



OJSC “PhosAgro”

**Consolidated Interim Condensed
Financial Statements for
the six-month period ended
30 June 2012 (unaudited)**

Contents

Independent Auditors' Report	
Consolidated Interim Condensed Statement of Comprehensive Income	4
Consolidated Interim Condensed Statement of Financial Position	5
Consolidated Interim Condensed Statement of Cash Flows	6
Consolidated Interim Condensed Statement of Changes in Equity	7
Notes to the Consolidated Interim Condensed Financial Statements	8



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Independent Auditors' Report on Review of Consolidated Interim Condensed 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" as at 30 June 2012, the related consolidated interim condensed statements of comprehensive income for the three- and six-month periods ended 30 June 2012, and the related consolidated interim condensed statements of changes in equity and cash flows for the six-month period ended 30 June 2012, and notes to the interim financial information (the "consolidated interim condensed financial information"). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with 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 30 June 2012, and for the three- and six-month periods then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

ZAO KPMG

ZAO KPMG
29 August 2012

OJSC "PhosAgro"
*Consolidated Interim Condensed Statement of Comprehensive Income
for the six-month period ended 30 June 2012 (unaudited)*

	Note	Six months ended 30 June		Three months ended 30 June	
		2012	2011	2012	2011
		RUB Million	RUB Million	RUB Million	RUB Million
Revenues	4	50,359	48,764	24,441	24,278
Cost of sales	5	(28,425)	(26,934)	(13,916)	(13,391)
Gross profit		21,934	21,830	10,525	10,887
Administrative expenses	6	(2,933)	(2,591)	(1,453)	(1,482)
Selling expenses	7	(3,947)	(3,331)	(2,098)	(1,793)
Taxes, other than income tax		(767)	(615)	(361)	(293)
Other expenses, net	8	(361)	(415)	(216)	(99)
Operating profit		13,926	14,878	6,397	7,220
Finance income	9	1,257	376	458	208
Finance costs	10	(711)	(266)	(389)	(181)
Foreign exchange (loss)/gain		(689)	127	(2,460)	66
Share of profit of associates	13	89	302	131	242
Profit before taxation		13,872	15,417	4,137	7,555
Income tax expense	11	(3,070)	(3,126)	(1,382)	(1,499)
Profit for the period		10,802	12,291	2,755	6,056
Attributable to:					
Non-controlling interests		2,346	1,620	825	720
Shareholders of the Parent		8,456	10,671	1,930	5,336
Other comprehensive income:					
Revaluation of available-for-sale securities		12	301	(5)	40
Recycling of revaluation loss on available-for-sale securities to profit and loss		369	-	-	-
Actuarial gains and losses		(63)	(42)	(35)	(21)
Foreign currency translation difference		362	(633)	566	(82)
Other comprehensive income for the period		680	(374)	526	(63)
Total comprehensive income for the period		11,482	11,917	3,281	5,993
Attributable to:					
Non-controlling interests		2,325	1,607	814	713
Shareholders of the Parent		9,157	10,310	2,467	5,280
Basic and diluted earnings per share (in RUB)	19	68	86	16	43

The consolidated interim condensed financial statements were approved on 29 August 2012:

Chief executive officer

Volkov M.V.



Chief accountant

Valenkova E.V.



OJSC “PhosAgro”
Consolidated Interim Condensed Statement of Financial Position
as at 30 June 2012 (unaudited)

	Note	30 June 2012 RUB Million	31 December 2011 RUB Million
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	12	60,626	57,116
Intangible assets		562	640
Investments in associates	13	9,142	7,910
Other non-current assets	14	3,305	3,556
		<u>73,635</u>	<u>69,222</u>
<i>Current assets</i>			
Other current investments	15	1,572	2,123
Derivative financial assets		161	-
Inventories	16	10,873	10,096
Current income tax receivable		808	166
Trade and other receivables	17	9,029	10,734
Cash and cash equivalents		22,782	16,946
		<u>45,225</u>	<u>40,065</u>
Total assets		<u>118,860</u>	<u>109,287</u>
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital	18	360	360
Share premium		1,099	1,099
Retained earnings		46,346	42,265
Other reserves		762	61
Equity attributable to shareholders of the Parent		<u>48,567</u>	<u>43,785</u>
Equity attributable to non-controlling interests		18,833	16,923
		<u>67,400</u>	<u>60,708</u>
<i>Non-current liabilities</i>			
Loans and borrowings	20	11,274	16,592
Defined benefit obligations		960	922
Deferred tax liabilities		2,823	2,850
		<u>15,057</u>	<u>20,364</u>
<i>Current liabilities</i>			
Trade and other payables	21	9,472	11,407
Current income tax payable		664	801
Loans and borrowings	20	26,267	15,561
Derivative financial liabilities		-	446
		<u>36,403</u>	<u>28,215</u>
Total equity and liabilities		<u>118,860</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 six-month period ended 30 June 2012 (unaudited)

	Note	Six months ended 30 June	
		2012	2011
		RUB Million	RUB Million
OPERATING ACTIVITIES			
Profit before taxation		13,872	15,417
<i>Adjustments for:</i>			
Depreciation and amortisation		3,211	2,874
(Gain)/loss from disposal of fixed assets	8	(114)	105
Interest expense	10	711	266
Interest income	9	(643)	(310)
Gain on revaluation of derivative financial instruments	9	(607)	(63)
Dividend income	9	(7)	(3)
Share of profit of associates		(89)	(302)
Foreign exchange loss		689	-
Operating profit before changes in working capital and provisions		17,023	17,984
Increase in inventories		(777)	(2,144)
Decrease in trade and other receivables		1,892	5,846
Decrease in trade and other payables		(554)	(249)
Cash flows used in operations before income taxes and interest paid		17,584	21,437
Income tax paid		(3,876)	(3,316)
Interest paid		(533)	(180)
Cash flows from operating activities		13,175	17,941
INVESTING ACTIVITIES			
Loans repaid		403	2,064
Acquisition of intangible assets		(60)	(50)
Acquisition of property, plant and equipment		(6,694)	(5,469)
Proceeds from disposal of property, plant and equipment		215	275
Proceeds from disposal of investments		-	891
Acquisition of investments		(34)	(945)
Acquisition of investments in associates		-	(313)
Additional equity contribution in associates		(400)	-
Interest received		643	310
Dividends received		7	1,840
Cash flows used in investing activities		(5,920)	(1,397)
FINANCING ACTIVITIES			
Proceeds from borrowings		15,185	26,012
Repayment of borrowings		(10,441)	(8,456)
Proceeds from disposal of treasury shares		-	791
Proceeds from disposal of non-controlling interests		-	9,864
Acquisition of non-controlling interests		(363)	(9,177)
Dividends paid to non-controlling interests		(99)	(1,627)
Dividends paid to shareholders of the Parent		(5,654)	(32,054)
Finance leases paid		(178)	(191)
Cash flows used in financing activities		(1,550)	(14,838)
Net increase in cash and cash equivalents		5,705	1,706
Cash and cash equivalents at beginning of the period		16,946	5,261
Effect of changes in exchange rates		131	-
Cash and cash equivalents at end of the period		22,782	6,967

	Attributable to shareholders of the Parent								Total
	Share capital	Share premium	Retained earnings	Available-for-sale investments revaluation reserve	Actuarial gains and losses recognised in equity	Foreign currency translation reserve	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	-	-	10,671	-	-	-	-	1,620	12,291
Revaluation of available-for-sale securities	-	-	-	301	-	-	-	-	301
Actuarial gains and losses	-	-	-	-	(29)	-	-	(13)	(42)
Foreign currency translation difference	-	-	-	-	-	(633)	-	-	(633)
	-	-	10,671	301	(29)	(633)	-	1,607	11,917
Transactions with owners recognised directly in equity									
Acquisition and disposal of non-controlling interest in a subsidiary	-	-	142	-	-	-	-	545	687
Disposal of treasury shares, net of tax	-	603	-	-	-	-	37	-	640
Dividends to shareholders of the Parent	-	-	(29,960)	-	-	-	-	-	(29,960)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(1,247)	(1,247)
	-	603	(29,818)	-	-	-	37	(702)	(29,880)
Balance at 30 June 2011	360	1,099	36,164	2,433	(206)	(468)	-	15,984	55,366
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	-	-	8,456	-	-	-	-	2,346	10,802
Revaluation of available for sale securities	-	-	-	12	-	-	-	-	12
Recycling of revaluation loss on available-for-sale securities to profit and loss	-	-	-	369	-	-	-	-	369
Actuarial gains and losses	-	-	-	-	(42)	-	-	(21)	(63)
Foreign currency translation difference	-	-	-	-	-	362	-	-	362
	-	-	8,456	381	(42)	362	-	2,325	11,482
Transactions with owners recognised directly in equity									
Acquisition of non-controlling interest in subsidiaries	-	-	(329)	-	-	-	-	(34)	(363)
Dividends to shareholders of the Parent	-	-	(4,046)	-	-	-	-	-	(4,046)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(381)	(381)
	-	-	(4,375)	-	-	-	-	(415)	(4,790)
Balance at 30 June 2012	360	1,099	46,346	76	(175)	861	-	18,833	67,400

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 as at 30 June 2012 and for the six-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:	44,024	5,829	506	-	50,359
Export	30,874	4,581	-	-	35,455
Domestic	13,150	1,248	506	-	14,904
Inter-segment revenues	-	2,826	-	(2,826)	-
Cost of goods sold	(26,827)	(4,091)	(819)	2,826	(28,911)
Gross segment profit/(loss)	<u>17,197</u>	<u>4,564</u>	<u>(313)</u>	<u>-</u>	<u>21,448</u>
<i>Certain items of profit and loss</i>					
Amortisation and depreciation	(2,572)	(306)	(61)	-	(2,939)
Total non-current segment assets	<u>41,294</u>	<u>11,748</u>	<u>2,184</u>	<u>-</u>	<u>55,226</u>
Additions to non-current assets	<u>5,046</u>	<u>2,105</u>	<u>33</u>	<u>-</u>	<u>7,184</u>

Business segment information of the Group as at 31 December 2011 and for the six-month period ended 30 June 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:	42,508	5,874	382	-	48,764
Export	28,012	4,686	-	-	32,698
Domestic	14,496	1,188	382	-	16,066
Inter-segment revenues	-	1,873	-	(1,873)	-
Cost of goods sold	(24,086)	(3,830)	(992)	1,873	(27,035)
Gross segment profit/(loss)	<u>18,422</u>	<u>3,917</u>	<u>(610)</u>	<u>-</u>	<u>21,729</u>
<i>Certain items of profit and loss</i>					
Amortisation and depreciation	(2,382)	(197)	(54)	-	(2,633)
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>3,524</u>	<u>1,757</u>	<u>112</u>	<u>-</u>	<u>5,393</u>

The analysis of export revenue by regions is as follows:

	Six months ended 30 June	
	2012	2011
	RUB Million	RUB Million
North and South America	11,388	17,256
Europe	8,278	8,150
Asia	4,715	3,193
CIS	3,204	2,431
India	2,932	975
Africa	4,938	693
	<u>35,455</u>	<u>32,698</u>

In the six-month period ended 30 June 2012, revenue from sales of phosphate-based products to two largest customers amounted to approximately 28% (RUB 14,000 million) of the Group’s total revenue (sales to one largest customer for the six-month period ended 30 June 2011: 19% (RUB 9,331 million)).

	Six months ended 30 June	
	2012	2011
	RUB Million	RUB Million
Total segment revenues	50,359	48,764
Difference in timing of revenue recognition	-	-
Consolidated revenues	<u>50,359</u>	<u>48,764</u>

OJSC “PhosAgro”
Notes to the Consolidated Interim Condensed Financial Statements
for the six-month period ended 30 June 2012 (unaudited)

	Six months ended 30 June	
	2012	2011
	RUB Million	RUB Million
Total segment gross profit	21,448	21,729
Difference in depreciation and amortisation	(181)	(241)
Difference in timing of expenses recognition	367	289
Re-allocation (from)/to administrative expenses	(69)	56
Re-allocation from selling expenses	(89)	(88)
Re-allocation from other income	381	-
Other adjustments	77	85
Consolidated gross profit	21,934	21,830
	30 June 2012	31 December 2011
	RUB Million	RUB Million
Total non-current segment assets	55,226	52,554
Difference in the carrying value of the tangible assets	5,962	5,202
Consolidated non-current assets	61,188	57,756

4 Revenues

	Six months ended 30 June		Three months ended 30 June	
	2012	2011	2012	2011
	RUB million	RUB million	RUB million	RUB million
Sales of chemical fertilisers	38,019	37,942	18,803	19,077
Sales of apatite concentrate	9,077	7,256	3,970	3,460
Sales of ammonium	852	1,391	458	685
Sales of nepheline concentrate	361	348	178	171
Other sales	2,050	1,827	1,032	885
	50,359	48,764	24,441	24,278

The domestic sales of apatite concentrate included in these consolidated interim condensed financial statements amounted to RUB 5,197 million (six-month period ended 30 June 2011: RUB 4,364 million).

5 Cost of sales

	Six months ended 30 June		Three months ended 30 June	
	2012	2011	2012	2011
	RUB million	RUB million	RUB million	RUB million
Materials and services	(9,590)	(9,385)	(4,880)	(4,346)
Salaries and social contributions	(5,738)	(5,445)	(2,915)	(2,765)
Potash	(2,531)	(1,304)	(1,354)	(749)
Natural gas	(2,537)	(2,735)	(1,227)	(1,305)
Depreciation and amortisation	(2,966)	(2,713)	(1,519)	(1,381)
Fuel	(2,430)	(2,270)	(1,087)	(969)
Sulphur and sulphuric acid	(1,834)	(2,007)	(852)	(1,169)
Electricity	(1,638)	(1,697)	(780)	(741)
Other items	(15)	(24)	(6)	(12)
Change in stock of WIP and finished goods	854	646	704	46
	(28,425)	(26,934)	(13,916)	(13,391)

6 Administrative expenses

	Six months ended 30 June		Three months ended 30 June	
	2012	2011	2012	2011
	RUB million	RUB million	RUB million	RUB million
Salaries and social contributions	(1,664)	(1,559)	(848)	(909)
Professional services	(258)	(227)	(148)	(134)
Depreciation and amortisation	(203)	(122)	(99)	(61)
Insurance	(136)	(58)	(57)	(31)
Communication	(41)	(34)	(24)	(19)
Rent expenses	(23)	(12)	(11)	(7)
Stationary and other materials	(101)	(147)	(53)	(77)
Transportation	(71)	(59)	(37)	(31)
Security and fire safety services	(157)	(130)	(79)	(66)
Business travel and entertainment	(38)	(34)	(20)	(18)
Utilities	(19)	(10)	(10)	(5)
Other	(222)	(199)	(67)	(124)
	<u>(2,933)</u>	<u>(2,591)</u>	<u>(1,453)</u>	<u>(1,482)</u>

7 Selling expenses

	Six months ended 30 June		Three months ended 30 June	
	2012	2011	2012	2011
	RUB million	RUB million	RUB million	RUB million
Russian Railways infrastructure tariff and operators' fees	(2,050)	(1,809)	(1,065)	(958)
Port and stevedoring expenses	(1,223)	(714)	(750)	(407)
Materials and services	(424)	(527)	(157)	(282)
Salaries and social contributions	(208)	(242)	(103)	(125)
Depreciation and amortisation	(42)	(39)	(23)	(21)
	<u>(3,947)</u>	<u>(3,331)</u>	<u>(2,098)</u>	<u>(1,793)</u>

8 Other expenses, net

	Six months ended 30 June		Three months ended 30 June	
	2012	2011	2012	2011
	RUB million	RUB million	RUB million	RUB million
Gain/(loss) on disposal of fixed assets	114	(105)	29	(44)
Increase in provision for inventory obsolescence	(21)	(67)	(2)	(30)
(Increase)/decrease in provision for bad debt	(120)	39	27	29
Other	(334)	(282)	(270)	(54)
	<u>(361)</u>	<u>(415)</u>	<u>(216)</u>	<u>(99)</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 29 million from RUB 444 million to RUB 415 million for the six-month period ended 30 June 2011.

9 Finance income

	Six months ended 30 June		Three months ended 30 June	
	2012	2011	2012	2011
	RUB million	RUB million	RUB million	RUB million
Interest income	643	310	348	142
Gain on revaluation of derivative financial instruments	607	63	103	63
Dividend income	7	3	7	3
	<u>1,257</u>	<u>376</u>	<u>458</u>	<u>208</u>

10 Finance costs

	Six months ended 30 June		Three months ended 30 June	
	2012	2011	2012	2011
	RUB million	RUB million	RUB million	RUB million
Interest expense	(711)	(266)	(389)	(181)

11 Income tax expense

The Parent company’s applicable corporate income tax rate is 20% (six-month period ended 30 June 2011: 20%).

	Six months ended 30 June		Three months ended 30 June	
	2012	2011	2012	2011
	RUB million	RUB million	RUB million	RUB million
Current tax expense	(3,097)	(2,994)	(1,189)	(1,300)
Origination and reversal of temporary differences, including change in unrecognised assets	27	(132)	(193)	(199)
	<u>(3,070)</u>	<u>(3,126)</u>	<u>(1,382)</u>	<u>(1,499)</u>

Reconciliation of effective tax rate:

	Six months ended			
	2012		2011	
	RUB Million	%	RUB Million	%
Profit before taxation	13,872	100	15,417	100
Income tax at applicable tax rate	(2,774)	(20)	(3,083)	(20)
Over provided in respect of prior years	9	-	28	-
Income tax on intra-group dividends	(416)	(3)	-	-
Unrecognised tax liability on income from associates	18	-	60	-
Recognition of previously unrecognised deferred tax assets	461	3	-	-
Non-deductible items	(204)	(1)	(298)	(2)
Change in unrecognised deferred tax assets	(164)	(1)	(280)	(2)
Unrecognised foreign exchange difference relating to intra-group transfer of investments	-	-	118	1
Increase of tax loss carry-forward due to intra-group transfer of investments	-	-	329	2
	<u>(3,070)</u>	<u>(22)</u>	<u>(3,126)</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	-	420	-	5,437	5,857
Transfers	1,099	4,348	299	(5,746)	-
Disposals	(24)	(237)	(6)	(113)	(380)
Depreciation	(303)	(2,375)	(153)	-	(2,831)
Net book value at 30 June 2011	<u>10,026</u>	<u>22,616</u>	<u>1,641</u>	<u>14,843</u>	<u>49,126</u>
Net book value at 1 January 2012	10,134	25,222	1,010	20,750	57,116
Additions	98	780	178	5,703	6,759
Transfers	1,010	3,763	-	(4,773)	-
Reclassification	220	312	(532)	-	-
Disposals	(36)	(23)	(7)	(35)	(101)
Depreciation	(361)	(2,698)	(89)	-	(3,148)
Net book value at 30 June 2012	<u>11,065</u>	<u>27,356</u>	<u>560</u>	<u>21,645</u>	<u>60,626</u>

Security

Properties with a carrying amount of RUB 1,989 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	<u>7,910</u>	<u>9,365</u>
Acquisition of CJSC “Metachem” and CJSC “Pikalevskaya soda”	-	313
Share in profit for the period	89	302
Share in revaluation surplus of available-for-sale securities	12	301
Currency translation difference	362	(633)
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 30 June	<u>9,142</u>	<u>7,808</u>

14 Other non-current assets

	30 June 2012 RUB million	31 December 2011 RUB million
Advances issued for construction of property, plant and equipment, at cost	1,811	1,976
Financial assets available-for-sale, at cost	748	748
Finance lease receivable	71	315
Loans issued to employees, at amortised cost	206	165
Financial assets available-for-sale, at fair value	69	64
Loans issued to related parties, at amortised cost	29	11
Other long-term receivables	371	277
	<u>3,305</u>	<u>3,556</u>

15 Other current investments

	30 June 2012 RUB million	31 December 2011 RUB million
Loans issued to associates, at amortised cost	767	944
Bank promissory notes	669	669
Loans issued to related parties, at amortised cost	-	441
Loans issued, at amortised cost	136	69
	<u>1,572</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 8.5% and 6%, and maturing in September and October 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

	30 June 2012 RUB million	31 December 2011 RUB million
<i>Raw materials:</i>		
Raw materials and spare parts	5,607	5,796
Apatite concentrate	1,396	1,263
<i>Finished goods:</i>		
Chemical fertilisers	3,399	2,795
Apatite concentrate	332	162
Work-in-progress	425	345
Provision for obsolescence	(286)	(265)
	<u>10,873</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

	30 June 2012 RUB million	31 December 2011 RUB million
Taxes receivable	3,975	4,373
Advances issued	2,041	2,038
Trade accounts receivable	2,119	3,372
Other receivables	295	792
Deferred expenses	61	125
Receivables from associates	550	168
Receivables from related parties	197	51
Receivables from employees	124	13
Finance lease receivable	20	35
Provision for doubtful accounts	(353)	(233)
	<u>9,029</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 ordinary shares having par value of 2.5 RUB each. The Company authorised an additional 1,000,000,000 ordinary shares for issue with a par value of 2.5 RUB each.

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 – OJSC “PhosAgro-Cherepovets”. 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 April 2012 the Board of Directors of OJSC “Ammophos” and Supervisory Board of JSC “Cherepovetsky “Azot” approved repurchase of shares from those shareholders who decided to put their shares to the respective entities for RUB 363 million. After the repurchase the Group’s share in OJSC “Ammophos” and JSC “Cherepovetsky “Azot” was 94.1% and 70.6%, respectively. The legal structuring was completed in July 2012. The Group’s share in OJSC “PhosAgro-Cherepovets” is 87.6%.

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.

In August 2012 the Board of Directors proposed payment of dividends of RUB 38 per ordinary share. The total amount of dividend proposed is RUB 4,730 million.

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.

	Six months ended 30 June		Three months ended 30 June	
	2012	2011	2012	2011
Weighted average number of ordinary shares in issue	124,477,080	123,675,551	124,477,080	123,775,742
Profit for the period attributable to ordinary shareholders of the Parent, RUB million	8,456	10,671	1,930	5,336
Basic and diluted earnings per share, RUB	68	86	16	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>30 June 2012</u>	<u>31 December 2011</u>
<i>Current loans and borrowings</i>			
<i>Secured bank loans:</i>			
RUB- denominated	1.0%-8.0%	-	1,105
<i>Unsecured bank loans:</i>			
RUB-denominated	8.0%	2,152	139
USD-denominated	LIBOR(1M)+1.9%-2.7%	15,096	13,683
USD-denominated	LIBOR(3M)+2.6%	8,204	-
<i>Secured letters of credit:</i>			
EUR-denominated	LIBOR(3M)+1.7%-4.1%	-	148
EUR-denominated	EURIBOR(6M)+0.9%	200	-
RUB-denominated	1.0%	-	66
USD-denominated	2.0%	20	-
<i>Finance lease liabilities:</i>			
USD-denominated	11.2%-13.9% ¹	572	405
<i>Interest payable:</i>			
RUB-denominated		23	15
		<u>26,267</u>	<u>15,561</u>
<i>Non-current loans and borrowings</i>			
<i>Secured bank loans:</i>			
RUB-denominated	1.5%	100	114
<i>Unsecured bank loans:</i>			
USD-denominated	LIBOR(1M)+2.0%-3.63%	8,073	13,039
<i>Secured letters of credit:</i>			
USD-denominated	EURIBOR(6M)+0.8%	363	356
EUR-denominated	EURIBOR(3M)+1.95%	240	242
EUR-denominated	EURIBOR(6M)+1.0%-3.3%	624	954
EUR-denominated	LIBOR(6M)+0.95%-2.05%	257	134
<i>Finance lease liabilities:</i>			
USD-denominated	11.2%-13.9% ¹	1,617	1,753
		<u>11,274</u>	<u>16,592</u>
		<u>37,541</u>	<u>32,153</u>

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

¹ Contractual interest rate on financial lease agreements consists of the following components:

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

21 Trade and other payables

	30 June 2012 RUB million	31 December 2011 RUB million
Trade accounts payable	2,622	1,552
Dividends payable	1,675	3,001
Advances received	1,307	2,024
Accruals	1,020	1,371
Payable for property, plant and equipment	1,160	1,335
Taxes payable	760	990
Payables to employees	573	739
Payables to related parties and associates	97	93
Other payables	258	302
	<u>9,472</u>	<u>11,407</u>

22 Commitments

The Group has entered into contracts to purchase plant and equipment for RUB 4,165 million (31 December 2011: RUB 5,905 million).

23 Related party transactions

(a) Transactions and balances with associates

(i) *Transactions with associates*

	Six months ended 30 June	
	2012 RUB Million	2011 RUB Million
Sales of goods and services	3,257	1,049
Sales of equity investments	-	6,123
Sales of treasury shares	-	791
Dividend income from associates	-	1,840
Interest income from associates	28	-
Purchases of goods and services	(80)	(1,213)

(ii) *Balances with associates*

	30 June 2012 RUB Million	31 December 2011 RUB Million
Short-term loans issued at amortised cost	767	944
Advances issued for construction of property, plant and equipment, at cost	245	-
Receivables from associates	550	168
Payables to associates	(68)	(81)

(b) Transactions and balances with other related parties

(i) Transactions with other related parties

	Six months ended 30 June	
	2012	2011
	RUB Million	RUB Million
Assignment of receivables to a related party	-	2,347
Sales of goods and services	215	243
Purchases of goods and services	(22)	(73)
Interest income from related parties	4	52

(ii) Balances with other related parties

	30 June 2012	31 December 2011
	RUB Million	RUB Million
Short-term loans issued to related parties at amortised cost	-	441
Long-term loans issued to related parties at amortised cost	29	11
Receivables from related parties	197	51
Payables to related parties	(29)	(12)
Dividends payable to shareholders of the Parent	(1,305)	(2,913)

(iii) Financial guarantees

The financial guarantees given to related parties amounted to RUB 1,534 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 24 September 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.

The Group obtained a bank guarantee for a participation in an auction for 20% of all issued shares of OJSC “Apatit”. The amount of the guarantee is RUB 10,500 million. The guarantee is valid from 4 September until 6 November 2012.

See also note 18 for significant events which took place after 30 June 2012.