



OJSC “PhosAgro”

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

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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 September 2012, the related consolidated interim condensed statements of comprehensive income for the three- and nine-month periods ended 30 September 2012 and 2011, the related consolidated interim condensed statements of changes in equity and cash flows for the nine-month periods ended 30 September 2012 and 2011, 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 reviews.

Scope of Review

We conducted our reviews 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 reviews, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 September 2012, and for the three- and nine-month periods ended 30 September 2012 and 2011 is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

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14 November 2012

	Note	Nine months ended 30 September		Three months ended 30 September	
		2012 RUB Million	2011 RUB Million	2012 RUB Million	2011 RUB Million
Revenues	4	79,237	73,667	28,878	24,903
Cost of sales	5	(44,836)	(41,363)	(16,411)	(14,429)
Gross profit		34,401	32,304	12,467	10,474
Administrative expenses	6	(4,723)	(4,041)	(1,790)	(1,450)
Selling expenses	7	(5,695)	(4,882)	(1,748)	(1,551)
Taxes, other than income tax		(1,169)	(1,067)	(402)	(452)
Other expenses, net	8	(386)	(507)	(25)	(92)
Operating profit		22,428	21,807	8,502	6,929
Finance income	9	1,814	751	557	375
Finance costs	9	(1,109)	(607)	(398)	(341)
Foreign exchange gain/(loss)		1,074	(2,807)	1,763	(2,934)
Share of profit of associates	12	117	824	28	522
Profit before taxation		24,324	19,968	10,452	4,551
Income tax expense	10	(5,204)	(3,975)	(2,134)	(849)
Profit for the period		19,120	15,993	8,318	3,702
Attributable to:					
Non-controlling interests		3,205	2,031	859	411
Shareholders of the Parent		15,915	13,962	7,459	3,291
<i>Other comprehensive income</i>					
Revaluation of available-for-sale securities		(307)	(70)	(319)	(371)
Recycling of revaluation surplus on available-for-sale securities to profit and loss		-	(394)	(369)	(394)
Actuarial gains and losses		(131)	(62)	(68)	(20)
Foreign currency translation difference		(260)	365	(622)	998
Other comprehensive income for the period		(698)	(161)	(1,378)	213
Total comprehensive income for the period		18,422	15,832	6,940	3,915
Attributable to:					
Non-controlling interests		3,181	2,012	856	405
Shareholders of the Parent		15,241	13,820	6,084	3,510
Basic and diluted earnings per share (in RUB)	18	128	113	60	26

The consolidated interim condensed financial statements were approved on 14 November 2012:

Chief executive officer

Volkov M.V.



Chief accountant

Valenkova E.V.



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

	Note	30 September 2012 RUB Million	31 December 2011 RUB Million
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	11	62,943	57,116
Intangible assets		517	640
Investments in associates	12	7,860	7,910
Other non-current assets	13	3,279	3,556
		<u>74,599</u>	<u>69,222</u>
<i>Current assets</i>			
Other current investments	14	1,778	2,123
Derivative financial assets		108	-
Inventories	15	9,779	10,096
Current income tax receivable		497	166
Trade and other receivables	16	11,078	10,734
Cash and cash equivalents		25,206	16,946
		<u>48,446</u>	<u>40,065</u>
Total assets		<u>123,045</u>	<u>109,287</u>
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital	17	360	360
Share premium		1,099	1,099
Retained earnings		50,250	42,265
Other reserves		(613)	61
Equity attributable to shareholders of the Parent		<u>51,096</u>	<u>43,785</u>
Equity attributable to non-controlling interests		18,530	16,923
		<u>69,626</u>	<u>60,708</u>
<i>Non-current liabilities</i>			
Loans and borrowings	19	14,196	16,592
Defined benefit obligations		978	922
Deferred tax liabilities		2,963	2,850
		<u>18,137</u>	<u>20,364</u>
<i>Current liabilities</i>			
Trade and other payables	20	11,789	11,407
Current income tax payable		1,948	801
Loans and borrowings	19	21,545	15,561
Derivative financial liabilities		-	446
		<u>35,282</u>	<u>28,215</u>
Total equity and liabilities		<u>123,045</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 20.

OJSC “PhosAgro”
Consolidated Interim Condensed Statement of Cash Flows
for the nine-month period ended 30 September 2012 (unaudited)

	Note	Nine months ended 30 September	
		2012	2011
		RUB Million	RUB Million
OPERATING ACTIVITIES			
Profit before taxation		24,324	19,968
<i>Adjustments for:</i>			
Depreciation and amortisation		4,766	4,543
(Gain)/loss from disposal of fixed assets	8	(224)	62
Finance costs	9	1,109	607
Finance income	9	(1,814)	(751)
Share of profit of associates		(117)	(824)
Foreign exchange (gain)/loss		(980)	2,892
Operating profit before changes in working capital and provisions		27,064	26,497
Decrease/(increase) in inventories		317	(1,615)
(Increase)/decrease in trade and other receivables		(133)	7,786
(Decrease)/increase in trade and other payables		(165)	302
Cash flows from operations before income taxes and interest paid		27,083	32,970
Income tax paid		(4,275)	(4,727)
Interest paid		(1,068)	(545)
Cash flows from operating activities		21,740	27,698
INVESTING ACTIVITIES			
Loans repaid		143	1,267
Acquisition of intangible assets		(63)	(105)
Acquisition of property, plant and equipment		(9,719)	(9,371)
Proceeds from disposal of property, plant and equipment		446	419
Proceeds from disposal of investments		-	1,036
Acquisition of investments		(8)	(946)
Acquisition of investments in associates		-	(313)
Additional equity contribution in associates		(400)	-
Interest received		940	609
Dividends received		7	1,840
Cash flows used in investing activities		(8,654)	(5,564)
FINANCING ACTIVITIES			
Proceeds from borrowings		18,651	31,607
Repayment of borrowings		(14,301)	(13,443)
Proceeds from disposal of treasury shares		-	791
Acquisition of non-controlling interests		(367)	(9,177)
Proceeds from disposal of non-controlling interests		-	9,864
Dividends paid to non-controlling interests		(362)	(1,665)
Dividends paid to shareholders of the Parent		(7,628)	(32,054)
Finance leases paid		(615)	(235)
Cash flows used in financing activities		(4,622)	(14,312)
Net increase in cash and cash equivalents		8,464	7,822
Cash and cash equivalents at beginning of the period		16,946	5,261
Effect of changes in exchange rates		(204)	75
Cash and cash equivalents at end of the period		25,206	13,158

	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	-	-	13,962	-	-	-	-	2,031	15,993
Revaluation of available-for-sale securities	-	-	-	(70)	-	-	-	-	(70)
Recycling of revaluation surplus on available-for-sale securities to profit and loss	-	-	-	(394)	-	-	-	-	(394)
Actuarial gains and losses	-	-	-	-	(43)	-	-	(19)	(62)
Foreign currency translation difference	-	-	-	-	-	365	-	-	365
	-	-	13,962	(464)	(43)	365	-	2,012	15,832
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 September 2011	360	1,099	39,455	1,668	(220)	530	-	16,389	59,281
Balance at 1 January 2012	360	1,099	42,265	(305)	(133)	499	-	16,923	60,708
Total comprehensive income for the period									
Profit for the period	-	-	15,915	-	-	-	-	3,205	19,120
Revaluation of available-for-sale securities	-	-	-	(307)	-	-	-	-	(307)
Actuarial gains and losses	-	-	-	-	(107)	-	-	(24)	(131)
Foreign currency translation difference	-	-	-	-	-	(260)	-	-	(260)
	-	-	15,915	(307)	(107)	(260)	-	3,181	18,422
Transactions with owners recognised directly in equity									
Effect of merger (see note 17)	-	-	846	-	-	-	-	(1,213)	(367)
Dividends to shareholders of the Parent	-	-	(8,776)	-	-	-	-	-	(8,776)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(361)	(361)
	-	-	(7,930)	-	-	-	-	(1,574)	(9,504)
Balance at 30 September 2012	360	1,099	50,250	(612)	(240)	239	-	18,530	69,626

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 20.

1 Background

(a) Organisation and operations

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

The Group’s principal activity is production of apatite concentrate and mineral fertilisers at plants located in the cities of Kirovsk (Murmansk region), Cherepovets (Vologda region) 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 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 September 2012 and for the nine-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:	68,948	9,571	718	-	79,237
Export	45,602	8,193	-	-	53,795
Domestic	23,346	1,378	718	-	25,442
Inter-segment revenues	-	2,826	-	(2,826)	-
Cost of goods sold	(41,644)	(5,645)	(1,523)	2,826	(45,986)
Gross segment profit/(loss)	<u>27,304</u>	<u>6,752</u>	<u>(805)</u>	<u>-</u>	<u>33,251</u>
<i>Certain items of profit and loss</i>					
Amortisation and depreciation	<u>(3,765)</u>	<u>(427)</u>	<u>(93)</u>	<u>-</u>	<u>(4,285)</u>
Total non-current segment assets	<u>42,126</u>	<u>12,661</u>	<u>2,139</u>	<u>-</u>	<u>56,926</u>
Additions to non-current assets	<u>6,464</u>	<u>3,110</u>	<u>47</u>	<u>-</u>	<u>9,621</u>

Business segment information of the Group as at 31 December 2011 and for the nine-month period ended 30 September 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:	65,011	8,058	598	-	73,667
Export	42,007	6,914	-	-	48,921
Domestic	23,004	1,144	598	-	24,746
Inter-segment revenues	-	2,766	-	(2,766)	-
Cost of goods sold	(36,290)	(5,637)	(1,490)	2,766	(40,651)
Gross segment profit/(loss)	<u>28,721</u>	<u>5,187</u>	<u>(892)</u>	<u>-</u>	<u>33,016</u>
<i>Certain items of profit and loss</i>					
Amortisation and depreciation	(3,626)	(303)	(82)	-	(4,011)
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>6,408</u>	<u>4,177</u>	<u>293</u>	<u>-</u>	<u>10,878</u>

The analysis of export revenue by regions is as follows:

	Nine months ended 30 September	
	2012	2011
	RUB Million	RUB Million
North and South America	17,975	25,589
Europe	11,575	10,920
Asia	6,156	5,180
CIS	5,675	3,800
India	6,551	2,060
Africa	5,863	1,372
	<u>53,795</u>	<u>48,921</u>

In the nine months ended 30 September 2012, revenue from sales of phosphate-based products to two largest customers amounted to approximately 23% (RUB 18,066 million) of the Group’s total revenue (sales to two largest customers for the nine months ended 30 September 2011: 38% (RUB 27,759 million)).

	Nine months ended 30 September	
	2012	2011
	RUB Million	RUB Million
Total segment revenues	<u>79,237</u>	<u>73,667</u>
Consolidated revenues	<u>79,237</u>	<u>73,667</u>

	Nine months ended 30 September	
	2012	2011
	RUB Million	RUB Million
Total segment gross profit	33,251	33,016
Difference in depreciation and amortisation	(426)	(396)
Difference in timing of expenses recognition	480	(58)
Re-allocation (from)/to administrative expenses	160	(95)
Re-allocation from selling expenses	(101)	(316)
Re-allocation from other income	608	237
Recognition of finance lease	479	246
Reallocation of capitalized expenses	295	-
Other adjustments	(345)	(330)
Consolidated gross profit	34,401	32,304

	30 September 2012	31 December 2011
	RUB million	RUB million
Total non-current segment assets	56,926	52,554
Difference in the carrying value of the tangible assets	6,534	5,202
Consolidated non-current assets	63,460	57,756

4 Revenues

	Nine months ended		Three months ended	
	30 September		30 September	
	2012	2011	2012	2011
	RUB million	RUB million	RUB million	RUB million
Sales of chemical fertilisers	60,773	57,674	22,754	19,732
Sales of apatite concentrate	13,853	10,769	4,776	3,513
Sales of ammonium	980	1,450	128	59
Sales of nepheline concentrate	545	538	184	190
Other sales	3,086	3,236	1,036	1,409
	79,237	73,667	28,878	24,903

The domestic sales of apatite concentrate included in these consolidated interim condensed financial statements amounted to RUB 7,774 million (nine months ended 30 September 2011: RUB 6,549 million).

5 Cost of sales

	Nine months ended		Three months ended	
	30 September		30 September	
	2012	2011	2012	2011
	RUB million	RUB million	RUB million	RUB million
Materials and services	(15,598)	(14,271)	(6,008)	(4,886)
Salaries and social contributions	(8,357)	(8,238)	(2,619)	(2,793)
Potash	(3,713)	(1,839)	(1,182)	(535)
Natural gas	(4,060)	(3,654)	(1,523)	(919)
Depreciation and amortisation	(4,369)	(4,191)	(1,403)	(1,478)
Fuel	(3,277)	(3,053)	(847)	(783)
Sulphur and sulphuric acid	(2,720)	(3,304)	(886)	(1,297)
Electricity	(2,382)	(2,309)	(744)	(612)
Other items	(50)	(44)	(35)	(20)
Change in stock of WIP and finished goods	(310)	(460)	(1,164)	(1,106)
	(44,836)	(41,363)	(16,411)	(14,429)

6 Administrative expenses

	Nine months ended 30 September		Three months ended 30 September	
	2012	2011	2012	2011
	RUB million	RUB million	RUB million	RUB million
Salaries and social contributions	(2,937)	(2,557)	(1,273)	(998)
Depreciation and amortisation	(341)	(303)	(138)	(151)
Other	(1,445)	(1,181)	(379)	(301)
	<u>(4,723)</u>	<u>(4,041)</u>	<u>(1 790)</u>	<u>(1 450)</u>

7 Selling expenses

	Nine months ended 30 September		Three months ended 30 September	
	2012	2011	2012	2011
	RUB million	RUB million	RUB million	RUB million
Russian Railways infrastructure tariff and operators' fees	(2,936)	(2,685)	(871)	(818)
Port and stevedoring expenses	(1,684)	(1,204)	(576)	(490)
Materials and services	(750)	(713)	(226)	(186)
Salaries and social contributions	(269)	(231)	(61)	(47)
Depreciation and amortisation	(56)	(49)	(14)	(10)
	<u>(5,695)</u>	<u>(4,882)</u>	<u>(1,748)</u>	<u>(1,551)</u>

8 Other expenses, net

	Nine months ended 30 September		Three months ended 30 September	
	2012	2011	2012	2011
	RUB million	RUB million	RUB million	RUB million
Gain/(loss) on disposal of fixed assets	224	(62)	110	43
(Increase)/decrease in provision for stock obsolescence	(5)	(14)	16	53
(Increase)/decrease in provision for bad debt	(102)	51	18	12
Other	(503)	(482)	(169)	(200)
	<u>(386)</u>	<u>(507)</u>	<u>(25)</u>	<u>(92)</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 46 million from RUB 553 million to RUB 507 million for the nine months ended 30 September 2011.

9 Finance income and finance costs

	Nine months ended 30 September		Three months ended 30 September	
	2012	2011	2012	2011
	RUB million	RUB million	RUB million	RUB million
Interest income	943	609	300	299
Gain on revaluation of derivative financial instruments	554	138	(53)	75
Dividend income	7	4	-	1
Other finance income	310	-	310	-
Finance income	<u>1,814</u>	<u>751</u>	<u>557</u>	<u>375</u>
Interest expense	(1,015)	(522)	(304)	(256)
Other finance costs	(94)	(85)	(94)	(85)
Finance costs	<u>(1,109)</u>	<u>(607)</u>	<u>(398)</u>	<u>(341)</u>
Net finance income	<u>705</u>	<u>144</u>	<u>159</u>	<u>34</u>

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. In October 2012 the parties reached an out-of-court agreement according to which the tax authorities agreed to repay RUB 310 million. The amount of tax asset was recognised in these consolidated interim condensed financial statements as other finance income. The cash was received in October 2012.

10 Income tax expense

The Company's applicable corporate income tax rate is 20% (nine months ended 30 September 2011: 20%).

	Nine months ended 30 September		Three months ended 30 September	
	2012	2011	2012	2011
	RUB million	RUB million	RUB million	RUB million
Current tax expense	(5,091)	(3,910)	(1,994)	(916)
Origination and reversal of temporary differences, including change in unrecognised assets	(113)	(65)	(140)	67
	<u>(5,204)</u>	<u>(3,975)</u>	<u>(2,134)</u>	<u>(849)</u>

Reconciliation of effective tax rate:

	Nine months ended 30 September			
	2012		2011	
	RUB Million	%	RUB Million	%
Profit before taxation	24,324	100	19,968	100
Income tax at applicable tax rate	(4,865)	(20)	(3,994)	(20)
Over provided in respect of prior years	7	-	33	-
Income tax on intra-group dividends	(416)	(1)	-	-
Unrecognised tax liability on income from associates	24	-	165	1
Recognition of previously unrecognised deferred tax assets	461	2	-	-
Non-deductible items	(221)	(1)	(315)	(2)
Change in unrecognised deferred tax assets	(194)	(1)	(311)	(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>(5,204)</u>	<u>(21)</u>	<u>(3,975)</u>	<u>(20)</u>

11 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	64	629	164	10,441	11,298
Transfers	1,442	6,067	-	(7,509)	-
Disposals	(74)	(281)	(11)	(115)	(481)
Depreciation	(482)	(3,747)	(198)	-	(4,427)
Net book value at 30 September 2011	<u>10,204</u>	<u>23,128</u>	<u>1,456</u>	<u>18,082</u>	<u>52,870</u>
Net book value at 1 January 2012	10,134	25,222	1,010	20,750	57,116
Additions	297	1,086	286	9,038	10,707
Transfers	1,125	5,237	-	(6,362)	-
Reclassification	220	312	(532)	-	-
Disposals	(57)	(96)	(25)	(44)	(222)
Depreciation	(545)	(3,969)	(144)	-	(4,658)
Net book value at 30 September 2012	<u>11,174</u>	<u>27,792</u>	<u>595</u>	<u>23,382</u>	<u>62,943</u>

Security

Properties with a carrying amount of RUB 1,193 million (31 December 2011: RUB 1,783 million) are pledged to secure bank loans, see note 19.

12 Investments in associates

	2012 RUB million	2011 RUB million
Balance at 1 January	<u>7,910</u>	<u>9,365</u>
Acquisition of LLC “Metachem” and CJSC “Pikalevskaya soda”	-	313
Disposal of CJSC “Pikalevskaya soda”	-	(145)
Share in profit for the period	117	824
Share in revaluation loss of available-for-sale securities	(307)	(70)
Share in recycling of revaluation surplus on available-for-sale securities to profit and loss	-	(394)
Foreign currency translation difference	(260)	365
Dividends accrued	-	(1,840)
Additional equity contribution	400	-
Balance at 30 September	<u>7,860</u>	<u>8,418</u>

13 Other non-current assets

	30 September 2012 RUB million	31 December 2011 RUB million
Advances issued for construction of property, plant and equipment	1,682	1,976
Financial assets available-for-sale, at cost	753	748
Finance lease receivable	64	315
Loans issued to employees, at amortised cost	372	165
Financial assets available-for-sale, at fair value	69	64
Loans issued to related parties, at amortised cost	33	11
Other long-term receivables	306	277
	<u>3,279</u>	<u>3,556</u>

14 Other current investments

	30 September 2012 RUB million	31 December 2011 RUB million
Loans issued to associates, at amortised cost	863	944
Bank promissory notes	669	669
Loans issued to employees, at amortised cost	67	-
Loans issued to related parties, at amortised cost	151	441
Loans issued, at amortised cost	28	69
	<u>1,778</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 7.5%, and maturing in February and March 2013, 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 19.

15 Inventories

	30 September 2012 RUB million	31 December 2011 RUB million
<i>Raw materials:</i>		
Raw materials and spare parts	5,538	5,796
Apatite concentrate	766	488
Apatite-nepheline ore	753	775
<i>Finished goods:</i>		
Chemical fertilisers	2,267	2,795
Apatite concentrate	230	162
Work-in-progress	495	345
Provision for obsolescence	(270)	(265)
	<u>9,779</u>	<u>10,096</u>

16 Trade and other receivables

	30 September 2012	31 December 2011
	RUB million	RUB million
Taxes receivable	4,057	4,373
Advances issued	2,765	2,038
Trade accounts receivable	3,125	3,372
Other receivables	262	792
Deferred expenses	35	125
Receivables from associates	782	168
Receivables from related parties	327	51
Receivables from employees	39	13
Finance lease receivable	21	35
Provision for doubtful accounts	(335)	(233)
	11,078	10,734

17 Equity

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

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 367 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. In September 2012 the proposed dividend was approved by the meeting of shareholders.

18 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 17, and effect of treasury shares. Basic and diluted earnings per share are the same, as there is no effect of dilution.

	Nine months ended		Three months ended	
	30 September		30 September	
	2012	2011	2012	2011
Weighted average number of ordinary shares in issue	124,477,080	123,946,656	124,477,080	124,477,080
Profit for the period attributable to ordinary shareholders of the Parent, RUB million	15,915	13,962	7,459	3,291
Basic and diluted earnings per share, RUB	128	113	60	26

19 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 September 2012</u>	<u>31 December 2011</u>
<i>Current loans and borrowings</i>			
<i>Secured bank loans:</i>			
RUB- denominated	1%-8%	63	1,105
<i>Unsecured bank loans:</i>			
RUB-denominated	1%-10%	635	139
USD-denominated	LIBOR(1M)+1.9%-3.2%	12,117	13,683
USD-denominated	LIBOR(3M)+2.6%	7,729	-
<i>Secured letters of credit:</i>			
EUR-denominated	LIBOR(3M)+1.7%-4.1%	-	148
EUR-denominated	EURIBOR(6M)+2.05%	129	-
RUB-denominated	EURIBOR(6M)+0.9%	200	-
USD-denominated	1.0%	-	66
<i>Finance lease liabilities:</i>			
USD-denominated	11.2%-13.9% ¹	647	405
<i>Interest payable:</i>			
RUB-denominated		25	15
		<u>21,545</u>	<u>15,561</u>
<i>Non-current loans and borrowings</i>			
<i>Secured bank loans:</i>			
RUB-denominated	1.5%-2.15%	21	114
<i>Unsecured bank loans:</i>			
USD-denominated	LIBOR(1M)+2.7%-3.2%	10,947	13,039
<i>Secured letters of credit:</i>			
USD-denominated	EURIBOR(6M)+2%	342	356
EUR-denominated	EURIBOR(3M)+1.95%	232	242
EUR-denominated	EURIBOR(6M)+2.1%-3.25%	603	954
EUR-denominated	LIBOR(6M)+0.95%	120	134
<i>Finance lease liabilities:</i>			
USD-denominated	11.2%-13.9% ¹	1,931	1,753
		<u>14,196</u>	<u>16,592</u>
		<u>35,741</u>	<u>32,153</u>

See notes 11 and 14 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

20 Trade and other payables

	30 September 2012	31 December 2011
	RUB million	RUB million
Trade accounts payable	2,584	1,552
Dividends payable	4,148	3,001
Advances received	1,020	2,024
Accruals	748	1,371
Payable for property, plant and equipment	943	1,335
Taxes payable	1,113	990
Payables to employees	995	739
Payables to related parties and associates	152	93
Other payables	86	302
	<u>11,789</u>	<u>11,407</u>

21 Commitments

The Group has entered into contracts to purchase plant and equipment for RUB 2,556 million (31 December 2011: RUB 5,905 million).

At the balance sheet date the Group had a commitment for payment of purchase price consideration for 20% of all issued shares of OJSC “Apatit” for the amount of RUB 11,110 million, see note 24.

22 Related party transactions

(a) Transactions and balances with associates

(i) Transactions with associates

	Nine months ended 30 September	
	2012	2011
	RUB Million	RUB Million
Sales of goods and services	4,542	2,217
Sales of equity investments	-	6,123
Sales of treasury shares	-	791
Dividend income from associates	-	1,840
Interest income from associates	40	8
Purchases of goods and services	(103)	(1,809)

(ii) Balances with associates

	30 September 2012	31 December 2011
	RUB Million	RUB Million
Short-term loans issued at amortised cost	863	944
Advances issued for construction of property, plant and equipment, at cost	245	-
Receivables from associates	782	168
Payables to associates	(110)	(81)

(b) Transactions and balances with other related parties

(i) Transactions with other related parties

	Nine months ended 30 September	
	2012	2011
	RUB Million	RUB Million
Assignment of receivables to a related party	-	2,347
Sales of goods and services	637	308
Purchases of goods and services	(417)	(73)
Interest income from related parties	5	52

(ii) Balances with other related parties

	30 September 2012	31 December 2011
	RUB Million	RUB Million
Short-term loans issued to related parties at amortised cost	151	441
Long-term loans issued to related parties at amortised cost	33	11
Receivables from related parties	327	51
Payables to related parties	(42)	(12)
Dividends payable to shareholders of the Parent	(4,061)	(2,913)

(iii) Financial guarantees

The financial guarantees given to related parties amounted to RUB 1,442 million (31 December 2011: RUB 1,704 million).

23 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 Europe and North and South America generally peaks in the first quarter).

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

24 Events subsequent to the reporting date

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

In October 2012 the Group acquired 24% of CJSC “Nordic Rus Holding” for a total consideration of USD 31.76 million. CJSC “Nordic Rus Holding” is a minority shareholder of OJSC “Apatit”.

In October 2012 the Board of Directors decided on an increase of the Company’s share capital by way of issuance of 13.5 million new ordinary shares with the par value of 2.5 RUB each.

In November 2012 the Group launched a mandatory tender offer to acquire ordinary and preferred shares of OJSC “Apatit”. The offered price, which was determined in accordance with the Russian law, is RUB 6,679.9 per ordinary share and RUB 5,344.0 per type “A” preferred share. For the purposes of the mandatory buyout the Group obtained a bank guarantee in the amount of RUB 7,785 million. The bank guarantee is valid from 6 November 2012 until 18 September 2013.