

**JOINT STOCK COMPANY
“DOROGOBUZH”**

**Consolidated Condensed Interim
Financial Information**

**For the three months ended
31 March 2014**



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	Segment Information	5
5	Balances and Transactions with Related Parties.....	7
6	Cash and Cash Equivalents	7
7	Accounts Receivable	8
8	Inventories.....	8
9	Property, Plant and Equipment.....	8
10	Investment in Equity accounted investees.....	8
11	Accounts Payable	9
12	Short-Term and Long-Term Borrowings	9
13	Finance Income / (expenses), net.....	10
14	Other Operating Income / (expenses), net.....	10
15	Earnings per Share.....	10
16	Income Taxes	10
17	Contingencies, Commitments and Operating Risks.....	10
18	Fair Value of Financial Instruments	11
19	Subsequent events.....	12

Joint Stock Company "Dorogobuzh"
Consolidated Condensed Interim Statement of Financial Position
as at 31 March 2014 (unaudited)
(in millions of Russian Roubles)



	Note	31 March 2014	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	9	4,643	4,622
Investment in equity accounted investees	10	2,004	1,982
Available-for-sale investments		13	13
Loans receivable		8,133	10,723
Other non-current assets		275	275
Total non-current assets		15,068	17,615
Current assets			
Inventories	8	1,410	1,399
Loans receivable		11,848	9,312
Accounts receivable	7	3,916	3,698
Trading investments		1,241	1,225
Cash and cash equivalents	6	5,801	568
Irrevocable bank deposits	6	767	767
Other current assets		47	56
Total current assets		25,030	17,025
TOTAL ASSETS		40,098	34,640
EQUITY			
Share capital		1,735	1,735
Share premium		94	94
Retained earnings		25,758	24,990
Share capital and reserves attributable to the Company's owners		27,587	26,819
TOTAL EQUITY		27,587	26,819
LIABILITIES			
Non-current liabilities			
Loans and borrowings	12	10,706	4,909
Other long-term liabilities		102	102
Deferred tax liability		341	324
Total non-current liabilities		11,149	5,335
Current liabilities			
Accounts payable	11	488	571
Income tax payable		142	73
Other taxes payable		90	87
Loans and borrowings	12	-	655
Advances received		642	1,100
Total current liabilities		1,362	2,486
TOTAL LIABILITIES		12,511	7,821
TOTAL LIABILITIES AND EQUITY		40,098	34,640

Approved for issue and signed on behalf of the Board of Directors on 4 June 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 three months ended 31 March 2014 (unaudited)
(in millions of Russian Roubles, except for per share amounts)



	Note	Three months ended	
		31 March 2014	31 March 2013
Revenue	4	4,301	4,633
Cost of sales		(2,649)	(2,590)
Gross profit		1,652	2,043
Transportation expenses		(316)	(328)
Selling, general and administrative expenses		(337)	(368)
Loss on disposal of property, plant and equipment, net	9	-	(2)
Other operating (expenses) / profit, net	14	(63)	165
Operating profit		936	1,510
Finance income / (expenses), net	13	86	167
Interest expense		(57)	(108)
Gain on disposal of investment		(2)	1
Share of profit of equity accounted investees	10	22	6
Profit before taxation		985	1,576
Income tax expense	16	(217)	(339)
Profit for the period		768	1,237
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		-	-
- Reclassification of revaluation gain on disposal to profit or loss		-	-
- Income tax on other comprehensive income		-	-
Other comprehensive income for the period		-	-
Total comprehensive income for the period		768	1,237
Profit is attributable to:			
Owners of the Company		768	1,237
Profit for the period		768	1,237
Total comprehensive income is attributable to:			
Owners of the Company		768	1,237
Total comprehensive income for the period		768	1,237
Earnings per share, basic and diluted (expressed in RUB per share)	15	0.88	1.41

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 three months
ended 31 March 2014 (unaudited)
(in millions of Russian Roubles)



	Note	Three months ended	
		31 March 2014	31 March 2013
Cash flows from operating activities			
Profit before taxation		985	1,576
<i>Adjustments for:</i>			
Depreciation	9	127	120
Reversal of/ (provision for) impairment of accounts receivable		1	-
Share of profit of equity accounted investees		(22)	(6)
Loss on disposal of property, plant and equipment		-	2
Interest expense		57	108
Interest income		(455)	(386)
Gain on sale of investments		2	(1)
Foreign exchange effect on non-operating balances		142	131
Operating cash flows before working capital changes		837	1,544
(Increase)/ decrease in gross trade receivables		(212)	202
(Increase)/ decrease in advances to suppliers		(15)	(26)
(Increase)/ decrease in other receivables		114	378
(Increase)/ decrease in value-added tax receivable		88	-
(Increase)/ decrease in inventories		(11)	211
Increase)/ decrease in other current assets		9	-
Increase/ (decrease) in trade payables		(99)	(200)
(Increase)/ decrease in other payables		19	33
Increase/ (decrease) in advances from customers		(458)	(79)
Net change in other current assets and liabilities		-	6
Cash generated from operations		272	2,069
Income taxes paid		(134)	(335)
Interest paid		(54)	(126)
Net cash generated from operating activities		84	1,608
Cash flows from investing activities			
Purchase of property, plant and equipment		(147)	(87)
Loans provided		(723)	(3,500)
Proceeds from loans repaid		789	-
Interest received		261	10
Purchase in trading investments		(47)	(327)
Proceeds from sale of trading investments		29	330
Net change in other non-current assets		-	(16)
Net cash used in investing activities		162	(3,590)
Cash flows from financing activities			
Proceeds from borrowings	12	5,460	4,563
Repayment of borrowings	12	(694)	(932)
Net cash provided from/(used in) financing activities		4,766	3,631
Net increase in cash and cash equivalents		5,012	1,649
Effect of exchange rate changes on cash and cash equivalents		221	36
Cash and cash equivalents at the beginning of the year	6	568	940
Cash and cash equivalents at the end of the year	6	5,801	2,625

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 three months ended 31 March 2014 (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 2013	1,735	94	21,092	-	22,921
Comprehensive income					
Profit for the year	-	-	1,237	-	1,237
<i>Other comprehensive income</i>					
Fair value losses on available-for-sale investments	-	-	-	-	-
Disposal of Investment	-	-	-	-	-
Income tax recorded in other comprehensive income	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	1,237	-	1,237
Balance at 31 March 2013	1,735	94	22,329	-	24,158
Balance at 1 January 2014	1,735	94	24,990	-	26,819
Comprehensive income			768	-	768
Profit for the year	-	-			
<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	-	-			
Dividend declared			768	-	768
Balance at 31 March 2014	1,735	94	25,758	-	27,587

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 three months ended 31 March 2014 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 31 March 2014 and 31 December 2013 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 2013.

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 2013.

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 2013.

4 Segment Information

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

The development and approval of strategies, market situation analysis, the risk assessment, investment focus, technological process changes, goals and priorities are set and assessed in line with the current segment structure of the Group whereby “Dorogobuzh” is the only operating and reportable segment, representing manufacturing and distribution of chemical fertilisers by JSC Dorogobuzh. “Other” represents certain logistic, service and management operations.

The Group’s segments ~~are~~ are a strategic business units that focus on different customers. It is managed as one business unit due to its significant business and risk profile.

Joint Stock Company "Dorogobuzh"
Notes to the Consolidated Condensed Interim Financial Information for the three months ended 31 March 2014 (unaudited)



(in millions of Russian Roubles)

Segment financial information is presented and reviewed by the CODM based on the IFRS and includes revenues from sales and ~~EBITDA, the measure of operating profit adjusted by depreciation and amortisation, foreign exchange gain or loss, other non-cash and extraordinary items (EBITDA).~~

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

Information for the reportable segments for the three months ended 31 March 2014 is set out below:

	Dorogobuzh	Other	Total
Segment sales	4,300	171	4,471
Intersegment sales	(18)	(152)	(170)
External sales	4,282	19	4,301
EBITDA	1,147	(22)	1,125

Information for the reportable segments for the three months ended 31 March 2013 is set out below:

	Dorogobuzh	Other	Total
Segment sales	4,611	185	4,796
Intersegment sales	(14)	(149)	(163)
External sales	4,597	36	4,633
EBITDA	1,532	(20)	1,512

Reconciliation of EBITDA to Profit Before Tax:

	Three months ended	
	31 March 2014	31 March 2013
Profit Before Tax	985	1,576
Share of profit of equity accounted investees	(22)	(6)
Interest expense	57	108
Gain on disposal of investments	2	(1)
Finance costs/(income), net	(86)	(167)
Operating Profit	936	1,510
Depreciation and amortisation	127	120
Net foreign currency gain on operating activities	62	(116)
Loss on disposal of property, plant and equipment	-	2
Total consolidated EBITDA	1,125	1,516

Information about geographical areas:

	Three months ended	
	31 March 2014	31 March 2013
Revenue		
Russia	2,227	2,230
European Union	277	301
Commonwealth of Independent States	1,411	1,199
USA and Canada	382	566
Latin America	0	101
China	0	135
Asia (excluding China)	4	0
Other regions	0	101
Total	4,301	4,633

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

Revenue from sales of chemical fertilizers accounts for 96% of total revenues (2013: 96%).



5 Balances and Transactions with Related Parties

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

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 March 2013 and 31 December 2013 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	31 March 2014	31 December 2013
Trade receivables, gross	7	Parties under common control	49	45
Advances given		Parties under common control	131	-
Interest receivable		Parent company	103	63
		Parties under common control	2,620	2,493
Equity accounted investees	10	Parties under common control	2,004	1,982
Prepayments		Parties under common control	132	147
Loans receivable		Parent company	3,420	3,770
		Parties under common control	16,474	16,204
Trade payables		Parent company	(5)	(15)
		Parties under common control	(14)	(64)
Advances from customers		Parties under common control	(432)	(547)
Investment for trading (bonds)*		Parent company	1,007	1,010

* Investments are disclosed at fair value.

ii Transactions with related parties

Statement of comprehensive income caption	Relationship	Three months ended	
		31 March 2014	31 March 2013
Sales of goods and services	Parent company	3	24
	Parties under common control	2,661	2,956
Share profit in equity accounted investees	Parties under common control	22	6
Purchases of raw materials	Parent company	(14)	(20)
	Parties under common control	(471)	(226)
Transportation services	Parties under common control	(77)	(81)
Interest received	Parent company	80	-
	Parties under common control	348	317

6 Cash and Cash Equivalents

	31 March 2014	31 December 2013
Cash on hand and bank balances denominated in RUB	769	295
Bank balances denominated in USD	4,965	247
Bank balances denominated in EUR	67	26
Total cash and cash equivalents	5,801	568
Irrevocable bank deposits in USD	767	767
Total cash and cash equivalents	6,568	1,335

Cash and cash equivalents include term deposits of RUB 106 (31 December 2013: RUB 58).



At 31 March 2014 and 31 December 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.

7 Accounts Receivable

	31 March 2014	31 December 2013
Trade accounts receivable	332	120
Interest receivable	2,776	2,668
Less: impairment provision	(45)	(45)
Total financial assets	3,063	2,743
Advances to suppliers	294	279
Value-added tax recoverable	563	651
Other taxes receivable	1	29
Less: impairment provision	(5)	(4)
Total accounts receivable	3,916	3,698

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

8 Inventories

	31 March 2014	31 December 2013
Raw materials and spare parts	1,102	1,144
Work in progress	88	87
Finished products	220	168
	1,410	1,399

9 Property, Plant and Equipment

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

	2014	2013
Carrying amount at 1 January	4,623	4,671
Additions	147	103
Disposals	-	(2)
Charge for the period	(127)	(120)
Carrying amount at 31 March	4,643	4,652

10 Investment in Equity accounted investees

	2014	2013
Balance at 1 January	1,982	1,860
Share of (loss)/profit	22	6
Balance at 31 March	2,004	1,866

At 31 March 2014, 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	5,007	1,938	576	63	35 %	Russia

At 31 December 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	4,670	1,912	2,232	349	35%	Russia



11 Accounts Payable

	31 March 2014	31 December 2013
Trade accounts payable	263	362
Dividends payable	7	7
Total financial payables	270	369
Payables to employees	208	193
Accrued liabilities and other creditors	10	9
Total accounts payable and accrued expenses	488	571

12 Short-Term and Long-Term Borrowings

Borrowings consist of the following:

	31 March 2014	31 December 2013
Credit lines	10,706	655
Term loans	-	4,909
	10,706	5,564

The Group's borrowings mature as follows:

	31 March 2014	31 December 2013
Borrowings due:		
- within 1 year	-	655
- between 1 and 5 years	10,706	4,909
	10,706	5,564

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:

	31 March 2014	31 December 2013
Short-term borrowings		
USD		
Loans with fixed interest rates of 5.2% to 6.75% per annum	-	655
Total short-term borrowings	-	655

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

	31 March 2014	31 December 2013
Long-term borrowings		
USD		
Loans with floating interest rates of 1M LIBOR + 3.8% to +5.5% per annum	-	4,909
Loans with floating interest rates of 3M LIBOR +3.55% to +3.7% per annum	10,706	-
Total long-term borrowings	10,706	4,909

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

	Three months ended	
	31 March 2014	31 March 2013
Interest income on loans provided and term deposits	455	386
Commissions expense	(14)	-
Foreign exchange gain	194	165
Foreign exchange loss	(549)	(384)
	86	167

14 Other Operating Income / (expenses), net

	Three months ended	
	31 March 2014	31 March 2013
Charity expenses	(2)	-
Other income/ (expenses)	1	49
Foreign exchange gain	180	354
Foreign exchange loss	(242)	(238)
	(63)	165

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

	Three months ended	
	31 March 2014	31 March 2013
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	768	1,237
Basic and diluted earnings per share (expressed in Russian Roubles) attributable to the equity holders of the Company	0.88	1.41

16 Income Taxes

	Three months ended	
	31 March 2014	31 March 2013
Income tax expense – current	200	340
Deferred tax credit – origination and reversal of temporary differences	17	(1)
Income tax charge	217	339

17 Contingencies, Commitments and Operating Risks

i Legal proceedings

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



ii Operating environment of the Group

The Group operates mainly in the Russian Federation. Accordingly, the Group is exposed to the economic and financial markets of the Russian Federation, which display characteristics of an emerging market. Legal, tax and regulatory systems continue to develop, but are associated with varying interpretations and requirements, which are also subject to frequent changes, which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated financial statements reflect management's what influence the business environment in the Russian Federation on the operations and financial position. The future business environment may differ from management's assessment.

iii Taxation contingencies in the Russian Federation

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

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

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

The new transfer pricing rules introduce an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe new basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level. The new transfer pricing rules eliminated the 20-percent price safe harbour that existed under the previous transfer pricing rules applicable to transactions on or prior to 31 December 2011.

The new transfer pricing rules primarily apply to cross-border transactions between related parties, as well as to certain cross-border transactions between independent parties, as determined under the Russian Tax Code. In addition, the rules apply to in-country transactions between related parties if the accumulated annual volume of the transactions between the same parties exceeds a particular threshold (RUB 3 billion in 2012, RUB 2 billion in 2013, and RUB 1 billion in 2014 and thereon).

Since there is no practice of applying the new transfer pricing rules by the tax authorities and courts, it is difficult to predict the effect of the new transfer pricing rules on these consolidated financial statements.

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

As at 31 December 2013 mManagement believes that its interpretation of the relevant legislation is generally appropriate and the Group's tax, currency and customs positions will be sustained. Accordingly, at 31 March 2014 no provision for potential tax liabilities had been recorded (2013: 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 continues to evolveis 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.

18 Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 best evidence of fair value is quoted in an active market price of the financial instrument.

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.



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 1,254 (2013: RUB 1,238).

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.

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

19 Subsequent events

In May 2014 at a meeting of shareholders it was decided to pay dividends based on the results of 2013 on the outstanding preferred shares of JSC Dorogobuzh at the amount of 1.2 rubles per preferred share.