EUROCHEM GROUP

INTERNATIONAL ACCOUNTING STANDARD No. 34

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

30 JUNE 2009

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REPORT ON THE REVIEW OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2009

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 June 2009 and the related consolidated condensed statement of comprehensive income, cash flows and changes in equity for the six 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

Moscow, Russian Federation
28 August 2009

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

		Three months ended		Six months ended	
	Note	**30 June 2009**	**30 June 2008**	**30 June 2009**	**30 June 2008**
Sales	15	17,220,492	30,122,899	36,472,511	55,835,645
Cost of sales	16	(9,554,796)	(10,920,453)	(20,185,269)	(20,518,949)
Gross profit		**7,665,696**	**19,202,446**	**16,287,242**	**35,316,696**
Distribution costs	17	(4,654,263)	(6,326,519)	(9,178,113)	(10,948,549)
General and administrative expenses	18	(659,932)	(701,423)	(1,591,657)	(1,450,170)
Other operating income/(expenses)	19	(585,034)	(386,458)	705,088	(665,950)
Operating profit		**1,766,467**	**11,788,046**	**6,222,560**	**22,252,027**
Gain on disposal of non-current assets held for sale, net	23	249,123	-	249,123	310,493
Fair value gain on trading investments	9	75,867	214,586	139,584	214,586
Financial foreign exchange gain/(loss) – net		4,549,091	43,334	(1,080,049)	503,783
Dividends received	7	2,168,715	-	2,168,715	-
Interest income		55,043	136,205	189,749	304,500
Interest expense		(487,977)	(219,303)	(1,043,167)	(442,701)
Profit before taxation		**8,376,329**	**11,962,868**	**6,846,515**	**23,142,688**
Income tax expense	20	(987,232)	(2,660,495)	(1,192,010)	(5,133,692)
Net profit for the period		**7,389,097**	**9,302,373**	**5,654,505**	**18,008,996**
Other comprehensive income/(loss)					
Currency translation differences		(524,725)	(54,573)	480,072	166,860
Revaluation of investments available-for-sale		2,592,530	540	417,786	(5,672)
Total other comprehensive income/(loss) for the period		**2,067,805**	**(54,033)**	**897,858**	**161,188**
Total comprehensive income for the period		**9,456,902**	**9,248,340**	**6,552,363**	**18,170,184**
Net profit for the period attributable to:					
Owners of the parent		7,416,788	9,038,919	5,680,338	17,526,363
Non-controlling interests		(27,691)	263,454	(25,833)	482,633
		7,389,097	**9,302,373**	**5,654,505**	**18,008,996**
Total comprehensive income/(loss) attributable to:					
Owners of the parent		9,519,274	8,986,305	6,577,970	17,678,898
Non-controlling interests		(62,372)	262,035	(25,607)	491,286
		9,456,902	**9,248,340**	**6,552,363**	**18,170,184**
Earnings per share – basic and diluted (in RR)	21	109.18	133.06	83.62	258.00

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)

		Six months ended	
	Note	30 June 2009	30 June 2008
Operating profit		6,222,560	22,252,027
Income tax paid		(509,305)	(4,771,361)
Operating profit less income tax paid		**5,713,255**	**17,480,666**
Depreciation and amortization	18	1,497,955	1,412,369
Net loss on disposals and write-off of property, plant and equipment		127,937	319,924
Provisions		271,653	55,548
Other non-cash expenses		744,735	284,510
Gross cash flow		**8,355,535**	**19,553,017**
Changes in operating assets and liabilities:			
Trade receivables		933,291	(543,201)
Advances to suppliers		579,766	(1,722,469)
Other receivables		(29,152)	(1,675,039)
Inventories		1,811,231	(3,470,921)
Trade payables		229,028	623,841
Advances from customers		(388,024)	243,115
Other payables		(1,475,520)	(97,456)
Other assets and liabilities		(411,742)	6,981
Net cash – operating activities		**9,604,413**	**12,917,868**
Cash flows from investing activities			
Capital expenditure on property, plant and equipment and other intangible assets		(9,317,727)	(6,114,017)
Purchase of exploration rights		(108,220)	(4,087,166)
Acquisition of interest in subsidiaries		(3,690)	(138,838)
Prepayment for acquisition of interest in subsidiary		-	(742,100)
Acquisition of subsidiary, net of cash acquired	23	(149,913)	-
Acquisition of available-for-sale investments	7	(21,895,670)	-
Proceeds from sale of property, plant and equipment		7,112	13,854
Proceeds from disposal of non-current assets held for sale		13,904	-
Proceeds from disposal of trading investments	9	311,855	-
Prepayment for non-current assets held for sale		3,500	37,500
Dividends received net of tax	7	2,060,279	-
Repayment of originated loans	8	6,568,110	-
Interest received		334,637	318,854
Net cash – investing activities		**(22,175,823)**	**(10,711,913)**
Free cash (outflow)/inflow		**(12,571,410)**	**2,205,955**
Cash flows from financing activities			
Proceeds from bank borrowings	14	2,479,525	2,842,699
Repayment of bank borrowings	14	(5,866,650)	(2,544,178)
Interest paid		(974,273)	(445,871)
Dividends paid	22	-	(3,668,328)
Net cash – financing activities		**(4,361,398)**	**(3,815,678)**
Effect of exchange rate changes on cash and cash equivalents		1,761,910	(297,978)
Net decrease in cash and cash equivalents		**(15,170,898)**	**(1,907,701)**
Cash and cash equivalents at the beginning of the period (net of non-current restricted cash of RR 30,053 thousand and RR 37,212 thousand respectively, and current restricted cash of RR 481,912 thousand and RR 359,393 thousand respectively)	12	**26,225,350**	**15,068,490**
Cash and cash equivalents at the end of the period (net of non-current restricted cash of RR 173,124 thousand and RR 38,493 thousand, respectively, and current restricted cash of RR 882,573 thousand and RR 365,093 respectively)	12	**11,054,452**	**13,160,789**

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

	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 2008	**6,800,000**	**(7,760)**	**222,806**	**20,966**	**30,996,691**	**38,032,703**	**2,067,192**	**40,099,895**
Total comprehensive income/(loss)	-	-	158,207	(5,672)	17,526,363	17,678,898	491,286	18,170,184
Dividends	-	-	-	-	(3,512,764)	(3,512,764)	-	(3,512,764)
Acquisitions of additional interest in subsidiaries	-	-	-	-	8,074	8,074	(146,912)	(138,838)
Balance at 30 June 2008	**6,800,000**	**(7,760)**	**381,013**	**15,294**	**45,018,364**	**52,206,911**	**2,411,566**	**54,618,477**
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**
Total comprehensive income/(loss)	-	-	479,846	417,786	5,680,338	6,577,970	(25,607)	6,552,363
Acquisitions of additional interest in subsidiaries	-	-	-	-	17,321	17,321	(21,011)	(3,690)
Balance at 30 June 2009	**6,800,000**	**(7,760)**	**2,009,026**	**4,789,776**	**53,231,027**	**66,822,069**	**763,256**	**67,585,325**

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 fertilisers 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).

The Company is owned 99.9% by MCC Holding Limited ("MCC"), a Cypriot limited liability company, and 0.1% by LLC PG Phosphorit, a Russian limited liability company and a wholly owned subsidiary of the Group. The ultimate shareholders of the Group are Mr. Andrey Melnichenko, owning 95%, and Mr. Dmitry Strezhnev, owning 5%.

The Group's manufacturing facilities are primarily 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 six months ended 30 June 2009 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 2008 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 2008, 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 2009 (Note 4).

Reclassifications. Certain reclassifications have been made to prior year amounts in the statement of comprehensive income, statement of cash flows and notes to conform to the current period presentation. The reclassifications relate to the following amounts:

- foreign exchange gains and losses arising from loans received, bonds issued and deposits are reported on a net basis in the profit and loss;
- expenses of RR 315,611 thousand were reclassified from the line "General and administrative expenses" to the lines "Cost of sales" (RR 240,779 thousand), "Distribution costs" (RR 69,429 thousand) and "Other operating income/(expenses)" (RR 5,403 thousand) in the profit and loss;
- foreign exchange gains and losses arising from deposits of RR 66,210 thousand were reclassified from the line "Other operating income/(expenses)" to the line "Financial foreign exchange (loss)/gain – net" in the statement of comprehensive income. A corresponding reclassification was made in the consolidated condensed statement of cash flows;
- interest paid of RR 445,871 thousand was reclassified from the line "Gross cash flow" to the line "Cash flows from financing activities" in the consolidated condensed statement of cash flows.

Export duties. Effective from 1 February 2009, the Government of the Russian Federation cancelled the duties on exports of nitrogen and complex fertilizers to countries outside the CIS Customs Union. Effective from 1 May 2009, the Government of the Russian Federation also cancelled the duties on exports of apatite to countries outside the CIS Customs Union. The duties, introduced in April 2008 were equal to 8.5% and 6.5% of the declared customs value of nitrogen and complex fertilizers and apatite, respectively. Export sales were shown gross of the above mentioned duties which amounted to RR 222,493 thousand (2008: RR 849,660 thousand). In making this judgment the Group considered that these export duties in substance represented a cost for the Group, rather than a sales tax collected on behalf of government authorities.

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 2009:

- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). IFRS 8 requires an entity to report financial and descriptive information about its operating segments. Segment information is to be presented on a similar basis to that used for internal reporting purposes in a manner consistent with the internal report provided to the chief operating decision-maker, who for the Group has been identified as the Management Board. The Group has decided to early adopt improvements to IFRS 8 issued in April 2009 which allows the Group not to disclose information about segment assets and liabilities in the interim financial information prepared in accordance with IAS 34, Interim Financial Reporting, because such information is not regularly provided to the Management Board;

- IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009). The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The Group considers a qualifying asset to be an investment project with an execution period exceeding one year. The effect on the financial information as at 30 June 2009 was not material;

- IAS 1, Presentation of Financial Statements (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which also includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Group has elected to present a statement of comprehensive income. This consolidated condensed interim financial information has been prepared under the revised requirements;

- Improvements to International Financial Reporting Standards (issued in May 2008). In 2007, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; the clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through the profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over the manner of determining the fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The improvements do not have a material effect on the Group's consolidated financial information;

- Puttable Financial Instruments and Obligations Arising on Liquidation – IAS 32 and IAS 1 Amendment (effective for annual periods beginning on or after 1 January 2009). This amendment is not currently applicable to the Group as it has no such financial instruments;

- Vesting Conditions and Cancellations – Amendment to IFRS 2, Share-based Payment (issued in January 2008; effective for annual periods beginning on or after 1 January 2009). Amendment to IFRS 2, Share-based Payment is not currently applicable to the Group as it has no such payments;

- IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009). IFRIC 15 is not relevant to the Group's operations because it does not have any agreements for the construction of real estate;

- Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate – IFRS 1 and IAS 27 Amendment (issued in May 2008; effective for annual periods beginning on or after 1 January 2009). This amendment does not impact the Group's consolidated financial information;

- Improving Disclosures about Financial Instruments – Amendment to IFRS 7, Financial Instruments: Disclosures (issued in March 2009; effective for annual periods beginning on or after 1 January 2009). This amendment does not have a material impact on the Group's consolidated financial information;

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

- IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 is not relevant to the Group;
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008). IFRIC 16 is not relevant to the Group.A number of new standards, amendments to standards and interpretations are not yet effective as at 30 June 2009, and have not been early adopted;
- IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009);
- 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);
- IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009);
- IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009);
- IFRS 1, First-time Adoption of International Financial Reporting Standards (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009);
- 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);
- Embedded Derivatives – Amendments to IFRIC 9 and IAS 39 (effective for annual periods ending on or after 30 June 2009);
- 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, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010);
- 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 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.

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 main business units of the Group are its individual production subsidiaries. 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 by each of the Group's subsidiaries according to the IFRS accounting policy adopted by the Group. The Management Board assesses the performance of the operating segments based on, among others, a measure of operating profit adjusted by depreciation and amortization (EBITDA). Since this term is not a standard IFRS measure EuroChem Group's definition of EBITDA may differ from that of other companies.

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 fertilisers;
- Organics – the production and sale of organic synthesis products;
- Phosphates – the production and sale of phosphate mineral fertilisers;
- Mining by-products – extraction of ores to produce and subsequently sell baddeleyite and iron-ore concentrates;
- Potash – the Group acquired a license for the extraction of potassium fertilizers ("potash") and continues to develop this relatively new segment. No sales have been recorded to date in this segment;
- Distribution – a number of retailers located within Russia and CIS;
- Other – certain logistics and service activities, central management and other items.

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

5 Segment information (continued)

The segmental results for the six months ended 30 June 2009 were as follows:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	15,834,384	2,079,508	17,913,892	5,215,171
Organics	2,051,669	2,605	2,054,274	190,489
Phosphates	11,177,193	430,063	11,607,256	1,598,707
Mining by-products	3,796,626	-	3,796,626	634,173
Potash	-	-	-	(165,053)
Distribution	1,969,249	2,803	1,972,052	(37,104)
Other	1,643,390	6,191,666	7,835,056	254,959
Reconciliation	-	(8,706,645)	(8,706,645)	29,173
Total	**36,472,511**	**-**	**36,472,511**	**7,720,515**

The segmental results for the six months ended 30 June 2008 were as follows:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	19,986,645	2,165,362	22,152,007	9,260,484
Organics	3,998,450	-	3,998,450	1,516,077
Phosphates	20,637,559	1,037,303	21,674,862	9,757,613
Mining by-products	6,755,334	-	6,755,334	2,649,493
Potash	-	-	-	(55,680)
Distribution	2,545,492	478	2,545,970	204,130
Other	1,912,165	8,327,589	10,239,754	290,089
Reconciliation	-	(11,530,732)	(11,530,732)	42,190
Total	**55,835,645**	**-**	**55,835,645**	**23,664,396**

A reconciliation of total profit before income tax was provided as follows:

	Six months ended	
	30 June 2009	30 June 2008
EBITDA	7,720,515	23,664,396
Depreciation	(1,455,741)	(1,384,510)
Amortization	(42,214)	(27,859)
Operating profit	**6,222,560**	**22,252,027**
Gain on disposal of non-current assets held for sale	249,123	310,493
Fair value gain on trading investments	139,584	214,586
Financial foreign exchange (loss)/gain - net	(1,080,049)	503,783
Dividends received	2,168,715	-
Interest income	189,749	304,500
Interest expense	(1,043,167)	(442,701)
Profit before taxation	**6,846,515**	**23,142,688**

The analysis of Group sales by geographical area was as follows:

	Six months ended	
	30 June 2009	30 June 2008
Export	28,938,676	43,409,975
Domestic	7,533,835	12,425,670
Total sales	**36,472,511**	**55,835,645**

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

6 Property, plant and equipment

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

	2009	2008
Carrying amount at 1 January	**41,197,799**	**28,722,344**
Including advances given to construction companies and suppliers of property, plant and equipment	4,323,234	2,470,824
Additions	8,793,508	6,106,113
Including changes in advances given	2,185,080	1,697,066
Acquisitions through business combination	175,615	-
Disposals	(38,049)	(21,147)
Disposal of subsidiaries	(4,142)	-
Reclassification to non-current assets held for sale	(27,980)	(71,124)
Depreciation charge for the period	(1,465,034)	(1,385,475)
Idle property, plant and equipment write-off	(80,895)	(312,631)
Currency translation differences	105,536	91,152
Carrying amount at 30 June	**48,656,358**	**33,129,232**
Including advances given to construction companies and suppliers of property, plant and equipment	6,508,314	4,167,890

The Group decided to mothball certain production equipment with a net book value of RR 80,895 thousand at 30 June 2009 (2008: net book value of RR 312,631 thousand) and recognised a loss of RR 80,895 thousand for the six months ended 30 June 2009 (2008: RR 312,631 thousand) (Note 16).

At 30 June 2009 the Group incurred expenses of RR 1,440,666 thousand (2008: RR 1,219,114 thousand) directly related to the exploration and evaluation of the Gremyachinskoe, Verkhnekamskoe, and Kovdorsky deposits. These expenses were capitalised in the statement of financial position in accordance with the Group accounting policy and included in the property, plant and equipment balance.

The fair value of the fixed assets of the Group at 1 January 2009 as determined by American Appraisal (AAR), Inc. amounted to RR 96 billion. The Group has not reflected the result of this valuation in this consolidated condensed financial information. Fair values were determined by the independent appraiser based on the depreciated replacement cost method. The replacement cost of buildings, constructions, machinery and equipment and transfer devices has been estimated based on technical characteristics, unit construction cost and construction estimates. The replacement cost of equipment was estimated based on data of current purchase contracts and price-lists of producers and trading companies. The economic obsolescence was estimated based on profitability test results for each cash-generating unit. The discount rate used in profitability testing varied from 13.3% to 18.8%. The forecast period was 7 years for the majority of Group companies, except for Kovdorsky GOK, for which the forecast period was 14 years.

7 Available-for-sale investments

At 30 June 2009 available-for-sale investments comprised the shares of K+S Group, a German manufacturer of potassium-based fertilizers, and OJSC Sberbank.

Between January and April 2009 the Group acquired 10,752,292 ordinary shares of K+S Group from MCC Holding Limited for RR 19,605,626 thousand paid in cash (Note 22) and 1,499,297 ordinary shares of K+S Group on the open market for RR 2,290,044 thousand.

At 30 June 2009 the Group owned 20,640,365 shares, or 12.51% of the share capital issued (2008: 8,388,776 shares, or 5.08% of the share capital issued) of K+S Group with a fair value of RR 36,204,823 thousand (2008: RR 13,895,175 thousand) with reference to the share price quoted on the Xetra trading system. The increase in the fair value of the investment of RR 413,978 thousand was recognised in equity for the six months ended 30 June 2009.

In April 2009 the Group received dividends from K+S Group of RR 2,060,279 thousand paid in cash net of withholding tax of RR 108,436 thousand.

At 30 June 2009 the shares of OJSC Sberbank were accounted for at a fair value of RR 8,071 thousand (2008: RR 4,263 thousand). There was an unrealized gain of RR 3,808 thousand relating to these investments recorded in equity for the six months ended 30 June 2009.

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

8 Originated loans

	Note	2009
Balance as at 1 January		**5,729,178**
Repayment of the loan	22	(6,568,110)
Foreign exchange gain		838,932
Balance as at 30 June		**-**

In October 2008 the Group provided MCC Holding Limited with a US$ denominated, unsecured loan with an interest rate of 1 month Libor +2.5%. The loan was fully repaid in April 2009.

9 Trading investments

In June 2009 the Group sold 2.01% of the voting shares of OJSC MRSK “Center and Volga region” to a third party for RR 311,855 thousand and recognised a fair value gain of RR 139,584 thousand in the profit and loss.

10 Inventories

	30 June 2009	31 December 2008
Materials	3,102,164	4,050,120
Work in progress	1,045,470	1,065,593
Finished goods	3,904,953	4,987,935
Catalysts	1,411,563	1,465,009
Less: provision for obsolete and damaged inventories	(500,917)	(386,063)
Total inventories	**8,963,233**	**11,182,594**

The Group wrote-off inventories to their net realisable value and recognised a loss of RR 169,370 thousand (2008: RR 325,416 thousand) in the profit and loss.

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

	30 June 2009	31 December 2008
Trade receivables		
Trade receivables denominated in RR	1,065,602	867,040
Trade receivables denominated in US$	826,950	1,955,166
Trade receivables denominated in Euro	74,292	186,081
Trade receivables denominated in other currencies	143,580	296,379
Less: impairment provision	(274,135)	(120,295)
Total trade receivables	**1,836,289**	**3,184,371**
Prepayments, other receivables and other current assets		
Advances to suppliers	2,080,638	2,932,711
VAT recoverable and receivable	5,995,685	5,922,485
Income tax receivable	202,256	1,192,047
Other taxes receivable	11,373	64,134
Interest receivable	27,216	165,892
Other receivables	844,720	379,698
Less: impairment provision	(43,621)	(44,212)
Total other receivables	**9,118,267**	**10,612,755**
Total trade receivables, prepayments, other receivables and other current assets	**10,954,556**	**13,797,126**

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

12 Cash and cash equivalents

	30 June 2009	31 December 2008
Cash on hand and bank balances denominated in RR	1,341,820	1,094,542
Bank balances denominated in US$	5,056,244	1,859,365
Bank balances denominated in Euro	202,676	833,523
Balances denominated in other currencies	64,657	42,438
Time deposits denominated in RR	1,397,469	835,118
Time deposits denominated in US$	365,997	20,048,393
Time deposits denominated in Euro	2,499,954	1,343,150
Time deposits denominated in other currencies	125,635	168,821
Total cash and cash equivalents	**11,054,452**	**26,225,350**
Current restricted cash	882,573	481,912
Non-current restricted cash	173,124	30,053
Total restricted cash	**1,055,697**	**511,965**

At 30 June 2009 RR 852,712 thousand (2008: RR 326,122 thousand) of the current restricted cash consists of cash held at banks to meet the next principal and interest payments (Note 14). The rest of the current restricted cash balance of RR 29,861 thousand (2008: RR 155,790 thousand) primarily consists of letters of credit issued by the Group to its suppliers.

At 30 June 2009 and 31 December 2008 non-current restricted cash of RR 173,124 thousand and RR 30,053 thousand, respectively, consists of a deposit for possible environmental obligations as required under Lithuanian law and a letter of credit for equipment procurement.

13 Non-current assets held for sale

LLC Eurochem-Novoselskoe. The assets and liabilities related to LLC Eurochem-Novoselskoe, a wholly owned subsidiary of the Group, were presented as a disposal group held for sale following the approval of the Board of Directors to dispose of that subsidiary.

In February 2009 the Group signed a preliminary agreement with a third party for the disposal of LLC Eurochem-Novoselskoe and in April 2009 received a prepayment of RR 3,500 thousand. On 16 April 2009, the Group signed a final agreement for the sale of LLC Eurochem-Novoselskoe for a cash consideration of RR 70,000 thousand.

The major classes of assets of LLC Eurochem-Novoselskoe include:

	30 June 2009
Property, plant and equipment	27,980
Intangible assets	13,866
Inventories	28,124
Trade and other receivables	7,658
Cash and cash equivalents	1,298
Total assets of disposal group classified as held for sale	**78,926**

Major classes of liabilities directly associated with LLC Eurochem-Novoselskoe include:

	30 June 2009
Trade and other payables	5,864
Total liabilities of disposal group classified as held for sale	**5,864**

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

14 Bank borrowings

	2009	2008
Balance as at 1 January	**43,511,956**	**5,633,712**
Bank loans received, denominated in US$	-	2,835,930
Bank loans received, denominated in EUR	2,448,349	-
Bank loans received, denominated in RR	31,176	6,769
Bank loans repaid, denominated in US$	(3,372,740)	(2,491,320)
Bank loans repaid, denominated in EUR	(2,444,440)	(52,858)
Bank loans repaid, denominated in RR	(49,470)	-
Amortization of bank borrowings syndication fees	75,495	21,209
Foreign exchange loss/(gain)	2,959,253	(243,322)
Balance as of 30 June	**43,159,579**	**5,710,120**

	30 June 2009	31 December 2008
Current bank borrowings		
Bank loans, denominated in RR	592	18,887
Current portion of long-term US$ loans	12,948,618	9,074,390
Total current bank borrowings	**12,949,210**	**9,093,277**
Non-current bank borrowings		
Long-term bank loans, denominated in US$	43,158,987	43,493,069
Less: current portion of long-term bank loans	(12,948,618)	(9,074,390)
Total non-current bank borrowings	**30,210,369**	**34,418,679**
Total bank borrowings	**43,159,579**	**43,511,956**

At 30 June 2009 and 31 December 2008 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 its 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

A syndicated loan facility, which was obtained in October 2008 in the amount of US$ 1,500,000 thousand, bears a floating interest rate of 1 month Libor + 1.8%. The outstanding amount at 30 June 2009 totalled US$ 1,395,349 thousand.

Collaterals and pledges

At 30 June 2009 collaterals comprise cash balances of RR 852,712 thousand (2008: RR 326,122 thousand) restricted by banks to secure the next principal and interest payments (Note 12).

Bank loans of RR 43,159,030 thousand and RR 43,493,069 thousand at 30 June 2009 and 31 December 2008, respectively, were collateralized by future export proceeds of the Group under sales contracts with certain customers.

The Group's bank borrowings mature as follows:

	30 June 2009	31 December 2008
- within 1 year	12,949,210	9,093,277
- between 1 and 2 years	12,948,618	12,149,084
- between 2 and 5 years	17,261,751	22,269,595
Total bank borrowings	**43,159,579**	**43,511,956**

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

15 Sales

The components of sales were as follows:

		Three months ended		Six months ended	
		30 June 2009	30 June 2008	30 June 2009	30 June 2008
Nitrogen					
	Nitrogen fertilizers	6,802,421	9,105,546	13,857,838	17,233,552
	Complex fertilizers group	698,736	864,620	1,666,753	1,981,101
	Other goods and services	104,025	385,906	309,793	771,992
		7,605,182	**10,356,072**	**15,834,384**	**19,986,645**
Organics					
	Organic synthesis products	1,139,798	1,773,518	2,000,511	3,920,210
	Other goods	27,276	47,984	51,158	78,240
		1,167,074	**1,821,502**	**2,051,669**	**3,998,450**
Phosphates			-		
	Phosphates	3,919,546	10,423,315	8,897,984	17,838,052
	Feed phosphates group	510,639	1,152,629	1,194,857	1,823,141
	Apatite concentrate	282,850	270,351	654,044	449,875
	Complex fertilizers group	9,176	54,578	44,214	123,856
	Other goods and services	169,963	201,181	386,094	402,635
		4,892,174	**12,102,054**	**11,177,193**	**20,637,559**
Mining by-products					
	Iron ore concentrate	2,045,464	3,666,130	3,612,176	6,548,237
	Baddeleyite concentrate	90,158	101,834	184,450	207,097
		2,135,622	**3,767,964**	**3,796,626**	**6,755,334**
Distribution					
	Nitrogen fertilizers	330,544	199,066	1,000,504	571,948
	Phosphates	139,404	351,225	280,118	507,232
	Complex fertilizers group	184,831	693,436	267,085	1,199,581
	Other goods and services	238,923	119,491	421,542	266,731
		893,702	**1,363,218**	**1,969,249**	**2,545,492**
Others					
	Nitrogen fertilizers	87,793	379,213	757,382	1,151,144
	Organic synthesis products	68,162	9,816	103,557	9,816
	Logistic services	99,382	190,571	205,501	515,606
	Other goods and services	271,401	132,489	576,950	235,599
		526,738	**712,089**	**1,643,390**	**1,912,165**
Total sales		**17,220,492**	**30,122,899**	**36,472,511**	**55,835,645**

16 Cost of sales

The components of cost of sales were as follows:

	Three months ended		Six months ended	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
Materials and components used or resold	4,610,173	7,341,146	9,270,743	12,845,919
Depreciation	570,036	573,969	1,156,061	1,148,022
Energy	1,095,692	1,041,731	2,216,713	2,107,112
Utilities and fuel	465,823	612,946	965,984	1,352,544
Labour, including contributions to social funds	1,428,668	1,611,758	3,253,707	3,121,701
Repairs and maintenance	177,900	308,662	299,664	510,653
Production overheads	380,167	174,495	668,078	292,805
Property tax, rent payments for land and related taxes	167,780	288,582	289,478	440,749
Cost of logistic services	197,844	181,321	617,014	552,643
Idle property, plant and equipment written-off	20,669	297,988	80,895	312,631
Provision for obsolete and damaged inventory and finished goods	70,741	23,163	114,854	24,382
Changes in work in progress and finished goods	352,046	(1,588,232)	1,167,092	(2,283,344)
Other costs	17,257	52,924	84,986	93,132
Total cost of sales	**9,554,796**	**10,920,453**	**20,185,269**	**20,518,949**

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

17 Distribution costs

Distribution costs comprised:

	Three months ended		Six months ended	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
Transportation	4,098,681	4,877,553	7,665,642	8,975,876
Export duties, other fees and commissions	43,289	877,603	318,574	910,925
Depreciation	103,561	91,876	206,495	170,651
Labour, including contributions to social funds	115,594	157,503	300,230	354,188
Repairs	179,090	160,138	343,258	273,715
Provision/(reversal of provision) for impairment of receivables	(35,199)	(33,061)	80,377	-
Other costs	149,247	194,907	263,537	263,194
Total distribution costs	**4,654,263**	**6,326,519**	**9,178,113**	**10,948,549**

18 General and administrative expenses

General and administrative expenses comprised:

	Three months ended		Six months ended	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
Labour, including contributions to social funds	263,449	374,914	749,581	801,942
Repairs and maintenance	8,165	4,997	17,680	15,074
Depreciation and amortization	73,347	54,341	135,399	93,696
Social expenditure	12,847	14,409	26,570	29,262
Audit, consulting and legal services	69,071	59,446	110,266	108,899
Rent	31,175	20,074	63,666	57,756
Provision for impairment of receivables	57,317	29,572	76,421	31,166
Bank charges	19,873	43,733	87,281	58,635
Other expenses	124,688	99,937	324,793	253,740
Total general and administrative expenses	**659,932**	**701,423**	**1,591,657**	**1,450,170**

The total depreciation and amortisation expenses included in all captions of the statement of comprehensive income amounted to RR 1,497,955 thousand (2008: RR 1,412,369 thousand). The total staff costs (including social expenses) included in all captions of statement of comprehensive income amounted to RR 4,303,518 thousand (2008: RR 4,277,831 thousand).

19 Other operating income and expenses

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

	Three months ended		Six months ended	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
Loss on disposal of property, plant and equipment	101,207	22,706	107,649	18,103
Sponsorship	38,380	182,280	88,117	224,557
Foreign exchange (gain)/loss	436,540	120,691	(1,035,848)	425,004
Other operating expenses/(income)	8,907	60,781	134,994	(1,714)
Total other operating (income)/expenses	**585,034**	**386,458**	**(705,088)**	**665,950**

20 Income tax

	Three months ended		Six months ended	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
Income tax expense – current	505,154	2,973,037	1,517,228	5,332,738
Deferred income tax – (origination)/reversal of temporary differences	482,078	(312,542)	(325,218)	(199,046)
Income tax expense	**987,232**	**2,660,495**	**1,192,010**	**5,133,692**

Most companies of the Group were subject to tax rates of 20% and 24% on taxable profits in the Russian Federation for 2009 and 2008, respectively.

21 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period, excluding treasury shares.

	Three months ended		Six months ended	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
Net profit for the period	7,416,788	9,038,919	5,680,338	17,526,363
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)	**109.18**	**133.06**	**83.62**	**258.00**

22 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	Note	30 June 2009	31 December 2008
Statement of financial position caption				
Trade receivables	Other related parties*		24,177	56,849
Prepayments, other receivables and other current assets	Other related parties*		84,598	25,282
Interest receivable	Parent company		-	53,158
Originated loans	Parent company	8	-	5,729,178

Financial statements caption	Nature of relationship	Three months ended		Six months ended	
		30 June 2009	30 June 2008	30 June 2009	30 June 2008
Statement of comprehensive income caption					
Sales	Other related parties*	4,575	84,165	48,531	473,628
Purchases of materials and components	Other related parties*	(62)	-	(81)	-
General and administrative expenses	Other related parties*	(9,833)	-	(37,398)	-
Other operating income/(expenses)	Other related parties*	-	(99,764)	-	(99,764)
Interest income	Parent company	10,612	-	59,376	-

Financial statements caption	Nature of relationship	Note	Six months ended	
			30 June 2009	30 June 2008
Cash flow caption				
Decrease in trade receivables	Other related parties*		32,672	461,413
Increase in other receivables	Other related parties*		(59,316)	-
Acquisition of available-for-sale investments	Parent company	7	(19,605,626)	-
Repayment of originated loan	Parent company	8	6,568,110	-
Interest received	Parent company		121,199	-
Dividends paid	Parent company		-	(3,668,328)

* Other related parties consist of the Group's associate.

The total key management personnel compensation included in general and administrative expenses in the statement of income was RR 61,817 thousand and RR 171,426 thousand for the six months ended 30 June 2009 and 30 June 2008, 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 based on operating results.

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

23 Business combinations

Acquisition of LLC Baza Mekhanizatsii. In May 2009 the Group acquired 100% of the share capital of LLC Baza Mechanizatsii, a service company registered in the Russian Federation. The purchase consideration comprised RR 150,000 thousand paid in cash. The valuation of property, plant and equipment on acquisition was performed by an independent appraiser.

If the acquisition had occurred on 1 January 2009, the Group's consolidated revenue and profit for the six months ended 30 June 2009 would not have changed significantly.

Details of the assets and liabilities acquired and goodwill arising are as follows:

	Carrying value	Attributed fair value
Cash and cash equivalents	87	87
Accounts receivable	498	498
Property, plant and equipment	7,071	175,615
Trade and other payables	(76)	(76)
Deferred income tax liability	-	(26,124)
Fair value of net assets of subsidiary		150,000
Fair value of acquired interest in net assets of subsidiary		150,000
Goodwill arising from the acquisition		
Total purchase consideration		150,000
Less: cash and cash equivalents of subsidiary acquired		(87)
Outflow of cash and cash equivalents on acquisition		149,913

Disposal of LLC Novomoskovsky Chlor. In December 2008 the Group signed a preliminary agreement with a third party for the disposal of LLC Novomoskovsky Chlor. At 31 December 2008 assets and liabilities of this subsidiary were presented as a disposal group held for sale. In June 2009 the Group sold its 100% stake in LLC Novomoskovsky Chlor to a third party for RR 508,396 thousand, which will be paid on a quarterly basis until 31 December 2012, bearing of the interest rate CBR rate + 2,5%. At 30 June 2009 the outstanding amount was RR 464,800 thousand, which is included in other receivables.

At the date of disposal the net assets of LLC Novomoskovsky Chlor were RR 149,518 thousand. The Group recognized a gain of RR 358,878 thousand on the disposal.

Disposal of Harvester Shipmanagement Limited. In May 2009 the Group sold its 100% stake in Harvester Shipmanagement Limited to a third party for a cash consideration of RR 7,813 thousand. Property, plant and equipment disposed through the business combination totalled RR 4,142 thousand.

At the date of disposal the net assets of Harvester Shipmanagement Limited were RR 117,568 thousand. The Group recognized a loss of RR 109,755 thousand on the disposal of Harvester Shipmanagement Limited.

24 Contingencies, commitments and operating risks

i Capital expenditure commitments

As at 30 June 2009 the Group had contractual commitments for capital expenditures of RR 19,314,686 thousand (2008: RR 22,494,066 thousand), mostly denominated in Euro and US$ (RR 8,271,409 thousand and RR 7,456,711 thousand, respectively). The management estimates that out of these approximately RR 7,110,917 thousand will represent cash outflows in 2009.

RR 14,378,608 thousand out of the total amount relates to the development of the Gremyachinskoe deposit and the construction of a potassium salt mining facility (2008: RR 15,207,869 thousand).

ii Guarantees

Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. The Group did not have issued guarantees at 30 June 2009 and 31 December 2008.

24 Contingencies, commitments and operating risks (continued)

iii 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, and 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 and/or the overall operations of the Group.

As at 30 June 2009 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 June 2009 and 31 December 2008.

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 1,650,954 thousand (2008: RR 2,682,920 thousand). These exposures primarily relate to management services and other fees charged by the holding company to the Group subsidiaries.

iv Insurance policies

The Group generally carries insurance as mandated by statutory requirements. The Group holds insurance policies covering trade operations, including export shipments. Insurance strategies covering the Group’s assets are under development.

v 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.

vi 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 result of operations or financial position of the Group and which have not been accrued or disclosed in this consolidated condensed interim financial information.

24 Contingencies, commitments and operating risks (continued)

vii Operating environment of the Group

Following a sharp deterioration in the global economic environment in the fourth quarter of 2008, prices for nitrogen and phosphate fertilizers, as predominantly manufactured and sold by the Group, have declined significantly from the peak levels of 2008 and average levels for 2008, while remaining broadly in line with 2007 average prices, and mostly above 2006 average prices. For nitrogen fertilizers average prices for the first half of 2009 ranged from 25% to 35% of the maximum 2008 price, 42% to 52% of the 2008 average price, 69% to 83% of the 2007 average price, and 90% to 114% of the 2006 average price. For phosphate and complex fertilizers prices ranged from 28% to 42% of the maximum 2008 price, 37% to 53% of the 2008 average price, 84% to 119% of the 2007 average price, and 139% to 162% of the 2006 average price.

The effects of the global financial crisis continued to have a severe effect on the Russian economy in 2009:

- low commodity prices have resulted in lower revenues. Russia's economy contracted by 7 percent year-on-year in the first quarter of 2009 and, according to the Russian Economic Development Ministry, Russia's gross domestic product is expected to decrease by 8.5 percent in 2009;
- the rise in Russian and emerging market risk premia resulted in a steep increase in financing costs;
- the depreciation of the Russian Rouble against hard currencies increased the burden of foreign currency corporate debt, which has risen considerably in recent years;
- as part of preventive steps to ease the effects of the situation in financial markets on the economy, the Government is likely to run a large fiscal deficit in 2009;
- the official US$ exchange rate of the Central Bank of the Russian Federation increased from RR 25.37 at 1 October 2008 to RR 29.38 at 31 December 2008 and RR 31.29 at 30 June 2009. At the date of issuance of this consolidated condensed interim financial information US$ exchange rate was RR 31.64.

Management is unable to reliably determine the effects on the Group's future financial position of any further deterioration in the Group's operating environment as a result of the ongoing crisis. It believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

The Group holds, among others, valid licenses for 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 a 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 licences 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.

25 Subsequent events

In July 2009, the Group entered into an option agreement with a third party to buy 1,075,000 K+S Group ordinary shares for a total premium of EUR 6,225 thousand, net of commission. The expiry date for the option is 19 March 2010.

On 15 July 2009, the Group concluded an option agreement with a third party to buy a 100% stake in Harvester Shipmanagement Limited. The expiry date for the option is 31 October 2009.

In August 2009, the Group signed an agreement with Credit Suisse for a one year secured finance facility, amounting to EUR 80,000 thousand with an interest rate of 1-month EURIBOR + 1.75%.