JOINT STOCK COMPANY “ACRON”

Consolidated Condensed Interim Financial Information

For the six months ended 30 June 2013

Contents

Consolidated Condensed Interim Statement of Financial Position
at 30 June 2013 (unaudited) and 31 December 2012
(in millions of Russian Roubles)

	Note	30 June 2013	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	9	54,468	47,866
Exploration and Evaluation Licences and Expenditure	10	27,216	26,371
Leasehold land		484	460
Goodwill		1,267	1,267
Available-for-sale investments	11	11,248	4,824
Long-term loans receivable		72	23
Deferred tax assets		1,518	827
Other non-current assets		1,087	961
Total non-current assets		**97,360**	**82,599**
Current assets			
Inventories	8	12,270	12,968
Short-term loans receivable		424	1,363
Accounts receivable	7	7,173	9,622
Available-for-sale investments	11	18,444	19,857
Trading Investments		703	860
Irrevocable bank deposits	6	767	1,435
Cash and cash equivalents	6	24,509	27,453
Other current assets		255	462
Total current assets		**64,545**	**74,020**
TOTAL ASSETS		**161,905**	**156,619**
EQUITY			
Share capital		3,046	3,046
Treasury shares		-	(4)
Retained earnings		45,984	43,742
Revaluation reserve		16,737	16,047
Other reserves		(110)	(171)
Cumulative currency translation difference		1 328	762
Share capital and reserves attributable to the Company's owners		**66,985**	**63,422**
Non-controlling interest		15,829	15,698
TOTAL EQUITY		**82,814**	**79,120**
LIABILITIES			
Non-current liabilities			
Long-term borrowings	13	35,459	38,176
Finance lease liability		3	10
Derivative financial liability		288	256
Deferred tax liability		6,656	5,635
Other long-term liabilities		638	500
Total non-current liabilities		**43,044**	**44,577**
Current liabilities			
Accounts payable	12	7,833	5,349
Notes payable		684	629
Current income tax payable		39	175
Other taxes payable		591	493
Short-term borrowings	13	24,313	23,383
Financial liabilities recognized for options to repurchase shares		671	-
Advances received		1,317	2,554
Finance lease liability		15	16
Derivative financial liability		2	7
Other current liabilities		582	316
Total current liabilities		**36,047**	**32,922**
TOTAL LIABILITIES		**79,091**	**77,499**
TOTAL LIABILITIES AND EQUITY		**161,905**	**156,619**

Approved for issue and signed on behalf of the Board of Directors on 19 August 2013.

A.V. Popov
Acting President

A.V. Milenkov
Finance Director

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

		Six months ended		Three months ended	
	Note	30 June 2013	30 June 2012	30 June 2013	30 June 2012
Revenue		34,251	35,272	17,690	16,850
Cost of sales		(19,848)	(19,993)	(10,411)	(9,190)
Gross profit		**14,403**	**15,279**	**7,279**	**7,660**
Transportation expenses		(3,625)	(2,783)	(1,849)	(1,099)
Selling, general and administrative expenses		(2,837)	(3,049)	(1,345)	(1,718)
Loss on disposal of property, plant and equipment, net		(54)	(14)	(20)	(4)
Gain on disposal of investment		40	242	23	(20)
Other operating (expenses) / profit, net	15	1,850	(22)	1,327	1,164
Operating profit		**9,777**	**9,653**	**5,455**	**5,983**
Finance income / (expenses), net	14	(2,896)	(333)	(1,912)	(3,107)
Interest expense		(258)	(848)	(59)	(375)
(Loss) / gain on derivatives, net		4	(550)	36	(690)
Profit before taxation		**6,627**	**7,922**	**3,520**	**1,811**
Income tax expense	17	(1,391)	(1,337)	(642)	(349)
Profit for the period		**5,236**	**6,585**	**2,878**	**1,462**
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss:					
Available-for-sale investments:					
- Gains / (losses) arising during the year		712	1,330	2,604	2,075
- Reclassification of revaluation gain on disposal to profit or loss		-	(196)	-	50
- Income tax on other comprehensive income		(142)	(227)	(520)	(425)
Currency translation differences		770	70	764	312
Other comprehensive income for the period		**1,340**	**977**	**2,848**	**2,012**
Total comprehensive income for the period		**6,576**	**7,562**	**5,726**	**3,474**
Profit is attributable to:					
Owners of the Company		4,636	6,185	2,547	1,345
Non-controlling interest		600	400	331	117
Profit for the period		**5,236**	**6,585**	**2,878**	**1,462**
Total comprehensive income is attributable to:					
Owners of the Company		5,892	7,139	5,340	3,278
Non-controlling interest		684	423	386	196
Total comprehensive income for the period		**6,576**	**7,562**	**5,726**	**3,474**
Earnings per share, basic and diluted (expressed in RUB per share)	16	**114.37**	**152.8**	**141.26**	**85.71**

(in millions of Russian Roubles)

	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
Cash flows from operating activities			
Profit before taxation		**6,627**	**7,922**
Adjustments for:			
Depreciation and amortization		1,023	777
Provision for impairment of accounts receivable		9	(19)
Loss/ (gain) on disposal of property, plant and equipment		54	14
Interest expense		258	848
Interest income		(381)	(228)
Gain on derivatives, net		(4)	(310)
Dividend income		(522)	-
Gain on disposal of investments		(40)	(242)
Foreign exchange effect on non-operating balances		2,256	4,328
Operating cash flows before working capital changes		**9,280**	**13,090**
(Increase)/ decrease in gross trade receivables		(294)	1,336
(Increase)/ decrease in advances to suppliers		1,160	(110)
(Increase)/ decrease in other receivables		1,493	(331)
(Increase)/ decrease in inventories		698	(1,916)
Increase/ (decrease) in trade payables		(121)	(264)
Increase/ (decrease) in other payables		148	1,196
Increase/ (decrease) in advances from customers		(1,237)	(583)
(Increase)/ decrease in other current assets		207	(204)
Increase/ (decrease) in other current liabilities		266	621
Cash generated from operations		**11,600**	**12,835**
Income taxes paid		(1,193)	(2,691)
Interest paid		(1,849)	(1,774)
Net cash generated from operating activities		**8,558**	**8,370**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(6,640)	(6,681)
Proceeds from sale of property, plant and equipment		-	5
Loans provided		(2,224)	(362)
Proceeds from loans repaid		3,233	289
Interest received		400	15
Dividend received		584	1
Purchase of available-for-sale investments		(4,009)	-
Proceeds from sale of available-for-sale investments		-	248
Purchase of trading investments		-	(523)
Proceeds from sale of trading investments		197	121
Net change in other non-current assets and liabilities		4	349
Net cash used in investing activities		**(8,455)**	**(6,538)**
Cash flows from financing activities			
Acquisition of treasury shares		-	(4)
Acquisition of non-controlling interest		(256)	-
Dividend paid to non-controlling shareholders		(85)	-
Sale of treasury shares		65	-
Proceeds from irrevocable bank deposits		668	-
Proceeds from borrowings	13	11,235	35,402
Repayment of borrowings	13	(16,778)	(14,774)
Financial liabilities recognized for options to repurchase shares		671	-
Net cash provided from financing activities		**(4,480)**	**20,624**
Effect of exchange rate changes on cash and cash equivalents		1,433	211
Net increase in cash and cash equivalents		**(2,944)**	**22,667**
Cash and cash equivalents at the beginning of the period	6	**27,453**	**14,630**
Cash and cash equivalents at the end of the period	6	**24,509**	**37,297**

(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 2012	**3,125**	**(79)**	**36,726**	**15,392**	**(5,588)**	**691**	**2,781**	**53,048**
Comprehensive income								
Profit for the period	-	-	6,185	-	-	-	400	6,585
Other comprehensive income								
Fair value gains/ (loss) on investments in JSC Sberbank	-	-	-	45	-	-	7	52
Disposal of investments in JSC Sbebank	-	-	-	(241)	-	-	(7)	(248)
Fair value gains/ (loss) on available-for-sale investments	-	-	-	1,330	-	-	-	1,330
Currency translation differences	-	-	-	-	-	47	23	70
Income tax recorded in other comprehensive income	-	-	-	(227)	-	-	-	(227)
Total other comprehensive income	-	-	-	907	-	47	23	977
Total comprehensive income	-	-	6,185	907	-	47	423	7,562
Repayment of treasury shares	(79)	79	(5,478)	-	5,478	-	-	-
Acquisition of treasury shares	-	(4)	-	-	(61)	-	-	(65)
Balance at 30 June 2012	**3,046**	**(4)**	**37,433**	**16,299**	**(171)**	**738**	**3,204**	**60,545**
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
Other comprehensive income								
Fair value gains/ (loss) 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
Dividend declared	-	-	(2,691)	-	-	-	-	(2,691)
Acquisition of non-controlling interest	-	-	297	-	-	-	(553)	(256)
Sale of treasury shares	-	4	-	-	61	-	-	65
Balance at 30 June 2013	**3,046**	**-**	**45,984**	**16,737**	**(110)**	**1,328**	**15,829**	**82,814**

1 Acron Group and its Operations

This unaudited consolidated condensed interim financial information has been prepared in accordance with International Financial Reporting Standards for the six months ended 30 June 2013 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 2013 and 31 December 2012 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 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 and according to following standards:

- IFRS 10 Consolidated Financial Statements is effective for annual periods beginning on or after 1 January 2013. The new standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12 Consolidation – Special Purpose Entities. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. Early adoption of IFRS 10 is permitted provided an entity also early-adopts IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

- IFRS 11 Joint Arrangements is effective for annual periods beginning on or after 1 January 2013 with retrospective application required. The new standard supersedes IAS 31 Interests in Joint Ventures. The main change introduced by IFRS 11 is that all joint arrangements are classified either as joint operations, in which case these arrangements are treated similarly to jointly controlled assets/operations under IAS 31s, or as joint ventures, for which the equity method only is applied. The type of arrangement is determined based on the rights and obligations of the parties to the arrangement arising from joint arrangement's structure, legal form, contractual arrangement and other facts and circumstances. When the adoption of IFRS 11 results a change in the accounting model, the change is accounted for retrospectively from the beginning of the earliest period presented. Under the new standard all parties to a joint arrangement are within the scope of IFRS 11 even if all parties do not participate in the joint control. Early adoption of IFRS 11 is permitted provided the entity also early-adopts IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

- IFRS 12 Disclosure of Interests in Other Entities is effective for annual periods beginning on or after 1 January 2013. The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. Entities may early present some of the IFRS 12 disclosures early without a need to early-adopt the other new and amended standards. However, if IFRS 12 is early-adopted in full, then IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) must also be early-adopted.

- IFRS 13 Fair Value Measurement is effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application.

- Amendment to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income. The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted. The amendment shall be applied retrospectively from 1 July 2012 and early adoption is permitted.

4 Segment Information

The Group prepares its segment analysis in accordance with IFRS 8, Operating Segments. Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker(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 an 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 & domestic distribution companies of the Group;
- Mining – representing firstly exploration licences. Combines several operating segments;
- 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.

(in millions of Russian Roubles)

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	2,963
Hongri Acron	5,025	(67)	4,958	394
Logistics	1,385	(971)	414	260
Trading	23,655	(1,270)	22,385	(163)
Mining	1,841	(1,599)	242	384
Other	1,420	(1,263)	157	(41)
Total	**60,102**	**(25,851)**	**34,251**	**8,818**

Information for the reportable segments for the six months ended 30 June 2012 is set out below:

	Segment sales	Intersegment sales	External sales	EBITDA
Acron	17,960	(14,484)	3,476	6,771
Dorogobuzh	8,690	(5,992)	2,698	3,068
Hongri Acron	5,858	(177)	5,681	294
Logistics	1,514	(940)	574	388
Trading	24,343	(1,781)	22,562	(178)
Mining	141	(20)	121	(334)
Other	998	(838)	160	(55)
Total	**59,504**	**(24,232)**	**35,272**	**9,954**

Reconciliation of EBITDA to Profit Before Tax:

	Six months ended	
	30 June 2013	**30 June 2012**
Profit Before Tax	6,627	7,922
Loss on derivatives, net	(4)	550
Interest expense	374	848
Finance (income)/costs, net	2,780	333
Operating Profit	**9,777**	**9,653**
Depreciation and amortisation	1,023	777
Foreign currency losses on operating activities	(1,996)	(248)
Gain on disposal of investments	(40)	(242)
Loss on disposal of property, plant and equipment	54	14
Total consolidated EBITDA	**8,818**	**9,954**

	Six months ended	
	30 June 2013	**30 June 2012**
Revenue		
Russia	6,539	7,041
European Union	3,451	4,254
Commonwealth of Independent States	2,696	2,878
USA and Canada	3,607	2,206
Latin America	4,093	4,921
China	8,332	8,421
Asia (excluding China)	2,763	5,162
Other regions	2,770	389
Total	**34,251**	**35,272**

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 2012: 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.

(in millions of Russian Roubles)

5 Balances and Transactions with Related Parties

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

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 30 June 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	Note	Relationship	30 June 2013	31 December 2012
Trade receivables, gross	7	Companies under common control	8	8
Trade payables	12	Companies under common control	(14)	(12)

ii Transactions with related parties

		Six months ended	
Statement of comprehensive income caption	Relationship	30 June 2013	30 June 2012
Sales of chemical fertilizers	Companies under common control	18	21
Purchases of raw materials	Companies under common control	(368)	(177)

6 Cash and Cash Equivalents

	30 June 2013	31 December 2012
Cash on hand and bank balances denominated in RUB	9,215	10,179
Bank balances denominated in USD	13,357	14,811
Bank balances denominated in EUR	804	1,406
Bank balances denominated in CAD	21	24
Bank balances denominated in CHF	4	4
Bank balances denominated in PLN	215	-
Bank balances denominated in CNY	893	1,029
Total cash and cash equivalents	**24,509**	**27,453**
Irrevocable bank deposits in USD	767	1,435
Total	**25,276**	**28,888**

Cash and cash equivalents include term deposits of RUB 15,903 (31 December 2012: RUB 2,047)

At 30 June 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 767 (31 December 2012: RUB 1,435).These deposits are classified as current in the consolidated Group financial statements based on maturities of respective loans.

7 Accounts Receivable

	30 June 2013	31 December 2012
Trade accounts receivable	1,918	1,624
Notes receivable	286	314
Other accounts receivable	740	796
Less: impairment provision	(208)	(199)
Total financial assets	**2,736**	**2,535**
Advances to suppliers	1,069	2,229
Value-added tax recoverable	3,063	4,467
Income tax prepayments	279	327
Other taxes receivable	42	80
Less: impairment provision	(16)	(16)
Total accounts receivable	**7,173**	**9,622**

(in millions of Russian Roubles)

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

8 Inventories

	30 June 2013	31 December 2012
Raw materials and spare parts	5,572	6,742
Work in progress	1,232	1,051
Finished products	5,466	5,175
	12,270	**12,968**

9 Property, Plant and Equipment

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

	2013	2012
Carrying amount at 1 January	**47,866**	**33,472**
Aquisitions	7,437	6,531
Disposals	(54)	(14)
Charge for the period	(1,185)	(777)
Currency translation difference	404	14
Carrying amount at 30 June	**54,468**	**39,226**

At 30 June 2013, buildings, machinery and equipment and construction in progress with a net book value of RUB 1,555 (31 December 2012: RUB 1,534) had been pledged as security for long-term loans (Note 13).

10 Exploration and Evaluation Licences and Expenditure

Exploration and evaluation expenditure comprise of:

	30 June 2013	31 December 2012
Apatite-nepheline deposits (production / development stage)	681	681
Potash deposits (development stage)	25,022	24,225
Permits for exploration (exploration and evaluation stage)	1,513	1,465
	27,216	**26,371**

11 Available-for-Sale Investments

	2013	2012
Carrying amount at 1 January	**24,681**	**19,950**
Acquisitions	4,009	-
Profit from fair value revaluation in "other income"	712	1,385
Disposals	-	(248)
Currency translation difference	290	-
Carrying amount at 30 June	**29,692**	**21,087**

The Group has investments in the following companies:

Name	Activity	Country of registration	30 June 2013	31 December 2012
Current				
JSC Uralkali	Potash mining	Russia	18,444	19,857
Total current			**18,444**	**19,857**
Non-current				
Grupa Azoty S.A. (Azoty Tarnów)	Fertilizers production	Poland	11,108	4,684
Other			140	140
Total non-current			**11,248**	**4,824**
Total			**29,692**	**24,681**

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 2013. At 30 June 2013 the share price quoted by RTS and MICEX for JSC Uralkali amounted to RUB 218.04 for 1 share (31 December 2012: RUB 234.75 for 1 share).

(in millions of Russian Roubles)

In the first quarter Polish company Azoty Tarnów (Zakłady Azotowe w Tarnowie-Mościcach SA) made an additional issue of its shares in order to pay for acquisition of another Polish company Zakłady Azotowe „Puławy" S.A. As a result of the acquisition, the company Azoty Tarnów changed its name to Grupa Azoty S.A.

During the reporting period, the Group acquired additional 6,382,526 shares of the Polish company in the open market. Accordingly, the Group's stake in the authorized capital of Grupa Azoty S.A. changed and resulted 15.34 % as at 30 June 2013. At 30 June 2013 the share price quoted at Warsaw Stock Exchange for Grupa Azoty S.A. amounted to RUB 730.05 (31 December 2012: RUB 530.21).

12 Accounts Payable

	30 June 2013	31 December 2012
Trade accounts payable	3,526	3,647
Dividends payable	2,465	13
Total financial payables	**5,991**	**3,660**
Payables to employees	861	806
Accrued liabilities and other creditors	981	883
Total accounts payable and accrued expenses	**7,833**	**5,349**

13 Short-Term and Long-Term Borrowings

Borrowings consist of the following:

	30 June 2013	31 December 2012
Bonds issued	11,150	11,150
Credit lines	4,579	10,067
Term loans	44,043	40,342
	59,772	**61,559**

The Group's borrowings mature as follows:

	30 June 2013	31 December 2012
Borrowings due:		
- within 1 year	24,313	23,383
- between 1 and 5 years	34,941	38,060
- after 5 years	518	116
	59,772	**61,559**

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

	30 June 2013	31 December 2012
Borrowings denominated in:		
- RUB	11,241	14,194
- EUR	1,850	1,735
- USD	43,567	41,757
- CNY	3,114	3,873
	59,772	**61,559**

Bank loans denominated in CNY were collateralised by buildings, machinery and equipment with a net book value of RUB 1,555 (31 December 2012: RUB 1,534) (Note 9) and land use right with a net book value of RUB 478 (31 December 2012: RUB 424). The loans obtained from banks in China are secured by guarantees issued by third parties totalled RUB 1,664 (31 December 2012: RUB 1,889).

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 2013 unused credit lines available under the long-term loan facilities were RUB 9,090 (31 December 2012: RUB 13,644).

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

(in millions of Russian Roubles)

	30 June 2013	31 December 2012
Short-term borrowings		
RUB		
Loans with fixed interest rates of 8.75% to 11% per annum	29	3,010
Bonds with coupon payments of 13.85% to 14.05% per annum	3,037	3,037
EUR		
Loans with floating interest rates of 3M EURIBOR+1.35% per annum	36	16
USD		
Loans with fixed interest rate of 4.35% to 6.82% per annum	709	1,189
Loans with floating interest rates of LIBOR+3% to LIBOR + 5.5% per annum	17,520	12,391
CNY		
Loans with fixed interest rates of 4.62% to 9.8% per annum	2,982	3,740
Total short-term borrowings	**24,313**	**23,383**

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

	30 June 2013	31 December 2012
Long-term borrowings		
RUB		
Loans with fixed interest rates of 6.316% to 8.85% per annum	62	34
Bonds with coupon payments of 7.95% to 14.05% per annum	8,113	8,113
EUR		
Loans with floating interest rates of 3M EURIBOR+1.35% to +1.75%	1,814	1,560
Loans with fixed interest rates of 4.35% to 4.9% per annum	-	159
USD		
Loans with fixed interest rates of 4.35% to 6.75% per annum	273	888
Loans with floating interest rates of LIBOR+3.5% to LIBOR+5.5% per annum	25,065	27,289
CNY		
Loans with fixed interest rates of 6.2% to 7.98% per annum	132	133
Total long-term borrowings	**35,459**	**38,176**

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.

14 Finance Income / (Expenses), net

	Six months ended	
	30 June 2013	**30 June 2012**
Interest income from loans provided and term deposits	381	228
Commissions for bank loans	(202)	(226)
Dividend received	522	310
Foreign exchange gain	630	5,092
Foreign exchange loss	(4,227)	(5,737)
	(2,896)	**(333)**

15 Other Operating Income / (Expenses), net

	Six months ended	
	30 June 2013	**30 June 2012**
Charity expenses	(126)	(223)
Other income / (expenses)	(20)	(47)
Foreign exchange gain	3,099	2,662
Foreign exchange loss	(1,103)	(2,414)
	1,850	**(22)**

(in millions of Russian Roubles)

16 Earnings per Share

Basic earnings/(loss) per share are calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares. The Company has no dilutive potential ordinary shares, therefore, the diluted earnings per share equal the basic earnings per share.

	Six months ended	
	30 June 2013	**30 June 2012**
Weighted average number of shares outstanding	40,534,000	40,534,000
Adjusted for weighted average number of treasury shares	-	(56,263)
Weighted average number of shares outstanding	**40,534,000**	**40,477,737**
Profit attributable to the equity holders of the Company	4,636	6,185
Basic and diluted earnings per share (in Russian roubles) attributable to the equity holders of the Company	**114.37**	**152.8**

17 Income Taxes

	Six months ended	
	30 June 2013	**30 June 2012**
Income tax expense – current	1,199	1,865
Deferred tax credit – origination and reversal of temporary differences	192	(528)
Income tax charge	**1,391**	**1,337**

18 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 30,395 (2012: RUB 25,541).

Fair values of derivatives financial assets and liabilities were determined based on valuation technique with inputs observable in markets and were included in level 2.

There are no other financial instruments which fair value was determined based on inputs other than level 1 or level 2 category.

Cash and cash equivalents are carried at amortised cost which approximates current fair value.

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

Liabilities carried at amortised cost. The fair value of floating rate liabilities is normally their carrying amount. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. At 30 June 2013 the fair value of borrowings was RUB 141 higher than their carrying amounts. At 31 December 2012 the fair value of borrowings was RUB 114 higher than their carrying amounts.