**	**27,393**
Balance at 31 December	**32,232**	**32,103**

Exploration and evaluation expenditure comprise of:

	2015	2014
Apatite-nepheline deposits (production / development stage)	848	860
Potash deposits (development stage)	26,211	26,211
Permits for exploration (exploration and evaluation stage)	4,454	5,032
License and expenditure on deposit in exploration and evaluation stage	469	-
Asset related to the discharge of license obligations	250	-
	32,232	**32,103**

Impairment test of JSC VPC

Assets related to JSC VPC are in development stage, therefore Group's management performed annual testing of this cash-generating unit (CGU) for impairment as at 30 September 2015. The management believes that in 4th quarter of 2015 there were no events requiring repeating of impairment testing as at 31 December 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%
Growth rate beyond forecast period	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 after-tax, reflect specific risks relating to the relevant segments and were estimated on the weighted average cost of capital basis.

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 expressed in rubles and discount rates. Decrease of 26% in the export prices or increase of 5.3% (2014: 5.1%) in the discount rate used would have caused the recoverable amount to equal the carrying amount.

12. Goodwill

	2015	2014
Cost and carrying amount at 1 January	1,267	1,267
Cost and carrying amount at 31 December	1,267	1,267

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
PJSC Dorogobuzh / CGU Dorogobuzh	972	972
AS DBT / CGU DBT	243	243
Total carrying amount of goodwill	**1,267**	**1,267**

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: 31%-42% (2014: 10%-37%)
- Growth rate beyond five years: 5% (2014: 3%)
- Discount rate: 13% (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 2.0% (2014: 5.0%) less than management estimates. Impairment would also be not recognised if the estimated after-tax discount rate applied to the discounted cash flows for any CGU was 6% (2014: 4.5%) higher than management expectations.

13. Available-for-Sale Investments

	2015	2014
Balance at 1 January	**3,632**	**19,398**
Additions	-	4,115
Fair value gain recognised directly in OCI	1,333	1,155
Disposals	(9)	(4,274)
Reclassification in other categories	-	(17,328)
Currency translation difference	-	566
Balance at 31 December	**4,956**	**3,632**

The Group has investments in the following companies:

Name	Activity	Country of registration	2015	2014
Current				
PJSC Uralkali	Potash mining	Russia	4,808	3,475
Total current			**4,808**	**3,475**
Non-current				
Other		Russia	148	157
Total non-current			**148**	**157**
Total			**4,956**	**3,632**

As at 31 December 2015 and 31 December 2014 the investment in PJSC Uralkali was classified as current according to management intention to dispose this investment within 12 months from the reporting date. After the reporting date the Group disposed all investment in PJSC Uralkali (Note 33).

Fair value of all investments was determined by reference to the current market value at the close of business on the date of a transaction or on 31 December 2015. At 31 December 2015 the share price quoted at Moscow Stock Exchange for PJSC Uralkali amounted to 176.9 roubles for 1 share (31 December 2014: 127.85 roubles for 1 share).

14. 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
Balance at 1 January	**24,695**	**-**
Carrying amount of interests in associates	-	17,328
Share of:		
– Profit from continuing operations	2,241	161
– OCI	(20)	-
Dividends declared	-	-
Currency translation difference comprising in OCI	4,347	7,206
Balance at 31 December	**31,263**	**24,695**

At 31 December 2015, 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:

31 December 2015:

Name	Total assets	Total liabilities	Revenue	Profit/(loss)	% interest held	Country of incorporation
Grupa Azoty S.A.	201,551	68,092	162,389	11,205	20%	Poland

31 December 2014:

Name	Total assets	Total liabilities	Revenue	Profit/(loss)	% interest held	Country of incorporation
Grupa Azoty S.A.	159,514	55,482	120,183	3,052	20%	Poland

15. Derivative Financial Assets and Liabilities

Put and call options on JSC VPC shares are recognised within the shares issue to non-controlling interests. The liabilities comprise put options giving the non-controlling shareholders a right to sell their 49% of JSC VPC shares back to the Group in 2017-2024. Assets comprise call options, which give the Group a right to buy 29% of JSC VPC shares from the non-controlling shareholders from 2016 till 2018 (Note 21).

	2015			
	Assets		Liabilities	
	Non-Current	Current	Non-Current	Current
Put/call options on JSC VPC shares	-	7,816	9,282	-
	-	**7,816**	**9,282**	**-**

	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**	**-**

16. Trading Investments

	2015	2014
Eurobonds	169	251
Corporate bonds	3	3
Total debt securities	**172**	**254**
Total trading investments	**172**	**254**

Trading investments are carried at fair value which also reflects any credit risk related write-downs. As trading investments are carried at their fair values based on observable market data using bid prices from Moscow Stock Exchange, the Group does not analyse or monitor impairment indicators. The total loss on trading investments recognised in the statement of profit or loss and other comprehensive income was RUB 31 (2014: RUB 1 gain).

17. Accounts Payable

	2015	2014
Trade accounts payable	5,632	5,042
Dividends payable	15	17
Total financial payables	**5,647**	**5,059**
Payables to employees	1,112	943
Accrued liabilities and other creditors	1,676	457
Total accounts payable and accrued expenses	**8,435**	**6,459**

18. Other Taxes Payable

	2015	2014
Value-added tax payable	680	341
Payroll taxes	302	236
Property and other taxes payable	151	128
Current income tax payable	289	3
	1,422	**708**

19. Short-Term and Long-Term Borrowings

Borrowings consist of the following:

	2015	2014
Bonds issued	13,752	8,764
Credit lines	6,500	14,814
Term loans	61,354	56,983
	81,606	**80,561**

The Group’s borrowings mature as follows:

	2015	2014
Borrowings due:		
- within 1 year	12,995	52,559
- between 1 and 5 years	67,989	27,442
- after 5 years	622	560
	81,606	**80,561**

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

	2015	2014
Borrowings denominated in:		
- RUB	21,852	11,810
- EUR	5,261	4,707
- USD	49,849	59,604
- CNY	4,644	4,440
	81,606	**80,561**

Bank loans denominated in CNY in total amount of RUB 2,190 were collateralised by buildings, machinery and equipment with a net book value of RUB 2,712 (2014: RUB 371) (Note 10) and land use right with a net book value of RUB 481 (2014: RUB 481) (Note 9). The loans obtained from banks in the PRC are secured by guarantees issued by third parties totalled RUB 2,222 (2014: RUB 2,924).

The Group did not enter into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

At 31 December 2015 unused credit lines available under the long-term loan facilities were RUB 24,400 (31 December 2014: RUB 34,692). The terms and conditions of unused credit lines are consistent with other borrowings.

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

	2015	2014
Short-term borrowings		
RUB		
Loans with fixed interest rates of 12.65% to 13.5% per annum	2,000	46
Loans with floating interest rates of CB RF+2.75% per annum	1,600	-
Bonds with fixed interest rate of 9.75% per annum	-	5,000
Bonds with fixed interest rate of 13.6% per annum (2014: 10.25% per annume)	3,752	3,764
EUR		
Loans with floating interest rates of 6M EURIBOR+0.75% to 6M EURIBOR+2.85% per annum	582	353
Loans with fixed interest rate of 5.27% per annum	250	215
USD		
Loans with fixed interest rate of 3.95% to 5.15% per annum	189	1,271
Loans with floating interest rates of LIBOR+2% to LIBOR+3.55% per annum	-	37,580
CNY		
Loans with fixed interest rates of 5.22% to 7.5% per annum	4,622	4,330
Total short-term borrowings	**12,995**	**52,559**

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

	2015	2014
Long-term borrowings		
RUB		
Bonds with fixed interest rate of 11.6% per annum	10,000	-
Loans with fixed interest rates of 12.65% to 14% per annum	4,000	3,000
Loans with floating interest rates CB RF+1.5%	500	-
EUR		
Loans with floating interest rates of 6M EURIBOR+0.75% to 6M EURIBOR+2.85% per annum	3,802	3,387
Loans with fixed interest rate of 5.27% per annum	627	752
USD		
Loans with fixed interest rates of 4.28% to 5.15% per annum	464	504

	2015	2014
Loans with floating interest rates of LIBOR+3.7% to LIBOR+4.85% per annum	49,196	20,249
CNY		
Loans with fixed interest rates of 7.21% per annum	22	110
Total long-term borrowings	**68,611**	**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 31 December 2015 the Group's subsidiary PJSC 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 rouble-denominated 9.75% non-convertible bonds with a face value of RUB 5,000 which were redeemed in October 2015.

In November 2015 the Group placed non-convertible bonds with a face value of RUB 10,000 maturing in November 2018. The bonds were placed at 11.6% with the early redemption option from May 2017.

All of the above bonds have been admitted to the quotation list B and are traded on Moscow Stock Exchange. The fair value of the outstanding bonds balance at 31 December 2015 was RUB 13,781 with reference to Moscow Stock Exchange quotations as of this date (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, EBITDA/Interest 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.

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 borrowings were used to restructure the loan matured in 2015.

20. Capital and Reserves

The total authorised number of ordinary shares is 40,534,000 shares (2014: 40,534,000) with a par value of RUB 5 per share. All authorised shares have been issued and fully paid.

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

	No. of outstanding ordinary shares	No. of treasury shares	Total share capital	Treasury share capital	Outstanding share capital
At 1 January 2014	**40,534,000**	**-**	**3,046**	**-**	**3,046**
Redemption of treasury shares	-	-	-	-	-
Acquisition	-	(171,000)	-	(1)	(1)
At 31 December 2014	**40,534,000**	**(171,000)**	**3,046**	**(1)**	**3,045**
Redemption of treasury shares	-	-	-	-	-
Acquisition	-	(430,880)	-	(2)	(2)
At 31 December 2015	**40,534,000**	**(601,880)**	**3,046**	**(3)**	**3,043**

In 2015 amount of dividends for 2014 was declared in amount of RUB 139 per ordinary share (2014: RUB 152).

Shares issue to non-controlling interest

In 2012 the Group attracted third-party bank institutions (the banks) to financially co-invest in the project for the development of the Verkhnekamsk potassium-magnesium salts deposit located in Perm region of Russian Federation.

Initially the banks purchased equity interests in the Group's subsidiary JSC VPC totalling 38.05%. In 2013 the Group repurchased 10.95% of shares of JSC VPC, of which a major part was previously recognised as non-controlling interests. In February 2014 one more independent bank purchased 19.9% of shares of JSC VPC for RUB 6,673. For each of these deals call/put option agreements with banks were concluded. As a result, the Group's ownership of JSC VPC as at 31 December 2014 is 51%.

In accordance with the agreements one of the banks have a right to sell shares of JSC VPK to the Group during October 2024 with premium, which is equivalent to percentage income of bank for loans with comparable terms calculated based on period of use and amount received (further "premium").

Two of other banks have an option to sell shares of JSC VPC to the Group with premium during 2019-2020. Besides, if since 6-month period after sale of option initial public share placing of JSC VPC will performed the premium will be corrected up to price of initial public share placing.

In accordance with the agreements with the banks the Group has unconditional right to discharge of obligations by transfer to bank own shares (ordinary shares of JSC Acron) in amount, calculated based on total amount of obligation and fair value of transferred at the date of discharge of obligation shares.

As at 31 December 2014 related financing received by the Group was recorded in structure of the Group equity as non-controlling interest in amount of RUB 19,624.

Derivative financial instruments related to above share issues are disclosed in Note 15.

In accordance with the agreement with the banks the Group will also have to meet technical conditions during project development, including meeting deadlines for key project milestones. The Group is also obliged to attract or support attracting additional financing if currently approved investment budget is not sufficient to complete the project. Failure to meet those technical conditions in the future enables the banks to sell the equity of JSC VPC back to the Group with a premium. Management does not believe that the above technical risks of the project are significant.

21. Non-controlling Interests

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interest, before any intra group eliminations.

As at 31 December 2015

	JSC VPC	PJSC Dorogobuzh	Other individually immaterial subsidiaries	Intra-group elimination	Total
Non-controlling interest percentage	**49%**	**5.53%**			
Non-current assets	22,277	11,174			
Current assets	23,571	38,917			
Long-term liabilities	(1,304)	(11,246)			
Current liabilities	(294)	(3,806)			
Net assets	**44,250**	**35,039**			
Carrying amount of non-control interests	21,683	1,938	1,241	(50)	24,812
Revenue	-	26,652			
Profit and total comprehensive income	4,201	8,349	-	-	
Profit attributed to non-controlling interest	2,058	504	(595)	-	1,967
Other comprehensive income attributed to non-control interest	-	-	49	-	49
Cash flows from operating activities	412	10,243			
Cash flows (used in)/from investment activities	(6,840)	4,669			
Cash flows used in financing activities (dividends to non-controlling interests PJSC Dorogobuzh: 17)	-	(13,268)			
Net (decrease)/increase in cash and cash equivalents	(6,428)	1,644			
Effect of exchange rate changes	3,930	1,205			

As at 31 December 2014

	JSC VPC	PJSC Dorogobuzh	Other individually immaterial subsidiaries	Intra-group elimination	Total
Non-controlling interest percentage	**49%**	**6.94%**			
Non-current assets	21,891	12,093			
Current assets	19,700	34,839			
Long-term liabilities	(1,350)	(8,663)			
Current liabilities	(192)	(11,773)			
Net assets	**40,049**	**26,496**			
Carrying amount of non-control interests	19,624	1,839	1,803	(5)	23,261
Revenue	-	16,103			
Profit and total comprehensive income	5,036	440			
Profit attributed to non-controlling interest	2,379	144	-	-	2,523
Other comprehensive income attributed to non-control interest	-	-	984	-	984
Cash flows from operating activities	-	2,055			
Cash flows from investment activities	(848)	(6,764)			
Cash flows from financing activities (dividends to non-controlling interests PJSC Dorogobuzh: 94)	-	6,043			
Net (decrease)/increase in cash and cash equivalents	(848)	1,334			
Effect of exchange rate changes	5,815	1,919			

22. Acquisition and Sale of Non-controlling Interest

In 2014 the Group sold 19.9% interest in JSC VPC, decreasing its ownership from 70.9% to 51%. The Group recognised an increase in non-controlling interests of RUB 7,056 and decrease in retained earnings by RUB 384.

Below is the summary of the impact of changes in the Company's share in JSC VPC not leading to loss of control on the equity attributable to the Company:

	2014
The Company's share as at 1 January	**24,824**
Effect of reducing the Company's share, net	(7,056)
Share of comprehensive income	2,657
The share of the Company as at 31 December	**20,425**

In 2014 the Group made contribution to the newly created subsidiary Canada Ltd. comprising 68% of its capital by transferring part of permits to explore potash deposits. The Group recognised non-controlling interest in amount of RUB 1,021 paid by non-controlling shareholder by transferring remaining part of the permits.

23. Cost of Sales

	2015	2014
Change in inventories of finished goods and work in progress	(3,825)	(730)
Staff costs	6,016	5,067
Materials and components used, including:	20,953	13,576
- Phosphate	*481*	*1,014*
- Potash	*7,951*	*4,877*
- Coal	*856*	*743*
- Sulfur	*1,179*	*790*
- Other	*10,486*	*6,152*
Fuel and energy	6,154	5,483
Natural gas	10,300	9,961
Depreciation and amortisation	4,594	3,871
Impairment loss	205	97
Services	363	305
Production overheads	750	445
Repairs and maintenance	3,900	3,743
Drilling and blasting	154	301
Social expenditure	555	565
	50,119	**42,684**

24. Selling, General and Administrative Expenses

	2015	2014
Staff costs	3,744	2,913
Change in provision for bad debts	232	426
Business trip expenses	227	145
Research and development costs	41	25
Taxes other than income tax	582	473
Marketing services	288	155
Audit, legal and consulting services	557	363
Bank services	225	177
Insurance	66	99
Buildings maintenance and rent	573	353
Security	365	331
Telecommunication costs	95	83
Representation expenses	554	413
Commission fees	327	94
Other expenses	485	396
	8,361	**6,446**

25. Transportation Expenses

	2015	2014
Railway tariff	3,423	2,548
Freight	2,497	1,442

Maintenance of rolling stock	543	562
Container transportation	1,905	1,711
Handling of goods	2,355	1,989
Other	756	581
	11,479	**8,833**

26. Finance Income/(Costs), Net

	2015	**2014**
Foreign exchange gain on financial transactions	37,725	12,822
Foreign exchange loss on financial transactions	(48,952)	(35,146)
Interest income from loans provided and term deposits	775	541
Commission expense	(298)	(291)
Dividend income	-	95
Other finance costs	(77)	(21)
	(10,827)	**(22,000)**

27. Other Operating Income/(Expenses), Net

	2015	**2014**
Foreign exchange gain on operating transactions	10,902	15,230
Foreign exchange loss on operating transactions	(7,405)	(10,678)
Loss on disposal of property, plant and equipment	(715)	(129)
Charity expenses	(385)	(262)
Other expenses	(130)	(28)
	2,267	**4,133**

28. Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares. At 31 December 2015 the shares of the Company have dilutive potential related right to settle in own shares (Note 20). The dilution effect do not exist at the reporting date, therefore, the dilutive earnings per share equal the basic earnings per share.

	2015	**2014**
Weighted average number of shares outstanding	40,534,000	40,534,000
Adjusted for weighted average number of treasury shares	(386,440)	(85,500)
Weighted average number of shares outstanding (basic)	**40,147,560**	**40,448,500**
Effect of right to settle in own ordinary shares	-	-
Weighted average number of shares outstanding (diluted)	**40,147,560**	**40,448,500**
Profit attributable to the equity holders of the Company	14,739	4,381
Basic (in Russian Roubles)	**367.12**	**108.31**
Diluted (in Russian Roubles)	**367.12**	**108.31**

29. Income Tax

	2015	2014
Income tax expense – current	3,117	305
Deferred tax charge – origination and reversal of temporary differences	737	1,264
Income tax charge	**3,854**	**1,569**

Profit before taxation for financial reporting purposes is reconciled to tax charge as follows:

	2015		2014	
Profit before taxation	**20,560**	**100%**	**8,473**	**100%**
Theoretical tax charge at statutory rate of 20%	4,112	20%	1,695	20%
Effects of different tax rates	(735)	(4%)	(594)	(7%)
Tax effect of items which are not deductible or assessable for taxation purposes	477	2%	334	4%
Change in unrecognised deductible temporary differences	-	0%	134	2%
Income tax charge	**3,854**	**19%**	**1,569**	**19%**

In the context of the Group's current structure, tax losses and current tax assets of different group subsidiaries may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity. Differences between IFRS and Russian and other countries statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded for major Russian subsidiaries at the rate of 20% (2014: 20%).

Unrecognised deferred tax liabilities

At 31 December 2015, a deferred tax liability of RUB 9,911 (2014: RUB 7,612) for temporary differences of RUB 49,555 (2014: RUB 38,061) related to an investment in a subsidiary was not recognised because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

Movement in deferred tax balances

	1 January 2014	Charged/ (credited) to profit or loss	Charged to OCI	31 December 2014	Charged/ (credited) to profit or loss	Credited to OCI	31 December 2015
Tax effects of taxable temporary differences:							
Property, plant and equipment	1,533	(81)	-	1,452	239	-	1,691
Investments	1,763	-	(1,073)	690	14	267	971
Exploration rights	2,728	883	-	3,611	(133)	-	3,478
Inventory	(82)	(13)	-	(95)	(63)	-	(158)
Financial instruments	-	420	-	420	(740)	-	(320)
Gross deferred tax liability	**5,942**	**1,209**	**(1,073)**	**6,078**	**(683)**	**267**	**5,662**
Offset	(2,445)	-	-	(1,379)	-	-	(466)
Recognised net deferred tax liability	**3,497**	**1,209**	**(1,073)**	**4,699**	**(683)**	**267**	**5,196**

	1 January 2014	Charged/ (credited) to profit or loss	Charged to OCI	31 December 2014	Charged/ (credited) to profit or loss	Credited to OCI	31 December 2015
Tax effects of deductible temporary differences and tax loss carry-forwards:							
Derivatives	(73)	73	-	-	-	-	-
Tax loss carry-forwards	(2,943)	111	-	(2,832)	1 381	-	(1,451)
Accounts receivable	(29)	(109)	-	(138)	31	-	(107)
Accounts payable	(19)	(13)	-	(32)	(15)	-	(47)
Staff costs payable	(83)	(3)	-	(86)	(54)	-	(140)
Other temporary differences	(190)	(4)	-	(194)	77	-	(117)
Gross deferred tax asset	**(3,337)**	**55**	**-**	**(3,282)**	**1,420**	**-**	**(1,862)**
Offset	2,445	-	-	1,379	-	-	466
Recognised net deferred tax asset	**(892)**	**55**	**-**	**(1,903)**	**1,420**	**-**	**(1,396)**
Recognised net deferred tax liability	**2,605**	**1,264**	**(1,073)**	**2,796**	**737**	**267**	**3,800**

Substantially all deferred assets and liabilities presented in the statement of financial position are expected to be realised after more than 12 months from the reporting date. The sufficient part of tax losses expires in 2019-2023. Management expects that the Group would generate sufficient profits to utilise deferred tax assets recognised for tax losses carry-forward prior to their expiry.

30. Contingencies, Commitments and Operating Risks

i Contractual commitments and guarantees

As at 31 December 2015 the Group had outstanding capital commitments in relation to property, plant and equipment for the amount of RUB 12,563 (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 (Note 11).

The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. As at 31 December 2015 and 2014, the Group has issued financial guarantees to third parties in respect of borrowings by the Group’s counterparties in the amount of RUB 3,504 and RUB 3,567, respectively. No amount has been accrued in the consolidated financial statements 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 Operating environment of the Group

Russian Federation

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

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

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

People's Republic of China

The Group's major subsidiary, Shandong Hongri Acron Chemical Joint Stock Company Ltd., is located in the PRC. The PRC economic and legal system is not fully developed and has inherent uncertainties. The economy of the PRC differs from the economies of most developed countries in many respects, including its structure, level of government involvement, level of development, growth rate, control of capital investment, control of foreign exchange, and allocation of resources.

Since 1978, the PRC Government has promulgated various reforms of its economic system and government structure. These reforms have resulted in significant economic growth and social progress for the PRC in the last two decades. Many of the reforms are unprecedented or experimental and are expected to be modified from time to time.

The business and operations of the Group in the PRC are governed by the PRC legal system. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC Government has promulgated laws and regulations dealing with such economic matters as foreign investment, corporate organization and governance, commerce, taxation and trade. However, as many of these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of inconsistencies. Some of the laws and regulations are still at a developing stage and are therefore subject to policy changes. Furthermore, due to the limited volume of published cases and the non-binding nature of prior court decisions, the outcome of a dispute resolution may not be as consistent or predictable as in other more developed jurisdictions, which may limit legal protections available to the Group.

In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention.

iv Taxation contingencies

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.

In addition, a number of new laws introducing changes to the Russian tax legislation have been recently adopted. In particular, starting from 1 January 2015 Russian Federal law 376-FZ introduced changes aimed at regulating tax consequences of transactions with foreign companies and their activities. These changes may potentially impact the Group's tax position and create additional tax risks going forward. This legislation is still evolving and the impact of legislative changes should be considered based on the actual circumstances.

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

These transfer pricing rules 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 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 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.

As at 31 December 2015 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 31 December 2015 no provision for potential tax liabilities based on management's interpretations of applicable tax legislation had been recognised (2014: no provision). Management believes that it has made all relevant provisions 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.

31. Financial and Capital Risk Management

31.1 Financial risk management

Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39, Financial Instruments: Recognition and Measurement, classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; and (c) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

The following table provides a reconciliation of financial assets with these measurement categories as at 31 December 2015:

	2015			Total
	Loans and receivables	**Available-for-sale assets**	**Trading Assets**	
Assets				
Cash and cash equivalents (Note 6)				
- Cash on hand and bank balances	30,421	-	-	30,421
Trade and other receivables (Note 7)				
- Trade receivables, net of provision	2,279	-	-	2,279
- Notes receivable	530	-	-	530
- Other financial receivables	772	-	-	772
Loans receivable				
- Short term loans receivable	5	-	-	5
- Long term loans receivable	47	-	-	47
Trading Investments (Note 16)	-		172	172
Available-for-sale investments (Note 13)				
- Corporate shares	-	4,956	-	4,956
Total financial assets	**34,054**	**4,956**	**172**	**39,182**

All of the Group's financial liabilities except for derivatives are carried at amortised cost. Derivatives belong to the fair value through profit or loss measurement category as designated.

The following table provides a reconciliation of financial assets with these measurement categories as at 31 December 2014:

	2014			Total
	Loans and receivables	Available-for-sale assets	Trading Assets	
Assets				
Cash and cash equivalents (Note 6)				
- Cash on hand and bank balances	24,773	-	-	24,773
Trade and other receivables (Note 7)				
- Trade receivables, net of provision	2,885	-	-	2,885
- Notes receivable	407	-	-	407
- Other financial receivables	557	-	-	557
Loans receivable				
- Short term loans receivable	107	-	-	107
- Long term loans receivable	67	-	-	67
Trading Investments (Note 16)	-	-	254	254
Available-for-sale investments (Note 13)				
- Corporate shares	-	3,632	-	3,632
Total financial assets	**28,796**	**3,632**	**254**	**32,682**

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The overall risk management programme seeks to minimise potential adverse effects on the financial performance of the Group.

(a) Market risk

(i) Foreign currency risk

Foreign currency risk is the risk of losses resulting from adverse movements in different currency exchange rates against the Group functional currency. Foreign currency risk arises from the international operations of the Group, future commercial transactions in foreign currencies, including repayment of foreign currency denominated borrowings and recognition of assets and liabilities denominated in a currency which is not a functional currency of the Group.

The objective of the Group's foreign exchange risk management activities is to minimise the volatility of the Group's financial results by matching the same foreign currency denominated assets and liabilities.

The Group relies on export sales to generate foreign currency earnings. As the Group sells approximately 73% of its production outside the Russian Federation, it is exposed to foreign currency risk arising primarily on volatility of USD rate. Since the Group's major operational expenses are denominated in Russian Roubles the benefit from the weak Rouble exchange rate is partially offset by the growth of borrowing costs and foreign exchange differences on the Group's loans which presumably denominated in USD.

Group's policies for attracting foreign exchange denominated borrowings depend on current and forward rates of foreign currencies to Russian Rouble. Credit lines denominated in various currencies allow the Group to be flexible in reaction to foreign currency rate shocks and minimise foreign currency exposure.

The tables below summarise the Group's exposure to foreign currency exchange rate risk at the reporting date:

At 31 December 2015	USD	EUR	CNY
Financial assets:			
Cash, cash equivalents and irrevocable deposits	22,883	2,405	2,116
Accounts Receivable	1,627	105	680
Derivative financial instruments	7,816	-	-
	32,326	**2,510**	**2,796**
Financial liabilities:			
Accounts payable and other liabilities	(108)	(456)	(1,907)
Borrowings and notes payable	(49,849)	(5,261)	(6,722)
Derivative financial instruments	(9,282)	-	-

At 31 December 2015	USD	EUR	CNY
	(59,239)	**(5,717)**	**(8,629)**
Net position	**(26,913)**	**(3,207)**	**(5,833)**

At 31 December 2014	USD	EUR	CNY
Financial assets:			
Cash, cash equivalents and irrevocable deposits	19,387	2,152	1,004
Accounts receivable	1,908	141	482
Derivative financial instruments	6,667	-	-
	27,962	**2,293**	**1,486**
Financial liabilities:			
Accounts payable and other liabilities	(435)	(1,331)	(2,871)
Borrowings and notes payable	(59,609)	(4,707)	(4,440)
Notional of cross-currency swaps USD/RUB	(4,431)	-	-
	(64,475)	**(6,038)**	**(7,311)**
Net position	**(36,513)**	**(3,745)**	**(5,825)**

The foreign exchange rate sensitivity is calculated by aggregation of the net foreign exchange risk exposure and primarily arises from cash and cash equivalents, accounts receivable and borrowings.

	2015	2014
Impact on post-tax profit and on equity of:		
USD strengthening by 20%	(4,306)	(5,842)
USD weakening by 20%	4,306	5,842

Since the Group does not hold any foreign currency denominated equity securities and other financial instruments revalued through equity, the effect of a change in the exchange rate on equity would be the same as that on the post-tax profit.

(ii) Interest rate risk

Interest rate risk arises from movements in interest rates which could affect the Group's financial results or the value of the Group's equity. A change in interest rates may cause variations in interest income and expense. The primary objective of the Group's interest rate management is to protect the net interest result. Interest risk management is carried out by the corporate finance and corporate treasury functions of the Group.

All entities of the Group obtain any required financing through the corporate treasury function of the Group in the form of loans. Generally, the same concept is adopted for deposits of cash generated by the units.

Monitoring of current market interest rates and analysis of the Group's interest-bearing position is performed by the corporate treasury and corporate finance functions as a part of interest rate risk management procedures. Monitoring is performed taking into consideration refinancing, renewal of existing positions and alternative financing.

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group interest rate risk arises from various debt facilities. Borrowings at variable rates expose the Group's cash flow to an interest rate risk. At 31 December 2015 and 2014 borrowings at variable rates amounted to RUB 55,680 and RUB 61,574 respectively (Note 19).

At 31 December 2015, if interest rates at that date had been 5% higher with all other variables held constant, profit for the year would have been RUB 2,760 (2014: RUB 2,463) lower, mainly as a result of higher interest expense on variable interest liabilities. The effect of a change for the year in the interest rate on equity would be the same as that on post-tax profit.

(iii) Price risk

The Group is exposed to an equity securities price risk, since it has an investment in equity stake of PJSC Uralkali, which is classified in the consolidated statement of financial position as available-for-sale (Note 13). Monitoring of the fair value of the stakes is performed on a regular basis to assess risk of impairment of the stakes. No impairment of these investments was recognised as at 31 December 2015 and 31 December 2014.

All the Group's listed equity investments are listed on Moscow, Warsaw and London Stock Exchanges. For investments in JSC Uralkali, a 10% increase in the FTSE 100 at the end of the reporting period would have increased equity by RUB 415 after tax (2014: an increase by RUB 300).

From time to time the Group makes investments in entities with high upside market potential. Investments are assessed by corporate treasury department and accepted provided that internal rate of return for investment exceeds current weighted average cost of capital.

The Group does not enter into any transactions with financial instruments whose value is exposed to the value of any commodities traded on a public market.

(b) Credit risk

Credit risk arises from the possibility that counterparties to transactions may default on their obligations, causing financial losses for the Group. Financial assets, which potentially subject Group entities to credit risk, consist principally of trade receivables, cash and bank deposits and loans receivable. The objective of managing credit risk is to prevent losses of liquid funds deposited with or invested in financial institutions or the loss in value of receivables.

The maximum exposure to credit risk of RUB 34,226 (2014: RUB 29,050) resulting from financial assets is equal to the carrying amount of the Group's financial assets, including loans receivable, cash and cash equivalents. The amount does not include equity investments and financial guarantees disclosed in Note 30 (i).

As at 31 December 2015 cash and cash equivalents in the amount RUB 19,263 was held in Russian bank with credit rating BBB- and RUB 3,229 was held in Russian bank with credit rating Ba2. The Group has no significant concentrations of credit risk for other financial assets.

Cash and cash equivalents. Cash and short-term deposits are placed in major multinational and Russian banks with independent credit ratings and Chinese banks with top internal credit ratings. All bank balances and term deposits are neither past due nor impaired. See analysis by credit quality of bank balances and term deposits in Note 6.

Trade receivables and loans receivable. Trade receivables and loans receivable are subject to a policy of active credit risk management which focuses on an assessment of ongoing credit evaluation and account monitoring procedures. The objective of the management of receivables is to sustain the growth and profitability of the Group by optimising asset utilisation whilst maintaining risk at an acceptable level.

The monitoring and controlling of credit risk is performed by the corporate treasury function of the Group. The credit policy requires the performance of credit evaluations and ratings of customers or borrowers. The credit quality of each new customer is analysed before the Group provides it with the standard terms of goods supply and payments. The credit quality of new borrowers is analysed before the Group provides it with the loan. The credit quality of customers and borrowers is assessed taking into account their financial position, past experience and other factors. Customers which do not meet the credit quality requirements are supplied on a prepayment basis only.

Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to counterparties with aggregated balances in excess of 10% of the Group's gross accounts receivable balances. At 31 December 2015 and 2014 the Group had no counterparties with aggregated receivables balances in excess of 10% of the Group's gross accounts receivable balances.

Although the collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision already recorded (Note 7).

(c) Liquidity risk

Liquidity risk results from the Group's potential inability to meet its financial liabilities, such as settlements of financial debt and payments to suppliers. The Group's approach to liquidity risk management is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time.

The Group seeks to maintain a stable funding base primarily consisting of borrowing, trade and other payables and debt securities. The Group invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The Group's liquidity portfolio comprises cash and cash equivalents (Note 6), trading investments (Note 16) and available-for-sale investments (Note 13). Management estimates that the liquidity portfolio can be realised in cash within a day in order to meet unforeseen liquidity requirements.

Weekly liquidity planning is performed by the corporate treasury function and reported to the management of the Group. Beyond cash management, the Group mitigates liquidity risk by keeping committed credit lines available.

The table below analyses the Group's financial liabilities into the relevant maturity groupings based on the time remaining from the reporting date to the contractual maturity date.

	Carrying amount	On demand and less than 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
As at 31 December 2015							
Bonds issued *	13,752	-	5,164	10,578	-	-	**15,742**
Credit lines *	6,500	219	2,620	4,320	555	-	**7,714**
Term loans *	61,354	4,214	5,606	26,892	29,847	629	**67,188**
Notes payable	2,138	936	1,202	-	-	-	**2,138**
Trade payables	8,435	8,435	-	-	-	-	**8,435**
Derivatives	9,282	-	-	-	-	**41,210	**41,210**
Financial guarantees	-	1,067	2,437	-	-	-	**3,504**
Total	**101,461**	**14,871**	**17,029**	**41,790**	**30,402**	**41,839**	**145,931**

	Carrying amount	On demand and less than 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
As at 31 December 2014							
Bonds issued *	8,764	-	9,443	-	-	-	**9,443**
Credit lines *	14,814	247	754	14,609	1,064	-	**16,674**
Term loans *	56,989	1,675	43,313	1,333	11,939	570	**58,830**
Notes payable	750	-	750	-	-	-	**750**
Trade payables	6,459	6,459	-	-	-	-	**6,459**
Derivatives	4,433	-	-	-	-	**31,810	**31,810**
Financial guarantees	-	552	3,016	-	-	-	**3,568**
Total	**92,209**	**8,933**	**57,276**	**15,942**	**13,003**	**32,380**	**127,534**

* The table above shows undiscounted cash outflows for financial liabilities (including interest together with the borrowings) based on conditions existing as at 31 December 2015 and 31 December 2014, respectively.

** Cash outflow relates to possible sales of JSC VPC's shares linked to put option by the minority shareholder in 2024 (Note 20).

The Group controls the minimum required level of cash balances available for short-term payments in accordance with the financial policy of the Group. Such cash balances are represented by current cash balances on bank accounts and bank deposits. Group's policy for financing its working capital is aimed at maximum reliance on own operating cash flows, availability of short-term bank and other external financing to maintain sufficient liquidity.

At 31 December 2015 unused credit lines available under long-term loan facilities were RUB 24,401 (2014: RUB 34,692).

31.2 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders, to have available the necessary financial resources for investing activities and to maintain an optimal capital structure in order to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital under management. The Group considers total capital under management to be equity as shown in the IFRS consolidated statement of financial position. This is considered more appropriate than alternative methods available, such as the value of equity shown in the Company's statutory financial (accounting) reports. In 2015, the Group's strategy, which was unchanged from 2014, was to maintain the gearing ratio at the level not exceeding 150%.

The gearing ratio as at 31 December 2015 and 31 December 2014 is shown in the table below:

	2015	**2014**
Long-term borrowings	68,611	28,002
Short-term borrowings	12,995	52,559
Total debt	**81,606**	**80,561**
Shareholders' equity	**109,798**	**93,772**
Gearing ratio, %	**74%**	**86%**

The Group also maintains an optimal capital structure by tracing certain capital requirements based on the minimum level of EBITDA/net interest expense ratio.

In 2015, the Group's strategy, which was unchanged from 2010, was to maintain EBITDA/net interest expense ratio at the level not lower than 3.5:1. For this purpose EBITDA is defined as earnings before tax, interest, depreciation and amortisation adjusted for operating foreign exchange gain or loss, result on disposal of property, plant and equipment and investments and extraordinary items. Net interest expense is defined as interest expense less interest income. This ratio is included as a covenant in the loan agreements (Note 19).

The ratios of EBITDA over net interest expense are shown in the table below:

	2015	2014
Operating profit	37,246	20,955
Add: share of profit of equity accounted investees	2,241	161
Add: depreciation and amortisation	4,594	3,871
Add: foreign currency gain (Note 27)	(3,497)	(4,552)
Add: loss/(gain) on exploration permits	1,117	(154)
Add: loss on disposal of property, plant and equipment	715	129
EBITDA	**42,416**	**20,410**
Interest income (Note 26)	(775)	(541)
Interest expense	4,369	782
Interest expense capitalised (Note 10,11)	1,056	1,880
Net interest expense	**4,650**	**2,121**
EBITDA/Net interest expense	**9.1:1**	**9.6:1**

The Group's capital management includes compliance with the externally imposed minimum capital requirements arising from the Group's borrowings (Note 19) and imposed by the statutory legislation of the Russian Federation, the PRC and Estonia. Since EBITDA is not standard IFRS measure the Group's definition of EBITDA may differ from that of other companies.

32. 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 values.

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

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

All available-for-sales and trading financial instruments of the Group were included in level 1 category in the amount of RUB 5,128 (2014: RUB 3,886).

All liabilities on bonds issued were included in level 1 category in the amount of RUB 13,781 (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 – 5%. Forecast EBITDA margin: 65-76%. Risk-adjusted discount rate: 13.6%. Production start year: 2021.	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: 34% - 39%. • Risk-free rate of return: 3.29% - 3.62%. • 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).
Put option on shares of JSC VPC (liability)	• Spot price of the shares (calculated above) • Volatility: 34% - 36%. • Risk-free rate of return: 3.29% - 4.56%. • 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); or • empirical overestimation percentage for 'up to more than 5-years' options was 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 31 December 2015 the fair value of borrowings was RUB 666 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.

33. Subsequent Events

In March 2016 the Group disposed all shares in PJSC Uralkali to third-parties.

34. Changes in Accounting Policies

The Group has consistently applied the accounting policies set out in Note 35 to all periods presented in these consolidated financial statements.

35. Significant Accounting Policies

35.1 Group accounting

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. The existence of possibility when the Group has existing rights that give it the current ability to direct the relevant activities of other entity, i.e. the activities that significantly affect the other entity's returns, is considered when assessing whether the Group controls another entity. The Group can have power over other entity even if other entities have existing rights that give them the current ability to participate in the direction of the relevant activities. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries except for those acquired as the result of the business combinations under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the net assets of a subsidiary, which is attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

Purchases of non-controlling interests. The Group applies economic entity model to account for transactions with non-controlling shareholders. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as capital transaction directly in equity.

Purchases of subsidiaries from parties under common control. Purchases of subsidiaries as the result of business combinations under common control are accounted for using the predecessor values method. Under this method the financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these financial statements. The consideration paid is accounted for in these consolidated financial statements as an adjustment to equity.

Investments in associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. The Group's share of the post-acquisition profits or losses of associates is recorded in profit or loss for the year as share of result of associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

35.2 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Bank overdrafts are shown within borrowings in the current liabilities statement of financial position. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date are included in other non-current assets.

35.3 Trade and other receivables

Trade and other receivables are carried at amortised cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the original effective rate of interest. The amount of the provision is recognised in the statement of profit or loss and other comprehensive income. The primary factors that the Group considers whether a receivable is impaired is its overdue status. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion of the receivable is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

35.4 Value added tax

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

35.5 Inventories

Inventories comprise raw materials, finished goods, work in progress, catalytic agents, spare parts and other materials and supplies. Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

35.6 Property, plant and equipment

Property, plant and equipment are recorded at cost, restated where applicable to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003, less accumulated depreciation and provision for impairment, where required.

At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, the management estimates the recoverable amount, which is determined as the higher of an asset's fair value less cost to sell and its value in use. The carrying amount is reduced to the recoverable amount and the difference is recognised as an expense (impairment loss) in the statement of profit or loss and other comprehensive income. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the assets recoverable amount. Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in the profit or loss.

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated to allocate cost of property, plant and equipment to their residual values on a straight-line basis. The depreciation periods, which approximate the estimated useful economic lives of the respective assets, are as follows:

	Number of years
Buildings	40 to 50
Plant and machinery	10 to 20
Other equipment and motor vehicles	5 to 20

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Management assesses the remaining useful life of property, plant and equipment in accordance with the current technical conditions of assets and the estimated period during which these assets will bring economic benefit to the Group.

Repair and maintenance expenditure is expensed as incurred. Major renewals and improvements are capitalised and the assets replaced are retired. Gains and losses arising from the retirement or disposal of property, plant and equipment are included in profit or loss.

Borrowing costs on specific or general funds borrowed to finance the construction of qualifying asset are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

35.7 Leasehold land

Leases of land are classified as operating leases. The pre-paid lease payments are amortised over the lease period of 30 years on a straight-line basis.

35.8 Intangible assets

Goodwill. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill is carried at cost less accumulated impairment losses, if any.

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

Other intangible assets. The entire Group's other intangible assets have definite useful lives and primarily include capitalised computer software, patents, acquired trademarks and licences. They are capitalised on the basis of the costs incurred to acquire and bring them to use. Intangible assets are amortised using the straight-line method over their useful lives, but not exceeding 20 years.

35.9 Amortisation of exploration and evaluation licenses and expenditure

Exploration and evaluation licenses and expenditure are amortised on a straight-line basis over expected term of site development, commencing upon readiness of processing facilities to produce ore usable for production of complex mineral fertilizers or for external sale.

35.10 Borrowings

Borrowings are stated at amortised cost using the effective interest method; any difference between fair value of the proceeds (net of transaction costs) and the redemption amount is recognised as interest expense over the period of the borrowings.

Capitalisation of borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

35.11 Income tax

Income taxes have been provided for in the consolidated financial statements in accordance with the legislation of the countries, where most significant subsidiaries of the Group are located, enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in the profit or loss except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current income tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

35.12 Foreign currency transactions

Foreign currency translation. For the Company and its subsidiaries monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the Central Bank at the respective ends of the reporting periods. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the Central Bank are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

Foreign exchange gains and losses on operating items are presented within other operating expenses, foreign exchange gain and losses on finance items are presented within net finance income.

Translation from functional to presentation currency. The results and financial position of each group entity (functional currency of none of which is a currency of a hyperinflationary economy) are translated into the presentation currency as follows:

I. assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
II. income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
III. components of equity are translated at the historic rate; and
IV. all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. When a subsidiary is disposed of through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity, the exchange differences deferred in equity are reclassified from other comprehensive income to profit or loss.

At 31 December 2015 the principal rate of exchange used for translating foreign currency balances was USD 1 = RUB 72.8827, USD 1 = CNY 6.4907, EUR 1 = RUB 79.6972 (2014: USD 1 = RUB 56.2584, USD 1 = CNY 6.119, EUR 1 = RUB 68.3427). Exchange restrictions and controls exist relating to converting Russian Roubles into other currencies.

35.13 Provisions for liabilities and charges

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are evaluated and re-estimated annually, and are included in the financial statements at their expected net present values using discount rates appropriate to the Company or its subsidiaries in applicable economic environment at each end of the reporting period.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are reassessed annually and changes in provisions resulting from the passage of time are reflected in the consolidated income statement each year within interest expense. Other changes in provisions related to a change in the expected repayment plan, in the estimated amount of the obligation or in the discount rates, are treated as a change in an accounting estimate in the period of the change and, with the exception of provision for restoration liabilities, reflected in the consolidated income statement.

Provisions for restoration liability are recognised when the Group has a present legal or constructive obligation to dismantle, remove and restore items of property, plant and equipment.

The amount of the provision is the present value of the estimated expenditures expected to be required to settle the liability, determined using pretax risk free discount rates adjusted for risks specific to the liability. Changes in the provision resulting from the passage of time are recognised as interest expense. Changes in the provision, which is reassessed at each reporting date, related to a change in the expected pattern of settlement of the liability, or in the estimated amount of the provision or in the discount rates, are treated as a change in an accounting estimate in the period of change. Such changes are reflected as adjustments to the carrying value of property, plant and equipment and the corresponding liability.

35.14 Shareholders' equity

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented in the notes as a share premium.

Treasury shares. Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's owners until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners. Treasury shares are stated at weighted average cost. Any gains/losses arising from the transactions with treasury shares are included in other reserves.

Dividends. Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared and approved before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue.

Accounting treatment for put options to be settled in shares of Company. The subsidiaries sell to non-controlling shareholders own shares linked to put option. This gives to non-controlling shareholders the right to sell the Group those shares in exchange for a variable number of Company's shares. If at the option exercise date the Group has no obligation to deliver cash or another financial asset, the subsidiary's shares that are held by non-controlling interest holders are presented as equity and the put options are recognised as derivative financial liabilities. Such options are accounted at fair value with changes recognised in profit or loss for the period in accordance with IAS 39.

On initial recognition of the liability, the debit entry it to other equity. The interests of non-controlling shareholders that hold the written put options or forwards (in respect of those shares) are not derecognised when the financial liability is recognised.

Accounting treatment for call options over subsidiary shares. The Group buys the call options issued by third parties, which entitle to buy (from this third party) the shares in a subsidiary. Initially the call option is recognised in capital of the owner's of the Company for credit side and on as a derivative financial asset for debit side. Further it is accounted at fair value with changes are recognised in profit or loss in accordance with IAS 39.

35.15 Revenue recognition

Revenues from sales of chemical fertilisers and related by-products are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Sales are shown net of VAT, custom duties and discounts, and after eliminating sales within the Group. Revenues are measured at the fair value of the consideration received or receivable. When the fair value of consideration received cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

35.16 Mutual cancellations

A portion of sales and purchases are settled by mutual settlements or non-cash settlements. These transactions are generally in the form of direct settlements through cancellation of mutual trade receivables and payables balances within the operational contracts. Non-cash settlements include promissory notes or bills of exchange, which are negotiable debt obligations. Sales and purchases that are expected to be settled by mutual settlements or other non-cash settlements are recognised based on the estimate of the fair value to be received or given up in non-cash settlements. The fair value is determined with reference to various market information. Non-cash transactions have been excluded from the consolidated cash flow statement, so investing activities, financing activities and the total of operating activities represent actual cash transactions.

The Group also accepts bills of exchange from its customers (both issued by customers and third parties) as a settlement of receivables. A provision for impairment of bills of exchange is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

35.17 Employee benefits

Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group and are included within labour costs in operating expenses.

Social costs. The Group incurs significant costs on social activities. These costs include the provision of health services, kindergartens, and the subsidy of worker holidays. These amounts represent an implicit cost of employing principally production workers and other staff and, accordingly, have been charged to operating expenses.

Pension costs. In the normal course of business the Group contributes to state pension schemes on behalf of its employees. Mandatory contributions to the governmental pension scheme are accrued in the year in which the associated services are rendered by the employees of the Group. The Group recognises these contributions as part of labour costs.

35.18 Financial assets and liabilities

Classification of financial assets. Financial assets have the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

Trading investments are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading investments if it has an intention to sell them within a short period after purchase, i.e. within 12 months.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. All other financial assets are included in the available-for-sale category, which includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Initial recognition of financial instruments. Financial assets and liabilities are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Available-for-sale investments. Available-for-sale investments are carried at fair value. Interest income on available for sale debt securities is calculated using the effective interest method and recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is removed from other comprehensive income to profit or loss.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

Investment in equity accounted investees. 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 14) and do not influence on opening balance.

Derivative financial instruments. As part of its financing activities the Group is also party to derivative financial instruments including foreign currency and interest rate swap contracts and put/call option on shares. The Group's policy is to measure these instruments at fair value with resultant gains or losses being reported within the profit and loss. The fair value of derivative financial instruments is determined using actual market data information and valuation techniques based on prevailing market interest rate for similar instruments as appropriate. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. The Group has no derivatives accounted for as hedges.

35.19 Finance lease liabilities

Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest cost is charged to profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

35.20 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share repurchase option.

35.21 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Operating segments which external and inter-segment sales, assets, profit and loss are 10% or more from appropriate operational segments measure are reported separately.

35.22 Exploration and evaluation expenditure

Exploration and evaluation costs are capitalized. Capitalized costs are directly related to exploration and evaluation activities in the relevant area of interest and include acquisition of rights to explore, including cost related to compliance with license terms; topographical, geological, geochemical and geophysical studies; exploratory drilling; trenching and sampling; and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource. In accordance with IFRS 6, Exploration for and Evaluation of Mineral Resources, exploration assets are measured applying the cost model described in IAS 16, Property, Plant and Equipment, after initial recognition. Exploration assets are not depreciated until the production phase.

The Group tests exploration and evaluation assets for impairment when there are facts and circumstances that suggest that the carrying value of the asset may not be recoverable.

35.23 Development expenditure

Development expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises cost directly attributable to the construction of a mine and the related infrastructure. Once a development decision has been taken, the expenditure in respect of the area of interest is classified in “mining assets under construction” category and separately disclosed in Note 10. Costs incurred are tested for impairment upon commencement of development phase.

Development expenditure is reclassified as a “Mining and primary ore dressing assets” at the end of the commissioning phase, when the mine and surface infrastructure are capable of operating in the manner intended by management. No depreciation is recognised in respect of development expenditures until they are reclassified as “Mining and primary ore dressing assets”.

36. New Standards and Interpretations not yet Adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2014, and have not been applied in preparing these consolidated financial statements.

Of these pronouncements, potentially the following will have an impact on the Group’s operations. The Group plans to adopt these pronouncements when they become effective.

New or amended standard	Summary of the requirements	Possible impact on consolidated financial statements
IFRS 9 Financial Instruments	IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

New or amended standard	Summary of the requirements	Possible impact on consolidated financial statements
IFRS 15 Revenue from Contracts with Customers	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18*Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. The core principle of the new standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.
IFRS 16 Leases	IFRS 16 replaces the existing lease accounting guidance in IAS 17 *Leases,* IFRIC 4 *Determining whether an Arrangement contains a lease,* SIC-15*Operating Leases – Incentives* and SIC-27*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. It eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, early adoption is permitted if IFRS 15 *Revenue from Contracts with Customers* is also adopted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	These amendments require a bearer plant, defined as a living plant, to be accounted for as property, plant and equipment and included in the scope of IAS 16 Property, Plant and Equipment, instead of IAS 41 Agriculture. The amendments are effective for annual reporting periods beginning on or after 1 January 2016, with early adoption permitted.	None. The Group does not have any bearer plants.

BAKER TILLY RUSSIA

bl.8, 5a, Novodmitrovskaya Street
Moscow 127015 Russia

P: +7 (495) 783 8800
F: +7 (495) 783 8894

info@bakertilly.ru
www.bakertilly.ru

Auditor's Report to Acron shareholders on 2015 Annual Financial Statement

Audited entity details	Auditor details
Name: JSC Acron	Name: Baker Tilly Russaudit, LLC
Domicile: Veliky Novgorod 173012, Russian Federation	Domicile: 5a Novodmitrovskaya st, bld. 8, Moscow 127015
Primary State Registration Number: 1025300786610	Tel.: +7 (495) 783-88-00
	Fax: +7 (495) 783-88-94
	Primary State Registration Number: 1037700117949
	Name of self-regulatory auditors' organisation: Institute of Professional Auditors, a non-profit partnership
	Primary Entry Registration Number: 10402000018
	Independent member of the Baker Tilly International global network

We have audited the attached financial statements of Acron, consisting of the Balance Sheet as of 31 December 2015, Profit and Loss Statement, Supplements to the Balance Sheet and Profit and Loss Statement, including the Statement of Changes in Equity, Cash Flow Statement for the year 2015 and Explanatory Notes.

Responsibility of the Audited Company for the Financial Statements

The audited company's management is responsible for the preparation and accuracy of these financial statements in compliance with Russian law, and for the internal control system required to prepare financial statements that are free of material misstatements resulting from fraud or error.

Auditor Responsibility

Our responsibility is to express an opinion, based on our audit, on whether these financial statements are true and fair. We conducted our audit in accordance with Russian federal auditing standards. These standards require conformity to applicable ethical norms and that the audit be scheduled and conducted in a manner as to have reasonable assurance that there are no material misstatements in the financial statements.

The audit includes auditing procedures designed to obtain audit evidence supporting the numbers and disclosures in the financial statements. The choice of auditing procedures is our discretion based on assessment of risk of material misstatements resulting from fraud or error. In assessing this risk we reviewed the internal control system, which ensures preparation and accuracy of the financial statements, with the aim of selecting adequate auditing procedures rather than expressing our opinion about the effectiveness of the internal control system.

The audit also includes an assessment of the propriety of applicable accounting principles and consideration of significant estimates made by the audited company's management, as well as an evaluation of the overall representation of the financial statements.

We believe that the audit evidence obtained by our audit provides a reasonable basis for our opinion on these financial statements.

Opinion

In our opinion, Acron's financial statements present fairly, in all material respects, Acron's financial position as of 31 December 2015, as well as the financial results of its operations and cash flows in 2015 in compliance with the Russian law applicable to accounting and reporting.

29 March 2016

Partner,
Deputy Director General
Baker Tilly Russaudit, LLC

M.B. Pavlova
Auditor's Qualification Certificate No. 02-000067 dated 8 February 2012

Primary Registration Number: 29602000361

Power of Attorney No. 01-10/16-8 dated 11 January 2016

RAS Financial Performance

Full set of 2015 Acron's RAS Financial Statement is enclosed in Appendix 4 (in Russian language). Following is the Balance Sheet as of 31.12.2015 and 2015 Profit and Loss Statement.

Acron's Balance Sheet as of 31 December 2015

Notes	Item	Code	As of 31 December 2015	As of 31 December 2014	As of 31 December 2013
1	**ASSETS**				
	I. NON-CURRENT ASSETS				
	Intangible assets	1110	63,204	63,441	23,526
	Research and development costs	1120	-	-	-
	Intangible development assets	1130	-	-	-
	Tangible development assets	1140	-	-	-
2	Fixed assets	1150	31,027,422	22,447,916	14,488,801
	Income-bearing investment in tangible assets	1160	-	-	-
3	Financial investments	1170	82,342,871	58,796,756	63,455,571
	Deferred tax assets	1180	246,286	708,799	93,351
	Other non-current assets	1190	665,328	1,454,632	2,443,056
	Total under Section I	1100	114,345,111	83,471,544	80,504,305
4	**II. CURRENT ASSETS**				
	Inventory	1210	8,759,651	4,345,851	3,971,666
	VAT on purchased items	1220	759,450	529,719	474,157
5	Accounts receivable	1230	8,917,910	10,929,530	6,410,951
3	Financial investment (less cash equivalents)	1240	8,574,812	5,515,059	3,622,082
	Cash and cash equivalents	1250	6,786,551	3,687,875	2,126,635
	Other current assets	1260	84,024	27,833	51,194
	Total under Section II	1200	33,882,398	25,035,867	16,656,685
	GRAND TOTAL	1600	**148,227,509**	**108,507,411**	**97,160,990**

Director V.Y. Kunitsky

Chief Accountant N.A. Pavlova

28 March 2016

Acron’s Balance Sheet as of 31 December 2015

Notes	Item	Code	As of 31 December 2015	As of 31 December 2014	As of 31 December 2013
	LIABILITIES				
	III. EQUITY				
	Charter capital (pooled capital, charter fund, partners’ contributions)	1310	202,670	202,670	202,670
	Treasury stock	1320	(-)	(-)	(-)
	Non-current asset revaluation	1340	973,592	985,672	998,058
	Capital surplus (less revaluation)	1350	5,976	3,399	1,383
	Capital reserve	1360	30,401	30,401	30,401
	Retained profit (loss)	1370	29,441,012	20,696,132	34,778,952
	Total under Section III	1300	30,653,651	21,918,274	36,011,464
	IV. NON-CURRENT LIABILITIES				
	Borrowings	1410	69,417,877	31,612,640	24,282,205
	Deferred tax liabilities	1420	6,466,817	3,531,103	4,265,715
	Estimated liabilities	1430	-	-	-
	Other liabilities	1450	-	333,284	-
	Total under Section IV	1400	75,884,694	35,477,027	28,547,920
	V. CURRENT LIABILITIES				
	Borrowings	1510	37,418,885	48,469,228	30,531,260
5	Accounts payable	1520	4,034,774	2,438,664	1,933,835
	Deferred revenues	1530	124	-	-
7	Estimated liabilities	1540	234,888	132,940	128,864
	Other liabilities	1550	493	71,278	7,647
	Total under Section V	1500	41,689,164	51,112,110	32,601,606
	GRAND TOTAL	1700	**148,227,509**	**108,507,411**	**97,160,990**

Director V.Y. Kunitsky

Chief Accountant N.A. Pavlova

28 March 2016

Acron's 2015 Profit and Loss Statement

Notes*	Item	Code	2015	2014
	Revenue	2110	50,382,355	39,404,335
6	Cost of goods sold	2120	(23,543,951)	(19,609,768)
	Gross profit (loss)	2100	26,838,404	19,794,567
6	Selling expenses	2210	(2,165,670)	(2,182,960)
6	Administrative expenses	2220	(2,981,261)	(2,398,031)
	Sales profit (loss)	2200	21,691,473	15,213,576
	Profit from shareholdings in other companies	2310	292,720	158,233
	Interest income	2320	611,539	858,831
	Interest expense	2330	(6,708,432)	(3,247,637)
	Other income	2340	15,509,551	5,337,892
	Other expenses	2350	(13,123,893)	(27,605,699)
	Profit (loss) before tax	2300	18,272,958	(9,284,804)
	Income tax expense	2410	(526,826)	-
	Incl. permanent tax liabilities (assets)	2421	270,462	506,901
	Change in deferred tax liabilities	2430	(2,935,714)	734,612
	Change in deferred tax assets	2450	(462,513)	615,448
	Other	2460	15,248	(461)
	Incl. income tax related to previous periods	2461	15,248	-
	Net profit (loss)	2400	14,363,153	(7,935,205)

Notes	Item	Code	2015	2014
	FOR REFERENCE			
	Effect from revaluation of non-current assets not included in the net profit (loss) of the period	2510	-	-
	Effect from other operations not included in the net profit (loss) of the period	2520	2,577	2,016
	Total financial result of the period	2500	14,365,730	(7,933,189)
	Basic earnings (loss) per share	2900	-	-
	Diluted earnings (loss) per share	2910	-	-

Director V.Y. Kunitsky

Chief Accountant N.A. Pavlova

28 March 2016

Internal Audit Report on the Findings of Acron's Financial and Business Audit Report for 2015

The Internal Audit Team completed scheduled audits of the financial and business operations of Acron (Veliky Novgorod) ("Company") in 2015 in accordance with Article 85 of the Russian Federal Law "On Joint Stock Companies", Article 14 of Acron's Charter and the provisions of Acron's Regulation on the Internal Audit Team.

The audits were conducted to obtain sufficient evidence that the data contained in the Company's reports and other financial documents are correct and to identify any failures on the Company's part to comply with accounting and reporting procedures as provided by Russian law or to comply with any provision of Russian law in its financial and business operations.

During the audits, the Internal Audit Team mainly focused on the following aspects:

- Cash payments to Acron's foreign employees
- Accuracy of calculation and payment of land tax in 2015
- Compliance with environmental legislation at Acron's operations in 2015
- Accuracy of pay set for Acron's employees based on a special evaluation of work environment completed in 2015.

The audits did not identify any failures to comply with applicable law in the audited matters; all documents requested by the Internal Audit Team were produced in full and in a timely fashion.

Internal Audit Team Opinion on the Annual Financial Statements

The Company's 2015 financial statements presented to shareholders were audited by the Company's external auditor, Baker Tilly Russaudit. The Internal Audit Team supports the external auditor's opinion that the data contained in the Company's 2015 financial statements, including its 2015 profit and loss statement (income statement), are accurate and correct.

The Internal Audit Team further confirms that the Company's 2015 financial statements are free of any material misstatements, and that the Company conducted its financial and business operations in accordance with applicable law.

Internal Audit Team Opinion on the Information Contained in the Company's Annual Report

The Internal Audit Team confirms that the information contained in the Company's 2015 annual report is accurate and correct.

Irina Klassen
Chair of Acron's Internal Audit Team

APPENDICES

Appendix 1. Major and Related-Party Transactions

List of transactions executed by Acron Group in 2015 that are considered major transactions under the Federal law "On Joint Stock Companies" or other transactions requiring approval as major transactions under Acron Group's Charter

In 2015, Acron Group did not execute any transaction recognised as major transaction under the Federal law "On Joint Stock Companies".

The Group's Charter does not specify any grounds for considering a transaction a major transaction that would require a specific approval procedure other than that stipulated by law.

List of transactions executed by Acron Group in 2015 that are considered related-party transactions and require approval under the Federal law "On Joint Stock Companies"

Related-party transactions executed in 2015 were approved by resolutions of Acron Group's general meeting and the Board of Directors and passed and disclosed pursuant to the Federal law "On Joint Stock Companies", the Federal law "On the Securities Market", and the Federal law "On Counteracting the Illegal Use of Insider Information and Market Manipulation".

Information on related-party transactions approved by resolutions of Acron Group's general meeting and the Board of Directors was disclosed by the Group in the form of price sensitive information disclosures pursuant to Article 30, Section V of the Regulation on Information Disclosure by Issue-Grade Security Issuers approved by the Bank of Russia.

The Group discloses information on the following website provided by Interfax Centre for Corporate Disclosure: http://www.e-disclosure.ru/portal/company.aspx?id=357

The Group also discloses information at http://www.acron.ru/en/.

In accordance with the Federal law "On Joint Stock Companies", the Group's CEO, members of the Managing Board and the Board of Directors and any shareholder holding over 20% of the Group's voting shares (Acronagroservice) were considered as related parties. When such persons were interested in a transaction, they did not participate in its approval.

Transaction Party and Name (Scope)	Number of Transactions	Actual Transaction Value (RUB '000)
Dorogobuzh		
Sales, supply, exchange contracts	8	185,588
Lease agreement	4	108,430
Loan agreement	46	19,815,000
Tender and paid service contracts	4	34,889
Total value of transactions with Dorogobuzh	*62*	*20,143,907*
Acron-Trans		
Shipping and forwarding contracts	2	1,388,272
Lease agreements	2	2,898
Total value of transactions with Acron-Trans	*4*	*1,391,170*
Nikulinskoye		
Sales, supply, exchange contracts	1	31
Tender and paid service contracts	2	5,514
Lease agreement	2	50
Financial assistance	1	47,860
Total value of transactions with Nikulinskoye	*6*	*53,455*
Machine Building Plant - Acron		

Transaction Party and Name (Scope)	Number of Transactions	Actual Transaction Value (RUB '000)
Sales, supply, exchange contracts	396	366,072
Lease agreement	2	5,699
Tender and paid service contracts	19	11 902
Total value of transactions with Machine Building Plant - Acron	*417*	*383,673*
North-Western Phosphorous Company		
Sales, supply, exchange contracts	1	4,877,002
Lease agreement	1	24,482
Total value of transactions with North-Western Phosphorous Company	*2*	*4,901,484*
Verkhnekamsk Potash Company		
Loan agreement	6	6,070,000
Lease agreement	1	701
Total value of transactions with Verkhnekamsk Potash Company	*7*	*6,070,701*
Agronova International Inc.		
Sales, supply, exchange contracts	18	6,833,917
Total value of transactions with Agronova International Inc.	*18*	*6,833,917*
Agronova-Rostov		
Sales, supply, exchange contracts	2	75,907
Total value of transactions with Agronova-Rostov	*2*	*75,907*
Agronova-Kuban		
Sales, supply, exchange contracts	3	87,436
Storage agreement	2	385
Total value of transactions with Agronova-Kuban	*5*	*87,821*
Agronova-Livny		
Sales, supply, exchange contracts	1	770
Total value of transactions with Agronova-Livny	*1*	*770*
Agronova-Volga		
Sales, supply, exchange contracts	2	169,882
Storage agreement	1	7
Total value of transactions with Agronova-Volga	*3*	*169,889*
Agronova-Krasnodar		
Sales, supply, exchange contracts	2	119,806
Storage agreement	2	331
Total value of transactions with Agronova-Krasnodar	*4*	*120,137*
YeletsAgronova		
Sales, supply, exchange contracts	1	1,467
Storage agreement	1	9
Total value of transactions with EletsAgronova	*2*	*1,476*
Agronova-Lipetsk		
Sales, supply, exchange contracts	*2*	*85,211*
Storage agreement	1	25
Total value of transactions with Agronova-Lipetsk	*3*	*85,236*
ZadonskAgronova		
Sales, supply, exchange contracts	1	5,912
Storage agreement	1	7
Total value of transactions with ZadonskAgronova	*2*	*5,919*

Transaction Party and Name (Scope)	Number of Transactions	Actual Transaction Value (RUB '000)
GryaziAgronova		
Sales, supply, exchange contracts	1	59,221
Total value of transactions with GryaziAgronova	*1*	*59,221*
Acron-Remstroy		
Sales, supply, exchange contracts	163	102,682
Lease agreement	2	3,370
Tender and paid service contract	24	207,736
Total value of transactions with Acron-Remstroy	*189*	*313,788*
Acron-Remont		
Sales, supply, exchange contracts	290	58,579
Lease agreement	5	10,829
Tender and paid service contracts	44	854,118
Total value of transactions with Acron-Remont	*339*	*923,526*
Acron-Service		
Sales, supply, exchange contracts	65	11,056
Lease agreement	6	4,568
Tender and paid service contracts	29	314,489
Total value of transactions with Acron-Service	*100*	*330,113*
Acronit		
Share sale (subscription) agreements (increase in authorised capital)	*1*	*9,009,000*
Loan agreement	1	59,100
Total value of transactions with Acronit	*2*	*9,068,100*
Agronova-Belgorod		
Sales, supply, exchange contracts	5	535,457
Storage agreement	2	18
Total value of transactions with Agronova-Belgorod	*7*	*535,475*
Agronova Europe AG		
Sales, supply, exchange contracts	62	33,110,185
Total value of transactions with Agronova Europe AG	*62*	*33,110,185*
Agronova-Bryansk		
Sales, supply, exchange contracts	2	65,278
Total value of transactions with Agronova-Bryansk	*2*	*65,278*
Novgorodsky GIAP		
Lease agreement	1	2,039
Tender and paid service contracts	46	536,812
Total value of transactions with Novgorodsky GIAP	*47*	*538,851*
Acron Medical Centre		
Sales, supply, exchange contracts	2	135
Tender and paid service contracts	10	33,769
Lease agreement	4	1,917
Total value of transactions with Acron Medical Centre	*16*	*35,821*
BaltaiAgronova		
Sales, supply, exchange contracts	2	26,875
Total value of transactions with BaltaiAgronova	*2*	*26,875*
Acron Hotel		
Tender and paid service contracts	15	1,531

Transaction Party and Name (Scope)	Number of Transactions	Actual Transaction Value (RUB '000)
Total value of transactions with Acron Hotel	*15*	*1,531*
DorogobuzhRemstroy		
Sales, supply, exchange contracts	1	1,873
Tender and paid service contracts	1	6,874
Total value of transactions with DorogobuzhRemstroy	*2*	*8,747*
ENGservice		
Lease agreement	1	40
Tender and paid service contracts	5	6,414
Total value of transactions with ENGservice	*6*	*6,454*
Moscow Stud Farm No.1		
Sales, supply, exchange contracts	7	1,616
Total value of transactions with Moscow Stud Farm No.1»	*7*	*1,616*
Acron-Invest		
Loan agreements	1	1,500
Financial assistance	1	250
Total value of transactions with Acron-Invest	*2*	*1,750*
Acronagroservice		
Tender and paid service contracts	1	32
Lease agreement	1	142
Total value of transactions with Acronagroservice	*2*	*174*
Karand		
Financial assistance	1	400
Total value of transactions with Karand	*1*	*400*
Gelios Holding		
Financial assistance	1	2,970
Total value of transactions with Gelios Holding	*1*	*2,970*
Plodorodie		
Lease agreement	1	971
Total value of transactions with Plodorodie	*1*	*971*
Kubris		
Sales, supply, exchange contracts	1	6,584
Total value of transactions with Kubris	*1*	*6,584*
Agronova-Orel		
Sales, supply, exchange contracts	1	29,576
Total value of transactions with Agronova-Orel	*1*	*29,576*
Dorogobuzh Polymer		
Sales, supply, exchange contracts	2	26,369
Total value of transactions with Dorogobuzh Polymer	*2*	*26,369*
National Institute for Corporate Reform Foundation, non-profit organisation		
Financial assistance	1	27,000
Total value of transactions with National Institute for Corporate Reform Foundation, non-profit organisation	*1*	*27,000*
Andrex		
Tender and paid service contracts	1	901
Total value of transactions with Andrex	*1*	*901*
Starosmolenskoye		
Tender and paid service contracts	1	1,200

Transaction Party and Name (Scope)	Number of Transactions	Actual Transaction Value (RUB ‘000)
Total value of transactions with Starosmolenskoye	*1*	*1,200*
AS DBT		
Loan agreements	1	956,366
Total value of transactions with AS DBT	*1*	*956,366*
Balttrans		
Contribution to authorised capital	*1*	82,500
Total value of transactions with Balttrans	*1*	*82,500*
NWPC-RS		
Contribution to authorised capital	*1*	290,000
Total value of transactions with NWPC-RS	*1*	*290,000*

Appendix 2. Report on Feedstock and Energy Consumption

JSC Acron's consumption of each energy resources, including nuclear power, heat, electricity, electromagnetic energy, oil, gasoline, diesel fuel, fuel oil, natural gas, coal, shale oil, peat, in the reporting year in quantity and monetary terms.

Report on Consumption of Feedstock and Energy Resources by JSC Acron

	2015		2014	
	Quantity	Amount, RUB '000	Quantity	Amount, RUB '000
Natural gas, m^3 mn	1,463	6,507,339	1,578	6,702,153
Electricity, kWh mn	795	2,169,885	779	2,046,547
Heat, '000 gCal	1,103	1,021,349	1,127	922,842
Phosphates (apatite concentrate), '000 t	503	4,717,790	494	3,075,432
Potash (sylvite), '000 t	330	3,654,737	327	2,207,066
Gasoline, '000 l	329	9,115	371	9,632
Diesel fuel, '000 l	1,435	35,647	1,561	36,851

JSC Acron did not use nuclear power, oil, fuel oil, coal, shale oil, peat and other energy resources in the reporting year.

CONTACTS

Information about the Group

Acron Head Office
12 Krasnopresnenskaya Naberezhnaya (World Trade Centre)
Moscow 123610, Russia

phone: +7 495 745 77 45; +7 495 411 55 94
fax: +7 499 246 23 59
E-mail: info@acron.ru

Production site of JSC “Acron”
Veliky Novgorod 173012, Russia

phone: +7 8162 99 61 09
fax: +7 8162 99 66 63
E-mail: root@vnov.acron.ru

Shareholder Information

Nadezhda Bashkirtseva
Head of Securities Circulation

phone: +7 8162 99 67 63
fax: +7 8162 99 65 83

Investor Information

Ilya Popov
Head of Investor Relations

phone: +7 495 745 77 45 (ext. 5252)

GDR Depositary Bank

OOO Deutsche Bank
82 Sadovnicheskaya Street, Building 2

Moscow 115035, Russia
phone: +7 495 797 50 00

Independent Auditor for RAS Financial Statements

Baker Tilly Russaudit
(OGRN 1037700117949)

5A Novodmitrovskaya Street, Building 8
Moscow 127015, Russia

phone: +7 495 783 88 00

Independent Auditor for IFRS Financial Statements

KPMG
(OGRN 1027700125628)

10 Presnenskaya Naberezhnaya
Moscow 123317, Russia

phone: +7 495 937 44 77

Registrar

CJSC St. Petersburg Central Registration Company

8 Bolshaya Zelenina Street, Building 2 (letter A)
St. Petersburg 197198, Russia

Licence 10-000-1-00262 issued on 3 December 2002 (for indefinite term)

MR-Centre branch

CJSC St. Petersburg Central Registration Company

11 Gzen Naberezhnaya,
Veliky Novgorod 173007, Russia

For information about Acron and its subsidiaries, please visit www.acron.ru/en

FORWARD-LOOKING STATEMENTS

This annual report of Acron open joint stock company and its subsidiaries (hereinafter “Acron Group”) contains certain forwardlooking statements in relation to the Group’s operations and its expected results, economic performance, financial conditions, projects and growth prospects. All statements other than statements of historical facts as of the date of this annual report are forward-looking statements. Words and expressions, such as “may,” “can,” “will,” “should,” “anticipate,” “expect,” “plan,” “predict,” “forecast,” “assume,” “intend,” “continue,” “keep on,” “carry on,” “aspire,” “strive,” “aim,” “tend,” “consider,” “think” and similar words and expressions as the negative (positive) thereof, identify forward-looking statements based on assumptions and estimates which the Group believes are reasonable as of the date of this annual report.

Forward-looking statements in relation to the future are subject to uncertainties, assumptions and inherent risks, both of a general nature and specific to the Group’s business. There is no assurance that any assumptions, intent or other forward-looking statements will be achieved. The Group hereby informs that its actual performance may differ from forecasts, which are only valid as of the date of this annual report. The Group does not represent or warrant that its forecast performance will be achieved or should be considered to be the most probable scenario.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- The Group's IFRS consolidated financial statements present an accurate and impartial picture of its assets, liabilities, financial position, profit and loss accounts, and of the consolidated companies as a whole.
- This annual report provides an impartial description of the business and position of the Group and of the consolidated companies as a whole, along with a description of the key risks and uncertainties to which they are subject.

On behalf of the Board of Directors

Alexander Popov
Chairman of the Board of Directors

www.acron.ru/en