



OJSC “PhosAgro”

**Consolidated Interim Condensed
Financial Statements
for the three months ended
31 March 2014 (unaudited)**

Contents

Auditors' Report on Review of Consolidated Interim Condensed Financial Information	3
Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income	4
Consolidated Interim Condensed Statement of Financial Position	5
Consolidated Interim Condensed Statement of Cash Flows	6
Consolidated Interim Condensed Statement of Changes in Equity	7
Notes to the Consolidated Interim Condensed Financial Statements	8



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Auditors' Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders and Board of Directors

OJSC "PhosAgro"

Introduction

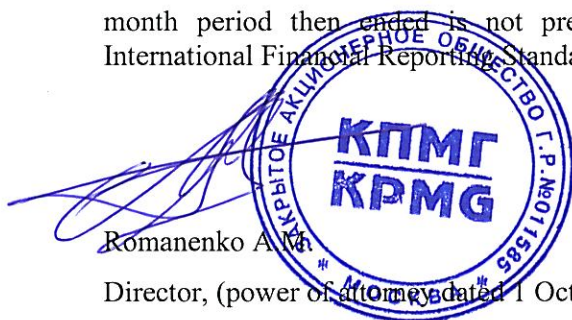
We have reviewed the accompanying consolidated interim condensed statement of financial position of OJSC "PhosAgro" (the "Company") and its subsidiaries (the "Group") as at 31 March 2014, and the related consolidated interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and notes to the consolidated interim condensed financial information (the "consolidated interim condensed financial information"). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed 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 interim condensed 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 interim condensed financial information as at 31 March 2014, and for the three-month period then ended, is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.



Romanenko A. M.

Director, (power of attorney dated 1 October 2013 No. 84/13)

ZAO KPMG

19 May 2014

Moscow, Russian Federation

Audited entity: OJSC "PhosAgro"

Registered by the State Registration Chamber with the Russian Ministry of Justice on 10 October 2001. Registration No. P-18009.16.

Entered in the Unified State Register of Legal Entities on 5 September 2002 by the Moscow Inter-Regional Tax Inspectorate No. 39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700190572, Certificate series 77 No. 005082819.

55/1 building 1, Leninsky prospekt, Moscow, Russian Federation, 119333

Independent auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a part of the KPMG Europe LLP group, 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.

OJSC "PhosAgro"
*Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
for the three months ended 31 March 2014 (unaudited)*

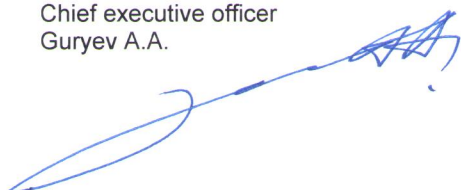
	Note	Three months ended 31 March	
		2014 RUB Million	2013* RUB Million
Continuing operations			
Revenues	6	29,416	28,902
Cost of sales	7	(17,443)	(18,618)
Gross profit		11,973	10,284
Administrative expenses	8	(1,973)	(1,833)
Selling expenses	9	(2,730)	(2,106)
Taxes, other than income tax		(485)	(498)
Other expenses, net	10	(181)	(155)
Operating profit		6,604	5,692
Finance income	11	161	204
Finance costs	11	(720)	(565)
Foreign exchange loss		(3,772)	(1,029)
Share of profit of associates	14	4	182
Restructuring costs		-	(24)
Profit before tax		2,277	4,460
Income tax expense	12	(368)	(1,080)
Profit from continuing operations		1,909	3,380
Discontinued operations			
Loss from discontinued operations, net of tax	5	-	(89)
Profit for the period		1,909	3,291
Attributable to:			
Non-controlling interests ^		52	461
Shareholders of the Parent		1,857	2,830
Other comprehensive income			
Actuarial gains and losses, net of tax		(65)	(60)
Foreign currency translation difference		640	94
Other comprehensive income for the period		575	34
Total comprehensive income for the period		2,484	3,325
Attributable to:			
Non-controlling interests ^		50	454
Shareholders of the Parent		2,434	2,871
Basic and diluted earnings per share (in RUB)	20	14	23

^ non-controlling interests are the minority shareholders of the subsidiaries of OJSC "PhosAgro"

* comparative information has been re-presented, see note 3

The consolidated interim condensed financial statements were approved on 19 May 2014:

Chief executive officer
Guryev A.A.



Chief accountant
Valenkova E.V.



OJSC "PhosAgro"
Consolidated Interim Condensed Statement of Financial Position
as at 31 March 2014 (unaudited)

	Note	31 March 2014 RUB million	31 December 2013 RUB million
Assets			
Property, plant and equipment	13	77,139	75,928
Intangible assets		567	623
Investments in associates	14	9,040	8,485
Deferred tax assets		2,468	1,806
Other non-current assets	15	4,691	4,383
Non-current assets		93,905	91,225
Other current investments	16	1,806	1,585
Derivative financial assets		-	79
Inventories	17	11,061	12,293
Current income tax receivable		601	668
Trade and other receivables	18	13,234	11,464
Cash and cash equivalents		16,776	8,938
Current assets		43,478	35,027
Total assets		137,383	126,252
Equity			
	19		
Share capital		372	372
Share premium		7,494	7,494
Retained earnings		50,121	48,556
Other reserves		461	(116)
Equity attributable to shareholders of the Parent		58,448	56,306
Equity attributable to non-controlling interests		2,974	3,020
Total equity		61,422	59,326
Liabilities			
Loans and borrowings	21	50,842	39,550
Defined benefit obligations		991	971
Deferred tax liabilities		3,069	3,304
Non-current liabilities		54,902	43,825
Trade and other payables	22	8,421	9,377
Current income tax payable		903	518
Loans and borrowings	21	11,320	13,206
Derivative financial liabilities		166	-
Other current liabilities		249	-
Current liabilities		21,059	23,101
Total equity and liabilities		137,383	126,252

	Note	Three months ended 31 March	
		2014	2013
		RUB million	RUB million
Cash flows from operating activities			
Profit before tax from continuing operations		2,277	4,460
Loss before tax from discontinued operations		-	(87)
<i>Adjustments for:</i>			
Depreciation and amortisation	7, 8, 9	1,983	1,886
Gain on disposal of fixed assets	10	(24)	(5)
Finance income	11	(161)	(204)
Finance costs	11	720	565
Share of profit of associates	14	(4)	(182)
Foreign exchange loss		4,013	1,127
Operating profit before changes in working capital and provisions		8,804	7,560
Decrease in inventories		1,365	1,097
Increase in trade and other receivables		(1,271)	(2,434)
Decrease in trade and other payables		(902)	(656)
Cash flows from operations before income taxes and interest paid		7,996	5,567
Income tax paid		(850)	(1,059)
Finance costs paid		(627)	(436)
Cash flows from operating activities		6,519	4,072
Cash flows from investing activities			
Loans (issued)/repaid, net		(29)	602
Acquisition of intangible assets		(48)	(9)
Acquisition of property, plant and equipment		(3,810)	(2,974)
Proceeds from disposal of property, plant and equipment		144	106
Disposal/(acquisition) of investments, net		234	(7)
Finance income received		105	282
Cash flows used in investing activities		(3,404)	(2,000)
Cash flows from financing activities			
Proceeds from borrowings		14,456	17,844
Repayment of borrowings		(9,431)	(1,260)
Acquisition of non-controlling interests	19	(86)	(5,857)
Tax paid on intra-group dividends		(247)	-
Dividends paid to non-controlling interests		(1)	(4)
Dividends paid to shareholders of the Parent		-	(2,911)
Finance leases paid		(190)	(460)
Cash flows from financing activities		4,501	7,352
Net increase in cash and cash equivalents		7,616	9,424
Cash and cash equivalents at 1 January		8,938	9,664
Effect of exchange rates fluctuations		222	(32)
Cash flows used in discontinued operations		-	(74)
Cash and cash equivalents at 31 March		16,776	18,982

RUB Million	Attributable to shareholders of the Parent							Total
	Share capital	Share premium	Retained earnings	Available-for-sale investments revaluation reserve	Actuarial gains and losses recognised in equity	Foreign currency translation reserve	Attributable to non-controlling interests	
Balance at 1 January 2013	360	1,099	48,294	(23)	(347)	103	12,389	61,875
Total comprehensive income for the period								
Profit for the period	-	-	2,830	-	-	-	461	3,291
Actuarial gains and losses, net of tax	-	-	-	-	(53)	-	(7)	(60)
Foreign currency translation difference	-	-	-	-	-	94	-	94
	-	-	2,830	-	(53)	94	454	3,325
Transactions with owners recognised directly in equity								
Acquisition of non-controlling interest in subsidiaries	-	-	(1,633)	-	-	-	(4,224)	(5,857)
	-	-	(1,633)	-	-	-	(4,224)	(5,857)
Balance at 31 March 2013	360	1,099	49,491	(23)	(400)	197	8,619	59,343
Balance at 1 January 2014	372	7,494	48,556	(23)	(443)	350	3,020	59,326
Total comprehensive income for the period								
Profit for the period	-	-	1,857	-	-	-	52	1,909
Reclassification of non-controlling interests reflected as a liability	-	-	-	-	-	-	(55)	(55)
Actuarial gains and losses, net of tax	-	-	-	-	(63)	-	(2)	(65)
Foreign currency translation difference	-	-	-	-	-	640	-	640
	-	-	1,857	-	(63)	640	(5)	2,429
Transactions with owners recognised directly in equity								
Acquisition of non-controlling interest in subsidiaries, note 19	-	-	(45)	-	-	-	(41)	(86)
Tax on intra-group dividends	-	-	(247)	-	-	-	-	(247)
	-	-	(292)	-	-	-	(41)	(333)
Balance at 31 March 2014	372	7,494	50,121	(23)	(506)	990	2,974	61,422

1 BACKGROUND

(a) Organisation and operations

OJSC “PhosAgro” (the “Company” or the “Parent”) and its subsidiaries (together referred to as the “Group”) comprise Russian and foreign legal entities. The Company was registered in October 2001. The Company’s registered office is Leninsky prospekt 55/1 building 1, Moscow, Russian Federation.

The Group’s principal activity is production of apatite concentrate and mineral fertilisers at plants located in the cities of Kirovsk (Murmansk region), Cherepovets (Vologda region), Balakovo (Saratov region) and Volkhov (Leningrad region), and their distribution across the Russian Federation and abroad.

(b) Russian business environment

The Group’s operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial conditions of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated interim condensed financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

2 BASIS OF PREPARATION

(a) Statement of compliance

The International Financial Reporting Standards (“IFRS”) consolidated interim condensed financial statements (“consolidated interim condensed financial statements”) of the Group have been prepared in accordance with International Accounting Standard 34 – “Interim Financial Reporting”.

These consolidated interim condensed financial statements do not contain all the information required for presentation in a complete set of IFRS financial statements and therefore should be read in conjunction with PhosAgro’s consolidated annual financial statements for the year ended 31 December 2013.

Except as disclosed in note 2(c), the accounting policies and judgements applied by the Group are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2013.

(b) Functional and presentation currencies

The national currency of the Russian Federation is the Russian Rouble (“RUB”), which is the functional currency of the Parent and its subsidiaries. All financial information presented in RUB has been rounded to the nearest million, except per share amounts.

These consolidated interim condensed financial statements are presented in RUB.

(c) Adoption of new and revised standards and interpretations

- Amended IAS 32 *Financial Instruments: Presentation* provides clarifications on the application of the offsetting rules of financial instruments. Amended IAS 32 did not have a significant effect on the Group’s consolidated interim condensed financial statements.
- Amended IAS 36 *Impairment of assets* has been issued to reverse the unintended requirement in IFRS 13 *Fair Value Measurement* to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the disclosure of information about the recoverable amount of impaired assets will be required only when the recoverable amount is based on fair value less costs of disposal. The amendments to be applied retrospectively. Amended IAS 36 did not have a significant effect on the Group’s consolidated interim condensed financial statements.

- Amended IFRS 10 *Consolidated Financial Statements* provides investment entities an exemption from the consolidation of particular subsidiaries and instead requires that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* or IAS 39 *Financial Instruments: Recognition and Measurement*. Amended IFRS 10 did not have a significant effect on the Group's consolidated interim condensed financial statements.
- Amended IFRS 12 *Disclosure of Interests in Other Entities* requires additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries. Amended IFRS 12 did not have a significant effect on the Group's consolidated interim condensed financial statements.
- IFRIC 21 *Levies* provides guidance on determining the obligation event that gives rise to a liability in connection with a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain. IFRIC 21 did not have a significant effect on the Group's consolidated interim condensed financial statements.

3 PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATIONS

During the current period the Group made a decision to make certain reclassifications of expenses for the three months ended 31 March 2013 on materials and services, depreciation, amortisation, salaries and social contributions between cost of sales, administrative expenses, and restructuring costs in order to align them with the current period's presentation:

	As previously	Reclassifications	As adjusted
	presented		
	Three months ended 31 March		
	2013	2013	2013
	RUB Million	RUB Million	RUB Million
Cost of sales	(18,649)	31	(18,618)
Administrative expenses	(1,744)	(89)	(1,833)
Selling expenses	(2,188)	82	(2,106)
Restructuring costs	-	(24)	(24)

4 SEGMENT INFORMATION

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products, and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

- *Phosphate-based products segment* includes mainly production and distribution of ammophos, diammoniumphosphate, sodium tripolyphosphate and other phosphate based and complex (NPK) fertilisers on the factories located in Cherepovets, Balakovo and Volkhov, and production and distribution of apatite concentrate extracted from the apatite-nepheline ore, which is mined and processed in Kirovsk;
- *Nitrogen-based products segment* includes mainly production and distribution of ammonia, ammonium nitrate and urea on the factory located in Cherepovets.

Certain assets, revenue and expenses are not allocated to any particular segment and are, therefore, included in the "other operations" line. None of these operations meet any of the quantitative thresholds for determining reportable segments.

Information regarding the results of each reportable segment is included below. Performance is measured based on gross profit, as included in internal management reports that are reviewed by the Group's CEO.

Business segment information as at 31 March 2014 and for the three months then ended is as follows:

<i>RUB million</i>	Phosphate-based products	Nitrogen-based products	Other operations	Inter-segment elimination	Total
<i>Segment revenue and profitability</i>					
Segment external revenues, thereof:	24,687	4,570	159	-	29,416
Export	16,985	3,168	-	-	20,153
Domestic	7,702	1,402	159	-	9,263
Inter-segment transfers	-	8	-	(8)	-
Cost of goods sold	(14,697)	(2,750)	(143)	8	(17,582)
Gross segment profit	<u>9,990</u>	<u>1,828</u>	<u>16</u>	<u>-</u>	<u>11,834</u>
<i>Certain items of profit and loss</i>					
Amortisation and depreciation	(1,453)	(407)	(50)	-	(1,910)
Total non-current segment assets	<u>52,522</u>	<u>14,236</u>	<u>2,274</u>	<u>-</u>	<u>69,032</u>
Additions to non-current assets	<u>2,649</u>	<u>330</u>	<u>266</u>	<u>-</u>	<u>3,245</u>

Business segment information of the Group as at 31 December 2013 and for the three months ended 31 March 2013 is as follows:

<i>RUB million</i>	Phosphate-based products	Nitrogen-based products	Other operations	Inter-segment elimination	Total
<i>Segment revenue and profitability</i>					
Segment external revenues, thereof:	25,182	3,658	62	-	28,902
Export	17,675	2,424	-	-	20,099
Domestic	7,507	1,234	62	-	8,803
Inter-segment transfers	-	35	-	(35)	-
Cost of goods sold	(16,608)	(2,239)	(53)	35	(18,865)
Gross segment profit	<u>8,574</u>	<u>1,454</u>	<u>9</u>	<u>-</u>	<u>10,037</u>
<i>Certain items of profit and loss</i>					
Amortisation and depreciation	(1,337)	(434)	(45)	-	(1,816)
Total non-current segment assets	<u>51,930</u>	<u>14,309</u>	<u>2,232</u>	<u>-</u>	<u>68,471</u>
Additions to non-current assets	<u>2,771</u>	<u>141</u>	<u>215</u>	<u>-</u>	<u>3,127</u>

The analysis of export revenue by regions is as follows:

	Three months ended 31 March	
	2014 RUB million	2013 RUB million
North and South America	9,977	4,411
Europe	6,436	6,753
Asia	1,379	4,648
CIS	1,610	2,033
Africa	555	1,999
India	91	255
Australia	105	-
	<u>20,153</u>	<u>20,099</u>

	Three months ended 31 March	
	2014	2013
	RUB million	RUB million
Total segment revenues	29,416	28,902
Consolidated revenues	29,416	28,902

Reconciliation with internal management reports:

	Three months ended 31 March	
	2014	2013
	RUB million	RUB million
Total segment gross profit	11,834	10,037
Difference in depreciation and amortisation	(13)	(97)
Difference in timing of expenses recognition	50	47
Reallocation of administrative expenses	(4)	(32)
Reallocation of selling expenses	(16)	8
Reallocation of other income	-	189
Elimination of unrealised profit	(170)	(127)
Recognition of finance lease	303	270
Other adjustments	(11)	(11)
Consolidated gross profit	11,973	10,284

	31 March 2014	31 December 2013
	RUB million	RUB million
	Total non-current segment assets	69,032
Difference in the carrying value of the tangible assets	8,674	8,080
Consolidated non-current assets	77,706	76,551

5 DISPOSAL GROUP HELD FOR SALE

During 2013 the Group sold 100% stake in CJSC "Pikalevskaya soda" for the total consideration of RUB 376 million and part of manufacturing facilities within LLC "Metachem" for the total consideration of RUB 257 million.

Results of discontinued operations for three months ended 31 March 2013 were as follows:

	RUB million
Revenues	770
Expenses	(857)
Results from operating activities	(87)
Income tax expense	(2)
Loss for the period	(89)

Cash flows from discontinued operations for the three months ended 31 March 2013 were as follows:

	RUB million
Net cash used in operating activities	(73)
Net cash used in financing activities	(1)
Net cash flows for the period	(74)

6 REVENUES

	Three months ended 31 March	
	2014	2013
	RUB million	RUB million
Sales of chemical fertilisers	22,964	22,384
Sales of apatite concentrate	4,162	4,462
Sales of sodium tripolyphosphate	960	928
Sales of nepheline concentrate	108	175
Sales of ammonium	14	29
Other sales	1,208	924
	29,416	28,902

7 COST OF SALES

	Three months ended 31 March	
	2014	2013
	RUB million	RUB million
Materials and services	(4,977)	(4,310)
Salaries and social contributions	(2,634)	(3,302)
Natural gas	(1,963)	(1,578)
Depreciation	(1,779)	(1,731)
Potash	(979)	(1,267)
Electricity	(895)	(903)
Ammonia	(823)	(1,607)
Fuel	(818)	(1,382)
Sulphur and sulphuric acid	(736)	(891)
Heating energy	(497)	(117)
Ammonium sulphate	(237)	(379)
Other items	(10)	(9)
Change in stock of WIP and finished goods	(1,095)	(1,142)
	(17,443)	(18,618)

8 ADMINISTRATIVE EXPENSES

	Three months ended 31 March	
	2014	2013
	RUB million	RUB million
Salaries and social contributions	(1,222)	(1,038)
Professional services	(156)	(144)
Depreciation and amortisation	(180)	(138)
Other	(415)	(513)
	(1,973)	(1,833)

9 SELLING EXPENSES

	Three months ended 31 March	
	2014	2013
	RUB million	RUB million
Russian Railways infrastructure tariff and operators' fees	(1,318)	(1,146)
Port and stevedoring expenses	(1,019)	(697)
Materials and services	(281)	(154)
Salaries and social contributions	(88)	(92)
Depreciation	(24)	(17)
	(2,730)	(2,106)

10 OTHER EXPENSES, NET

	Three months ended 31 March	
	2014	2013
	RUB million	RUB million
Social expenditures	(200)	(185)
Gain on disposal of fixed assets	24	5
Decrease in provision for inventory obsolescence	14	41
Increase in provision for bad debt	(44)	(27)
Other income, net	25	11
	(181)	(155)

11 FINANCE INCOME AND FINANCE COSTS

	Three months ended 31 March	
	2014	2013
	RUB million	RUB million
Interest income	158	204
Other finance income	3	-
Finance income	161	204
Interest expense	(511)	(548)
Other finance costs	(40)	-
Loss on revaluation of derivative financial instruments	(169)	(17)
Finance costs	(720)	(565)
Net finance costs	(559)	(361)

12 INCOME TAX EXPENSE

The Company's applicable corporate income tax rate is 20% (three months ended 31 March 2013: 20%).

	Three months ended 31 March	
	2014	2013
	RUB million	RUB million
Current tax expense	(1,289)	(1,104)
Origination and reversal of temporary differences, including change in unrecognised assets	921	24
	(368)	(1,080)

Reconciliation of effective tax rate:

	Three months ended 31 March			
	2014		2013	
	RUB million	%	RUB million	%
Profit before tax from continuing operations	2,277	100	4,460	100
Income tax at applicable tax rate	(455)	(20)	(892)	(20)
Effect of tax rates in foreign jurisdictions	15	-	-	-
Over provided in respect of prior years	(1)	-	-	-
Unrecognised tax liability on profit from associates	1	-	36	1
Non-deductible items	(55)	(2)	(24)	(1)
Decrease/(increase) in unrecognised deferred tax assets	127	6	(200)	(4)
	(368)	(16)	(1,080)	(24)

13 PROPERTY, PLANT AND EQUIPMENT

<i>RUB million</i>	Land and buildings	Plant and equipment	Fixtures and fittings	Construction in progress	Total
Net book value at 1 January 2013	16,002	30,268	1,578	18,545	66,393
Additions	51	815	210	2,481	3,557
Transfers	897	2,122	-	(3,019)	-
Disposals	(37)	(59)	(2)	(3)	(101)
Depreciation	(242)	(1,423)	(156)	-	(1,821)
Net book value at 31 March 2013	<u>16,671</u>	<u>31,723</u>	<u>1,630</u>	<u>18,004</u>	<u>68,028</u>
Net book value at 1 January 2014	18,017	31,488	1,584	24,839	75,928
Additions	17	305	251	2,672	3,245
Transfers	929	3,199	-	(4,128)	-
Disposals	(44)	(42)	(2)	(32)	(120)
Depreciation	(276)	(1,461)	(177)	-	(1,914)
Net book value at 31 March 2014	<u>18,643</u>	<u>33,489</u>	<u>1,656</u>	<u>23,351</u>	<u>77,139</u>

Security

Properties with a carrying amount of RUB 347 million (31 December 2013: RUB 599 million) are pledged to secure bank loans, see note 21.

14 INVESTMENTS IN ASSOCIATES

The movement in the balance of investments in associates is as follows:

	2014 RUB million	2013 RUB million
Balance at 1 January	8,485	9,620
Share in profit for the period	4	182
Foreign currency translation difference	551	94
Balance at 31 March	<u>9,040</u>	<u>9,896</u>

15 OTHER NON-CURRENT ASSETS

	31 March 2014 RUB million	31 December 2013 RUB million
Advances issued for construction of property, plant and equipment	3,304	2,864
Financial assets available-for-sale, at cost	627	627
Loans issued to employees, at amortised cost	336	384
Financial assets available-for-sale, at fair value	66	81
Finance lease receivable	49	74
Loans issued to related parties, at amortised cost	38	48
Other long-term receivables	271	305
	<u>4,691</u>	<u>4,383</u>

16 OTHER CURRENT INVESTMENTS

	31 March 2014 RUB million	31 December 2013 RUB million
Investments in debt securities, at amortised cost	1,606	1,473
Loans issued to employees, at amortised cost	96	73
Loans issued to related parties, at amortised cost	28	17
Other loans issued, at amortised cost	76	22
	<u>1,806</u>	<u>1,585</u>

17 INVENTORIES

	31 March 2014 RUB million	31 December 2013 RUB million
<i>Raw materials:</i>		
Raw materials and spare parts	5,268	5,472
Apatite concentrate	661	608
<i>Finished goods:</i>		
Chemical fertilizers and other products	3,483	4,029
Apatite concentrate	217	239
<i>Work-in-progress:</i>		
Apatite-nepheline ore	752	1,260
Chemical fertilizers and other products	783	794
Other goods for resale	26	34
Provision for obsolescence	(129)	(143)
	11,061	12,293

18 TRADE AND OTHER RECEIVABLES

	31 March 2014 RUB million	31 December 2013 RUB million
Trade accounts receivable	6,223	4,175
Taxes receivable	4,947	5,063
Advances issued	1,983	2,172
Other receivables	271	250
Interest receivable	134	88
Deferred expenses	98	110
Finance lease receivable	64	49
Receivables from employees	15	14
Provision for doubtful accounts	(501)	(457)
	13,234	11,464

19 EQUITY

Dividends

In April 2014, the Board of Directors proposed paying a dividend of RUB 19.30 per ordinary share. The total amount of proposed dividends was RUB 2,499 million.

Acquisition of non-controlling stakes in OJSC “PhosAgro-Cherepovets”

In February 2014, the Group launched a voluntary tender offer to acquire ordinary shares of OJSC “PhosAgro-Cherepovets”. The offered price, which was determined in accordance with the Russian law, is RUB 44.0 per ordinary share with a nominal value of RUB 1.10. For the purposes of the voluntary buyout the Group obtained a bank guarantee in the amount of RUB 10,800 million for the benefit of non-controlling interests. The offer period expired on 6 May 2014. As of 31 March 2014, holders of 0.0058% of all issued shares of OJSC “PhosAgro-Cherepovets” (73,007 ordinary shares), accepted the Company’s voluntary tender offer. The financial effect of this transaction is a decrease in non-controlling interests by RUB 41 million and a decrease in retained earnings by RUB 45 million.

Launching a new subsidiary LLC “Smart Bulk Terminal”

In February 2014, the Group jointly with “Ultramar” launched a new subsidiary LLC “Smart Bulk Terminal” with a share capital of RUB 10 thousand in which it owns 70%. The Company will organize the construction and subsequent operation of the new terminal at the port of Ust-Luga where it will handle fertilizers produced and sold by the Group.

Other events subsequent to the reporting date

See note 27 for significant events which took place after 31 March 2014.

20 EARNINGS PER SHARE

Basic earnings per share are calculated based on the weighted average number of ordinary shares outstanding during the period after adjustment for the share split and issuance of new shares. Basic and diluted earnings per share are the same, as there is no effect of dilution.

	Three months ended 31 March	
	2014	2013
	RUB million	RUB million
Weighted average number of ordinary shares in issue	129,500,000	124,477,080
Profit for the period attributable to shareholders of the Parent, RUB million	1,857	2,830
Basic and diluted earnings per share, RUB	14	23

21 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's loans and borrowings. See note 13 on the assets pledged as a security for bank loans.

<i>RUB Million</i>	<u>Contractual interest rate</u>	<u>31 March 2014</u>	<u>31 December 2013</u>
Current loans and borrowings			
<i>Secured bank loans:</i>			
RUB- denominated	1.5%-3.25%	-	76
<i>Unsecured bank loans:</i>			
RUB-denominated	8.25%-9.15%	240	-
USD-denominated	LIBOR(1M)+1.4%-2.9%	9,715	10,546
USD-denominated	1.35%	-	818
<i>Unsecured loans from associates</i>			
EUR-denominated	4.50%	-	361
<i>Unsecured loans from other companies</i>			
USD-denominated	LIBOR(12M)+1.25%	357	327
<i>Finance lease liabilities:</i>			
USD-denominated	7.1%-13.9% ¹	864	769
<i>Interest payable:</i>			
RUB-denominated		1	2
USD-denominated		143	307
		<u>11,320</u>	<u>13,206</u>
Non-current loans and borrowings			
<i>Unsecured bank loans:</i>			
RUB-denominated	8.25%-9.15%	473	207
USD-denominated	LIBOR(1M)+2.0%-2.52%	27,519	18,469
USD-denominated	LIBOR(3M)+2.9%	1,784	1,636
USD-denominated	LIBOR(6M)+1.05%	47	-
USD-denominated	4.17%	70	-
<i>Secured letters of credit:</i>			
USD-denominated	EURIBOR(6M)+2.3%	237	217
EUR-denominated	EURIBOR(6M)+3.25%	299	274
<i>Loan participation notes:</i>			
USD-denominated	4.204% ²	17,765	16,281
<i>Finance lease liabilities:</i>			
USD-denominated	7.1%-13.9% ¹	2,648	2,466
		<u>50,842</u>	<u>39,550</u>
		<u>62,162</u>	<u>52,756</u>

¹ Contractual interest rate on financial lease agreements consists of:

- interest rate and fees to a lessor
- insurance of property
- property tax (for lease agreements concluded since 2013 property tax is excluded from the interest rate)

² In February 2013, the Company's SPV issued a USD 500 million 5-year Eurobond with a coupon rate of 4.204%, which is listed on the Irish Stock Exchange, with the fair value at the reporting date of RUB 16,934 million (31 December 2013: RUB 16,286 million).

22 TRADE AND OTHER PAYABLES

	31 March 2014	31 December 2013
	RUB million	RUB million
Taxes payable	2,039	1,614
Trade accounts payable	1,827	2,179
Accruals	1,731	1,633
Advances received	1,408	1,793
Payables to employees	835	1,092
Payable for property, plant and equipment	469	916
Dividends payable	62	63
Other payables	50	87
	8,421	9,377

23 COMMITMENTS

The Group has entered into contracts to purchase plant and equipment for RUB 25,227 million (31 December 2013: RUB 23,891 million).

24 RELATED PARTY TRANSACTIONS**(a) Transactions and balances with associates****(i) Transactions with associates**

	Three months ended 31 March	
	2014	2013
	RUB million	RUB million
Sales of goods and services	337	3,280
Interest income	5	15
Purchases of goods and services	(19)	(1)

(ii) Balances with associates

	31 March 2014	31 December 2013
	RUB million	RUB million
Trade and other receivables	226	447
Advances issued for construction of property, plant and equipment	43	33
Short-term loans received	-	(361)
Trade and other payables	(17)	(13)

(iii) Financial guarantees

The Group issued financial guarantees to banks on behalf of associates amounting to RUB 2,151 million (31 December 2013: RUB 2,151 million).

(b) Transactions and balances with other related parties

(i) Transactions with other related parties

	Three months ended 31 March	
	2014 RUB million	2013 RUB million
Sales of goods and services	134	217
Interest income	1	1
Purchases of goods and services	(52)	(142)

(ii) Balances with other related parties

	31 March 2014	31 December 2013
	RUB million	RUB million
Short-term loans issued, at amortised cost	28	17
Long-term loans issued, at amortised cost	38	48
Trade and other receivables	134	12
Trade and other payables	(82)	(47)

(iii) Financial guarantees

The Group issued financial guarantees to banks on behalf of related parties amounting to RUB 226 million (31 December 2013: RUB 326 million).

25 SEASONALITY

The Group is subject to certain seasonal fluctuations in fertiliser demand due to the timing of fertiliser application and, as a result, fertiliser purchases by farmers. However, the effect of seasonality on the Group's revenue is partially offset by the fact that the Group sells its fertilisers globally and fertiliser application and purchases vary by region. In particular, purchases of fertilisers by farmers in Russia generally peak in the third quarter. . This normally results in the Group having somewhat higher revenue in the third quarter as compared to the other quarters. However, fertiliser demand from other regions tends to peak in other periods of the year (for example, fertiliser demand from Europe and North and South America generally peaks in the first quarter).

The Group's costs are generally stable throughout the year with the exception of a slight increase during May-June as a result of maintenance activities undertaken at the Group's production facilities.

26 CONTINGENCIES

The Group has a number of small claims and litigations relating to regular business activities and small fiscal claims. Management believes that none of these claims, individually or in aggregate, will have a material adverse impact on the Group.

27 EVENTS SUBSEQUENT TO THE REPORTING DATE

In April 2014, minority shareholders owning over 10% of OJSC “PhosAgro-Cherepovets” shares have accepted the Group's voluntary tender offer for the purchase of OJSC “PhosAgro-Cherepovets” shares. The approximate financial effect of this transaction, to be recognized in May 2014, is a decrease in non-controlling interests by RUB 2,382 million and a decrease in retained earnings by RUB 3,213 million.

On 1 May 2014 the Group completed the reorganisation of two of its subsidiaries by merging CJSC “Balakovo Mineral Fertilizers” into OJSC “Apatit”.