EUROCHEM GROUP

INTERNATIONAL ACCOUNTING STANDARD No. 34

CONSOLIDATED CONDENSED INTERIM (NINE MONTHS) FINANCIAL INFORMATION AND REVIEW REPORT

30 SEPTEMBER 2010

Contents

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AUDITOR'S REPORT ON THE REVIEW OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

To the Shareholders and Board of Directors of Open Joint Stock Company Mineral Chemical Company "EuroChem":

Introduction
We have reviewed the accompanying consolidated condensed statement of financial position of Open Joint Stock Company Mineral Chemical Company "EuroChem" and its subsidiaries (together, the "Group") as at 30 September 2010 and the related consolidated condensed statements of comprehensive income, cash flows and changes in equity for the nine month period then ended. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim 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 accompanying consolidated condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

23 November 2010
Moscow, Russian Federation

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

	Note	30 September 2010	31 December 2009
ASSETS			
Non-current assets:			
Property, plant and equipment	6	66,750,214	56,382,417
Exploration rights		7,271,496	7,271,496
Goodwill		204,866	204,866
Intangible assets		244,698	427,457
Restricted cash	10	151,837	179,115
Available-for-sale investments	7	34,752,220	33,619,657
Other non-current assets		707,021	247,893
Deferred tax assets		848,369	1,328,848
Total non-current assets		**110,930,721**	**99,661,749**
Current assets:			
Inventories	8	8,470,150	8,105,067
Trade receivables	9	3,517,296	2,151,240
Prepayments, other receivables and other current assets	9	6,913,684	7,630,102
Restricted cash	10	422,271	551,086
Cash and cash equivalents	10	6,122,091	10,676,772
Total current assets		**25,445,492**	**29,114,267**
TOTAL ASSETS		**136,376,213**	**128,776,016**
LIABILITIES AND EQUITY			
Equity:			
Capital and reserves attributable to owners of the parent:			
Share capital		6,800,000	6,800,000
Treasury shares		(7,760)	(7,760)
Retained earnings and other reserves		76,892,493	65,644,137
		83,684,733	**72,436,377**
Non-controlling interests		329,477	758,683
Total equity		**84,014,210**	**73,195,060**
Non-current liabilities:			
Bank borrowings	11	16,116,865	26,556,324
Bonds issued	12	13,765,261	8,724,895
Other non-current liabilities and deferred credits		621,569	430,393
Deferred income tax liabilities		1,775,030	1,972,782
Total non-current liabilities		**32,278,725**	**37,684,394**
Current liabilities:			
Bank borrowings	11	12,557,479	12,491,434
Derivative financial liabilities	13	99,066	-
Trade payables		1,764,779	1,373,488
Other accounts payable and accrued expenses		4,905,091	3,574,522
Income tax payable		304,987	108,465
Other taxes payable		451,876	348,653
Total current liabilities		**20,083,278**	**17,896,562**
Total liabilities		**52,362,003**	**55,580,956**
TOTAL LIABILITIES AND EQUITY		**136,376,213**	**128,776,016**

Approved on behalf of the Board of Directors
23 November 2010

D.S. Strezhnev
Chief Executive Officer

A.A. Ilyin
Chief Financial Officer

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

	Note	Three months ended 30 September 2010	Three months ended 30 September 2009	Nine months ended 30 September 2010	Nine months ended 30 September 2009
Sales	14	24,261,388	18,775,018	69,650,743	55,247,529
Cost of sales	15	(11,704,370)	(10,750,175)	(34,861,357)	(30,935,444)
Gross profit		**12,557,018**	**8,024,843**	**34,789,386**	**24,312,085**
Distribution costs	16	(5,448,933)	(4,577,855)	(15,221,721)	(13,755,968)
General and administrative expenses	17	(925,723)	(719,380)	(2,783,463)	(2,311,037)
Other operating income/(expenses)	18	(779,331)	(521,177)	(267,094)	183,911
Operating profit		**5,403,031**	**2,206,431**	**16,517,108**	**8,428,991**
Dividend income	7	-	-	147,946	2,168,715
Fair value gain on trading investments		-	-	-	139,584
Gain/(loss) on disposal of non-current assets held for sale	19	(429,598)	-	(429,598)	249,123
Gain on disposal of available-for-sale investments	7	-	272,988	90,597	272,988
Financial foreign exchange gain/(loss) – net		984,304	1,885,357	(150,557)	805,308
Interest income		40,957	152,222	128,502	341,971
Interest expense		(546,074)	(462,254)	(1,435,305)	(1,505,421)
Other financial income/(loss) – net	20	417,435	-	7,684	-
Profit before taxation		**5,870,055**	**4,054,744**	**14,876,377**	**10,901,259**
Income tax expense	21	(1,098,746)	(797,202)	(3,147,522)	(1,989,212)
Net profit for the period		**4,771,309**	**3,257,542**	**11,728,855**	**8,912,047**
Other comprehensive income/(loss)					
Currency translation differences, net of tax		953,504	182,182	(339,022)	662,254
Revaluation of available-for-sale investments		7,071,192	(2,293,893)	1,562,006	(1,876,107)
Disposal of available-for-sale investments – reclassification of revaluation to profit and loss	7	-	(272,988)	(90,597)	(272,988)
Total other comprehensive income/(loss) for the period		**8,024,696**	**(2,384,699)**	**1,132,387**	**(1,486,841)**
Total comprehensive income for the period		**12,796,005**	**872,843**	**12,861,242**	**7,425,206**
Net profit/(loss) for the period attributable to:					
Owners of the parent		4,765,783	3,267,460	11,680,508	8,947,798
Non-controlling interests		5,526	(9,918)	48,347	(35,751)
		4,771,309	**3,257,542**	**11,728,855**	**8,912,047**
Total comprehensive income/(loss) attributable to:					
Owners of the parent		12,785,201	848,807	12,858,640	7,426,777
Non-controlling interests		10,804	24,036	2,602	(1,571)
		12,796,005	**872,843**	**12,861,242**	**7,425,206**
Earnings per share – basic and diluted (in RR)	22	70.16	48.10	171.94	131.72

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

	Note	Nine months ended 30 September 2010	Nine months ended 30 September 2009
Operating profit		16,517,108	8,428,991
Income tax paid		(2,561,008)	(1,408,519)
Operating profit less income tax paid		**13,956,100**	**7,020,472**
Depreciation and amortisation	17	2,495,655	2,235,750
Net loss on disposals and write-off of property, plant and equipment		179,782	182,869
Impairment of receivables and provision for obsolete and damaged inventories		(390)	176,984
Other non-cash (income)/expenses		(664,258)	675,877
Gross cash flow		**15,966,889**	**10,291,952**
Changes in operating assets and liabilities:			
Trade receivables		(966,437)	283,828
Advances to suppliers		235,478	849,833
Other receivables		197,533	905,562
Inventories		(191,995)	2,966,588
Trade payables		197,817	411,049
Advances from customers		254,107	292,041
Other payables		1,306,914	(1,499,937)
Other assets and liabilities		156,093	(1,522,780)
Net cash – operating activities		**17,156,399**	**12,978,136**
Cash flows from investing activities			
Capital expenditure on property, plant and equipment and other intangible assets		(13,587,153)	(13,726,632)
Investment grants received	6	146,764	-
Purchase of exploration rights		-	(108,220)
Acquisition of interest in subsidiaries	25	(443,652)	(3,690)
Acquisition of subsidiary, net of cash acquired		-	(149,913)
Acquisition of available-for-sale investments		-	(21,895,670)
Proceeds from sale of property, plant and equipment		23,873	29,310
Proceeds from disposal of non-current assets held for sale		-	13,909
Proceeds from disposal of trading investments		-	311,855
Proceeds from disposal of available-for-sale investments	7	429,443	3,319,767
Proceeds from sale of derivatives	13	106,750	278,106
Dividends received, net of tax	7	140,549	2,060,279
Repayment of originated loans		-	6,568,110
Interest received		118,023	477,761
Net cash – investing activities		**(13,065,403)**	**(22,825,028)**
Free cash inflow/(outflow)		**4,090,996**	**(9,846,892)**
Cash flows from financing activities			
Proceeds from bank borrowings	11	8,767,735	9,843,054
Repayment of bank borrowings	11	(19,207,547)	(11,820,997)
Proceeds from bonds, net of transaction costs	12	4,976,711	-
Prepaid and additional transaction costs		(23,633)	(103,060)
Interest paid		(1,296,198)	(1,559,198)
Dividends paid	23	(1,598,440)	-
Net cash – financing activities		**(8,381,372)**	**(3,640,201)**
Effect of exchange rate changes on cash and cash equivalents		(264,305)	1,806,494
Net decrease in cash and cash equivalents		**(4,554,681)**	**(11,680,599)**
Cash and cash equivalents at the beginning of the period	10	**10,676,772**	**26,225,350**
Cash and cash equivalents at the end of the period	10	**6,122,091**	**14,544,751**

The accompanying notes on pages 5 to 18 are an integral part of this consolidated condensed interim financial information.

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

	Note	Attributable to owners of the parent						Non-controlling interests	Total equity
		Share capital	Treasury shares	Cumulative currency translation differences	Revaluation of investments available-for-sale	Retained earnings	Total		
Balance at 1 January 2009		**6,800,000**	**(7,760)**	**1,529,180**	**4,371,990**	**47,533,368**	**60,226,778**	**809,874**	**61,036,652**
Comprehensive income									
Profit/(loss) for the period		-	-	-	-	8,947,798	8,947,798	(35,751)	8,912,047
Other comprehensive income/(loss)									
Currency translation differences		-	-	628,074	-	-	628,074	34,180	662,254
Revaluation of available-for-sale investments		-	-	-	(1,876,107)	-	(1,876,107)	-	(1,876,107)
Disposal of available-for-sale investments		-	-	-	(272,988)	-	(272,988)	-	(272,988)
Total other comprehensive income/(loss)		-	-	628,074	(2,149,095)	-	(1,521,021)	34,180	(1,486,841)
Total comprehensive income/(loss)		**-**	**-**	**628,074**	**(2,149,095)**	**8,947,798**	**7,426,777**	**(1,571)**	**7,425,206**
Transactions with owners									
Acquisitions of additional interest in subsidiaries		-	-	-	-	17,321	17,321	(21,011)	(3,690)
Total transactions with owners		**-**	**-**	**-**	**-**	**17,321**	**17,321**	**(21,011)**	**(3,690)**
Balance at 30 September 2009		**6,800,000**	**(7,760)**	**2,157,254**	**2,222,895**	**56,498,487**	**67,670,876**	**787,292**	**68,458,168**
Balance at 1 January 2010		**6,800,000**	**(7,760)**	**1,884,761**	**5,095,017**	**58,664,359**	**72,436,377**	**758,683**	**73,195,060**
Comprehensive income									
Profit for the period		-	-	-	-	11,680,508	11,680,508	48,347	11,728,855
Other comprehensive income/(loss)									
Currency translation differences		-	-	(293,277)	-	-	(293,277)	(45,745)	(339,022)
Revaluation of available-for-sale investments	7	-	-	-	1,562,006	-	1,562,006	-	1,562,006
Disposal of available-for-sale investments	7	-	-	-	(90,597)	-	(90,597)	-	(90,597)
Total other comprehensive income/(loss)		-	-	(293,277)	1,471,409	-	1,178,132	(45,745)	1,132,387
Total comprehensive income/(loss)				**(293,277)**	**1,471,409**	**11,680,508**	**12,858,640**	**2,602**	**12,861,242**
Transactions with owners									
Dividends	23	-	-	-	-	(1,598,440)	(1,598,440)	-	(1,598,440)
Acquisitions of additional interest in subsidiaries	25	-	-	-	-	(11,844)	(11,844)	(431,808)	(443,652)
Total transactions with owners		**-**	**-**	**-**	**-**	**(1,610,284)**	**(1,610,284)**	**(431,808)**	**(2,042,092)**
Balance at 30 September 2010		**6,800,000**	**(7,760)**	**1,591,484**	**6,566,426**	**68,734,583**	**83,684,733**	**329,477**	**84,014,210**

1 The EuroChem Group and its operations

EuroChem Group comprises the parent entity, Open Joint Stock Company Mineral Chemical Company "EuroChem" (the "Company"), and its subsidiaries (collectively the "Group" or "EuroChem Group").

The Group's principal activities include extracting minerals (iron-ore, apatite and baddeleyite), producing fertilizers and their distribution in domestic and foreign markets. The Group manufactures a large number of products, the most significant of which is a wide range of mineral fertilizers (nitrogen and phosphate group).

A company that holds the business interests of Mr. Andrey Melnichenko owns 100% of Linea Limited registered in Bermuda, which in turn owns 95% of EuroChem Group S.E. (formerly MCC Holding Public Company Limited (Cyprus)). The remaining 5% is held by Mr. Dmitry Strezhnev, CEO of the Group. EuroChem Group S.E. owns 99.9% of EuroChem. In September 2010, MCC Holding Public Company Limited (Cyprus) changed its legal form to S.E. (Societas Europea) and its name to "EuroChem Group S.E.". As of the date of this consolidated condensed interim financial information, the company continued to be registered in Cyprus.

The Group's manufacturing facilities are based in the Russian Federation with the exception of one entity, Lifosa AB, located in Lithuania.

The Company was incorporated and domiciled in the Russian Federation on 27 August 2001 as a closed joint stock company. On 3 April 2006 the Company changed its legal form to an open joint stock company. The Company has its registered office at:

Dubininskaya St. 53, bld. 6
Moscow, Russian Federation.

2 Basis of presentation

This consolidated condensed interim financial information for the nine months ended 30 September 2010 has been prepared in accordance with IAS 34, "Interim Financial Reporting". It should be read in conjunction with the consolidated financial statements for the year ended 31 December 2009 which have been prepared in accordance with International Financial Reporting Standards.

3 Accounting policies and critical accounting judgements and estimates

The accounting policies and significant judgements and estimates applied are consistent with those of the consolidated financial statements for the year ended 31 December 2009, except for the policies which were changed to comply with the new or amended standards and interpretations that are in force for the year beginning on 1 January 2010 (Note 4).

Income taxes. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

4 Adoption of new or revised standards and interpretations

The following new standards, amendments to standards and interpretations became effective for the Group from 1 January 2010:

- IFRS 1, First-time Adoption of International Financial Reporting Standards (following an amendment in December 2008, effective for the first IFRS financial statements for periods beginning on or after 1 July 2009). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The Group concluded that the revised standard does not have any effect on its financial information;
- IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 requires an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary has to be measured at its fair value. The effect on the financial information as at 30 September 2010 was not material;

4 Adoption of new or revised standards and interpretations (continued)

- IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 allows entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer has to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs are accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer has to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date are recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The effect on the financial information as at 30 September 2010 was not material;

- IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009). The amendment clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets is recognised in profit or loss when the entity settles the dividend payable. IFRIC 17 is currently not relevant to the Group's operations because it does not distribute non-cash assets to owners;

- Embedded Derivatives – Amendments to IFRIC 9 and IAS 39 (effective for annual periods ending on or after 30 September 2009). The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. These amendments are not currently applicable to the Group as it has no embedded derivatives;

- Eligible Hedged Items – Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment currently does not have any impact on the Group's financial information as the Group does not apply hedge accounting;

- IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 does not impact the Group's consolidated financial information;

- Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IAS 1, IAS 7, IFRS 8, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. In addition, the amendments clarifying classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary published as part of the Annual Improvements to International Financial Reporting Standards, which were issued in May 2008, are effective for annual periods beginning on or after 1 July 2009. The improvements do not have a material effect on the Group's consolidated financial information;

4 Adoption of new or revised standards and interpretations (continued)

- Group Cash-settled Share-based payment Transactions – Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. These amendments are not relevant to the Group;
- Additional Exemptions for First-time Adopters – Amendments to IFRS 1, First-time Adoption of IFRS (effective for annual periods beginning on or after 1 January 2010). The amendments do not have any impact on the Group's consolidated financial information;
- The International Financial Reporting Standard for Small and Medium-sized Entities (issued in July 2009). The Group does not intend to adopt the IFRS for SMEs.

A number of new standards, amendments to standards and interpretations are not yet effective as at 30 September 2010, and have not been early adopted:

- Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011);
- IFRS 9, Financial Instruments Part 1: Classification and Measurement (issued in November 2009, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). The Group is currently assessing the impact of the amended standard on its consolidated financial information;
- Improvements to International Financial Reporting Standards (issued in May 2010 and effective for the Group from 1 January 2011). The Group is currently assessing the impact of the amended standards on its consolidated financial information;
- Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011);
- Classification of Rights Issues – Amendment to IAS 32, Financial Instruments: Presentation (issued in November 2009 and effective for annual periods beginning on or after 1 February 2010);
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010);
- Limited exemption from comparative IFRS 7 disclosures for first-time adopters – Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010).

Unless otherwise described above, the new standards, amendments to standards and interpretations are not expected to significantly affect the Group's financial information.

5 Segment information

The Group is a vertically integrated business with operations spanning mining, fertilizer manufacturing, organic synthesis products, sales and distribution. The Group's core business is fertilizers, with a wide product range including nitrogen and phosphate. On a monthly basis the Management Board reviews the financial reports of the Group, evaluates the operating results and allocates resources between the operating segments. Budgets and financial reports are prepared in a standard format according to the IFRS accounting policy adopted by the Group. Sales between segments are carried out on an arm's length basis. The Management Board assesses the performance of the operating segments based on, among others, a measure of profit before taxation adjusted by interest expense, depreciation and amortization, financial foreign exchange gain or loss, other non-cash and extraordinary items, excluding net profit for the period attributed to non-controlling interests (EBITDA). Since this term is not a standard IFRS measure EuroChem Group's definition of EBITDA may differ from that of other companies.

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

5 Segment information (continued)

The development and approval of strategies, market situation analysis, the risk assessment, investment focus, technological process changes, goals and priorities are set and assessed in line with the segment structure of the Group:

- Nitrogen – the production and sale of nitrogen mineral fertilizers and organic synthesis products;
- Phosphates – the production and sale of phosphate mineral fertilizers and the extraction of ores to produce and subsequently sell baddeleyite and iron-ore concentrates;
- Potash – the development of several deposits of potassium salts ("potash") under the licenses acquired by the Group with a view to start production and marketing of potassium fertilizers. No sales have been recorded to date in this segment;
- Distribution – retail sales of mineral fertilizers (including those not produced by the Group), seeds, crop protection items etc via a number of retailers located within Russia and the CIS;
- All other – certain logistics and service activities, central management, investment income and other items.

The segmental results for the nine months ended 30 September 2010 were as follows:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	27,934,639	4,971,803	32,906,442	8,244,486
Phosphates	34,163,898	1,556,003	35,719,901	11,710,774
Potash	-	-	-	(322,528)
Distribution	6,400,501	133	6,400,634	351,694
Other	1,151,705	12,384,074	13,535,779	(464,453)
Elimination	-	(18,912,013)	(18,912,013)	(164,215)
Total	**69,650,743**	**-**	**69,650,743**	**19,355,758**

The segmental results for the nine months ended 30 September 2009 were as follows:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	26,296,238	2,978,307	29,274,545	7,365,984
Phosphates	22,692,195	1,224,974	23,917,169	3,416,756
Potash	-	-	-	(182,529)
Distribution	3,892,405	5,497	3,897,902	(71,791)
Other	2,366,691	8,448,178	10,814,869	2,775,381
Elimination	-	(12,656,956)	(12,656,956)	156,997
Total	**55,247,529**	**-**	**55,247,529**	**13,460,798**

A reconciliation of total profit before tax is provided as follows:

		Nine months ended	
	Note	30 September 2010	30 September 2009
EBITDA		**19,355,758**	**13,460,798**
Depreciation and amortisation	17	(2,495,655)	(2,235,750)
Idle property, plant and equipment write-off	6	(114,894)	(110,036)
Gain/(loss) on disposal of non-current assets held for sale		(429,598)	249,123
Gain on disposal of available-for-sale investments	7	90,597	272,988
Financial foreign exchange gain/(loss) – net		(150,557)	805,308
Interest expense		(1,435,305)	(1,505,421)
Other financial income/(loss) – net	20	7,684	-
Non-controlling interest		48,347	(35,751)
Profit before taxation		**14,876,377**	**10,901,259**

The analysis of Group sales by geographical area was:

	Nine months ended	
	30 September2010	30 September 2009
Export	52,992,450	44,492,127
Domestic	16,658,293	10,755,402
Total sales	**69,650,743**	**55,247,529**

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

5 Segment information (continued)

The analysis of Group sales by geographical area was:

	Nine months ended	
	30 September 2010	30 September 2009
Russia	16,658,293	10,755,402
CIS	9,912,429	6,782,052
Asia	14,990,140	13,684,369
Europe	12,432,023	10,992,054
Latin America	10,028,870	6,696,458
North America	3,515,208	2,992,398
Africa	1,854,985	2,827,960
Australasia	258,795	516,836
Total sales	**69,650,743**	**55,247,529**

The sales are allocated by regions based on the destination country. There were no sales in excess of 10% to any one country, except for Russia, during the nine months ended 30 September 2010 and 30 September 2009.

6 Property, plant and equipment

Movements in the carrying amount of property, plant and equipment were as follows:

	Note	2010	2009
Carrying amount at 1 January		**56,382,417**	**41,197,799**
Including advances given to construction companies and suppliers of property, plant and equipment		*5,443,305*	*4,323,234*
Additions		12,983,930	13,223,815
Including change in advances given		*(1,257,194)*	*1,472,891*
Acquisitions through business combination		203,646	175,615
Disposals		(88,761)	(42,191)
Reclassification to non-current assets held for sale		-	(27,534)
Depreciation charge for the period		(2,508,412)	(2,188,568)
Idle property, plant and equipment write-off	15	(114,894)	(110,036)
Currency translation differences		(107,712)	127,488
Carrying amount at 30 September		**66,750,214**	**52,356,388**
Including advances given to construction companies and suppliers of property, plant and equipment		*4,186,111*	*5,796,125*

The analysis of the Group's assets under construction, which are included in the property, plant and equipment balance, is as follows:

	30 September 2010	31 December 2009
Construction in progress	29,476,668	26,335,154
Advances given to construction companies and suppliers of property, plant and equipment	4,186,111	5,443,305
Total assets under construction	**33,662,779**	**31,778,459**

Trade payables to suppliers of property, plant and equipment amount to RR 451,036 thousand at 30 September 2010 (31 December 2009: RR 324,073 thousand).

During the nine months ended 30 September 2010 the Group decided to mothball certain production equipment with a net book value of RR 114,894 thousand at 30 September 2010 (30 September 2009: net book value of RR 110,036 thousand) and recognised a loss of RR 114,894 thousand in this consolidated condensed interim financial information (nine months ended 30 September 2009: RR 110,036 thousand) (Note 15).

During the nine months ended 30 September 2010 the Group's subsidiary Lifosa AB received a European Union Structural Assistance Grant intended for financing an increase in production capacity. The amount of the grant is equivalent to RR 146,764 thousand.

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

7 Available-for-sale investments

At 30 September 2010 available-for-sale investments comprised shares held in K+S Group, a German manufacturer of potassium-based fertilizers.

K+S Group shares

Between January and May 2010 the Group sold 230,000 ordinary shares of K+S Group on the open market for RR 413,276 thousand and recognised a gain of RR 74,515 thousand in the profit and loss.

At 30 September 2010 the Group owned 19,136,595 shares, or 9.998% of the issued share capital (31 December 2009: 19,366,595 shares, or 10.12% of the issued share capital) of K+S Group with a fair value of RR 34,752,220 thousand (31 December 2009: RR 33,602,943 thousand) with reference to the share price quoted on the Xetra trading system. The accumulated increase in the fair value of the investment of RR 6,566,426 thousand was recognised in equity at 30 September 2010 (31 December 2009: the accumulated increase of RR 5,078,388 thousand).

In May 2010 the Group received dividend income from K+S Group of RR 147,946 thousand before withholding tax of RR 7,397 thousand.

Sberbank shares

In June 2010 the Group sold 202,000 ordinary shares of OJSC Sberbank to a third party for RR 16,167 thousand and recognised a gain of RR 16,082 thousand in the profit and loss.

Movements in the carrying amount of available-for-sale investments were:

	2010	2009
At 1 January	**33,619,657**	**13,899,438**
Acquisition of available-for-sale investments	-	21,895,670
Revaluation of available-for-sale investments	1,562,006	(1,876,107)
Disposal of available-for-sale investments, including:		
- available-for-sale investments at cost	(338,846)	(3,046,779)
- reclassification of revaluation to profit and loss	(90,597)	(272,988)
At 30 September	**34,752,220**	**30,599,234**

Available-for-sale investments:

	30 September 2010	31 December 2009
K+S Group ordinary shares	34,752,220	33,602,943
Sberbank ordinary shares	-	16,714
Total available-for-sale investments	**34,752,220**	**33,619,657**

8 Inventories

	30 September 2010	31 December 2009
Materials	3,442,057	3,050,401
Work in progress	809,928	813,971
Finished goods	3,092,650	3,207,001
Catalysts	1,460,850	1,413,464
Less: provision for obsolete and damaged inventories	(335,335)	(379,770)
Total inventories	**8,470,150**	**8,105,067**

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

9 Trade receivables, prepayments, other receivables and other current assets

	30 September 2010	31 December 2009
Trade receivables		
Trade receivables denominated in RR	1,320,334	1,009,891
Trade receivables denominated in US$	2,072,574	941,536
Trade receivables denominated in Euro	115,074	199,432
Trade receivables denominated in other currencies	223,262	225,165
Less: impairment provision	(213,948)	(224,784)
Total trade receivables – financial assets	**3,517,296**	**2,151,240**
Prepayments, other receivables and other current assets		
Advances to suppliers	2,687,128	2,914,765
VAT recoverable and receivable	3,634,970	3,894,625
Income tax receivable	241,367	212,608
Other taxes receivable	18,280	25,847
Other receivables	472,202	541,407
Less: impairment provision	(169,114)	(124,615)
Subtotal non-financial assets	**6,884,833**	**7,464,637**
Interest receivable	28,851	10,531
Other receivables	-	154,934
Subtotal financial assets	**28,851**	**165,465**
Total prepayments, other receivables and other current assets	**6,913,684**	**7,630,102**
Total trade receivables, prepayments, other receivables and other current assets	**10,430,980**	**9,781,342**
Including:		
Financial assets	3,546,147	2,316,705
Non-financial assets	6,884,833	7,464,637

10 Cash and cash equivalents

	30 September 2010	31 December 2009
Cash on hand and bank balances denominated in RR	1,577,023	1,072,146
Bank balances denominated in US$	1,814,919	1,993,965
Bank balances denominated in Euro	763,346	880,578
Balances denominated in other currencies	202,496	18,486
Term deposits denominated in RR	1,270,043	1,727,614
Term deposits denominated in US$	72,042	2,594,479
Term deposits denominated in Euro	144,009	2,088,686
Term deposits denominated in other currencies	278,213	300,818
Total cash and cash equivalents	**6,122,091**	**10,676,772**
Current restricted cash	422,271	551,086
Non-current restricted cash	151,837	179,115
Total restricted cash	**574,108**	**730,201**

Term deposits at 30 September 2010 and 31 December 2009 have various original maturities but could be withdrawn on request without any restrictions.

At 30 September 2010 the RR 422,271 thousand (31 December 2009: RR 551,086 thousand) of current restricted cash consists of cash held at banks to meet the next principal and interest payments on bank borrowings.

At 30 September 2010 non-current restricted cash totalling RR 151,837 thousand (31 December 2009: RR 179,115) consisted of RR 110,648 thousand (2009: nil) of cash held in an escrow account as a collateral for Lifosa AB shares squeeze-out and RR 41,189 (31 December 2009: 179,115) represented by letters of credit for equipment procurement and a deposit against possible environmental obligations as required under statutory Lithuanian rules.

11 Bank borrowings

	2010	2009
Balance as at 1 January	**39,047,758**	**43,511,956**
Bank loans received, denominated in US$	4,391,735	-
Bank loans received, denominated in Euro	-	9,811,419
Bank loans received, denominated in RR	4,376,000	31,635
Bank loans repaid, denominated in US$	(11,487,054)	(6,678,290)
Bank loans repaid, denominated in Euro	(3,344,493)	(5,092,186)
Bank loans repaid, denominated in RR	(4,376,000)	(50,521)
Capitalisation and amortisation of transaction costs, net	186,823	16,525
Foreign exchange (gain)/loss	(120,425)	1,349,103
Balance as at 30 September	**28,674,344**	**42,899,641**

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

11 Bank borrowings (continued)

	30 September 2010	31 December 2009
Current bank borrowings		
Current portion of long-term bank loans in US$	12,726,837	12,660,364
Less: short-term portion of transaction costs	(169,358)	(168,930)
Total current bank borrowings	**12,557,479**	**12,491,434**
Non-current bank borrowings		
Long-term bank loans, denominated in US$	30,135,553	35,871,029
Long-term bank loans, denominated in Euro	-	3,688,006
Less: current portion of long-term bank loans in US$	(12,726,837)	(12,660,364)
Less: long-term portion of transaction costs	(1,291,851)	(342,347)
Total non-current bank borrowings	**16,116,865**	**26,556,324**
Total bank borrowings	**28,674,344**	**39,047,758**

At 30 September 2010 and 31 December 2009 the fair value of borrowings was not materially different from their carrying amounts.

The Group has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

Under the terms of loan agreements, the Group is required to comply with a number of covenants and restrictions, including the maintenance of certain financial ratios, financial indebtedness and cross-default provisions.

Interest rates and outstanding amounts

A syndicated loan facility, which was obtained in October 2008 for US$ 1.5 billion, bears a floating interest rate of 1 month Libor +1.8%. The outstanding amount at 30 September 2010 totalled US$ 872,093 thousand (31 December 2009: US$ 1,186,047 thousand).

A loan obtained in September 2009 for Euro 85 million, bearing a floating interest rate of 3 month Euribor +2.0%, was fully repaid in April 2010. This credit line was converted into a revolving committed facility with a credit limit of Euro 130 million, which expires in March 2011.

In March 2010 the Group signed a US$ 261 million, 10-year export credit agency-backed loan facility for financing the ongoing construction of the cage shaft at the Gremyachinskoe potash deposit by a South Africa-based company. At 30 September 2010 the facility has been utilised to the amount of US$ 49,1 million.

In April 2010 the Group signed an agreement for a 6 month unsecured loan facility, amounting to US$ 100 million, which is available in US$ and Euro with interest rates of 1 month Libor +3.25% and in RR with an interest rate of 1 month Mosprime +3.25%. The facility was utilised to the amount of RR 450 million and US$ 65 million. The loan was fully repaid in July 2010.

In August 2010 the Group signed a US$ 250 million 5-year credit line agreement with a European commercial bank. At 30 September 2010 the credit line has been utilised to the amount of US$ 70 million.

In August 2010 the Group obtained a loan for RR 3.9 billion from a Russian commercial bank. The loan was fully repaid in August 2010.

Collaterals and pledges

At 30 September 2010 collaterals comprised cash balances of RR 422,271 thousand (31 December 2009: RR 551,086 thousand) restricted by banks to secure the next principal and interest payments (Note 10).

A bank loan of RR 26,514,244 thousand and RR 35,871,029 thousand at 30 September 2010 and 31 December 2009, respectively, was collateralized by future export proceeds of the Group under sales contracts with certain customers.

The contractual cash outflows relating to the Group's bank borrowings were as follows:

	30 September 2010	31 December 2009
- within 1 year	12,726,837	12,660,364
- between 1 and 2 years	12,726,837	16,348,370
- between 2 and 5 years	4,681,879	10,550,301
Total contractual cash outflows	**30,135,553**	**39,559,035**

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

11 Bank borrowings (continued)

New undrawn loan facilities

In August 2010 the Group signed a Euro 36.7 million, 13-year export credit agency-backed loan facility for financing the acquisition of permanent hoisting equipment for the cage and skip shafts of the Gremyachinskoe potash deposit development project from a Czech engineering company.

12 Bonds issued

	30 September 2010	31 December 2009
7.875% US$-denominated bonds due March 2012	8,816,870	8,770,818
8.9% RR-denominated bonds due July 2018 / callable by investors in July 2015	5,000,000	-
Less: transaction costs	(51,609)	(45,923)
Total bonds	**13,765,261**	**8,724,895**

In July 2010 the Group issued RR-denominated bonds at a nominal value of RR 5 billion bearing a coupon of 8.9% p.a. maturing in June 2018. The bonds give investors the ability to demand from the borrower redemption at par value of the bonds in July 2015.

13 Derivative financial liabilities

In January and February 2010, the Group entered into option agreements to sell 1,200,000 K+S Group ordinary shares for a total premium of RR 106,750 thousand. The strike price was Euro 50.0 and the expiry dates for the options were 18 June 2010 and 17 September 2010. The option agreements were not exercised and the Group recognised a gain of RR 106,750 thousand in the profit and loss.

In May 2010, the Group entered into US$/RR non-deliverable forward contracts for US$ 450 million. The contractual settlement dates are 30 December 2010, 31 March 2011 and 30 June 2011. At 30 September 2010 the liabilities arising on these non-deliverable forward contracts were accounted for at a fair value of RR 99,066 thousand.

14 Sales

The components of external sales were as follows:

		Three months ended		Nine months ended	
		30 September 2010	30 September 2009	30 September 2010	30 September 2009
Nitrogen					
	Nitrogen fertilizers	5,812,088	5,896,367	19,833,803	19,754,205
	Organic synthesis products	1,604,752	1,292,536	4,754,194	3,293,047
	Complex fertilizers group	786,714	966,246	2,673,756	2,632,999
	Other goods	140,932	197,104	370,120	468,120
	Other services	49,210	57,931	302,766	147,867
		8,393,696	**8,410,184**	**27,934,639**	**26,296,238**
Phosphates					
	Phosphates	7,329,268	4,718,630	19,027,356	13,616,614
	Iron ore concentrate	4,403,305	1,974,331	11,054,631	5,586,507
	Feed phosphates group	849,596	589,314	2,149,945	1,784,171
	Apatite concentrate	229,282	153,054	750,723	807,098
	Baddeleyite concentrate	134,114	131,130	424,219	315,580
	Complex fertilizers group	61,927	689	120,466	44,903
	Other goods	136,118	55,455	274,540	158,595
	Other services	77,248	95,773	362,018	378,727
		13,220,858	**7,718,376**	**34,163,898**	**22,692,195**
Distribution					
	Nitrogen fertilizers	414,159	261,062	2,719,581	1,261,566
	Phosphates	583,637	733,004	1,026,909	1,013,122
	Complex fertilizers group	943,944	759,489	1,845,300	1,026,574
	Other goods	156,969	165,818	804,466	557,667
	Other services	1,977	3,784	4,245	33,476
		2,100,686	**1,923,157**	**6,400,501**	**3,892,405**
Others					
	Nitrogen fertilizers	63,284	422,579	170,655	1,179,961
	Organic synthesis products	34,472	16,879	34,472	120,436
	Logistic services	64,980	28,322	243,530	233,823
	Complex fertilizers group	61,861	10,906	70,280	10,906
	Other goods	203,232	59,784	203,232	474,952
	Other services	118,319	184,831	429,536	346,613
		546,148	**723,301**	**1,151,705**	**2,366,691**
Total sales		**24,261,388**	**18,775,018**	**69,650,743**	**55,247,529**

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

15 Cost of sales

The components of cost of sales were as follows:

	Note	Three months ended 30 September 2010	Three months ended 30 September 2009	Nine months ended 30 September 2010	Nine months ended 30 September 2009
Materials and components used or resold		6,294,150	5,427,036	18,354,758	14,697,779
Energy		1,396,212	1,135,547	4,102,192	3,352,260
Utilities and fuel		598,573	388,018	2,147,770	1,354,002
Labour, including contributions to social funds		1,672,381	1,482,558	5,545,640	4,736,265
Depreciation		715,998	599,829	2,032,049	1,755,890
Repairs and maintenance		146,341	116,660	363,532	416,324
Production overheads		347,841	330,106	971,823	998,184
Property tax, rent payments for land and related taxes		250,178	226,593	736,346	516,071
Transportation expenses for logistics services		126,685	13,306	293,920	630,320
Idle property, plant and equipment written-off	6	30,748	29,141	114,894	110,036
Provision/(reversal of provision) for obsolete and damaged inventory and finished goods		(31,485)	(67,429)	(44,435)	47,425
Changes in work in progress and finished goods		133,866	1,011,723	176,471	2,178,815
Other costs		22,882	57,087	66,397	142,073
Total cost of sales		**11,704,370**	**10,750,175**	**34,861,357**	**30,935,444**

16 Distribution costs

Distribution costs comprised:

	Three months ended 30 September 2010	Three months ended 30 September 2009	Nine months ended 30 September 2010	Nine months ended 30 September 2009
Transportation	4,785,342	3,962,006	13,404,730	11,627,648
Export duties, other fees and commissions	64,527	31,023	179,727	349,597
Labour, including contributions to social funds	204,297	171,464	660,540	471,694
Depreciation	78,205	67,577	230,510	274,072
Repairs and maintenance	181,726	192,002	399,138	535,260
Provision/(reversal of provision) for impairment of receivables	(14,902)	11,248	(1,251)	91,625
Other costs	149,738	142,535	348,327	406,072
Total distribution costs	**5,448,933**	**4,577,855**	**15,221,721**	**13,755,968**

17 General and administrative expenses

General and administrative expenses comprised:

	Three months ended 30 September 2010	Three months ended 30 September 2009	Nine months ended 30 September 2010	Nine months ended 30 September 2009
Labour, including contributions to social funds	485,865	316,386	1,575,643	1,065,967
Depreciation and amortisation	83,443	70,389	233,096	205,788
Audit, consulting and legal services	39,779	46,162	138,015	156,428
Rent	28,946	31,885	91,052	95,551
Bank charges	27,629	30,672	95,808	117,953
Social expenditure	20,599	6,150	48,870	32,720
Repairs and maintenance	8,873	16,503	22,019	34,183
Provision/(reversal of provision) for impairment of receivables	21,890	(38,487)	45,296	37,934
Other expenses	208,699	239,720	533,664	564,513
Total general and administrative expenses	**925,723**	**719,380**	**2,783,463**	**2,311,037**

The total depreciation and amortisation expenses included in all captions of the statement of comprehensive income amounted to RR 2,495,655 thousand (nine months ended 30 September 2009: RR 2,235,750 thousand). The total staff costs (including social expenses) amounted to RR 7,781,823 thousand (nine months ended 30 September 2009: RR 6,273,926 thousand).

18 Other operating income and expenses

The components of other operating (income) and expenses were as follows:

	Three months ended		Nine months ended	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
(Gain)/loss on disposal of property, plant and equipment	50,201	(11,974)	38,309	95,675
Sponsorship	157,231	61,987	297,931	150,104
Foreign exchange (gain)/loss	609,849	467,400	(41,876)	(568,448)
Other operating (income)/expenses	(37,950)	3,764	(27,270)	138,758
Total other operating (income)/expenses	**779,331**	**521,177**	**267,094**	**(183,911)**

19 Disposal of non-current assets held for sale

In July 2010 the Group terminated the contract for the sale of its 100% subsidiary LLC Novomoskovsky Chlor which was concluded in June 2009, and recognized a loss of RR 429,598 thousand in the profit and loss as a result of this contract termination.

20 Other financial income and loss

The components of other financial (income) and loss were as follows:

	Three months ended		Nine months ended	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Changes in the fair value of call options	(1,293)	-	(106,750)	-
Changes in the fair value of US$/RR non-deliverable forward contracts	(416,142)	-	99,066	-
Total other financial (income)/loss – net	**(417,435)**	**-**	**(7,684)**	**-**

21 Income tax

	Three months ended		Nine months ended	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Income tax expense – current	985,608	493,202	2,904,045	2,010,430
Deferred income tax – (origination)/reversal of temporary differences	113,138	304,000	243,477	(21,218)
Income tax expense	**1,098,746**	**797,202**	**3,147,522**	**1,989,212**

The majority of the Group companies were subject to a tax rate of 20% on taxable profits in the Russian Federation during the nine months ended 30 September 2010 (nine months ended 30 September 2009: 20%).

During the nine months ended 30 September 2010 the Group offset VAT and other tax receivables against income tax payables of RR 159,624 thousand (nine months ended 30 September 2009: VAT and other tax payables against income tax receivables of RR 135,711 thousand).

22 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding treasury shares. The Company has no dilutive potential ordinary shares and, therefore, the diluted earnings per share equals the basic earnings per share.

	Three months ended		Nine months ended	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Net profit for the period	4,765,783	3,267,460	11,680,508	8,947,798
Weighted average number of ordinary shares in issue (expressed in thousands)	67,932	67,932	67,932	67,932
Basic and diluted earnings per share (expressed in RR per share)	**70.16**	**48.10**	**171.94**	**131.72**

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

23 Dividends

In September 2010 the shareholders approved an interim dividend of RR 1,598,440 thousand (RR 23.53 per share) for the first half 2010.

The total amount of dividends attributable to treasury shares has been eliminated.

24 Balances and transactions with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties are represented by entities controlled by the common ultimate shareholders of the Group. The relationships with those related parties with whom the Group entered into significant transactions or had significant balances outstanding are detailed below:

Financial statements caption	Nature of relationship	30 September 2010	31 December 2009
Statement of financial position			
Trade receivables	Other related parties	11,828	16,104
less: impairment provision on trade receivables	Other related parties*	(11,828)	(16,104)
Prepayments, other receivables and other current assets	Other related parties	77,952	50,241
less: impairment provision on other receivables	Other related parties*	(50,505)	(50,241)
Trade payables	Other related parties	2,605	13,517
Other accounts payable and accrued expenses		1,073	-

*impaired trade and other receivables from an affiliated Ukraine-based company

Financial statements caption	Nature of relationship	Three months ended 30 September 2010	Three months ended 30 September 2009	Nine months ended 30 September 2010	Nine months ended 30 September 2009
Statement of comprehensive income					
Sales	Other related parties	53,218	56,918	102,648	105,449
Purchases of materials and components	Other related parties	2,221	(42,717)	(35,219)	(42,798)
General and administrative expenses	Other related parties	-	(29,551)	-	(66,949)
Transportation costs	Other related parties	(4,746)	-	(18,398)	-
Interest income	Parent company	-	-	-	59,376

Financial statements caption	Nature of relationship	Nine months ended 30 September 2010	Nine months ended 30 September 2009
Statement of cash flows			
Decrease in trade receivables	Other related parties	4,277	41,398
Increase in other receivables	Other related parties	(27,710)	(23,271)
Decrease in trade payables	Other related parties	(10,911)	-
Increase in advances from customers	Other related parties	1,073	-
Acquisition of available-for-sale investments	Parent company	-	(19,605,626)
Proceeds from sale of available-for-sale investment	Parent company	-	3,319,767
Repayment of originated loan	Parent company	-	6,568,110
Interest received	Parent company	-	121,199
Dividends paid	Parent company	(1,598,440)	-

The total key management personnel compensation included in the profit and loss was RR 243,442 thousand and RR 90,549 thousand for the nine months ended 30 September 2010 and 30 September 2009, respectively. This compensation is paid to six individuals who are members of the Management Board, for their services in full time positions. Compensation is made up of an annual fixed remuneration plus a performance bonus accrual.

25 Acquisition of non-controlling interest

During the nine months ended 30 September 2010 the Group increased its shareholding in Lifosa AB from 94.8% to 99.1%. The total purchase consideration comprised RR 443,652 thousand paid in cash.

26 Contingencies, commitments and operating risks

i Capital expenditure commitments

As at 30 September 2010 the Group had contractual commitments for capital expenditures of RR 16,956,330 thousand (31 December 2009: RR 9,388,416 thousand), mostly denominated in US$ and Euro (RR 6,869,817 thousand and RR 3,422,508 thousand, respectively). The management estimates that, out of these, RR 4.5 billion will represent cash outflows in 2010.

RR 9,089,352 thousand and RR 5,121,767 thousand out of the total amount relate to the development of potassium salt deposits and the construction of mining facilities at the Gremyachinskoe and Verkhnekamskoe potash license areas, respectively (31 December 2009: RR 5,700,730 thousand and RR 269,444 thousand, respectively).

ii Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged in the future by the relevant regional and federal authorities.

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation provides the possibility for the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions if the transaction price differs from the market price by more than 20%. Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. The arbitration court practice in this respect is contradictory.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could potentially be challenged in the future. Given the nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant.

Russian tax legislation does not provide definitive guidance in certain areas, specifically in extraction tax. From time to time, the Group adopts interpretations of such uncertain areas that may be challenged by the tax authorities, the impact of which cannot be reliably estimated; however, it may be significant to the financial condition or the overall operations of the Group.

As at 30 September 2010 management believes that its interpretation of the relevant legislation is generally appropriate and the Group's tax, currency and customs positions will be sustained. Where management believes that it is probable that certain tax positions taken by the Group may not be sustained if challenged by the tax authorities, the Group has recorded provisions for related taxes, interest and penalties. There were no such provisions recorded by the Group at 30 September 2010 and 31 December 2009.

In addition to the above matters, management estimates that the Group has other possible obligations from exposure to other than remote tax risks of RR 1,453,176 thousand (31 December 2009: RR 1,433,262 thousand). These exposures primarily relate to management services and other fees charged by the holding company to the Group subsidiaries.

26 Contingencies, commitments and operating risks (continued)

iii Insurance policies

The Group generally carries insurance as mandated by statutory requirements. The Group holds insurance policies covering directors' and officers' liabilities and trade operations, including export shipments. Insurance strategies covering the Group's assets are under review.

iv Environmental matters

The environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations and an immediate response is formulated as required. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

v Legal proceedings

During the reporting period, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding which could have a material effect on the results of operations or the financial position of the Group.

vi Operating environment of the Group

The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and interest rates, as well as periodic volatility in the RR exchange rate.

Management is unable to predict all developments in the economic environment which could have an impact on the Group's operations and consequently what effect, if any, they could have on the future financial position of the Group.

The Group holds, among other licenses, valid licenses for the exploration and development of potash and apatite deposits issued by the relevant government authorities of the Russian Federation. Under the terms of these licenses, the Group is required to comply with a number of conditions, including preparation of design documentation, commencement of construction of mining facilities and commencement of extraction of mineral resources by certain dates. If the Company fails to materially comply with the terms of the license agreements there are circumstances whereby the licenses can be revoked. The management of the Group believes that the Group faces no material regulatory risks in relation to the validity and operation of any of its licenses.

27 Subsequent events

In November 2010 the Group acquired licenses for the exploration, evaluation and extraction of crude hydrocarbons at the Perelyubsko-Rubezhinskiy and Yuzhny deposits located in the Russian Federation. The total consideration amounted to RR 46.2 million.