

**JOINT STOCK COMPANY
“ACRON”**

**Consolidated Condensed Interim
Financial Information**

**For the nine months ended
30 September 2014**



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Auditors' Report on Review of Consolidated Condensed Interim Financial Information

To the Shareholders and Board of Directors
JSC "Acron"

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of JSC "Acron" and its subsidiaries (the "Group") as at 30 September 2014, and the related consolidated condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine - month period then ended, and notes to the consolidated condensed interim financial information (the "consolidated condensed interim financial information"). Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of consolidated condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial information as at 30 September 2014 and for the nine - month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Audited entity: JSC "Acron".

Registered by administration of Veliky Novgorod on 19 November 1992, Registration No. 3835rz.

Entered in the Unified State Register of Legal Entities on 16 October 2012 by the Veliky Novgorod Inter-Regional Tax Inspectorate No.9, Registration No. 1025300786610.

Acron site, Veliky Novgorod, Russian Federation, 173012.

Independent auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

Other Matter

The consolidated condensed interim statement of profit or loss and other comprehensive income and corresponding notes for the three-month period ended 30 September 2014 and the corresponding figures for the three-month period ended 30 September 2013 are not reviewed.



Ilya O. Belyatski,

Director, (power of attorney dated 29 September 2014 No. 43/14)

ZAO KPMG

4 December 2014

Moscow, Russian Federation

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



	Note	30 September 2014	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	9	67,094	61,068
Exploration and evaluation licences and expenditure	10	30,815	27,393
Leasehold land		540	481
Goodwill		1,267	1,267
Available-for-sale investments	12	157	10,449
Investment in equity accounted investees	13	18,248	-
Long-term loans receivable		70	98
Long-term derivative financial instruments	14	1,950	2,030
Deferred tax assets		1,282	892
Other non-current assets		1,279	1,141
Total non-current assets		122,702	104,819
Current assets			
Inventories	8	11,629	10,937
Short-term loans receivable		63	28
Accounts receivable	7	9,708	7,175
Available-for-sale investments	12	3,811	8,949
Trading investments		175	247
Irrevocable bank deposits	6	-	767
Cash and cash equivalents	6	18,376	12,787
Other current assets		360	395
Total current assets		44,122	41,285
TOTAL ASSETS		166,824	146,104
EQUITY			
Share capital	17	3,046	3,046
Treasury shares		(1)	-
Retained earnings		55,222	52,944
Revaluation reserve		2,955	9,374
Other reserves		(122)	(110)
Cumulative currency translation difference		4,233	992
Share capital and reserves attributable to the Company's owners		65,333	66,246
Non-controlling interest	17	22,644	13,231
TOTAL EQUITY		87,977	79,477
LIABILITIES			
Non-current liabilities			
Long-term loans and borrowings	16	28,166	22,720
Derivative financial liability	14	2,327	2,052
Deferred tax liability		3,181	3,497
Other long-term liabilities		745	853
Total non-current liabilities		34,419	29,122
Current liabilities			
Accounts payable	15	5,157	4,973
Notes payable		960	187
Current income tax payable		62	128
Other taxes payable		590	491
Short-term loans and borrowings	16	34,341	27,467
Advances received		2,423	3,343
Finance lease liability		30	11
Derivative financial liability		-	411
Other current liabilities		865	494
Total current liabilities		44,428	37,505
TOTAL LIABILITIES		78,847	66,627
TOTAL LIABILITIES AND EQUITY		166,824	146,104

Approved for issue and signed on behalf of the Board of Directors on 4 December 2014.

V.Y. Kunitskiy
President



A.V. Milenkov
Finance Director



Joint Stock Company "Acron"

**Consolidated Condensed Interim Statement of Profit or Loss and Other Comprehensive Income
for the nine months ended 30 September 2014**

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

	Note	Nine months ended		Three months ended	
		30 September 2014	30 September 2013	30 September 2014	30 September 2013
Revenue	4	52,676	51,697	16,930	17,446
Cost of sales		(31,634)	(30,844)	(9,999)	(10,996)
Gross profit		21,042	20,853	6,931	6,450
Transportation expenses		(6,052)	(5,677)	(1,825)	(2,052)
Selling, general and administrative expenses		(4,548)	(4,277)	(1,777)	(1,440)
Gain on permits		183	204	183	204
Other operating income / (expenses), net	20	574	888	1,749	(908)
Operating profit		11,199	11,991	5,261	2,254
Gain on disposal of investment		8,098	479	4,943	439
Finance (costs) / income, net	19	(6,643)	(1,815)	(5,873)	1,081
Interest expense		(727)	(388)	(131)	(130)
(Loss) / gain on derivatives, net		(561)	(83)	(561)	(87)
Share of profit of equity accounted investees	13	20	-	20	-
Profit before taxation		11,386	10,184	3,659	3,557
Income tax expense	22	(1,691)	(2,174)	(514)	(783)
Profit for the period		9,695	8,010	3,145	2,774
<i>Other comprehensive income</i>					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Available-for-sale investments:					
- Gain/ (loss) arising during the period		1,491	(3,162)	(564)	(3,761)
- Reclassification of revaluation gain on disposal to profit or loss		(8,355)	(459)	(5,200)	(459)
- Income tax recorded directly in other comprehensive income		1,006	571	272	844
Currency translation differences		2,923	1,344	2,748	330
Other comprehensive loss for the period		(2,935)	(1,706)	(2,744)	(3,046)
Total comprehensive income for the period		6,760	6,304	401	(272)
Profit is attributable to:					
Owners of the Company		8,620	7,290	2,480	2,654
Non-controlling interest		1,075	720	665	120
Profit for the period		9,695	8,010	3,145	2,774
Total comprehensive income is attributable to:					
Owners of the Company		5,442	5,513	(456)	(379)
Non-controlling interest		1,318	791	857	107
Total comprehensive income for the period		6,760	6,304	401	(272)
Basic earnings per share (expressed in Roubles)	21	212.66	179.85	61.18	75.10
Diluted earnings per share (expressed in Roubles)	21	204.28	162.45	53.13	70.15

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 nine months
ended 30 September 2014
(in millions of Russian Roubles)



	Note	Nine months ended	
		30 September 2014	30 September 2013
Cash flows from operating activities			
Profit before taxation		11,386	10,184
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment and intangible assets		2,700	1,755
Provision for impairment of other accounts receivable		370	6
Share of profit of equity accounted investees		(20)	-
Loss on disposal of property, plant and equipment		68	80
Gain on permits		(183)	(204)
Interest expense		727	388
Interest income		(374)	(535)
Loss on derivatives, net		561	83
Dividend income		(119)	(527)
Gain on disposal of investments		(8,098)	(479)
Unrealised foreign exchange effect on non-operating balances		5,133	2,856
Operating cash flows before working capital changes		12,151	13,607
Increase in gross trade receivables		(1,455)	(773)
(Increase)/ decrease in advances to suppliers		(747)	1,062
(Increase)/ decrease in other receivables		(512)	1,708
(Increase)/ decrease in inventories		(554)	1,411
Increase in trade payables		29	192
Increase/ (decrease) in other payables		868	(1,534)
Decrease in advances from customers		(920)	(822)
Decrease in other current assets		35	20
(Decrease)/ increase in other current liabilities		(246)	353
Cash generated from operations before income taxes and interest paid		8,649	15,224
Income taxes paid		(1,554)	(1,556)
Interest paid		(1,682)	(2,206)
Net cash generated from operating activities		5,413	11,462
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(7,556)	(10,510)
Loans provided		(3,997)	(2,688)
Proceeds from loans repaid		4,004	3,427
Interest received		206	448
Dividend received		98	881
Purchase of available-for-sale investments		(4,115)	(3,840)
Proceeds from sale of available-for-sale investments		4,119	470
Purchase of trading investments		-	(884)
Proceeds from sale of trading investments		-	1,454
Net change in other non-current assets and liabilities		(246)	119
Net cash used in investing activities		(7,487)	(11,123)
Cash flows from financing activities			
Acquisition of non-controlling interest		(766)	(247)
Dividend paid to shareholders		(6,270)	(2,448)
Dividend paid to non-controlling shareholders		-	(87)
Purchase of treasury shares		(13)	-
Sale of treasury shares		-	65
Closing of subsidiary		(14)	-
Proceeds from sale of shares of subsidiaries		6,672	-
Proceeds from irrevocable bank deposits		767	668
Proceeds from borrowings	16	26,137	15,715
Repayment of borrowings	16	(21,615)	(23,683)
Financial liabilities recognized on options to repurchase shares		-	671
Net cash (used in)/ generated from financing activities		4,898	(9,346)
Net (decrease)/increase in cash and cash equivalents		2,824	(9,007)
Effect of currency exchange rate changes on cash and cash equivalents		2,765	1,057
Cash and cash equivalents at the beginning of the period	6	12,787	27,453
Cash and cash equivalents at the end of the period	6	18,376	19,503

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



Capital and reserves attributable to the Company's owners

	Share capital	Treasury shares	Retained earnings	Revaluation reserve	Other reserves	Cumulative currency translation difference	Non-controlling interest	Total equity
Balance at 1 January 2013	3,046	(4)	43,742	16,047	(171)	762	15,698	79,120
Comprehensive income								
Profit for the period	-	-	7,290	-	-	-	720	8,010
<i>Other comprehensive income</i>								
Fair value loss on available-for-sale investments	-	-	-	(3,162)	-	-	-	(3,162)
Disposal of investments	-	-	-	(459)	-	-	-	(459)
Currency translation differences	-	-	-	768	-	505	71	1,344
Income tax recorded in other comprehensive income	-	-	-	571	-	-	-	571
Total other comprehensive loss	-	-	-	(2,282)	-	505	71	(1,706)
Total comprehensive income	-	-	7,290	(2,282)	-	505	791	6,304
Dividends declared	-	-	(2,594)	-	-	-	(97)	(2,691)
Acquisition of non-controlling interest	-	-	396	-	-	-	(643)	(247)
Sale of treasury shares	-	4	-	-	61	-	-	65
Balance at 30 September 2013	3,046	-	48,834	13,765	(110)	1,267	15,749	82,551
Balance at 1 January 2014	3,046	-	52,944	9,374	(110)	992	13,231	79,477
Comprehensive income								
Profit for the period	-	-	8,620	-	-	-	1,075	9,695
<i>Other comprehensive income</i>								
Fair value income on available-for-sale investments	-	-	-	1,491	-	-	-	1,491
Disposal of investments	-	-	-	(8,355)	-	-	-	(8,355)
Currency translation differences	-	-	-	(561)	-	3,241	243	2,923
Income tax recorded in other comprehensive income	-	-	-	1,006	-	-	-	1,006
Total other comprehensive loss	-	-	-	(6,419)	-	3,241	243	(2,935)
Total comprehensive income	-	-	8,620	(6,419)	-	3,241	1,318	6,760
Dividends declared	-	-	(6,176)	-	-	-	(94)	(6,270)
Acquisition of non-controlling interest	-	-	230	-	-	-	(996)	(766)
Sale of shares of subsidiaries	-	-	(384)	-	-	-	9,187	8,803
Sale of subsidiaries	-	-	(12)	-	-	-	(2)	(14)
Acquisition of treasury shares	-	(1)	-	-	(12)	-	-	(13)
Balance at 30 September 2014	3,046	(1)	55,222	2,955	(122)	4,233	22,644	87,977

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 nine months ended 30 September 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, Smolenskaya and Murmanskaya 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 September 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.

With the exception of specified in point 2.3 in preparing this consolidated condensed interim financial information for the nine months ended 30 September 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.

2.3 Changes in accounting policy

Started from 1 January 2014 the Group made accounting policy choice regarding accounting of changes in status of equity-accounted investees. In accordance with chosen method performed remeasurement of previously held interest through profit or loss. Available-for-sale revaluation reserve reclassified to profit or loss. Implementation of this method taken place first (Note 13) and do not influence on opening balance.

3 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.

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.;

Joint Stock Company “Acron”
Notes to the Consolidated Condensed Interim Financial Information
for the nine months ended 30 September 2014



(in millions of Russian Roubles)

- 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, North Atlantic Potash Inc., Canada Ltd., all companies are 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 nine months ended 30 September 2014 is set out below:

	Segment sales	Intersegment sales	External sales	EBITDA
Acron	26,667	(22,125)	4,542	7,640
Dorogobuzh	12,206	(8,132)	4,074	2,870
Hongri Acron	7,922	(247)	7,675	568
Logistics	2,420	(2,094)	326	659
Trading	36,505	(1,497)	35,008	515
Mining NWPC	3,270	(2,836)	434	616
Mining excluding NWPC	-	-	-	(47)
Other	1,791	(1,174)	617	(10)
Total	90,781	(38,105)	52,676	12,811

Information for the reportable segments for the nine months ended 30 September 2013 is set out below:

	Segment sales	Intersegment sales	External sales	EBITDA
Acron	25,978	(21,334)	4,644	7,193
Dorogobuzh	13,495	(9,094)	4,401	3,905
Hongri Acron	7,875	(213)	7,662	406
Logistics	2,094	(1,573)	521	454
Trading	34,877	(1,528)	33,349	(216)
Mining NWPC	3,029	(2,608)	421	633
Mining excluding NWPC	-	-	-	-
Other	2,114	(1,415)	699	5
Total	89,462	(37,765)	51,697	12,380

Reconciliation of EBITDA to Profit Before Tax:

	Nine months ended	
	30 September 2014	30 September 2013
Profit Before Tax	11,386	10,184
Loss on derivatives, net	561	83
Interest expense	727	388
Gain on disposal of investments	(8,098)	(479)
Finance costs/(income), net	6,643	1,815
Share of profit of equity accounted investees	(20)	-
Operating Profit	11,199	11,991
Depreciation and amortisation	2,700	1,755
Net foreign currency gain on operating activities	(973)	(1,242)
Gain on disposal of permits	(183)	(204)
Loss on disposal of property, plant and equipment	68	80
Total consolidated EBITDA	12,811	12,380



Information about geographical areas:

The geographic information below analyses the Group's revenue from sales to non-related parties. In presenting the following information, segment revenue has been based on the geographic location of customers.

	Nine months ended	
	30 September 2014	30 September 2013
Revenue		
Russia	9,026	8,983
European Union	5,217	5,254
Commonwealth of Independent States	3,629	4,321
USA and Canada	6,548	5,564
Latin America	8,347	7,254
China	11,900	11,726
Asia (excluding China)	5,892	4,791
Other regions	2,117	3,804
Total	52,676	51,697

Analysis of revenue is based on customers' location.

Revenue from sales of chemical fertilizers accounts for 90% of total revenues (for the nine months ended 30 September 2013: 90%).

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

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 September 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 September 2014	31 December 2013
Trade receivables, gross	7	Companies under common control	9	10
Trade payables	15	Companies under common control	(10)	(13)

ii Transactions with related parties

	Relationship	Nine months ended	
		30 September 2014	30 September 2013
Sales of chemical fertilizers	Companies under common control	20	24
Purchases of raw materials	Companies under common control	(49)	(124)
Acquisition of land	Companies under common control	-	(287)



6 Cash and Cash Equivalents and irrevocable deposits

	30 September 2014	31 December 2013
Cash on hand and bank balances denominated in RUB	1,625	1,780
Bank balances denominated in USD	14,618	9,691
Bank balances denominated in EUR	1,218	459
Bank balances denominated in CAD	12	8
Bank balances denominated in CHF	5	7
Bank balances denominated in PLN	54	83
Bank balances denominated in CNY	844	759
Total cash and cash equivalents	18,376	12,787
Irrevocable bank deposits in USD	-	767
Total	18,376	13,554

Cash and cash equivalents include term deposits of RUB 12,817 (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 in the amount of RUB 767. These deposits are classified as current in the consolidated Group financial statements based on maturities of respective loans.

7 Accounts Receivable

	30 September 2014	31 December 2013
Trade accounts receivable	2,846	1,391
Notes receivable	174	173
Other accounts receivable	915	614
Less: impairment provision	(261)	(213)
Total financial assets	3,674	1,965
Advances to suppliers	2,550	1,803
Value-added tax recoverable	3,395	3,120
Income tax prepayments	332	82
Other taxes receivable	91	217
Less: impairment provision	(334)	(12)
Total accounts receivable	9,708	7,175

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

8 Inventories

	30 September 2014	31 December 2013
Raw materials and spare parts, including	6,666	6,405
- Apatite-nepheline ore	666	647
- Apatite concentrate	39	26
Work in progress	467	421
Finished products	4,496	4,111
	11,629	10,937

Raw materials are shown net of obsolescence provision of RUB 420 (31 December 2013: RUB 585).

9 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	8,083	11,573
Disposals	(68)	(80)
Depreciation charge	(2,838)	(1,867)
Currency translation difference	849	457
Carrying amount at 30 September	67,094	57,949



Included in the 9 months 2014 additions to assets under constructions is approximately RUB 527 of capitalized borrowing costs in accordance with IAS 23, Borrowing costs (9 months 2013: RUB 1,088) at the average borrowing rate of 4.05% (9 months 2013: 5.36%).

At 30 September 2014 buildings, machinery and equipment and construction in progress with a net book value of RUB 737 (31 December 2013: RUB 1,452) had been pledged as security for long-term loans (Note 16).

10 Exploration and Evaluation Licences and Expenditure

Exploration and evaluation expenditure comprise of:

	30 September 2014	31 December 2013
Apatite-nepheline deposits (production / development stage)	696	676
Potash deposits (development stage)	25,716	25,032
Permits for exploration (exploration and evaluation stage)	4,403	1,685
	30,815	27,393

The Group capitalised borrowing costs less interest income from temporarily invested funds in amount of RUB 684 (nine months ended 30 September 2013: RUB 1,060) at the average borrowing rate of 4.05% (9 months 2013: 5.36%).

Impairment test of JSC Verkhnekamsk Potash Company

The Management concluded on the presence of impairment indicators for JSC Verkhnekamsk Potash Company (JSC VPC) on 30 September 2014 and tested this cash generating unit (CGU) for impairment.

The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections, prepared in nominal terms, based on financial budgets approved by management. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates.

Based on the results of these calculations the Group concluded that no impairment charge was required. The key assumptions used for value-in-use calculations are as follows:

	30 September 2014	31 December 2013
Average margin over the forecast period	66%	66%
Revenue annual growth rate predictable	2-3%	2-5%
Start of production	2019	2018
Discount rate	13.4%	13.8%

Management determined budgeted EBITDA margin based on peers performance and its most realistic expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are post-tax, reflect specific risks relating to the CGU and were estimated on the weighted average cost of capital basis. Management regularly monitors market conditions and finance market for selection of the most favourable date for start of production within the license agreement.

The estimated recoverable amount of the CGU exceeded its carrying value by approximately RUB 33,007 (2013: 16,975). Management identified that the recoverable amount is strongly dependent on changes in export price in rouble equivalent and discount rate. Decrease of export price in rouble equivalent more than 22% and increase of 5% (2013: 2%) in the discount rate used would have caused the discounted amount of the future cash flows to equal the carrying amount.

11 Goodwill

	2014	2013
Cost and carrying amount at 1 January	1,267	1,267
Cost and carrying amount at 30 September	1,267	1,267

Goodwill is allocated to cash-generating units (CGUs) which represent the lowest level within the Group at which the goodwill is monitored by management and which are not larger than a segment as follows:

	2014	2013
LLC Andrex	52	52
JSC Dorogobuzh / CGU Dorogobuzh	972	972
AS DBT / AS DBT	243	243
Total carrying amount of goodwill	1,267	1,267



Impairment test

The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections, prepared in nominal terms, based on financial budgets approved by management covering a five year period. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates.

Based on the results of these calculations the Group concluded that no impairment charge was required for major CGUs in 2014.

The key assumptions used for value-in-use calculations in 2014 are as follows:

- EBITDA margin range over the forecast period: 13%-23% (2013: 19-34%)
- Growth rate beyond five years: 3% (2013: 1-2%)
- Discount rate: 12% (2013: 13%)

Management determined budgeted EBITDA margin based on past performance and its most realistic expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are after-tax, reflect specific risks relating to the relevant segments and were estimated on the weighted average cost of capital basis.

As the result of the annual testing there was no need to recognize impairment of goodwill, as there would be no such need if the projected sales growth rate used in calculating the value in use for each cash-generating unit would be to 2.0% (2013: 2.0%) less than management estimates. Impairment would also be not recognized if the estimated after-tax discount rate applied to the discounted cash flows for any CGU to 5% (2013: 6%) more than management expectations .

12 Available-for-Sale Investments

	2014	2013
Carrying amount at 1 January	19,398	24,681
Acquisitions	4,115	3,840
Fair value (loss) / gain recognised directly in OCI	1,491	(3,162)
Disposals	(4,274)	(470)
Reclassification in other categories	(17,328)	-
Currency translation difference	566	768
Carrying amount at 30 September	3,968	25,657

The Group has investments in the following companies:

Name	Activity	Country of registration	30 September 2014	31 December 2013
Current				
JSC Uralkali	Potash mining	Russia	3,811	8,949
Total current			3,811	8,949
Non-current				
Grupa Azoty S.A. (Azoty Tarnów)	Fertilizers production	Poland	-	10,309
Other			157	140
Total non-current			157	10,449
Total			3,968	19,398

As at 30 September 2014 and 31 December 2013 the investment in JCS Uralkali was classified as current according to management intention to dispose this investment within 12 months from the reporting date.

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 September 2014. At 30 September 2014 the share price quoted by Moscow Stock Exchange for JSC Uralkali amounted to RUB 140.22 for 1 share (31 December 2013: RUB 171.99 for 1 share).

During the reporting period there was derecognition of investment in Grupa Azoty S.A. (Note 13).

13 Investment in equity accounted investees

During the reporting period the Group's equity interest in the capital of the Polish company Grupa Azoty S.A. increased from 15,34% to 20%, therefore Grupa Azoty S.A. became equity accounted investee. As a result of this decision revaluation reserve accounted in equity at the date of derecognition of available for sale investment in amount of RUB 4,189 was included in profit or loss.



The following table analyses, in aggregate, the carrying amount and share of profit and OCI of the associate.

	2014
Carrying amount of interests in associates	17,328
Share of:	
– Profit from continuing operations	20
– Currency translation difference comprising in OCI	900
	18,248

At 30 September 2014, the Group's interest in its principal associate and its summarised financial information, including total assets, liabilities, revenues and profit or loss, were as follows:

30 September 2014:

Name	Total assets	Total liabilities	Revenue	Profit/(loss)	% interest held	Country of incorporation
Grupa Azoty S.A.	116,734	39,286	84,293	2,797	20%	Poland

14 Derivative Financial Assets and Liabilities

Put and call options on JSC VPC shares are recognized within the shares issue to non-controlling interests. The liabilities comprise the put options giving the non-controlling shareholders the right to sell their 49% of JSC VPC shares back to the Group in 2019-2024. Assets comprise the call options, which give the Group the right to buy 29% of JSC VPC shares from non-controlling shareholders before 2018.

	30 September 2014			
	Assets		Liabilities	
	Non-Current	Current	Non-Current	Current
Put/call options on JSC VPC shares	1,950	-	2,327	-
	1,950	-	2,327	-

	31 December 2013			
	Assets		Liabilities	
	Non Current	Current	Non Current	Current
Put/call options on JSC VPC shares	2,030	-	2,052	-
USD/RUB Cross currency interest rate swap	-	-	-	411
	2,030	-	2,052	411

15 Accounts Payable

	30 September 2014	31 December 2013
Trade accounts payable	3,682	3,653
Dividends payable	19	9
Total financial payables	3,701	3,662
Payables to employees	841	884
Accrued liabilities and other creditors	615	427
Total accounts payable and accrued expenses	5,157	4,973

16 Short-Term and Long-Term Loans and Borrowings

Borrowings consist of the following:

	30 September 2014	31 December 2013
Bonds issued	8,764	8,113
Credit lines	9,453	8,510
Term loans	44,290	33,564
	62,507	50,187



The Group's loans and borrowings mature as follows:

	30 September 2014	31 December 2013
Borrowings due:		
- within 1 year	34,341	27,467
- between 1 and 5 years	27,894	22,294
- after 5 years	272	426
	62,507	50,187

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

	30 September 2014	31 December 2013
Borrowings denominated in:		
- RUB	8,773	8,175
- EUR	3,283	3,147
- USD	47,359	36,683
- CNY	3,092	2,182
	62,507	50,187

Bank loans denominated in CNY were collateralised by buildings, machinery and equipment with a net book value of RUB 737 (31 December 2013: RUB 1,452) (Note 9) and land use right with a net book value of RUB 293 (31 December 2013: RUB 254). The loans obtained from banks in China are secured by guarantees issued by third parties totalled RUB 2,131 (31 December 2013: RUB 838).

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 September 2014 unused credit lines available under the long-term loan facilities were RUB 14,467 (31 December 2013: RUB 1,185).

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

	30 September 2014	31 December 2013
Short-term loans and borrowings		
RUB		
Loans with fixed interest rates of 8.75% to 11% per annum	4	-
Bonds with coupon payments of 10.25% per annum	3,764	3,113
EUR		
Loans with floating interest rates of 3M EURIBOR+1.35% per annum to 6M EURIBOR+2.85% per annum	1,658	1,708
Loans with fixed interest rate of 5.27% per annum	196	118
USD		
Loans with fixed interest rate of 3.95% to 4.62% per annum	890	740
Loans with floating interest rates of LIBOR+1.5% to 3M LIBOR + 3% per annum	24,814	19,725
CNY		
Loans with fixed interest rates of 6.6% to 7.5% per annum	3,015	2,063
Total short-term liabilities	34,341	27,467

In May 2011 the Group placed through an offering to the public under an open subscription RUB denominated 7.95% non-convertible bonds with a face value of RUB 7,500 to be redeemed in May 2021. The holders of this bonds issue were granted an option to redeem the bonds beginning in May 2014. In the first quarter of 2012 the Group redeemed bonds in the amount of RUB 3,377. At 30 September 2014 the Group's subsidiary JSC Dorogobuzh held bonds of this issue in the amount of RUB 359.



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

	30 September 2014	31 December 2013
Long-term loans and borrowings		
RUB		
Loans with fixed interest rates of 6.32% to 8.85% per annum	5	62
Bonds with coupon payments of 9.75% per annum	5,000	5,000
EUR		
Loans with floating interest rates of 3M EURIBOR+1.35% to 6M EURIBOR+2.85%	840	731
Loans with fixed interest rates of 5.27% per annum	589	589
USD		
Loans with fixed interest rates of 4.28% to 4.62% per annum	386	378
Loans with floating interest rates of 3M LIBOR+3.55% to 3M LIBOR+3.7% per annum	21,269	15,841
CNY		
Loans with fixed interest rates of 7.21% per annum	77	119
Total long-term liabilities	28,166	22,720

In October 2012 the Group placed through an offering to the public under an open subscription RUB denominated 9.75% non-convertible bonds with a face value of RUB 5,000 to be redeemed in October 2015. No option to redeem these bonds were granted.

All of the above bonds have been admitted to the quotation list B and are traded on Moscow Stock Exchange. The fair value of the outstanding bonds balance at 30 September 2014 was RUB 8,637 with reference to Moscow Stock Exchange quotations as of this date (2013: RUB 8,186).

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/EBITDA ratio. The loan agreements provide for the borrower's obligation to maintain the required level of inflows through the accounts opened with the lending banks. The loan agreements also contains a number of covenants and acceleration clause in case of the borrower's failure to fulfil its obligations under the loan agreements which include restrictions on material transactions with assets. Also, these covenants permit the respective banks to directly debit the accounts opened by the debtors with the banks to ensure repayment of the loans.

17 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	-	-	-	-	-
30 September 2013	40,534,000	-	3,046	-	3,046
31 December 2013	40,534,000	-	3,046	-	3,046
Sale of treasury shares	-	-	-	-	-
Acquisition of treasury shares	-	(76,697)	-	(1)	(1)
30 September 2014	40,534,000	(76,697)	3,046	(1)	3,045

In 2014 amount of dividends for 2013 was declared in amount of RUB 152 per ordinary share. (2013: RUB 110)

Shares issue to non-controlling interest

In 2012 the Group attracted third-party bank institutions (the banks) to financially co-invest in the project for the development of the Verkhnekamsk potassium-magnesium salts deposit located in Perm region of Russian Federation.



Initially the banks purchased equity interests in the Group subsidiary JSC VPC totalling 38.05%. In 2013 the Group repurchased 10.95% of shares of JSC VPC, of which a major part was previously recognized as non-controlling interests. In February 2014 one more independent bank purchased 19,9% of shares of JSC VPC for RUB 6,673. For each deals call/put option agreements with banks were concluded. As a result, the Group's ownership of JSC VPC as at 30 September 2014 is 51%.

In accordance with the agreements one of the banks have a right to sell shares of JSC VPC to the Group during October 2024 with premium, which is equivalent to percentage income of bank for loans with comparable terms calculated based on period of use and amount received (further "premium").

Two of other banks have an option to sell shares of JSC VPC to the Group with premium during 2019-2020. Besides, if since 6-month period after sale of option initial public share placing of JSC VPC will performed the premium will be corrected up to price of initial public share placing.

In accordance with the agreements with the banks the Group has unconditional right to discharge of obligations by transfer to bank own shares (ordinary shares of JSC Acron) in amount, calculated based on total amount of obligation and fair value of transferred shares at the date of discharge of obligation.

Accordingly to this conditions as at 30 September 2014 financing received by the Group was recorded in structure of the Group equity as non-controlling interest in amount of RUB 17,478.

Derivative financial instruments related to above share issues are disclosed in Notes 14.

In accordance with the agreement with the banks the Group will also have to meet technical conditions during project development, including meeting deadlines for key project milestones. The Group is also obliged to attract or support attracting additional financing if currently approved investment budget would not be sufficient to complete the project. Failure to meet those technical conditions in the future enable the banks to sell the equity of JSC VPC to the Group at a premium. Management does not believe that the technical risks of the project are significant.

18 Acquisition and sale of non-controlling interest

In 2014 the Group sold 19,9% interest in JSC VPC, decreasing its ownership from 70.9% to 51%. The Group recognized an increase in non-controlling interests of RUB 7,056 and decrease in retained earnings by RUB 384.

In the reporting period the Group has made contribution to the newly created subsidiary Canada Ltd comprising 68% of its capital by transferring part of permits to explore potash deposits. The Group recognized non-controlling interest in amount of 2,131 paid by non-controlling shareholder by transferring remaining part of the permits.

19 Finance (Costs) / Income, net

19	Nine months ended		Three months ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
Interest income from loans provided and term deposits	374	535	187	154
Commissions expense	(231)	(208)	39	(6)
Dividend income	119	527	47	5
Foreign exchange gain on financial transactions	5,982	2,350	2,078	1,720
Foreign exchange loss on financial transactions	(12,887)	(5,019)	(8,491)	(792)
19	(6,643)	(1,815)	(6,140)	1,081

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20 Other Operating Income / (Expenses), net

19	Nine months ended		Three months ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
Charity expenses	(229)	(211)	(80)	(85)
Other expenses	(102)	(63)	62	(43)
Loss on disposal of property, plant and equipment	(68)	(80)	(1)	(26)
Foreign exchange gain on operating activities	6,075	3,207	4,214	108
Foreign exchange loss on operating activities	(5,102)	(1,965)	(2,446)	(862)
19	574	888	1,749	(908)

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21 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 period, excluding treasury shares. As at 30 September 2014 the shares of the Company have dilutive potential related to the right of the settle in own shares for the puttable shares sold to non-controlling interests (Note 17).

	Nine months ended	
	30 September 2014	30 September 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	1,663,421	4,341,524
Weighted average number of shares outstanding (diluted)	42,197,421	44,875,524
Profit attributable to the equity holders of the Company	8,620	7,290
Basic earnings per share (in Russian roubles) attributable to the equity holders of the Company	212,66	179,85
Diluted earnings per share (in Russian roubles) attributable to the equity holders of the Company	204,28	162,45

22 Income Taxes

	Nine months ended	
	30 September 2014	30 September 2013
Income tax expense – current	1,392	1,874
Deferred tax expense/(credit) – origination and reversal of temporary differences	299	300
Income tax charge	1,691	2,174

23 Contingencies, Commitments and Operating Risks

i Contractual commitments and guarantees

As at 30 September 2014 the Group had outstanding capital commitments in relation to property, plant and equipment for the amount of RUB 7,823 (31 December 2013: RUB 6,586).

In accordance with the conditions of the exploration licenses the Group has to commence the extraction of certain mineral resources by certain dates as stipulated by license agreements.

The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. As at 30 September 2014 and 31 December 2013, the Group has issued financial guarantees to third parties in respect of loans and borrowings by the Group's counterparties in the amount of RUB 2,131 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 Contingent tax liabilities in the Russian Federation

Russian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities.

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation enacted during the current period is effective for new transactions from 1 January 2012. It introduces significant reporting and documentation requirements. The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2011 also allows the tax authorities to make transfer pricing



adjustments and to impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%. Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. Significant difficulties exist in interpreting and applying transfer pricing legislation in practice.

Any prior existing court decisions may provide guidance, but are not legally binding for decisions by other, or higher level, courts in the future.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the entity.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that may be challenged by the tax authorities, the impact of which cannot be reliably estimated; however, it may be significant to the financial condition or the overall operations of the Group.

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 September 2014 no provision for potential tax liabilities had been recorded (31 December 2013: no provision).

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

iv Environmental matters

The environmental regulation in the Russian Federation 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.

24 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 13, Fair Value Measurement.

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

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

All available-for-sales and trading financial instruments of the Group were included in level 1 category in the amount of RUB 4,143 (2013: RUB 19,645).

All liabilities on bonds issued were included in level 1 category in the amount of RUB 8,865 (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.



The spot price of JSC VPC is one of the inputs to the valuation using Black–Scholes Option Pricing Model. Since the shares are not quoted, management applied discounted cash flows method using risk-adjusted discount rate. The calculation was based on the cash flow forecast prepared in nominal terms and derived from financial budgets.

Significant unobservable inputs	Inter-relationship between significant unobservable inputs data and fair value measurement
<ul style="list-style-type: none"> • Forecast annual revenue growth rate: 2 – 3%. • Forecast EBITDA margin: 64-69%. • Risk-adjusted discount rate: 13.4%. • Production start year: 2019. 	<p>The estimated fair value of the shares of JSC VPC would increase (decrease) if:</p> <ul style="list-style-type: none"> • The annual revenue growth rate were higher (lower); • The EBITDA margin were higher (lower); or • risk-adjusted discount rate were lower (higher) ; or • production began earlier (later). <p>Generally, EBITDA margin follows any changes in the trend set by the annual revenue growth rate.</p>

Significant unobservable inputs of Black–Scholes Option Pricing Model are shown in the following table:

Financial instrument	Significant unobservable inputs	Inter-relationship between significant unobservable inputs data and estimate of fair value
Call option on shares of JSC VPC (asset)	<ul style="list-style-type: none"> • The current fair value of the shares (calculated as above) • Volatility: 23-35%. • Risk-free rate of return: 2,1-4,1% • No dividends assumed 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> • spot price of the shares were higher (lower); • volatility were higher (lower); or • the risk-free rate of return were higher (lower).
Put option on shares of JSC VPC (liability)	<ul style="list-style-type: none"> • Spot price of the shares (calculated above) • Volatility: 29-35%. • Risk-free rate of return: 2.8-5.1%. • Empirical overestimation percentage for ‘up to more than 5-years’ options: 34% • No dividends assumed 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> • current fair value of the shares were lower (higher); or • volatility were higher (lower); or • the risk-free rate of return were lower (higher); • empirical overestimation percentage for ‘up to more than 5-years’ options were lower (higher).

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 September 2014 the fair value of borrowings was RUB 2 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 does not differ significantly from their carrying amounts.

25 Subsequent Events

In October 2014 the Group announced the buyback of non-controlling interest of subsidiary - OJSC “Dorogobuzh” in amount of 9.94% of its share capital. Price of purchase per one share is determined in amount RUB 16.4, this price correspond with weighted average price of the share for deals for the last 6 month on Moscow Exchange. Buyback will be completed by 6 March 2015.