

**JOINT STOCK COMPANY
“ACRON”**

**Consolidated Condensed Interim
Financial Information**

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



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Auditors' Report on Review of Consolidated Condensed Interim Financial Information

Board of Directors
JSC "Acron"

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of JSC "Acron" and its subsidiaries (the "Group") as at 30 September 2013, and the related consolidated condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine - month period then ended, and notes to the consolidated condensed interim financial information (the "consolidated condensed interim financial information"). Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial information as at 30 September 2013 and for the nine - month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Audited entity: JSC "Acron".

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

Entered in the Unified State Register of Legal Entities on 16 October 2002 by the Veliky Novgorod Inter-Regional Tax Inspectorate No.9, Registration No. 1025300786610.

Acron site, Veliky Novgorod, 173012.

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

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

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

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

Other Matter

The consolidated condensed interim statement of profit or loss and other comprehensive income for the three-month period ended 30 September 2013 and the corresponding figures for the three-month period ended 30 September 2012 are not reviewed.



Ilya O. Belyatski,

Director, (power of attorney dated 3 October 2012 No. 35/11)

ZAO KPMG

21 January 2014

Moscow, Russian Federation



	Note	30 September 2013	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	10	57,949	47,866
Exploration and evaluation licences and expenditure	11	27,687	26,371
Leasehold land		497	460
Goodwill		1,267	1,267
Available-for-sale investments	12	11,781	4,824
Long-term loans receivable		81	23
Deferred tax assets		842	827
Other non-current assets		873	961
Total non-current assets		100,977	82,599
Current assets			
Inventories	9	11,669	12,968
Short-term loans receivable		106	1,363
Accounts receivable	8	7,352	9,622
Available-for-sale investments	12	13,876	19,857
Trading investments		310	860
Irrevocable bank deposits	7	767	1,435
Cash and cash equivalents	7	19,503	27,453
Other current assets		442	462
Total current assets		54,025	74,020
TOTAL ASSETS		155,002	156,619
EQUITY			
Share capital	15	3,046	3,046
Treasury shares		-	(4)
Retained earnings		48,834	43,742
Revaluation reserve		13,765	16,047
Other reserves		(110)	(171)
Cumulative currency translation difference		1,267	762
Share capital and reserves attributable to the Company's owners		66,802	63,422
Non-controlling interest	15	15,749	15,698
TOTAL EQUITY		82,551	79,120
LIABILITIES			
Non-current liabilities			
Long-term loans and borrowings	14	31,741	38,176
Finance lease liability		-	10
Derivative financial liability		-	256
Deferred tax liability		5,379	5,635
Other long-term liabilities		542	500
Total non-current liabilities		37,662	44,577
Current liabilities			
Accounts payable	13	5,441	5,349
Notes payable		53	629
Current income tax payable		188	175
Other taxes payable		424	493
Short-term loans and borrowings	14	25,218	23,383
Financial liabilities recognized on options to repurchase shares		671	-
Advances received		1,732	2,554
Finance lease liability		15	16
Derivative financial liability		378	7
Other current liabilities		669	316
Total current liabilities		34,789	32,922
TOTAL LIABILITIES		72,451	77,499
TOTAL LIABILITIES AND EQUITY		155,002	156,619

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 "Acron"
Consolidated Condensed Interim Statement of Profit or Loss and Other Comprehensive Income
for the nine months ended 30 September 2013
(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		51,697	53,469	17,446	18,197
Cost of sales		(30,844)	(29,190)	(10,996)	(10,329)
Gross profit		20,853	24,279	6,450	7,868
Transportation expenses		(5,677)	(5,288)	(2,052)	(1,373)
Selling, general and administrative expenses		(4,277)	(4,447)	(1,440)	(1,398)
Gain on permits		204	-	204	-
Gain on disposal of investment		479	260	439	18
Other operating income / (expenses), net	17	888	152	(908)	(428)
Operating profit		12,470	14,956	2,693	4,687
Finance (costs) / income, net	16	(1,815)	1,167	1,081	2,116
Interest expense		(388)	(1,152)	(130)	(304)
(Loss) / gain on derivatives, net		(83)	(348)	(87)	202
Profit before taxation		10,184	14,623	3,557	6,701
Income tax expense	19	(2,174)	(2,906)	(783)	(1,569)
Profit for the period		8,010	11,717	2,774	5,132
<i>Other comprehensive income</i>					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
<i>Available-for-sale investments:</i>					
- (Losses) / gains arising during the period		(3,162)	2,644	(3,761)	1,314
- Reclassification of revaluation gain on disposal to profit or loss		(459)	(248)	(459)	(52)
- Income tax recorded directly in other comprehensive income		571	(479)	844	(252)
Currency translation differences		1,344	(127)	330	(197)
Other comprehensive income for the period		(1,706)	1,790	(3,046)	813
Total comprehensive income for the period		6,304	13,507	(272)	5,945
Profit is attributable to:					
Owners of the Company		7,290	11,204	2,654	5,019
Non-controlling interest		720	513	120	113
Profit for the period		8,010	11,717	2,774	5,132
Total comprehensive income is attributable to:					
Owners of the Company		5,513	13,019	(379)	5,880
Non-controlling interest		791	488	107	65
Total comprehensive income for the period		6,304	13,507	(272)	5,945
Basic earnings per share (expressed in Roubles)	18	179.85	276.62	75.10	123.99
Diluted earnings per share (expressed in Roubles)	18	162.45	276.62	70.15	123.99

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

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



	Note	Nine months ended	
		30 September 2013	30 September 2012
Cash flows from operating activities			
Profit before taxation		10,184	14,623
<i>Adjustments for:</i>			
Depreciation	10	1,755	1,226
Provision for impairment of accounts receivable		6	(22)
Reversal of provision for impairment of inventory		-	(2)
Loss on disposal of property, plant and equipment		80	21
Gain on permits		(204)	-
Interest expense		388	1,152
Interest income		(535)	(341)
Loss on derivatives, net		83	348
Dividend income		(527)	(319)
Gain on disposal of investments		(479)	(260)
Unrealised foreign exchange effect on non-operating balances		2,856	(254)
Operating cash flows before working capital changes		13,607	16,172
Increase in gross trade receivables		(773)	(19)
Decrease in advances to suppliers		1,062	119
Decrease/ (increase) in other receivables		1,708	(331)
Decrease/ (increase) in inventories		1,411	(2,484)
Increase in trade payables		192	971
(Decrease)/ increase in other payables		(1,534)	528
Decrease in advances from customers		(822)	(2,092)
Decrease/ (increase) in other current assets		20	(800)
Increase in other current liabilities		353	101
Cash generated from operations before income taxes and interest paid		15,224	12,165
Income taxes paid		(1,556)	(3,511)
Interest paid		(2,206)	(2,462)
Net cash generated from operating activities		11,462	6,192
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(10,510)	(12,747)
Proceeds from sale of property, plant and equipment		-	8
Loans provided		(2,688)	(496)
Proceeds from loans repaid		3,427	1,324
Interest received		448	69
Dividend received		881	309
Purchase of available-for-sale investments		(3,840)	(3,320)
Proceeds from sale of available-for-sale investments		470	248
Purchase of trading investments		(884)	(613)
Proceeds from sale of trading investments		1,454	135
Net change in other non-current assets and liabilities		119	747
Net cash used in investing activities		(11,123)	(14,336)
Cash flows from financing activities			
Acquisition of non-controlling interest		(247)	(115)
Dividend paid to shareholders		(2,448)	(3)
Dividend paid to non-controlling shareholders		(87)	-
Purchase of treasury shares		-	(65)
Sale of treasury shares		65	-
Income from derivatives received		-	178
Proceeds from irrevocable bank deposits		668	-
Proceeds from borrowings	14	15,715	36,587
Repayment of borrowings	14	(23,683)	(23,957)
Financial liabilities recognized on options to repurchase shares		671	-
Net cash (used in)/ generated from financing activities		(9,346)	12,625
Effect of exchange rate changes on cash and cash equivalents		1,057	(380)
Net (decrease)/increase in cash and cash equivalents		(7,950)	4,101
Cash and cash equivalents at the beginning of the period	7	27,453	13,509
Cash and cash equivalents at the end of the period	7	19,503	17,610

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



	Capital and reserves attributable to the Company's owners							Total equity
	Share capital	Treasury shares	Retained earnings	Revaluation reserve	Other reserves	Cumulative currency translation difference	Non-controlling interest	
Balance at 1 January 2012	3,125	(79)	36,726	15,392	(5,588)	691	2,781	53,048
Comprehensive income								
Profit for the period	-	-	11,204	-	-	-	513	11,717
<i>Other comprehensive income</i>								
Fair value gains on investments in JSC Sberbank	-	-	-	45	-	-	7	52
Disposal of investments in JSC Sbebank	-	-	-	(241)	-	-	(7)	(248)
Fair value gains on available-for-sale investments	-	-	-	2,592	-	-	-	2,592
Currency translation differences	-	-	-	-	-	(102)	(25)	(127)
Income tax recorded in other comprehensive income	-	-	-	(479)	-	-	-	(479)
Total other comprehensive income	-	-	-	1,917	-	(102)	(25)	1,790
Total comprehensive income	-	-	11,204	1,917	-	(102)	488	13,507
Redemption of treasury shares	(79)	79	(5,478)	-	5,478	-	-	-
Acquisition of treasury shares	-	(4)	-	-	(61)	-	-	(65)
Acquisition of non-controlling interest	-	-	109	-	-	-	(224)	(115)
Balance at 30 September 2012	3,046	(4)	42,561	17,309	(171)	589	3,045	66,375
Balance at 1 January 2013	3,046	(4)	43,742	16,047	(171)	762	15,698	79,120
Comprehensive income								
Profit for the period	-	-	7,290	-	-	-	720	8,010
<i>Other comprehensive income</i>								
Fair value loss on available-for-sale investments	-	-	-	(3,162)	-	-	-	(3,162)
Disposal of investments	-	-	-	(459)	-	-	-	(459)
Currency translation differences	-	-	-	768	-	505	71	1,344
Income tax recorded in other comprehensive income	-	-	-	571	-	-	-	571
Total other comprehensive income	-	-	-	(2,282)	-	505	71	(1,706)
Total comprehensive income	-	-	7,290	(2,282)	-	505	791	6,304
Dividends declared	-	-	(2,594)	-	-	-	(97)	(2,691)
Acquisition of non-controlling interest	-	-	396	-	-	-	(643)	(247)
Sale of treasury shares	-	4	-	-	61	-	-	65
Balance at 30 September 2013	3,046	-	48,834	13,765	(110)	1,267	15,749	82,551

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



1 Acron Group and its Operations

This consolidated condensed interim financial information has been prepared in accordance with International Financial Reporting Standards for the nine months ended 30 September 2013 for Joint Stock Company "Acron" (the "Company" or "Acron") and its subsidiaries (together referred to as the "Group" or "Acron Group").

The Group's principal activities include the manufacture, distribution and sales of chemical fertilizers and related by-products. The Group's manufacturing facilities are primarily based in the Novgorodskaya and Smolenskaya regions of Russia and also in China.

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

The Group's ultimate parent is Subero Associates Inc (British Virgin Islands). As at 30 September 2013 and 31 December 2012 the Group was ultimately controlled by Mr. Viatcheslav Kantor.

2 Basis of Preparation

2.1 Statement of compliance

This consolidated condensed interim financial information has been prepared in accordance with IAS 34, Interim Financial Reporting. It does not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 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 for the nine months ended 30 September 2013, 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.

2.3 Reclassifications

Transportation costs in the amount of RUB 1,132, in previously issued consolidated condensed interim financial information for the nine months ended 30 September 2012 have been reclassified from cost of sales to transportation costs to conform with the current period's presentation. This reclassification had no effect on the profit for the period or shareholder equity.

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 except for the adoption of the following new 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.
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine is effective for annual periods beginning on or after 1 January 2013 and provides guidance for entities with post-development phase surface mining activities. Under the interpretation, production stripping costs that provide access to ore to be mined in the future are capitalized as non-current assets if the component of the ore body for which access has been improved can be identified, future benefits arising from the improved access are probable and the costs related to the stripping activity associated with the component of the ore body are reliably measurable. The interpretation also addresses how capitalized stripping costs should be depreciated and how capitalized



amounts should be allocated between inventory and the stripping activity asset. IFRIC 20 adoption has no significant effect on this consolidated condensed interim financial information.

4 Seasonality

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

5 Segment Information

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

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

- Acron – representing manufacturing and distribution of chemical fertilisers by JSC Acron;
- Dorogobuzh – representing manufacturing and distribution of chemical fertilisers by JSC Dorogobuzh;
- Hongri Acron – representing manufacturing and distribution of chemical fertilisers by Shandong Hongri Acron Chemical Joint Stock Company Ltd.;
- Logistics – representing transportation and logistic services rendered by Estonian ports of the Group and some minor transportation companies in Russia. Constitutes an aggregation of a number of operating segments;
- Trading – representing overseas and domestic distribution companies of the Group;
- Mining – representing mine exploration licences held by Group companies. Combines several operating segments;
- Other – representing certain logistic (other than included in logistic segment), service, agriculture and management operations.

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

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

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

Information for the reportable segments for the nine months ended 30 September 2013 is set out below:

	Segment sales	Intersegment sales	External sales	EBITDA
Acron	25,978	(21,334)	4,644	7,193
Dorogobuzh	13,495	(9,094)	4,401	3,905
Hongri Acron	7,875	(213)	7,662	406
Logistics	2,094	(1,573)	521	454
Trading	34,877	(1,528)	33,349	(216)
Mining	3,029	(2,608)	421	633
Other	2,114	(1,415)	699	5
Total	89,462	(37,765)	51,697	12,380



Information for the reportable segments for the nine months ended 30 September 2012 is set out below:

	Segment sales	Intersegment sales	External sales	EBITDA
Acron	27,606	(22,702)	4,904	10,287
Dorogobuzh	10,654	(7,516)	3,138	3,303
Hongri Acron	8,552	(212)	8,340	438
Logistics	2,320	(1,482)	838	592
Trading	37,459	(1,814)	35,645	562
Other	1,978	(1,374)	604	42
Total	88,569	(35,100)	53,469	15,224

Reconciliation of EBITDA to Profit Before Tax:

	Nine months ended	
	30 September 2013	30 September 2012
Profit Before Tax	10,184	14,623
Loss on derivatives, net	83	348
Interest expense	388	1,152
Finance costs/(income), net	1,815	(1,167)
Operating Profit	12,470	14,956
Depreciation and amortisation	1,755	1,226
Net foreign currency gain on operating activities	(1,242)	(719)
Gain on disposal of investments	(479)	(260)
Gain on disposal of licenses, land and leasehold	(204)	-
Loss on disposal of property, plant and equipment	80	21
Total consolidated EBITDA	12,380	15,224

	Nine months ended	
	30 September 2013	30 September 2012
Revenue		
Russia	8,983	9,234
European Union	5,254	5,779
Commonwealth of Independent States	4,321	3,178
USA and Canada	5,564	4,013
Latin America	7,254	8,197
China	11,726	14,390
Asia (excluding China)	4,791	7,463
Other regions	3,804	1,215
Total	51,697	53,469

The analysis of revenue is based on domicile of the customer. The analysis of assets is based on location of the assets.

Revenue from sales of chemical fertilizers accounts for 89% of total revenues (for the nine months ended 30 September 2012: 90%).

Non-current assets represent non-current assets other than financial instruments and deferred tax assets.

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 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	Note	Relationship	30 September 2013	31 December 2012
Trade receivables, gross	8	Companies under common control	10	8
Trade payables	13	Companies under common control	(13)	(12)

ii Transactions with related parties

	Relationship	Nine months ended	
		30 September 2013	30 September 2012
Sales of chemical fertilizers	Companies under common control	24	285
Purchases of raw materials	Companies under common control	(124)	(177)
Acquisition of land	Companies under common control	(287)	(1,383)

7 Cash and Cash Equivalents

	30 September 2013	31 December 2012
Cash on hand and bank balances denominated in RUB	3,666	10,179
Bank balances denominated in USD	14,241	14,811
Bank balances denominated in EUR	1,136	1,406
Bank balances denominated in CAD	21	24
Bank balances denominated in CHF	6	4
Bank balances denominated in PLN	90	-
Bank balances denominated in CNY	343	1,029
Total cash and cash equivalents	19,503	27,453
Irrevocable bank deposits in USD	767	1,435
Total	20,270	28,888

Cash and cash equivalents include term deposits of RUB 12,572 (31 December 2012: RUB 2,047)

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.

As at 30 September 2013 the balances of RUB 2,367 held in banks with A - AAA credit rating and the balances of RUB 17,364 held in banks with B - BBB+ credit rating are included in the total cash and cash equivalents and irrevocable bank deposits.

8 Accounts Receivable

	30 September 2013	31 December 2012
Trade accounts receivable	2,397	1,624
Notes receivable	236	314
Other accounts receivable	525	796
Less: impairment provision	(209)	(199)
Total financial assets	2,949	2,535
Advances to suppliers	1,167	2,229
Value-added tax recoverable	3,076	4,467
Income tax prepayments	120	327
Other taxes receivable	52	80
Less: impairment provision	(12)	(16)
Total accounts receivable	7,352	9,622

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



9 Inventories

	30 September 2013	31 December 2012
Raw materials and spare parts	5,990	6,742
Work in progress	1,118	1,051
Finished products	4,561	5,175
	11,669	12,968

Raw materials are shown net of obsolescence provision of RUB 307 (31 December 2012: RUB 305).

10 Property, Plant and Equipment

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

	2013	2012
Carrying amount at 1 January	47,866	33,472
Acquisitions	11,573	13,305
Disposals	(80)	(21)
Depreciation charge	(1,867)	(1,226)
Currency translation difference	457	(226)
Carrying amount at 30 September	57,949	45,304

Included in the 9 months 2013 additions to assets under constructions is approximately RUB 1 088 of capitalized borrowing costs in accordance with IAS 23, Borrowing costs (9 months 2012: RUB 845) at the average borrowing rate of 5.36% (9 months 2012: 6.21%).

At 30 September 2013, buildings, machinery and equipment and construction in progress with a net book value of RUB 1,432 (31 December 2012: RUB 1,534) had been pledged as security for long-term loans (Note 14).

11 Exploration and Evaluation Licences and Expenditure

Exploration and evaluation expenditure comprise of:

	30 September 2013	31 December 2012
Apatite-nepheline deposits (production / development stage)	681	681
Potash deposits (development stage)	25,284	24,225
Permits for exploration (exploration and evaluation stage)	1,722	1,465
	27,687	26,371

The Group capitalised borrowing costs of RUB 1 060 (nine months ended 30 September 2012: RUB 793) at the average borrowing rate of 5.36% (9 months 2012: 6.21%).

Impairment test of JSC Verkhnekamsk Potash Company

The Management concluded on the presence of impairment indicators for JSC Verkhnekamsk Potash Company (JSC VPC) on 30 September 2013 and tested this CGU for impairment.

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 2013	31 December 2012
EBITDA margin range over the forecast period	46-68%	62-70%
Start of production	2018	2016
Discount rate	12.5%	12.5%

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



12 Available-for-Sale Investments

	2013	2012
Carrying amount at 1 January	24,681	19,950
Acquisitions	3,840	3,320
Fair value (loss) / gain recognised directly in OCI	(3,162)	2,644
Disposals	(470)	(248)
Currency translation difference	768	15
Carrying amount at 30 September	25,657	25,681

The Group has investments in the following companies:

Name	Activity	Country of registration	30 September 2013	31 December 2012
Current				
JSC Uralkali	Potash mining	Russia	13,876	19,857
Total current			13,876	19,857
Non-current				
Grupa Azoty S.A. (Azoty Tarnów)	Fertilizers production	Poland	11,641	4,684
Other			140	140
Total non-current			11,781	4,824
Total			25,657	24,681

As at 30 September 2013 and 31 December 2012 the investment in JCS Uralkali was classified as current according to management intention to dispose this investment within 12 months from the reporting date. Subsequent to the reporting date the Group sold part of investment in JCS Uralkali on open market (Note 22).

Fair value of the investments was determined by reference to the current market value at the close of business on the date of a transaction or on 30 September 2013. At 30 September 2013 the share price quoted by Moscow Stock Exchange for JCS Uralkali amounted to RUB 169.48 for 1 share (31 December 2012: RUB 234.75 for 1 share).

In the first quarter Polish company Azoty Tarnów (Zakłady Azotowe w Tarnowie-Mościcach SA) made an additional issue of its shares in order to pay for acquisition of another Polish company Zakłady Azotowe „Puławy” S.A. As a result of the acquisition, the company Azoty Tarnów changed its name to Grupa Azoty S.A.

During the reporting period, the Group acquired additional 6,382,434 shares of the Polish company in the open market for RUB 3 840. Accordingly, the Group's stake in the authorized capital of Grupa Azoty S.A. changed and resulted 15.34 % as at 30 September 2013 (31 December 2012: 13.78%). At 30 September 2013 the share price quoted at Warsaw Stock Exchange for Grupa Azoty S.A. amounted to RUB 765.04 (31 December 2012: RUB 530.21).

13 Accounts Payable

	30 September 2013	31 December 2012
Trade accounts payable	3,839	3,647
Dividends payable	15	13
Total financial payables	3,854	3,660
Payables to employees	865	806
Accrued liabilities and other creditors	722	883
Total accounts payable and accrued expenses	5,441	5,349

14 Short-Term and Long-Term Loans and Borrowings

Borrowings consist of the following:

	30 September 2013	31 December 2012
Bonds issued	10,788	11,150
Credit lines	647	10,067
Term loans	45,524	40,342
	56,959	61,559

The Group's loans and borrowings mature as follows:



	30 September 2013	31 December 2012
Borrowings due:		
- within 1 year	25,218	23,383
- between 1 and 5 years	31,462	38,060
- after 5 years	279	116
	56,959	61,559

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

	30 September 2013	31 December 2012
Borrowings denominated in:		
- RUB	10,889	14,194
- EUR	2,567	1,735
- USD	40,908	41,757
- CNY	2,595	3,873
	56,959	61,559

Bank loans denominated in CNY were collateralised by buildings, machinery and equipment with a net book value of RUB 1,432 (31 December 2012: RUB 1,534) (Note 10) and land use right with a net book value of RUB 269 (31 December 2012: RUB 424). The loans obtained from banks in China are secured by guarantees issued by third parties totalled RUB 1,325 (31 December 2012: RUB 1,889).

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.

At 30 September 2013 unused credit lines available under the long-term loan facilities were RUB 6,835 (31 December 2012: RUB 13,644).

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

	30 September 2013	31 December 2012
Short-term loans and borrowings		
RUB		
Loans with fixed interest rates of 8.75% to 11% per annum	41	3,010
Bonds with coupon payments of 7.95% to 9.85% per annum	1,665	3,037
EUR		
Loans with floating interest rates of 3M EURIBOR+1.35% per annum	337	16
USD		
Loans with fixed interest rate of 4.31% to 6.93% per annum	714	1,189
Loans with floating interest rates of LIBOR+3% to LIBOR + 5.5% per annum	19,982	12,391
CNY		
Loans with fixed interest rates of 5.6% to 7.8% per annum	2,479	3,740
Total short-term liabilities	25,218	23,383

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

	30 September 2013	31 December 2012
Long-term loans and borrowings		
RUB		
Loans with fixed interest rates of 6.316% to 8.85% per annum	60	34
Bonds with coupon payments of 9.75% per annum	9,123	8,113
EUR		
Loans with floating interest rates of 3M EURIBOR+1.35% to +2.85%	2,230	1,560
Loans with fixed interest rates of 4.35% to 4.9% per annum	-	159
USD		
Loans with fixed interest rates of 4.31% to 6.93% per annum	408	888
Loans with floating interest rates of LIBOR+3.55% to LIBOR+5.5% per annum	19,804	27,289
CNY		
Loans with fixed interest rates of 7.04% to 7.76% per annum	116	133
Total long-term liabilities	31,741	38,176

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 loans.

15 Capital and Reserves

The total authorized number of ordinary shares is 40,534,000 (31 December 2013: 40,534,000) with a par value of RUB 5 per shares. All authorized shares have been issued and fully paid.

Total number of outstanding shares comprises (par value is expressed in roubles per one share):

	Number of outstanding ordinary shares	Number of treasury shares	Total share capital	Treasury share capital	Outstanding share capital
31 December 2011	47,687,600	(7,153,600)	3,125	(79)	3,046
Redemption of treasury shares	(7,153,600)	7,153,600	(79)	79	-
Acquisition of treasury shares	-	(56,263)	-	(4)	(4)
30 September 2012	40,534,000	(56,263)	3,046	(4)	3,042
31 December 2012	40,534,000	(56,263)	3,046	(4)	3,042
Sale of treasury shares	-	56,263	-	4	4
30 September 2013	40,534,000	-	3,046	-	3,046

Shares issue to non-controlling interest

In October 2012 the Group attracted three 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. The banks purchased equity interests in the Group subsidiary CJSC VPC totalling 38.05% for RUB 12,755 linked to put/call option agreements. CJSC VPC holds exploration license for the deposit.

Under terms of agreements one bank has the right, exercisable in October 2024, to sell the CJSC VPC shares back to the Group with the premium equivalent to interest income of the bank loans with comparable terms on the amount and duration of cash provided (thereafter "Premium").

Likewise, other two banks have the options to sell CJSC VPC shares with certain premium in 2019-2020. Furthermore, the premium is subject to upward pricing adjustment within initial public offering of CJSC VPC if that takes place during 6-months post-completion period.

Subsequent to the reporting date, in December 2013 the Group acquired back 10.95% share of CJSC VPC for RUB 4,177, and therefore associated put/call option agreements were also cancelled. As a result, the Group's share in CJSC VPC has increased to 70.90% after the reporting date.

Under terms of agreements with the banks the Group has an unconditional right to discharge its obligations by transferring its own equity instruments (ordinary shares of JSC Acron) in the quantity providing a fair value equal to the amount payable at the date of future settlement. Giving regard to these terms, as at 31 December 2012 the financing received by the Group was recorded in equity of the Group as a non-controlling interest in amount of RUB 12,755.

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 would not be sufficient to complete the project. Failure to meet those technical conditions in the future enable the banks to sell the equity of CJSC VPC to the Group at a premium. Management does not believe that the technical risks of the project are significant.



16 Finance (Costs) / Income, net

	Nine months ended		Three months ended	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
Interest income from loans provided and term deposits	535	341	154	113
Commissions expense	(208)	(152)	(6)	(51)
Dividend income	527	319	5	9
Foreign exchange gain on financial transactions	2,350	6,553	1,720	2,756
Foreign exchange loss on financial transactions	(5,019)	(5,894)	(792)	(711)
	(1,815)	1,167	1,081	2,116

17 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	(211)	(278)	(85)	(55)
Other expenses	(63)	(268)	(43)	(221)
Loss on disposal of property, plant and equipment	(80)	(21)	(26)	(7)
Foreign exchange gain on operating activities	3,207	6,257	108	2,440
Foreign exchange loss on operating activities	(1,965)	(5,538)	(862)	(2,585)
	888	152	(908)	(428)

18 Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding treasury shares. As at 30 September 2013 the shares of the Company have dilutive potential related to the right of the settle in own shares for the puttable shares sold to non-controlling interests (Note 15).

	Nine months ended	
	30 September 2013	30 September 2012
Weighted average number of shares outstanding	40,534,000	40,534,000
Adjusted for weighted average number of treasury shares	-	(31,257)
Weighted average number of shares outstanding (basic)	40,534,000	40,502,743
Effect of settlement in own equity instruments	4,341,524	-
Weighted average number of shares outstanding (diluted)	44,875,524	40,502,743
Profit attributable to the equity holders of the Company	7,290	11,204
Basic earnings per share (in Russian roubles) attributable to the equity holders of the Company	179.85	276.62
Diluted earnings per share (in Russian roubles) attributable to the equity holders of the Company	162.45	276.62

19 Income Taxes

	Nine months ended	
	30 September 2013	30 September 2012
Income tax expense – current	1,874	2,997
Deferred tax expense/(credit) – origination and reversal of temporary differences	300	(91)
Income tax charge	2,174	2,906

20 Contingencies, Commitments and Operating Risks

i Contractual commitments and guarantees

As at 30 September 2013 the Group had outstanding capital commitments in relation to property, plant and equipment for the amount of RUB 8,782 (31 December 2012: RUB 1,913).



In accordance with the conditions of the exploration licenses the Group has to commence the extraction of certain mineral resources by certain dates as stipulated by license agreements.

The Group 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 30 September 2013 and 31 December 2012, the Group has issued financial guarantees to third parties in respect of loans and borrowings by the Group's counterparties in the amount of RUB 1,583 and RUB 3,062 respectively. No amount has been accrued in this consolidated condensed interim financial information for the Group's obligation under these guarantees as no outflows are expected from such guarantees.

ii Legal proceedings

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

iii Taxation

Russian Federation

Russian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities.

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation enacted during the current period is effective for new transactions from 1 January 2012. It introduces significant reporting and documentation requirements. The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2011 also allows the tax authorities to make transfer pricing adjustments and to impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%. Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. Significant difficulties exist in interpreting and applying transfer pricing legislation in practice.

Any prior existing court decisions may provide guidance, but are not legally binding for decisions by other, or higher level, courts in the future.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the entity.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that may be challenged by the tax authorities, the impact of which cannot be reliably estimated; however, it may be significant to the financial condition or the overall operations of the Group.

Management believes that its interpretation of the relevant legislation is generally appropriate and the Group's tax, currency and customs positions will be sustained. Accordingly, at 30 September 2013 no provision for potential tax liabilities had been recorded (31 December 2012: no provision).

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

iv Environmental matters

The environmental regulation in the Russian Federation is at evolving stage. 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 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 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 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-sales and trading financial instruments of the Group were included in level 1 category in the amount of RUB 25,967 (2012: RUB 25,541).

Fair values of derivatives financial assets and liabilities on interest rate swaps were determined based on valuation technique with inputs observable in markets and were included in level 2.

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. At 30 September 2013 the fair value of borrowings was RUB 49 lower than their carrying amounts. At 31 December 2012 the fair value of borrowings was RUB 114 higher than their carrying amounts.

22 Subsequent Events

During October and November 2013 the Group sold on open market 29 845 066 shares of JSC Uralkali for RUB 5,066 which reduced the Group's share in capital of JSC Uralkali from 2.88% to 1.77%.

In October 2013 the Group applied to Perm subsoil use regulation authorities and received its approval on changes related to prolongation in terms for the exploration and development of the Talitsky section of the Verkhnekamsk potash deposit. According to the revised terms JSC VPC is obliged:

- Got construction and development project approved not later than 2016 (under initial term - 2014);
- Production start not later than 2021 (under initial term - 2016);
- Production volume at designed capacity not later than 2023 (under initial term - 2018).

The management contemplates above changes as flexibility in realisation of certain project milestones without substantial impact on its overall development plan.

13 December 2013, the Group's share in JSC VPC has increased to 70.90% as the result of the purchase of 10.95% share in JSC VPC from non-controlling shareholder for RUB 4,177 (Note 15).