PUBLIC JOINT STOCK COMPANY
“DOROGOBUZH”

Consolidated Condensed Interim
Financial Information for the six months ended
30 June 2018

Contents

Public Joint Stock Company "Dorogobuzh"
Consolidated Condensed Interim Statement of Financial Position at 30 June 2018 (unaudited)
(in millions of Russian Roubles)

	Note	30 June 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	11	5,558	5,001
Investment in equity accounted investees	12	4,393	4,131
Investment in equity instruments measured at fair value through other comprehensive income	13	5,051	4,128
Long-term loans receivable	9	8,431	8,160
Deferred tax assets		689	-
Other non-current assets		286	183
Total non-current assets		**24,408**	**21,603**
Current assets			
Inventories	10	2,572	2,501
Short-term loans receivable	9	18,079	21,595
Accounts receivable	8	3,666	3,870
Investment measured at fair value through profit or loss		398	407
Dividend receivable		155	-
Cash and cash equivalents	7	2,990	3,317
Other current assets		98	44
Total current assets		**27,958**	**31,734**
TOTAL ASSETS		**52,366**	**53,337**
EQUITY			
Share capital		1,419	1,419
Share premium		94	94
Retained earnings		43,912	46,583
Revaluation reserve		1,306	812
Other reserve		-	(96)
Equity attributable to the Company's owners		**46,731**	**48,812**
TOTAL EQUITY		**46,731**	**48,812**
LIABILITIES			
Non-current liabilities			
Other long-term liabilities		102	102
Deferred tax liability		920	779
Total non-current liabilities		**1,022**	**881**
Current liabilities			
Accounts payable	14	883	1,516
Income tax payable		50	43
Short-term borrowings	15	2,823	865
Advances received		857	1,220
Total current liabilities		**4,613**	**3,644**
TOTAL LIABILITIES		**5,635**	**4,525**
TOTAL LIABILITIES AND EQUITY		**52,366**	**53,337**

The Consolidated Condensed Interim Financial Information is approved on 24 August 2018.

Публичное акционерное общество "Дорогобуж" ОГРН 1026700535773 Россия, Смоленская обл., г. Дорогобуж

V. Y. Kunitskiy
President

A.V. Milenkov
Finance Director

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

		Six months ended		Three months ended	
	Note	**30 June 2018**	**30 June 2017**	**30 June 2018**	**30 June 2017**
Revenue	5	11,635	11,660	4,907	5,571
Cost of sales		(7,310)	(6,959)	(3,114)	(3,235)
Gross profit		**4,325**	**4,701**	**1,793**	**2,336**
Transportation expenses		(1,038)	(907)	(515)	(454)
Selling, general and administrative expenses		(866)	(864)	(370)	(413)
Other operating profit/(expenses), net	17	84	(419)	308	(179)
Operating profit		**2,505**	**2,511**	**1,216**	**1,290**
Finance income, net	16	2,190	2,167	1,133	951
Interest expense		(20)	(318)	(19)	(102)
(Loss)/gain on disposal of investment		(12)	19	(6)	14
Share of profit of equity accounted investees	12	81	94	48	45
Profit before taxation		**4,744**	**4,473**	**2,372**	**2,198**
Income tax expense	19	(898)	(725)	(440)	(257)
Profit for the period		**3,846**	**3,748**	**1,932**	**1,941**
Other comprehensive income/(loss) on items that are or may be reclassified to profit or loss:					
Investment in equity instruments measured at fair value through other comprehensive income					
- Profit/(loss) arising during the period		618	(238)	339	(71)
- Income tax recorded directly in other comprehensive income		(124)	47	(68)	14
Equity-accounted investees – share of other comprehensive income, net of tax		145	125	85	230
Other comprehensive income/(loss) for the period		**639**	**(66)**	**356**	**173**
Total comprehensive income for the period		**4,485**	**3,682**	**2,288**	**2,114**
Earnings per share, basic and diluted (expressed in RUB per share)	18	**4.40**	**4.28**	**2.21**	**2.21**

(in millions of Russian Roubles)

	Note	Six months ended 30 June 2018	Six months ended 30 June 2017
Cash flows from operating activities			
Profit before taxation		4,744	4,473
Adjustments for:			
Depreciation	11	397	370
Reversal of impairment provision for accounts receivable		(1)	-
Reversal of impairment provision for inventory obsolescence		-	(1)
Provision for loans receivable		219	-
Share of profit of equity accounted investees		(81)	(94)
Interest expense		20	318
Interest income		(1,115)	(1,830)
Dividend income		(436)	-
Loss/(gain) on disposal of investment		12	(19)
Unrealised foreign exchange effect on non-operating balances		(1,077)	509
Operating cash flows before working capital changes		**2,682**	**3,726**
Decrease/(increase) in gross trade receivables		67	(328)
Decrease in advances to suppliers		135	271
(Increase)/decrease in other receivables		(107)	60
Increase in inventories		(71)	(211)
(Increase)/decrease in other current assets		(54)	14
Decrease in trade payables		(186)	(306)
(Decrease)/increase in other payables		(508)	273
Decrease in advances from customers		(363)	(241)
Cash generated from operations		**1,595**	**3,258**
Income taxes paid		(919)	(987)
Interest paid		(21)	(337)
Net cash generated from operating activities		**655**	**1,934**
Cash flows from investing activities			
Purchase of property, plant and equipment		(954)	(338)
Loans provided		(23)	(1,187)
Proceeds from loans repaid		3,543	11,784
Interest received		1,225	2,098
Dividend received		281	-
Purchase of investment in equity instruments measured at fair value through other comprehensive income		(305)	(906)
Purchase of investment measured at fair value through profit or loss		(15,905)	-
Proceeds from sale of investment measured at fair value through profit or loss		10,743	53
Net change in other non-current assets and long-term liabilities		(103)	-
Net cash (used in) / generated from investing activities		**(1,498)**	**11,504**
Cash flows from financing activities			
Dividend paid		(2,118)	(2,189)
Proceeds from borrowings	15	12,442	-
Repayment of borrowings	15	(10,402)	(13,259)
Disposal of treasury shares		96	-
Security deposit made for auction		-	(1,060)
Net cash generated / (used in) from financing activities		**18**	**(16,508)**
Net decrease in cash and cash equivalents		**(825)**	**(3,070)**
Effect of exchange rate changes on cash and cash equivalents		498	(30)
Cash and cash equivalents at the beginning of the period	7	**3,317**	**4,581**
Cash and cash equivalents at the end of the period	7	**2,990**	**1,481**

(in millions of Russian Roubles)

	Capital and reserves attributable to the Company's owners					
	Share capital	**Share premium**	**Retained earnings**	**Revaluation reserve**	**Other reserves**	**Total equity**
Balance at 1 January 2017	**1,419**	**94**	**40,955**	**451**	**-**	**42,919**
Total comprehensive income						
Profit for the period	-	-	3,748	-	-	3,748
Other comprehensive income/(loss)						
Fair value losses on investment in equity instruments measured at fair value through other comprehensive income	-	-	-	(238)	-	(238)
Equity-accounted investees – share of other comprehensive income, net of tax	-	-	125	-	-	125
Income tax recorded in other comprehensive income	-	-	-	47	-	47
Total other comprehensive income/(loss)	**-**	**-**	**125**	**(191)**	**-**	**(66)**
Total comprehensive income/(loss)	**-**	**-**	**3,873**	**(191)**	**-**	**3,682**
Dividend declared	-	-	(2,189)	-	-	(2,189)
Balance at 30 June 2017	**1,419**	**94**	**42,639**	**260**	**-**	**44,412**
Balance at 1 January 2018	**1,419**	**94**	**46,583**	**812**	**(96)**	**48,812**
Total comprehensive income						
Profit for the period	-	-	3,846	-	-	3,846
Other comprehensive income						
Fair value gain on investment in equity instruments measured at fair value through other comprehensive income	-	-	-	618	-	618
Equity-accounted investees – share of other comprehensive income, net of tax	-	-	145	-	-	145
Income tax recorded in other comprehensive income	-	-	-	(124)	-	(124)
Total other comprehensive income	**-**	**-**	**145**	**494**	**-**	**639**
Total comprehensive income	**-**	**-**	**3,991**	**494**	**-**	**4,485**
Dividend declared	-	-	(2,189)	-	-	(2,189)
Related party's shares transactions	-	-	(4,473)	-		(4,473)
Disposal of treasury shares	-	-	-	-	96	96
Balance at 30 June 2018	**1,419**	**94**	**43,912**	**1,306**	**-**	**46,731**

1 Dorogobuzh Group and its Operations

This unaudited consolidated condensed interim financial information for the six months ended 30 June 2018 comprises Public Joint Stock Company "Dorogobuzh" (the "Company" and "Dorogobuzh") and its subsidiaries (together referred to as the "Group" or "Dorogobuzh Group"). Until 1 March 2018, shares of the Company were traded on the Moscow Stock Exchange.

The Group's principal activities include the manufacture, distribution and sales of chemical fertilisers and related by-products. The Group's manufacturing facilities are primarily based in the Smolensk region of Russia.

The Company's registered office is at 6 Mira Street, Dorogobuzh, Dorogobuzh district, Smolensk region, 215713, Russia.

The Group's parent company is PJSC Acron (Russian Federation). Effective 9 June 2017 the Group's ultimate parent is Terasta Enterprises Limited (The Republic of Cyprus). During the reporting and comparable periods the Group is ultimately controlled by Mr. Viatcheslav Kantor.

2 Basis of Preparation

2.1 Statement of compliance

This consolidated condensed interim financial information has been prepared in accordance with IAS 34, Interim Financial Reporting. It does not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2017.

2.2 Use of estimates and judgements

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

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

3 Significant Accounting Policies

Except as described below, the accounting policies applied in these consolidated condensed interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's 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 replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients). The effect of initially applying this standard at the date of initial application (i.e. 1 January 2018) is estimated as inconsequential. Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

The Group assessed the impact of the new standard on the Group's performance and financial position. The Group identified that under contract conditions related to significant portion of fertilisers sales the Group promises to provide shipping and other freight services after the date when control of the goods passes to the customer. Under IAS 18, the Group recognised revenue for such services and associated costs in full immediately after loading as revenue from trading activities. Under IFRS 15 such revenue is expected to be a separate performance obligation, and shall be recognised over time of shipping as revenue from logistic services. However, the Group recognises revenue from logistic services at a point in time at the moment of transfer of control on goods due to the fact that potential impact was calculated and estimated as inconsequential.

The Group has also assessed the impact of the new standard on revenue disclosures. The Group concluded that existing disclosures are consistent with the new requirements. The Group will continue monitoring the impact of treating logistic services as a separate performance obligation and will adjust its accounting policies as appropriate in the future if and when such impact becomes material.

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

IFRS 9 Financial Instruments

IFRS 9 Financial instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new classification and measurement requirements, a single forward-looking “expected loss” impairment model and a substantially-reformed approach to hedge accounting. This Standard does not have a significant impact on the Group’s consolidated financial statements.

4 Seasonality

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

5 Segment Information

The Group prepares its segment analysis in accordance with IFRS 8, Operating Segments. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (“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 whereby “Dorogobuzh” is the only operating and reportable segment, representing manufacturing and distribution of chemical fertilisers by PJSC Dorogobuzh. “Other” does not represent a segment and relates to certain logistic, service and management operations.

“Dorogobuzh” as a segment is strategic business unit that focuses on different customers. It is managed as one business unit due to its 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 the segment based on the 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, the Group’s definition of EBITDA may differ from that of other companies.

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

	Dorogobuzh	Other	Total
Segment sales	11,642	132	**11,774**
Intersegment sales	(12)	(127)	**(139)**
External sales	11,630	5	**11,635**
EBITDA	**2,781**	**6**	**2,787**

Information for the reportable segments for the six months ended 30 June 2017 is set out below:

	Dorogobuzh	Other	Total
Segment sales	11,652	156	**11,808**
Intersegment sales	(13)	(135)	**(148)**
External sales	11,639	21	**11,660**
EBITDA	**3,068**	**27**	**3,095**

Reconciliation of EBITDA to Profit Before Tax:

	Six months ended	
	30 June 2018	**30 June 2017**
Operating Profit	**2,505**	**2,511**
Depreciation	397	370
Net foreign currency (profit)/loss on operating activities	(115)	214
Total consolidated EBITDA	**2,787**	**3,095**

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

Information about geographical areas:

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

	Six months ended	
	30 June 2018	30 June 2017
Revenue		
Russia	5,660	4,353
European Union	976	492
Commonwealth of Independent States	3,219	6,076
Latin America	1,534	725
Asia (excluding PRC)	246	14
Total	**11,635**	**11,660**

Revenue from sales of chemical fertilisers accounts for 97% of total revenues (for the six months ended 2017: 97%).

For six months ended 30 June 2018, revenues from logistics activities amounted to RUB 450.

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

6 Balances and Transactions with Related Parties

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

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 30 June 2018 and 31 December 2017 are detailed below.

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

i Balances with related parties

Statement of financial position caption	Notes	Relationship	30 June 2018	31 December 2017
Trade receivables, gross	8	Parent company	9	3
		Parties under common control	566	440
Interest receivable		Parent company	700	901
		Parties under common control	258	161
Investment in equity accounted investees	12	Parties under common control	-	4,131
Prepayments		Parties under common control	325	353
Loans receivable	9	Parent company	17,688	20,713
		Parties under common control	9,041	9,042
Trade payables		Parent company	(15)	(9)
		Parties under common control	(75)	(94)
Advances from customers, net of VAT		Parties under common control	(676)	(481)
Investment measured at fair value through profit or loss (bonds)		Parent company*	366	369
Investment in equity instruments measured at fair value through other comprehensive income	13	Parent company*	4,526	3,747
		Parties under common control	509	365

* Investment are disclosed at fair value.

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

ii Transactions with related parties

Statement of comprehensive income caption	Relationship	Six months ended 30 June 2018	Six months ended 30 June 2017
Sales of goods and services	Parent company	30	30
	Parties under common control	7,043	4,960
Share profit in equity accounted investees	Parties under common control	81	-
Purchases of raw materials	Parent company	(265)	(61)
	Parties under common control	(1,306)	(1,246)
Transportation services	Parties under common control	(207)	(144)
Interest received	Parent company	869	1,734
	Parties under common control	211	64

As at 30 June 2018, the Group issued guarantees in the amount of RUB 1,783 in relation to related parties (31 December 2017: RUB 957).

7 Cash and Cash Equivalents

	30 June 2018	31 December 2017
Cash on hand and bank balances denominated in RUB	1,725	452
Bank balances denominated in USD	776	2,473
Bank balanes denominated in EUR	489	392
Total cash and cash equivalents	**2,990**	**3,317**

Cash and cash equivalents include term deposits of RUB 1,320 (31 December 2017: RUB 1,983).

8 Accounts Receivable

	30 June 2018	31 December 2017
Trade accounts receivable	850	917
Notes receivable	159	76
Interest receivable	960	1,068
Less: impairment provision	(40)	(41)
Total financial assets	**1,929**	**2,020**
Advances to suppliers	701	836
Value-added tax recoverable	848	906
Other taxes receivable	196	116
Less: impairment provision	(8)	(8)
Total accounts receivable	**3,666**	**3,870**

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

As at 30 June 2018, the Group hold collateral as security for trade accounts receivable in the amount of RUB 175 included in other accounts payable (31 December 2017: RUB 685).

9 Loans Receivable

	31 June 2018	31 December 2017
Short-term loans receivable		
RUB		
Loans issued to related parties with interest rate from 7.25% to 9.5% (2017: from 7.75% to 10,5%) per annum (Note 6)	18,079	21,554
EUR		
Loans issued to related parties with interest rate EURIBOR 12M+4.1% per annum (Note 6)	-	41
Total short-term loans receivable	**18,079**	**21,595**
Long-term loans receivable		
EUR		
Loans issued to related parties with interest rate of EURIBOR 12M+4.1% per annum (Note 6)	8,650	8,160
	8,650	**8,160**
Provision	(219)	-
Total long-term loans receivable	**8,431**	**8,160**

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

At 30 June 2018 and 31 December 2017, all of the loans were unsecured.

Loans receivable denominated in RUB amounted to RUB 26,729 (31 December 2017: RUB 29,755) are issued to parent company and parties under common control of Acron Group (Note 6).

Based on management assessment the risk of default associated with these receivables is considered low as the parent company has long standing credit history in Russia and worldwide.

At 30 June 2018, the Group accrued interest income on loans receivable of RUB 1,080 (30 June 2017: RUB 1,734).

10 Inventories

	30 June 2018	31 December 2017
Raw materials and spare parts	1,633	1,879
Work in progress	49	50
Finished products	890	572
	2,572	**2,501**

Raw materials are shown net of obsolescence provision of RUB 72 (31 December 2017: RUB 72). No inventory was pledged as security at 30 June 2018 and 31 December 2017.

11 Property, Plant and Equipment

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

	2018	2017
Carrying amount at 1 January	**5,001**	**4,916**
Additions	954	338
Depreciation charge for the period	(397)	(370)
Carrying amount at 30 June	**5,558**	**4,884**

12 Investment in Equity Accounted Investees

	2018	2017
Carrying amount at 1 January	**4,131**	**3,695**
Share of:		
– Profit from continuing operations	81	94
– OCI	181	156
Carrying amount at 30 June	**4,393**	**3,945**

At 30 June 2018, 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:

Name	Total assets	Total liabilities	Revenue	Profit	% interest held	Country of incorporation
LLC Balttrans	8,341	(2,360)	2,209	163	50%	Russia

At 30 June 2017, 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:

Name	Total assets	Total liabilities	Revenue	Profit	% interest held	Country of incorporation
LLC Balttrans	7,413	1,726	1,394	188	50%	Russia

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

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

	2018	2017
Balance at 1 January	**4,128**	**2,340**
Additions	305	906
Gain/(loss) arising from fair value revaluation and recognised in other comprehensive income	618	(238)
Balance at 30 June	**5,051**	**3,008**

The Group has investment in the following companies:

Name	Activity	Country of registration	30 June 2018	31 December 2017
Non-current				
PJSC Acron	Fertilisers production	Russia	4,526	3,747
JSC Acronit		Russia	509	365
Other		Russia	16	16
Total non-current			**5,051**	**4,128**

At 30 June 2018 and 31 December 2017, the investment in PJSC Acron was classified as non-current. Fair value of investment was determined by reference to the current market value at the close of business on the date of a transaction or on 30 June 2018. At 30 June 2018 the share price quoted at Moscow Stock Exchange for PJSC Acron amounted to 4,353 roubles for 1 share (31 December 2017: 3,870 roubles for 1 share).

14 Accounts Payable

	30 June 2018	31 December 2017
Trade accounts payable	298	484
Dividend payable	87	16
Total financial payables	**385**	**500**
Payables to employees	287	280
Taxes payable	32	49
Accrued liabilities and other creditors	179	687
Total accounts payable and accrued expenses	**883**	**1,516**

15 Short-Term and Long-Term Borrowings

Borrowings consist of the following:

	30 June 2018	31 December 2017
Credit lines	752	-
Term loans	2,071	865
	2,823	**865**

The Group's borrowings mature as follows:

	30 June 2018	31 December 2017
Borrowings due:		
- within 1 year	2,823	865
	2,823	**865**

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

	30 June 2018	31 December 2017
Borrowings denominated in:		
- RUB	752	-
- USD	2,071	865
	2,823	**865**

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

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

At 30 June 2018, unused credit lines available under loan facilities were RUB 23,827 (31 December 2017: RUB 15,000). 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:

	30 June 2018	31 December 2017
Short-term borrowings		
RUB		
Loans with floating interest key rate of the Bank of Russia +0% per annum	752	-
USD		
Loans with fixed interest rate of 2.48% per annum	-	865
Loans with floating interest rate from 1M LIBOR+1.25% to 1M LIBOR+2.05% per annum	2,071	-
Total short-term borrowings	**2,823**	**865**

Loan agreements contain certain covenants including those, which require the Company and Acron Group to maintain a certain level of net debt/EBITDA ratio and include restrictions on significant transactions with assets without bank approval. The loan agreements provide for the borrower's obligation to maintain the required level of inflows through the accounts opened with the lending banks. Lending banks have the right to accelerate repayment in the case of the borrower's failure to fulfil its obligations under the loan agreements, also, the covenants permit the respective banks to directly debit the accounts opened by the debtors with the banks to ensure repayment of the loans.

16 Finance Income, net

	Six months ended		Three months ended	
	30 June 2018 г.	30 June 2017 г.	30 June 2018 г.	30 June 2017 г.
Interest income on loans provided and term deposits	1,115	1,830	547	846
Commissions expense	(7)	(38)	(4)	(17)
Dividend received	436	-	342	-
Provision for loans receivable	(219)	-	(219)	-
Other finance costs, net	(135)	-	(119)	-
Foreign exchange gain, net	1,000	375	586	122
	2,190	**2,167**	**1,133**	**951**

17 Other Operating Income / (Expenses), net

	Six months ended		Three months ended	
	30 June 2018 г.	30 June 2017 г.	30 June 2018 г.	30 June 2017 г.
Other expenses, net	(31)	(205)	(8)	(158)
Gain on disposal property, plant and equipment, net	-	-	3	-
Foreign exchange profit/(loss), net	115	(214)	313	(21)
	84	**(419)**	**308**	**(179)**

18 Earnings per Share and Dividend Declared

Earnings per share are calculated by dividing the net income attributable to participating shareholders by the weighted average number of ordinary and preference shares outstanding during the period, excluding the weighted average number of ordinary shares purchased by the Company or its subsidiaries and held as treasury shares.

	Six months ended	
	30 June 2018	30 June 2017
Weighted average number of participating shares outstanding	**874,957,829**	**874,837,640**
Profit for the period	3,846	3,748
Basic and diluted earnings per share (expressed in Russian Roubles) attributable to the equity holders of the Company	**4.40**	**4.28**

The Group declared dividend in respect of 2017 for amount of 2.5 roubles per ordinary share.

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

19 Income Taxes

	Six months ended		Three months ended	
	30 June 2018 г.	30 June 2017 г.	30 June 2018 г.	30 June 2017 г.
Income tax expense – current	917	896	434	456
Deferred tax charge – origination and reversal of temporary differences	(19)	(171)	6	(199)
Income tax charge	**898**	**725**	**440**	**257**

20 Contingencies, Commitments and Operating Risks

i 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.

ii Operating environment of the Group

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.

iii Taxation contingencies in the Russian Federation

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

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during the three subsequent calendar years. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

In addition, a number of new laws introducing changes to the Russian tax legislation have been recently adopted. In particular, starting from 1 January 2015 Russian Federal law 376-FZ introduced changes aimed at regulating tax consequences of transactions with foreign companies and their activities. These changes may potentially impact the Group’s tax position and create additional tax risks going forward. This legislation is still evolving and the impact of legislative changes should be considered based on the actual circumstances.

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

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

The transfer pricing rules apply to cross-border transactions between related parties, as well as to certain cross-border transactions between independent parties, as determined under the Russian Tax Code (no threshold is set for the purposes of prices control in such transactions). In addition, the rules apply to in-country transactions between related parties if the accumulated annual volume of the transactions between the same parties exceeds a particular threshold (RUB 1 billion in 2014 and thereon).

The compliance of prices with the arm’s length level could be as well subject to scrutiny on the basis of unjustified tax benefit concept.

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

The amount of possible tax liabilities related to uncertainties in practical application of legislation could be material, however, management believes that its interpretation of the relevant legislation is generally appropriate, and the Group's tax, currency and customs positions will be sustained. Accordingly, as at 30 June 2018, no provision for potential tax liabilities based on management's interpretations of applicable tax legislation had been recognised (2017: no provision). Management believes that all necessary provisions were recognised in respect of other probable tax risks.

iv Environmental matters

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

21 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 quoted in an active market price of the financial instrument.

Financial instruments carried at fair value. Investment measured at fair value through profit or loss, investment in equity instruments measured at fair value through other comprehensive income, and derivatives are carried in the consolidated statement of financial position at their fair value.

The 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 measured at fair value through profit or loss and through other comprehensive income financial instruments of the Group were included in level 1 category in the amount of RUB 5,449 (31 December 2017: RUB 4,535).

There are no other financial instruments which fair value was determined based on inputs other than level 1 category.

Cash and cash equivalents are carried at amortised cost which approximates current fair value.

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.

The fair value of payables and borrowings do not differ significantly from their carrying amounts.