

**JOINT STOCK COMPANY
“DOROGOBUZH”**

**Consolidated Condensed Interim
Financial Information**

**For the six months ended
30 June 2014**



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Joint Stock Company "Dorogobuzh"
Consolidated Condensed Interim Statement of Financial Position
as at 30 June 2014 (unaudited)
(in millions of Russian Roubles)



	Note	30 June 2014	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	9	4,605	4,622
Investment in equity accounted investees	10	2,077	1,982
Available-for-sale investments		7	13
Loans receivable		4,350	10,723
Other non-current assets		277	275
Total non-current assets		11,316	17,615
Current assets			
Inventories	8	1,663	1,399
Loans receivable		17,516	9,312
Accounts receivable	7	4,870	3,698
Trading investments		1,164	1,225
Cash and cash equivalents	6	4,678	568
Irrevocable bank deposits	6	-	767
Other current assets		53	56
Total current assets		29,944	17,025
TOTAL ASSETS		41,260	34,640
EQUITY			
Share capital		1,735	1,735
Share premium		94	94
Retained earnings		26,869	24,990
Share capital and reserves attributable to the Company's owners		28,698	26,819
TOTAL EQUITY		28,698	26,819
LIABILITIES			
Non-current liabilities			
Loans and borrowings	12	10,089	4,909
Other long-term liabilities		102	102
Deferred tax liability		358	324
Total non-current liabilities		10,549	5,335
Current liabilities			
Accounts payable	11	826	571
Income tax payable		116	73
Other taxes payable		87	87
Loans and borrowings	12	673	655
Advances received		311	1,100
Total current liabilities		2,013	2,486
TOTAL LIABILITIES		12,562	7,821
TOTAL LIABILITIES AND EQUITY		41,260	34,640

Approved for issue and signed on behalf of the Board of Directors on 26 August 2014.

I.N. Antonov
Acting President

A.V. Milenkov
Finance Director

Joint Stock Company "Dorogobuzh"
Consolidated Condensed Interim Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2014 (unaudited)
(in millions of Russian Roubles, except for per share amounts)



	Note	Six months ended		Three months ended	
		30 June 2014	30 June 2013	30 June 2014	30 June 2013
Revenue		8,337	9,144	4,036	4,511
Cost of sales		(5,171)	(5,105)	(2,522)	(2,515)
Gross profit		3,166	4,039	1,514	1,996
Transportation expenses		(598)	(658)	(282)	(330)
Selling, general and administrative expenses		(666)	(666)	(331)	(298)
Loss on disposal of property, plant and equipment, net	9	(3)	(32)	(3)	(30)
Other operating (expenses) / profit, net	14	(350)	348	(287)	183
Operating profit		1,549	3,031	611	1,521
Finance income / (expenses), net	13	1,154	136	1,070	(31)
Interest expense		(159)	(215)	(102)	(107)
Gain on disposal of investment		3	27	5	26
Share of profit of equity accounted investees	10	95	47	73	41
Profit before taxation		2,642	3,026	1,657	1,450
Income tax expense	16	(578)	(645)	(361)	(306)
Profit for the period		2,064	2,381	1,296	1,144
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		2,064	2,381	1,296	1,144
Total comprehensive income for the period					
Profit is attributable to:					
Owners of the Company		2,064	2,381	1,296	1,144
Profit for the period		2,064	2,381	1,296	1,144
Total comprehensive income is attributable to:					
Owners of the Company		2,064	2,381	1,296	1,144
Total comprehensive income for the period		2,064	2,381	1,296	1,144
Earnings per share, basic and diluted (expressed in RUB per share)	15	2.36	2.72	1.48	1.31

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 six months
ended 30 June 2014 (unaudited)
(in millions of Russian Roubles)



	Note	Six months ended	
		30 June 2014	30 June 2013
Cash flows from operating activities			
Profit before taxation		2,642	3,026
<i>Adjustments for:</i>			
Depreciation	9	255	238
Reversal of/ (provision for) impairment of accounts receivable		1	-
Share of profit of equity accounted investees		(95)	(47)
Gain/(Loss) on disposal of property, plant and equipment		3	32
Interest expense		159	215
Interest income		(944)	(826)
Gain on sale of investments		(3)	(27)
Foreign exchange effect on non-operating balances		(309)	496
Operating cash flows before working capital changes		1,709	3,107
(Increase)/ decrease in gross trade receivables		(795)	468
(Increase)/ decrease in advances to suppliers		(91)	(64)
(Increase)/ decrease in other receivables		219	128
(Increase)/ decrease in inventories		(264)	160
Increase/ decrease in other current assets		3	9
Increase/ (decrease) in trade payables		122	(197)
(Increase)/ decrease in other payables		(94)	44
Increase/ (decrease) in advances from customers		(789)	(216)
Cash generated from operations		20	3,439
Income taxes paid		(505)	(741)
Interest paid		(54)	(231)
Net cash generated from operating activities		(539)	2,467
Cash flows from investing activities			
Purchase of property, plant and equipment		(240)	(267)
Loans provided		(3,993)	(6,363)
Proceeds from loans repaid		2,166	1,256
Interest received		438	212
Purchase in trading investments		(34)	(696)
Proceeds from sale of trading investments		98	843
Net change in other non-current assets		(2)	8
Net cash used in investing activities		(1,567)	(5,007)
Cash flows from financing activities			
Dividends paid to shareholders of the Company		(59)	(174)
Proceeds from irrevocable bank deposits		767	668
Proceeds from borrowings	12	6,155	4,563
Repayment of borrowings	12	(694)	(1,820)
Net cash provided from/(used in) financing activities		6,169	3,237
Net increase in cash and cash equivalents		4,063	697
Effect of exchange rate changes on cash and cash equivalents		47	124
Cash and cash equivalents at the beginning of the period	6	568	940
Cash and cash equivalents at the end of the period	6	4,678	1,761

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	Share premium	Retained earnings	Revaluation reserve	
Balance at 1 January 2013	1,735	94	21,092	-	22,921
Comprehensive income					
Profit for the year	-	-	2,381	-	2,381
<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	-	-	2,381	-	2,381
Dividend declared	-	-	(185)	-	(185)
Balance at 30 June 2013	1,735	94	23,288	-	25,117
Balance at 1 January 2014	1,735	94	24,990	-	26,819
Comprehensive income					
Profit for the year	-	-	2,064	-	2,064
<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	-	-	2,064	-	2,064
Dividend declared	-	-	(185)	-	(185)
Balance at 30 June 2014	1,735	94	26,869	-	28,698

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 six months ended 30 June 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 30 June 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 strategic business units that focus on different customers. It is managed as one business unit due to its significant business and risk profile.



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

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

Information for the reportable segments for the six months ended 30 June 2014 is set out below:

	Dorogobuzh	Other	Total
Segment sales	8,342	350	8,692
Intersegment sales	(35)	(320)	(355)
External sales	8,307	30	8,337
EBITDA	2,124	(25)	2,099

Information for the reportable segments for the six months ended 30 June 2013 is set out below:

	Dorogobuzh	Other	Total
Segment sales	9,118	347	9,465
Intersegment sales	(29)	(292)	(321)
External sales	9,089	55	9,144
EBITDA	2,970	(33)	2,937

Reconciliation of EBITDA to Profit Before Tax:

	Six months ended	
	30 June 2014	30 June 2013
Profit Before Tax	2,642	3,026
Share of profit of equity accounted investees	(95)	(47)
Interest expense	159	215
Gain on disposal of investments	(3)	(27)
Finance costs/(income), net	(1,154)	(136)
Operating Profit	1,549	3,031
Depreciation and amortisation	255	238
Net foreign currency gain on operating activities	292	(364)
Loss on disposal of property, plant and equipment	3	32
Total consolidated EBITDA	2,099	2,937

Information about geographical areas:

	Six months ended	
	30 June 2014	30 June 2013
Revenue		
Russia	3,958	3,334
European Union	664	744
Commonwealth of Independent States	1,780	2,414
USA and Canada	7	197
Latin America	1,407	1,494
China	486	98
Asia (excluding China)	35	12
Other regions	-	851
Total	8,337	9,144

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 30 June 2014 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	30 June 2014	31 December 2013
		Parent company	4	-
Trade receivables, gross	7	Parties under common control	841	45
Advances given		Parties under common control	211	147
Interest receivable		Parent company	192	63
		Parties under common control	2,903	2,493
Equity accounted investees	10	Parties under common control	2,007	1,982
Loans receivable		Parent company	4,445	3,770
		Parties under common control	17,340	16,204
Trade payables		Parent company	(6)	(15)
		Parties under common control	(95)	(64)
Advances from customers		Parties under common control	(115)	(547)
Investment for trading (bonds)*		Parent company	942	1,010

* Investments are disclosed at fair value.

ii Transactions with related parties

Statement of comprehensive income caption	Relationship	Six months ended	
		30 June 2014	30 June 2013
Sales of goods and services	Parent company	6	42
	Parties under common control	5,921	6,017
Share profit in equity accounted investees	Parties under common control	95	47
Purchases of raw materials	Parent company	(27)	(36)
	Parties under common control	(748)	(733)
Transportation services	Parties under common control	(141)	(162)
Interest received	Parent company	160	-
	Parties under common control	717	620

6 Cash and Cash Equivalents

	30 June 2014	31 December 2013
Cash on hand and bank balances denominated in RUB	1,399	295
Bank balances denominated in USD	3,230	247
Bank balances denominated in EUR	49	26
Total cash and cash equivalents	4,678	568
Irrevocable bank deposits in USD	-	767
Total cash and cash equivalents	4,678	1,335

Cash and cash equivalents include term deposits of RUB 1,123 (31 December 2013: RUB 58).



7 Accounts Receivable

	30 June 2014	31 December 2013
Trade accounts receivable	915	120
Interest receivable	3,128	2,668
Less: impairment provision	(45)	(45)
Total financial assets	3,998	2,743
Advances to suppliers	370	279
Value-added tax recoverable	506	651
Other taxes receivable	1	29
Less: impairment provision	(5)	(4)
Total accounts receivable	4,870	3,698

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

8 Inventories

	30 June 2014	31 December 2013
Raw materials and spare parts	1,328	1,144
Work in progress	69	87
Finished products	266	168
	1,663	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	240	275
Disposals	(3)	(32)
Charge for the period	(255)	(238)
Carrying amount at 30 June	4,605	4,676

10 Investment in Equity accounted investees

	2014	2013
Balance at 1 January	1,982	1,860
Share of (loss)/profit	95	47
Balance at 30 June	2,077	1,907

At 30 June 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 Baltrans	4,352	1,283	1,342	272	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 Baltrans	4,670	1,912	2,232	349	35%	Russia



11 Accounts Payable

	30 June 2014	31 December 2013
Trade accounts payable	484	362
Dividends payable	133	7
Total financial payables	617	369
Payables to employees	196	193
Accrued liabilities and other creditors	13	9
Total accounts payable and accrued expenses	826	571

12 Short-Term and Long-Term Borrowings

Borrowings consist of the following:

	30 June 2014	31 December 2013
Credit lines	10,762	655
Term loans	-	4,909
	10,762	5,564

The Group's borrowings mature as follows:

	30 June 2014	31 December 2013
Borrowings due:		
- within 1 year	673	655
- between 1 and 5 years	10,089	4,909
	10,762	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:

	30 June 2014	31 December 2013
Short-term borrowings		
USD		
Loans with fixed interest rates up to 3.95% per annum	673	-
Loans with fixed interest rates of 5.2% to 6.75% per annum	-	655
Total short-term borrowings	673	655

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

	30 June 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	10,089	-
Total long-term borrowings	10,089	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

	Six months ended	
	30 June 2014	30 June 2013
Interest income on loans provided and term deposits	944	826
Commissions expense	(60)	-
Foreign exchange gain	847	173
Foreign exchange loss	(577)	(863)
	1,154	136

14 Other Operating Income / (expenses), net

	Six months ended	
	30 June 2014	30 June 2013
Charity expenses	(63)	(71)
Other income/ (expenses)	5	55
Foreign exchange gain	519	830
Foreign exchange loss	(811)	(466)
	(350)	348

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.

	Six months ended	
	30 June 2014	30 June 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	2,064	2,381
Basic and diluted earnings per share (expressed in Russian Roubles) attributable to the equity holders of the Company	2.36	2.72

16 Income Taxes

	Six months ended	
	30 June 2014	30 June 2013
Income tax expense – current	545	632
Deferred tax credit – origination and reversal of temporary differences	33	13
Income tax charge	578	645

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.

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

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. 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 1,171 (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.