

**JOINT STOCK COMPANY
“ACRON”**

**Consolidated Condensed Interim
Financial Information**

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



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**Joint Stock Company "Acron"****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	10	63,589	61,068
Exploration and evaluation licences and expenditure	11	27,767	27,393
Leasehold land		485	481
Goodwill		1,267	1,267
Available-for-sale investments	12	-	10,449
Investment in equity accounted investees		16,966	-
Long-term loans receivable		65	98
Long-term derivative financial instruments		2,119	2,030
Deferred tax assets		1,179	892
Other non-current assets		1,166	1,141
Total non-current assets		114,603	104,819
Current assets			
Inventories	9	10,656	10,937
Short-term loans receivable		54	28
Accounts receivable	8	9,300	7,175
Available-for-sale investments	12	5,330	8,949
Trading investments		245	247
Irrevocable bank deposits	7	-	767
Cash and cash equivalents	7	19,070	12,787
Other current assets		394	395
Total current assets		45,049	41,285
TOTAL ASSETS		159,652	146,104
EQUITY			
Share capital		3,046	3,046
Retained earnings		52,537	52,944
Revaluation reserve		9,008	9,374
Other reserves		(27)	(110)
Cumulative currency translation difference		1,116	992
Share capital and reserves attributable to the Company's owners		65,680	66,246
Non-controlling interest		20,575	13,231
TOTAL EQUITY		86,255	79,477
LIABILITIES			
Non-current liabilities			
Long-term borrowings	14	26,008	22,720
Derivative financial liability		2,181	2,052
Deferred tax liability		2,833	3,497
Other long-term liabilities		832	853
Total non-current liabilities		31,854	29,122
Current liabilities			
Accounts payable	13	4,558	4,973
Notes payable		1,618	187
Current income tax payable		591	128
Other taxes payable		597	491
Short-term borrowings	14	30,953	27,467
Advances received		2,291	3,343
Finance lease liability		4	11
Derivative financial liability		-	411
Other current liabilities		931	494
Total current liabilities		41,543	37,505
TOTAL LIABILITIES		73,397	66,627
TOTAL LIABILITIES AND EQUITY		159,652	146,104

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 "Acron"

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		35,746	34,251	18,395	17,690
Cost of sales		(21,635)	(19,848)	(11,217)	(10,411)
Gross profit		14,111	14,403	7,178	7,279
Transportation expenses		(4,227)	(3,625)	(2,355)	(1,849)
Selling, general and administrative expenses		(2,771)	(2,837)	(1,304)	(1,345)
(Loss) / gain on disposal of property, plant and equipment, net		(67)	(54)	(40)	20
Other operating income / (expenses), net	17	(1,108)	1,850	(2,346)	1,327
Operating profit		5,938	9,737	1,133	5,432
Finance (costs) / income, net	16	(525)	(2,896)	3,307	(1,912)
Interest expense		(596)	(258)	(516)	(59)
Gain on disposal of investment		3,155	40	2,485	23
(Loss) / gain on derivatives, net		(245)	4	(86)	36
Profit before taxation		7,727	6,627	6,323	3,520
Income tax expense	19	(1,177)	(1,391)	(1,210)	(642)
Profit for the period		6,550	5,236	5,113	2,878
<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		2,055	712	2,663	2,604
- Reclassification of revaluation gain on disposal to profit or loss		(3,155)	-	(2,517)	-
- Income tax recorded directly in other comprehensive income		734	(142)	566	(520)
Currency translation differences		175	770	(1,422)	764
Other comprehensive income for the period		(191)	1,340	(710)	2,848
Total comprehensive income for the period		6,359	6,576	4,403	5,726
Profit is attributable to:					
Owners of the Company		6,140	4,636	5,309	2,547
Non-controlling interest		410	600	(196)	331
Profit for the period		6,550	5,236	5,113	2,878
Total comprehensive income is attributable to:					
Owners of the Company		5,898	5,892	4,585	5,340
Non-controlling interest		461	684	(182)	386
Total comprehensive income for the period		6,359	6,576	4,403	5,726
Earnings per share					
Basic (expressed in RUB)	18	151.48	114.37	130.98	62.83
Diluted (expressed in RUB)	18	138.07	112.61	119.38	61.87

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 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		7,727	6,627
<i>Adjustments for:</i>			
Depreciation	10	1,786	1,023
Reversal of provision for impairment of inventory		18	9
Loss on disposal of property, plant and equipment		67	54
Interest expense		596	258
Interest income		(187)	(381)
Loss on derivatives, net		245	(4)
Dividend income		(72)	(522)
Gain on disposal of investments		(3,155)	(40)
Unrealised foreign exchange effect on non-operating balances		(402)	2,256
Operating cash flows before working capital changes		6,623	9,280
Increase in gross trade receivables		(1,579)	(294)
Decrease in advances to suppliers		(541)	1,160
Decrease/ (increase) in other receivables		(26)	1,493
Decrease/ (increase) in inventories		281	698
Increase in trade payables		(589)	(121)
(Decrease)/ increase in other payables		1,510	148
Decrease in advances from customers		(1,052)	(1,237)
Decrease/ (increase) in other current assets		1	207
Increase in other current liabilities		(105)	266
Cash generated from operations		4,523	11,600
Income taxes paid		(771)	(1,193)
Interest paid		(1,218)	(1,849)
Net cash generated from operating activities		2,534	8,558
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(3,987)	(6,640)
Loans provided		(3,951)	(2,224)
Proceeds from loans repaid		3,958	3,233
Interest received		134	400
Dividend received		128	584
Purchase of available-for-sale investments		(4,222)	(4,009)
Proceeds from sale of available-for-sale investments		3,243	-
Purchase of trading investments		(30)	-
Proceeds from sale of trading investments		32	197
Net change in other non-current assets and liabilities		(46)	4
Net cash used in investing activities		(4,741)	(8,455)
Cash flows from financing activities			
Acquisition of non-controlling interest		-	(256)
Dividend paid to shareholders		(6,220)	(85)
Sale of treasury shares		-	65
Proceeds from irrevocable bank deposits		767	668
Proceeds from sale of subsidiary		6,673	-
Proceeds from borrowings	14	22,542	11,235
Repayment of borrowings	14	(15,550)	(16,778)
Income from derivatives received		(74)	-
Financial liabilities recognized on options to repurchase shares		-	671
Net cash (used in)/ generated from financing activities		8,138	(4,480)
Net (decrease)/increase in cash and cash equivalents		5,931	(4,377)
Effect of exchange rate changes on cash and cash equivalents		352	1,433
Cash and cash equivalents at the beginning of the period	7	12,787	27,453
Cash and cash equivalents at the end of the period	7	19,070	24,509

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

Joint Stock Company “Acron”
Consolidated Condensed Interim Statement of Changes in Equity for the six months ended 30 June 2014 (unaudited)
(in millions of Russian Roubles)



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
Balance at 1 January 2013	3,046	(4)	43,742	16,047	(171)	762	15,698	79,120
Comprehensive income								
Profit for the period	-	-	4,636	-	-	-	600	5,236
<i>Other comprehensive income</i>								
Fair value gains on available-for-sale investments	-	-	-	712	-	-	-	712
Currency translation differences	-	-	-	120	-	566	84	770
Income tax recorded in other comprehensive income	-	-	-	(142)	-	-	-	(142)
Total other comprehensive income	-	-	-	690	-	566	84	1,340
Total comprehensive income	-	-	4,636	690	-	566	684	6,576
Acquisition of treasury shares	-	4	-	-	61	-	-	65
Acquisition of non-controlling interest	-	-	297	-	-	-	(553)	(256)
Dividend declared	-	-	(2,691)	-	-	-	-	(2,691)
Balance at 30 June 2013	3,046	-	45,984	16,737	(110)	1,328	15,829	82,814
Balance at 1 January 2014	3,046	-	52,944	9,374	(110)	992	13,231	79,477
Comprehensive income								
Profit for the period	-	-	6,140	-	-	-	410	6,550
<i>Other comprehensive income</i>								
Fair value loss on available-for-sale investments	-	-	-	2,055	-	-	-	2,055
Disposal of investments	-	-	-	(3,155)	-	-	-	(3,155)
Currency translation differences	-	-	-	-	-	124	51	175
Income tax recorded in other comprehensive income	-	-	-	734	-	-	-	734
Total other comprehensive income	-	-	-	(366)	-	124	51	(191)
Total comprehensive income	-	-	6,140	(366)	-	124	461	6,359
Sale of subsidiary	-	-	(371)	-	83	-	6,977	6,689
Dividend declared	-	-	(6,176)	-	-	-	(94)	(6,270)
Balance at 30 June 2014	3,046	-	52,537	9,008	(27)	1,116	20,575	86,255

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 six months ended 30 June 2014 for Joint Stock Company “Acron” (the “Company” or “Acron”) and its subsidiaries (together referred to as the “Group” or “Acron Group”).

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

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

The Group’s ultimate parent is Subero Associates Inc (British Virgin Islands). As at 30 June 2014 and 31 December 2013 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 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 for the six months ended 30 June 2014, 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 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.



(in millions of Russian Roubles)

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.

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

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

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

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

	Segment sales	Intersegment sales	External sales	EBITDA
Acron	17,177	(14,120)	3,057	4,623
Dorogobuzh	8,337	(6,273)	2,064	2,124
Hongri Acron	5,007	(8)	4,999	356
Logistics	1,651	(1,418)	233	448
Trading	25,712	(1,117)	24,595	750
Mining NWPC	2,247	(2,022)	225	328
Mining excluding NWPC	-	-	-	(48)
Other	1,115	(542)	573	5
Total	61,246	(25,500)	35,746	8,586

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

	Segment sales	Intersegment sales	External sales	EBITDA
Acron	17,632	(14,622)	3,010	5,021
Dorogobuzh	9,144	(6,059)	3,085	2,970
Hongri Acron	5,025	(67)	4,958	394
Logistics	1,385	(971)	414	260
Trading	23,655	(1,270)	22,385	(163)
Mining NWPC	1,841	(1,599)	242	384
Mining excluding NWPC	-	-	-	(48)
Other	1,420	(1,263)	157	-
Total	60,102	(25,851)	34,251	8,818



Reconciliation of EBITDA to Profit Before Tax:

	Six months ended	
	30 June 2014	30 June 2013
Profit Before Tax	7,727	6,627
Loss / (gain) on derivatives, net	245	(4)
Interest expense	596	258
Gain on disposal of investment	(3,155)	(40)
Finance costs / (income), net	525	2,896
Operating Profit	5,938	9,737
Depreciation and amortisation	1,786	1,023
Net foreign currency gain on operating activities	795	(1,996)
Loss on disposal of property, plant and equipment	67	54
Total consolidated EBITDA	8,586	8,818

	Six months ended	
	30 June 2014	30 June 2013
Revenue		
Russia	6,700	6,539
European Union	3,988	3,451
Commonwealth of Independent States	2,102	2,696
USA and Canada	4,282	3,607
Latin America	5,146	4,093
China	7,917	8,332
Asia (excluding China)	3,923	2,763
Other regions	1,688	2,770
Total	35,746	34,251

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 six months ended 30 June 2013: 87%).

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

There are no individual customers contributing 10% of more to the total revenues.

6 Balances and Transactions with Related Parties

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

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 30 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	Note	Relationship	30 June 2014	31 December 2013
Trade receivables, gross	8	Companies under common control	11	9
Trade payables	13	Companies under common control	(10)	(11)



ii Transactions with related parties

	Relationship	Six months ended	
		30 June 2014	30 June 2013
Sales of chemical fertilizers	Companies under common control	15	18
Purchases of raw materials	Companies under common control	(31)	(368)

7 Cash and Cash Equivalents

	30 June 2014	31 December 2013
Cash on hand and bank balances denominated in RUB	3,108	1,780
Bank balances denominated in USD	14,156	9,691
Bank balances denominated in EUR	628	459
Bank balances denominated in CAD	3	8
Bank balances denominated in CHF	6	7
Bank balances denominated in PLN	3	83
Bank balances denominated in CNY	1,166	759
Total cash and cash equivalents	19,070	12,787
Irrevocable bank deposits in USD	-	767
Total	19,070	13,554

Cash and cash equivalents include term deposits of RUB 10,073 (31 December 2013: RUB 9,104)

At 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.

8 Accounts Receivable

	30 June 2014	31 December 2013
Trade accounts receivable	3,060	1,391
Notes receivable	203	173
Other accounts receivable	705	614
Less: impairment provision	(230)	(213)
Total financial assets	3,738	1,965
Advances to suppliers	2,344	1,803
Value-added tax recoverable	2,869	3,120
Income tax prepayments	32	82
Other taxes receivable	330	217
Less: impairment provision	(13)	(12)
Total accounts receivable	9,300	7,175

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

9 Inventories

	30 June 2014	31 December 2013
Raw materials and spare parts, including	6,641	6,405
Work in progress	507	421
Finished products	3,508	4,111
	10,656	10,937



10 Property, Plant and Equipment

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

	2014	2013
Carrying amount at 1 January	61,068	47,866
Acquisitions	4,263	7,437
Disposals	(67)	(54)
Depreciation charge	(1,786)	(1,185)
Currency translation difference	111	404
Carrying amount at 30 June	63,589	54,468

Included in the 6 months 2014 additions to assets under constructions is approximately RUB 276 of capitalized borrowing costs in accordance with IAS 23, Borrowing costs (6 months 2013: RUB 679) at the average borrowing rate of 4.57% (6 months 2013: 4.63%).

At 30 June 2014, buildings, machinery and equipment and construction in progress with a net book value of RUB 451 (31 December 2013: RUB 1,452) had been pledged as security for long-term loans (Note 14).

11 Exploration and Evaluation Licences and Expenditure

Exploration and evaluation expenditure comprise of:

	30 June 2014	31 December 2013
Apatite-nepheline deposits (production / development stage)	675	676
Potash deposits (development stage)	25,369	25,032
Permits for exploration (exploration and evaluation stage)	1,723	1,685
	27,767	27,393

12 Available-for-Sale Investments

	2014	2013
Carrying amount at 1 January	19,398	24,681
Acquisitions	4,222	4,009
Fair value (loss) / gain recognised directly in OCI	2,055	712
Disposals	(3,243)	-
Reclassification	(16,966)	-
Currency translation difference	(136)	290
Carrying amount at 30 June	5,330	29,692

The Group has investments in the following companies:

Name	Activity	Country of registration	30 June 2014	31 December 2013
Current				
JSC Uralkali	Potash mining	Russia	5,196	8,949
Total current			5,196	8,949
Non-current				
Grupa Azoty S.A. (Azoty Tarnów)	Fertilizers production	Poland	-	10,309
Other			134	140
Total non-current			134	10,449
Total			5,330	19,398

Fair value of the investments was determined by reference to the current market value at the close of business on the date of a transaction or on 30 June 2014. At 30 June 2014 the share price quoted by Moscow Stock Exchange for JSC Uralkali amounted to RUB 156.45 for 1 share (31 December 2013: RUB 171.99 for 1 share).



13 Accounts Payable

	30 June 2014	31 December 2013
Trade accounts payable	3,064	3,653
Dividends payable	174	9
Total financial payables	3,238	3,662
Payables to employees	812	884
Accrued liabilities and other creditors	508	427
Total accounts payable and accrued expenses	4,558	4,973

14 Short-Term and Long-Term Borrowings

Borrowings consist of the following:

	30 June 2014	31 December 2013
Bonds issued	6,200	8,113
Credit lines	8,071	8,510
Term loans	42,690	33,564
	56,961	50,187

The Group's borrowings mature as follows:

	30 June 2014	31 December 2013
Borrowings due:		
- within 1 year	30,953	27,467
- between 1 and 5 years	25,900	22,294
- after 5 years	108	426
	56,961	50,187

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

	30 June 2014	31 December 2013
Borrowings denominated in:		
- RUB	6,246	8,175
- EUR	2,600	3,147
- USD	45,946	36,683
- CNY	2,169	2,182
	56,961	50,187

Bank loans denominated in CNY were collateralised by buildings, machinery and equipment with a net book value of RUB 451 (31 December 2013: RUB 1,452) (Note 10) and land use right with a net book value of RUB 199 (31 December 2013: RUB 254). The loans obtained from banks in China are secured by guarantees issued by third parties totalled RUB 1,360 (31 December 2013: RUB 838).

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

At 30 June 2014 unused credit lines available under the long-term loan facilities were RUB 13,210 (31 December 2013: RUB 1,185). 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:

	30 June 2014	31 December 2013
Short-term borrowings		
RUB		
Loans with fixed interest rates of 8.75% to 11% per annum	40	-
Bond Issue with fixed interest rate of 7.95% per annum	1,200	3,113
EUR		
Loans with floating interest rates of 3M EURIBOR + 1.35% per annum	1,586	1,708
Loans with fixed interest rate of 2% per annum	180	118
USD		
Loans with fixed interest rate of 4.35% to 6.82% per annum	673	740
Loans with floating interest rates of LIBOR + 3% to LIBOR+5.5% per annum	25,198	19,725
CNY		
Loans with fixed interest rates of 4.62% to 9.8% per annum	2,076	2,063
Total short-term borrowings	30,953	27,467



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

	30 June 2014	31 December 2013
Long-term borrowings		
RUB		
Loans with fixed interest rates of 6.32% to 8.85% per annum	6	62
Bonds with coupon payments of 9.75% to 14.05% per annum	5,000	5,000
EUR		
Loans with floating interest rates of 3M EURIBOR + 1.35% to +1.75%	294	731
Loans with fixed interest rate of 4.35% to 4.9% per annum	540	589
USD		
Loans with fixed interest rates of 4.35% to 6.75% per annum	345	378
Loans with floating interest rates of LIBOR +3.5% to LIBOR + 5.5% per annum	19,730	15,841
CNY		
Loans with fixed interest rates of 6.2% to 7.98% per annum	93	119
Total long-term borrowings	26,008	22,720

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.

15 Capital and Reserves

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

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

	Number of outstanding ordinary shares	Number of treasury shares	Total share capital	Treasury share capital	Outstanding share capital
31 December 2012	40,534,000	(56,263)	3,046	(4)	3,042
Sale of treasury shares	-	56,263	-	4	4
Acquisition of treasury shares	-	-	-	-	-
31 December 2013	40,534,000	-	3,046	-	3,046
30 June 2014	40,534,000	-	3,046	-	3,046

In February 2014, the Group attracted third-party bank to co-finance the project for development of Talitsky area Verkhnekamsk potassium-magnesium salts deposit located in the Perm region. Bank acquired 19.9% of the capital of the subsidiary JSC VPC in the amount of RUB 6,673 and as part of the deal signed with the Group put/call-option agreements on acquired shares. As a result of this transaction the Group's stake in JSC VPC decreased from 70.9% at 31 December 2013 to 51% at 30 June 2014.

16 Finance (Costs)/Income, net

	Six months ended	
	30 June 2014	30 June 2013
Interest income from loans provided and term deposits	187	381
Commissions expense	(292)	(202)
Dividend income	72	522
Foreign exchange gain on financial transactions	3,904	630
Foreign exchange loss on financial transactions	(4,396)	(4,227)
	(525)	(2,896)



17 Other Operating Income / (Expenses), net

	Six months ended	
	30 June 2014	30 June 2013
Charity expenses	(149)	(126)
Other income / (expenses)	(164)	(20)
Foreign exchange gain on operating activities	1,861	3,099
Foreign exchange loss on operating activities	(2,656)	(1,103)
	(1,108)	1,850

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. As at 30 June 2014 the shares of the Company have dilutive potential related to the right of the settle in own shares for the putable shares sold to NCI.

	Six months ended	
	30 June 2014	30 June 2013
Weighted average number of shares outstanding	40,534,000	40,534,000
Adjusted for weighted average number of treasury shares	-	-
Weighted average number of shares outstanding (basic)	40,534,000	40,534,000
Effect of settlement in own equity instruments	3,936,789	633,619
Weighted average number of shares outstanding (diluted)	44,470,789	41,167,619
Profit attributable to the equity holders of the Company	6,140	4,636
Basic earnings per share (in Russian roubles)	151.48	114.37
Diluted earnings per share (in Russian roubles)	138.07	112.61

19 Income Taxes

	Six months ended	
	30 June 2014	30 June 2013
Income tax expense – current	1,394	1,199
Deferred tax expense/(credit) – origination and reversal of temporary differences	(217)	192
Income tax charge	1,177	1,391

20 Contingencies, Commitments and Operating Risks

i Contractual commitments and guarantees

As at 30 June 2014 the Group had outstanding capital commitments in relation to property, plant and equipment for the amount of RUB 5,790 (31 December 2013: RUB 6,586).

Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. As at 30 June 2014 and 31 December 2013, the Group has issued financial guarantees to third parties in respect of borrowings by the Group's counterparties in the amount of RUB 1,557 and RUB 2,132 respectively. No amount has been accrued in this consolidated condensed interim financial information for the Group's obligation under these guarantees as no outflows are expected from such guarantees.

ii Legal proceedings

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

iii Taxation

Russian Federation

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.

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 (2013: no obligations).

v Environmental matters

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



21 Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial instruments carried at fair value. Trading, Available-for-sale investments and derivatives are carried in the consolidated statement of financial position at their fair value.

This Group discloses the value of financial instruments that are measured in the consolidated statement of financial position at fair value by three levels in accordance with IFRS 7.

The level in the fair value hierarchy into which the fair values are categorised as one of the three categories:

- Level 1: quoted price in an active market;
- Level 2: valuation technique with inputs observable in markets;
- Level 3: valuation technique with significant non-observable inputs.

All available-for-sales and trading financial instruments of the Group were included in level 1 category in the amount of RUB 5,575 (2013: RUB 19,645).

All liabilities on bonds issued were included in level 1 category in the amount of RUB 6,200 (2013: RUB 8,186)

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 2013.

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of trade receivables and loans receivable approximate fair values.

Liabilities carried at amortised cost. The fair value of floating rate liabilities is normally their carrying amount. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. At 30 June 2014 the fair value of borrowings was RUB 109 lower than their carrying amounts. At 31 December 2013 the fair value of borrowings was RUB 234 lower than their carrying amounts.

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