

**JOINT STOCK COMPANY  
“ACRON”**

**Consolidated Condensed Interim  
Financial Information**

**For the three months ended  
31 March 2015**



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**Joint Stock Company "Acron"****Consolidated Condensed Interim Statement of Financial Position as at 31 March 2015 (unaudited)***(in millions of Russian Roubles)*

	Note	31 March 2015	31 December 2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	74,986	72,552
Exploration and Evaluation Licences and Expenditure	11	32,372	32,103
Leasehold land		728	708
Goodwill		1,267	1,267
Available-for-sale investments	12	157	157
Investment in equity accounted investees		24,583	24,695
Long-term loans receivable		67	67
Long-term derivative financial instruments		6,817	366
Deferred tax assets		1,890	1,903
Other non-current assets		1,298	1,342
<b>Total non-current assets</b>		<b>144,165</b>	<b>135,160</b>
<b>Current assets</b>			
Inventories	9	13,790	13,420
Short-term loans receivable		103	107
Accounts receivable	8	12,003	12,049
Available-for-sale investments	12	4,202	3,475
Trading investments		231	254
Short-term derivative financial instruments		-	6,301
Cash and cash equivalents	7	37,888	24,773
Other current assets		878	401
<b>Total current assets</b>		<b>69,095</b>	<b>60,780</b>
<b>TOTAL ASSETS</b>		<b>213,260</b>	<b>195,940</b>
<b>EQUITY</b>			
Share capital		3,046	3,046
Treasury shares		(3)	(1)
Retained earnings		58,593	51,816
Revaluation reserve		3,268	2,686
Other reserves		(1,198)	(446)
Cumulative currency translation difference		11,873	13,411
<b>Share capital and reserves attributable to the Company's owners</b>		<b>75,579</b>	<b>70,512</b>
Non-controlling interest		23,478	23,261
<b>TOTAL EQUITY</b>		<b>99,057</b>	<b>93,773</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	14	59,381	28,002
Long-term derivative financial instruments		5,806	4,433
Deferred tax liabilities		5,032	4,699
Other long-term liabilities		956	951
<b>Total non-current liabilities</b>		<b>71,175</b>	<b>38,085</b>
<b>Current liabilities</b>			
Accounts payable	13	6,067	6,459
Notes payable		580	750
Taxes payable		1,091	708
Short-term borrowings	14	30,243	52,559
Advances received		4,073	3,125
Short-term derivative financial instruments		129	-
Other current liabilities		845	481
<b>Total current liabilities</b>		<b>43,028</b>	<b>64,082</b>
<b>TOTAL LIABILITIES</b>		<b>114,203</b>	<b>102,167</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>213,260</b>	<b>195,940</b>

Approved for issue and signed on behalf of the Board of Directors on 1 June 2015.

\_\_\_\_\_  
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 three months ended 31 March 2015 (unaudited)**

(in millions of Russian Roubles, except for per share amounts)

	Note	Three months ended	
		31 March 2015	31 March 2014
Revenue	5	27,653	17,351
Cost of sales		(12,424)	(10,418)
<b>Gross profit</b>		<b>15,229</b>	<b>6,933</b>
Transportation expenses		(2,675)	(1,872)
Selling, general and administrative expenses		(2,153)	(1,467)
Other operating income, net	17	542	1,211
<b>Operating profit</b>		<b>10,943</b>	<b>4,805</b>
Finance expense, net	16	(1,820)	(3,832)
Interest expense		(530)	(80)
Gain/(loss) on disposal of investment		(23)	670
Loss on derivatives, net		(1,351)	(159)
Share of profit of equity accounted investees		1,015	-
<b>Profit before taxation</b>		<b>8,234</b>	<b>1,404</b>
Income tax expense	19	(1,167)	33
<b>Profit for the period</b>		<b>7,067</b>	<b>1,437</b>
<i>Other comprehensive income</i>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Available-for-sale investments:			
- (Losses)/gains arising during the year		727	(608)
- Reclassification of revaluation gain on disposal to profit or loss		-	(638)
- Income tax recorded directly in other comprehensive income		(145)	168
Currency translation differences		(1,519)	1,597
<b>Other comprehensive income for the period</b>		<b>(937)</b>	<b>519</b>
<b>Total comprehensive income for the period</b>		<b>6,130</b>	<b>1,956</b>
<b>Profit is attributable to:</b>			
Owners of the Company		6,776	831
Non-controlling interest		291	606
<b>Profit for the period</b>		<b>7,067</b>	<b>1,437</b>
<b>Total comprehensive income is attributable to:</b>			
Owners of the Company		5,820	1,313
Non-controlling interest		310	643
<b>Total comprehensive income for the period</b>		<b>6,130</b>	<b>1,956</b>
<b>Earnings per share</b>			
Basic (expressed in RUB per share)	18	<b>167.17</b>	<b>20.50</b>
Diluted (expressed in RUB per share)	18	<b>167.17</b>	<b>18.69</b>

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 three months**  
**ended 31 March 2015 (unaudited)**  
*(in millions of Russian Roubles)*



	Note	Three months ended	
		31 March 2015	31 March 2014
<b>Cash flows from operating activities</b>			
Profit before taxation		8,234	1,404
<i>Adjustments for:</i>			
Depreciation	10	1,079	782
Provision for impairment of accounts receivable		41	25
Loss on disposal of property, plant and equipment		42	27
Share of profit of equity-accounted investees		(1,015)	-
Interest expense		530	80
Interest income		(291)	(62)
Loss on derivatives, net		1,351	159
Loss / (gain) on disposal of investments		23	(670)
Unrealised foreign exchange effect on non-operating balances		1,376	2,744
<b>Operating cash flows before working capital changes</b>		<b>11,370</b>	<b>4,489</b>
Increase in gross trade receivables		(23)	(2,006)
Decrease in advances to suppliers		(283)	8
Decrease/ (increase) in other receivables		445	17
Decrease/ (increase) in inventories		(286)	378
Increase in trade payables		(498)	(906)
(Decrease)/ increase in other payables		(876)	1,248
Decrease in advances from customers		948	(1,048)
Decrease/ (increase) in other current assets		(477)	70
Increase in other current liabilities		364	194
<b>Cash generated from operations</b>		<b>10,684</b>	<b>2,444</b>
Income taxes paid		(102)	(157)
Interest paid		(811)	(426)
<b>Net cash generated from operating activities</b>		<b>9,771</b>	<b>1,861</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets		(3,672)	(2,230)
Loans provided		-	(196)
Proceeds from loans repaid		-	2
Interest received		157	13
Proceeds from sale of available-for-sale investments		-	662
Purchase of trading investments		-	(47)
Proceeds from sale of trading investments		21	53
Net change in other non-current assets and liabilities		49	(20)
<b>Net cash used in investing activities</b>		<b>(3,445)</b>	<b>(1,763)</b>
<b>Cash flows from financing activities</b>			
Acquisition of non-controlling interest		(92)	-
Acquisition of treasury shares		(754)	-
Proceeds from sale of shares to non-controlling interest		-	6,673
Proceeds from sale of subsidiary		-	60
Proceeds from borrowings	14	36,977	7,081
Repayment of borrowings	14	(30,088)	(8,784)
<b>Net cash (used in)/ generated from financing activities</b>		<b>6,043</b>	<b>5,030</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>12,369</b>	<b>5,128</b>
Effect of exchange rate changes on cash and cash equivalents		746	1,172
<b>Cash and cash equivalents at the beginning of the period</b>	7	<b>24,773</b>	<b>12,787</b>
<b>Cash and cash equivalents at the end of the period</b>	7	<b>37,888</b>	<b>19,087</b>

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



Capital and reserves attributable to the Company's owners

	Share capital	Treasury shares	Retained earnings	Revaluation reserve	Other reserves	Cumulative currency translation difference	Non-controlling interest	Total equity
<b>Balance at 1 January 2014</b>	<b>3,046</b>	-	<b>52,944</b>	<b>9,374</b>	<b>(110)</b>	<b>992</b>	<b>13,231</b>	<b>79,477</b>
<b>Comprehensive income</b>								
Profit for the period	-	-	831	-	-	-	606	1,437
<i>Other comprehensive income</i>								
Fair value gain / (loss) on available-for-sale investments	-	-	-	(608)	-	-	-	(608)
Disposal of investments	-	-	-	(638)	-	-	-	(638)
Currency translation differences	-	-	-	936	-	624	37	1,597
Income tax recorded in other comprehensive income	-	-	-	168	-	-	-	168
<b>Total other comprehensive income</b>	-	-	-	<b>(142)</b>	-	<b>624</b>	<b>37</b>	<b>519</b>
<b>Total comprehensive income</b>	-	-	<b>831</b>	<b>(142)</b>	-	<b>624</b>	<b>643</b>	<b>1,956</b>
Sale of shares of subsidiaries	-	-	60	-	83	-	6,673	6,816
<b>Balance at 31 March 2014</b>	<b>3,046</b>	-	<b>53,835</b>	<b>9,232</b>	<b>(27)</b>	<b>1,616</b>	<b>20,547</b>	<b>88,249</b>
<b>Balance at 1 January 2015</b>	<b>3,046</b>	<b>(1)</b>	<b>51,816</b>	<b>2,686</b>	<b>(446)</b>	<b>13,411</b>	<b>23,261</b>	<b>93,773</b>
<b>Comprehensive income</b>								
Profit for the period	-	-	6,776	-	-	-	291	7,067
<i>Other comprehensive income</i>								
Fair value gain / (loss) on available-for-sale investments	-	-	-	727	-	-	-	727
Currency translation differences	-	-	-	-	-	(1,538)	19	(1,519)
Income tax recorded in other comprehensive income	-	-	-	(145)	-	-	-	(145)
<b>Total other comprehensive income</b>	-	-	-	<b>582</b>	-	<b>(1,538)</b>	<b>19</b>	<b>(937)</b>
<b>Total comprehensive income</b>	-	-	<b>6,776</b>	<b>582</b>	-	<b>(1,538)</b>	<b>310</b>	<b>6,130</b>
Acquisition of non-controlling interest	-	-	1	-	-	-	(93)	(92)
Acquisition of treasury shares	-	(2)	-	-	(752)	-	-	(754)
<b>Balance at 31 March 2015</b>	<b>3,046</b>	<b>(3)</b>	<b>58,593</b>	<b>3,268</b>	<b>(1,198)</b>	<b>11,873</b>	<b>23,478</b>	<b>99,057</b>

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 three months ended 31 March 2015 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 31 March 2015 and 31 December 2014 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 2014.

### **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 three months ended 31 March 2015, 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 2014.

## **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 2014.

## **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 NWPC – representing production of apatite-nepheline ore and subsequent processing in apatite concentrate;
- Mining excluding NWPC - comprise mining entities JSC VPC and North Atlantic Potash Inc., both under being at the stage of development, exploration and evaluation;
- Other – representing certain logistic (other than included in logistic segment), service, agriculture and management operations, and share of profit of equity accounted investees.

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 including share of profit of equity accounted investees 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 three months ended 31 March 2015 is set out below:

	Segment sales	Intersegment sales	External sales	EBITDA
Acron	14,710	(12,170)	2,540	6,618
Dorogobuzh	6,603	(5,296)	1,307	3,004
Hongri Acron	4,366	-	4,366	(6)
Logistics	954	(756)	198	232
Trading	19,348	(912)	18,436	339
Mining NWPC	2,182	(1,692)	490	1,240
Mining excluding NWPC	-	-	-	(2)
Other	638	(322)	316	988
<b>Total</b>	<b>48,801</b>	<b>(21,148)</b>	<b>27,653</b>	<b>12,413</b>

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

	Segment sales	Intersegment sales	External sales	EBITDA
Acron	8,782	(7,016)	1,766	1,839
Dorogobuzh	4,301	(2,661)	1,640	1,125
Hongri Acron	2,551	(7)	2,544	185
Logistics	735	(643)	92	157
Trading	11,845	(735)	11,110	766
Mining NWPC	1,192	(1,121)	71	317
Mining excluding NWPC	-	-	-	(42)
Other	593	(465)	128	(84)
<b>Total</b>	<b>29,999</b>	<b>(12,648)</b>	<b>17,351</b>	<b>4,263</b>

Reconciliation of EBITDA to Profit Before Tax:

	Three months ended	
	31 March 2015	31 March 2014
Profit Before Tax	8,234	1,404
Loss on derivatives, net	1,351	159
Interest expense	530	80
Loss/(gain) on disposal of investments	23	(670)
Finance costs, net	1,820	3,832
<b>Operating Profit including share of profit of equity accounted investees</b>	<b>11,958</b>	<b>4,805</b>
Depreciation and amortisation	1,079	782
Net foreign currency gain on operating activities	(666)	(1,351)
Loss on disposal of property, plant and equipment	42	27
<b>Total consolidated EBITDA</b>	<b>12,413</b>	<b>4,263</b>



**Joint Stock Company “Acron”**  
**Notes to the Consolidated Condensed Interim Financial Information for the three months**  
**ended 31 March 2015 (unaudited)**



(in millions of Russian Roubles, except for per share amounts)

	Three months ended	
	31 March 2015	31 March 2014
<b>Revenue</b>		
Russia	5,543	3,524
European Union	2,944	2,133
Commonwealth of Independent States	957	1,578
USA and Canada	3,036	2,117
Latin America	3,381	1,890
China	7,351	3,679
Asia (excluding China)	3,410	1,624
Other regions	1,031	806
<b>Total</b>	<b>27,653</b>	<b>17,351</b>

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 87% of total revenues (for the three months ended 31 March 2014: 87%).

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

There are no individual customers contributing 10% or 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 31 March 2015 and 31 December 2014 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	31 March 2015	31 December 2014
Trade receivables, gross	8	Companies under common control	2	2
Trade payables	13	Companies under common control	(5)	(1)

### ii Transactions with related parties

	Relationship	Three months ended	
		31 March 2015	31 March 2014
Sales of chemical fertilizers	Companies under common control	2	6
Purchases of raw materials	Companies under common control	(15)	(16)

## 7 Cash and Cash Equivalents

	31 March 2015	31 December 2014
Cash on hand and bank balances denominated in RUB	7,146	2,057
Bank balances denominated in USD	26,856	19,387
Bank balances denominated in EUR	2,611	2,152
Bank balances denominated in CAD	85	85
Bank balances denominated in CHF	12	19
Bank balances denominated in PLN	60	68
Bank balances denominated in CNY	1,118	1,005
<b>Total cash and cash equivalents</b>	<b>37,888</b>	<b>24,773</b>

Cash and cash equivalents include term deposits of RUB 25,885 (31 December 2014: RUB 18,367).



## 8 Accounts Receivable

	31 March 2015	31 December 2014
Trade accounts receivable	3,244	3,221
Notes receivable	483	407
Other accounts receivable	792	557
Less: impairment provision	(377)	(336)
<b>Total financial assets</b>	<b>4,142</b>	<b>3,849</b>
Advances to suppliers	2,952	2,669
Value-added tax recoverable	4,006	3,835
Income tax prepayments	849	1,662
Other taxes receivable	113	93
Less: impairment provision	(59)	(59)
<b>Total accounts receivable</b>	<b>12,003</b>	<b>12,049</b>

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

## 9 Inventories

	31 March 2015	31 December 2014
Raw materials and spare parts, including	8,144	8,158
Work in progress	594	572
Finished products	5,052	4,690
	<b>13,790</b>	<b>13,420</b>

## 10 Property, Plant and Equipment

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

	2015	2014
<b>Carrying amount at 1 January</b>	<b>72,552</b>	<b>61,068</b>
Acquisitions	3,798	2,441
Disposals	(42)	(27)
Depreciation charge	(1,163)	(821)
Currency translation difference	(159)	503
<b>Carrying amount at 31 March</b>	<b>74,986</b>	<b>63,164</b>

Included in the 3 months 2015 additions to assets under constructions is approximately RUB 126 of capitalized borrowing costs in accordance with IAS 23, Borrowing costs (3 months 2014: RUB 213) at the average borrowing rate of 4.05% (3 months 2014: 4.57%).

At 31 March 2015, buildings, machinery and equipment and construction in progress with a net book value of RUB 381 (31 December 2014: RUB 371) had been pledged as security for long-term loans (Note 14).

## 11 Exploration and Evaluation Licences and Expenditure

Exploration and evaluation expenditure comprise of:

	31 March 2015	31 December 2014
Apatite-nepheline deposits (production / development stage)	860	860
Potash deposits (development stage)	26,697	26,211
Permits for exploration (exploration and evaluation stage)	4,815	5,032
	<b>32,372</b>	<b>32,103</b>

## 12 Available-for-Sale Investments

	2015	2014
<b>Carrying amount at 1 January</b>	<b>3,632</b>	<b>19,398</b>
Fair value gain / (loss) recognised directly in OCI	727	(600)
Disposals	-	(662)
Currency translation difference	-	936
<b>Carrying amount at 31 March</b>	<b>4,359</b>	<b>19,072</b>



The Group has investments in the following companies:

Name	Activity	Country of registration	31 March 2015	31 December 2014
<b>Current</b>				
JSC Uralkali	Potash mining	Russia	4,202	3,475
<b>Total current</b>			<b>4,202</b>	<b>3,475</b>
<b>Non-current</b>				
Other			157	157
<b>Total non-current</b>			<b>157</b>	<b>157</b>
<b>Total</b>			<b>4,359</b>	<b>3,632</b>

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 31 March 2015. At 31 March 2015 the share price quoted by Moscow Stock Exchange for JSC Uralkali amounted to RUB 154.6 for 1 share (31 December 2014: RUB 127.85 for 1 share).

### 13 Accounts Payable

	31 March 2015	31 December 2014
Trade accounts payable	4,544	5,042
Dividends payable	17	17
<b>Total financial payables</b>	<b>4,561</b>	<b>5,059</b>
Payables to employees	960	943
Accrued liabilities and other creditors	546	457
<b>Total accounts payable and accrued expenses</b>	<b>6,067</b>	<b>6,459</b>

### 14 Short-Term and Long-Term Borrowings

Borrowings consist of the following:

	31 March 2015	31 December 2014
Bonds issued	8,764	8,764
Credit lines	18,278	14,814
Term loans	62,582	56,983
	<b>89,624</b>	<b>80,561</b>

The Group's borrowings mature as follows:

	31 March 2015	31 December 2014
Borrowings due:		
- within 1 year	30,243	52,559
- between 1 and 5 years	58,796	27,442
- after 5 years	585	560
	<b>89,624</b>	<b>80,561</b>

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

	31 March 2015	31 December 2014
Borrowings denominated in:		
- RUB	16,396	11,810
- EUR	4,599	4,707
- USD	64,084	59,604
- CNY	4,545	4,440
	<b>89,624</b>	<b>80,561</b>

Bank loans denominated in CNY were collateralised by buildings, machinery and equipment with a net book value of RUB 381 (31 December 2014: RUB 371) (Note 10) and land use right with a net book value of RUB 426 (31 December 2014: RUB 481). The loans obtained from banks in China are secured by guarantees issued by third parties totalled RUB 3,235 (31 December 2014: RUB 2,924).

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 31 March 2015 unused credit lines available under the long-term loan facilities were RUB 10,337 (31 December 2014: RUB 34,692). Terms and conditions of unused credit lines correspond to the terms and conditions of other borrowings.



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

	31 March 2015	31 December 2014
<b>Short-term borrowings</b>		
<b>RUB</b>		
Loans with fixed interest rates of 8.75% to 11% per annum	1,632	46
Bonds with fixed interest rate of 9.75% per annum	5,000	5,000
Bonds with fixed interest rate of 10.25% per annum	3,764	3,764
<b>EUR</b>		
Loans with floating interest rates of 3M EURIBOR + 1.35% per annum	402	353
Loans with fixed interest rate of 2% per annum	199	215
<b>USD</b>		
Loans with fixed interest rate of 4.35% to 6.82% per annum	152	1,271
Loans with floating interest rates of LIBOR + 3% to LIBOR+5.5% per annum	14,616	37,580
<b>CNY</b>		
Loans with fixed interest rates of 4.62% to 9.8% per annum	4,478	4,330
<b>Total short-term borrowings</b>	<b>30,243</b>	<b>52,559</b>

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

	31 March 2015	31 December 2014
<b>Long-term borrowings</b>		
<b>RUB</b>		
Loans with fixed interest rates of 6.32% to 13.7% per annum	6,000	3,000
<b>EUR</b>		
Loans with floating interest rates of 6M EURIBOR+0.75% to 6M EURIBOR+2.85% per annum	3,301	3,387
Loans with fixed interest rate of 4.35% to 5.27% per annum	697	752
<b>USD</b>		
Loans with fixed interest rates of 4.28% to 4.63% per annum	498	504
Loans with floating interest rates of LIBOR+2.95% to LIBOR+4.85% per annum	48,818	20,249
<b>CNY</b>		
Loans with fixed interest rates of 7.21% to 7.76% per annum	67	110
<b>Total long-term borrowings</b>	<b>59,381</b>	<b>28,002</b>

Significant loan agreements contain certain covenants including those which require the Group and Group entities to maintain a minimum level of net assets, debt/EBITDA 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. 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 2014: 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
<b>31 December 2013</b>	<b>40,534,000</b>	-	<b>3,046</b>	-	<b>3,046</b>
Sale of treasury shares	-	-	-	-	-
Acquisition of treasury shares	-	(171,000)	-	(1)	(1)
<b>31 December 2014</b>	<b>40,534,000</b>	<b>(171,000)</b>	<b>3,046</b>	<b>(1)</b>	<b>3,045</b>
Sale of treasury shares	-	-	-	-	-
Acquisition of treasury shares	-	(423,000)	-	(2)	(2)
<b>31 March 2015</b>	<b>40,534,000</b>	<b>(594,000)</b>	<b>3,046</b>	<b>(3)</b>	<b>3,043</b>

In 2015 dividends were declared for 2014 year in the amount of 139 rubles (2014: 152 rubles) per ordinary share of JSC Acron.



16 Finance (Costs)/Income, net

	Three months ended	
	31 March 2015	31 March 2014
Interest income from loans provided and term deposits	291	62
Commissions expense	(83)	(101)
Foreign exchange gain on financial transactions	13,974	540
Foreign exchange loss on financial transactions	(16,002)	(4,333)
	<b>(1,820)</b>	<b>(3,832)</b>

17 Other Operating Income / (Expenses), net

	Three months ended	
	31 March 2015	31 March 2014
Charity expenses	(82)	(50)
Other expenses	(42)	(90)
Foreign exchange gain on operating activities	5,540	1,951
Foreign exchange loss on operating activities	(4,874)	(600)
	<b>542</b>	<b>1,211</b>

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 year, excluding treasury shares. At 31 March 2015 the shares of the Company have dilutive potential related right to settle in own shares. The dilution effect do not exist at the reporting date, therefore, the dilutive earnings per share equal the basic earnings per share.

	Three months ended	
	31 March 2015	31 March 2014
Weighted average number of shares outstanding	40,534,000	40,534,000
Adjusted for weighted average number of treasury shares	-	-
<b>Weighted average number of shares outstanding (basic)</b>	<b>40,534,000</b>	<b>40,534,000</b>
Effect of settlement in own equity instruments	-	3,936,789
<b>Weighted average number of shares outstanding (diluted)</b>	<b>40,534,000</b>	<b>44,470,789</b>
Profit attributable to the equity holders of the Company	6,776	831
<b>Basic earnings per share (in Russian roubles)</b>	<b>167.17</b>	<b>20.50</b>
<b>Diluted earnings per share (in Russian roubles)</b>	<b>167.17</b>	<b>18.69</b>

19 Income Taxes

	Three months ended	
	31 March 2015	31 March 2014
Income tax expense – current	966	101
Deferred tax expense/(credit) – origination and reversal of temporary differences	201	(134)
<b>Income tax charge</b>	<b>1,167</b>	<b>(33)</b>

20 Contingencies, Commitments and Operating Risks

i Contractual commitments and guarantees

As at 31 March 2015 the Group had outstanding capital commitments in relation to property, plant and equipment for the amount of RUB 12,645 (31 December 2014: RUB 14,861).

Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. As at 31 March 2015 and 31 December 2014, the Group has issued financial guarantees to third parties in respect of borrowings by the Group's counterparties in the amount of RUB 3,522 and RUB 3,567 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 Operating environment of the Group**

***Russian Federation***

The Group operates mainly in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and 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 assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

***People's Republic of China***

The Group's major subsidiary, Shandong Hongri Acron Chemical Joint Stock Company Ltd., is located in the People's Republic of China. The People's Republic of China (the "PRC") economic and legal system is not fully developed and has inherent uncertainties. The economy of PRC differs from the economies of most developed countries in many respects, including its structure, level of government involvement, level of development, growth rate, control of capital investment, control of foreign exchange, and allocation of resources.

Since 1978, the PRC Government has promulgated various reforms of its economic system and government structure. These reforms have resulted in significant economic growth and social progress for PRC in the last two decades. Many of the reforms are unprecedented or experimental and are expected to be modified from time to time.

The business and operations of the Group in PRC are governed by the PRC legal system. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC Government has promulgated laws and regulations dealing with such economic matters as foreign investment, corporate organization and governance, commerce, taxation and trade. However, as many of these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of inconsistencies. Some of the laws and regulations are still at a developing stage and are therefore subject to policy changes. Furthermore, due to the limited volume of published cases and the non-binding nature of prior court decisions, the outcome of a dispute resolution may not be as consistent or predictable as in other more developed jurisdictions, which may limit legal protections available to the Group. In addition, any litigation in PRC may be protracted and result in substantial costs and diversion of resources and management attention.

**iv 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.





As at 31 March 2015 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 31 March 2015 no provision for potential tax liabilities had been recorded (2014: no provision).

Management estimates that the Group has no possible obligations from exposure to other than remote tax risks (2014: no obligations).

**v 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.

**21 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 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 4,359 (2014: RUB 3,886).

All liabilities on bonds issued were included in level 1 category in the amount of RUB 9,301 (2014: RUB 8,457)

Fair values of cross-currency swaps was determined based on valuation technique with inputs observable in markets and was included in level 2.

The fair value of the call/put options on shares of JSC VPC was determined based on the Black–Scholes Option Pricing Model with the adjustments and using of unobservable inputs, and included in level 3. Determination method is equal to applied in 2014.

**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 31 March 2015 the fair value of borrowings was RUB 934 lower than their carrying amounts. At 31 December 2014 the fair value of borrowings was RUB 735 lower than their carrying amounts.

**22 Subsequent Events**

In May 2015 the shareholders by the Board of Directors decided to pay dividends on ordinary shares of JSC Acron from retained earnings in the amount of 139 rubles per share.