

**JOINT STOCK COMPANY
“DOROGOBUZH”**

**Consolidated Condensed Interim
Financial Information**

**For the nine months ended
30 September 2013**



Contents

Unaudited Consolidated Condensed Interim Statement of Financial Position	1
Unaudited Consolidated Condensed Interim Statement of Profit or Loss and Other Comprehensive Income.....	2
Unaudited Consolidated Condensed Interim Statement of Cash Flows.....	3
Unaudited Consolidated Condensed Interim Statement of Changes in Equity	4

Notes to the Unaudited Consolidated Condensed Interim Financial Information

1	Dorogobuzh Group and its Operations	5
2	Basis of Preparation	5
3	Significant Accounting Policies	5
4	Seasonality	5
5	Balances and Transactions with Related Parties.....	6
6	Cash and Cash Equivalents	7
7	Accounts Receivable	7
8	Inventories.....	7
9	Property, Plant and Equipment.....	7
10	Investment in Equity accounted investees.....	7
11	Accounts Payable	8
12	Short-Term and Long-Term Borrowings	8
13	Finance Income / (expenses), net.....	9
14	Other Operating Income / (expenses), net.....	9
15	Earnings per Share.....	10
16	Income Taxes	10
17	Fair Value of Financial Instruments	10

Joint Stock Company "Dorogobuzh"
Consolidated Condensed Interim Statement of Financial Position
at 30 September 2013 (unaudited)
(in millions of Russian Roubles)



	Note	30 September 2013	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	9	4,624	4,671
Investment in equity accounted investees	10	1,944	1,860
Available-for-sale investments		34	34
Loans receivable		10,197	13,433
Other non-current assets		278	297
Total non-current assets		17,077	20,295
Current assets			
Inventories	8	1,503	1,831
Loans receivable		7,389	753
Accounts receivable	7	3,643	2,885
Trading investments		1,751	2,849
Cash and cash equivalents	6	5,038	940
Irrevocable bank deposits	6	767	1,435
Other current assets		30	37
Total current assets		20,121	10,730
TOTAL ASSETS		37,198	31,025
EQUITY			
Share capital		1,735	1,735
Share premium		94	94
Retained earnings		24,245	21,092
Share capital and reserves attributable to the Company's owners		26,074	22,921
TOTAL EQUITY		26,074	22,921
LIABILITIES			
Non-current liabilities			
Loans and borrowings	12	7,980	5,455
Other long-term liabilities		102	102
Deferred tax liability		361	363
Total non-current liabilities		8,443	5,920
Current liabilities			
Accounts payable	11	619	844
Income tax payable		58	136
Other taxes payable		92	60
Loans and borrowings	12	1,365	592
Advances received		547	552
Total current liabilities		2,681	2,184
TOTAL LIABILITIES		11,124	8,104
TOTAL LIABILITIES AND EQUITY		37,198	31,025

Approved for issue and signed on behalf of the Board of Directors on 21 January 2014.

V.Y. Kunitskiy
President

A.V. Milenkov
Finance Director

Joint Stock Company "Dorogobuzh"
Consolidated Condensed Interim Statement of Profit or Loss and Other Comprehensive Income
for the nine months ended 30 September 2013 (unaudited)
(in millions of Russian Roubles, except for per share amounts)



	Note	Nine months ended		Three months ended	
		30 September 2013	30 September 2012	30 September 2013	30 September 2012
Revenue		13,495	10,654	4,351	1,964
Cost of sales		(8,020)	(5,538)	(2,915)	(1,186)
Gross profit		5,475	5,116	1,436	778
Transportation expenses		(1,027)	(791)	(369)	(224)
Selling, general and administrative expenses		(946)	(1,224)	(280)	(417)
Loss on disposal of property, plant and equipment, net	9	(32)	(4)	-	(3)
Gain on disposal of investment		5	266	(22)	18
Other operating (expenses) / profit, net	14	288	(1,138)	(60)	(1,019)
Operating profit		3,763	2,225	705	(867)
Finance income / (expenses), net	13	689	2,198	553	1,861
Interest expense		(325)	(364)	(110)	(126)
Share of profit of equity accounted investees	10	84	132	37	50
Profit before taxation		4,211	4,191	1,185	918
Income tax expense	16	(873)	(821)	(228)	(50)
Profit for the period		3,338	3,370	957	868
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Available-for-sale investments:					
- Gains / (losses) arising during the year		-	52	-	-
- Reclassification of revaluation gain on disposal to profit or loss		-	(248)	-	-
- Income tax on other comprehensive income		-	39	-	-
Other comprehensive income for the period		-	(157)	-	-
Total comprehensive income for the period		3,338	3,213	957	868
Profit is attributable to:					
Owners of the Company		3,338	3,370	957	868
Profit for the period		3,338	3,370	957	868
Total comprehensive income is attributable to:					
Owners of the Company		3,338	3,213	957	868
Total comprehensive income for the period		3,338	3,213	957	868
Earnings per share, basic and diluted (expressed in RUB per share)					
	15	3.81	3.85	1.09	0.99

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

Joint Stock Company “Dorogobuzh”
Consolidated Condensed Interim Statement of Cash Flows for the nine months
ended 30 September 2013 (unaudited)
(in millions of Russian Roubles)



	Note	Nine months ended	
		30 September 2013	30 September 2012
Cash flows from operating activities			
Profit before taxation		4,211	4,191
<i>Adjustments for:</i>			
Depreciation	9	391	284
Reversal of/ (provision for) impairment of accounts receivable		-	(6)
Share of profit of equity accounted investees		(84)	(132)
Loss on disposal of property, plant and equipment		32	4
Interest expense		325	364
Interest income		(1,270)	(1,155)
Dividend income		-	(1)
Gain on sale of investments		(5)	(266)
Foreign exchange effect on non-operating balances		386	(114)
Operating cash flows before working capital changes		3,986	3,169
(Increase)/ decrease in gross trade receivables		589	234
(Increase)/ decrease in advances to suppliers		(154)	(225)
(Increase)/ decrease in other receivables		(165)	222
(Increase)/ decrease in inventories		328	(393)
Increase)/ decrease in other current assets		7	(752)
Increase/ (decrease) in trade payables		(220)	76
(Increase)/ decrease in other payables		3	36
Increase/ (decrease) in advances from customers		(5)	(142)
Net change in other current assets and liabilities		-	770
Cash generated from operations		4,369	2,995
Income taxes paid		(951)	(880)
Interest paid		(326)	(337)
Net cash generated from operating activities		3,092	1,778
Cash flows from investing activities			
Purchase of property, plant and equipment		(364)	(560)
Purchase of equity accounted investees		-	(206)
Loans provided		(6,463)	(6,226)
Proceeds from loans repaid		3,162	2,662
Dividend received		-	1
Interest received		242	379
Proceeds from sale of available-for-sale investments		-	248
Purchase of available-for-sale investments		-	(14)
Purchase in trading investments		(680)	(1,520)
Proceeds from sale of trading investments		1,757	-
Net change in other non-current assets and liabilities		19	-
Net cash used in investing activities		(2,327)	(5,236)
Cash flows from financing activities			
Dividends paid to shareholders		(174)	-
Proceeds from irrevocable bank deposits		668	-
Proceeds from borrowings	12	4,563	3,747
Repayment of borrowings	12	(1,849)	(1,494)
Net cash provided from/(used in) financing activities		3,208	2,253
Effect of exchange rate changes on cash and cash equivalents		125	(52)
Net increase in cash and cash equivalents		4,098	(1,257)
Cash and cash equivalents at the beginning of the year	6	940	1,962
Cash and cash equivalents at the end of the year	6	5,038	705

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

Joint Stock Company “Dorogobuzh”

Consolidated Condensed Interim Statement of Changes in Equity for the nine months ended 30 September 2013 (unaudited)

(in millions of Russian Roubles)



	Capital and reserves attributable to the Company's owners				Total equity
	Share capital	Share premium	Retained earnings	Revaluation reserve	
Balance at 1 January 2012	1,735	94	16,615	157	18,601
Comprehensive income					
Profit for the year	-	-	3,370	-	3,370
<i>Other comprehensive income</i>					
Fair value losses on available-for-sale investments	-	-	-	52	52
Disposal of Investment	-	-	-	(248)	(248)
Income tax recorded in other comprehensive income	-	-	-	39	39
Total other comprehensive income	-	-	-	(157)	(157)
Total comprehensive income	-	-	3,370	(157)	3,213
Balance at 30 September 2012	1,735	94	19,985	-	21,814
Balance at 1 January 2013	1,735	94	21,092	-	22,921
Comprehensive income					
Profit for the year	-	-	3,338	-	3,338
<i>Other comprehensive income</i>					
Fair value gains on available-for-sale investments	-	-	-	-	-
Disposal of Investment	-	-	-	-	-
Income tax recorded in other comprehensive income	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	3,338	-	3,338
Dividend declared	-	-	(185)	-	(185)
Balance at 30 September 2013	1,735	94	24,245	-	26,074

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



1 Dorogobuzh Group and its Operations

This unaudited consolidated condensed interim financial information for the nine months ended 30 September 2013 comprises Joint Stock Company “Dorogobuzh” (the “Company” and “Dorogobuzh”) and its subsidiaries (together referred to as the “Group” or “Dorogobuzh Group”).

The Group’s principal activities include the manufacture, distribution and sales of chemical fertilizers 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 Verkhnedneprovsky settlement, Dorogobuzh district, Smolensk region, 215753, Russian Federation.

The Group’s parent company is JSC Acron (Russian Federation). The Group’s ultimate parent is Subero Associates Inc (British Virgin Islands). As at 30 September 2013 and 31 December 2012 the Group was ultimately controlled by Mr. Viacheslav 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 2012.

2.2 Judgements and estimates

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

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 2012.

3 Significant Accounting Policies

The accounting policies and judgments applied by the Group in this consolidated condensed interim financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2012 and according to following standards:

- IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IFRS 13 Fair Value Measurement are effective for annual periods beginning on or after 1 January 2013. The adoption of new standards has no effect on the consolidated condensed interim financial information.
- Amendment to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income. The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income.

4 Seasonality

The group is subject to certain seasonal fluctuations in fertilizer demand due to the timing of fertilizer application and, as a result, fertilizer purchases by farmers. However, the effect of seasonality on the Group’s revenue is partially offset by the facts that the Group sells its fertilizers globally and fertilizer 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 Balances and Transactions with Related Parties

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

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 30 September 2013 and 31 December 2012 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 September	31 December
			2013	2012
Trade receivables, gross	7	Parent company	3	7
		Parties under common control	131	1,398
Interest receivable		Parent company	27	-
	7	Parties under common control	2,240	1,288
Share profit in equity accounted investees	10	Parties under common control	1,944	1,860
Prepayments		Parties under common control	130	205
Loans receivable		Parent company	1,100	-
		Parties under common control	16,424	14,132
Trade payables	11	Parent company	(24)	(10)
		Parties under common control	(33)	(38)
Advances from customers		Parties under common control	(235)	(235)
Investment for trading (bonds)		Parent company	1,474	2,048

ii Transactions with related parties

Statement of comprehensive income caption	Relationship	Nine months ended	
		30 September 2013	30 September 2012
Sales of goods and services	Parent company	54	93
	Parties under common control	8,522	7,439
Purchases of raw materials	Parties under common control	(51)	(66)
	Parent company	(1,135)	(66)
Transportation services	Parties under common control	(263)	(279)

iii Loans issued

At 30 September 2013 and 31 December 2012 short-term loans to parent company and parties under common control denominated in RUB totalled RUB 7,370 and RUB 699, respectively, at interest rates in the range of 8.25% to 8.8%. The loans are unsecured.

At 30 September 2013 and 31 December 2012 long-term loans to parties under common control totalled RUB 10,154 and RUB 13,433, respectively, and interest rates of 8.5% to 9.0% (2012: 8.5% to 8.8%). The loans are unsecured.

For nine months ended 30 September 2013 the Group accrued interest income on loans to parties under common control of RUB 1,053 (for nine months ended 30 September 2012: RUB 937), interest income on loans provided to parent company totalled RUB 27 (for nine months ended 30 September 2012: RUB 0).



6 Cash and Cash Equivalents

	30 September 2013	31 December 2012
Cash on hand and bank balances denominated in RUB	929	750
Bank balances denominated in USD	3,864	120
Bank balances denominated in EUR	245	70
Total cash and cash equivalents	5,038	940
Irrevocable bank deposits in USD	767	1,435
Total cash and cash equivalents	5,805	2,375

Cash and cash equivalents include term deposits of RUB 767 (31 December 2012: RUB 600).

At 30 September 2013 included in the current irrevocable bank deposits certain bank deposits of the Group which are restricted as guarantees to the banks related to credit agreement between HSBC Bank (China), Raiffeisen Bank International AG and one of the subsidiaries of JSC Acron in China in the amount of RUB 767 (31 December 2012: RUB 1,435). These deposits are classified as current in the consolidated Group financial statements based on maturities of respective loans.

7 Accounts Receivable

	30 September 2013	31 December 2012
Trade accounts receivable	200	789
Notes receivable	29	-
Interest receivable	2,408	1,394
Less: impairment provision	(44)	(44)
Total financial assets	2,593	2,139
Advances to suppliers	313	159
Value-added tax recoverable	738	588
Less: impairment provision	(1)	(1)
Total accounts receivable	3,643	2,885

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

8 Inventories

	30 September 2013	31 December 2012
Raw materials and spare parts	1,185	1,428
Work in progress	100	95
Finished products	218	308
	1,503	1,831

9 Property, Plant and Equipment

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

	2013	2012
Carrying amount at 1 January	4,671	4,460
Additions	376	560
Disposals	(32)	(4)
Charge for the period	(391)	(284)
Carrying amount at 30 September	4,624	4,732

10 Investment in Equity accounted investees

	2013	2012
Balance at 1 January	1,860	1,466
Increase of share capital	-	206
Share of (loss)/profit	84	132
Balance at 30 September	1,944	1,804



At 30 September 2013, 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/(loss)	% interest held	Country of incorporation
LLC Balttrans	4,404	1,833	1,547	241	35%	Russia

At 31 December 2012, 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/(loss)	% interest held	Country of incorporation
LLC Balttrans	3,858	1,719	2,403	536	35%	Russia

11 Accounts Payable

	30 September 2013	31 December 2012
Trade accounts payable	401	621
Dividends payable	7	6
Total financial payables	408	627
Payables to employees	210	205
Accrued liabilities and other creditors	1	12
Total accounts payable and accrued expenses	619	844

12 Short-Term and Long-Term Borrowings

Borrowings consist of the following:

	30 September 2013	31 December 2012
Credit lines	647	2,126
Term loans	8,698	3,921
	9,345	6,047

The Group's borrowings mature as follows:

	30 September 2013	31 December 2012
Borrowings due:		
- within 1 year	1,365	592
- between 1 and 5 years	7,980	5,455
	9,345	6,047

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

	30 September 2013	31 December 2012
Borrowings denominated in:		
- Russian Roubles	-	-
- US Dollars	9,345	6,047
	9,345	6,047

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.



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

	30 September 2013	31 December 2012
Short-term borrowings		
USD		
Loans with fixed interest rates of 5.2% to 6.75% per annum	647	-
Loans with floating interest rates of 1M LIBOR + 3.8% to +5.5% per annum	718	592
Total short-term borrowings	1,365	592

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

	30 September 2013	31 December 2012
Long-term borrowings		
USD		
Loans with fixed interest rates of 6.2% to 6.75% per annum	-	607
Loans with floating interest rates of 1M LIBOR + 3.8% to +5.5% per annum	7,980	3,329
Loans with floating interest rates of 12M LIBOR +5.25% per annum	-	1,519
Total long-term borrowings	7,980	5,455

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

13 Finance Income / (expenses), net

	Nine months ended		Three months ended	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
Interest income	1,270	1,155	444	410
Dividend declared	1	1	1	-
Foreign exchange gain	437	1,147	264	527
Foreign exchange loss	(1,019)	(105)	(156)	924
	689	2,198	553	1,861

14 Other Operating Income / (expenses), net

	Nine months ended		Three months ended	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
Charity expenses	(73)	(89)	(2)	(89)
Gain/ Loss on sale of investments	73	7	18	112
Foreign exchange gain	1,259	548	429	124
Foreign exchange loss	(971)	(1,604)	(505)	(1,166)
	288	(1,138)	(60)	(1,019)



15 Earnings per Share

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 average number of ordinary shares purchased by the Company or its subsidiaries and held as treasury shares.

	Nine months ended		Three months ended	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
Weighted average number of ordinary shares outstanding	721,182,860	721,182,860	721,182,860	721,182,860
Weighted average number of participating preferred shares outstanding	154,256,400	154,256,400	154,256,400	154,256,400
Total weighted average number of participating shares outstanding	875,439,260	875,439,260	875,439,260	875,439,260
Profit for the period	3,338	3,370	957	868
Basic and diluted earnings per share (expressed in Russian Roubles) attributable to the equity holders of the Company	3.81	3.85	1.09	0.99

16 Income Taxes

	Nine months ended		Three months ended	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
Income tax expense – current	876	790	244	117
Deferred tax credit – origination and reversal of temporary differences	(3)	31	(16)	(67)
Income tax charge	873	821	228	50

17 Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

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 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 7.

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-sale and trading financial instruments of the Group were included in level 1 category in the amount of RUB 1,785 (2012: RUB 2,883).

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 amortized 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.