

TABLE OF CONTENTS

<u>CONTENTS</u>	<u>PAGES</u>
STATEMENT OF THE BOARD OF GENERAL DIRECTORS	1
INDEPENDENT AUDITORS' REPORT	2
CONSOLIDATED BALANCE SHEET	3 - 4
CONSOLIDATED INCOME STATEMENT	5
CONSOLIDATED CASH FLOW STATEMENT	6
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	7 - 34



STATEMENT OF THE BOARD OF GENERAL DIRECTORS

The Board of General Directors of PetroVietnam Fertilizer and Chemicals Corporation - JSC ("the Corporation") presents this report together with the Corporation's consolidated financial statements for the year ended 31 December 2012.

THE BOARDS OF MANAGEMENT AND GENERAL DIRECTORS

The members of the Boards of Management and General Directors of the Corporation who held office during the year and at the date of this report are as follows:

Board of Management

Mr. Bui Minh Tien	Chairman
Ms. Nguyen Thi Hien	Vice Chairwoman
Mr. Cao Hoai Duong	Member
Mr. Bui Quang Hung	Member
Mr. Nguyen Duc Hoa	Member

Board of General Directors

Mr. Cao Hoai Duong	General Director
Mr. Tu Cuong	Deputy General Director
Mr. Hoang Viet Dung	Deputy General Director
Mr. Le Van Quoc Viet	Deputy General Director
Mr. Nguyen Van Tong	Deputy General Director
Ms. Chu Thi Hien	Deputy General Director (resigned on 01 March 2013)
Ms. Le Thi Thu Huong	Deputy General Director (appointed on 01 March 2013)
Mr. Nguyen Hong Vinh	Deputy General Director

BOARD OF GENERAL DIRECTORS' STATEMENT OF RESPONSIBILITY

The Board of General Directors of the Corporation is responsible for preparing the consolidated financial statements of each year, which give a true and fair view of the financial position of the Corporation and of its results and cash flows for the year. In preparing these consolidated financial statements, the Board of General Directors is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the consolidated financial statements;
- Prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Corporation will continue in business; and
- Design and implement an effective internal control system for the purpose of properly preparing the consolidated financial statements so as to minimize errors and frauds.

The Board of General Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Corporation and that the consolidated financial statements comply with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam. The Board of General Directors is also responsible for safeguarding the assets of the Corporation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of General Directors confirms that the Corporation has complied with the above requirements in preparing these consolidated financial statements.

For and on behalf of the Board of General Directors,



Nguyen Van Tong
Deputy General Director
08 March 2013
Ho Chi Minh City, S. R. Vietnam

No.: 564 /Deloitte-AUDHN-RE

INDEPENDENT AUDITORS' REPORT

To: The Shareholders
The Boards of Management and General Directors
PetroVietnam Fertilizer and Chemicals Corporation - JSC

We have audited the accompanying consolidated balance sheet of PetroVietnam Fertilizer and Chemicals Corporation - JSC ("the Corporation") as at 31 December 2012, the related consolidated statements of income and cash flows for the year then ended, and the notes thereto (collectively referred to as "the consolidated financial statements") prepared on 8 March 2013, as set out from page 3 to page 34. The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

Respective Responsibilities of the Board of General Directors and Auditors

As stated in the Statement of the Board of General Directors on page 1, these consolidated financial statements are the responsibility of the Corporation's Board of General Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Basis of Opinion

We have conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the financial position of the Corporation as at 31 December 2012 and the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam.



Khúc Thị Lan Anh
Deputy General Director
CPA Certificate No. D.0036/KTV

For and on behalf of
DELOITTE VIETNAM COMPANY LIMITED

8 March 2013
Hanoi, S.R. Vietnam

Tran Huy Cong
Auditor
CPA Certificate No. 0891/KTV

PETROVIETNAM FERTILIZER AND CHEMICALS CORPORATION - JSC

43 Mac Dinh Chi Street, Da Kao Ward, District 1
Ho Chi Minh City, S.R. Vietnam

Consolidated financial statements
For the year ended 31 December 2012

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

FORM B 01- DN/HN

Unit: VND

ASSETS	Codes	Notes	31/12/2012	31/12/2011
A. CURRENT ASSETS (100=110+120+130+140+150)	100		7,203,995,556,932	6,041,065,689,804
I. Cash and cash equivalents	110	5	5,629,375,858,166	4,070,456,552,343
1. Cash	111		292,521,273,791	295,456,552,343
2. Cash equivalents	112		5,336,854,584,375	3,775,000,000,000
II. Short-term financial investments	120		62,077,046,183	202,000,000,000
1. Short-term investments	121	6	62,077,046,183	202,000,000,000
III. Short-term receivables	130		193,727,961,781	464,355,369,431
1. Trade accounts receivable	131		46,193,553,961	155,810,424,409
2. Advances to suppliers	132		99,202,374,921	151,559,520,332
3. Other receivables	135	7	167,629,100,188	166,322,266,639
4. Provision of doubtful receivables	139		(119,297,067,289)	(9,336,841,949)
IV. Inventories	140	8	1,171,461,225,102	1,160,376,913,208
1. Inventories	141		1,185,926,007,092	1,170,599,773,156
2. Provision for devaluation in inventories	149		(14,464,781,990)	(10,222,859,948)
V. Other short-term assets	150		147,353,465,700	143,876,854,822
1. Short-term prepayments	151	9	14,612,294,547	13,029,055,831
2. Value added tax deductibles	152		119,646,969,320	119,527,971,996
3. Taxes and other receivables from State budget	154	19	9,707,085,668	304,805,911
4. Other short-term assets	158		3,387,116,165	11,015,021,084
B. NON-CURRENT ASSETS (200 = 220+240+250+260)	200		3,376,516,357,645	3,254,096,938,186
I. Fixed assets	220		2,371,391,919,866	2,236,412,726,375
1. Tangible fixed assets	221	10	1,169,727,617,877	1,217,649,752,564
- Cost	222		6,935,645,827,376	6,791,323,544,439
- Accumulated depreciation	223		(5,765,918,209,499)	(5,573,673,791,875)
2. Intangible fixed assets	227	11	770,897,635,112	714,774,274,574
- Cost	228		965,237,358,073	896,988,754,023
- Accumulated amortization	229		(194,339,722,961)	(182,214,479,449)
3. Construction in progress	230	12	430,766,666,877	303,988,699,237
II. Investment properties	240	13	295,672,318,252	221,618,684,934
- Cost	241		314,461,627,556	233,281,835,168
- Accumulated depreciation	242		(18,789,309,304)	(11,663,150,234)
III. Long-term financial investments	250		574,627,123,255	502,220,263,326
1. Investments in associates	252	14	491,002,055,334	458,628,905,405
2. Other long-term investments	258	15	83,625,067,921	43,591,357,921
IV. Other long-term assets	260		134,824,996,272	293,845,263,551
1. Long-term prepayments	261	16	79,125,106,047	279,019,910,904
2. Deferred tax assets	262	17	55,406,634,581	14,662,058,447
3. Other long-term assets	268		293,255,644	163,294,200
TOTAL ASSETS (270=100+200)	270		10,580,511,914,577	9,295,162,627,990

The notes set out on page 7 to 34 are an integral part of these consolidated financial statements

PETROVIETNAM FERTILIZER AND CHEMICALS CORPORATION - JSC

43 Mac Dinh Chi Street, Da Kao Ward, District 1
Ho Chi Minh City, S.R. Vietnam

Consolidated financial statements
For the year ended 31 December 2012

CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2012

FORM B 01-DN/HN

Unit: VND

RESOURCES	Code	Notes	31/12/2012	31/12/2011
A. LIABILITIES	300		1,415,021,259,303	883,206,119,407
(300=310+330)				
I. Current liabilities	310		1,395,987,574,865	864,476,078,937
1. Short-term loans and liabilities	311	18	27,737,630,442	9,205,641,372
2. Trade accounts payable	312		398,388,337,713	323,540,578,949
3. Advances from customers	313		212,836,496,895	12,012,772,578
4. Taxes and amounts payable to State budget	314	19	123,907,690,077	106,975,226,211
5. Payables to employees	315		75,424,999,435	89,278,373,094
6. Accrued expenses	316	20	305,890,305,764	199,235,356,613
7. Other current payables	319		47,360,732,842	33,865,995,534
8. Short-term provisions	320		488,925,484	56,022,000
9. Bonus and welfare funds	323		203,952,456,213	90,306,112,586
II. Long-term liabilities	330		19,033,684,438	18,730,040,470
1. Other long-term payables	333		6,024,588,791	4,653,070,992
2. Long-term loans and liabilities	334	21	8,477,046,183	-
3. Provision for severance allowance	336		124,227,166	9,123,440,123
4. Unearned revenue	338		4,217,086,359	4,868,527,582
5. Scientific and technological development fund	339		190,735,939	85,001,773
B. EQUITY	400		8,959,929,478,972	8,227,079,406,507
(400=410)				
I. Shareholders' equity	410	22	8,959,929,478,972	8,227,079,406,507
1. Charter capital	411		3,800,000,000,000	3,800,000,000,000
2. Other owner's capital	413		977,787,044	977,787,044
3. Treasury shares	414		(85,447,473,262)	(83,961,341,647)
4. Foreign exchange reserve	416		(70,094,992,992)	(74,411,767,146)
5. Investment and development fund	417		2,525,430,471,223	1,420,380,501,371
6. Financial reserve fund	418		812,944,724,326	494,715,910,705
7. Other owner's funds	419		765,696,521	554,153,469
8. Retained earnings	420		1,975,353,266,112	2,668,824,162,711
C. MINORITY INTERESTS	439	23	205,561,176,302	184,877,102,076
TOTAL RESOURCES (440=300+400+439)	440		10,580,511,914,577	9,295,162,627,990

OFF BALANCE SHEET ITEMS

31/12/2012

31/12/2011

1. Foreign currencies


- USD

7,272,812

- EUR

19,864


Nguyen Le Ngoc Giang
Preparer


Huynh Kim Nhan
Chief Accountant




Nguyen Van Tong
Deputy General Director

08 March 2013

The notes set out on page 7 to 34 are an integral part of these consolidated financial statements

PETROVIETNAM FERTILIZER AND CHEMICALS CORPORATION - JSC

43 Mac Dinh Chi Street, Da Kao Ward, District 1
Ho Chi Minh City, S.R. Vietnam

Consolidated financial statements
For the year ended 31 December 2012

CONSOLIDATED INCOME STATEMENT


For the year ended 31 December 2012

FORM B 02- DN/HN
Unit VND

ITEMS	Codes	Notes	2012	2011
1. Gross sales	01		13,433,862,003,557	9,278,861,379,142
2. Deductions	02		112,009,948,586	52,327,770,303
3. Net sales (10=01-02)	10	25	13,321,852,054,971	9,226,533,608,839
4. Cost of goods sold	11	25	8,997,366,453,504	5,191,254,632,483
5. Gross profit from sales (20=10-11)	20		4,324,485,601,467	4,035,278,976,356
6. Financial income	21	27	568,346,314,499	526,679,442,074
7. Financial expenses	22	28	7,002,744,862	74,038,067,805
<i>In which: Interest expense</i>	23		1,548,926,458	27,900,441,399
8. Selling expenses	24		637,118,953,465	492,836,265,735
9. General and administration expenses	25		673,970,690,947	502,603,306,568
10. Operating profit (30=20+(21-22)-(24+25))	30		3,574,739,526,692	3,492,480,778,322
11. Other income	31		16,462,436,717	9,447,874,142
12. Other expenses	32		1,455,767,342	2,192,187,845
13. Profit from other activities (40=31-32)	40		15,006,669,375	7,255,686,297
14. (Loss)/Profit from associates	45		(47,696,642,825)	10,503,381,175
15. Accounting profit before tax (50=30+40+45)	50		3,542,049,553,242	3,510,239,845,794
16. Current corporate income tax expense	51	29	515,146,700,002	369,042,805,384
17. Deferred corporate tax (income)/expense	52	17	(40,744,576,134)	584,880,162
18. Net profit after corporate income tax (60=50-51-52)	60		3,067,647,429,374	3,140,612,160,248
18.1. Attributable to minority interests	61		50,796,229,783	36,318,726,268
18.2. Attributable to shareholders of the parent company	62		3,016,851,199,591	3,104,293,433,980
19. Basic earnings per share	70	30	7,990	8,220


Nguyen Le Ngoc Giang
Preparer

08 March 2013


Huynh Kim Nhan
Chief Accountant


TỔNG CÔNG TY
PHÂN BÓN VÀ
HÓA CHẤT ĐẦU KHÍ
CÔNG TY
CỔ PHẦN
NGUYỄN VĂN TÔNG
ĐẠI DIỆN TỔNG GIÁM ĐỐC

The notes set out on page 7 to 34 are an integral part of these consolidated financial statements

PETROVIETNAM FERTILIZER AND CHEMICALS CORPORATION - JSC

43 Mac Dinh Chi Street, Da Kao Ward, District 1
Ho Chi Minh City, S.R. Vietnam

Consolidated financial statements
For the year ended 31 December 2012

CONSOLIDATED CASH FLOW STATEMENT


For the year ended 31 December 2012

FORM B 03-DN/HN

Unit: VND

ITEMS	Codes	2012	2011
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	3,542,049,553,242	3,510,239,845,794
2. Adjustments for:			
Depreciation and amortisation	02	212,835,006,048	190,196,427,163
Provisions	03	114,202,147,382	6,796,988,515
Foreign exchange loss	04	327,161,230	-
(Gain) from investing activities	05	(519,131,152,776)	(529,728,699,362)
Interest expense	06	1,548,926,458	27,900,441,399
3. Operating profit before movements in working capital	08	3,351,831,641,584	3,205,405,003,509
Change in receivables	09	160,094,128,802	(134,819,285,194)
Change in inventories	10	(15,326,233,936)	(495,824,911,126)
Change in accounts payable (not including accrued interest and corporate income tax payable)	11	384,175,888,258	(27,994,337,978)
Change in prepaid expenses and other current assets	12	205,939,471,060	32,333,087,482
Interest paid	13	(1,548,926,458)	(27,900,441,399)
Corporate income tax paid	14	(493,754,715,175)	(359,489,042,056)
Other cash inflows	15	-	128,451,200,000
Other cash outflows	16	(311,868,851,994)	(195,495,058,471)
Net cash from operating activities	20	3,279,542,402,141	2,124,666,214,767
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets and other long-term assets	21	(372,106,404,365)	(781,684,768,892)
2. Proceeds from sale, disposal of fixed assets and other long-term assets	22	409,663,636	205,570,669
3. Cash outflow for lending, buying debt instruments of other entities	23	(342,382,830,000)	(143,500,000,000)
4. Cash recovered from lending, selling debt instruments of other entities	24	305,305,783,817	30,000,000,000
5. Investments in other entities	25	(23,131,710,000)	(309,000,000,000)
6. Interest earned, dividends and profits received	27	566,529,951,571	492,205,217,530
Net cash from/(used in) investing activities	30	134,624,454,659	(711,773,980,693)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Buying treasury shares	32	-	(14,180,236,055)
2. Proceeds from borrowings	33	83,578,719,748	166,650,500,511
3. Repayment of borrowings	34	(56,569,684,495)	(489,153,020,242)
4. Dividends paid	36	(1,881,929,425,000)	(753,064,360,000)
Net cash (used in) financing activities	40	(1,854,920,389,747)	(1,089,747,115,786)
Net increase in cash	50	1,559,246,467,053	323,145,118,288
Cash and cash equivalents at the beginning of the year	60	4,070,456,552,343	3,748,457,003,885
Effect of changes in foreign exchange rates	61	(327,161,230)	(1,145,569,830)
Cash and cash equivalents at the end of the year	70	5,629,375,858,166	4,070,456,552,343


Nguyen Le Ngoc Giang
Preparer


Huynh Kim Nhan
Chief Accountant


Nguyen Van Tong
Deputy General Director

08 March 2013

The notes set out on page 7 to 34 are an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FORM B 09-DN/HN

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

1. GENERAL INFORMATION

Structure of ownership

PetroVietnam Fertilizer and Chemicals Corporation - JSC ("the Corporation"), formerly known as PetroVietnam Fertilizer and Chemicals Joint Stock Company, was established under Business Registration Certificate No. 4103007696 dated 31 August 2007 and amended on 15 May 2008, issued by Department of Planning and Investment of Ho Chi Minh City. On 01 September 2008, the Corporation officially transformed its operation into parent-subsidary model in accordance to Resolution No. 01/ND-DHDCD passed at the Shareholders' General Meeting. Accordingly, Holding Company - PetroVietnam Fertilizer and Chemicals Corporation - JSC was established from functional departments of PetroVietnam Fertilizer and Chemicals Joint Stock Company, project management units and Phu My Fertilizer Plant. The Corporation's shares are listed on Ho Chi Minh Stock Exchange from 05 November 2007 with stock symbol "DPM".

The parent company of the Corporation is Vietnam Oil and Gas Group which holds 61.37 % of its charter capital.

Principal activities

The principal activities of the Corporation and its subsidiaries include production and trading of fertilizer, liquid ammonia, industrial gas, other chemicals; technical services relating to production and trading of fertilizer and other related chemicals (excluding heavily toxic chemicals); production and trading of electricity; trading of real estates, agriculture and forestry products, goods transport services by inbound waterway and car, processing of oil and gas-related products and minerals and services of vocational training.

Subsidiaries

Details of subsidiaries consolidated to the Corporation's financial statements for the year ended 31 December 2012 are as follows:

Name of subsidiaries	Place of incorporation and operation	Proportion of ownership interest (%)	Proportion of voting power held (%)	Principal activity
Central PetroVietnam Fertilizer and Chemicals JSC	Binh Dinh Province	75	75	Trading of fertilizer and chemicals
SouthWest PetroVietnam Fertilizer and Chemicals JSC	Can Tho City	75	75	Trading of fertilizer and chemicals
SouthEast PetroVietnam Fertilizer and Chemicals JSC	Ho Chi Minh City	75	75	Trading of fertilizer and chemicals
Northern PetroVietnam Fertilizer and Chemicals JSC	Hanoi City	75	75	Trading of fertilizer and chemicals
PetroVietnam Southern Building and Development JSC	Ho Chi Minh City	81	81	Construction of industrial and civil works
Phu My Fertilizer Packaging JSC	Ba Ria - Vung Tau Province	51	51	Production of Packages

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09-DN/HN

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

The accompanying consolidated financial statements, expressed in Vietnamese Dong (VND), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam.

Financial year

The Corporation's financial year begins on 01 January and ends on 31 December.

3. ADOPTION OF NEW ACCOUNTING GUIDANCE

On 24 October 2012, the Ministry of Finance issued Circular No. 179/2012/TT-BTC ("Circular 179") providing guidance on recognition, measurement and treatment of foreign exchange differences in enterprises, replacing Circular No. 201/2009/TT-BTC dated 15 October 2009 by the Ministry of Finance ("Circular 201"). Circular 179 came into effect from 10 December 2012 and is applied from financial year 2012. The guidance under Circular 179 on recognition, measurement and treatment of foreign exchange differences for transactions and balances of monetary items denominated in foreign currencies arising from 01 January 2012 is basically the same as that under VAS 10. According to the Board of General Directors' assessment, Circular 179 has immaterial effect on the Corporation's financial statements for the year ended 31 December 2012.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Corporation in the preparation of these consolidated financial statements, are as follows:

Accounting estimates

The preparation of consolidated financial statements in conformity with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the financial year. Although these accounting estimates are based on the management's best knowledge, actual results could differ from those estimates.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and enterprises controlled by the Corporation (its subsidiaries). This control is achieved where the Corporation has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Corporation.

All significant inter-company transactions and balances between the corporation and its subsidiaries and among subsidiaries are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Corporation's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Corporation except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09-DN/HN

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Interests in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Corporation's share of the net assets of the associate. Losses of an associate in excess of the Corporation's interest in that associate (which includes any long-term interests that, in substance, form part of the Corporation's net investment in the associate) are not recognized.

Where a member company transacts with an associate of the Corporation, unrealised profits and losses are eliminated to the extent of the Corporation's interest in the relevant associate.

Financial instruments

Initial recognition

Financial assets

At the date of initial recognition, financial assets are recognized at cost plus transaction costs that are directly attributable to the acquisition of the financial assets. Financial assets of the Corporation comprise cash, cash equivalents, trade and other receivables, investments and other financial assets.

Financial liabilities

At the date of initial recognition, financial liabilities are recognized at cost net of transaction costs that are directly attributable to the issue of the financial liabilities. Financial liabilities of the Corporation comprise borrowings, trade and other payables, and accrued expenses.

Re-measurement after initial recognition

Currently, there are no requirements for the re-measurement of the financial instruments after initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Provision for doubtful debts

Provision for doubtful debts is made for receivables that are overdue for six months or more, or when the debtor is in dissolution, in bankruptcy, or is experiencing similar difficulties and so maybe unable to repay the debt.

As at 31 December 2012, the Corporation had receivables of VND 110,143,267,289 from PetroVietnam Trade Union Finance Investment Corporation (PVFI), including due entrusted fund of VND 101,597,868,000 and unsettled entrusted interest of VND 8,545,399,289. The Board of General Directors assessed recoverability of such receivables at very low level since PVFI experienced difficulties in operations with losses, unsecured ability to continue as a going concern and inability to pay debts as they fall due. Therefore, the Board of General Directors decided to make full provision for the above receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B 09-DN/HN**
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method except that the cost of raw materials is measured using the first-in first-out method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

The evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations which allow provisions to be made for obsolete, damaged, or sub-standard inventories and for those which have costs higher than net realisable values as at the balance sheet date.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of purchased tangible fixed assets comprises its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use. The costs of tangible fixed assets formed from construction investment by contractual mode or self-construction or self-generating process are the settled costs of the invested construction projects in accordance with the prevailing State's regulations on investment and construction management, directly-related expenses and registration fee (if any). In the event the construction project has been completed and put into use but the settled costs thereof have not been approved, the cost of tangible fixed assets is recognized at the estimated cost based on the actual cost incurred. The estimated cost will be adjusted according to the settled costs approved by competent authorities.

Tangible fixed assets are depreciated using the straight-line method over their estimated useful, as follows:

	<u>Years</u>
Building, structures	5 - 25
Machinery, equipment	3 - 6
Motor vehicles	6
Office equipment	3 - 5

With respect to repairing expenses of fixed assets at Phu My Fertilizer Plant which is on a cyclical basis, the Corporation shall be permitted to accrue such expenses to operating expenses in advance based on annual budget. If actual expenses of repairs are higher than the accrued expenses, then the difference shall be directly charged to operating expenses. If the actual expenses of repairs are lower than the accrued expenses, then the difference shall be accounted for as a reduction of operating expenses of the year.

Intangible assets and amortization

Intangible fixed assets represent patent, land use rights, computer software and other intangible assets which are stated at cost less accumulated amortization. The patent and other intangible assets are amortized using the straight-line method over 6 years. The computer software is amortized using the straight-line method over 3 years. Definite-term land use rights are amortized using the straight-line method over the duration of the right to use the land. Indefinite-term land use rights are not amortized.

Leasing

Operating lease includes office and land rentals. Payments under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Construction in progress

Properties in the course of construction for production, rental and administrative purposes or for other purposes are carried at cost. The cost includes any costs that are necessary to form the asset including construction cost, equipment cost, other costs and related borrowing costs in accordance with the Corporation's accounting policy. Such costs will be included in the estimated costs of the fixed assets (if settled costs have not been approved) when they are put into use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09-DN/HN

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction in progress (Continued)

According to the State's regulations on investment and construction management, the settled costs of completed construction projects are subject to approval by appropriate level of competent authorities. The final costs of these completed construction projects may vary depending on the final approval by competent authorities.

Investment properties

Investment properties, which are composed of land use rights and buildings and structures of Cuu Long Supermarket-Office Building in Ca Mau Province; Sao Phuong Bac Hotel in Sapa Town, Lao Cai Province; PVFCCo Building at 43 Mac Dinh Chi Street, Ho Chi Minh City held by the Corporation to earn rentals, are stated at cost less accumulated depreciation. The cost of purchased investment properties comprises its purchase price and any directly attributable expenditures, such as professional fees for legal services, property transfer taxes and other related transaction costs. Investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Land use rights	44 - 50
Buildings and structures	25

The Corporation does not depreciate investment properties which are indefinite-term land use rights.

Other long-term investments

Other long term investments are the investments into other entities which the Corporation holds below 20% of the owners' equity (below 20% voting rights) with no significant influence and over 1 year of capital withdrawing period. Other long term investments are carried at cost.

Provision for diminution in value of other long-term investments is provision for impairment of long-term investments or losses in investees.

Long-term prepayments

Long-term prepayments include land rentals, business privilege, spare parts and other long-term prepayments.

Prepaid land rentals are charged to the consolidated income statement on the straight-line basis over the lease term.

Business privilege incurred in the valuation of the enterprise for equitization purpose amounting to VND 531,700,794,477 and has been allocated to income for 6 years from 1 January 2007. By 31 December 2012, business privilege has been charged in full in the Corporation's consolidated income statement. According to the Board of General Directors' judgments, allocation of business privilege over 6 years is in accordance with financial regulations applicable to privatized State-owned enterprises and estimated useful lives of production line.

Spare parts which are put in use at Phu My Fertilizer Plant are charged to the consolidated income statement on the straight-line basis over 6 years in accordance with the depreciation duration of production lines.

Other types of long-term prepayments comprise of tools and equipments which are charged in profit or loss on the straight-line basis from 1.5 to 2 years.

Provisions

Provisions are recognized when the Corporation has a present obligation as a result of a past event, and it is probable that the Corporation will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FORM B 09-DN/HN***These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Revenue recognition**

Revenue from the sale of goods is recognised when all five (5) following conditions are satisfied:

- (a) the Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the Corporation; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue of a transaction involving the rendering of services is recognised when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several periods, revenue is recognised in each period by reference to the percentage of completion of the transaction at the balance sheet date of that period. The outcome of a transaction can be measured reliably when all four (4) following conditions are satisfied:

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits associated with the transaction will flow to the Corporation;
- (c) the percentage of completion of the transaction at the balance sheet date can be measured reliably; and
- (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue of investment property rental is recognized in profit or loss on the straight-line basis over the lease term.

Financial income includes interests on time and demand deposits and on investments, in which deposit interests are accrued on a time basis, by reference to the principal outstanding and at the applicable interest rate. Dividend income from investments is recognised when the Corporation's right to receive payment has been established.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable of recovery. The revenue is not recognized in case of uncertain material factors related to the recoverability of receivables.

Foreign currencies

In the year, the Corporation prospectively adopted Circular 179 providing guidance on recognition, measurement and treatment of foreign exchange differences in enterprises and replacing Circular 201. Accordingly, transactions denominated in foreign currencies are translated at the exchange rate ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the buying exchange rate announced on the same date by the commercial bank where the Corporation opens its bank account. Foreign exchange differences incurred and arising from revaluation of the balances of monetary assets denominated in foreign currencies are recognized in the income statement. Unrealized foreign exchange gains from revaluation of foreign currency balances at the balance sheet date are not treated as part of distributable profit to shareholders. The guidance under Circular 179 on recognition, measurement and treatment of foreign exchange differences for transactions and balances of monetary items denominated in foreign currencies arising from 01 January 2012 is basically the same as that under VAS 10.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09-DN/HN

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Loss on foreign exchange differences arising from the transactions which are in the pre-operating stage of PetroVietnam Petrochemical and Textile Fiber Joint Stock Company (PVTEX) - the Corporation's associate, is recognized in the "Foreign exchange reserve" item pursuant to ownership ratio of the Corporation in the associate amounting to VND 68,049,986,579 as at 31 December 2012 and allocated to the consolidated income statement in maximum of 5 years from the official operating commencement of PVTEX.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets.

All other borrowing costs are recognised in the consolidated income statement when incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognised on significant differences between carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis.

The determination of corporate income tax due and deferred tax is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and its ultimate determination depends on the results of tax authorities' examination.

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

PETROVIETNAM FERTILIZER AND CHEMICALS CORPORATION - JSC

43 Mac Dinh Chi Street, Da Kao Ward, District 1
Ho Chi Minh City, S.R. Vietnam

Consolidated financial statements
For the year ended 31 December 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09-DN/HN

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

5. CASH AND CASH EQUIVALENTS

	31/12/2012	31/12/2011
	<u>VND</u>	<u>VND</u>
Cash on hand	1,219,544,986	2,501,956,305
Cash in bank	291,301,728,805	292,954,596,038
Cash equivalents	5,336,854,584,375	3,775,000,000,000
	<u>5,629,375,858,166</u>	<u>4,070,456,552,343</u>

Cash equivalents represent the time deposits for terms from 1 to 3 months at commercial banks and credit institutions at the interest rate of 8% to 14% per annum.

6. SHORT-TERM INVESTMENTS

	31/12/2012	31/12/2011
	<u>VND</u>	<u>VND</u>
Time deposits at commercial banks	53,600,000,000	25,000,000,000
Time deposits at PetroVietnam Trade Union Finance Investment Corporation (PVFI)	-	177,000,000,000
Time deposits at PetroVietnam Finance Joint Stock Corporation - Sai Gon Branch (PVFC - SG)	8,477,046,183	-
	<u>62,077,046,183</u>	<u>202,000,000,000</u>

Short-term investments as at 31 December 2012 represent time deposits for terms from 6 months to 12 months at commercial banks and PVFC - SG with interest rates from 10% to 13% per annum.

7. OTHER RECEIVABLES

	31/12/2012	31/12/2011
	<u>VND</u>	<u>VND</u>
Charter capital advance to PetroVietnam Urban Development Joint Stock Company (PVC-Mekong)	-	80,000,000,000
Accrued interest income from term deposits	48,753,979,736	57,249,279,741
PetroVietnam Trade Union Finance Investment Corporation (PVFI)	110,143,267,289	-
Others	8,731,853,163	29,072,986,898
	<u>167,629,100,188</u>	<u>166,322,266,639</u>

The receivable balance from PetroVietnam Trade Union Finance Investment Corporation (PVFI) as at 31 December 2012 included due entrusted fund of VND 101,597,868,000 and unsettled entrusted interest of VND 8,545,399,289. The Board of General Directors assessed recoverability of such receivables at very low level since PVFI experienced difficulties in operations with losses, unsecured ability to continue as a going concern and inability to pay debts as they fall due. Therefore, the Board of General Directors decided to make full provision for the above receivables.

PETROVIETNAM FERTILIZER AND CHEMICALS CORPORATION - JSC

43 Mac Dinh Chi Street, Da Kao Ward, District 1
Ho Chi Minh City, S.R. Vietnam

Consolidated financial statements
For the year ended 31 December 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09-DN/HN

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

8. INVENTORIES

	31/12/2012	31/12/2011
	VND	VND
Goods in transit	178,255,480,490	69,823,891,556
Raw materials	450,193,732,792	323,011,367,715
Tools and supplies	9,459,673,251	4,937,805,436
Work in process	42,736,222,678	54,089,522,986
Finished goods	363,035,130,445	132,282,869,306
Merchandise	142,245,767,436	586,454,316,157
	1,185,926,007,092	1,170,599,773,156
Provision for devaluation of inventories	(14,464,781,990)	(10,222,859,948)
Net realizable value	1,171,461,225,102	1,160,376,913,208

9. SHORT-TERM PREPAYMENTS

	31/12/2012	31/12/2011
	VND	VND
Asset insurance prepayment	10,792,388,054	11,003,395,240
Others	3,819,906,493	2,025,660,591
	14,612,294,547	13,029,055,831

10. TANGIBLE FIXED ASSETS

	Buildings, structures	Machinery, equipment	Motor vehicles	Office equipment	Total
	VND	VND	VND	VND	VND
COST					
As at 01/01/2012	1,312,232,636,935	5,314,479,094,091	85,027,007,916	79,584,805,497	6,791,323,544,439
Purchases	28,382,915,698	41,058,618,619	16,868,863,231	29,861,289,049	116,171,686,597
Transfer from construction in progress	96,127,216,268	-	-	-	96,127,216,268
Other increase	1,106,411,220	-	4,579,168,547	-	5,685,579,767
Transfer to investment properties	(72,210,344,963)	-	-	-	(72,210,344,963)
Disposals	-	(19,357,360)	(420,042,473)	(1,012,454,899)	(1,451,854,732)
Reclassification	(42,018,288)	55,181,386	-	(13,163,098)	-
As at 31/12/2012	1,365,596,816,870	5,355,573,536,736	106,054,997,221	108,420,476,549	6,935,645,827,376
ACCUMULATED DEPRECIATION					
As at 01/01/2012	602,888,029,559	4,878,760,979,824	58,699,147,099	33,325,635,393	5,573,673,791,875
Charge for the year	61,985,270,787	100,452,813,340	6,966,429,314	25,240,143,312	194,644,656,753
Transfer to investment properties	(1,110,303,287)	-	-	-	(1,110,303,287)
Disposals	-	(797,594)	(283,008,340)	(1,006,129,908)	(1,289,935,842)
As at 31/12/2012	663,762,997,059	4,979,212,995,570	65,382,568,073	57,559,648,797	5,765,918,209,499
NET BOOK VALUE					
As at 31/12/2012	701,833,819,811	376,360,541,166	40,672,429,148	50,860,827,752	1,169,727,617,877
As at 31/12/2011	709,344,607,376	435,718,114,267	26,327,860,817	46,259,170,104	1,217,649,752,564

The cost of the Corporation's tangible fixed assets as at 31 December 2012 included VND 5,316,603,642,980 (31/12/2011: VND 5,335,434,384,183) of tangible assets which have been fully depreciated but are still in use.

As at 31 December 2012, all buildings, structures, machinery and equipment of Phu My Fertilizer Packaging Joint Stock Company at net book value of VND 34,196,791,943 which have been pledged to secure long-term, short-term loans obtained from Joint Stock Commercial Bank for Foreign Trade of Vietnam - Vung Tau Branch (see Notes 18 and 21).

PETROVIETNAM FERTILIZER AND CHEMICALS CORPORATION - JSC43 Mac Dinh Chi Street, Da Kao Ward, District 1
Ho Chi Minh City, S.R. Vietnam**Consolidated financial statements**
For the year ended 31 December 2012**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09-DN/HN***These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements***11. INTANGIBLE FIXED ASSETS**

	Land use rights	Patent	Software	Others	Total
	VND	VND	VND	VND	VND
COST					
As at 01/01/2012	671,084,640,347	171,441,137,057	44,527,780,223	9,935,196,396	896,988,754,023
Purchases	8,385,816,571	-	332,082,000	400,000,000	9,117,898,571
Transfer from construction in progress	68,453,089,204	-	619,254,720	-	69,072,343,924
Transfer to investment properties	(9,714,364,000)	-	-	-	(9,714,364,000)
Disposals	-	-	(20,000,000)	-	(20,000,000)
Other decrease	(178,024,445)	-	(29,250,000)	-	(207,274,445)
As at 31/12/2012	738,031,157,677	171,441,137,057	45,429,866,943	10,335,196,396	965,237,358,073
ACCUMULATED AMORTIZATION					
As at 01/01/2012	202,192,133	161,582,221,870	10,878,245,839	9,551,819,607	182,214,479,449
Charge for the year	490,890,455	2,464,728,796	9,063,255,753	155,618,508	12,174,493,512
Disposals	-	-	(20,000,000)	-	(20,000,000)
Other decrease	-	-	(29,250,000)	-	(29,250,000)
As at 31/12/2012	693,082,588	164,046,950,666	19,892,251,592	9,707,438,115	194,339,722,961
NET BOOK VALUE					
As at 31/12/2012	737,338,075,089	7,394,186,391	25,537,615,351	627,758,281	770,897,635,112
As at 31/12/2011	670,882,448,214	9,858,915,187	33,649,534,384	383,376,789	714,774,274,574

The cost of the Corporation's intangible assets at 31 December 2012 included VND 168,932,621,106 (31/12/2011: VND 168,842,111,106) of intangible assets which have been fully amortized but are still in use.

12. CONSTRUCTION IN PROGRESS

	31/12/2012	31/12/2011
	VND	VND
Cai Cui - Can Tho warehouse	235,149,280,732	122,575,593,205
An Giang warehouse	-	39,233,289,888
Nam Phat - Tien Giang warehouse	-	34,854,969,899
Gia Lai warehouse	-	25,242,660,028
Ammoniac project	44,003,993,921	24,397,090,908
Tay Ninh warehouse	23,268,818,182	15,126,000,000
Da Nang warehouse	22,875,662,950	61,818,182
Office building at 43 Mac Dinh Chi street	-	5,732,174,223
Apartment building for staff	36,148,525,618	-
Others	69,320,385,474	36,765,102,904
	430,766,666,877	303,988,699,237

PETROVIETNAM FERTILIZER AND CHEMICALS CORPORATION - JSC

43 Mac Dinh Chi Street, Da Kao Ward, District 1
Ho Chi Minh City, S.R. Vietnam

Consolidated financial statements
For the year ended 31 December 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09-DN/HN

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

13. INVESTMENT PROPERTIES

	Land use rights VND	Buildings and structures VND	Total VND
COST			
As at 01/01/2012	74,784,152,000	158,497,683,168	233,281,835,168
Transfer from tangible fixed assets	-	72,210,344,963	72,210,344,963
Transfer from intangible fixed assets	9,714,364,000	-	9,714,364,000
Other decrease	-	(744,916,575)	(744,916,575)
As at 31/12/2012	84,498,516,000	229,963,111,556	314,461,627,556
ACCUMULATED DEPRECIATION			
As at 01/01/2012	1,646,440,696	10,016,709,538	11,663,150,234
Charge for the year	1,481,410,746	4,534,445,037	6,015,855,783
Transfer from tangible fixed assets	-	1,110,303,287	1,110,303,287
As at 31/12/2012	3,127,851,442	15,661,457,862	18,789,309,304
NET BOOK VALUE			
As at 31/12/2012	81,370,664,558	214,301,653,694	295,672,318,252
As at 31/12/2011	73,137,711,304	148,480,973,630	221,618,684,934

Investment properties represent land use rights and buildings and structures of Cuu Long Supermarket-Office Building in Ca Mau Province, Sao Phuong Bac Hotel in Sapa Town, Lao Cai Province and PVFCCo Building at 43 Mac Dinh Chi Street, Ho Chi Minh City which were held by the Corporation to earn rentals.

According to VAS No. 05 - *Investment Properties*, fair value of investment properties as at 31 December 2012 is required to be disclosed. However, since the Corporation has not determined the fair value at 31 December 2012; therefore, no information about the fair value is stated at the notes to the consolidated financial statements.

14. INVESTMENTS IN ASSOCIATES

	31/12/2012 VND	31/12/2011 VND
Investments in associates	599,000,000,000	519,000,000,000
Profit arising after the investment date less dividends received	(49,193,259,934)	8,582,677,298
Difference between acquisition price and share of the Corporation in the associate's net assets (*)	9,245,301,847	4,622,650,923
Changes in net assets which are not presented in the consolidated income statement (**)	(68,049,986,579)	(73,576,422,816)
	<u>491,002,055,334</u>	<u>458,628,905,405</u>
In which:		
PetroVietnam Urban Development JSC	57,670,829,097	26,412,636,214
PetroVietnam Petrochemical and Textile Fiber JSC	433,331,226,237	432,216,269,191

(*) The Corporation has determined the gain at the acquisition date on difference between the acquisition price and share of the Corporation in the net assets of the associate - PetroVietnam Petrochemical and Textile Fiber Joint Stock Company (PVTEX) at net book value of VND 23,113,254,617 at the investment date. The Board of General Directors decided to allocate such difference to the Corporation's consolidated financial statements over 5 years from 2011 with the annual charge of VND 4.6 billion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B 09-DN/HN**
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

14. INVESTMENTS IN ASSOCIATES (Continued)

(**) According to the unaudited figures presented in PVTEX's consolidated financial statements, foreign exchange difference arising from the acquisition date on 15 June 2011 to 31 December 2012 was VND 275,303,789,391. Since PVTEX is under construction, the difference was not recognized in profit or loss but in the item "Foreign Exchange Reserve" in PVTEX's balance sheet date. In addition, actual share of the Corporation in PVTEX's net assets as at 31 December 2012 was 24.72%; therefore, the investment in PVTEX has been decreased and foreign exchange loss was presented in the item "Foreign exchange reserve" at the consolidated financial statements as at 31 December 2012 at VND 68,049,986,579.

Details of the Corporation's associates at 31 December 2012 are as follows:

Name of associates	Place of incorporation and operation	Proportion of ownership interest (%)	Proportion of voting power held (%)	Principal activity
PetroVietnam Urban Development JSC (PVC-Mekong)	Ca Mau City	35.63	35.63	Construction and installation of industrial and civil works
PetroVietnam Petrochemical and Textile Fiber JSC (PVTEX)	Hai Phong City	24.72	24.72	Manufacturing and trading of polyester fiber

Summarised financial information in respect of the Corporation's associates is set out below:

	31/12/2012 VND	31/12/2011 VND
Total assets	7,498,251,259,345	7,117,435,446,917
Total liabilities	5,527,170,293,453	5,216,180,694,037
Net assets	1,971,080,965,892	1,901,254,752,880
The Corporation's share of associates' net assets	491,002,055,334	458,628,905,405
	2012 VND	2011 VND
Net revenue	231,226,267,769	721,917,003,581
Net profit	(151,017,268,293)	30,545,641,810
The Corporation's share of associates' net (loss)/profit	(51,464,263,407)	6,424,087,304

PETROVIETNAM FERTILIZER AND CHEMICALS CORPORATION - JSC

43 Mac Dinh Chi Street, Da Kao Ward, District 1

Ho Chi Minh City, S.R. Vietnam

Consolidated financial statements

For the year ended 31 December 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FORM B 09-DN/HN***These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements***15. OTHER LONG-TERM INVESTMENTS**

	<u>Proportion of ownership</u>	<u>31/12/2012 VND</u>	<u>31/12/2011 VND</u>
Drilling Mud Joint Stock Corporation (DMC)	10.27%	57,373,067,921	34,241,357,921
Petroleum Information Technology Telecom and Automation Joint Stock Company (PAIC)	8.50%	3,600,000,000	3,600,000,000
PetroVietnam Sport and Culture Joint Stock Company (PSCC)	10.00%	1,000,000,000	1,000,000,000
PetroVietnam Packaging Joint Stock Company (PSP)	14.55%	4,750,000,000	4,750,000,000
UTXI Aquatic Product Processing Corporation	6.78%	16,902,000,000	-
		<u>83,625,067,921</u>	<u>43,591,357,921</u>

As at 31 December 2012, the Board of General Directors has evaluated other long-term investments and believes that there are no diminution in value thereof, thus no provision should be made.

16. LONG-TERM PREPAYMENTS

	<u>31/12/2012 VND</u>	<u>31/12/2011 VND</u>
Prepaid land rentals in Phu My Industrial Zone	5,056,426,345	5,618,251,495
Prepaid land rentals in Nhon Binh Industrial Zone	5,945,813,969	6,098,825,828
Business privilege	-	88,616,799,064
Spare parts	46,275,058,387	61,700,077,851
Training fee for Ca Mau Fertilizer Plant	21,952,000	69,469,257,424
Others	21,825,855,346	47,516,699,242
	<u>79,125,106,047</u>	<u>279,019,910,904</u>

17. DEFERRED TAX ASSETS

	<u>Provision of doubtful debts VND</u>	<u>Provision for diminution in value of long-term financial investments VND</u>	<u>Accrued expenses not yet invoiced VND</u>	<u>Retained earnings VND</u>	<u>Total VND</u>
As at 01/01/2012	-	-	11,823,362,873	2,838,695,574	14,662,058,447
Charge for the year	27,535,816,822	3,870,212,860	9,917,092,256	(578,545,804)	40,744,576,134
As at 31/12/2012	<u>27,535,816,822</u>	<u>3,870,212,860</u>	<u>21,740,455,129</u>	<u>2,260,149,770</u>	<u>55,406,634,581</u>

PETROVIETNAM FERTILIZER AND CHEMICALS CORPORATION - JSC

43 Mac Dinh Chi Street, Da Kao Ward, District 1
Ho Chi Minh City, S.R. Vietnam

Consolidated financial statements
For the year ended 31 December 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FORM B 09-DN/HN**

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

18. SHORT-TERM LOANS AND LIABILITIES

	31/12/2012	31/12/2011
	VND	VND
Vietcombank - Vung Tau Branch (i)	7,737,630,442	9,205,641,372
Vietinbank - Can Tho Branch (ii)	20,000,000,000	-
	<u>27,737,630,442</u>	<u>9,205,641,372</u>

- (i) Represent a short-term loan obtained from Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) - Vung Tau Branch in the form of Letter of Credit. The facility can be withdrawn in VND with maximum amount of VND 35,000,000,000. The interest rate floats based on short-term loan interest rate announced by Vietcombank. The loan is secured by all machinery, equipment, buildings and structures on land of Phu My Fertilizer Packaging Joint Stock Company (see Note 10).
- (ii) Represent a short-term loan of VND 20,000,000,000 obtained from Vietnam Joint Stock Commercial Bank for Industry and Trade (Vietinbank) - Can Tho Branch to supplement capital for production and trading of fertilizer and chemicals. The loan bears interest rate of 8% p.a and is due on 07 January 2013. Southwest PetroVietnam Fertilizer and Chemicals Joint Stock Company has pledged the deposits under Term Deposit Contract No. 323/HDTG dated 29 December 2012 signed with Vietinbank - Can Tho Branch to secure the loan.

19. TAX AND AMOUNTS PAYABLE TO THE STATE BUDGET

	31/12/2012	31/12/2011
	VND	VND
Value added tax	3,598,392,806	12,780,283,409
Import - export duties	639,449,122	-
Corporate income tax	114,684,953,982	87,299,170,055
Personal income tax	1,634,856,165	6,885,813,006
Other taxes	3,350,038,002	9,959,741
	<u>123,907,690,077</u>	<u>106,975,226,211</u>

IMPLEMENTATION OF TAX OBLIGATIONS TO THE STATE BUDGET

Sections	Payables	Accumulated amounts		Payables
	31/12/2011	Tax payable	Tax paid	31/12/2012
	VND	VND	VND	VND
VAT domestic payables	12,780,283,409	44,943,536,275	54,657,656,369	3,066,163,315
VAT import/export payables	-	19,650,688,565	19,118,459,074	532,229,491
Import - export duties	-	5,858,164,259	5,218,715,137	639,449,122
Corporate income tax	86,994,364,144	515,161,197,986	493,754,715,175	108,400,846,955
Personal income tax	6,885,813,006	78,829,736,595	87,503,672,077	(1,788,122,476)
Natural resource tax	-	110,780,618	110,780,618	-
Environmental protection tax	-	34,085,150,199	31,128,406,000	2,956,744,199
Business tax	-	39,479,302	39,479,302	-
Withholding tax	-	432,915,468	432,915,468	-
Other taxes	9,959,741	3,029,076,137	2,645,742,075	393,293,803
Total	106,670,420,300	702,140,725,404	694,610,541,295	114,200,604,409
<i>In which</i>				
- Taxes and amounts payable to the State budget	106,975,226,211			123,907,690,077
- Taxes and other receivables from the State budget	304,805,911			9,707,085,668
+) Personal income tax	-			3,422,978,641
+) Corporate income tax	304,805,911			6,284,107,027

PETROVIETNAM FERTILIZER AND CHEMICALS CORPORATION - JSC

43 Mac Dinh Chi Street, Da Kao Ward, District 1
Ho Chi Minh City, S.R. Vietnam

Consolidated financial statements
For the year ended 31 December 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B 09-DN/HN**
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

20. ACCRUED EXPENSES

	31/12/2012	31/12/2011
	<u>VND</u>	<u>VND</u>
Repair and maintenance expenses for 2013 (i)	151,714,209,145	72,380,000,004
Social security expenses (ii)	73,570,862,067	38,283,665,997
Others	80,605,234,552	88,571,690,612
	<u>305,890,305,764</u>	<u>199,235,356,613</u>

- (i) During 2012, the Corporation accrued repair and maintenance expense of VND 79,334,209,141 in pursuant to the plan of repair and maintenance of Phu My Fertilizer Plant in 2013.
- (ii) In accordance with Decision No. 404/QĐ-DKVN dated 07 March 2012 of Vietnam Oil and Gas Group, the Corporation accrued social security expenses of VND 130 billion in order to implement the social security program. As at 31 December 2012, the social security expenses of VND 73,570,862,067 had not been transferred to the beneficiaries.

21. LONG-TERM LOANS AND LIABILITIES

	31/12/2012	31/12/2011
	<u>VND</u>	<u>VND</u>
PetroVietnam Finance Corporation - Sai Gon Branch (PVFC-SG)	8,477,046,183	-
	<u>8,477,046,183</u>	<u>-</u>

Represent a long-term loan obtained from PetroVietnam Finance Corporation - Sai Gon Branch (PVFC - SG) granted to Phu My Fertilizer Packaging Joint Stock Company to invest and enlarge the package production plan. The total loan amount under the contract is VND 25,310,821,434 and disbursed by instalments. The loan term is 7 years from the first disbursement date on 29 May 2012. The loan interest rate is determined at the 12-month-term deposit interest rate paid in areas in VND applicable to economic organizations announced by PetroVietnam Finance Corporation - Sai Gon Branch plus (+) 1% p.a. The loan is secured by all machinery, buildings and structures on land of Phu My Fertilizer Packaging Joint Stock Company (see Note 10).

PETROVIETNAM FERTILIZER AND CHEMICALS CORPORATION - JSC

43 Mac Dinh Chi Street, Da Kao Ward, District 1
Ho Chi Minh City, S.R. Vietnam

Consolidated financial statements
For the year ended 31 December 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

FORM B 09-DN/HN

22. SHAREHOLDERS' EQUITY

Movement in shareholders' equity:

	Charter capital	Other owner's capital	Treasury shares	Foreign exchange reserve	Investment and development fund	Financial reserve fund	Other owner's funds	Retained earnings	Total
	VND	VND	VND	VND	VND	VND	VND	VND	VND
Balance as at 01/01/2012	3,800,000,000,000	977,787,044	(83,961,341,647)	(74,411,767,146)	1,420,380,501,371	494,715,910,705	554,153,469	2,668,824,162,711	8,227,079,406,507
Profit for the year	-	-	-	-	-	-	-	3,067,647,429,374	3,067,647,429,374
Acquisition of treasury share for the year (1)	-	-	(1,486,131,615)	-	-	-	-	-	(1,486,131,615)
Profit distribution (2)	-	-	-	-	1,109,783,021,689	320,289,286,079	423,251,609	(1,430,495,559,377)	-
Provision for bonus and welfare funds	-	-	-	-	-	-	-	(403,379,204,930)	(403,379,204,930)
Dividends declared (3)	-	-	-	-	-	-	-	(1,887,771,600,000)	(1,887,771,600,000)
Other increase/(decrease)	-	-	-	4,316,768,312	(24,895,749)	-	(8,298,584)	(3,753,890,870)	529,683,109
Minority interest	-	-	-	5,842	(4,708,156,088)	(2,060,472,458)	(203,409,973)	(35,718,070,796)	(42,690,103,473)
Balance at 31/12/2012	3,800,000,000,000	977,787,044	(85,447,473,262)	(70,094,992,992)	2,525,430,471,223	812,944,724,326	765,696,521	1,975,353,266,112	8,959,929,478,972

(1) During the year, the Corporation acquired 64,880 treasury shares with average buying price of VND 22,906 per share.

(2) The Investment and development fund, Financial reserve fund and Bonus and welfare funds of the Corporation and its subsidiaries with the respective amounts of VND VND 1,109,783,021,689, VND 320,289,286,079 and VND 395,292,980,615 were allocated from profit after tax for the year ended 31 December 2011 under the Resolution passed at the general meeting of shareholders of the Corporation and its subsidiaries.

(3) Under the Resolution passed at the general meeting of shareholders on 27 April 2012, the Corporation declared to pay dividends for the year ended 31 December 2011 amounting to VND 1,321,533,540,000 (VND 2,500 per share), of which VND 377,647,740,000 (VND 1,000 per share) for the 1st dividend payment was made in advance in Quarter 3 of 2011. On 5 June 2012, the Corporation declared to pay the 2nd dividend payment of VND 943,885,800,000 for the year ended 31 December 2011 after fund allocation.

Also in 2012, the Corporation made interim dividend payment for 2012 of VND 943,885,800,000, i.e. the 1st interim dividend of VND 566,331,480,000 (VND 1,500 per share or 15% of par value) on 19 September 2012; the 2nd interim dividend of VND 377,554,320,000 (VND 1,000 per share or 10% of par value) on 19 December 2012.

PETROVIETNAM FERTILIZER AND CHEMICALS CORPORATION - JSC

43 Mac Dinh Chi Street, Da Kao Ward, District 1
Ho Chi Minh City, S.R. Vietnam

Consolidated financial statements
For the year ended 31 December 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B 09-DN/HN**
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

22. SHAREHOLDERS' EQUITY (Continued)

Shares	31/12/2012	31/12/2011
- Number of shares issued to public	380,000,000	380,000,000
+ Common shares	380,000,000	380,000,000
+ Preferred shares	-	-
- Number of treasury shares	2,445,680	2,380,800
+ Common shares	2,445,680	2,380,800
+ Preferred shares	-	-
- Number of outstanding shares in circulation	377,554,320	377,619,200
+ Common shares	377,554,320	377,619,200
+ Preferred shares	-	-

A common share has par value of VND 10,000.

Charter capital

According to the Corporation's Business Registration Certificate No. 4103007696 dated 31 August 2007, amended on 15 May 2008, issued by Department of Planning and Investment of Ho Chi Minh City, the Corporation's charter capital is VND 3,800,000,000,000. The charter capital fully contributed by the shareholders as at 31 December 2012 was as follows:

Shareholders	Per Business Registration		Capital contribution	
	Certificate		31/12/2012	31/12/2011
	VND	(%)	VND	VND
Vietnam Oil and Gas Group	2,332,042,530,000	61.37	2,332,042,530,000	2,332,042,530,000
Others	1,467,957,470,000	38.63	1,467,957,470,000	1,467,957,470,000
	3,800,000,000,000	100.00	3,800,000,000,000	3,800,000,000,000

23. MINORITY INTERESTS

Minority interests present interests of other shareholders in net assets value and results of operation of subsidiaries. Percentages of minority interests in subsidiaries are calculated as follows:

	Central PetroVietnam Fertilizer and Chemicals JSC VND	SouthWest PetroVietnam Fertilizer and Chemicals JSC VND	SouthEast PetroVietnam Fertilizer and Chemicals JSC VND	Northern PetroVietnam Fertilizer and Chemicals JSC VND	Phu My Fertilizer packaging JSC VND	PetroVietnam Southern Building and Development VND
Charter capital of subsidiaries	100,000,000,000	170,000,000,000	125,000,000,000	120,000,000,000	42,000,000,000	72,248,000,000
<i>In which:</i>						
Contributed capital of the Corporation	75,000,000,000	127,500,000,000	93,750,000,000	90,000,000,000	21,410,000,000	58,796,800,000
Contributed capital of minority shareholders	25,000,000,000	42,500,000,000	31,250,000,000	30,000,000,000	20,590,000,000	13,451,200,000
Percentages of minority interests	25.00%	25.00%	25.00%	25.00%	49.02%	18.62%

PETROVIETNAM FERTILIZER AND CHEMICALS CORPORATION - JSC

43 Mac Dinh Chi Street, Da Kao Ward, District 1
Ho Chi Minh City, S.R. Vietnam

Consolidated financial statements
For the year ended 31 December 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B 09-DN/HN**
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

23. MINORITY INTERESTS (Continued)

Minority interests in net assets as at 31 December 2012 are as follows:

	31/12/2012 VND	31/12/2011 VND
Total assets	316,462,317,587	268,403,750,593
Total liabilities	(110,901,141,285)	(83,526,648,517)
Net assets	205,561,176,302	184,877,102,076
<i>In which:</i>		
Charter capital	162,791,200,000	162,791,200,000
Other funds	15,023,318,174	8,051,285,497
Retained earnings	27,746,658,128	14,034,616,579

Minority interests in results of operations for the year ended 31 December 2012 are as follows:

	2012 VND	2011 VND
Profit for the year	193,655,983,195	143,047,592,636
Non-controlling interest in profit for the year	50,796,229,783	36,318,726,268

Movement in minority interest in the year is as follows:

	Charter capital VND	Other owner's capital VND	Foreign exchange reserve VND	Investment and development fund VND	Financial reserve fund VND	Other owner's funds VND	Retained earnings VND	Total VND
As at 01/01/2012	162,791,200,000	940,194,604	5,842	4,526,654,932	2,051,581,884	532,848,235	14,034,616,579	184,877,102,076
Profit for the year	-	-	-	-	-	-	50,796,229,783	50,796,229,783
Profit distribution to funds	-	-	-	4,720,359,984	2,060,472,458	207,477,939	(6,988,310,381)	-
Provision for bonus and welfare funds	-	-	-	-	-	-	(8,086,224,115)	(8,086,224,115)
Dividends declared	-	-	-	-	-	-	(22,006,029,247)	(22,006,029,247)
Others	-	-	(5,842)	(12,203,896)	-	(4,067,966)	(3,624,491)	(19,902,195)
As at 31/12/2012	162,791,200,000	940,194,604	-	9,234,811,020	4,112,054,342	736,258,208	27,746,658,128	205,561,176,302

PETROVIETNAM FERTILIZER AND CHEMICALS CORPORATION - JSC

43 Mac Dinh Chi Street, Da Kao Ward, District 1
Ho Chi Minh City, S.R. Vietnam

Consolidated financial statements
For the year ended 31 December 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

FORM B 09-DN/HN

24. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments:

The Corporation is organized into business segments which operate in relatively separate business industry and activities. The business segments of the Corporation and its subsidiaries include:

- Production and trading of fertilizer and chemicals: The Holding Company, Northern PetroVietnam Fertilizer and Chemicals JSC, Central PetroVietnam Fertilizer and Chemicals JSC, Southwest PetroVietnam Fertilizer and Chemicals JSC and Southeast PetroVietnam Fertilizer and Chemicals JSC.
- Package production: Phu My Fertilizer Packaging JSC.
- Construction of civil works and rendering of other services: PetroVietnam Southern Building and Development JSC.

Segment information about the Corporation's operations is presented below:

Consolidated balance sheets

	Trading of fertilizer and chemicals VND	Packing production VND	Construction of civil works and rendering of other services VND	Consolidated adjustments VND	Total VND
Assets					
Segment assets	11,693,778,513,703	85,925,686,672	118,850,432,577	(1,809,044,773,709)	10,089,509,859,243
Investment in associates	599,000,000,000	-	-	(107,997,944,666)	491,002,055,334
Unallocated assets	-	-	-	-	-
Total assets	12,292,778,513,703	85,925,686,672	118,850,432,577	(1,917,042,718,375)	10,580,511,914,577
Liabilities					
Segment liabilities	2,537,222,950,823	31,992,345,236	37,167,193,133	(1,191,361,229,889)	1,415,021,259,303
Unallocated liabilities	-	-	-	-	-
Total liabilities	2,537,222,950,823	31,992,345,236	37,167,193,133	(1,191,361,229,889)	1,415,021,259,303

PETROVIETNAM FERTILIZER AND CHEMICALS CORPORATION - JSC

43 Mac Dinh Chi Street, Da Kao Ward, District 1
Ho Chi Minh City, S.R. Vietnam

Consolidated financial statements
For the year ended 31 December 2012

FORM B 09-DN/HN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

24. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Consolidated income statement

	Trading of fertilizer and chemicals VND	Packing production VND	Construction of civil works and rendering of other services VND	Consolidated adjustment VND	Total VND
Gross sales	30,536,684,999,120	139,761,874,334	192,066,743,997	(17,434,651,613,894)	13,433,862,003,557
Deductions	253,457,226,669	-	-	(141,447,278,083)	112,009,948,586
Net sales	30,283,227,772,451	139,761,874,334	192,066,743,997	(17,293,204,335,811)	13,321,852,054,971
Cost of good solds	26,149,928,895,857	112,173,154,379	169,034,787,555	(17,433,770,384,287)	8,997,366,453,504
Gross profit from sales	4,133,298,876,594	27,588,719,955	23,031,956,442	140,566,048,476	4,324,485,601,467
Financial income	626,720,495,563	1,775,103,065	1,958,960,712	(62,108,244,841)	568,346,314,499
Financial expenses	20,874,978,977	1,550,824,653	57,792,670	(15,480,851,438)	7,002,744,862
Selling expenses	672,794,662,081	4,122,402,993	1,612,096,779	(41,410,208,388)	637,118,953,465
General and administration expenses	660,371,309,963	14,251,947,560	16,212,274,747	(16,864,841,323)	673,970,690,947
Operating profit	3,405,978,421,136	9,438,647,814	7,108,752,958	152,213,704,784	3,574,739,526,692
Profit from other activities	9,633,339,862	119,837,123	674,323,843	4,579,168,547	15,006,669,375
Loss on investments in associates	-	-	-	(47,696,642,825)	(47,696,642,825)
Accounting profit before tax	3,415,611,760,998	9,558,484,937	7,783,076,801	109,096,230,506	3,542,049,553,242
Current corporate income tax expense	512,059,706,803	1,093,452,764	1,993,540,435	-	515,146,700,002
Deferred corporate tax income	(41,323,121,938)	-	-	578,545,804	(40,744,576,134)
Net profit after corporate income tax	2,944,875,176,133	8,465,032,173	5,789,536,366	108,517,684,702	3,067,647,429,374

Geographical segments:

The Corporation distributes fertilizer, chemicals, packages, and services nationwide via its subsidiaries in each region, including the North, Central Region - Central Highlands, Southeast, Southwest and Ho Chi Minh City. In the year, the Corporation exported Phu My fertilizer to the markets in Cambodia and southeast regions. Sales in Cambodia reached about VND 180 billion, accounting for insignificant proportion of total sales from goods sold and services renders of the Corporation. Therefore, almost all operating activities of the Corporation were performed in Vietnam.

PETROVIETNAM FERTILIZER AND CHEMICALS CORPORATION - JSC

43 Mac Dinh Chi Street, Da Kao Ward, District 1
Ho Chi Minh City, S.R. Vietnam

Consolidated financial statements
For the year ended 31 December 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09-DN/HN

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

25. NET SALES AND COST OF GOODS SOLD

	Locally-produced products VND	Imported goods VND	Total VND
Year 2012			
Net sales	12,266,371,295,753	1,055,480,759,218	13,321,852,054,971
Cost of goods sold	(7,946,960,435,896)	(1,050,406,017,608)	(8,997,366,453,504)
In which: Provision for inventory devaluation	(2,378,232,612)	(1,863,689,430)	(4,241,922,042)
Gross profit	4,319,410,859,857	5,074,741,610	4,324,485,601,467
Year 2011			
Net sales	6,768,159,614,159	2,458,373,994,680	9,226,533,608,839
Cost of goods sold	(2,760,887,985,242)	(2,430,366,647,241)	(5,191,254,632,483)
In which: Provision for inventory devaluation	-	(6,796,966,515)	(6,796,966,515)
Gross profit	4,007,271,628,917	28,007,347,439	4,035,278,976,356

Sales from locally-produced products is as follows:

	2012 VND	2011 VND
Sales of Urea Phu My	8,276,212,412,521	6,453,361,559,024
Sales of Ca Mau Urea	3,535,949,440,237	-
Sales of Ammonia	-	36,273,170,013
Sales of electricity	3,934,678,565	7,693,247,916
Others	562,284,713,016	323,159,407,509
	12,378,381,244,339	6,820,487,384,462
Sales discounts	112,009,948,586	52,327,770,303
	12,266,371,295,753	6,768,159,614,159

26. PRODUCTION COST BY NATURE

	2012 VND	2011 VND
Raw materials and consumables	3,435,431,008,397	2,179,431,068,686
Labour	432,001,285,618	391,133,521,243
Depreciation and amortization	212,835,006,048	190,196,427,163
Out-sourced services	1,089,868,917,039	384,713,811,134
Other expenses	351,694,809,540	601,504,421,761
	5,521,831,026,642	3,746,979,249,988

27. FINANCIAL INCOME

	2012 VND	2011 VND
Interest income	562,452,007,455	514,219,760,206
Dividends and profits received	4,128,043,400	4,992,998,186
Others	1,766,263,644	7,466,683,682
	568,346,314,499	526,679,442,074

PETROVIETNAM FERTILIZER AND CHEMICALS CORPORATION - JSC

43 Mac Dinh Chi Street, Da Kao Ward, District 1

Ho Chi Minh City, S.R. Vietnam

Consolidated financial statements

For the year ended 31 December 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FORM B 09-DN/HN***These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements***28. FINANCIAL EXPENSES**

	2012	2011
	<u>VND</u>	<u>VND</u>
Loan interest	1,548,926,458	27,900,441,399
Exchange difference	4,966,604,584	39,067,463,965
Others	487,213,820	7,070,162,441
	<u>7,002,744,862</u>	<u>74,038,067,805</u>

29. CURRENT CORPORATE INCOME TAX EXPENSE

	2012	2011
	<u>VND</u>	<u>VND</u>
Current corporate income tax calculated on the current taxable incomes	482,588,578,713	369,042,805,384
Additional tax adjustments in previous years	47,008,541,958	-
Tax reduction/exemption (*)	(14,450,420,669)	-
Current corporate income tax expense	<u>515,146,700,002</u>	<u>369,042,805,384</u>

For fertilizer production at Phu My Fertilizer Plant, the Holding Company - the Corporation is obliged to pay corporate income tax at the rate of 15% of its assessable income. The Holding Company - the Corporation is entitled to corporate income tax exemption for four years from the first profit-making year (2004) and a 50% reduction in tax payable for the seven years thereafter (from 2008). The year 2012 is the fifth year the Holding Company - the Corporation enjoys 50% corporate income tax reduction as it is the Holding Company - the Corporation's nine profit-making year (since the Corporation's commencement of operation).

For other business activities, the Corporation's corporate income tax rate is applied at 25% of its taxable income.

(*) Under Circular No. 140/2012/TT-BTC dated 21 August 2012 issued by the Ministry of Finance, the Corporation's subsidiaries are entitled to a 30% tax reduction for the year ended 31 December 2012 as they meet the criterion that the number of employees is less than 100. The reduced tax amount was determined at VND 14,450,420,669 based on the income from the main operating activities of the subsidiaries.

30. BASIC EARNINGS PER SHARE

	2012	2011
	<u>VND</u>	<u>VND</u>
Earnings for the purpose of calculating basic earnings per share	3,016,851,199,591	3,104,293,433,980
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	377,555,209	377,646,351
Basic earnings per share	<u>7,990</u>	<u>8,220</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FORM B 09-DN/HN

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

31. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Corporation had outstanding commitments under non-cancelable operating leases, which fall due as follows:

	31/12/2012	31/12/2011
	<u>VND</u>	<u>VND</u>
Within one year	9,955,772,976	11,652,728,108
In the second to fifth years inclusive	30,297,338,339	33,610,888,221
After five years	24,414,393,419	31,795,489,104
	<u>64,667,504,734</u>	<u>77,059,105,432</u>

On 03 September 2005, the Corporation was handed over with a land-subleasing Contract No. 178/HD/TLĐ/UDEC.2001 dated 01 June 2001 signed between the PMU of Phu My Fertilizer Plant and Ba Ria-Vung Tau Urban Development and Construction Company for long-term rental of land and infrastructure in Phu My 1 Industrial Zone, Tan Thanh Commune, Ba Ria - Vung Tau Province. The contract is valid for 17 years from 03 September 2004 with the lease fee and infrastructure use fee of USD 378,392 per annum.

On 01 November 2010, the Corporation signed the office lease contract in Cambodia with the lease period of 3 years and the monthly lease fee of USD 1,500.

On 10 June 2011, Northern PetroVietnam Fertilizer and Chemicals Joint Stock Company, the Corporation's subsidiary, signed Contract No. 1521/2011/HD-VDKVN/PVFCCo on office lease at VPI Tower for 3 years from 01 July 2011, in which the total lease area is 623 m² and the annual lease fee is 11,001 USD.

32. OTHER COMMITMENTS

Under Gas Sales and Purchase Agreement No. 188/2006-2007/PVGAS/TM-PVFCCo/B1 dated 31 March 2006 and supplemental appendices signed with PetroVietnam Gas Corporation - Joint Stock Company, the gas purchasing price at Cuu Long gas tank for the year ended 31 December 2012 is USD 6.43 per MMBTU (from 01 January 2011 to 31 March 2011: USD 3.55 per MMBTU and from 01 April 2011 to 31 December 2011: USD 3.62 per MMBTU) and the Nam Con Son gas price for the year ended 31 December 2012 is USD 6.43 per MMBTU (from 01 January 2011 to 31 March 2011: USD 3.84 per MMBTU and from 01 April 2011 to 31 December 2011: USD 3.91/MMBTU).

33. FINANCIAL INSTRUMENTS

Capital risk management

The Corporation manages its capital to ensure that the Corporation will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Corporation consists of shareholder's equity of the parent (comprising capital, reserves and retained earnings), and equity attributable to minority shareholders of subsidiaries.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability are disclosed in Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FORM B 09-DN/HN

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

33. FINANCIAL INSTRUMENTS (Continued)

Categories of financial instruments

	Carrying amounts	
	31/12/2012	31/12/2011
	<u>VND</u>	<u>VND</u>
Financial assets		
Cash and cash equivalents	5,629,375,858,166	4,070,456,552,343
Trades and other receivables	94,525,586,860	232,795,849,099
Short-term investments	62,077,046,183	202,000,000,000
Long-term investments	83,625,067,921	43,591,357,921
Other financial assets	359,886,496	266,713,819
Total	5,869,963,445,626	4,549,110,473,182
Financial liabilities		
Borrowings	36,214,676,625	9,205,641,372
Trade and other payables	443,807,357,430	354,327,863,506
Accruals	305,890,305,764	199,235,356,613
Total	785,912,339,819	562,768,861,491

The Corporation has not determined fair value of its financial assets and liabilities as at the balance date since there are no comprehensive guidance under Circular No. 210/2009/TT-BTC issued by the Ministry of Finance on 06 November 2009 ("Circular 210") and other relevant prevailing regulations to determine fair value of these financial assets and liabilities. While Circular 210 refers to the application of International Financial Reporting Standards ("IFRS") on presentation and disclosures of financial instruments, it did not adopt the equivalent guidance for the recognition and measurement of financial instruments, including application of fair value, in accordance with IFRS.

Financial risk management objectives

The Corporation has set up risk management system to identify and assess the risks exposed by the Corporation and designed control policies and procedures to manage those risks at an acceptable level. Risk management system is reviewed on a regular basis to reflect changes in market conditions and the Corporation's operations.

Financial risks include market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Market risk

The Corporation's activities expose it primarily to the financial risks of changes in foreign currency exchange rates.

Foreign currency risk management

The Corporation undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities at the end of the financial year are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FORM B 09-DN/HN

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

33. FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk management (Continued)

	Liabilities		Assets	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	VND	VND	VND	VND
United States Dollar (USD)	301,172,880	4,260,029,420	64,381,819,564	147,465,726,357
Euro (EUR)	-	150,052,595	6,940,940,364	39,588,091

Foreign currency sensitivity analysis

The Corporation is mainly exposed to United States Dollar and Euro.

The following table details the Corporation's sensitivity to a 10% increase and decrease in Vietnam Dong against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. For a 10% increase in the following foreign currencies against Vietnam Dong, the profit before tax in the year would increase/(decrease) as follows:

	2012	2011
	VND	VND
United States Dollar (USD)	6,408,064,668	14,320,569,694
Euro (EUR)	694,094,036	(11,046,450)

Share price risk management

Shares held by the Corporation are affected by market risks arising from the uncertainty about future prices of such shares. The Corporation manages this risk exposure by setting up investment limits. The Corporation's Board of Management also assesses and approves decisions on share investments such as operating industry, investees, etc. The Corporation assesses the share price risk to be immaterial.

Investments in equity instruments are held for long-term strategic investments rather than trading purposes. The Corporation does not have intention to trade these investments in the foreseeable future. As at 31 December 2012, the Board of General Directors has assessed equity investments and believes that there is no impairment loss of such investments other than investment in PetroVietnam Urban Development Joint Stock Company.

Commodity price risk management

The Corporation purchases materials, commodities from local and foreign suppliers for business purpose. Therefore, the Corporation is exposed to the risk of changes in selling prices of materials, commodities.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Corporation. The Corporation has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. As at 31 December 2012, the Corporation has some credit risks, including: the amount receivable from PetroVietnam Trade Union Finance Investment JSC (PVFI) for the due trusted investment and accrued trust interest with the total amount of VND 110,143,267,289; the amount receivable from Ngoc Lan Private Enterprise with an amount of VND 9,153,800,000. The recovery of these amounts is uncertainty based on the Board of General Directors' assessment. Therefore, Board of Directors decided to make provision for all these receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FORM B 09-DN/HN

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

33. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk management

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations. Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of funds that the Corporation believes can generate within that period. The Corporation policy is to regularly monitor current and expected liquidity requirements to ensure that the Corporation maintains sufficient reserves of cash, borrowings and adequate committed funding from its owners to meet its liquidity requirements in the short and longer term.

The following table details the Company's remaining contractual maturity for its non-derivative financial assets and financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial assets financial liabilities based on the earliest date on which the Corporation can be required to pay. The table includes principal cash flows. The inclusion of information on non-derivative financial assets is necessary in order to understand the Corporation's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Less than 1 year	Over 1 year	Total
	<u>VND</u>	<u>VND</u>	<u>VND</u>
31/12/2012			
Cash and cash equivalents	5,629,375,858,166	-	5,629,375,858,166
Trade and other receivables	94,525,586,860	-	94,525,586,860
Short-term investments	62,077,046,183	-	62,077,046,183
Long-term investments	-	83,625,067,921	83,625,067,921
Other financial assets	66,630,852	293,255,644	359,886,496
Total	5,786,045,122,061	83,918,323,565	5,869,963,445,626
31/12/2012			
Borrowings	27,737,630,442	8,477,046,183	36,214,676,625
Trade and other payables	443,807,357,430	-	443,807,357,430
Accruals	305,890,305,764	-	305,890,305,764
Total	777,435,293,636	8,477,046,183	785,912,339,819
Net liquidity gap	5,008,609,828,425	75,441,277,382	5,084,051,105,807

PETROVIETNAM FERTILIZER AND CHEMICALS CORPORATION - JSC

43 Mac Dinh Chi Street, Da Kao Ward, District 1
Ho Chi Minh City, S.R. Vietnam

Consolidated financial statements
For the year ended 31 December 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09-DN/HN

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

33. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk management (Continued)

	Less than 1 year VND	Over 1 year VND	Total VND
31/12/2011			
Cash and cash equivalents	4,070,456,552,343	-	4,070,456,552,343
Trade and other receivables	232,795,849,099	-	232,795,849,099
Short-term investments	202,000,000,000	-	202,000,000,000
Long-term investments	-	43,591,357,921	43,591,357,921
Other financial assets	103,419,619	163,294,200	266,713,819
Total	4,505,355,821,061	43,754,652,121	4,549,110,473,182
31/12/2011			
Borrowings	9,205,641,372	-	9,205,641,372
Trade and other payables	354,327,863,506	-	354,327,863,506
Accruals	199,235,356,613	-	199,235,356,613
Total	562,768,861,491	-	562,768,861,491
Net liquidity gap	3,942,586,959,570	43,754,652,121	3,986,341,611,691

The management assessed the liquidity risk concentration at low level. The management believes that the Corporation will be able to generate sufficient funds to meet its financial obligations as and when they fall due.

34. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

During the year, the Corporation entered into the following significant transactions with related parties:

	2012 VND	2011 VND
Vietnam Oil and Gas Group (PetroVietnam)	1,214,420,050,375	499,313,154,111
- Dividend paid	1,166,021,265,000	466,408,506,000
- Management fee payables	48,398,785,375	32,904,648,111
Sales of urea and chemicals to PetroVietnam's subsidiaries	409,430,742,098	373,924,660,745
Purchases of goods and services from PetroVietnam's subsidiaries		
PetroVietnam Oil Corporation (PV Oil)	9,653,025,001	190,620,250,351
PVFC Land JSC	-	36,942,483,601
Petroleum Industrial and Civil Construction Joint Stock Company (PVC-IC)	101,231,043,027	161,917,824,793
Ca Mau Gas-Power-Fertilizer Project Management Unit	1,940,297,422,598	-
PetroVietnam Ca Mau Fertilizer Company limited	1,350,160,602,745	-
PetroVietnam Gas Joint Stock Corporation (PV Gas)	2,693,346,460,631	1,926,771,062,298

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FORM B 09-DN/HN

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

34. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Related party balances at the balance sheet date were as follows:

	31/12/2012 VND	31/12/2011 VND
Trade Accounts Payable		
PetroVietnam Urban Development Joint Stock Company (PVC-Mekong)	-	7,033,309,000
PetroVietnam Gas Joint Stock Corporation (PV Gas)	260,220,695,802	195,468,590,693
PetroVietnam Oil Corporation Company Limited (PV Oil)	-	18,285,400,000
PVFC Land Joint Stock Company	-	11,043,000,000
Petroleum Industrial and Civil Construction Joint Stock Company (PVC-IC)	28,263,134,703	15,042,870,801
PetroVietnam Trade Union Finance Investment Corporation (PVFI)	-	11,000,000,000
PetroVietnam Ca Mau Fertilizer Company Limited	-	8,112,540,000
Trade Accounts Receivable		
Binh Son Refining and Petrochemical Company Limited	1,297,635,200	1,353,902,194
PetroVietnam Ca Mau Fertilizer Company Limited	15,066,367,956	-
Advances to suppliers		
Petroleum Industrial and Civil Construction Joint Stock Company (PVC-IC)	-	3,012,188,600
PetroVietnam Urban Development Joint Stock Company (PVC-Mekong)	-	100,335,295,400
PetroVietnam Securities Incorporated - Ho Chi Minh City Branch	-	13,496,025,035
Other receivables		
PetroVietnam Finance Joint Stock Corporation	185,343,111	19,012,777,778
PetroVietnam Trade Union Finance Investment Corporation	110,143,267,289	-
Entrusted Fund Management		
PetroVietnam Trade Union Finance Investment Corporation	-	177,000,000,000
PetroVietnam Finance Joint Stock Corporation	8,477,046,183	595,000,000,000

35. COMPARATIVE FIGURES

Comparative figures are figures in the audited financial statements for the year ended 31 December 2011.



Nguyen Le Ngoc Giang
Preparer

08 March 2013



Huynh Kim Nhan
Chief Accountant



Nguyen Van Tong
Deputy General Director