



OJSC “PhosAgro”

**Consolidated Interim Condensed
Financial Statements
for the three-month period ended
31 March 2013 (unaudited)**

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ZAO KPMG
10 Presnenskaya Naberezhnaya
Moscow, Russia 123317

Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

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 2013, and the related consolidated interim condensed statements of 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.

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.

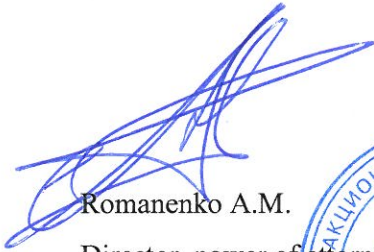
Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

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.

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 2013 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 2010 No. 47/10

ZAO KPMG

24 May 2013

Moscow, Russian Federation



OJSC "PhosAgro"
*Consolidated Interim Condensed Statement of Comprehensive Income
for the three-month period ended 31 March 2013 (unaudited)*

	Note	Three months ended 31 March	
		2013 RUB million	2012 RUB million
Continuing operations			
Revenues	5	28,902	25,918
Cost of sales	6	<u>(18,649)</u>	<u>(14,509)</u>
Gross profit		10,253	11,409
Administrative expenses	7	(1,744)	(1,480)
Selling expenses	8	(2,188)	(1,849)
Taxes, other than income tax		(498)	(406)
Other expenses, net	9	<u>(155)</u>	<u>(145)</u>
Operating profit		5,668	7,529
Finance income	10	204	799
Finance costs	10	(565)	(322)
Foreign exchange (loss)/gain		(1,029)	1,771
Share of profit/(loss) of associates	13	182	(42)
Profit before tax		4,460	9,735
Income tax expense	11	<u>(1,080)</u>	<u>(1,688)</u>
Profit from continuing operations		3,380	8,047
Discontinued operations			
Loss from discontinued operations, net of tax	4	<u>(89)</u>	-
Profit for the period		<u>3,291</u>	<u>8,047</u>
Attributable to:			
Non-controlling interests		<u>461</u>	<u>1,521</u>
Shareholders of the Parent		<u>2,830</u>	<u>6,526</u>
Other comprehensive income			
Revaluation of available-for-sale securities		-	17
Recycling of revaluation loss on available-for-sale securities to profit and loss		-	369
Actuarial gains and losses, net of tax		(60)	(28)
Foreign currency translation difference		94	(204)
Other comprehensive income for the period		<u>34</u>	<u>154</u>
Total comprehensive income for the period		<u>3,325</u>	<u>8,201</u>
Attributable to:			
Non-controlling interests		<u>454</u>	<u>1,511</u>
Shareholders of the Parent		<u>2,871</u>	<u>6,690</u>
Basic and diluted earnings per share (in RUB)	19	<u>23</u>	<u>52</u>

The consolidated interim condensed financial statements were approved on 24 May 2013:

Chief executive officer
Volkov M.V.

Chief accountant
Valenkova E.V.

OJSC "PhosAgro"
Consolidated Interim Condensed Statement of Financial Position
as at 31 March 2013 (unaudited)

	Note	31 March 2013 RUB million	31 December 2012 RUB million
Assets			
Property, plant and equipment	12	68,163	66,528
Intangible assets		500	553
Investments in associates	13	9,896	9,620
Other non-current assets	14	3,328	3,071
Non-current assets		81,887	79,772
Other current investments	15	138	833
Derivative financial assets		-	45
Inventories	16	11,069	12,324
Current income tax receivable		730	769
Trade and other receivables	17	14,388	11,874
Cash and cash equivalents		18,982	9,664
Assets held for sale, net	4	346	346
Current assets		45,653	35,855
Total assets		127,540	115,627
Equity			
Share capital	18	360	360
Share premium		1,099	1,099
Retained earnings		49,491	48,294
Other reserves		(226)	(267)
Equity attributable to shareholders of the Parent		50,724	49,486
Equity attributable to non-controlling interests		8,619	12,389
Total equity		59,343	61,875
Liabilities			
Loans and borrowings	20	30,912	14,452
Defined benefit obligations		1,278	1,257
Deferred tax liabilities		3,026	2,973
Non-current liabilities		35,216	18,682
Trade and other payables	21	8,697	12,377
Current income tax payable		682	676
Loans and borrowings	20	23,580	22,017
Derivative financial liabilities		22	-
Current liabilities		32,981	35,070
Total equity and liabilities		127,540	115,627

	Note	Three months ended 31 March	
		2013 RUB million	2012 RUB million
OPERATING ACTIVITIES			
Profit before tax from continuing operations		4,460	9,735
Loss before tax from discontinued operations		(87)	-
Total profit before tax		4,373	9,735
<i>Adjustments for:</i>			
Depreciation and amortisation	6, 7, 8	1,886	1,570
Gain on disposal of fixed assets	9	(5)	(85)
Finance costs	10	565	322
Finance income	10	(204)	(799)
Share of (profit)/loss of associates	13	(182)	42
Foreign exchange loss/(gain)		1,127	(2,189)
Operating profit before changes in working capital and provisions		7,560	8,596
Decrease/(increase) in inventories		1,097	(345)
(Increase)/decrease in trade and other receivables		(2,434)	1,801
(Decrease)/increase in trade and other payables		(656)	1,721
Cash flows from operations before income taxes and interest paid		5,567	11,773
Income tax paid		(1,059)	(1,570)
Finance costs paid		(436)	(265)
Cash flows from operating activities		4,072	9,938
INVESTING ACTIVITIES			
Loans repaid, net		602	467
Acquisition of intangible assets		(9)	(25)
Acquisition of property, plant and equipment		(2,974)	(3,507)
Proceeds from disposal of property, plant and equipment		106	104
Acquisition of investments, net		(7)	(34)
Additional equity contribution in associates		-	(400)
Finance income received		282	295
Cash flows used in investing activities		(2,000)	(3,100)
FINANCING ACTIVITIES			
Proceeds from borrowings		17,844	3,688
Repayment of borrowings		(1,260)	(955)
Acquisition of non-controlling interests		(5,857)	(99)
Dividends paid to non-controlling interests		(4)	(3)
Dividends paid to shareholders of the Parent		(2,911)	(2,913)
Finance leases paid		(460)	(75)
Cash flows from/(used in) financing activities		7,352	(357)
Net increase in cash and cash equivalents		9,424	6,481
Cash and cash equivalents at 1 January		9,664	16,946
Effect of exchange rates fluctuations		(32)	(737)
Cash flows used in discontinued operations		(74)	-
Cash and cash equivalents at 31 March		18,982	22,690

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 2012	360	1,099	42,265	(305)	(133)	499	16,923	60,708
Total comprehensive income for the period								
Profit for the period	-	-	6,526	-	-	-	1,521	8,047
Revaluation of available-for-sale securities	-	-	-	17	-	-	-	17
Recycling of revaluation loss on available-for-sale securities to profit and loss	-	-	-	369	-	-	-	369
Actuarial gains and losses, net of tax	-	-	-	-	(18)	-	(10)	(28)
Foreign currency translation difference	-	-	-	-	-	(204)	-	(204)
	-	-	6,526	386	(18)	(204)	1,511	8,201
Transactions with owners recognised directly in equity								
Acquisition of non-controlling interest in a subsidiary	-	-	(71)	-	-	-	(28)	(99)
	-	-	(71)	-	-	-	(28)	(99)
Balance at 31 March 2012	360	1,099	48,720	81	(151)	295	18,406	68,810
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 a subsidiary, see note 18	-	-	(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

1 BACKGROUND

(a) Organisation and operations

OJSC "PhosAgro" (the "Company" or the "Parent") and its subsidiaries (together referred to as the "Group") comprise Russian 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 2012.

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 2012.

(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

- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). The adoption of IFRIC 20 did not have a significant impact on these consolidated interim condensed financial statements.
- IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IFRS 13 *Fair Value Measurement* and various improvements to other standards. The adoption of the new standards and improvements to existing standards did not have a significant impact on these consolidated interim condensed financial statements.

3 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 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 2013 and for the three-month period 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:	25,182	3,658	62	-	28,902
Export	17,675	2,424	-	-	20,099
Domestic	7,507	1,234	62	-	8,803
Inter-segment revenues	-	829	-	(829)	-
Cost of goods sold	(16,608)	(3,033)	(53)	829	(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	<u>(1,337)</u>	<u>(434)</u>	<u>(45)</u>	<u>-</u>	<u>(1,816)</u>
Total non-current segment assets	<u>45,465</u>	<u>13,479</u>	<u>3,001</u>	<u>-</u>	<u>61,945</u>
Additions to non-current assets	<u>2,771</u>	<u>141</u>	<u>215</u>	<u>-</u>	<u>3,127</u>

Business segment information of the Group as at 31 December 2012 and for the three-month period ended 31 March 2012 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:	23,013	2,679	226	-	25,918
Export	16,170	1,964	-	-	18,134
Domestic	6,843	715	226	-	7,784
Inter-segment revenues	-	1,585	-	(1,585)	-
Cost of goods sold	(13,574)	(2,187)	(192)	1,585	(14,368)
Gross segment profit	<u>9,439</u>	<u>2,077</u>	<u>34</u>	<u>-</u>	<u>11,550</u>
<i>Certain items of profit and loss</i>					
Amortisation and depreciation	<u>(1,278)</u>	<u>(136)</u>	<u>(29)</u>	<u>-</u>	<u>(1,443)</u>
Total non-current segment assets	<u>45,200</u>	<u>13,309</u>	<u>2,657</u>	<u>-</u>	<u>61,166</u>
Additions to non-current assets	<u>1,825</u>	<u>1,516</u>	<u>19</u>	<u>-</u>	<u>3,360</u>

The analysis of export revenue by regions is as follows:

	Three months ended 31 March	
	2013	2012
	RUB million	RUB million
Europe	6,753	4,534
Asia	4,648	2,607
North and South America	4,411	4,479
CIS	2,033	1,845
Africa	1,999	3,146
India	255	1,523
	20,099	18,134

The Group distributes its products globally through large independent traders and distributors. The sales volume may vary from one trader to another. During the three-month period ended 31 March 2013, revenue from sales of phosphate-based products to one single trader amounted to approximately 7% (RUB 1,958 million) of the Group's total revenue. During the three-month period ended 31 March 2012, revenue to two largest customers amounted to approximately 29% (RUB 7,424 million) of the Group's total revenue.

	Three months ended 31 March	
	2013	2012
	RUB million	RUB million
Total segment revenues	28,902	25,918
Consolidated revenues	28,902	25,918

	Three months ended 31 March	
	2013	2012
	RUB million	RUB million
Total segment gross profit	10,037	11,550
Difference in depreciation and amortisation	(97)	(80)
Difference in timing of expenses recognition	47	177
Reallocation of administrative expenses	(32)	(36)
Reallocation of selling expenses	(23)	(39)
Reallocation of other income	189	177
Elimination of unrealised profit	(127)	(462)
Recognition of finance lease	270	123
Other adjustments	(11)	(1)
Consolidated gross profit	10,253	11,409

	31 March 2013	31 December 2012
	RUB million	RUB million
Total non-current segment assets	61,945	61,166
Difference in the carrying value of the tangible assets	6,718	5,915
Consolidated non-current assets	68,663	67,081

4 DISPOSAL GROUP HELD FOR SALE

CJSC "Pikalevskaya soda" is presented as a disposal group held for sale following the commitment of the Group's Management to a plan to sell the facilities. Efforts to sell the disposal group have commenced, and a sale is expected by June 2013.

The disposal group comprised the following assets and liabilities.

	31 March 2013 RUB million	31 December 2012 RUB million
Property, plant and equipment	149	149
Deferred tax assets	38	38
Inventories	112	27
Trade and other receivables	200	112
Cash and cash equivalents	8	82
Trade and other payables	(161)	(62)
Assets held for sale, net	346	346

Results of discontinued operations for the three months ended 31 March 2013 are as follows.

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

Cash flows used in discontinued operations for the three months ended 31 March 2013 are as follows.

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

5 REVENUES

	Three months ended 31 March	
	2013	2012
	RUB million	RUB million
Sales of chemical fertilisers	22,384	19,216
Sales of apatite concentrate	4,462	5,107
Sales of nepheline concentrate	175	183
Sales of ammonium	29	394
Other sales	1,852	1,018
	28,902	25,918

The domestic sales of apatite concentrate included in these consolidated interim condensed financial amounted to RUB 2,273 million (three months ended 31 March 2012: RUB 3,100 million).

6 COST OF SALES

	Three months ended 31 March	
	2013	2012
	RUB million	RUB million
Materials and services	(4,749)	(3,974)
Salaries and social contributions	(3,389)	(2,823)
Ammonia	(1,607)	(736)
Potash	(1,267)	(1,177)
Natural gas	(1,578)	(1,310)
Depreciation	(1,732)	(1,447)
Fuel	(1,382)	(1,343)
Sulphur and sulphuric acid	(891)	(982)
Electricity	(903)	(858)
Other items	(9)	(9)
Change in stock of WIP and finished goods	(1,142)	150
	(18,649)	(14,509)

7 ADMINISTRATIVE EXPENSES

	Three months ended 31 March	
	2013	2012
	RUB million	RUB million
Salaries and social contributions	(958)	(857)
Professional services	(144)	(129)
Depreciation and amortisation	(135)	(104)
Other	(507)	(390)
	(1,744)	(1,480)

8 SELLING EXPENSES

	Three months ended 31 March	
	2013	2012
	RUB million	RUB million
Russian Railways infrastructure tariff and operators' fees	(1,146)	(985)
Port and stevedoring expenses	(697)	(473)
Materials and services	(217)	(267)
Salaries and social contributions	(109)	(105)
Depreciation	(19)	(19)
	(2,188)	(1,849)

9 OTHER EXPENSES, NET

	Three months ended 31 March	
	2013	2012
	RUB million	RUB million
Social expenditures	(185)	(160)
Gain on disposal of fixed assets	5	85
Decrease/(increase) in provision for inventory obsolescence	41	(19)
Increase in provision for bad debt	(27)	(147)
Other income, net	11	96
	(155)	(145)

10 FINANCE INCOME AND FINANCE COSTS

	Three months ended 31 March	
	2013	2012
	RUB million	RUB million
Interest income	204	295
Gain on revaluation of derivative financial instruments, net	-	504
Finance income	204	799
Interest expense	(548)	(322)
Loss on revaluation of derivative financial instruments, net	(17)	-
Finance costs	(565)	(322)
Net finance (costs)/income	(361)	477

11 INCOME TAX EXPENSE

The Company's applicable corporate income tax rate is 20% (three months ended 31 March 2012: 20%).

	Three months ended 31 March	
	2013	2012
	RUB million	RUB million
Current tax expense	(1,104)	(1,908)
Origination and reversal of temporary differences, including change in unrecognised assets	24	220
	(1,080)	(1,688)

Reconciliation of effective tax rate:

	Three months ended 31 March			
	2013		2012	
	RUB million	%	RUB million	%
Profit before tax from continuing operations	4,460	100	9,735	100
Income tax at applicable tax rate	(892)	(20)	(1,947)	(20)
Over/(under) provided in respect of prior years	-	-	(6)	0
Unrecognised tax liability/(asset) on profit/(loss) from associates	36	1	(8)	0
Recognition of previously unrecognised deferred tax assets	-	-	461	5
Non-deductible items, net	(24)	(1)	(89)	(1)
Increase in unrecognised deferred tax assets	(200)	(4)	(99)	(1)
	(1,080)	(24)	(1,688)	(17)

12 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 2012	10,134	25,222	1,010	20,750	57,116
Additions	-	292	41	3,027	3,360
Transfers	535	2,901	-	(3,436)	-
Reclassification	220	312	(532)	-	-
Disposals	(4)	(12)	-	(3)	(19)
Depreciation	(174)	(1,351)	(45)	-	(1,570)
Net book value at 31 March 2012	<u>10,711</u>	<u>27,364</u>	<u>474</u>	<u>20,338</u>	<u>58,887</u>
Net book value at 1 January 2013	16,002	30,268	1,578	18,680	66,528
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>18,139</u>	<u>68,163</u>

Security

Properties with a carrying amount of RUB 1,216 million (31 December 2012: RUB 1,270 million) are pledged to secure bank loans, see note 20.

13 INVESTMENTS IN ASSOCIATES

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

	2013 RUB million	2012 RUB million
Balance at 1 January	<u>9,620</u>	<u>7,910</u>
Share in profit/(loss) for the period	182	(42)
Share in revaluation gain on available-for-sale securities	-	17
Share in re-cycling of revaluation loss on available-for-sale securities to profit and loss	-	369
Foreign currency translation difference	94	(204)
Additional equity contributions	-	400
Balance at 31 March	<u>9,896</u>	<u>8,450</u>

14 OTHER NON-CURRENT ASSETS

	31 March 2013 RUB million	31 December 2012 RUB million
Advances issued for property, plant and equipment, at cost	1,672	1,511
Financial assets available-for-sale, at cost	757	753
Finance lease receivable	51	58
Loans issued to employees, at amortised cost	386	325
Financial assets available-for-sale, at fair value	79	75
Loans issued to related parties, at amortised cost	81	38
Other long-term receivables	302	311
	<u>3,328</u>	<u>3,071</u>

15 OTHER CURRENT INVESTMENTS

	31 March 2013	31 December 2012
	RUB million	RUB million
Loans issued to associates, at amortised cost	-	664
Loans issued to employees, at amortised cost	83	82
Loans issued to related parties, at amortised cost	55	57
Other loans issued, at amortised cost	-	30
	138	833

16 INVENTORIES

	31 March 2013	31 December 2012
	RUB million	RUB million
<i>Raw materials:</i>		
Raw materials and spare parts	5,882	5,937
Apatite concentrate	942	1,025
Apatite-nepheline ore	897	913
<i>Finished goods:</i>		
Chemical fertilisers	2,917	3,995
Apatite concentrate	219	178
Work-in-progress	429	534
Provision for obsolescence	(217)	(258)
	11,069	12,324

17 TRADE AND OTHER RECEIVABLES

	31 March 2013	31 December 2012
	RUB million	RUB million
Taxes receivable	5,283	4,617
Trade accounts receivable	3,109	3,402
Advances issued	2,613	2,802
Other receivables	328	292
Receivables from associates	3,092	803
Receivables from related parties	293	253
Receivables from employees	20	43
Deferred expenses	47	33
Finance lease receivable	22	21
Provision for doubtful accounts	(419)	(392)
	14,388	11,874

18 EQUITY**Split of ordinary shares**

In December 2011 the extraordinary meeting of the shareholders decided to split each ordinary share with the par value of 25 RUB each into 10 ordinary shares with the par value of 2.5 RUB each. The share split was completed in March 2012. As a result, the Company's issued share capital is comprised of 124,477,080 ordinary shares having par value of 2.5 RUB each. The Company's authorised an additional 1,000,000,000 ordinary shares for issue with a par value of 2.5 RUB each.

Issuance of new ordinary shares

In October 2012, the Board of Directors decided to increase the Company's share capital by issuing 13.5 million new ordinary shares with the par value of 2.5 RUB each. In November 2012, the Federal Financial Markets Service of Russia registered this additional share issue. In accordance with Russian legislation, the Company may place the new shares within one year (with the possible prolongation) after the date of the state registration of the share issue and all the Company's shareholders have pre-emptive rights to purchase the new shares in an amount pro rata to the number of ordinary shares they own. On 10 April 2013, the Company started the new shares issuance with the offering price of USD 42 per ordinary share. The Company completed the new shares issuance in May 2013.

Acquisition of the Russian Federation's stake in OJSC "Apatit"

In September 2012, the Group offered RUB 11,110 million in the privatisation tender for the Russian Federation's 20% stake in all issued shares of OJSC "Apatit" and signed a purchase agreement for the shares. On 4 October 2012, the Group paid for the shares and the legal title for the shares was transferred to the Group increasing its shareholding from 57.57% to 77.57%. The carrying amount of Apatit's net assets on the date of the acquisition was RUB 37,526 million. The financial effect of this transaction is a decrease in non-controlling interests by RUB 7,505 million and a decrease in retained earnings by RUB 3,605 million.

The Government of the Russian Federation issued an Order No 2901-R, dated 11 October 2012, which cancelled its special right to participate in the governance of OJSC "Apatit" (the "Golden Share").

In November 2012, the Group launched a mandatory tender offer to acquire ordinary and preferred shares of OJSC "Apatit". The offered price, which was determined in accordance with the Russian law, is RUB 6,679.9 per ordinary share and RUB 5,344.0 per type "A" preferred share. For the purposes of the mandatory buyout the Group obtained a bank guarantee in the amount of RUB 7,785 million. The offer period expired on 17 January 2013. As of 18 January 2013, holders of 10.95% of all issued shares of OJSC "Apatit" (738,957 ordinary and 171,439 type "A" preferred shares), accepted the Company's mandatory tender offer. In January 2013, the legal title for the shares was transferred to the Group increasing its shareholding from 77.57% to 88.52%. The financial effect of this transaction is a decrease in non-controlling interests by RUB 4,224 million and a decrease in retained earnings by RUB 1,633 million.

In April 2013, the Company sent a compulsory share purchase notification (squeeze out) to OJSC "Apatit" for the buyout of shares belonging to OJSC "Apatit" minority shareholders. The purchase price, which was determined in accordance with the Russian law, is RUB 6,880 per ordinary share and RUB 5,504 per type "A" preferred share. The Company plans to complete all procedures related to the squeeze out by the end of the second quarter of 2013.

19 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, see note 18. Basic and diluted earnings per share are the same, as there is no effect of dilution.

	Three months ended 31 March	
	2013	2012
Weighted average number of ordinary shares in issue	124,477,080	124,477,080
Profit for the period attributable to shareholders of the Parent, RUB million	2,830	6,526
Basic and diluted earnings per share, RUB	23	52

20 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's loans and borrowings. See note 12 on the assets pledged as a security for bank loans.

<i>RUB Million</i>	<u>Contractual interest rate</u>	<u>31 March 2013</u>	<u>31 December 2012</u>
Current loans and borrowings			
<i>Secured bank loans:</i>			
RUB-denominated	1%-10%	231	277
<i>Unsecured bank loans:</i>			
RUB-denominated	1%-10%	189	519
USD-denominated	LIBOR(1M)+2.35%-3.2%	14,303	12,502
USD-denominated	LIBOR(3M)+2.6%	7,771	7,593
<i>Secured letters of credit:</i>			
EUR-denominated	LIBOR(6M)+2.05%	248	250
EUR-denominated	EURIBOR(3M)+1.95%	33	33
EUR-denominated	EURIBOR(6M)+2.1%	55	-
RUB-denominated	EURIBOR(6M)+0.9%	-	200
<i>Finance lease liabilities:</i>			
USD-denominated	11.2%-13.9% ¹	712	606
<i>Interest payable:</i>			
RUB-denominated		38	37
		<u>23,580</u>	<u>22,017</u>
Non-current loans and borrowings			
<i>Secured bank loans:</i>			
RUB-denominated	1.5%-3.25%	-	23
<i>Unsecured bank loans:</i>			
USD-denominated	LIBOR(1M)+2.7%-3.2%	10,839	9,971
USD-denominated	LIBOR(3M)+2.9%	1,554	1,519
<i>Secured letters of credit:</i>			
USD-denominated	EURIBOR(6M)+2%	344	336
EUR-denominated	EURIBOR(3M)+1.95%	-	200
EUR-denominated	EURIBOR(6M)+3.3%	400	481
<i>Loan participation notes:</i>			
USD-denominated	4.204% ²	15,542	-
<i>Finance lease liabilities:</i>			
USD-denominated	11.2%-13.9% ¹	2,233	1,922
		<u>30,912</u>	<u>14,452</u>
		<u>54,492</u>	<u>36,469</u>

¹ Contractual interest rate on financial lease agreements consists of:

- interest rate and fees to a lessor
- insurance of property
- property tax

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.

21 TRADE AND OTHER PAYABLES

	31 March 2013	31 December 2012
	RUB million	RUB million
Taxes payable	1,970	1,157
Trade accounts payable	1,915	2,464
Advances received	1,510	2,252
Accruals	1,350	1,413
Payable for property, plant and equipment	1,019	1,138
Payables to employees	696	742
Dividends payable	81	2,996
Payables to associates and related parties	57	114
Other payables	99	101
	8,697	12,377

22 COMMITMENTS

The Group has entered into contracts to purchase plant and equipment for RUB 4,920 million (31 December 2012: RUB 4,542 million).

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

	Three months ended 31 March	
	2013	2012
	RUB million	RUB million
Sales of goods and services	3,280	2,250
Interest income	15	8
Purchases of goods and services	(1)	(644)

(ii) Balances with associates

	31 March 2013	31 December 2012
	RUB million	RUB million
Short-term loans issued, at amortised cost	-	664
Advances issued for construction, at cost	378	345
Trade and other receivables	3,092	803
Trade and other payables	(10)	(33)

(iii) Financial guarantees

The Group issued financial guarantees to banks on behalf of associates amounting to RUB 1,600 million (31 December 2012: nil).

(b) Transactions and balances with other related parties**(i) Transactions with other related parties**

	Three months ended 31 March	
	2013	2012
	RUB million	RUB million
Sales of goods and services	217	174
Purchases of goods and services	(142)	(13)
Interest income	1	2

(ii) Balances with other related parties

	31 March 2013	31 December 2012
	RUB million	RUB million
Short-term loans issued, at amortised cost	55	57
Long-term loans issued, at amortised cost	81	38
Trade and other receivables	293	253
Trade and other payables	(47)	(81)
Dividends payable to shareholders of the Parent	-	(2,911)

(iii) Financial guarantees

The Group issued financial guarantees to banks on behalf of related parties amounting to RUB 517 million (31 December 2012: RUB 609 million).

24 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. Due to the fact that Russia is the main fertiliser market for the Group, 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.

25 CONTINGENCIES

The Group is involved as a defendant in several litigations and disputes with its customers relating to the pricing mechanism of apatite concentrate. Given the uncertainty in the application of certain rules and recommendations of various Russian legislative bodies, management believes that there is a possible risk of court decision resulting in outflow of economic benefits for the Group. Based on management's estimate the total estimated outflow of economic benefits, for all periods ending 31 March 2013 will not exceed RUB 1,500 million. Management expects to settle those disputes and litigations in the course of 2013. No provision for such litigations has been recognised in these consolidated interim condensed financial statements.

26 EVENTS SUBSEQUENT TO THE REPORTING DATE

In April 2013, the Board of Directors proposed payment of dividends of RUB 19.9 per ordinary share to shareholders included in the register of shareholders as of 22 April 2013.