JOINT STOCK COMPANY “DOROGOBUZH”

Consolidated Condensed Interim Financial Information

For the six months ended 30 June 2013

Contents

(in millions of Russian Roubles)

	Note	30 June 2013	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	8	4,676	4,671
Investment in equity accounted investees	9	1,907	1,860
Available-for-sale investments		34	34
Loans receivable		15,459	13,433
Other non-current assets		289	297
Total non-current assets		**22,365**	**20,295**
Current assets			
Inventories	7	1,671	1,831
Loans receivable		3,941	753
Accounts receivable	6	2,967	2,885
Trading investments		2,690	2,849
Cash and cash equivalents	5	1,761	940
Irrevocable bank deposits	5	767	1,435
Other current assets		28	37
Total current assets		**13,825**	**10,730**
TOTAL ASSETS		**36,190**	**31,025**
EQUITY			
Share capital		1,735	1,735
Share premium		94	94
Retained earnings		23,288	21,092
Share capital and reserves attributable to the Company's owners		**25,117**	**22,921**
TOTAL EQUITY		**25,117**	**22,921**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	11	8,128	5,455
Other long-term liabilities		102	102
Deferred tax liability		376	363
Total non-current liabilities		**8,606**	**5,920**
Current liabilities			
Accounts payable	10	669	844
Income tax payable		25	136
Other taxes payable		87	60
Loans and borrowings	11	1,350	592
Advances received		336	552
Total current liabilities		**2,467**	**2,184**
TOTAL LIABILITIES		**11,073**	**8,104**
TOTAL LIABILITIES AND EQUITY		**36,190**	**31,025**

Approved for issue and signed on behalf of the Board of Directors on 19 August 2013.

A.V. Popov
Acting 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 2013**	**30 June 2012**	**30 June 2013**	**30 June 2012**
Revenue		9,144	8,690	4,511	4,213
Cost of sales		(5,105)	(4,352)	(2,515)	(1,964)
Gross profit		**4,039**	**4,338**	**1,996**	**2,249**
Transportation expenses		(658)	(567)	(330)	(265)
Selling, general and administrative expenses		(666)	(807)	(298)	(350)
Loss on disposal of property, plant and equipment, net	8	(32)	(1)	(30)	(1)
Gain on disposal of investment		27	248	26	-
Other operating (expenses) / profit, net	13	348	(119)	183	77
Operating profit		**3,058**	**3,092**	**1,547**	**1,710**
Finance income / (expenses), net	12	136	337	(31)	(531)
Interest expense		(215)	(238)	(107)	(152)
Share of profit of equity accounted investees	9	47	82	41	55
Profit before taxation		**3,026**	**3,273**	**1,450**	**1,082**
Income tax expense	17	(645)	(771)	(306)	(275)
Profit for the period		**2,381**	**2,502**	**1,144**	**807**
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		**2,381**	**2,345**	**1,144**	**807**
Profit is attributable to:					
Owners of the Company		2,381	2,502	1,144	807
Profit for the period		**2,381**	**2,502**	**1,144**	**807**
Total comprehensive income is attributable to:					
Owners of the Company		2,381	2,345	1,144	650
Total comprehensive income for the period		**2,381**	**2,345**	**1,144**	**650**
Earnings per share, basic and diluted (expressed in RUB per share)	14	**2.72**	**2.86**	**1.31**	**0.74**

(in millions of Russian Roubles)

	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
Cash flows from operating activities			
Profit before taxation		3,026	3,273
Adjustments for:			
Depreciation	8	238	191
Reversal of/ (provision for) impairment of accounts receivable		-	(6)
Share of profit of equity accounted investees		(47)	(82)
Loss on disposal of property, plant and equipment		32	1
Interest expense		215	238
Interest income		(826)	(745)
Dividend income		-	(1)
Gain on sale of investments		(27)	(248)
Foreign exchange effect on non-operating balances		496	407
Operating cash flows before working capital changes		**3,107**	**3,028**
(Increase)/ decrease in gross trade receivables		468	(316)
(Increase)/ decrease in advances to suppliers		(64)	117
(Increase)/ decrease in other receivables		128	333
(Increase)/ decrease in inventories		160	(140)
Increase)/ decrease in other current assets		9	113
Increase/ (decrease) in trade payables		(197)	475
(Increase)/ decrease in other payables		44	58
Increase/ (decrease) in advances from customers		(216)	(268)
Net change in other current assets and liabilities		-	772
Cash generated from operations		**3,439**	**4,172**
Income taxes paid		(741)	(657)
Interest paid		(231)	(212)
Net cash generated from operating activities		**2,467**	**3,303**
Cash flows from investing activities			
Purchase of property, plant and equipment		(267)	(291)
Loans provided		(6,363)	(6,140)
Proceeds from loans repaid		1,256	1,668
Dividend received		-	1
Interest received		212	291
Proceeds from sale of available-for-sale investments		-	248
Purchase in trading investments		(696)	(1,426)
Proceeds from sale of trading investments		843	-
Net change in other non-current assets		8	-
Net cash used in investing activities		**(5,007)**	**(5,649)**
Cash flows from financing activities			
Dividends paid to shareholders		(174)	-
Proceeds from irrevocable bank deposits		668	-
Proceeds from borrowings	11	4,563	3,118
Repayment of borrowings	11	(1,820)	(540)
Net cash provided from/(used in) financing activities		**3,237**	**2,578**
Effect of exchange rate changes on cash and cash equivalents		124	24
Net increase in cash and cash equivalents		**821**	**256**
Cash and cash equivalents at the beginning of the year	5	**940**	**1,962**
Cash and cash equivalents at the end of the year	5	**1,761**	**2,218**

(in millions of Russian Roubles)

	Capital and reserves attributable to the Company's owners				
	Share capital	Share premium	Retained earnings	Revaluation reserve	Total equity
Balance at 1 January 2012	**1,735**	**94**	**16,615**	**157**	**18,601**
Comprehensive income					
Profit for the year	-	-	2,502	-	2,502
Other comprehensive income					
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	-	-	2,502	(157)	2,345
Balance at 30 June 2012	**1,735**	**94**	**19,117**	**-**	**20,946**
Balance at 1 January 2013	**1,735**	**94**	**21,092**	**-**	**22,921**
Comprehensive income					
Profit for the year	-	-	2,381		2,381
Other comprehensive income					
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	-	-	2,381	-	2,381
Dividend declared			(185)		(185)
Balance at 30 June 2013	**1,735**	**94**	**23,288**	**-**	**25,117**

1 Dorogobuzh Group and its Operations

This unaudited consolidated condensed interim financial information for the six months ended 30 June 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 June 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 is effective for annual periods beginning on or after 1 January 2013. The new standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12 Consolidation – Special Purpose Entities. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. Early adoption of IFRS 10 is permitted provided an entity also early-adopts IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

- IFRS 12 Disclosure of Interests in Other Entities is effective for annual periods beginning on or after 1 January 2013. The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. Entities may early present some of the IFRS 12 disclosures early without a need to early-adopt the other new and amended standards. However, if IFRS 12 is early-adopted in full, then IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) must also be early-adopted.

(in millions of Russian Roubles)

- IFRS 13 Fair Value Measurement is effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application.

- 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. However, the use of other titles is permitted. The amendment shall be applied retrospectively from 1 July 2012 and early adoption is permitted.

4 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 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 June 2013	31 December 2012
Trade receivables, gross	6	Parent company	-	7
		Parties under common control	245	1,398
Interest receivable		Parent company	4	-
	6	Parties under common control	1,922	1,288
Share profit in equity accounted investees	9	Parties under common control	1,907	1,860
Prepayments		Parties under common control	100	205
Loans receivable		Parent company	1,100	-
		Parties under common control	18,229	14,132
Trade payables	10	Parent company	(27)	(10)
		Parties under common control	(131)	(38)
Advances from customers		Parties under common control	(124)	(235)
Investment for trading (bonds)		Parent company	2,034	2,048

ii Transactions with related parties

Statement of comprehensive income caption	Relationship	Six months ended 30 June 2013	Six months ended 30 June 2012
Sales of goods and services	Parent company	42	67
	Parties under common control	6,017	5,939
Purchases of raw materials	Parties under common control	(36)	(42)
	Parent company	(733)	(44)
Transportation services	Parties under common control	(162)	(206)

(in millions of Russian Roubles)

iii Loans issued

At 30 June 2013 and 31 December 2012 short-term loans to parent company and parties under common control denominated in RUB totalled RUB 3,913 and RUB 699, respectively, at interest rates in the range of 8.25% to 8.8%.The loans are unsecured.

At 30 June 2013 and 31 December 2012 long-term loans to parties under common control totalled RUB 15,416 and RUB 13,433, respectively, and interest rates of 8.8% to 9.0%.The loans are unsecured.

For six months ended 30 June 2013 the Group accrued interest income of RUB 692 (for six months ended 30 June 2012: RUB 599)

5 Cash and Cash Equivalents

	30 June 2013	31 December 2012
Cash on hand and bank balances denominated in RUB	340	750
Bank balances denominated in USD	1,368	120
Bank balances denominated in EUR	53	70
Total cash and cash equivalents	**1,761**	**940**
Irrevocable bank deposits in USD	767	1,435
Total cash and cash equivalents	**2,528**	**2,375**

Cash and cash equivalents include term deposits of 1,007 RUB (31 December 2012: RUB 600).

At 30 June 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.

6 Accounts Receivable

	30 June 2013	31 December 2012
Trade accounts receivable	321	789
Interest receivable	2,038	1,394
Less: impairment provision	(44)	(44)
Total financial assets	**2,315**	**2,139**
Advances to suppliers	223	159
Value-added tax recoverable	430	588
Less: impairment provision	(1)	(1)
Total accounts receivable	**2,967**	**2,885**

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

7 Inventories

	30 June 2013	31 December 2012
Raw materials and spare parts	1,193	1,428
Work in progress	86	95
Finished products	392	308
	1,671	**1,831**

8 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	275	291
Disposals	(32)	(1)
Charge for the period	(238)	(191)
Carrying amount at 30 June	**4,676**	**4,559**

(in millions of Russian Roubles)

9 Investment in Equity accounted investees

	2013	2012
Balance at 1 January	**1,860**	**1,466**
Share of (loss)/profit	47	82
Balance at 30 June	**1,907**	**1,548**

At 30 June 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	4,233	1,824	1,011	134	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

10 Accounts Payable

	30 June 2013	31 December 2012
Trade accounts payable	424	621
Dividends payable	9	6
Total financial payables	**433**	**627**
Payables to employees	225	205
Accrued liabilities and other creditors	11	12
Total accounts payable and accrued expenses	**669**	**844**

11 Short-Term and Long-Term Borrowings

Borrowings consist of the following:

	30 June 2013	31 December 2012
Credit lines	654	2,126
Term loans	8,824	3,921
	9,478	**6,047**

The Group's borrowings mature as follows:

	30 June 2013	31 December 2012
Borrowings due:		
- within 1 year	1,350	592
- between 1 and 5 years	8,128	5,455
	9,478	**6,047**

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

	30 June 2013	31 December 2012
Borrowings denominated in:		
- Russian Roubles	-	-
- US Dollars	9,478	6,047
	9,478	**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.

(in millions of Russian Roubles)

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

	30 June 2013	31 December 2012
Short-term borrowings		
USD		
Loans with fixed interest rates of 5.2% to 6.75% per annum	654	-
Loans with floating interest rates of 1M LIBOR + 3.8% to +5.5% per annum	696	592
Total short-term borrowings	**1,350**	**592**

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

	30 June 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	8,128	3,329
Loans with floating interest rates of 12M LIBOR +5.25% per annum	-	1,519
Total long-term borrowings	**8,128**	**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.

12 Finance Income / (expenses), net

	Six months ended	
	30 June 2013	30 June 2012
Interest income	826	745
Dividend declared	-	1
Foreign exchange gain	173	620
Foreign exchange loss	(863)	(1,029)
	136	**337**

13 Other Operating Income / (expenses), net

	Six months ended	
	30 June 2013	30 June 2012
Charity expenses	(71)	-
Gain/ Loss on sale of investments	55	(105)
Foreign exchange gain	830	424
Foreign exchange loss	(466)	(438)
	348	**(119)**

14 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.

	30 June 2013	30 June 2012
Weighted average number of ordinary shares outstanding	721,182,860	721,182,860
Weighted average number of participating preferred shares outstanding	154,256,400	154,256,400
Total weighted average number of participating shares outstanding	**875,439,260**	**875,439,260**
Profit for the period	2,381	2,502
Basic and diluted earnings per share (expressed in Russian Roubles) attributable to the equity holders of the Company	**2.72**	**2.86**

(in millions of Russian Roubles)

15 Income Taxes

	Six months ended	
	30 June 2013	**30 June 2012**
Income tax expense – current	632	673
Deferred tax credit – origination and reversal of temporary differences	13	98
Income tax charge	**645**	**771**

16 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 2,724 (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.