



OJSC “PhosAgro”

**Consolidated Interim Condensed
Financial Statements
for the nine months ended
30 September 2013 (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



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 30 September 2013, and the related consolidated interim condensed statements of profit or loss and other comprehensive income for the three- and nine-month periods ended 30 September 2013, and the related consolidated interim condensed statements of changes in equity and cash flows for the nine-month period ended 30 September 2013, 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 30 September 2013, and for the three- and nine-month periods 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

21 November 2013

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 prospect, 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 nine months ended 30 September 2013 (unaudited)*

	Note	Nine months ended 30 September		Three months ended 30 September	
		2013 RUB Million	2012 RUB Million	2013 RUB Million	2012 RUB Million
Continuing operations					
Revenues	5	81,276	79,237	27,561	28,878
Cost of sales	6	(52,713)	(44,836)	(18,041)	(16,411)
Gross profit		28,563	34,401	9,520	12,467
Administrative expenses	7	(5,548)	(4,723)	(1,891)	(1,790)
Selling expenses	8	(6,080)	(5,695)	(2,003)	(1,748)
Taxes, other than income tax		(1,657)	(1,169)	(575)	(402)
Other expenses, net	9	(1,157)	(386)	(534)	(25)
Operating profit		14,121	22,428	4,517	8,502
Finance income	10	831	1,814	332	699
Finance costs	10	(1,661)	(1,109)	(511)	(540)
Foreign exchange (loss)/gain		(2,517)	1,074	242	1,763
Share of (loss)/profit of associates	13	(87)	117	(269)	28
Profit before tax		10,687	24,324	4,311	10,452
Income tax (expense)/benefit	11	(1,863)	(5,204)	26	(2,134)
Profit from continuing operations		8,824	19,120	4,337	8,318
Discontinued operations					
Profit/(loss) from discontinued operations, net of tax	4	270	-	(13)	-
Profit for the period		9,094	19,120	4,324	8,318
Attributable to:					
Non-controlling interests		915	3,205	364	859
Shareholders of the Parent		8,179	15,915	3,960	7,459
Other comprehensive income					
Revaluation of available-for-sale securities		-	(307)	-	(319)
Recycling of revaluation loss on available-for-sale securities to profit and loss		-	-	-	(369)
Actuarial gains and losses, net of tax		(132)	(131)	(64)	(68)
Foreign currency translation difference		186	(260)	44	(622)
Other comprehensive income for the period		54	(698)	(20)	(1,378)
Total comprehensive income for the period		9,148	18,422	4,304	6,940
Attributable to:					
Non-controlling interests		903	3,181	358	856
Shareholders of the Parent		8,245	15,241	3,946	6,084
Basic and diluted earnings per share (in RUB)	19	64	128	31	60

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

The consolidated interim condensed financial statements were approved on 21 November 2013:

Chief executive officer
Guryev A.A.

Chief accountant
Valenkova E.V.

OJSC "PhosAgro"
Consolidated Interim Condensed Statement of Financial Position
as at 30 September 2013 (unaudited)

	Note	30 September 2013 RUB million	31 December 2012 RUB million
Assets			
Property, plant and equipment	12	72,643	66,528
Intangible assets		481	553
Investments in associates	13	8,313	9,620
Other non-current assets	14	5,584	3,071
Non-current assets		87,021	79,772
Other current investments	15	1,804	833
Derivative financial assets		44	45
Inventories	16	11,776	12,324
Current income tax receivable		472	769
Trade and other receivables	17	11,651	11,874
Cash and cash equivalents		8,804	9,664
Assets held for sale, net	4	31	346
Current assets		34,582	35,855
Total assets		121,603	115,627
Equity			
Share capital	18	372	360
Share premium		7,494	1,099
Retained earnings		50,930	48,294
Other reserves		(201)	(267)
Equity attributable to shareholders of the Parent		58,595	49,486
Equity attributable to non-controlling interests		3,176	12,389
Total equity		61,771	61,875
Liabilities			
Loans and borrowings	20	30,430	14,452
Defined benefit obligations		1,322	1,257
Deferred tax liabilities		1,876	2,973
Non-current liabilities		33,628	18,682
Trade and other payables	21	7,421	12,377
Current income tax payable		697	676
Loans and borrowings	20	18,086	22,017
Current liabilities		26,204	35,070
Total equity and liabilities		121,603	115,627

	Note	Nine months ended 30 September	
		2013	2012
		RUB million	RUB million
Cash flows from operating activities			
Profit before tax from continuing operations		10,687	24,324
<i>Adjustments for:</i>			
Depreciation and amortisation	6, 7, 8	5,776	4,766
Loss/(gain) on disposal of fixed assets	9	188	(224)
Finance income	10	(831)	(1,814)
Finance costs	10	1,661	1,109
Share of loss/(profit) of associates	13	87	(117)
Foreign exchange loss/(gain)		3,039	(980)
Operating profit before changes in working capital and provisions		20,607	27,064
Decrease in inventories		640	317
Decrease/(increase) in trade and other receivables		1,111	(133)
Decrease in trade and other payables		(2,498)	(165)
Cash flows from operations before income taxes and interest paid		19,860	27,083
Income tax paid		(2,643)	(4,275)
Finance costs paid		(1,352)	(1,068)
Cash flows from operating activities		15,865	21,740
Cash flows from investing activities			
Loans repaid, net		505	143
Acquisition of intangible assets		(77)	(63)
Acquisition of property, plant and equipment		(13,086)	(9,719)
Proceeds from disposal of property, plant and equipment		241	446
Cash of PhosInt Trading Ltd and PhosAgro Asia Pte Ltd acquired	26	1,143	-
Cash paid for CJSC "Nordic Rus Holding"	26	(1,680)	-
Proceeds from disposal of CJSC "Pikalevskaya soda" and part of manufacturing facilities within LLC "Metachem"	4	599	-
Acquisition of investments, net		(258)	(8)
Additional equity contribution in associates		-	(400)
Finance income received		775	947
Cash flows used in investing activities		(11,838)	(8,654)
Cash flows from financing activities			
Proceeds from issuance of additional shares	18	6,407	-
Proceeds from borrowings		31,582	18,651
Repayment of borrowings		(24,656)	(14,301)
Acquisition of non-controlling interests	18	(11,674)	(367)
Dividends paid to non-controlling interests		(5)	(362)
Dividends paid to shareholders of the Parent		(5,488)	(7,628)
Finance leases paid		(1,183)	(615)
Cash flows used in financing activities		(5,017)	(4,622)
Net (decrease)/increase in cash and cash equivalents		(990)	8,464
Cash and cash equivalents at 1 January		9,664	16,946
Effect of exchange rates fluctuations		130	(204)
Cash and cash equivalents at 30 September		8,804	25,206

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	-	-	15,915	-	-	-	3,205	19,120
Revaluation of available-for-sale securities	-	-	-	(307)	-	-	-	(307)
Actuarial gains and losses, net of tax	-	-	-	-	(107)	-	(24)	(131)
Foreign currency translation difference	-	-	-	-	-	(260)	-	(260)
	-	-	15,915	(307)	(107)	(260)	3,181	18,422
Transactions with owners recognised directly in equity								
Effect of merger	-	-	846	-	-	-	(1,213)	(367)
Dividends to shareholders of the Parent	-	-	(8,776)	-	-	-	-	(8,776)
Dividends to non-controlling interests	-	-	-	-	-	-	(361)	(361)
	-	-	(7,930)	-	-	-	(1,574)	(9,504)
Balance at 30 September 2012	360	1,099	50,250	(612)	(240)	239	18,530	69,626
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	-	-	8,179	-	-	-	915	9,094
Actuarial gains and losses, net of tax	-	-	-	-	(120)	-	(12)	(132)
Foreign currency translation difference	-	-	-	-	-	186	-	186
	-	-	8,179	-	(120)	186	903	9,148
Transactions with owners recognised directly in equity								
Acquisition of non-controlling interest in subsidiaries, note 18	-	-	(2,966)	-	-	-	(10,114)	(13,080)
Issuance of new ordinary shares, note 18	12	6,395	-	-	-	-	-	6,407
Dividends to shareholders of the Parent, note 18	-	-	(2,577)	-	-	-	-	(2,577)
Dividends to non-controlling interests	-	-	-	-	-	-	(2)	(2)
	12	6,395	(5,543)	-	-	-	(10,116)	(9,252)
Balance at 30 September 2013	372	7,494	50,930	(23)	(467)	289	3,176	61,771

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, sodium tripoly phosphate 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 30 September 2013 and for the nine 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:	70,926	9,802	548	-	81,276
Export	46,110	7,847	-	-	53,957
Domestic	24,816	1,955	548	-	27,319
Inter-segment revenues	-	1,119	-	(1,119)	-
Cost of goods sold	(47,336)	(7,171)	(493)	1,119	(53,881)
Gross segment profit	<u>23,590</u>	<u>3,750</u>	<u>55</u>	<u>-</u>	<u>27,395</u>
<i>Certain items of profit and loss</i>					
Amortisation and depreciation	(4,184)	(1,340)	(143)	-	(5,667)
Total non-current segment assets	<u>48,387</u>	<u>14,160</u>	<u>2,613</u>	<u>-</u>	<u>65,160</u>
Additions to non-current assets	<u>9,199</u>	<u>1,451</u>	<u>274</u>	<u>-</u>	<u>10,924</u>

Business segment information of the Group as at 31 December 2012 and for the nine months ended 30 September 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:	68,948	9,571	718	-	79,237
Export	45,602	8,193	-	-	53,795
Domestic	23,346	1,378	718	-	25,442
Inter-segment revenues	-	2,826	-	(2,826)	-
Cost of goods sold	(42,521)	(5,645)	(646)	2,826	(45,986)
Gross segment profit	<u>26,427</u>	<u>6,752</u>	<u>72</u>	<u>-</u>	<u>33,251</u>
<i>Certain items of profit and loss</i>					
Amortisation and depreciation	(3,765)	(427)	(93)	-	(4,285)
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>6,464</u>	<u>3,110</u>	<u>47</u>	<u>-</u>	<u>9,621</u>

The analysis of export revenue by regions is as follows:

	Nine months ended 30 September	
	2013	2012
	RUB million	RUB million
North and South America	16,686	17,975
Europe	16,931	11,575
Asia	7,695	6,156
Africa	5,734	5,863
CIS	6,082	5,675
India	829	6,551
	53,957	53,795

	Nine months ended 30 September	
	2013	2012
	RUB million	RUB million
Total segment revenues	81,276	79,237
Consolidated revenues	81,276	79,237

Reconciliation with internal management reports:

	Nine months ended 30 September	
	2013	2012
	RUB million	RUB million
Total segment gross profit	27,395	33,251
Difference in depreciation and amortisation	51	(426)
Difference in timing of expenses recognition	219	480
Reallocation of administrative expenses	(98)	160
Reallocation of selling expenses	(213)	(101)
Reallocation of other income	9	608
Reallocation of capitalised expenses	215	295
Elimination of unrealised profit	(126)	(393)
Recognition of finance lease	1,108	479
Other adjustments	3	48
Consolidated gross profit	28,563	34,401

	30 September 2013	31 December 2012
	RUB million	RUB million
Total non-current segment assets	65,160	61,166
Difference in the carrying value of the tangible assets	7,964	5,915
Consolidated non-current assets	73,124	67,081

4 DISPOSAL GROUP HELD FOR SALE

As at 30 September 2013, part of manufacturing facilities within LLC "Metachem" is presented as a disposal group held for sale following the commitment of the Group's Management to a plan to sell the facilities. In July 2013 the Group sold 100% stake in CJSC "Pikalevskaya soda" for total consideration RUB 376 million and part of manufacturing facilities within LLC "Metachem" for total consideration of RUB 223 million.

The disposal group comprised the following assets and liabilities.

	30 September 2013 RUB million	31 December 2012 RUB million
Property, plant and equipment	31	149
Deferred tax assets	-	38
Inventories	-	27
Trade and other receivables	-	112
Cash and cash equivalents	-	82
Trade and other payables	-	(62)
Assets held for sale, net	<u>31</u>	<u>346</u>

Results of discontinued operations for nine months ended 30 September 2013 are as follows.

	RUB million
Revenues	1,583
Reversal of impairment	240
Expenses	(1,506)
Results from operating activities	<u>317</u>
Income tax expense	(47)
Profit for the period	<u>270</u>

A reversal of impairment loss of RUB 240 million has been included in 'profit from discontinued operations, net of tax' in the statement of profit or loss and other comprehensive income.

Cash flows from discontinued operations for the nine months ended 30 September 2013 are as follows.

	RUB million
Net cash from operating activities	388
Net cash from financing activities	55
Net cash flows for the period	<u>443</u>

5 REVENUES

	Nine months ended 30 September		Three months ended 30 September	
	2013	2012	2013	2012
	RUB million	RUB million	RUB million	RUB million
Sales of chemical fertilisers	61,251	60,773	20,329	22,754
Sales of apatite concentrate	13,567	13,853	4,961	4,776
Sales of sodium tripolyphosphate	2,594	-	943	-
Sales of nepheline concentrate	512	545	173	184
Sales of ammonium	68	980	18	128
Other sales	3,284	3,086	1,137	1,036
	81,276	79,237	27,561	28,878

The domestic sales of apatite concentrate for the nine months ended 30 September 2013 amounted to RUB 6,425 million (nine months ended 30 September 2012: RUB 7,774 million).

6 COST OF SALES

	Nine months ended 30 September		Three months ended 30 September	
	2013	2012	2013	2012
	RUB million	RUB million	RUB million	RUB million
Materials and services	(15,467)	(13,238)	(6,008)	(5,256)
Salaries and social contributions	(10,264)	(8,357)	(3,586)	(2,619)
Ammonia	(3,687)	(1,978)	(789)	(592)
Potash	(3,416)	(3,713)	(1,120)	(1,182)
Natural gas	(4,353)	(4,060)	(1,348)	(1,523)
Depreciation	(5,307)	(4,369)	(1,787)	(1,403)
Fuel	(3,284)	(3,277)	(834)	(847)
Sulphur and sulphuric acid	(2,812)	(2,720)	(933)	(886)
Electricity	(2,574)	(2,382)	(839)	(744)
Ammonium sulphate	(892)	(382)	(186)	(160)
Other items	(49)	(50)	(14)	(35)
Change in stock of WIP and finished goods	(608)	(310)	(597)	(1,164)
	(52,713)	(44,836)	(18,041)	(16,411)

7 ADMINISTRATIVE EXPENSES

	Nine months ended 30 September		Three months ended 30 September	
	2013	2012	2013	2012
	RUB million	RUB million	RUB million	RUB million
Salaries and social contributions	(2,964)	(2,937)	(869)	(1,273)
Professional services	(436)	(389)	(187)	(131)
Depreciation and amortisation	(404)	(341)	(162)	(138)
Other	(1,744)	(1,056)	(673)	(248)
	(5,548)	(4,723)	(1,891)	(1,790)

8 SELLING EXPENSES

	Nine months ended 30 September		Three months ended 30 September	
	2013	2012	2013	2012
	RUB million	RUB million	RUB million	RUB million
Russian Railways infrastructure tariff and operators' fees	(3,209)	(2,936)	(1,046)	(886)
Port and stevedoring expenses	(1,742)	(1,684)	(547)	(461)
Materials and services	(769)	(750)	(316)	(326)
Salaries and social contributions	(295)	(269)	(70)	(61)
Depreciation	(65)	(56)	(24)	(14)
	(6,080)	(5,695)	(2,003)	(1,748)

9 OTHER EXPENSES, NET

	Nine months ended 30 September		Three months ended 30 September	
	2013	2012	2013	2012
	RUB million	RUB million	RUB million	RUB million
Social expenditures	(1,034)	(530)	(396)	(125)
(Loss)/gain on disposal of fixed assets	(188)	224	(147)	110
(Increase)/decrease in provision for inventory obsolescence	(27)	(5)	(16)	16
Decrease in provision for bad debt	3	-	3	-
Other income/(expenses), net	89	(75)	22	(26)
	(1,157)	(386)	(534)	(25)

10 FINANCE INCOME AND FINANCE COSTS

	Nine months ended 30 September		Three months ended 30 September	
	2013	2012	2013	2012
	RUB million	RUB million	RUB million	RUB million
Interest income	684	943	175	300
Gain on revaluation of derivative financial instruments	107	554	141	-
Dividend income	25	7	1	-
Other finance income	15	310	15	399
Finance income	831	1,814	332	699
Interest expense	(1,452)	(1,015)	(491)	(487)
Other finance costs	(209)	(94)	(20)	-
Loss on revaluation of derivative financial instruments	-	-	-	(53)
Finance costs	(1,661)	(1,109)	(511)	(540)
Net finance (costs)/income	(830)	705	(179)	159

11 INCOME TAX (EXPENSE)/BENEFIT

The Company's applicable corporate income tax rate is 20% (nine months ended 30 September 2012: 20%).

	Nine months ended 30 September		Three months ended 30 September	
	2013	2012	2013	2012
	RUB million	RUB million	RUB million	RUB million
Current tax expense	(2,960)	(5,091)	(1,102)	(1,994)
Origination and reversal of temporary differences, including change in unrecognised assets	1,097	(113)	1,128	(140)
	(1,863)	(5,204)	26	(2,134)

Reconciliation of effective tax rate:

	Nine months ended 30 September			
	2013		2012	
	RUB million	%	RUB million	%
Profit before tax from continuing operations	10,687	100	24,324	100
Income tax at applicable tax rate	(2,137)	(20)	(4,865)	(20)
Over provided in respect of prior years	-	-	7	-
Income tax on intra-group dividends	-	-	(416)	(1)
Unrecognised tax (asset)/liability on (loss)/profit from associates	(19)	-	24	-
Recognition of previously unrecognised deferred tax assets	-	-	461	2
Non-deductible items	(483)	(5)	(221)	(1)
Decrease/(increase) in unrecognised deferred tax assets	776	7	(194)	(1)
	(1,863)	(18)	(5,204)	(21)

Deferred tax assets in the amount of RUB 776 million, relating to tax losses which arose prior to 2013, were recognised in the current interim period as management reconsidered its plans for the utilisation of such tax losses and it became probable that such losses will be utilised and sufficient taxable profits will be available. Deferred tax assets in the amount of RUB 571 million, relating to tax losses of the current interim period, were also recognised during the current interim period.

12 PROPERTY, PLANT AND EQUIPMENT

<i>RUB million</i>	<u>Land and buildings</u>	<u>Plant and equipment</u>	<u>Fixtures and fittings</u>	<u>Construction in progress</u>	<u>Total</u>
Net book value at 1 January 2012	10,134	25,222	1,010	20,750	57,116
Additions	297	1,086	286	9,038	10,707
Transfers	1,125	5,237	-	(6,362)	-
Reclassification	220	312	(532)	-	-
Disposals	(57)	(96)	(25)	(44)	(222)
Depreciation	(545)	(3,969)	(144)	-	(4,658)
Net book value at 30 September 2012	<u>11,174</u>	<u>27,792</u>	<u>595</u>	<u>23,382</u>	<u>62,943</u>
Net book value at 1 January 2013	16,002	30,268	1,578	18,680	66,528
Additions	-	1,606	430	10,114	12,150
Transfers	2,553	4,628	-	(7,181)	-
Disposals	(180)	(210)	(15)	(24)	(429)
Depreciation	(772)	(4,350)	(484)	-	(5,606)
Net book value at 30 September 2013	<u>17,603</u>	<u>31,942</u>	<u>1,509</u>	<u>21,589</u>	<u>72,643</u>

Security

Properties with a carrying amount of RUB 906 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:

	<u>2013 RUB million</u>	<u>2012 RUB million</u>
Balance at 1 January	9,620	7,910
Share in (loss)/profit for the period	(87)	117
Share in CJSC "Nordic Rus Holding" at the date of acquisition of control, see note 26	(1,406)	-
Share in revaluation loss of available-for-sale securities	-	(307)
Foreign currency translation difference	186	(260)
Additional equity contributions	-	400
Balance at 30 September	<u>8,313</u>	<u>7,860</u>

14 OTHER NON-CURRENT ASSETS

	<u>30 September 2013 RUB million</u>	<u>31 December 2012 RUB million</u>
Advances issued for property, plant and equipment, at cost	3,516	1,511
Financial assets available-for-sale, at cost	1,009	753
Loans issued to employees, at amortised cost	417	325
Financial assets available-for-sale, at fair value	79	75
Loans issued to related parties, at amortised cost	65	38
Finance lease receivable	47	58
Other long-term receivables	451	311
	<u>5,584</u>	<u>3,071</u>

15 OTHER CURRENT INVESTMENTS

	30 September 2013	31 December 2012
	RUB million	RUB million
Investments in debt securities, at amortised cost	1,456	-
Loans issued to associates, at amortised cost	-	664
Loans issued to employees, at amortised cost	79	82
Loans issued to related parties, at amortised cost	228	57
Other loans issued, at amortised cost	41	30
	1,804	833

16 INVENTORIES

	30 September 2013	31 December 2012
	RUB million	RUB million
<i>Raw materials:</i>		
Raw materials and spare parts	5,990	5,937
Apatite concentrate	1,090	1,025
Apatite-nepheline ore	882	913
<i>Finished goods:</i>		
Chemical fertilisers	3,558	3,995
Apatite concentrate	126	178
Work-in-progress	415	534
Provision for obsolescence	(285)	(258)
	11,776	12,324

17 TRADE AND OTHER RECEIVABLES

	30 September 2013	31 December 2012
	RUB million	RUB million
Taxes receivable	5,303	4,617
Trade accounts receivable	3,825	4,458
Advances issued	2,539	2,802
Other receivables	289	292
Receivables from employees	22	43
Deferred expenses	39	33
Finance lease receivable	23	21
Provision for doubtful accounts	(389)	(392)
	11,651	11,874

18 EQUITY**Split of ordinary shares**

In December 2011, an extraordinary meeting of the shareholders decided to split each ordinary share with a par value of 25 RUB each into 10 ordinary shares with a par value of 2.5 RUB each. The share split was completed in March 2012. As a result, the Company's issued share capital comprised 124,477,080 ordinary shares with a par value of 2.5 RUB each. The Company 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 a 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 new shares may be placed within one year (with the possible extension) after the date of the state registration of the share issue and all the existing 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 began the issuance of new shares with an offering price of USD 42 per ordinary share. The Company completed the new shares' issuance in May 2013 with a total of 5,022,920 ordinary shares being subscribed for. The proceeds from the share issuance were USD 210.96 million (RUB 6,635 million). Transaction costs of RUB 228 million were deducted from the share premium. As a result, the Company's issued share capital comprises 129,500,000 ordinary shares with a par value of 2.5 RUB each.

Acquisition of non-controlling stakes in OJSC “Apatit”

In November 2012, the Group launched a mandatory tender offer to acquire ordinary and preferred shares of OJSC “Apatit”. The offering price, which was determined in accordance with the Russian law, was 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 at 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 was 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. As at 30 September 2013, holders of 4.05% of all issued shares of OJSC “Apatit” (98,913 ordinary and 238,138 type “A” preferred shares) accepted the Company's share purchase notification. The financial effect of this transaction is a decrease in non-controlling interests by RUB 1,565 million and a decrease in retained earnings by RUB 454 million.

In addition to the squeeze out, the Group purchased 76% of CJSC “Nordic Rus Holding”, which owns 7.42% in OJSC “Apatit” (617,430 ordinary shares), for RUB 4,676 million (USD 141.92 million). The financial effect of this transaction is a decrease in non-controlling interests by RUB 3,507 million and a decrease in retained earnings by RUB 685 million.

Acquisition of LLC “Metachem”

In June 2013, the Group acquired an additional 25.24% in LLC “Metachem” for a consideration of USD 30.95 million (RUB 1,012 million). The financial effect of this transaction is a decrease in non-controlling interests by RUB 818 million and a decrease in retained earnings by RUB 194 million. As a result, the Group's ownership in LLC “Metachem” increased to 100%.

Dividends

In April 2013, the Board of Directors proposed paying a dividend of RUB 19.9 per ordinary share to shareholders included in the register of shareholders as of 22 April 2013. The total amount of proposed dividends was RUB 2,577 million. In June 2013, the proposed dividend payout was approved by a meeting of shareholders.

In August 2013, the Board of Directors proposed paying a dividend of RUB 15.45 per ordinary share to shareholders included in the register of shareholders as of 6 September 2013. The total amount of proposed dividends was RUB 2,001 million. In October 2013, the proposed dividend payout was approved by a meeting of shareholders.

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

	Nine months ended 30 September		Three months ended 30 September	
	2013	2012	2013	2012
	RUB million	RUB million	RUB million	RUB million
Weighted average number of ordinary shares in issue	127,531,310	124,477,080	129,500,000	124,477,080
Profit for the period attributable to shareholders of the Parent, RUB million	8,179	15,915	3,960	7,459
Basic and diluted earnings per share, RUB	64	128	31	60

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>30 September 2013</u>	<u>31 December 2012</u>
Current loans and borrowings			
<i>Secured bank loans:</i>			
RUB-denominated	1.5%-3.25%	305	277
<i>Unsecured bank loans:</i>			
RUB-denominated	8.75%-12%	73	519
USD-denominated	LIBOR(1M)+1.75%-3.2%	15,172	12,502
USD-denominated	LIBOR(3M)+2.6%	-	7,593
USD-denominated	LIBOR(12M)+1.2%-1.25%	485	-
USD-denominated	1.3%-4.5%	1,035	-
<i>Secured letters of credit:</i>			
EUR-denominated	LIBOR(6M)+2.05-2.1%	131	250
EUR-denominated	EURIBOR(3M)+1.95%	-	33
RUB-denominated	EURIBOR(6M)+0.9%	-	200
<i>Finance lease liabilities:</i>			
USD-denominated	7.1%-13.9% ¹	759	606
<i>Interest payable:</i>			
RUB-denominated		126	37
		18,086	22,017
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)+2.5%-3.2%	8,470	9,971
USD-denominated	LIBOR(3M)+2.9%	1,617	1,519
RUB-denominated	9.15%	638	-
EUR-denominated	4.5%	338	-
<i>Secured letters of credit:</i>			
USD-denominated	EURIBOR(6M)+2.3%	286	336
EUR-denominated	EURIBOR(3M)+1.95%	-	200
EUR-denominated	EURIBOR(6M)+3.25%	365	481
<i>Loan participation notes:</i>			
USD-denominated	4.204% ²	16,084	-
<i>Finance lease liabilities:</i>			
USD-denominated	7.1%-13.9% ¹	2,632	1,922
		30,430	14,452
		48,516	36,469

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.

21 TRADE AND OTHER PAYABLES

	30 September 2013	31 December 2012
	RUB million	RUB million
Taxes payable	2,106	1,157
Trade accounts payable	1,955	2,578
Advances received	982	2,252
Accruals	882	1,413
Payables to employees	704	742
Payable for property, plant and equipment	630	1,138
Dividends payable	80	2,996
Other payables	82	101
	7,421	12,377

22 COMMITMENTS

The Group has entered into contracts to purchase plant and equipment for RUB 24,014 million (31 December 2012: RUB 4,542 million).

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

	Nine months ended 30 September	
	2013	2012
	RUB million	RUB million
Sales of goods and services	8,588	4,542
Interest income	110	40
Acquisition of CJSC "Nordic Rus Holding"	(4,676)	-
Acquisition of PhosInt Trading Limited and PhosAgro Asia Pte Ltd	(146)	-
Purchases of goods and services	(190)	(103)

(ii) Balances with associates

	30 September 2013	31 December 2012
	RUB million	RUB million
Trade and other receivables	455	803
Short-term loans issued, at amortised cost	-	664
Advances issued for construction, at cost	401	345
Long-term loans received	(338)	-
Trade and other payables	(10)	(33)

(iii) Financial guarantees

The Group issued financial guarantees to banks on behalf of associates amounting to RUB 1,997 million (31 December 2012: nil).

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

	Nine months ended 30 September	
	2013	2012
	RUB million	RUB million
Sales of goods and services	626	637
Purchases of goods and services	(625)	(417)
Interest income	8	5

(ii) Balances with other related parties

	30 September 2013	31 December 2012
	RUB million	RUB million
Short-term loans issued, at amortised cost	228	57
Long-term loans issued, at amortised cost	65	38
Trade and other receivables	128	253
Trade and other payables	(65)	(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 505 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 will not exceed RUB 1,806 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 ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS**Acquisition of PhosInt Trading Limited and PhosAgro Asia Pte Ltd**

In August 2013, the Group acquired 100% in PhosInt Trading Limited which is an owner of 100% PhosAgro Asia Pte Ltd for a consideration of RUB 146 million (USD 4.41 million).

Management believes that there is no material difference between the book value and the fair value of the net assets of the acquired companies. The provisionally determined fair value of the identifiable assets and liabilities of PhosInt Trading Limited and PhosAgro Asia at the date of consolidation is as follows:

	RUB Million
Property, plant and equipment	1
Inventories	92
Trade and other receivables	960
Cash and cash equivalents	1,289
Current loans and borrowings	(1,227)
Trade and other payables	(954)
Net identifiable assets and liabilities	161
Less amount of consideration paid	(146)
Negative goodwill on consolidation	15
Cash and cash equivalents acquired	1,289
Less amount of consideration paid	(146)
Net cash inflow	1,143

Acquisition of CJSC "Nordic Rus Holding"

In August 2013, the Group acquired 76% in CJSC "Nordic Rus Holding" which owns 7.42% of OJSC "Apatit" (617,430 ordinary shares) for a consideration of RUB 4,676 million (USD 141.92 million). In 2012, the Group purchased 24% of CJSC "Nordic Rus Holding" for a total consideration of RUB 987 million (USD 31.76 million).

Since the activities of CJSC "Nordic Rus Holding" were limited to holding of investments in OJSC "Apatit" and other financial assets, the acquisition was treated as acquisition of assets rather than a business combination. There was no material difference between the fair value of the net assets of CJSC "Nordic Rus Holding" and its carrying value. Since OJSC "Apatit" was a Group subsidiary at the moment of acquisition, the excess of the consideration paid over the carrying value of the acquired shares in OJSC "Apatit" of RUB 685 million was recognised in equity.

The consideration paid was allocated to financing activity in the amount equal to the fair value of the shares of OJSC "Apatit" and to the investing activity in the amount equal to the fair value of other assets acquired.

The provisionally determined fair value of the identifiable assets and liabilities of CJSC "Nordic Rus Holding" at the date of consolidation is as follows:

	RUB Million
Income tax receivable	21
Trade and other receivables	75
Current financial assets	1,592
Cash and cash equivalents	202
Net identifiable assets and liabilities	1,890
Less amount of consideration paid	(4,676)
Less fair value of the investment in associate at the date of consolidation	(1,406)
Decrease of non-controlling interest in OJSC "Apatit"	3,507
Result from consolidation	685
Cash and cash equivalents acquired	202
Less amount of consideration paid	(4,676)
Net cash outflow	(4,474)
<i>Allocated to:</i>	
Investing activity	(1,680)
Financing activity	(2,794)

27 EVENTS SUBSEQUENT TO THE REPORTING DATE

See note 18 for significant events which took place after 30 September 2013.