



OJSC “PhosAgro”

**Consolidated Interim Condensed
Financial Statements for
the three-month period ended
31 March 2012 (unaudited)**

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Independent Auditors' Report on Review of Interim Financial Information

To the Board of Directors

OJSC "PhosAgro"

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of OJSC "PhosAgro" (the "Company") and its subsidiaries (the "Group") as at 31 March 2012, and the related consolidated interim condensed statements of comprehensive income, changes in equity and cash flows for the three-month period then ended (the "consolidated interim condensed financial information"). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 31 March 2012 and for the three-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

ZAO KPMG
15 June 2012

OJSC "PhosAgro"
*Consolidated Interim Condensed Statement of Comprehensive Income
for the three-month period ended 31 March 2012 (unaudited)*

	Note	Three months ended 31 March	
		2012 RUB Million	2011 RUB Million
Revenues	4	25,918	24,486
Cost of sales	5	(14,509)	(13,543)
Gross profit		11,409	10,943
Administrative expenses	6	(1,480)	(1,109)
Selling expenses	7	(1,849)	(1,538)
Taxes, other than income tax		(406)	(322)
Other expenses, net	8	(145)	(316)
Operating profit		7,529	7,658
Finance income	9	799	168
Finance costs	10	(322)	(85)
Foreign exchange gain		1,771	61
Share of (loss)/profit of associates		(42)	60
Profit before taxation		9,735	7,862
Income tax expense	11	(1,688)	(1,627)
Profit for the period		8,047	6,235
Attributable to:			
Non-controlling interests		1,521	900
Equity holders of the Parent		6,526	5,335
Other comprehensive income:			
Revaluation of available-for-sale securities		17	261
Recycling of revaluation loss on available-for-sale securities to profit and loss		369	-
Actuarial gains and losses		(28)	(21)
Foreign currency translation difference		(204)	(551)
Other comprehensive income for the period		154	(311)
Total comprehensive income for the period		8,201	5,924
Attributable to:			
Non-controlling interests		1,511	894
Equity holders of the Parent		6,690	5,030
Basic and diluted earnings per share (in RUB)	19	52	43

The consolidated interim condensed financial statements were approved on 15 June 2012:

Chief executive officer

Volkov M.V.

Chief accountant

Valenkova E.V.

OJSC “PhosAgro”
Consolidated Interim Condensed Statement of Financial Position
as at 31 March 2012 (unaudited)

	Note	31 March 2012 RUB Million	31 December 2011 RUB Million
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	12	58,887	57,116
Intangible assets		611	640
Investments in associates	13	8,450	7,910
Other non-current assets	14	2,952	3,556
		<u>70,900</u>	<u>69,222</u>
<i>Current assets</i>			
Other current investments	15	1,668	2,123
Derivative financial assets		59	-
Inventories	16	10,441	10,096
Current income tax receivable		201	166
Trade and other receivables	17	8,996	10,734
Cash and cash equivalents		22,690	16,946
		<u>44,055</u>	<u>40,065</u>
Total assets		<u>114,955</u>	<u>109,287</u>
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital	18	360	360
Share premium		1,099	1,099
Retained earnings		48,720	42,265
Other reserves		225	61
Equity attributable to Equity holders of the Parent		<u>50,404</u>	<u>43,785</u>
Equity attributable to non-controlling interests		18,406	16,923
		<u>68,810</u>	<u>60,708</u>
<i>Non-current liabilities</i>			
Loans and borrowings	20	14,455	16,592
Defined benefit obligations		997	922
Deferred tax liabilities		2,624	2,850
		<u>18,076</u>	<u>20,364</u>
<i>Current liabilities</i>			
Trade and other payables	21	9,499	11,407
Current income tax payable		1,174	801
Loans and borrowings	20	17,396	15,561
Derivative financial liabilities		-	446
		<u>28,069</u>	<u>28,215</u>
Total equity and liabilities		<u>114,955</u>	<u>109,287</u>

The consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 8 to 19.

OJSC “PhosAgro”
Consolidated Interim Condensed Statement of Cash Flows
for the three-month period ended 31 March 2012 (unaudited)

	Note	Three months ended 31 March	
		2012	2011
		RUB Million	RUB Million
OPERATING ACTIVITIES			
Profit before taxation		9,735	7,862
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment		1,570	1,451
(Gain)/loss from disposal of fixed assets	8	(85)	61
Interest expense	10	322	85
Interest income	9	(295)	(168)
Share of loss/(profit) of associates		42	(60)
Foreign exchange gain		(2,189)	-
Gain on revaluation of derivative financial instruments	9	(504)	-
Operating profit before changes in working capital and provisions		8,596	9,231
Increase in inventories		(345)	(987)
Decrease in trade and other receivables		1,801	3,968
Increase in trade and other payables		1,721	824
Cash flows used in operations before income taxes and interest paid		11,773	13,036
Income tax paid		(1,570)	(1,052)
Interest paid		(265)	(48)
Cash flows from operating activities		9,938	11,936
INVESTING ACTIVITIES			
Loans repaid/(issued)		467	(1,518)
Acquisition of intangible assets		(25)	(50)
Acquisition of property, plant and equipment		(3,507)	(3,021)
Proceeds from disposal of property, plant and equipment		104	121
Acquisition of investments		(34)	(18)
Additional equity contribution in associates		(400)	-
Interest received		295	168
Cash flows used in investing activities		(3,100)	(4,318)
FINANCING ACTIVITIES			
Proceeds from borrowings		3,688	3,185
Repayment of borrowings		(955)	(3,512)
Proceeds from disposal of non-controlling interests		-	8,460
Acquisition of non-controlling interests		(99)	(9,177)
Dividends paid to non-controlling interests		(3)	(159)
Dividends paid to shareholders of the Parent		(2,913)	(2,419)
Finance leases paid		(75)	(51)
Cash flows used in financing activities		(357)	(3,673)
Net increase in cash and cash equivalents		6,481	3,945
Cash and cash equivalents at beginning of the period		16,946	5,261
Effect of changes in exchange rates		(737)	-
Cash and cash equivalents at end of the period		22,690	9,206

	Attributable to equity holders of the Parent								Total
	Share capital	Share premium	Retained earnings	Available-for-sale investments revaluation reserve	Actuarial gains and losses recognised in equity	Foreign currency translation reserve	Treasury Shares	Attributable to non-controlling interests	
<i>RUB Million</i>									
Balance at 1 January 2011	360	496	55,311	2,132	(177)	165	(37)	15,079	73,329
Total comprehensive income for the period									
Profit for the period	-	-	5,335	-	-	-	-	900	6,235
Revaluation of available-for-sale securities	-	-	-	261	-	-	-	-	261
Actuarial gains and losses	-	-	-	-	(15)	-	-	(6)	(21)
Foreign currency translation difference	-	-	-	-	-	(551)	-	-	(551)
	-	-	5,335	261	(15)	(551)	-	894	5,924
Transactions with owners recognised directly in equity									
Acquisition and disposal of non-controlling interest in a subsidiary	-	-	36	-	-	-	-	557	593
Dividends to shareholders of the Company	-	-	(325)	-	-	-	-	-	(325)
	-	-	(289)	-	-	-	-	557	268
Balance at 31 March 2011	360	496	60,357	2,393	(192)	(386)	(37)	16,530	79,521
Balance at 1 January 2012	360	1,099	42,265	(305)	(133)	499	-	16,923	60,708
Total comprehensive income for the period									
Profit for the period	-	-	6,526	-	-	-	-	1,521	8,047
Revaluation of available for sale securities	-	-	-	17	-	-	-	-	17
Recycling of revaluation loss on available-for-sale securities to profit and loss	-	-	-	369	-	-	-	-	369
Actuarial gains and losses	-	-	-	-	(18)	-	-	(10)	(28)
Foreign currency translation difference	-	-	-	-	-	(204)	-	-	(204)
	-	-	6,526	386	(18)	(204)	-	1,511	8,201
Transactions with owners recognised directly in equity									
Acquisition of non-controlling interest in a subsidiary	-	-	(71)	-	-	-	-	(28)	(99)
	-	-	(71)	-	-	-	-	(28)	(99)
Balance at 31 March 2012	360	1,099	48,720	81	(151)	295	-	18,406	68,810

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 8 to 19.

1 Background

(a) Organisation and operations

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

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

(b) Russian business environment

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

2 Basis of preparation

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

These consolidated interim condensed financial statements do not contain all the information required for presentation in a complete set of IFRS financial statements and therefore should be read in conjunction with PhosAgro’s consolidated annual financial statements for the year ended 31 December 2011.

The accounting policies and judgements applied by the Group are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2011.

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

These consolidated interim condensed financial statements are presented in RUB.

3 Segment information

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

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

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

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

Business segment information of the Group at 31 March 2012 and for the three month-period then ended is as follows:

RUB million	Phosphate- based products	Nitrogen fertilisers	Other operations	Inter-segment elimination	Total
<i>Segment revenue and profitability</i>					
Segment external revenues, thereof:	23,013	2,679	226	-	25,918
Export	16,170	1,964	-	-	18,134
Domestic	6,843	715	226	-	7,784
Inter-segment revenues	-	1,585	-	(1,585)	-
Cost of goods sold	(13,469)	(2,187)	(297)	1,585	(14,368)
Gross segment profit/(loss)	<u>9,544</u>	<u>2,077</u>	<u>(71)</u>	<u>-</u>	<u>11,550</u>
<i>Certain items of profit and loss</i>					
Amortisation and depreciation	(1,278)	(136)	(29)	-	(1,443)
Total non-current segment assets	<u>40,593</u>	<u>11,229</u>	<u>2,213</u>	<u>-</u>	<u>54,035</u>
Additions to non-current assets	<u>1,825</u>	<u>1,516</u>	<u>19</u>	<u>-</u>	<u>3,360</u>

Business segment information of the Group for the three month-period ended 31 March 2011 and as at 31 December 2011 is as follows:

RUB million	Phosphate- based products	Nitrogen fertilisers	Other operations	Inter-segment elimination	Total
<i>Segment revenue and profitability</i>					
Segment external revenues, thereof:	21,105	3,175	213	-	24,493
Export	14,033	2,492	-	-	16,525
Domestic	7,072	683	213	-	7,968
Inter-segment revenues	-	861	-	(861)	-
Cost of goods sold	(11,750)	(1,927)	(673)	861	(13,489)
Gross segment profit/(loss)	<u>9,355</u>	<u>2,109</u>	<u>(460)</u>	<u>-</u>	<u>11,004</u>
<i>Certain items of profit and loss</i>					
Amortisation and depreciation	(1,167)	(94)	(26)	-	(1,287)
Total non-current segment assets	<u>40,310</u>	<u>10,296</u>	<u>1,948</u>	<u>-</u>	<u>52,554</u>
Additions to non-current assets	<u>1,442</u>	<u>630</u>	<u>54</u>	<u>-</u>	<u>2,126</u>

The analysis of export revenue by regions is as follows:

	Three months ended 31 March	
	2012	2011
	RUB Million	RUB Million
North and South America	4,479	9,640
Europe	4,534	3,976
Asia	2,607	678
CIS	1,845	1,825
India	1,523	3
Africa	3,146	403
	<u>18,134</u>	<u>16,525</u>

In the three-month period ended 31 March 2012, revenue from sales of phosphate-based products to two largest customers amounted to approximately 29% (RUB 7,424 million) of the Group’s total revenue (sales to one largest customer for the three-month period ended 31 March 2011: 18% (RUB 4,379 million)).

	Three months ended 31 March	
	2012	2011
	RUB Million	RUB Million
Total segment revenues	25,918	24,493
Difference in timing of revenue recognition	-	(7)
Consolidated revenues	<u>25,918</u>	<u>24,486</u>

OJSC “PhosAgro”
*Notes to the Consolidated Interim Condensed Financial Statements
for the three-month period ended 31 March 2012 (unaudited)*

	Three month ended 31 March	
	2012 RUB Million	2011 RUB Million
Total segment gross profit	11,550	11,004
Difference in depreciation and amortisation	(80)	(164)
Difference in timing of expenses recognition	354	(8)
Difference in timing of revenue recognition	-	(7)
Re-allocation (from)/to administrative expenses	(36)	161
Re-allocation from selling expenses	(39)	-
Elimination of unrealised profit	(462)	(155)
Recognition of finance lease	123	52
Other adjustments	(1)	60
Consolidated gross profit	<u>11,409</u>	<u>10,943</u>

	31 March 2012	31 December 2011
	RUB Million	RUB Million
Total non-current segment assets	54,035	52,554
Difference in the carrying value of the tangible assets	5,463	5,202
Consolidated non-current assets	<u>59,498</u>	<u>57,756</u>

4 Revenues

	Three months ended 31 March	
	2012 RUB million	2011 RUB million
Sales of chemical fertilisers	19,216	18,865
Sales of apatite concentrate	5,107	3,796
Sales of ammonium	394	706
Sales of nepheline concentrate	183	177
Other sales	1,018	942
	<u>25,918</u>	<u>24,486</u>

The domestic sales of apatite concentrate included in these consolidated interim condensed financial statements amounted to RUB 3,100 million (three-month period ended 31 March 2011: RUB 2,351 million).

5 Cost of sales

	Three months ended 31 March	
	2012 RUB million	2011 RUB million
Materials and services	(4,710)	(5,039)
Salaries and social contributions	(2,823)	(2,680)
Potash	(1,177)	(555)
Natural gas	(1,310)	(1,430)
Depreciation and amortisation	(1,447)	(1,332)
Fuel	(1,343)	(1,301)
Sulphur and sulphuric acid	(982)	(838)
Electricity	(858)	(956)
Other items	(9)	(12)
Change in stock of WIP and finished goods	150	600
	<u>(14,509)</u>	<u>(13,543)</u>

6 Administrative expenses

	Three months ended 31 March	
	2012	2011
	RUB million	RUB million
Salaries and social contributions	(816)	(650)
Professional services	(110)	(93)
Depreciation, amortisation and impairment	(104)	(101)
Insurance	(79)	(27)
Rent	(37)	(32)
Communication	(17)	(15)
Other	(317)	(191)
	<u>(1,480)</u>	<u>(1,109)</u>

7 Selling expenses

	Three months ended 31 March	
	2012	2011
	RUB million	RUB million
Russian Railways infrastructure tariff and operators' fees	(985)	(851)
Port and stevedoring expenses	(473)	(307)
Materials and services	(267)	(245)
Salaries and social contributions	(105)	(117)
Depreciation and amortisation	(19)	(18)
	<u>(1,849)</u>	<u>(1,538)</u>

During the current period the Group made a decision to re-classify salaries and social contributions attributable to operations of one of the Group subsidiaries, previously included in selling expenses, to cost of sales. As a result selling expenses decreased by RUB 32 million from RUB 1,570 million to RUB 1,538 million for the three month-period ended 31 March 2011.

8 Other expenses, net

	Three months ended 31 March	
	2012	2011
	RUB million	RUB million
Gain/(loss) on disposal of fixed assets	85	(61)
Increase in provision for inventory obsolescence	(19)	(37)
(Increase)/decrease in provision for bad debt	(147)	10
Other	(64)	(228)
	<u>(145)</u>	<u>(316)</u>

During the current period the Group made a decision to re-classify amortisation and depreciation, previously included in other expenses, to administrative expenses. As a result other expenses, net decreased by RUB 52 million from RUB 368 million to RUB 316 million for the three month-period ended 31 March 2011.

9 Finance income

	Three months ended 31 March	
	2012	2011
	RUB million	RUB million
Interest income	295	168
Gain on revaluation of derivative financial instruments	504	-
	<u>799</u>	<u>168</u>

10 Finance costs

	Three months ended 31 March	
	2012	2011
	RUB million	RUB million
Interest expense	(322)	(85)
	<u>(322)</u>	<u>(85)</u>

11 Income tax expense

The Parent company’s applicable corporate income tax rate is 20% (three-month period ended 31 March 2011: 20%).

	Three months ended	
	2012	2011
	RUB Million	RUB Million
Current tax expense	(1,908)	(1,694)
Origination and reversal of temporary differences, including change in unrecognised assets	220	67
	<u>(1,688)</u>	<u>(1,627)</u>

Reconciliation of effective tax rate:

	Three months ended			
	2012		2011	
	RUB Million	%	RUB Million	%
Profit before taxation	9,735	100	7,862	100
Income tax at applicable tax rate	(1,947)	(20)	(1,572)	(20)
Underprovided in respect of prior years	(6)	-	28	-
Unrecognised tax liability/(asset) on income/(loss) from associates	(8)	-	12	-
Recognition of previously unrecognised deferred tax assets	461	5	-	-
Non-deductible items	(89)	(1)	(214)	(3)
Change in unrecognised deferred tax assets	(99)	(1)	(328)	(4)
Unrecognised foreign exchange difference relating to intra-group transfer of investments	-	-	118	2
Increase of tax loss carry-forward due to intra-group transfer of investments	-	-	329	4
	<u>(1,688)</u>	<u>(17)</u>	<u>(1,627)</u>	<u>(21)</u>

12 Property, plant and equipment

<i>RUB million</i>	Land and buildings	Plant and equipment	Fixtures and fittings	Construction in progress	Total
Net book value at 1 January 2011	9,254	20,460	1,501	15,265	46,480
Additions	-	-	-	2,168	2,168
Transfers	611	2,686	225	(3,522)	-
Disposals	(19)	(46)	(13)	(104)	(182)
Depreciation and impairment	(170)	(1,131)	(72)	(37)	(1,410)
Net book value at 31 March 2011	<u>9,676</u>	<u>21,969</u>	<u>1,641</u>	<u>13,770</u>	<u>47,056</u>
Net book value at 1 January 2012	10,134	25,222	1,010	20,750	57,116
Additions	-	292	41	3,027	3,360
Transfers	535	2,901	-	(3,436)	-
Reclassification	220	312	(532)	-	-
Disposals	(4)	(12)	-	(3)	(19)
Depreciation	(174)	(1,351)	(45)	-	(1,570)
Net book value at 31 March 2012	<u>10,711</u>	<u>27,364</u>	<u>474</u>	<u>20,338</u>	<u>58,887</u>

Security

Properties with a carrying amount of RUB 2,070 million (31 December 2011: RUB 1,783 million) are pledged to secure bank loans, see note 20.

13 Investments in associates

	2012 RUB million	2011 RUB million
Balance at 1 January	7,910	9,365
Share in (loss)/profit for the period	(42)	60
Share in revaluation surplus of available-for-sale securities	17	261
Currency translation difference	(204)	(550)
Dividends accrued	-	(1,840)
Share in recycling of revaluation loss on available-for-sale securities to profit and loss	369	-
Additional equity contribution	400	-
Balance at 31 March	<u>8,450</u>	<u>7,296</u>

14 Other non-current assets

	31 March 2012 RUB million	31 December 2011 RUB million
Advances issued for construction of property, plant and equipment at cost	1,410	1,976
Financial assets available for sale at cost	748	748
Finance lease receivable	315	315
Loans issued to employees at amortised cost	175	165
Financial assets available-for-sale at fair value	64	64
Loans issued to related parties at amortised cost	16	11
Other long-term receivables	224	277
	<u>2,952</u>	<u>3,556</u>

15 Other current investments

	31 March 2012 RUB million	31 December 2011 RUB million
Loans issued to associates at amortised cost	877	944
Bank promissory notes	669	669
Loans issued to related parties at amortised cost	1	441
Loans issued at amortised cost	121	69
	<u>1,668</u>	<u>2,123</u>

Loans issued to associates represent two RUB-denominated loans issued in 2011 by two Group subsidiaries to LLC “Metachem”, bearing interest of 6% and 8.5%, and maturing in June and September 2012, respectively.

Bank promissory notes with the carrying amount of RUB 669 million (31 December 2011: RUB 669 million) are pledged to secure bank loans, see note 20.

16 Inventories

	31 March 2012 RUB million	31 December 2011 RUB million
<i>Raw materials:</i>		
Raw materials and spare parts	5,916	5,796
Apatite concentrate	1,357	1,263
<i>Finished goods:</i>		
Chemical fertilisers	2,845	2,795
Apatite concentrate	191	162
Work-in-progress	416	345
Provision for obsolescence	(284)	(265)
	<u>10,441</u>	<u>10,096</u>

Finished goods with carrying value of RUB 49 million (31 December 2011: RUB 49 million) are pledged to secure bank loans, see note 20.

17 Trade and other receivables

	31 March 2012	31 December 2011
	RUB million	RUB million
Taxes receivable	4,092	4,373
Advances issued	1,757	2,038
Trade accounts receivable	1,986	3,372
Other receivables	1,019	792
Deferred expenses	45	125
Receivables from associates	622	168
Receivables from related parties	159	51
Receivables from employees	42	13
Finance lease receivable	36	35
Provision for doubtful accounts	(762)	(233)
	<u>8,996</u>	<u>10,734</u>

18 Equity

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

In February 2012 the shareholders of two of the Group’s subsidiaries, OJSC “Ammophos” and JSC “Cherepovetsky “Azot” passed a resolution to merge into one legal entity. In accordance with the Russian law, those minority shareholders who voted against the merger or withheld from voting, obtain the right to put their shares to the respective entities. In May 2012 the Board of Directors approved repurchase of shares of OJSC “Ammophos” and JSC “Cherepovetsky “Azot” from those shareholders who decided to put their shares to the respective entities for RUB 358 million. After the repurchase the Group’s share in OJSC “Ammophos” and JSC “Cherepovetsky “Azot” is 94% and 70%, respectively. It is expected that the legal structuring will be completed in July 2012.

In April 2012 the Board of Directors proposed payment of dividends of RUB 32.5 per ordinary share. The total amount of dividend proposed is RUB 4,046 million. In May 2012 the proposed dividend was approved by the meeting of shareholders.

19 Earnings per share

Basic earnings per share are calculated based on the weighted average number of ordinary shares outstanding during the period after adjustment for the share split, see note 18. Basic and diluted earnings per share are the same, as there is no effect of dilution.

	Three months ended 31 March	
	2012	2011
Weighted average number of ordinary shares in issue	124,477,080	123,575,360
Profit for the period attributable to ordinary shareholders of the Parent, RUB million	6,526	5,335
Basic and diluted earnings per share, RUB	52	43

20 Loans and borrowings

This note provides information about the contractual terms of the Group’s loans and borrowings.

<i>RUB Million</i>	<u>Contractual interest rate</u>	<u>31 March 2012</u>	<u>31 December 2011</u>
<i>Current loans and borrowings</i>			
<i>Secured bank loans:</i>			
RUB- denominated	1.0%-8.0%	55	1,105
<i>Unsecured bank loans:</i>			
RUB-denominated	1.0%-12.0%	1,658	139
USD-denominated	LIBOR(1M)+1.9%-2.1%	12,464	13,683
USD-denominated	EURIBOR(1M)+2.4%	2,493	-
<i>Secured letters of credit:</i>			
EUR-denominated	LIBOR(3M)+1.7%-4.1%	-	148
EUR-denominated	EURIBOR(6M)+0.9%	200	-
EUR-denominated	EURIBOR(3M)+0.8%-3.0%	140	-
RUB-denominated	1.0%	66	66
<i>Finance lease liabilities:</i>			
USD-denominated	11.2%-13.9%	303	405
<i>Interest payable:</i>			
RUB-denominated		17	15
		<u>17,396</u>	<u>15,561</u>
<i>Non-current loans and borrowings</i>			
<i>Secured bank loans:</i>			
RUB-denominated	1.5%	45	114
<i>Unsecured bank loans:</i>			
USD-denominated	LIBOR(1M)+2.0%-2.9%	11,878	13,039
<i>Secured letters of credit:</i>			
USD-denominated	EURIBOR(6M)+0.8%	324	356
EUR-denominated	EURIBOR(3M)+1.95%	227	242
EUR-denominated	EURIBOR(6M)+1.0%-3.3%	591	954
EUR-denominated	LIBOR(6M)+0.95%-2.05%	244	134
<i>Finance lease liabilities:</i>			
USD-denominated	11.2%-13.9%	1,146	1,753
		<u>14,455</u>	<u>16,592</u>
		<u>31,851</u>	<u>32,153</u>

See notes 12, 15 and 16 on the assets pledged as a security for bank loans.

21 Trade and other payables

	31 March 2012 RUB million	31 December 2011 RUB million
Trade accounts payable	2,214	1,146
Dividends payable	85	3,001
Advances received	2,481	2,024
Accruals	1,055	1,371
Payable for property, plant and equipment	1,028	1,741
Taxes payable	1,704	990
Payables to employees	602	739
Payables to related parties and associates	78	93
Other payables	252	302
	<u>9,499</u>	<u>11,407</u>

22 Commitments

The Group has entered into contracts to purchase plant and equipment for RUB 3,109 million (31 December 2011: RUB 5,905 million).

23 Related party transactions

(a) Transactions and balances with associates

(i) *Transactions with associates*

	Three months ended 31 March	
	2012 RUB Million	2011 RUB Million
Sales of goods and services	2,250	476
Sales of equity investments	-	6,123
Dividend income from associates	-	1,840
Interest income from associates	8	-
Purchases of goods and services	(644)	(719)

(ii) *Balances with associates*

	31 March 2012 RUB Million	31 December 2011 RUB Million
Short-term loans issued at amortised cost	877	944
Receivables from associates	622	168
Payables to associates	(60)	(81)

(b) Transactions and balances with other related parties

(i) *Transactions with other related parties*

	Three months ended 31 March	
	2012 RUB Million	2011 RUB Million
Sales of goods and services	174	231
Purchases of goods and services	(13)	(51)
Interest income from related parties	2	36

(ii) Balances with other related parties

	31 March 2012	31 December 2011
	RUB Million	RUB Million
Short-term loans issued to related parties at amortised cost	1	441
Long-term loans issued to related parties at amortised cost	16	11
Receivables from related parties	159	51
Payables to related parties	(18)	(12)
Dividends payable to shareholders of the Parent	-	(2,913)

(iii) Key management remuneration

The remuneration of board of directors and 17 members of key management personnel amounted to RUB 43 million (three-month period ended 31 March 2011: RUB 27 million).

(iv) Financial guarantees

The financial guarantees given to related parties amounted to RUB 1,575 million (31 December 2011: RUB 1,704 million).

24 Seasonality

The Group is subject to certain seasonal fluctuations in fertiliser demand due to the timing of fertiliser application and, as a result, fertiliser purchases by farmers. However, the effect of seasonality on the Group's revenue is partially offset by the facts that the Group sells its fertilisers globally and fertiliser application and purchases vary by region. In particular, in Russia purchases of fertilisers by farmers generally peak in the third quarter. Due to the fact that Russia is the main fertiliser market for the Group, this normally results in the Group having a somewhat higher revenue in the third quarter as compared to the other quarters. However, fertiliser demand from other regions tends to peak in other periods of the year (for example, fertiliser demand from India and Brazil generally peaks in the first quarter while fertiliser purchases by European customers normally prevail in the second quarter), which partially offsets the increase in the Group's revenue in third quarter resulting from fertiliser sales in Russia.

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

25 Events subsequent to the reporting date

In May 2012 OJSC “Apatit” filed a claim against the tax authorities of Murmansk region for a compensation of interest on excessive tax payments for 2001 and 2003 tax years in the amount of RUB 350 million. The claim is scheduled to be examined by the arbitration court of Murmansk region of the first instance on 19 July 2012. As the court decision has not been taken yet, the amount of contingent tax asset has not been recognised in these consolidated financial statements.

See also note 18 for significant events which took place after 31 March 2012.