EUROCHEM GROUP

INTERNATIONAL ACCOUNTING STANDARD No. 34

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

30 SEPTEMBER 2009

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REPORT ON THE REVIEW OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 September 2009 and the related consolidated condensed statement 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

Moscow, Russian Federation
27 November 2009

Consolidated Condensed Statement of Financial Position as at 30 September 2009

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

	Note	30 September 2009	31 December 2008
ASSETS			
Non-current assets:			
Property, plant and equipment	6	52,356,388	41,197,799
Exploration rights		7,271,496	7,163,276
Goodwill		204,866	204,866
Intangible assets		447,328	537,568
Restricted cash	12	202,230	30,053
Available-for-sale investments	7	30,599,234	13,899,438
Other non-current assets		278,880	-
Deferred tax assets		1,487,883	1,380,972
Total non-current assets		**92,848,305**	**64,413,972**
Current assets:			
Inventories	10	7,969,927	11,182,594
Trade receivables	11	2,552,444	3,184,371
Prepayments, other receivables and other current assets	11	7,757,265	10,612,755
Originated loans	8, 21	-	5,729,178
Trading investments	9	-	172,271
Restricted cash	12	1,518,192	481,912
Cash and cash equivalents	12	14,544,751	26,225,350
Total current assets		**34,342,579**	**57,588,431**
Assets of disposal group classified as held for sale		80,251	273,071
TOTAL ASSETS		**127,271,135**	**122,275,474**
LIABILITIES & 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		60,878,636	53,434,538
		67,670,876	**60,226,778**
Non-controlling interests		787,292	809,874
Total equity		**68,458,168**	**61,036,652**
Non-current liabilities:			
Bank borrowings	13	29,614,640	34,418,679
Bonds issued		8,675,515	8,453,611
Other non-trade payables		307,817	305,101
Deferred income tax liabilities		1,905,640	1,842,981
Total non-current liabilities		**40,503,612**	**45,020,372**
Current liabilities:			
Bank borrowings	13	13,285,001	9,093,277
Derivative financial liabilities		281,625	-
Trade payables		1,508,880	1,793,635
Other accounts payable and accrued expenses		2,822,368	3,960,747
Income tax payable		102,918	720,690
Other taxes payable		295,064	618,990
Total current liabilities		**18,295,856**	**16,187,339**
Liabilities of disposal group classified as held for sale		13,499	31,111
Total liabilities		**58,812,967**	**61,238,822**
TOTAL LIABILITIES AND EQUITY		**127,271,135**	**122,275,474**

Approved on behalf of the Board of Directors
27 November 2009

D.S. Strezhnev
Chief Executive Officer

A.A. Ilyin
Chief Financial Officer

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	Three months ended 30 September 2009	Three months ended 30 September 2008	Nine months ended 30 September 2009	Nine months ended 30 September 2008
Sales	14	18,775,018	38,941,950	55,247,529	94,777,595
Cost of sales	15	(10,750,175)	(13,998,766)	(30,935,444)	(34,517,715)
Gross profit		**8,024,843**	**24,943,184**	**24,312,085**	**60,259,880**
Distribution costs	16	(4,577,855)	(7,193,300)	(13,755,968)	(18,141,849)
General and administrative expenses	17	(719,380)	(878,966)	(2,311,037)	(2,329,136)
Other operating income/(expenses)	18	(521,177)	265,401	183,911	(400,549)
Operating profit		**2,206,431**	**17,136,319**	**8,428,991**	**39,388,346**
Gain on disposal of non-current assets held for sale, net	22	-	-	249,123	310,493
Fair value gain/(loss) on trading investments	9	-	(460,143)	139,584	(245,557)
Gain on disposal of available-for-sale investments	7	272,988	-	272,988	-
Financial foreign exchange gain/(loss) – net		1,885,357	(859,820)	805,308	(356,037)
Dividend income	7	-	-	2,168,715	-
Interest income		152,222	92,107	341,971	396,607
Interest expense		(462,254)	(200,837)	(1,505,421)	(643,538)
Profit before taxation		**4,054,744**	**15,707,626**	**10,901,259**	**38,850,314**
Income tax expense	19	(797,202)	(3,860,467)	(1,989,212)	(8,994,159)
Net profit for the period		**3,257,542**	**11,847,159**	**8,912,047**	**29,856,155**
Other comprehensive income/(loss)					
Currency translation differences		182,182	(65,422)	662,254	101,438
Revaluation of investments available-for-sale		(2,293,893)	(7,487)	(1,876,107)	(13,159)
Disposal of investments available-for-sale		(272,988)	-	(272,988)	-
Total other comprehensive income/(loss) for the period		**(2,384,699)**	**(72,909)**	**(1,486,841)**	**88,279**
Total comprehensive income for the period		**872,843**	**11,774,250**	**7,425,206**	**29,944,434**
Net profit for the period attributable to:					
Owners of the parent		3,267,460	12,079,125	8,947,798	29,605,488
Non-controlling interests		(9,918)	(231,966)	(35,751)	250,667
		3,257,542	**11,847,159**	**8,912,047**	**29,856,155**
Total comprehensive income/(loss) attributable to:					
Owners of the parent		848,807	12,000,522	7,426,777	29,679,420
Non-controlling interests		24,036	(226,272)	(1,571)	265,014
		872,843	**11,774,250**	**7,425,206**	**29,944,434**
Earnings per share – basic and diluted (in RR)	20	48.10	177.81	131.72	435.81

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

	Note	Nine months ended 30 September 2009	30 September 2008
Operating profit		8,428,991	39,388,346
Income tax paid		(1,408,519)	(7,151,686)
Operating profit less income tax paid		**7,020,472**	**32,236,660**
Depreciation and amortisation	17	2,235,750	2,168,557
Net loss on disposals and write-off of property, plant and equipment		182,869	356,066
Provisions		176,984	(121,683)
Other non-cash expenses		675,877	(220,008)
Gross cash flow		**10,291,952**	**34,419,592**
Changes in operating assets and liabilities:			
Trade receivables		283,828	(557,513)
Advances to suppliers		849,833	(1,629,985)
Other receivables		905,562	(4,097,008)
Inventories		2,966,588	(4,723,527)
Trade payables		411,049	768,400
Advances from customers		292,041	(356,281)
Other payables		(1,499,937)	265,640
Other assets and liabilities		(1,522,780)	(21,322)
Net cash – operating activities		**12,978,136**	**24,067,996**
Cash flows from investing activities			
Capital expenditure on property, plant and equipment and other intangible assets		(13,726,632)	(10,890,548)
Purchase of exploration rights		(108,220)	(4,087,166)
Acquisition of interest in subsidiaries		(3,690)	(2,485,499)
Acquisition of subsidiary, net of cash acquired	22	(149,913)	(99,939)
Acquisition of available-for-sale investments	7	(21,895,670)	-
Proceeds from sale of property, plant and equipment		29,310	22,290
Proceeds from disposal of non-current assets held for sale		13,909	-
Prepayment for non-current assets held for sale		-	37,500
Prepayment for non-current assets		-	(934,590)
Proceeds from disposal of trading investments	9	311,855	-
Proceeds from disposal of available-for-sale investments	7	3,319,767	-
Proceeds from sale of derivatives		278,106	-
Dividends received net of tax	7	2,060,279	-
Repayment of originated loans	8, 21	6,568,110	-
Interest received		477,761	424,926
Net cash – investing activities		**(22,825,028)**	**(18,013,026)**
Free cash (outflow)/inflow		**(9,846,892)**	**6,054,970**
Cash flows from financing activities			
Proceeds from bank borrowings	13	9,843,054	3,212,678
Repayment of bank borrowings	13	(11,820,997)	(6,416,789)
Syndication fees paid		(103,060)	-
Interest paid		(1,559,198)	(764,896)
Dividends paid	21	-	(10,693,856)
Net cash – financing activities		**(3,640,201)**	**(14,662,863)**
Effect of exchange rate changes on cash and cash equivalents		1,806,494	183,324
Net decrease in cash and cash equivalents		**(11,680,599)**	**(8,424,569)**
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 202,230 thousand and RR 27,792 thousand, respectively, and current restricted cash of RR 1,518,192 thousand and RR 347,491 thousand, respectively)	12	**14,544,751**	**6,643,921**

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)

	Attributable to owners of the parent							
	Share capital	Treasury shares	Cumulative currency translation differences	Revaluation of investments available-for-sale	Retained earnings	Total	Non-controlling interests	Total equity
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)	-	-	87,091	(13,159)	29,605,488	29,679,420	265,014	29,944,434
Dividends	-	-	-	-	(7,025,528)	(7,025,528)	-	(7,025,528)
Acquisitions of additional interest in subsidiaries	-	-	-	-	(747,154)	(747,154)	(1,738,345)	(2,485,499)
Balance at 30 September 2008	**6,800,000**	**(7,760)**	**309,897**	**7,807**	**52,829,497**	**59,939,441**	**593,861**	**60,533,302**
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)	-	-	628,074	(2,149,095)	8,947,798	7,426,777	(1,571)	7,425,206
Acquisitions of additional interest in subsidiaries	-	-	-	-	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**

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).

A company that holds the business interests of Mr. Andrey Melnichenko owns 95% of MCC Holding Limited (Cyprus), which owns 99.9% of the OJSC MCC "Eurochem". The remaining 5% of MCC Holding Limited is held by Mr. Dmitry Strezhnev, CEO of the Group.

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 nine months ended 30 September 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 158,817 thousand were reclassified to the lines "Cost of sales" from lines "General and administrative expenses" (RR 156,493 thousand), "Distribution costs" (RR 14,789 thousand) and Other operating income/(expenses)" (RR 12,465 thousand) in the profit and loss;
- foreign exchange losses arising from deposits of RR 126,332 thousand were reclassified from the line "Other operating income/(expenses)" to the line "Financial foreign exchange gain/(loss) – net" in the statement of comprehensive income. A corresponding reclassification was made 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. For the according periods during which the duties applied, export sales were shown gross of the above mentioned duties which amounted to RR 222,493 thousand (2008: RR 2,159,397 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 reporting provided to the chief operating decision-maker, who for the Group has been identified as the Management Board. The Group decided to early-adopt improvements to IFRS 8 issued in April 2009, which allow 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 September 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; the 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;

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

- 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 impact the Group's consolidated financial information;
- 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 September 2009, and have not been early adopted:

- 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);
- IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The Group is currently assessing the impact of the amended standard on its consolidated financial information;
- 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 Group is currently assessing the impact of the amended standard on its consolidated financial information;
- IFRIC 17, Distribution of Non-Cash Assets to Owners (effective 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);
- 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);
- IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009);
- The International Financial Reporting Standard for Small and Medium-sized Entities (issued in July 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);
- 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);
- Classification of Rights Issues – Amendment to IAS 32, Financial Instruments: Presentation (effective for annual periods beginning on or after 1 February 2010);
- IAS 24, Related Party Disclosures (amended November 2009, effective for annual periods beginning on or after 1 January 2011). The Group is currently assessing the impact of the amended standard on its consolidated financial information;
- IFRS 9, Financial Instruments (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.

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

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

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 amortisation (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 – the 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 the CIS;
- Other – certain logistics and service activities, central management and other items.

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

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	22,924,832	2,973,866	25,898,698	6,996,170
Organics	3,371,406	4,441	3,375,847	361,801
Phosphates	16,790,108	1,224,974	18,015,082	2,332,548
Mining by-products	5,902,087	-	5,902,087	982,185
Potash	-	-	-	(182,529)
Distribution	3,892,405	5,497	3,897,902	(71,791)
Other	2,366,691	8,448,178	10,814,869	125,111
Reconciliation	-	(12,656,956)	(12,656,956)	121,246
Total	**55,247,529**	**-**	**55,247,529**	**10,664,741**

The segmental results for the nine months ended 30 September 2008 were as follows:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	35,741,095	3,110,736	38,851,831	17,768,494
Organics	5,798,997	-	5,798,997	1,990,697
Phosphates	33,491,963	2,264,769	35,756,732	17,268,736
Mining by-products	10,131,820	-	10,131,820	3,408,911
Potash	-	-	-	(112,963)
Distribution	4,780,565	1,418	4,781,983	437,312
Other	4,833,155	13,423,574	18,256,729	850,675
Reconciliation	-	(18,800,497)	(18,800,497)	(54,959)
Total	**94,777,595**	**-**	**94,777,595**	**41,556,903**

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

		Nine months ended	
	Note	30 September 2009	30 September 2008
EBITDA		10,664,741	41,556,903
Depreciation and amortisation	17	(2,235,750)	(2,168,557)
Operating profit		**8,428,991**	**39,388,346**
Gain on disposal of non-current assets held for sale, net		249,123	310,493
Fair value gain/(loss) on trading investments		139,584	(245,557)
Gain on disposal of available-for-sale investments		272,988	-
Financial foreign exchange gain/(loss) – net		805,308	(356,037)
Dividends received		2,168,715	-
Interest income		341,971	396,607
Interest expense		(1,505,421)	(643,538)
Profit before taxation		**10,901,259**	**38,850,314**

(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 as follows:

	Nine months ended	
	30 September 2009	30 September 2008
Export	44,492,127	78,558,749
Domestic	10,755,402	16,218,846
Total sales	**55,247,529**	**94,777,595**

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	13,223,815	10,855,062
Including changes in advances given	1,472,891	2,403,594
Acquisitions through business combination	175,615	88,160
Disposals	(38,049)	(48,846)
Reclassification to non-current assets held for sale	(31,676)	(72,874)
Depreciation charge for the period	(2,188,568)	(2,137,649)
Idle property, plant and equipment write-off	(110,036)	(313,131)
Currency translation differences	127,488	66,524
Carrying amount at 30 September	**52,356,388**	**37,159,590**
Including advances given to construction companies and suppliers of property, plant and equipment	5,796,125	4,874,418

The Group decided to mothball certain production equipment with a net book value of RR 110,036 thousand at 30 September 2009 (2008: net book value of RR 313,131 thousand) and recognised a loss of RR 110,036 thousand for the nine months ended 30 September 2009 (2008: RR 313,131 thousand) (Note 15).

At 30 September 2009 the Group incurred expenses of RR 1,527,033 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 from 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 September 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 21) and 1,499,297 ordinary shares of K+S Group on the open market for RR 2,290,044 thousand. In September 2009 the Group sold 2,001,291 K+S Group shares to MCC Holding Limited for RR 3,319,767 thousand (Note 21) and recognised a gain of RR 272,988 thousand in the profit and loss.

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

7 Available-for-sale investments (continued)

At 30 September 2009 the Group owned 18,639,074 shares, or 11.3% 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 30,586,974 thousand (2008: RR 13,895,175 thousand) with reference to the share price quoted on the Xetra trading system. The decrease in the fair value of the investment of RR 1,884,104 thousand was recognised in equity for the nine months ended 30 September 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 September 2009 the shares of OJSC Sberbank were accounted for at a fair value of RR 12,260 thousand (2008: RR 4,263 thousand). There was an unrealized gain of RR 7,997 thousand relating to these investments recorded in equity for the nine months ended 30 September 2009.

8 Originated loans

	Note	2009
Balance as at 1 January		**5,729,178**
Repayment of the loan	21	(6,568,110)
Foreign exchange gain		838,932
Balance as at 30 September		**-**

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 September 2009	31 December 2008
Materials	3,067,461	4,050,120
Work in progress	778,292	1,065,593
Finished goods	3,123,795	4,987,935
Catalysts	1,433,867	1,465,009
Less: provision for obsolete and damaged inventories	(433,488)	(386,063)
Total inventories	**7,969,927**	**11,182,594**

The Group wrote-off inventories to their net realisable value and recognised a loss of RR 70,657 thousand (2008: RR 325,416 thousand) in the profit and loss.

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

	30 September 2009	31 December 2008
Trade receivables		
Trade receivables denominated in RR	1,008,402	867,040
Trade receivables denominated in US$	1,146,171	1,955,166
Trade receivables denominated in Euro	370,999	186,081
Trade receivables denominated in other currencies	235,138	296,379
Less: impairment provision	(208,266)	(120,295)
Total trade receivables	**2,552,444**	**3,184,371**
Prepayments, other receivables and other current assets		
Advances to suppliers	1,810,571	2,932,711
VAT recoverable and receivable	5,180,765	5,922,485
Income tax receivable	162,170	1,192,047
Other taxes receivable	13,450	64,134
Interest receivable	35,652	165,892
Other receivables	634,698	379,698
Less: impairment provision	(80,041)	(44,212)
Total other receivables	**7,757,265**	**10,612,755**
Total trade receivables, prepayments, other receivables and other current assets	**10,309,709**	**13,797,126**

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

12 Cash and cash equivalents

	30 September 2009	31 December 2008
Cash on hand and bank balances denominated in RR	3,693,833	1,094,542
Bank balances denominated in US$	5,257,499	1,859,365
Bank balances denominated in Euro	513,615	833,523
Balances denominated in other currencies	49,835	42,438
Time deposits denominated in RR	398,961	835,118
Time deposits denominated in US$	340,880	20,048,393
Time deposits denominated in Euro	4,149,628	1,343,150
Time deposits denominated in other currencies	140,500	168,821
Total cash and cash equivalents	**14,544,751**	**26,225,350**
Current restricted cash	1,518,192	481,912
Non-current restricted cash	202,230	30,053
Total restricted cash	**1,720,422**	**511,965**

At 30 September 2009 the Group's current restricted cash totalling RR 1,518,192 consisted of RR 849,217 thousand (2008: RR 326,122 thousand) of cash held at banks to meet the next principal and interest payments and RR 668,975 thousand (2008: nil) as a collateral for derivative financial liabilities. There were no letters of credit issued by the Group to its suppliers at 30 September 2009 (2008: RR 155,790 thousand).

At 30 September 2009 and 31 December 2008 non-current restricted cash of RR 202,230 thousand and RR 30,053 thousand, respectively, primarily consists of letters of credit for equipment procurement and a deposit for possible environmental obligations as required under statutory Lithuanian rules.

13 Bank borrowings

	2009	2008
Balance as at 1 January	**43,511,956**	**5,633,712**
Bank loans received, denominated in US$	-	3,170,048
Bank loans received, denominated in Euro	9,811,419	-
Bank loans received, denominated in RR	31,635	42,630
Bank loans repaid, denominated in US$	(6,678,290)	(6,350,931)
Bank loans repaid, denominated in Euro	(5,092,186)	(52,858)
Bank loans repaid, denominated in RR	(50,521)	(13,000)
Capitalization and amortisation of bank borrowings syndication fees	16,525	31,851
Foreign exchange loss	1,349,103	19,641
Balance as of 30 September	**42,899,641**	**2,481,093**

	30 September 2009	31 December 2008
Current bank borrowings		
Current portion of long-term US$ loans	12,429,724	9,074,390
Bank loans, denominated in Euro	855,277	-
Bank loans, denominated in RR	-	18,887
Total current bank borrowings	**13,285,001**	**9,093,277**
Non-current bank borrowings		
Long-term bank loans, denominated in US$	38,316,216	43,493,069
Long-term bank loans, denominated in Euro	3,728,148	-
Less: current portion of long-term bank loans in US$	(12,429,724)	(9,074,390)
Total non-current bank borrowings	**29,614,640**	**34,418,679**
Total bank borrowings	**42,899,641**	**43,511,956**

At 30 September 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 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.

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

13 Bank borrowings (continued)

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 September 2009 totalled US$ 1,290,698 thousand. The rest of the loans denominated in Euro bear floating interest rates from 1 month Euribor +1.75% to 3 months Euribor +2%.

Collaterals and pledges

At 30 September 2009 collaterals comprised cash balances of RR 849,217 thousand (2008: RR 326,122 thousand) restricted by banks to secure the next principal and interest payments (Note 12).

Bank loans of RR 38,316,216 thousand and RR 43,493,069 thousand at 30 September 2009 and 31 December 2008, respectively, were collateralized by future export proceeds of the Group under sales contracts with certain customers and bank loans of RR 4,583,425 at 30 September 2009 were secured with K+S Group shares as collateral, represented by 7,074,013 shares with a fair value of RR 11,608,551 thousand with reference to the share price quoted on the Xetra trading system.

The Group's bank borrowings mature as follows:

	30 September 2009	31 December 2008
- within 1 year	13,285,001	9,093,277
- between 1 and 2 years	16,157,872	12,149,084
- between 2 and 5 years	13,456,768	22,269,595
Total bank borrowings	**42,899,641**	**43,511,956**

14 Sales

The components of sales were as follows:

		Three months ended 30 September 2009	Three months ended 30 September 2008	Nine months ended 30 September 2009	Nine months ended 30 September 2008
Nitrogen					
	Nitrogen fertilizers	5,896,367	13,722,596	19,754,205	30,956,148
	Complex fertilizers group	966,246	1,605,926	2,632,999	3,587,027
	Other goods and services	227,835	425,928	537,628	1,197,920
		7,090,448	**15,754,450**	**22,924,832**	**35,741,095**
Organics					
	Organic synthesis products	1,292,536	1,778,464	3,293,047	5,698,674
	Other goods	27,200	22,083	78,359	100,323
		1,319,736	**1,800,547**	**3,371,406**	**5,798,997**
Phosphates					
	Phosphates	4,718,630	10,103,768	13,616,614	27,941,820
	Feed phosphates group	589,314	1,532,805	1,784,171	3,355,946
	Apatite concentrate	153,054	929,763	807,098	1,379,638
	Complex fertilizers group	689	124,888	44,903	248,744
	Other goods and services	151,228	163,180	537,322	565,815
		5,612,915	**12,854,404**	**16,790,108**	**33,491,963**
Mining by-products					
	Iron ore concentrate	1,974,331	3,268,945	5,586,507	9,817,182
	Baddeleyite concentrate	131,130	107,541	315,580	314,638
		2,105,461	**3,376,486**	**5,902,087**	**10,131,820**
Distribution					
	Nitrogen fertilizers	261,062	134,449	1,261,566	706,397
	Phosphates	733,004	805,917	1,013,122	1,313,149
	Complex fertilizers group	759,489	1,160,017	1,026,574	2,359,598
	Other goods and services	169,602	134,690	591,143	401,421
		1,923,157	**2,235,073**	**3,892,405**	**4,780,565**
Others					
	Nitrogen fertilizers	422,579	2,438,782	1,179,961	3,589,926
	Organic synthesis products	16,879	50,449	120,436	60,265
	Logistic services	28,322	308,095	233,823	823,701
	Other goods and services	255,521	123,664	832,471	359,263
		723,301	**2,920,990**	**2,366,691**	**4,833,155**
Total sales		**18,775,018**	**38,941,950**	**55,247,529**	**94,777,595**

(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:

	Three months ended 30 September 2009	Three months ended 30 September 2008	Nine months ended 30 September 2009	Nine months ended 30 September 2008
Materials and components used or resold	5,427,036	9,220,570	14,697,779	22,066,489
Depreciation	599,829	603,200	1,755,890	1,751,222
Energy	1,135,547	1,096,823	3,352,260	3,203,935
Utilities and fuel	388,018	587,070	1,354,002	1,939,614
Labour, including contributions to social funds	1,482,558	1,422,884	4,736,265	4,544,585
Repairs and maintenance	116,660	409,072	416,324	919,725
Production overheads	330,106	399,437	998,184	692,242
Property tax, rent payments for land and related taxes	226,593	347,962	516,071	788,711
Transportation expenses for logistics services	13,306	295,861	630,320	848,504
Idle property, plant and equipment written-off	29,141	500	110,036	313,131
Provision/(reversal of provision) for obsolete and damaged inventory and finished goods	(67,429)	(1,500)	47,425	22,882
Changes in work in progress and finished goods	1,011,723	(433,212)	2,178,815	(2,716,556)
Other costs	57,087	50,099	142,073	143,231
Total cost of sales	**10,750,175**	**13,998,766**	**30,935,444**	**34,517,715**

16 Distribution costs

Distribution costs comprised:

	Three months ended 30 September 2009	Three months ended 30 September 2008	Nine months ended 30 September 2009	Nine months ended 30 September 2008
Transportation	3,962,006	5,215,100	11,627,648	14,190,976
Export duties, other fees and commissions	31,023	1,342,333	349,597	2,253,258
Depreciation	67,577	97,141	274,072	267,792
Labour, including contributions to social funds	171,464	241,371	471,694	595,559
Repairs	192,002	167,117	535,260	440,832
Provision/(reversal of provision) for impairment of receivables	11,248	(3,285)	91,625	(3,285)
Other costs	142,535	133,523	406,072	396,717
Total distribution costs	**4,577,855**	**7,193,300**	**13,755,968**	**18,141,849**

17 General and administrative expenses

General and administrative expenses comprised:

	Three months ended 30 September 2009	Three months ended 30 September 2008	Nine months ended 30 September 2009	Nine months ended 30 September 2008
Labour, including contributions to social funds	316,386	404,930	1,065,967	1,206,872
Repairs and maintenance	16,503	35,621	34,183	50,695
Depreciation and amortisation	70,389	55,847	205,788	149,543
Social expenditure	6,150	7,085	32,720	36,347
Audit, consulting and legal services	46,162	51,393	156,428	160,292
Rent	31,885	46,927	95,551	104,683
Provision/(reversal of provision) for impairment of receivables	(38,487)	7,236	37,934	38,402
Bank charges	30,672	27,532	117,953	86,167
Other expenses	239,720	242,395	564,513	496,135
Total general and administrative expenses	**719,380**	**878,966**	**2,311,037**	**2,329,136**

The total depreciation and amortisation expenses included in all captions of the statement of comprehensive income amounted to RR 2,235,750 thousand (2008: RR 2,168,557 thousand). The total staff costs (including social expenses) included in all captions of the statement of comprehensive income amounted to RR 6,273,926 thousand (2008: RR 6,347,016 thousand).

18 Other operating income and expenses

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

	Three months ended 30 September 2009	Three months ended 30 September 2008	Nine months ended 30 September 2009	Nine months ended 30 September 2008
Reversal of provision for taxes	-	(179,682)	-	(179,682)
Loss on disposal of property, plant and equipment	(11,974)	47,154	95,675	65,257
Sponsorship	61,987	144,557	150,104	369,114
Foreign exchange (gain)/loss	467,400	(560,743)	(568,448)	(135,739)
Other operating expenses	3,764	283,313	138,758	281,599
Total other operating (income)/expenses	**521,177**	**(265,401)**	**(183,911)**	**400,549**

19 Income tax

	Three months ended 30 September 2009	Three months ended 30 September 2008	Nine months ended 30 September 2009	Nine months ended 30 September 2008
Income tax expense – current	493,202	3,250,082	2,010,430	8,582,820
Deferred income tax – (origination)/reversal of temporary differences	304,000	610,385	(21,218)	411,339
Income tax expense	**797,202**	**3,860,467**	**1,989,212**	**8,994,159**

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.

20 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 30 September 2009	Three months ended 30 September 2008	Nine months ended 30 September 2009	Nine months ended 30 September 2008
Net profit for the period	3,267,460	12,079,125	8,947,798	29,605,488
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)	**48.10**	**177.81**	**131.72**	**435.81**

21 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 September 2009	31 December 2008
Statement of financial position caption				
Originated loans	Parent company	8	-	5,729,178
Trade receivables	Other related parties*		15,451	56,849
Prepayments, other receivables and other current assets	Other related parties*		48,553	25,282
Interest receivable	Parent company		-	53,158

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

21 Balances and transactions with related parties (continued)

Financial statements caption	Nature of relationship	Three months ended 30 September 2009	Three months ended 30 September 2008	Nine months ended 30 September 2009	Nine months ended 30 September 2008
Statement of comprehensive income caption					
Sales	Other related parties*	56,918	189,894	105,449	455,959
Purchases of materials and components	Other related parties*	(42,717)	(166,068)	(42,798)	(166,068)
General and administrative expenses	Other related parties*	(29,551)	-	(66,949)	-
Other operating income/(expenses)	Other related parties*	-	(52,214)	-	(151,978)
Interest income	Parent company	-	1,154	59,376	1,154

Financial statements caption	Nature of relationship	Note	Nine months ended 30 September 2009	Nine months ended 30 September 2008
Cash flow caption				
Decrease (increase) in trade receivables	Other related parties*		41,398	(23,987)
Increase in other receivables	Other related parties*		(23,271)	-
Increase in other receivables	Parent company		-	(984,136)
Increase in trade payables	Other related parties*		-	18,388
Acquisition of available-for-sale investments	Parent company	7	(19,605,626)	-
Prepayment for non-current assets	Parent company		-	(934,590)
Proceeds from sale of available-for-sale investments	Parent company	7	3,319,767	-
Repayment of originated loan	Parent company	8	6,568,110	-
Interest received	Parent company		121,199	-
Dividends paid	Parent company		-	(10,693,856)

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

The total key management personnel compensation included in the statement of comprehensive income was RR 90,549 thousand and RR 258,929 thousand for the nine months ended 30 September 2009 and 30 September 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.

22 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 nine months ended 30 September 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

22 Business combinations (continued)

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 on interest rate of CBR rate +2.5%. At 30 September 2009 the outstanding amount was RR 446,313 thousand.

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.

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.

23 Contingencies, commitments and operating risks

i Capital expenditure commitments

As at 30 September 2009 the Group had contractual commitments for capital expenditures of RR 19,407,433 thousand (2008: RR 22,494,066 thousand), mostly denominated in Euro and US$ (RR 8,258,256 thousand and RR 7,913,143 thousand, respectively). The management estimates that out of these approximately RR 4,699,544 thousand will represent cash outflows in the fourth quarter of 2009.

RR 15,065,420 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 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 and/or the overall operations of the Group.

23 Contingencies, commitments and operating risks (continued)

ii Tax legislation (continued)

As at 30 September 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 September 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 1,790,276 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.

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 development.

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

vi 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 nine months of 2009 ranged from 26% to 33% of the maximum 2008 price, 44% to 51% of the 2008 average price, 64% to 85% of the 2007 average price, and 93% to 113% of the 2006 average price. For phosphate and complex fertilizers prices ranged from 27% to 42% of the maximum 2008 price, 36% to 52% of the 2008 average price, 81% to 116% of the 2007 average price, and 134% to 158% of the 2006 average price.

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

- the rise in Russian and emerging market risk premiums resulted in a steep increase in financing costs;
- 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 30.09 at 30 September 2009. At the date of issuance of this consolidated condensed interim financial information the US$ exchange rate was RR 28.8751.

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.

23 Contingencies, commitments and operating risks (continued)

vi Operating environment of the Group (continued)

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 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.

24 Subsequent events

In October 2009, the Group exercised an option to buy a 100% stake in Harvester Shipmanagement Limited.