

**JOINT STOCK COMPANY
“DOROGOBUZH”**

**Consolidated Condensed Interim
Financial Information**

**For the three months ended
31 March 2013**



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Joint Stock Company "Dorogobuzh"
Consolidated Condensed Interim Statement of Financial Position
at 31 March 2013 (unaudited) and 31 December 2012
(in millions of Russian Roubles)



	Note	31 March 2013	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	8	4,652	4,671
Investment in equity accounted investees	9	1,866	1,860
Available-for-sale investments		34	34
Loans receivable		15,713	13,433
Other non-current assets		313	297
Total non-current assets		22,578	20,295
Current assets			
Inventories	7	1,620	1,831
Loans receivable		1,993	753
Accounts receivable	6	2,707	2,885
Trading investments		2,857	2,849
Cash and cash equivalents	5	2,625	940
Irrevocable bank deposits	5	1,451	1,435
Other current assets		31	37
Total current assets		13,284	10,730
TOTAL ASSETS		35,862	31,025
EQUITY			
Share capital		1,735	1,735
Share premium		94	94
Retained earnings		22,329	21,092
Revaluation reserve		-	-
Share capital and reserves attributable to the Company's owners		24,158	22,921
TOTAL EQUITY		24,158	22,921
LIABILITIES			
Non-current liabilities			
Loans and borrowings	11	8,635	5,455
Other long-term liabilities		102	102
Deferred tax liability		362	363
Total non-current liabilities		9,099	5,920
Current liabilities			
Accounts payable	10	656	844
Income tax payable		139	136
Other taxes payable		81	60
Loans and borrowings	11	1,256	592
Advances received		473	552
Total current liabilities		2,605	2,184
TOTAL LIABILITIES		11,704	8,104
TOTAL LIABILITIES AND EQUITY		35,862	31,025

Approved for issue and signed on behalf of the Board of Directors on 28 May 2013.

V.Y. Kunitskiy
President

A.V. Milenkov
Finance Director

Joint Stock Company "Dorogobuzh"
Consolidated Condensed Interim Statement of Comprehensive Income
for the three months ended 31 March 2013 and 31 March 2012 (unaudited)
(in millions of Russian Roubles, except for per share amounts)



	Note	Three months ended	
		31 March 2013	31 March 2012
Revenue		4,633	4,477
Cost of sales		(2,590)	(2,388)
Gross profit		2,043	2,089
Transportation expenses		(328)	(302)
Selling, general and administrative expenses		(368)	(457)
(Loss)/gain on disposal of property, plant and equipment, net	8	(2)	-
Gain on sale of investments		1	248
Other operating income / (expenses), net	13	165	(196)
Operating profit		1,511	1,382
Finance income / (expenses), net	12	167	868
Interest expense		(108)	(86)
Share of profit of equity accounted investees	9	6	27
Profit before taxation		1,576	2,191
Income tax expense	15	(339)	(496)
Net profit for the period		1,237	1,695
Other comprehensive (loss)/ income:			
Available-for-sale investments:			
- Gains less losses arising during the periods		-	52
- Disposal of available-for-sale investment-reclassification of revaluation to profit and loss		-	(248)
- Income tax recorded directly in other comprehensive income		-	39
Other comprehensive loss for the period		-	(157)
Total comprehensive income for the period		1,237	1,538
Net profit is attributable to:			
Owners of the Company		1,237	1,695
Net profit for the period		1,237	1,695
Total comprehensive income is attributable to:			
Owners of the Company		1,237	1,695
Total comprehensive income for the period		1,237	1,695
Earnings per share, basic and diluted (expressed in Russian Roubles)	14	1.41	1.94

The accompanying notes on pages 5 to 9 are an integral part of this consolidated condensed interim financial information.

Joint Stock Company "Dorogobuzh"
Consolidated Condensed Interim Statement of Cash Flows for the three months
ended 31 March 2013 and 31 March 2012 (unaudited)
(in millions of Russian Roubles)



	Note	Three months ended	
		31 March 2013	31 March 2012
Cash flows from operating activities			
Profit before taxation		1,576	2,191
<i>Adjustments for:</i>			
Depreciation	8	120	97
Reversal of/ (provision for) impairment of accounts receivable		-	1
Share of profit of equity accounted investees		(6)	(27)
Loss on disposal of property, plant and equipment		2	-
Interest expense		108	86
Interest income		(386)	(324)
Gain on sale of investments		(1)	(248)
Foreign exchange effect on non-operating balances		131	(542)
Operating cash flows before working capital changes		1,544	1,234
(Increase)/ decrease in gross trade receivables		202	45
(Increase)/ decrease in advances to suppliers		(26)	155
(Increase)/ decrease in other receivables		378	265
(Increase)/ decrease in inventories		211	2
Increase/ decrease in other current assets		-	(789)
Increase/ (decrease) in trade payables		(200)	117
(Increase)/ decrease in other payables		33	(52)
Increase/ (decrease) in advances from customers		(79)	138
Net change in other current assets and liabilities		6	770
Cash generated from operations		2,069	1,885
Income taxes paid		(335)	(343)
Interest paid		(126)	(58)
Net cash generated from operating activities		1,608	1,484
Cash flows from investing activities			
Purchase of property, plant and equipment		(87)	(138)
Loans provided		(3,500)	(2,630)
Proceeds from loans repaid		-	1,167
Interest received		10	376
Proceeds from sale of available-for-sale investments		-	248
Purchase in trading investments		(327)	(868)
Proceeds from sale of trading investments		330	-
Net change in other non-current assets		(16)	-
Net cash used in investing activities		(3,590)	(1,845)
Cash flows from financing activities			
Proceeds from borrowings	11	4,563	2,867
Repayment of borrowings	11	(932)	(302)
Net cash provided from/(used in) financing activities		3,631	2,565
Effect of exchange rate changes on cash and cash equivalents		36	(116)
Net increase in cash and cash equivalents		1,685	2,088
Cash and cash equivalents at the beginning of the year	5	940	1,962
Cash and cash equivalents at the end of the year	5	2,625	4,050

The accompanying notes on pages 5 to 9 are an integral part of this consolidated condensed interim financial information.

Joint Stock Company “Dorogobuzh”**Consolidated Condensed Interim Statement of Changes in Equity for the three months ended 31 March 2013 and 31 March 2012 (unaudited)***(in millions of Russian Roubles)*

	Capital and reserves attributable to the Company's owners				Total equity
	Share capital	Share premium	Retained earnings	Revaluation reserve	
Balance at 1 January 2012	1,735	94	16,615	157	18,601
Comprehensive income					
Profit for the year	-	-	1,695	-	1,695
<i>Other comprehensive income</i>					
Fair value losses on available-for-sale investments	-	-	-	52	52
Disposal of Investment	-	-	-	(248)	(248)
Income tax recorded in other comprehensive income	-	-	-	39	39
Total other comprehensive income	-	-	-	(157)	(157)
Total comprehensive income	-	-	1,695	(157)	1,538
Balance at 31 March 2012	1,735	94	18,310	-	20,139
Balance at 1 January 2013	1,735	94	21,092	-	22,921
Comprehensive income					
Profit for the year	-	-	1,237	-	1,237
<i>Other comprehensive income</i>					
Fair value gains on available-for-sale investments	-	-	-	-	-
Disposal of Investment	-	-	-	-	-
Income tax recorded in other comprehensive income	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	1,237	-	1,237
Balance at 31 March 2013	1,735	94	22,329	-	24,158

The accompanying notes on pages 5 to 9 are an integral part of this consolidated condensed interim financial information.



1 Dorogobuzh Group and its Operations

This unaudited consolidated condensed interim financial information for the three months ended 31 March 2013 comprises Joint Stock Company “Dorogobuzh” (the “Company” and “Dorogobuzh”) and its subsidiaries (together referred to as the “Group” or “Dorogobuzh Group”).

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

The Company’s registered office is at Verkhnedneprovsky settlement, Dorogobuzh district, Smolensk region, 215753, Russian Federation.

The Group’s parent company is JSC Acron (Russian Federation). The Group’s ultimate parent is Subero Associates Inc (British Virgin Islands). As at 31 December 2012 and 2011 the Group was ultimately controlled by Mr. Viacheslav Kantor.

2 Basis of Preparation

2.1 Statement of compliance

This consolidated condensed interim financial information has been prepared in accordance with IAS 34, Interim Financial Reporting. It does not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2012.

2.2 Judgements and estimates

Preparing the consolidated condensed interim financial information requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated condensed interim financial information, significant judgments made by Management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2012.

3 Significant Accounting Policies

The accounting policies and judgments applied by the Group in this consolidated condensed interim financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2012.

4 Balances and Transactions with Related Parties

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

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 March 2013 and 31 December 2012 are detailed below.

The following turnovers and balances arise from transactions with related parties:



i Balances with related parties

Statement of financial position caption	Notes	Relationship	31 March 2013	31 December 2012
Trade receivables, gross	6	Parent company	10	7
		Parties under common control	429	1,398
Interest receivable	6	Parties under common control	1,607	1,288
Share profit in equity accounted investees	9	Parties under common control	1,866	1,860
Prepayments		Parties under common control	80	205
Loans receivable		Parties under common control	17,651	14,132
Trade payables	10	Parent company	(7)	(10)
		Parties under common control	(140)	(38)
Advances from customers		Parties under common control	(232)	(235)
Investment for trading (bonds)		Parent company	2,027	2,048

ii Transactions with related parties

Statement of comprehensive income caption	Relationship	Three months ended	
		31 March 2013	31 March 2012
Sales of goods and services	Parent company	24	37
	Parties under common control	2,956	2,586
Purchases of raw materials	Parties under common control	(20)	(26)
	Parent company	(226)	(25)
Transportation services	Parties under common control	(81)	(113)

iii Loans issued

At 31 March 2013 and 31 December 2012 short-term loans to parent company and parties under common control denominated in RUB totalled RUB 1,979 and RUB 699, respectively, at interest rates in the range of 8.25% to 8.8%. The loans are unsecured.

At 31 March 2013 and 31 December 2012 long-term loans to parties under common control totalled RUB 15,672 and RUB 13,433, respectively, and interest rates of 8.8% to 9.0%. The loans are unsecured.

For three months ended 31 March 2013 the Group accrued interest income of RUB 317 (for three months ended 31 March 2012: RUB 271)

5 Cash and Cash Equivalents

	31 March 2013	31 December 2012
Cash on hand and bank balances denominated in RUB	372	750
Bank balances denominated in USD	2,151	120
Bank balances denominated in EUR	102	70
Total cash and cash equivalents	2,625	940
Irrevocable bank deposits in USD	1,451	1,435
Total cash and cash equivalents	4,076	2,375

Cash and cash equivalents include term deposits of 493 RUB (31 December 2012: RUB 600).

At 31 March 2013 included in the current irrevocable bank deposits certain bank deposits of the Group which are restricted as guarantees to the banks related to credit agreement between HSBC Bank (China), Raiffeisen Bank International AG and one of the subsidiaries of JSC Acron in China in the amount of RUB 1,451 (31 December 2012: RUB 1,435). These deposits are classified as current in the consolidated Group financial statements based on maturities of respective loans.



6 Accounts Receivable

	31 March 2013	31 December 2012
Trade accounts receivable	587	789
Interest receivable	1,742	1,394
Less: impairment provision	(44)	(44)
Total financial assets	2,285	2,139
Advances to suppliers	185	159
Value-added tax recoverable	238	588
Less: impairment provision	(1)	(1)
Total accounts receivable	2,707	2,885

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

7 Inventories

	31 March 2013	31 December 2012
Raw materials and spare parts	1,227	1,428
Work in progress	65	95
Finished products	328	308
	1,620	1,831

8 Property, Plant and Equipment

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

	2013	2012
Carrying amount at 1 January	4,671	4,460
Additions	103	138
Disposals	(2)	-
Charge for the period	(120)	(97)
Carrying amount at 31 March	4,652	4,501

9 Investment in Equity accounted investees

	2013	2012
Balance at 1 January	1,860	1,466
Share of (loss)/profit	6	27
Balance at 31 March	1,866	1,493

At 31 March 2013, the Group's interest in its principal associate and its summarised financial information, including total assets, liabilities, revenues and profit or loss, were as follows:

Name	Total assets	Total liabilities	Revenue	Profit/(loss)	% interest held	Country of incorporation
LLC Balttrans	3,790	1,654	590	18	35%	Russia

At 31 December 2012, the Group's interest in its principal associate and its summarised financial information, including total assets, liabilities, revenues and profit or loss, were as follows:

Name	Total assets	Total liabilities	Revenue	Profit/(loss)	% interest held	Country of incorporation
LLC Balttrans	3,858	1,719	2,403	536	35 %	Russia



10 Accounts Payable

	31 March 2013	31 December 2012
Trade accounts payable	421	621
Dividends payable	6	6
Total financial payables	427	627
Payables to employees	205	205
Accrued liabilities and other creditors	24	12
Total accounts payable and accrued expenses	656	844

11 Short-Term and Long-Term Borrowings

Borrowings consist of the following:

	31 March 2013	31 December 2012
Credit lines	1,243	2,126
Term loans	8,648	3,921
	9,891	6,047

The Group's borrowings mature as follows:

	31 March 2013	31 December 2012
Borrowings due:		
- within 1 year	1,256	592
- between 1 and 5 years	8,635	5,455
	9,891	6,047

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

	31 March 2013	31 December 2012
Borrowings denominated in:		
- Russian Roubles	-	-
- US Dollars	9,891	6,047
	9,891	6,047

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

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

	31 March 2013	31 December 2012
Short-term borrowings		
USD		
Loans with fixed interest rates of 5.2% to 6.75% per annum	622	-
Loans with floating interest rates of 1M LIBOR + 3.8% to +5.5% per annum	634	592
Total short-term borrowings	1,256	592

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

	31 March 2013	31 December 2012
Long-term borrowings		
USD		
Loans with fixed interest rates of 6.2% to 6.75% per annum	-	607
Loans with floating interest rates of 1M LIBOR + 3.8% to +5.5% per annum	3,351	3,329
Loans with floating interest rates of 12M LIBOR +5.25% per annum	5,284	1,519
Total long-term borrowings	8,635	5,455

Significant loan agreements contain certain covenants including those which require the Group and Group entities to maintain a minimum level of net assets, equity/total assets ratio, debt/equity ratio, debt/EBITDA ratio and EBITDA/ interest expense ratio. The loan agreements provide for the borrower's obligation to maintain the required level of inflows through the accounts opened with the lending banks and stipulate acceleration clauses in case of the borrower's failure to fulfil or appropriately fulfil its obligations to the bank. The loan agreements also contains a number of covenants and acceleration clause in case of the borrower's failure to fulfil its obligations under the loan agreements which include restrictions on material transactions with assets. Also, these covenants



permit the respective banks to directly debit the accounts opened by the debtors with the banks to ensure repayment of the borrowings.

12 Finance Income / (expenses), net

	Three months, ended	
	31 March 2013	31 March 2012
Interest income	386	324
Foreign exchange gain	165	620
Foreign exchange loss	(384)	(76)
	167	868

13 Other Operating Income / (expenses), net

	Three months, ended	
	31 March 2013	31 March 2012
Gain/ Loss on sale of investments	-	(7)
Other expenses	49	10
Foreign exchange gain	354	97
Foreign exchange loss	(238)	(296)
	165	(196)

14 Earnings per Share

Earnings per share are calculated by dividing the net income attributable to participating shareholders by the weighted average number of ordinary and preference shares outstanding during the period, excluding the average number of ordinary shares purchased by the Company or its subsidiaries and held as treasury shares.

	31 March 2013	31 March 2012
Weighted average number of ordinary shares outstanding	721,182,860	721,182,860
Weighted average number of participating preferred shares outstanding	154,256,400	154,256,400
Total weighted average number of participating shares outstanding	875,439,260	875,439,260
Profit for the year	1,237	1,695
Basic and diluted earnings per share (expressed in Russian Roubles) attributable to the equity holders of the Company	1.41	1.94

15 Income Taxes

	Three months, ended	
	31 March 2013	31 March 2012
Income tax expense – current	340	435
Deferred tax credit – origination and reversal of temporary differences	(1)	61
Income tax charge	339	496

16 Subsequent Events

In May 2013 the general meeting of shareholders decided to pay dividends following the results of 2012 on preferred shares in the amount of 1.20 roubles per share.