URALCHEM HOLDING P.L.C. (FORMERLY ACF – AGROCHEM FINANCE LIMITED)

Consolidated financial statements for the years ended 31 December 2009, 2008 and 2007

URALCHEM HOLDING P.L.C. (FORMERLY ACF – AGROCHEM FINANCE LIMITED)

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

The following statement, which should be read in conjunction with the independent auditors' report set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of UralChem Holding P.L.C. and its subsidiaries (the "Group").

Management is responsible for the preparation of consolidated financial statements that present fairly the financial position of the Group as at 31 December 2009, 2008 and 2007, the results of its operations, cash flows and changes in equity for the years ended 31 December 2009, 2008 and 2007, in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

In preparing the consolidated financial statements, management is responsible for:

- selecting suitable accounting principles and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management, within its competencies, is also responsible for:

- designing, implementing and maintaining an effective system of internal controls, throughout the Group;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- taking steps to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

The consolidated financial statements for the years ended 31 December 2009, 2008 and 2007 were approved and signed on 16 April 2010 by:

________________________	________________________
Victor N. Zorkin	Elena A. Zevako
Director	Chief Financial Officer

Limassol, Cyprus
16 April 2010

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of UralChem Holding P.L.C.:

We have audited the accompanying consolidated financial statements of UralChem Holding P.L.C. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009, 2008 and 2007, and the consolidated income statement and statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the years ended 31 December 2009, 2008 and 2007, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the Basis for Qualified Opinion section, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for qualified opinion

As discussed in note 19, the Group was unable to account for its investment in Open Joint Stock Company Perm Mineral Fertilisers using the equity method of accounting in accordance with IAS 28 *Investments in Associates*. As a result we were unable to satisfy ourselves as to the carrying value of investment in this associate as at 31 December 2009 stated at USD 24,578 thousand and the Group's share of profits of this associate for the year ended 31 December 2009.

Qualified opinion

In our opinion, except for the effects of the matter described above, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2009, 2008 and 2007 and the results of its financial performance and its cash flows for the years ended 31 December 2009, 2008 and 2007 in accordance with IFRS.

Moscow, Russia
16 April 2010

CONSOLIDATED INCOME STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007
All amounts are in thousands of US Dollars unless otherwise stated

	Notes	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Continuing operations				
Revenue				
Sales of goods	7	891,725	1,609,773	486,207
Other sales	8	57,348	87,080	51,247
Total revenue		**949,073**	**1,696,853**	**537,454**
Cost of sales	9	(579,100)	(733,801)	(302,545)
Gross profit		**369,973**	**963,052**	**234,909**
Selling and distribution expenses	10	(260,505)	(282,596)	(102,650)
General and administrative expenses	11	(101,417)	(162,881)	(38,528)
Net (loss)/gain from derivative financial instruments	38	(15,657)	(60,793)	1,936
Other operating income	12	11,685	19,249	3,739
Other operating expenses	12	(13,332)	(10,754)	(5,871)
Operating (loss)/profit		**(9,253)**	**465,277**	**93,535**
Interest income	13	39,198	15,988	6,940
Interest expense	14	(156,995)	(92,841)	(29,295)
Impairment of goodwill	18	-	(40,240)	-
Share of loss of associates	19	(1,040)	(131)	-
Foreign exchange (loss)/gain from financing activities		(18,128)	(189,756)	5,812
(Loss)/profit before tax		**(146,218)**	**158,297**	**76,992**
Income tax	15	49,174	(82,073)	(17,000)
(Loss)/profit for the year from continuing operations		**(97,044)**	**76,224**	**59,992**
Discontinued operations				
Loss for the year from discontinued operations	16	-	-	(7,855)
(Loss)/profit for the year		**(97,044)**	**76,224**	**52,137**
Attributable to:				
Shareholders of the company		(77,066)	25,124	36,151
Minority interest		(19,978)	51,100	15,986
		(97,044)	**76,224**	**52,137**
(Loss)/earnings per share				
Weighted average number of ordinary shares in issue during the year		21,615,041	10,105	10,072
Basic and diluted (loss)/earnings per share from continuing and discontinued operations (US dollars per share)		(3.6)	2,486.3	3,589.3
Basic and diluted (loss)/earnings per share from continuing operations (US dollars per share)		(3.6)	2,486.3	4,182.0

The notes on pages 12 to 80 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

All amounts are in thousands of US Dollars unless otherwise stated

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
(Loss)/profit for the year	**(97,044)**	**76,224**	**52,137**
Other comprehensive (loss)/income:			
Effect of translation to presentation currency	(21,688)	(82,245)	21,428
Other comprehensive (loss)/income	**(21,688)**	**(82,245)**	**21,428**
Total comprehensive (loss)/income for the year	**(118,732)**	**(6,021)**	**73,565**
Total comprehensive (loss)/income for the year attributable to:			
Shareholders of the company	(94,217)	(36,561)	48,351
Minority interest	(24,515)	30,540	25,214
	(118,732)	**(6,021)**	**73,565**

The notes on pages 12 to 80 are an integral part of these consolidated financial statements.

URALCHEM HOLDING P.L.C. (FORMERLY ACF – AGROCHEM FINANCE LIMITED)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009, 2008 AND 2007

All amounts are in thousands of US Dollars unless otherwise stated

	Notes	31 December 2009	31 December 2008	31 December 2007
ASSETS				
Non-current assets				
Property, plant and equipment	17	722,938	753,212	472,093
Goodwill	18	169,624	174,611	113,844
Intangible assets		8,158	2,558	1,499
Investments in associates	19	35,304	15,892	-
Inventories	20	29,605	31,388	35,791
Available-for-sale investments	21	177,837	187,997	106
Other financial assets	22	7,359	142,886	2,093
Deferred tax assets	32	55,153	4,838	1,915
		1,205,978	**1,313,382**	**627,341**
Current assets				
Inventories	20	101,502	117,510	53,837
Trade and other receivables	23	40,583	29,827	20,032
Deferred sales proceeds on disposal of subsidiaries	16	-	-	56,533
Advances paid and prepaid expenses	24	28,948	46,266	55,206
Income tax receivable		10,119	14,985	255
Other taxes receivable	25	95,306	115,386	39,343
Other financial assets	22	36,973	49,181	27,326
Cash and cash equivalents	26	53,658	118,301	28,908
		367,089	**491,456**	**281,440**
TOTAL ASSETS		**1,573,067**	**1,804,838**	**908,781**
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	27	1,374	24	24
Additional paid-in capital		152,223	155,204	104,644
Foreign currency translation reserve		(66,636)	(49,485)	12,200
(Accumulated deficit)/ Retained earnings		(259,386)	23,667	26,739
Equity attributable to shareholders of the company		**(172,425)**	**129,410**	**143,607**
Minority interest		73,121	72,867	107,525
Total equity		**(99,304)**	**202,277**	**251,132**
Non-current liabilities				
Loans and borrowings	28	887,366	846,121	311,924
Obligations under finance leases	29	43,094	63,671	300
Trade and other payables	30	17,628	-	-
Retirement benefit obligations	31	7,635	8,798	8,385
Deferred tax liabilities	32	53,879	72,396	66,257
		1,009,602	**990,986**	**386,866**
Current liabilities				
Loans and borrowings	28	533,604	470,329	148,818
Derivative financial obligations	33	-	41,157	-
Obligations under finance leases	29	11,500	12,152	713
Trade and other payables	30	69,302	51,248	37,081
Advances received		39,705	27,458	70,583
Income tax payable		2,018	303	7,531
Other taxes payable	34	6,640	8,928	6,057
		662,769	**611,575**	**270,783**
Total liabilities		**1,672,371**	**1,602,561**	**657,649**
TOTAL EQUITY AND LIABILITIES		**1,573,067**	**1,804,838**	**908,781**

The notes on pages 12 to 80 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

All amounts are in thousands of US Dollars unless otherwise stated

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Operating activities			
(Loss)/profit before tax from continuing operations	(146,218)	158,297	76,992
Loss before tax from discontinued operations	-	-	(9,725)
(Loss)/profit before tax	**(146,218)**	**158,297**	**67,267**
Adjustments for:			
Depreciation of property, plant and equipment	97,997	92,501	38,992
Amortisation of intangible assets	2,444	1,184	362
Change in fair value of derivative financial instruments	(38,118)	47,450	(1,936)
Impairment of available-for-sale investments	-	2,655	-
Impairment of goodwill	-	40,240	-
Compensation of key management personnel paid by shareholders	-	45,295	-
Change in provisions and allowances	(883)	(699)	604
Write-down of inventory to net realisable value	3,965	26,032	-
Impairment of investments in associates	3,622	-	-
Loss/(gain) on disposal of property, plant and equipment	4,016	1,762	(662)
Foreign exchange loss/(gain), net	9,963	173,365	(2,403)
Share of loss of associates	1,040	131	-
Interest income	(39,198)	(15,988)	(7,698)
Interest expense	156,995	92,841	32,039
Operating cash flows before working capital changes	**55,625**	**665,066**	**126,565**
Decrease/(increase) in inventory	9,467	(77,517)	(10,967)
(Increase)/decrease in trade and other receivables	(9,784)	2,656	17,399
Decrease/(increase) in advances paid and prepaid expenses	15,683	21,261	(40,131)
Decrease/(increase) in other taxes receivable	15,897	(78,184)	(6,692)
(Decrease)/increase in retirement benefit obligations	(869)	(1,459)	1,942
(Decrease)/increase in trade and other payables	(3,382)	2,165	11,107
Increase/(decrease) in advances received	12,458	(41,342)	54,590
(Decrease)/increase in other taxes payable	(1,942)	2,167	1,314
Cash generated from operations	**93,153**	**494,813**	**155,127**
Interest paid	(155,025)	(82,968)	(27,418)
Income tax paid	(8,610)	(146,736)	(15,196)
Net cash (used in)/generated from operating activities	**(70,482)**	**265,109**	**112,513**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007 (CONTINUED)

All amounts are in thousands of US Dollars unless otherwise stated

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Investing activities			
Acquisition of subsidiaries, net of cash acquired, and increase of ownership in subsidiaries	(786)	(541,080)	(343,556)
Acquisition of available-for-sale investments	(431)	(233,187)	-
Acquisition of investments in associates	-	(18,015)	-
Deferred consideration received	-	3,807	-
Payments for property, plant and equipment	(162,896)	(132,002)	(52,365)
Proceeds from sale of property, plant and equipment	3,589	9,774	4,918
Payments for intangible assets	(7,929)	(2,395)	(696)
Loans issued	(123,194)	(235,622)	(28,245)
Proceeds from repayment of loans issued	168,177	85,792	53,320
Interest received	8,058	3,707	5,981
Net cash used in investing activities	**(115,412)**	**(1,059,221)**	**(360,643)**
Financing activities			
Proceeds from short-term loans and borrowings	428,457	1,116,202	324,731
Proceeds from long-term loans and borrowings	32,857	747,287	306,048
Repayment of short-term loans and borrowings	(347,498)	(912,055)	(363,861)
Repayment of long-term loans and borrowings	(2,773)	(61,085)	-
Repayment of principal amounts of finance leases	(6,413)	(5,052)	(1,287)
Dividends paid to minority shareholders	(3,584)	(208)	-
Proceeds from issue of shares	1,350	200	-
Proceeds from issue of shares by a subsidiary	25,547	-	-
Contribution from shareholders	-	-	5,065
Cash distributed to shareholders on disposal of subsidiaries	-	-	(225)
Net cash generated from financing activities	**127,943**	**885,289**	**270,471**
Net (decrease)/increase in cash and cash equivalents	**(57,951)**	**91,177**	**22,341**
Cash and cash equivalents at the beginning of the year	**118,301**	**28,908**	**805**
Effect of exchange rate changes on the balance of cash held in foreign currencies	(6,692)	(1,784)	5,762
Cash and cash equivalents at the end of the year	**53,658**	**118,301**	**28,908**

The notes on pages 12 to 80 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007 (CONTINUED)
All amounts are in thousands of US Dollars unless otherwise stated

The following non-cash transactions were excluded from investing and financing activities:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Settlement of deferred sales proceeds on disposal of subsidiaries against promissory notes held by related parties and offset against payables to related parties	-	(57,989)	-
Property, plant and equipment acquired under finance leases	-	(79,520)	(15,663)
Change in payables for purchase of property, plant and equipment	2,701	(6,755)	(1,267)
Net-off of promissory notes receivable from related parties and accounts payable for purchases of property, plant and equipment	3,200	-	-
Net-off of loans issued to the parent company and accounts payable to the parent company for acquisition of an associate	110,711	-	-
	116,612	**(144,264)**	**(16,930)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

All amounts are in thousands of US Dollars unless otherwise stated

		Attributable to shareholders of the company						
	Notes	Share capital	Additional paid-in capital	Foreign currency translation reserve	(Accumulated deficit)/ retained earnings	Total	Minority interest	Total
Balance as at 1 January 2007		**24**	**99,906**	**-**	**(86)**	**99,844**	**79,056**	**178,900**
Profit for the year		-	-	-	36,151	**36,151**	15,986	**52,137**
Other comprehensive income		-	-	12,200	-	**12,200**	9,228	**21,428**
Total comprehensive income for the year		**-**	**-**	**12,200**	**36,151**	**48,351**	**25,214**	**73,565**
Cash contribution from shareholders		-	5,065	-	-	**5,065**	-	**5,065**
Loss on disposal of subsidiaries distributed to shareholders	16	-	-	-	(8,271)	**(8,271)**	(936)	**(9,207)**
Increase of ownership in subsidiary transferred from shareholders	5	-	(85,327)	-	-	**(85,327)**	(46,424)	**(131,751)**
Increase of ownership in subsidiaries acquired by the Group	5	-	-	-	(1,055)	**(1,055)**	(3,063)	**(4,118)**
Non-cash contribution from shareholders	5	-	85,000	-	-	**85,000**	53,678	**138,678**
Balance as at 31 December 2007		**24**	**104,644**	**12,200**	**26,739**	**143,607**	**107,525**	**251,132**
Dividends	27	**-**	**-**	**-**	**-**	**-**	**(5,025)**	**(5,025)**
Profit for the year		-	-	-	25,124	**25,124**	51,100	**76,224**
Other comprehensive loss		-	-	(61,685)	-	**(61,685)**	(20,560)	**(82,245)**
Total comprehensive (loss)/income for the year		**-**	**-**	**(61,685)**	**25,124**	**(36,561)**	**30,540**	**(6,021)**
Issuance of additional shares	27	-	200	-	-	**200**	-	**200**
Compensation of key management personnel paid by shareholders	35	-	45,295	-	-	**45,295**	-	**45,295**
Minority interest arising on business combinations	5		-	-	-	-	99,095	**99,095**
Increase of ownership in subsidiaries acquired by the Group	5		-	-	(26,591)	**(26,591)**	(159,268)	**(185,859)**
Ownership of subsidiaries transferred from shareholders	5	-	-	-	(1,605)	**(1,605)**	-	**(1,605)**
Non-cash contribution from shareholders	21	-	1,714	-	-	**1,714**	-	**1,714**
Other transactions with entities under common control		-	3,351	-	-	**3,351**	-	**3,351**
Balance as at 31 December 2008		**24**	**155,204**	**(49,485)**	**23,667**	**129,410**	**72,867**	**202,277**

The notes on pages 12 to 80 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007

All amounts are in thousands of US Dollars unless otherwise stated

		Attributable to shareholders of the company						
	Notes	Share capital	Additional paid-in capital	Foreign currency translation reserve	Retained earnings/ (accumulated deficit)	Total	Minority interest	Total
Balance as at 31 December 2008		**24**	**155,204**	**(49,485)**	**23,667**	**129,410**	**72,867**	**202,277**
Loss for the year		-	-		(77,066)	**(77,066)**	(19,978)	**(97,044)**
Other comprehensive loss		-	-	(17,151)	-	**(17,151)**	(4,537)	**(21,688)**
Total comprehensive loss for the year		**-**	**-**	**(17,151)**	**(77,066)**	**(94,217)**	**(24,515)**	**(118,732)**
Issuance of additional shares	27	1,350	-	-	-	**1,350**	-	**1,350**
Increase of ownership in subsidiaries	5	-	-	-	93	**93**	(879)	**(786)**
Distribution to shareholders	35	-	-	-	(206,080)	**(206,080)**	-	**(206,080)**
Minority interest arising on business combination		-	-	-	-	**-**	101	**101**
Increase in minority interest due to additional share issue by a subsidiary	5	-	-	-	-	**-**	25,547	**25,547**
Other transactions with entities under common control		-	(2,981)	-	-	**(2,981)**	-	**(2,981)**
Balance as at 31 December 2009		**1,374**	**152,223**	**(66,636)**	**(259,386)**	**(172,425)**	**73,121**	**(99,304)**

The notes on pages 12 to 80 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Organisation

UralChem Holding P.L.C. (formerly ACF-Agrochem Finance Limited, the "Company") is a public limited company which was incorporated in Cyprus on 4 May 2006. At 31 December 2009, the Company was 85.5% owned by CI-Chemical Invest Limited, incorporated in Cyprus. The remaining 14.5% of the Company's shares were held by management and private investors. The principal beneficial shareholder of the Company is Mr. Dmitry A. Mazepin. The Company's main office is located at office 249, 28th Oktovriou Street, Lophitis Business Center, 1st floor, Office 101, P.C. Limassol 3035, Cyprus.

At 31 December 2009, the Company held a 100% interest in the share capital of Open Joint Stock Company UralChem ("UralChem OJSC"), which was incorporated in the Russian Federation on 22 October 2007. Both the Company and UralChem OJSC were formed to facilitate the reorganisation of CI-Chemical Invest Limited's fertilisers segment. CI-Chemical Invest Limited transferred its 77.3% shareholding in its subsidiary, Open Joint Stock Company Kirovo-Chepetsk Chemical Works ("KCCW") to the Company and its subsidiaries (the "Group") in exchange for the Company's ordinary shares and a cash consideration of USD 155,860 thousand. On 29 December 2006, the date on which KCCW was acquired by CI-Chemical Invest Limited, KCCW had a number of subsidiaries involved in the production of fertilisers, polymers and fluoroplastics.

In addition, as part of the reorganisation, CI-Chemical Invest Limited contributed its 100% interest in Limited Liability Company Management Company UralChem ("UralChem Management") to the Company. At the date of transfer, UralChem Management held a 77.7% interest in the share capital of Open Joint Stock Company Azot, Berezniki ("Azot").

For the purposes of these consolidated financial statements, all prior period financial information has been accounted for as if the reorganisation was effective from 29 December 2006, the date on which the fertilisers, polymers and fluoroplastics operations comprising KCCW, were acquired by CI-Chemical Invest Limited (refer to note 5). Accordingly, the financial information of KCCW has been included in these consolidated financial statements for all periods presented. The financial information of Azot has been included in these consolidated financial statements from 1 August 2007, the date on which CI-Chemical Invest Limited obtained control over Azot.

Principal business activities

The principal business activities of the Group are the production and distribution of mineral fertilisers. The main products of the Group are nitrogen based, phosphate based and complex fertilisers. The major operational facilities of the Group are located in the Moscow, Perm and Kirov regions of the Russian Federation, except for SIA UralChem Trading and SIA Riga Fertilizer Terminal registered in Latvia, UralChem Freight Limited registered in Cyprus and UralChem Handel GmbH registered in Germany.

Prior to 31 October 2007, the Group also produced and sold polymers and fluoroplastics. On 31 October 2007, the polymers and fluoroplastics business, represented by Limited Liability Company Polymer Plant ("Polymer Plant") and Limited Liability Company Transportation Logistic Company of Kirovo-Chepetsk Chemical Works ("TLC KCCW"), was sold to CI-Chemical Invest Limited (refer to note 16) and has been reflected as discontinued operations.

Market conditions

The Group was significantly impacted by a dramatic fall in agricultural commodity prices such as corn, wheat and soybeans during the fourth quarter of 2008 that continued into 2009. The decrease in agricultural commodity prices resulted in a decline in demand for nitrogen and phosphate based fertilisers (which are predominantly produced and sold by the Group). The demand for nitrogen and phosphate based fertilisers began to recover in the third quarter of 2009, with the strongest development in nutrient demand recorded in Asia. Global urea prices rebounded from their lows at the beginning of 2009 and were stable during the second and third quarters of 2009. Global import demand increased, particularly in Asia.

In addition to the drop in agricultural commodity prices in 2008, the Group was also impacted by the devaluation of the Russian rouble against the US dollar.

All amounts are in thousands of US Dollars unless otherwise stated

During 2007 and 2008, the Group generated cash flows from operations. In 2009, the Group was required to fund cash outflows from operations from its cash on hand and through additional borrowings due to the decrease in commodity prices and devaluation of the Russian rouble.

As at 31 December 2009, the Group had a working capital deficiency of USD 295,680 thousand (2008: USD 120,119 thousand, 2007: nil). The primary cause of the working capital deficit relates to the Group's short term loans and borrowings in the amount of USD 533,604 thousand (2008: USD 470,329 thousand) which are repayable within twelve months from the end of the reporting period. During 2009, the Group was able to negotiate certain loan agreements with creditors to modify the credit terms and extend the repayment dates. This included loans with UniCredit Bank where the Group extended payments in the amount of USD 200,134 thousand to 2010 and with Savings Bank of the Russian Federation ("Sberbank") for loans of USD 858,890 thousand where the Group extended payments from 2011-2012 to 2011-2013 (refer to note 28). Additionally, subsequent to the end of the reporting period, the Group renegotiated the terms of its loan agreements with Raiffeisen Bank, Sberbank and UniCredit Bank that resulted in the postponing of the maturities of the loans in the amount of USD 330,096 thousand from 2010 to 2011 (refer to note 39).

Management believes based on the information discussed above, that the Group will be able to meet its borrowing obligations and continue to finance its operational activities. In addition, management believes that the Group will return to profitability and generate cash flows from operations in 2010.

The principal business activities of the Group's major operating entities and effective ownership of the Group are presented below:

			Effective ownership at 31 December, %		
Subsidiaries	**Principal activity**	**Location**	**2009**	**2008**	**2007**
UralChem OJSC	Holding company	Russia	100.0	100.0	100.0
Kirovo-Chepetsk Chemical Works*	Holding company	Russia	98.3	97.7	77.4
UralChem Management	Management activities	Russia	100.0	100.0	100.0
Azot	Production of mineral fertilisers	Russia	100.0	100.0	78.7
KCCW Mineral Fertiliser Plant*	Production of mineral fertilisers	Russia	98.3	97.7	77.4
Voskresensk Mineral Fertilisers[1]	Production of mineral fertilisers	Russia	74.8	74.8	-
UralChem Handel[2]	Sales and marketing	Germany	100.0	100.0	-
Trading house UralChem[2]	Sales and marketing	Russia	100.0	100.0	-
SIA UralChem Trading[3]	Sales and marketing	Latvia	100.0	-	-
Upravleniye Avtomobilnogo Transporta*	Transportation and logistics	Russia	98.3	97.7	77.4
UralChem Freight Limited	Transportation and logistics	Cyprus	100.0	100.0	100.0
UralChem Trans	Transportation and logistics	Russia	100.0	100.0	100.0
SIA Riga Fertiliser Terminal[3]	Transportation and logistics	Latvia	51.0	-	-
Remontno-Mekhanichesky Zavod*	Industrial services	Russia	98.3	97.7	77.4
KCCW Energy Supply Company	Industrial services	Russia	98.3	97.7	77.4

* Calculated based on both ordinary and preference shares
[1] Acquired during 2008
[2] Established during 2008
[3] Established during 2009

2. ADOPTION OF NEW AND REVISED STANDARDS

Standards and Interpretations effective in the current period

In the current year, the Group has adopted all revised and new Standards and Interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee that are mandatory for adoption in the annual periods beginning on 1 January 2009.

The following new and revised Standards and Interpretations effective for annual periods beginning on 1 January 2009 and adopted in these consolidated financial statements had a material impact on these consolidated financial statements.

IAS 1 Presentation of Financial Statements

This revised standard has introduced terminology changes including revised titles for the financial statements and changes in the format and content of the financial statements. In addition, the standard introduces the statement of comprehensive income. All information presented in these consolidated financial statements complies with the requirements of the standard.

IFRS 8 Operating Segments

This standard requires disclosure of financial information about the Group's operating segments based on the management reporting system and replaces the requirements to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any effect on the financial position or performance of the Group. Segment information presented in these consolidated financial statements was prepared to reflect the management reporting system, including comparative information for the years ended 31 December 2008 and 31 December 2007. Additional information and disclosures about each of the Group's operating segments are presented in note 6.

Standards and Interpretations adopted with no effect on the consolidated financial statements

Amendments to IFRS 2 Share-based Payment
Amendments to IFRS 7 Financial Instruments: Disclosures
Amendments to IAS 1 Presentation of Financial Statements
Amendments to IAS 16 Property, Plant, and Equipment
Amendments to IAS 19 Employee Benefits
Amendments to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance
Amendments to IAS 23 Borrowing Costs
Amendments to IAS 27 Consolidated and Separate Financial Statements
Amendments to IAS 28 Investments in Associates
Amendments to IAS 32 Financial Instruments Presentation
Amendments to IAS 36 Impairment of Assets
Amendments to IAS 38 Intangible Assets
Amendments to IAS 39 Financial Instruments: Recognition and Measurement
Amendments to IAS 40 Investment Property
IFRIC 13 Customer Loyalty Programmes
IFRIC 15 Agreements for the Construction of Real Estate
IFRIC 16 Hedges of a Net Investment in a Foreign Operations

The adoption of other new and revised Standards and Interpretations effective on or after 1 January 2009 as listed above, had no material impact on these consolidated financial statements:

All amounts are in thousands of US Dollars unless otherwise stated

Standards and Interpretations in issue but not yet adopted

At the date of authorisation of these consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective:

Standards and Interpretations	Effective on or for annual periods beginning on or after
IFRS 2 Share-Based Payment (amendments)	1 July 2009 and 1 January 2010
IFRS 3 Business combinations (revised)	1 July 2009
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (amendments)	1 July 2009 and 1 January 2010
IFRS 8 Operating Segments (amendments)	1 January 2010
IFRS 9 Financial Instruments – Classification and Measurement	1 January 2013
IAS 1 Presentation of Financial Statements (amendments)	1 January 2010
IAS 7 Statement of Cash Flows (amendments)	1 January 2010
IAS 17 Leases (amendments)	1 January 2010
IAS 24 Related Party Disclosures (revised)	1 January 2011
IAS 32 Financial Instruments: Presentation (amendments)	1 February 2010
IAS 36 Impairment of Assets (amendments)	1 January 2010
IAS 38 Intangible Assets (amendments)	1 July 2009
IAS 39 Financial Instruments: Recognition and Measurement	1 July 2009 and 1 January 2010
IFRIC 17 Distributions of Non-cash Assets to Owners	1 July 2009
IFRIC 18 Transfers of Assets from Customers	1 July 2009
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The impact of adoption of these Standards and Interpretations in the preparation of the consolidated financial statements in future periods is currently being assessed by management. Management anticipates that, except for IFRS 9 Financial Instruments - Classification and Measurement ("IFRS 9"), the adoption of these Standards and Interpretations will have no material impact on the consolidated financial statements of the Group in the period of initial adoption.

IFRS 9 introduces new requirements for the classification and measurement of financial assets. All recognised financial assets that are currently within the scope of IAS 39 Financial Instruments: Recognition and Measurement, will be measured at either amortised cost or fair value.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards, except for accounting for investments in associates (refer to note 19).

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for mark-to-market valuation of certain financial instruments, in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Basis of consolidation

The consolidated financial statements incorporate financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Other than transactions which were part of the reorganisation of the Group, the results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority share of changes in net assets since the date of the business combination. Losses applicable to the minority in excess of the minority interest in the subsidiary's net assets are allocated against the interests of the Group except to the extent that the minority have a binding obligation and are able to make an additional investment to cover the losses.

Acquisitions of additional interests in subsidiaries from minority shareholders are accounted for as transactions between equity holders. Differences between the carrying value of the acquired minority interest and the consideration paid for such increases are recognised directly in retained earnings and gains or losses arising from the disposal of minority interests in subsidiaries of the Group are recognised in the income statement.

Business combinations

Acquisitions of subsidiaries and businesses, other than acquisitions from entities under common control, are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the income statement.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Goodwill

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Common control transactions

The assets and liabilities of subsidiaries acquired from entities under common control are recorded at the carrying values recognised by the transferor. Any difference between the carrying value of the net assets of subsidiaries acquired, and the consideration paid by the Group is accounted for as an adjustment to shareholders' equity. The net assets of the subsidiaries and the results of their operations are recognised retrospectively from the date on which control over the subsidiaries was obtained by the transferor.

The cost of assets acquired from entities under common control is measured as the carrying value of the asset given up by the transferor at the date of the transaction. Any difference between the carrying value of the assets acquired, and the consideration paid by the Group is accounted for as an adjustment to shareholders' equity.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a minority interest in its former subsidiary after the sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale at the end of the reporting period. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the earliest period presented. The comparative statement of financial position is not restated for information related to discontinued operations.

Where the discontinued operations was disposed of through a distribution to an entity under common control and ownership, any difference between the consideration received and the carrying value of net assets disposed is recognised directly in equity.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, excluding:

- value added tax;
- custom duties; and
- estimated customer returns, rebates and other similar allowances.

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue and costs incurred or to be incurred in respect of the transaction can be reliably measured.

Cash received in advance from customers is not included in current year revenue, and is recognised within advances received.

Sales of goods

Revenue from sale of goods comprises sales of mineral fertilisers, ammonia, explosive grade ammonium nitrate, inorganic acids and other chemical products and is recognised when significant risks and rewards of ownership are transferred to the buyer in accordance with the shipping terms specified in the sales agreements.

Other sales

The Group provides the following principal types of services:

- supply of electricity and heat energy;
- construction, repairs and maintenance services; and
- transportation services.

Revenue from contracts to provide services is recognised when the services are rendered.

Dividend and interest income

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leasing – the Group as lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments.

The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency), which reflects the economic substance of its operations. The functional currency of the Company and other subsidiaries, registered in Cyprus, is the US Dollar ("USD") or the Euro ("EUR"), while the functional currency of all subsidiaries registered in the Russian Federation is the Russian Rouble ("RUR") and the functional currency of subsidiaries registered in the European Union is EUR.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the income statement in the period in which they arise, except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

Management of the Group has chosen to present consolidated financial statements in USD for the convenience of the users of these consolidated financial statements.

The translation from functional currency into presentation currency is performed as follows:

- assets and liabilities are expressed in USD using exchange rates prevailing at the reporting date;
- income and expense items are translated at exchange rates that approximate the exchange rates at the dates of the transactions, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used;
- exchange differences arising are recognised in the consolidated statement of comprehensive income; and
- in the consolidated statement of cash flows, cash balances at the beginning and end of each period presented are translated at exchange rates at the respective dates. All cash flows are translated at exchange rates that approximate the exchange rates at the dates of the transactions, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Resulting

exchange differences, if any, are presented as effect of exchange rate changes on the balance of cash held in foreign currencies.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to the income statement. Any exchange differences that have previously been attributed to minority interests are derecognised, but they are not reclassified to the income statement.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to minority interests and are not recognised in the income statement. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to the income statement.

Goodwill and fair value adjustments arising on business combinations are treated as assets and liabilities of the respective operation and translated at the period-end rate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time when the assets are substantially ready for their intended use or sale. Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as incurred.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Assets held under finance lease arrangements are depreciated over the shorter of their estimated useful lives and lease terms. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset. Land is not depreciated.

The estimated useful lives for the major classes of assets are as follows:

Buildings and structures	15-60 years
Machinery, equipment and transport	5-30 years
Other	2-10 years

The estimated useful lives are reviewed annually, with the effect of any changes in estimate being accounted for on a prospective basis.

Construction in-progress

Construction in-progress comprises costs directly related to construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction as well as costs of purchase of other assets that require installation or preparation for their use. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are put into operation. Construction in-progress is reviewed regularly to determine whether its carrying value is fairly stated and an appropriate provision for impairment is made, if necessary.

Intangible assets

Intangible assets, other than goodwill, are reported at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives.

The estimated useful lives for the major classes of intangible assets are as follows:

Software	1-5 years
Licences	1-20 years
Other	1-20 years

The estimated useful lives are reviewed annually, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, or more frequently when there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial assets

Financial assets are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories:

- financial assets at fair value through profit or loss (“FVTPL”);
- available-for-sale investments;
- held-to-maturity investments; and
- loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest rate basis for debt instruments other than financial assets designated at FVTPL.

Financial assets at fair value through profit or loss

Financial assets are classified as FVTPL where the financial asset is either held for trading or is designated at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and the performance of which is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gain or loss resulting from re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 37.

Available-for-sale (“AFS”) financial assets

Listed and unlisted shares and redeemable notes held by the Group that are traded in an active market are classified as being AFS and are stated at fair value, except for investments in shares for which there are no available market quotations and whose fair value cannot be reliably measured which are accounted at cost less any impairment. Fair value of AFS financial assets is determined as follows:

- the fair value of AFS financial assets with standard terms and conditions and traded on active markets is determined with reference to quoted market prices; and
- the fair value of other AFS financial assets is determined in accordance with generally accepted pricing model based on discounted cash flow analysis using prices from observable current market transactions.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest rate method and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. If, in a subsequent period, the amount of the impairment loss attributable to AFS financial assets decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through other comprehensive income and presented in the investment revaluation reserve as an increase in fair value of AFS financial assets.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the exchange rate at the end of each reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Held-to-maturity investments

Promissory notes and debentures with fixed or determinable payments and fixed maturity dates which the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost less impairment, if any. Interest income is recognised using the effective interest method.

Loans and receivables

Trade receivables, loans issued, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is considered uncollectible, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With an exception of AFS equity instruments, if in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of AFS equity securities, impairment losses previously recognised through profit and loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised in other comprehensive income. Impairment losses on AFS equity instruments accounted for at cost are not reversed.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by using the weighted average method. The cost of finished goods and work in progress includes direct cost and the allocation of related production overheads. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current accounts and cash deposits with banks and highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

Financial liabilities are classified into the following specified categories:

- financial guarantee contract liabilities; and
- other financial liabilities.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Other financial liabilities

Other financial liabilities, including loans and borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Provisions and accruals

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee benefit obligations

Remuneration to employees in respect of services rendered during the reporting period, including accrual for unused vacation and bonuses and related unified social tax ("UST"), is recognised as an expense in the period when it is earned.

Defined contribution plan

Subsidiaries registered in the Russian Federation are legally obliged to make defined contributions to the State Pension Fund. This defined contribution plan is financed on a pay-as-you-earn basis.

In the Russian Federation all obligatory social contributions, including contributions to the State Pension Fund, are collected through UST calculated by the application of a regressive rate varying from 26.0% to 2.0% of the annual gross remuneration of each employee. UST is allocated to three state social funds, including the State Pension Fund at rates varying from 14.0% to 1.0% of the annual gross remuneration of each employee.

Defined benefit plans

For defined benefit retirement plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period and with immediate recognition of all actuarial gains and losses in the income statement. Past service cost is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities and recognised amounts of income and expenses that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The most significant areas requiring the use of management estimates and assumptions relate to:

- impairment of assets;
- impairment of goodwill;
- allowances for doubtful receivables;
- obsolete and slow-moving raw materials;
- employee benefit obligations; and
- taxation.

Impairment of fixed assets and intangible assets excluding goodwill

Tangible fixed assets and intangible assets are reported at cost, less accumulated depreciation and impairment losses. At the end of each reporting period, the Group determines whether any indicators of impairment exist. If there are any such indicators, the recoverable amount of the assets is calculated and compared to the carrying amount. The excess of the carrying amount over the recoverable amount is recognised as an impairment.

The recoverable amount is calculated as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The calculation of value in use requires the Group to make estimates regarding the Group’s future cash flows. The estimation of future cash flows involves significant estimates and assumptions regarding the market growth, market demand for the products, profitability of products and discount rates. A critical estimate in the Group’s cash flow model is the expected increase in the price of natural gas on the territory of the Russian Federation which is based on the announced government policy on natural gas prices.

Impairment of goodwill

Goodwill is tested for impairment annually, or more frequently when there is an indication that a cash generating unit may be impaired, by comparing the carrying amount of the goodwill to its estimated recoverable amount. An impairment is recorded if the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use. Value in use is determined using discounted cash flow models involving several assumptions. The key assumptions include (i) present value factors used in determining the fair value of the cash-generating units; (ii) projected average revenue growth rates used in the cash-generating unit cash flow model; (iii) projected long-term growth rates used in the derivation of terminal year values; and (iv) the exchange rate used in the cash-generating unit cash flow model. These and other assumptions are impacted by economic conditions and expectations of management and will change in the future based on period specific facts and circumstances. Changes in the management’s assumptions could materially impact the fair value estimates.

Allowances for doubtful receivables

Accounts receivable are stated at amortised cost after deducting an allowance for doubtful receivables. The allowance for doubtful receivables is the Group’s best estimate of probable credit losses in the Group’s existing accounts receivable balances. When evaluating the adequacy of the allowance for doubtful receivables, management bases its estimates on the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms.

Uncertainties regarding changes in the financial condition of customers, either adverse or positive, could impact the amount and timing of allowances for doubtful receivables that may be required.

Obsolete and slow-moving raw materials

Inventories are stated at the lower of cost or net realisable value. Cost is determined by using the weighted average method of accounting. Reserves for excess or obsolete inventory are recorded based on a variety of factors, including product changes and improvements, changes in raw material availability, new product introductions, estimated future demand and market conditions.

In addition, certain finished goods and raw materials of the Group are carried at net realisable value. Estimates of net realisable value of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of prices or costs directly relating to events occurring subsequent to the reporting date to the extent that such events confirm conditions existing at the end of the reporting period. The adequacy of the Group’s reserves could be materially affected by changes in the supply and demand for products, subsequent changes to prices or costs or regulatory actions.

Employee benefit obligations

The Group’s employees participate in pension benefit plans. The costs of pension benefits and related liabilities with respect to the Group’s employees participating in defined-benefit plans have been determined based upon actuarial computations. The Group records the unfunded status associated with these plans in accordance with the requirements of IAS 19 Employee Benefits and records the actuarially determined pension costs during each period. Pension costs in respect of defined-benefit pension plans primarily represent the increase in the actuarial present value of the obligation for pension benefits based on employee service during the year and the interest on this obligation in respect of employee service in previous years.

In calculating the obligation and expense, the Group is required to select certain actuarial assumptions. These assumptions include discount rate, expected salary and pension increases and mortality projection. The assumptions are determined based on current market conditions, historical information and consultation with and input from the

Group's actuaries. Changes in the key assumptions can have a significant impact on the projected benefit obligations, funding requirements and periodic pension cost incurred.

Taxation

The Group is primarily subject to income taxes in the Russian Federation. Russian tax, currency and customs legislation is subject to varying interpretations. The Group recognises liabilities for anticipated additional tax assessments as a result of tax audits based on estimates of whether it is probable that additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determinations are made.

Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Various factors are considered in assessing the probability of the future utilisation of deferred tax assets, including past operating results, operatnal plans, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected. Due to a change in estimate, in 2009 the Group recognised a deferred tax asset in the amount of USD 29,573 thousand in respect of tax losses from prior years, which was not recognised in 2008, as the Group did not believe it would be able to offset it in future periods.

All amounts are in thousands of US Dollars unless otherwise stated

5. BUSINESS COMBINATIONS

Open Joint Stock Company Voskresensk Mineral Fertilisers ("VMF")

Acquisition of controlling interest in VMF in 2008 by the Group

On 6 June 2008, the Group entered into an agreement to acquire 437,115,724 or 71.7% of the total outstanding ordinary shares of VMF for an aggregate purchase price of USD 380,537 thousand. VMF is an unlisted company, specialising in the production of phosphate based mineral fertilisers, sulphuric and phosphoric acids and other chemical products with its main production facilities located in Voskresensk, Moscow region of the Russian Federation. VMF's output is intended both for the domestic and export markets. The main products (monoammonium phosphate and diammonium phosphate) are primarily sold in export markets. Other phosphate based fertilisers and chemical products are primarily sold in the domestic market.

The fair values of VMF's assets, liabilities and contingent liabilities as at 6 June 2008, were as follows:

	Fair value at the date of acquisition
ASSETS	
Property, plant and equipment	325,123
Intangible assets	354
Inventories	42,554
Other financial assets	2,516
Trade and other receivables	17,838
Advances paid and prepaid expenses	24,444
Income tax receivable	5,803
Other taxes receivable	27,998
Cash and cash equivalents	26,010
Total assets	**472,640**
LIABILITIES	
Loans and borrowings	29,412
Retirement benefit obligations	3,845
Deferred tax liabilities	70,770
Trade and other payables	18,923
Advances received	5,014
Income tax payable	8,628
Other taxes payable	3,583
Total liabilities	**140,175**
Net assets at the date of acquisition	**332,465**
Less: Share of net assets attributable to minority shareholders	(99,095)
Group's share of net assets acquired	**233,370**
Add: Goodwill arising on acquisition	147,167
Total consideration	**380,537**
Net cash flow arising on acquisition:	
Cash consideration	(380,537)
Cash and cash equivalents acquired	26,010
Net cash outflow on acquisition of subsidiary	**(354,527)**

All amounts are in thousands of US Dollars unless otherwise stated

At the date of acquisition VMF did not prepare consolidated financial statements in accordance with IFRS. Thus, it was not practicable to determine the carrying amounts of the acquired assets, liabilities and contingent liabilities in accordance with IFRS immediately before the acquisition, and they were not presented in these consolidated financial statements.

VMF and its subsidiaries contributed USD 240,841 thousand of revenue and USD 9,508 thousand of loss for the period from 6 June 2008 to 31 December 2008.

Goodwill arising on the acquisition of VMF relates to the benefits of expected synergy, revenue growth and cost saving, future market development and the assembled workforces of the acquired entities. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

Pro-forma condensed consolidated income statement data (unaudited)

The potential effect of the acquisition of VMF on the results of the Group's operations, as if this subsidiary was acquired on 1 January 2008, is analysed as follows:

	Year ended 31 December 2008 (unaudited)
Revenue from continuing operations	1,919,776
Profit before tax from continuing operations	183,654
Profit for the year from continuing operations	91,500

These unaudited pro-forma amounts are provided for illustrative purposes only and do not present the results of operations of the Group had the transactions assumed therein occurred on or as at the date indicated, nor is it necessarily indicative of the results of operations which may be achieved in the future. This pro-forma information does not present the actual result of operations of the Group.

In determining the pro-forma revenue and profit for the year of the Group had VMF been acquired on 1 January 2008, the Group has calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising from the initial accounting for the business combination.

Increase of ownership interest in VMF in 2008 by the Group

During the period since 6 June 2008 to 31 December 2008, the Group acquired, through a number of transactions with minority shareholders, an additional 3.1% of VMF's shares for a total cash consideration of USD 14,073 thousand, increasing its ownership in the company to 74.8%. The carrying value of VMF's net assets as at the dates when the shares were acquired ranged from USD 262,975 thousand to USD 323,107 thousand. As a result of these transactions, the Group recognised a decrease in net assets attributable to minority interest in the amount of USD 9,136 thousand. The excess of the consideration paid over the Group's share in net assets acquired of USD 4,937 thousand was recognised directly in the statement of changes in equity as a decrease in retained earnings.

Increase of ownership interest in VMF in 2009 by the Group

During the year ended 31 December 2009, the Group acquired, through a number of transactions with minority shareholders, an additional 0.005% of VMF's shares for a total cash consideration of USD 64 thousand, increasing its ownership in the company to 74.8%. The carrying value of VMF's net assets at the dates when the shares were acquired ranged from USD 192,787 thousand to USD 194,688 thousand. As a result of these transactions, the Group recognised a decrease in net assets attributable to minority interest in the amount of USD 14 thousand. The excess of the consideration paid over the Group's share in net assets acquired of USD 50 thousand was recognised directly in the statement of changes in equity as a decrease in retained earnings.

All amounts are in thousands of US Dollars unless otherwise stated

Additional share issue by VMF in 2009

During the year ended 31 December 2009, VMF issued additional ordinary shares in the amount of USD 99,647 thousand. The Company purchased additional shares in proportion to its existing shareholding in VMF in the amount of USD 74,100 thousand. The proportion of the share issue that was purchased by new investors in the amount of USD 25,547 thousand was accounted for as an increase in minority interest in these consolidated financial statements.

Open Joint Stock Company Kirovo-Chepetsk Chemical Works ("KCCW")

Acquisition of controlling interest in KCCW in 2006 and 2007 by CI-Chemical Invest Limited

The share capital of KCCW was initially acquired by CI-Chemical Invest Limited through a number of transactions presented as follows:

	Date of acquisition	Percentage of shares acquired, %	Cost of acquisition
Period ended 31 December 2006			
Acquisition of controlling interest	December 2006	55.0	123,225
		55.0	**123,225**
Year ended 31 December 2007			
Increase of ownership interest	January 2007	5.0	12,000
Increase of ownership interest	July 2007	1.3	5,203
Increase of ownership interest	October 2007	16.0	21,000
		22.3	**38,203**
		77.3	**161,428**

On 29 December 2006, CI-Chemical Invest Limited acquired 55.0% of the share capital of KCCW for a cash consideration of USD 123,225 thousand. KCCW is an unlisted holding company which owned 100% of the share capital of KCCW Mineral Fertiliser Plant ("KCCW MFP") and Polymer Plant at the date it was acquired by CI-Chemical Invest Limited. KCCW's production subsidiaries specialised in the production of fertilisers, polymers and fluoroplastics and also provided production services to the other Group entities. The production facilities of KCCW MFP and Polymer Plant are located in the Kirov region of the Russian Federation.

Transfer of KCCW's shares from CI-Chemical Invest Limited to the Company in 2007

As a result of additional acquisitions during 2007, CI-Chemical Invest Limited accumulated a 77.3% interest in KCCW at 1 November 2007. During the period from November to December 2007, CI-Chemical Invest Limited transferred its 77.3% interest in KCCW to the Group, as follows:

- 44.6% was contributed in exchange for shares of the Company and was presented in the statement of financial position of the Group as at 31 December 2006; and
- 32.7% was sold to the Group on 17 December 2007 for a cash consideration of USD 155,860 thousand, of which USD 23,302 thousand was presented as deferred consideration in the statement of financial position of the Group as at 31 December 2006.

As at 17 December 2007, the carrying value of KCCW's net assets amounted to USD 208,180 thousand. As a result of this transaction, the Group recognised:

- decrease in net assets attributable to minority interest in the amount of USD 46,424 thousand. The excess of the consideration paid over the Group's share in the net assets acquired of USD 85,327 thousand was recognised directly in the statement of changes in equity as return of capital to the shareholders; and

All amounts are in thousands of US Dollars unless otherwise stated

- settlement of deferred consideration for 10.4% of the share capital of KCCW, presented in the consolidated financial statements of the Group as at 31 December 2006 in the amount of USD 24,109 thousand (of which, USD 807 thousand relates to effect of translation to presentation currency).

The Company has retrospectively consolidated KCCW from 29 December 2006, the date on which CI-Chemical Invest Limited obtained control over KCCW (refer to note 3 for the Group's accounting policy for common control transactions).

KCCW's net assets recognised in the consolidated financial statements of the Group on 29 December 2006 were as follows:

	Carrying value
ASSETS	
Property, plant and equipment	244,020
Intangible assets	1,188
Inventories	64,288
Other financial assets	73
Trade and other receivables	51,577
Advances and prepaid expenses	11,930
Income tax receivable	357
Other taxes receivable	23,317
Cash and cash equivalents	768
Total assets	**397,518**
LIABILITIES	
Loans and borrowings	154,859
Retirement benefit obligations	1,903
Deferred tax liabilities	35,390
Trade and other payables	17,747
Advances received	4,894
Income tax payable	1,753
Other taxes payable	5,291
Total liabilities	**221,837**
Net assets at the date of acquisition	**175,681**
Less: Share of net assets attributable to minority shareholders	(79,056)
Group's share of net assets acquired	**96,625**
Add: Goodwill arising on acquisition	26,600
Total KCCW net assets transferred	**123,225**
Consideration paid by the Company for KCCW	
Deferred cash consideration (refer to below)	(23,302)
Satisfied in the form of contribution in exchange for shares of the Company (refer to below)	(99,923)
Total	**(123,225)**
Net cash flow arising on acquisition:	
Cash and cash equivalents acquired	768
Net cash inflow on acquisition of subsidiary	**768**

The acquisition of a 55.0% interest in KCCW for a cash consideration of USD 123,225 thousand, which was unpaid at 31 December 2006, was presented in these consolidated financial statements, as follows:

- portion of the consideration attributable to 44.6% of the share capital of KCCW which was contributed in exchange for shares of the Company was presented as a contribution from shareholders to the share capital of the Company in the amount of USD 17 thousand. The difference between the cash consideration attributable to 44.6% of the share capital of KCCW and the contribution to the share capital of the Company in the amount of USD 99,906 thousand was presented as additional paid-in capital; and
- portion of the consideration attributable to 10.4% of the share capital of KCCW in the amount of USD 23,302 thousand was presented as deferred consideration, which was settled in cash upon completion of the formation of the Group in December 2007.

Increase of ownership interest in KCCW in 2007 by the Group

On 31 October 2007, the Group acquired from minority shareholders an additional 0.1% interest in KCCW for a total cash consideration of USD 445 thousand, increasing its ownership in the company to 77.4%. The carrying value of KCCW's net assets at the date of acquisition amounted to USD 208,024 thousand. As a result of this transaction, the Group recognised a decrease in net assets attributable to minority interest in the amount of USD 250 thousand. The excess of the consideration paid over the Group's share in the net assets acquired of USD 195 thousand was recognised directly in the statement of changes in equity as a decrease in retained earnings.

Increase of ownership interest in KCCW in 2008 by the Group

During the year ended 31 December 2008, the Group acquired, through a number of transactions with minority shareholders, an additional 20.3% of KCCW's shares for a total cash consideration of USD 90,635 thousand, increasing its ownership in the company to 97.7%. The carrying value of KCCW's net assets as at the dates when the shares were acquired ranged from USD 287,839 thousand to USD 402,875 thousand. As a result of these transactions, the Group recognised a decrease in net assets attributable to minority interest in the amount of USD 71,252 thousand. The excess of the consideration paid over the Group's share in net assets acquired of USD 19,383 thousand was recognised directly in the statement of changes in equity as a decrease in retained earnings.

Increase of ownership interest in KCCW in 2009 by the Group

During the year ended 31 December 2009, the Group acquired, through a number of transactions with minority shareholders, an additional 0.6% of KCCW's shares for a total cash consideration of USD 722 thousand, increasing its ownership in the company to 98.3%. The carrying value of KCCW's net assets at the dates when the shares were acquired ranged from USD 104,153 thousand to USD 152,414 thousand. As a result of these transactions, the Group recognised a decrease in net assets attributable to minority interest in the amount of USD 865 thousand. The excess of the Group's share in net assets acquired over the consideration paid of USD 143 thousand was recognised directly in the statement of changes in equity as an increase in retained earnings.

Open Joint Stock Company Azot, Berezniki ("Azot")

Acquisition of controlling interest in Azot in 2007 by CI-Chemical Invest Limited

On 18 July 2007 and 1 August 2007, CI-Chemical Invest Limited acquired 77.7% of the share capital of Azot for a total consideration of USD 272,934 thousand through the following transactions:

- 25.1% of Azot's shares were contributed to the share capital of CI-Chemical Invest Limited by its shareholders; after completion of this transaction CI-Chemical Invest Limited contributed 25.1% of the share capital of Azot in exchange for shares issued by UralChem Management, which was established on 9 July 2007 as a 100% subsidiary of CI-Chemical Invest Limited. The fair value of the contribution, which was determined by an independent appraiser at the date of the transaction amounted to USD 85,000 thousand; and
- 52.6% of Azot's shares were purchased by UralChem Management from third parties for a cash consideration of USD 187,934 thousand, increasing UralChem Management's ownership in the share capital of Azot to 77.7%.

Azot is an unlisted company, specialising in the production of nitrogen based fertilisers with its main production facilities located in Berezniki, Perm region of the Russian Federation.

Transfer of Azot's shares from CI-Chemical Invest Limited to the Company in 2007

In November 2007, CI-Chemical Invest Limited contributed 100% of the share capital of UralChem Management to the Company in exchange for shares of the Company. As at the date of the transfer, UralChem Management controlled 77.7% of the share capital of Azot. The Company has retrospectively consolidated UralChem Management from 9 July 2007, the date on which CI-Chemical Invest Limited obtained control over UralChem Management (refer to note 3 for the Group's accounting policy for common control transactions). The operations of Azot have been reflected in the consolidated financial statements of the Group as at 1 August 2007, the date on which UralChem Management obtained control over Azot.

On 1 August 2007, the carrying value of the assets and liabilities of UralChem Management amounted to USD 85,000 thousand, and were recorded directly in the statement of changes in equity as additional paid-in capital.

All amounts are in thousands of US Dollars unless otherwise stated

Azot's net assets recognised in the consolidated financial statements of the Group on 1 August 2007 were as follows:

	Carrying value
ASSETS	
Property, plant and equipment	250,445
Inventories	32,750
Other financial assets	2,114
Trade and other receivables	6,592
Advances paid and prepaid expenses	4,943
Other taxes receivable	10,197
Cash and cash equivalents	4,356
Total assets	**311,397**
LIABILITIES	
Loans and borrowings	2,007
Retirement benefit obligations	5,533
Deferred tax liabilities	35,685
Trade and other payables	15,175
Advances received	10,981
Income tax payable	485
Other taxes payable	860
Total liabilities	**70,726**
Net assets at the date of acquisition	**240,671**
Less: Share of net assets attributable to minority shareholders	(53,678)
Group's share of net assets acquired	**186,993**
Add: Goodwill arising on acquisition	85,941
Total Azot net assets transferred	**272,934**
Consideration paid by the Group for Azot	
Paid in cash by UralChem Management	(187,934)
Satisfied in the form of contribution in exchange for shares of UralChem Management	(85,000)
Net cash flow arising on acquisition:	
Cash consideration	(187,934)
Cash and cash equivalents acquired	4,356
Net cash outflow on acquisition of subsidiary	**(183,578)**

All amounts are in thousands of US Dollars unless otherwise stated

Azot and its subsidiaries contributed USD 150,547 thousand of revenue and USD 30,263 thousand of profit for the period from 1 August 2007 to 31 December 2007.

Pro-forma condensed consolidated income statement data (unaudited)

The potential effect of the acquisition of Azot on the results of the Group's operations, as if this subsidiary was acquired on 1 January 2007, is analysed as follows:

	Year ended 31 December 2007 (unaudited)
Revenue from continuing operations	700,018
Profit before tax from continuing operations	114,860
Profit for the year from continuing operations	90,591

These unaudited pro-forma amounts are provided for illustrative purposes only and do not present the results of operations of the Group had the transactions assumed therein occurred on or as at the date indicated, nor is it necessarily indicative of the results of operations which may be achieved in the future. This pro-forma information does not present the actual result of operations of the Group.

In determining the pro-forma revenue and profit for the year of the Group had Azot been acquired on 1 January 2007, the Group has calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising from the initial accounting for the business combination rather than the carrying amounts recognised in the financial statements of the acquired businesses.

Increase of ownership interest in Azot in 2007 by the Group

During the fourth quarter of 2007, the Group acquired through a transaction with minority shareholders an additional 1.0% of Azot's shares for a total cash consideration of USD 3,673 thousand, increasing its ownership in Azot to 78.7%. The carrying value of Azot's net assets at the date of the transaction was USD 281,264 thousand. As a result of this transaction, the Group recognised a decrease in net assets attributable to minority interest in the amount of USD 2,813 thousand. The excess of the consideration paid over the Group's share in the net assets acquired of USD 860 thousand was recognised directly in the statement of changes in equity as a decrease in retained earnings.

Increase of ownership interest in Azot in 2008 by the Group

During the year ended 31 December 2008, the Group acquired, through a number of transactions with minority shareholders, an additional 21.3% of Azot's shares for a total cash consideration of USD 81,151 thousand, increasing its ownership in the company to 100.0%. The carrying value of Azot's net assets as at the dates when the shares were acquired ranged from USD 281,264 thousand to USD 429,078 thousand. As a result of these transactions, the Group recognised a decrease in net assets attributable to minority interest in the amount of USD 78,880 thousand. The excess of the consideration paid over the Group's share in net assets acquired of USD 2,271 thousand was recognised directly in the statement of changes in equity as a decrease in retained earnings.

Other acquisitions in 2008

During the year ended 31 December 2008, the Group acquired 100.0% of Kamskiy mining-and-processing plant from an entity under common control and 100.0% of Limited Liability Company ChemProject from a third party for a total cash consideration of USD 764 thousand. As a result of these transactions, the Group recognised goodwill of USD 632 thousand carried over from the transaction with the entity under common control, and goodwill of USD 142 thousand relating to the acquisition of Limited Liability Company ChemProject from third parties. The difference between the cash consideration paid and the net liabilities assumed as a result of the transaction with the entity under common control of USD 1,605 thousand was recognised as a decrease in retained (refer to note 3 for the Group's accounting policy for common control transactions).

Goodwill assumed on transfer of subsidiaries from entities under common control

Goodwill arising on the acquisitions of Kamskiy mining-and-processing plant, KCCW and Azot by CI–Chemical Invest Limited relates to benefits of expected synergy, revenue growth and cost saving, future market development and the assembled workforces of the acquired entities. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

6. SEGMENT INFORMATION

For management purposes the Group is organised into two segments, Nitrogen Fertilisers and Phosphate Fertilisers. Reports reviewed by the Chief Executive Officer (the "chief operating decision maker") that are used to assess performance and allocate resources are prepared on the same basis.

- Nitrogen Fertilisers: The nitrogen fertilisers segment comprises subsidiaries engaged in the production of nitrogen based fertilisers, complex fertilisers, ammonia, inorganic acids and other chemical products. The major subsidiaries allocated to the nitrogen fertilisers segment are KCCW, located in the Kirov region of the Russian Federation, and Azot, located in the Perm region of the Russian Federation; and
- Phosphate Fertilisers: The phosphate fertilisers segment comprises subsidiaries engaged in the production of phosphate based fertilisers, complex fertilisers, ammonia and inorganic acids. The major subsidiary allocated to the phosphate fertilisers segment is VMF, located in the Moscow region of the Russian Federation.

The chief operating decision maker does not regularly review the operating results of other operations, and these operations are not reported as separate operating segments. These other operations contain smaller subsidiaries which are engaged in a variety of businesses, for example electricity and heat energy generation, construction, repairs and maintenance and processing of waste water.

The profitability of the two operating segments is primarily measured based on OIBDA, which the Group defines as operating profit adjusted for depreciation and amortisation. Since this term is not a standard IFRS measure, the Group's definition of OIBDA may differ from that of other companies. Costs and assets of subsidiaries of the Group engaged in transportation, sales and marketing activities are allocated (pro rata volume of services rendered by these companies to the operating segments) to operating segments within management reports reviewed by the chief operating decision maker.

All amounts are in thousands of US Dollars unless otherwise stated

Segment information provided to the chief operating decision maker for the reportable segments for the years ended 31 December 2009, 2008 and 2007 is as follows:

Year ended 31 December 2009	Nitrogen fertilisers	Phosphate fertilisers	Total
Revenue from external customers	775,583	116,142	**891,725**
Inter-segment revenue	1,673	2,807	**4,480**
Total segment revenue	**777,256**	**118,949**	**896,205**
OIBDA	178,083	(34,518)	**143,565**
Interest income	19,489	3,508	**22,997**
Interest expense	(38,199)	(5,085)	**(43,284)**
Net loss from derivative financial instruments	(15,657)	-	**(15,657)**
Depreciation and amortisation	(51,814)	(44,095)	**(95,909)**
Income tax (expense)/benefit	(16,831)	15,021	**(1,810)**

Year ended 31 December 2008	Nitrogen fertilisers	Phosphate fertilisers	Total
Revenue from external customers	1,379,546	230,227	**1,609,773**
Total segment revenue	**1,379,546**	**230,227**	**1,609,773**
OIBDA	609,897	15,460	**625,357**
Interest income	42,042	285	**42,327**
Interest expense	(30,812)	(2,500)	**(33,312)**
Net loss from derivative financial instruments	(60,793)	-	**(60,793)**
Depreciation and amortisation	(57,310)	(30,098)	**(87,408)**
Income tax (expense)/benefit	(92,691)	14,332	**(78,359)**

Year ended 31 December 2007	Nitrogen fertilisers	Phosphate fertilisers	Total
Revenue from external customers	486,207	-	**486,207**
Total segment revenue	**486,207**	**-**	**486,207**
OIBDA	130,334	-	**130,334**
Interest income	1,892	-	**1,892**
Interest expense	(15,913)	-	**(15,913)**
Net gain from derivative financial instruments	1,936	-	**1,936**
Depreciation and amortisation	(29,311)	-	**(29,311)**
Income tax expense	(18,873)	-	**(18,873)**

All amounts are in thousands of US Dollars unless otherwise stated

The total reportable segment revenue is reconciled to consolidated revenue as follows:

Year ended 31 December 2009	**Nitrogen fertilisers**	**Phosphate fertilisers**	**Total**
Total segment revenue	777,256	118,949	**896,205**
Inter-segment revenue	(1,673)	(2,807)	**(4,480)**
Other revenue			57,348
Total consolidated revenue			**949,073**

Year ended 31 December 2008	**Nitrogen fertilisers**	**Phosphate fertilisers**	**Total**
Total segment revenue	1,379,546	230,227	**1,609,773**
Other revenue			87,080
Total consolidated revenue			**1,696,853**

Year ended 31 December 2007	**Nitrogen fertilisers**	**Phosphate fertilisers**	**Total**
Total segment revenue	486,207	-	**486,207**
Other revenue			51,247
Total consolidated revenue			**537,454**

During the year ended 31 December 2009, there was no single customer which constituted more than 10.0% of the Group's consolidated revenue.

During the year ended 31 December 2008, the Nitrogen Fertilisers segment earned approximately USD 196,011 thousand (2007: USD 191,892 thousand) of revenue from operations with a single customer, which constituted more than 10.0% of the Group's consolidated revenue.

The total reportable segment OIBDA is reconciled to consolidated (loss)/profit before tax as follows:

Year ended 31 December 2009	**Nitrogen fertilisers**	**Phosphate fertilisers**	**Total**
Segment OIBDA	178,083	(34,518)	**143,565**
Unallocated operating activity			
Depreciation and amortisation			(100,441)
Corporate overheads			(40,230)
Other			(38,995)
Inter-segment operations			26,848
Group operating loss			**(9,253)**
Interest income			39,198
Interest expense			(156,995)
Share of loss of associates			(1,040)
Foreign exchange loss from financing activities			(18,128)
Group loss before tax			**(146,218)**

All amounts are in thousands of US Dollars unless otherwise stated

Year ended 31 December 2008	Nitrogen fertilisers	Phosphate fertilisers	Total
Segment OIBDA	609,897	15,460	**625,357**
Unallocated operating activity			
Depreciation and amortisation			(93,685)
Corporate overheads			(86,747)
Other			(11,999)
Inter-segment operations			32,351
Group operating profit			**465,277**
Interest income			15,988
Interest expense			(92,841)
Impairment of goodwill			(40,240)
Share of loss of associates			(131)
Foreign exchange loss from financing activities			(189,756)
Group profit before tax			**158,297**

Year ended 31 December 2007	Nitrogen fertilisers	Phosphate fertilisers	Total
Segment OIBDA	130,334	-	**130,334**
Unallocated operating activity			
Depreciation and amortisation			(31,880)
Corporate overheads			(6,654)
Other			(29,174)
Inter-segment operations			30,909
Group operating profit			**93,535**
Interest income			6,940
Interest expense			(29,295)
Foreign exchange gain from financing activities			5,812
Group profit before tax			**76,992**

Refer to note 18 for details of impairment of goodwill associated with the Phosphate Fertilisers segment.

Sales between segments are carried out at market prices. The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the income statement.

All amounts are in thousands of US Dollars unless otherwise stated

Total reportable segment assets are reconciled to consolidated assets as follows:

As of 31 December 2009	Nitrogen fertilisers	Phosphate fertilisers	Total
Total segment assets	806,213	377,758	**1,183,971**
Deferred tax assets			55,153
Current tax assets			10,119
Corporate assets			265,845
Other			95,396
Inter-segment assets			(37,417)
Total consolidated assets			**1,573,067**

As of 31 December 2008	Nitrogen fertilisers	Phosphate fertilisers	Total
Total segment assets	1,294,010	436,983	**1,730,993**
Deferred tax assets			4,838
Current tax assets			14,985
Corporate assets			409,536
Other			42,111
Inter-segment assets			(397,625)
Total consolidated assets			**1,804,838**

As of 31 December 2007	Nitrogen fertilisers	Phosphate fertilisers	Total
Total segment assets	1,030,843	-	**1,030,843**
Deferred tax assets			1,915
Current tax assets			255
Corporate assets			21,886
Other			38,888
Inter-segment assets			(185,006)
Total consolidated assets			**908,781**

The amounts provided to the chief operating decision maker with respect to total assets are measured in a manner consistent with that in the financial statements. These assets are allocated based on the operations of the segment.

Investments in shares (classified as available-for-sale financial assets or investments in associates) held by the Group are not considered to be segment assets but are rather managed at the corporate headquarters by the strategic investment function.

The interest-bearing liabilities of the Group's companies involved in other operations, which were received to finance the acquisitions of subsidiaries and other investments, are not considered to be segment liabilities but are rather managed at the corporate headquarters by the treasury function.

Additions to non-current assets excluding deferred tax assets, financial instruments and post-employment benefits are as follows:

	Nitrogen fertilisers	Phosphate fertilisers	Total
Year ended 31 December 2009	44,367	12,214	**56,581**
Year ended 31 December 2008	179,101	25,143	**204,244**
Year ended 31 December 2007	46,287	-	**46,287**

All amounts are in thousands of US Dollars unless otherwise stated

Non-current assets other than financial instruments and deferred tax assets are located primarily in the Russian Federation, the location of the Group's major production facilities. The total of non-current assets located in other countries, including Cyprus, are not significant.

Information about the revenue from external customers attributed to individual countries is not available as the cost to develop it would be excessive. Therefore this information is not disclosed in these consolidated financial statements.

7. SALES OF GOODS

Year ended 31 December 2009	Total	Export	Russian Federation	Other CIS countries
Mineral fertilisers				
Nitrogen based fertilisers	**506,472**	376,073	89,305	41,094
Complex fertilisers	**154,552**	114,267	27,361	12,924
Phosphate based fertilisers	**51,773**	40,116	11,598	59
Ammonia	**93,835**	89,611	3,657	567
Explosive grade ammonium nitrate	**43,646**	12,366	27,737	3,543
Inorganic acids	**17,248**	-	17,167	81
Other chemical products	**24,199**	352	23,157	690
Total	**891,725**	**632,785**	**199,982**	**58,958**
Year ended 31 December 2008				
Mineral fertilisers				
Nitrogen based fertilisers	**837,235**	618,790	163,472	54,973
Complex fertilisers	**235,919**	220,925	14,401	593
Phosphate based fertilisers	**179,754**	130,975	3,543	45,236
Ammonia	**227,189**	216,756	5,454	4,979
Inorganic acids	**48,229**	20	47,843	366
Explosive grade ammonium nitrate	**47,547**	17,031	27,378	3,138
Other chemical products	**33,900**	916	31,146	1,838
Total	**1,609,773**	**1,205,413**	**293,237**	**111,123**
Year ended 31 December 2007				
Mineral fertilisers				
Nitrogen based fertilisers	**299,636**	212,810	65,831	20,995
Complex fertilisers	**75,219**	61,667	13,552	-
Ammonia	**82,659**	78,451	3,187	1,021
Explosive grade ammonium nitrate	**12,138**	3,599	8,031	508
Inorganic acids	**6,977**	-	6,961	16
Other chemical products	**9,578**	478	8,736	364
Total	**486,207**	**357,005**	**106,298**	**22,904**

All amounts are in thousands of US Dollars unless otherwise stated

8. OTHER SALES

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Electricity and heat energy	27,775	43,999	31,715
Construction, repairs and maintenance services	5,973	7,606	3,861
Transportation	4,916	7,633	5,877
Processing of waste water	3,811	3,647	1,790
Other	14,873	24,195	8,004
Total	**57,348**	**87,080**	**51,247**

Substantially all other sales were made on the territory of the Russian Federation.

9. COST OF SALES

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Raw materials, including:			
Natural gas	188,631	215,222	112,375
Apatite	50,193	117,946	10,863
Potassium chloride	24,336	11,886	7,771
Sulphur	4,317	38,691	-
Other raw materials	48,769	86,186	26,362
Energy and utilities	83,024	104,640	63,628
Depreciation	79,022	73,799	27,190
Wages and salaries	59,354	70,970	34,370
Unified social tax	14,071	17,183	8,335
Repairs and maintenance	4,740	9,994	6,637
Decrease/(increase) in inventory balance of work in progress and finished goods	5,092	(34,399)	(8,561)
Other	17,551	21,683	13,575
Total	**579,100**	**733,801**	**302,545**

10. SELLING AND DISTRIBUTION EXPENSES

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Transportation, including:			
Railway tariff	103,552	105,328	64,064
Freight and transshipment	73,509	105,164	5,529
Rail cars rent expenses	21,101	22,981	15,214
Other transportation expenses	19,622	13,706	698
Advertising and marketing	11,140	3,328	617
Depreciation	10,140	9,635	-
Wages and salaries	9,713	7,709	1,085
Customs clearance charges	3,120	6,427	5,347
Unified social tax	1,770	1,425	155
Commissions and agent fees	437	1,328	1,913
Other	6,401	5,565	8,028
Total	**260,505**	**282,596**	**102,650**

All amounts are in thousands of US Dollars unless otherwise stated

11. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Wages and salaries	43,298	96,708	13,104
Depreciation	8,835	9,067	4,328
Audit, legal and consulting services	7,792	9,169	2,653
Unified social tax	6,375	6,911	1,321
Bank charges	4,084	6,275	1,769
Security	3,641	5,488	1,036
Rent	3,135	4,622	1,736
Fines and penalties	2,862	3,757	2,236
Pension (income)/costs	(154)	(365)	191
Other	21,549	21,249	10,154
Total	**101,417**	**162,881**	**38,528**

12. OTHER OPERATING INCOME AND EXPENSES

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Other operating income			
Foreign exchange gain on operating activities	8,165	16,391	-
Gain on disposal of assets	-	1,013	2,814
Other	3,520	1,845	925
Total	**11,685**	**19,249**	**3,739**
Other operating expenses			
Research expenses	4,992	-	-
Impairment of non-current assets	3,622	2,655	-
Loss on disposal of assets	2,451	4,089	-
Foreign exchange loss on operating activities	-	-	4,961
Other	2,267	4,010	910
Total	**13,332**	**10,754**	**5,871**

13. INTEREST INCOME

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Interest on loans issued and deposits	20,704	13,456	6,332
Effect of change in finance lease rates (refer to note 29)	14,833	-	-
Effect of discounting of long-term accounts payable (refer to note 30)	3,661	-	-
Unwinding of discount on deferred sales proceeds on disposal of subsidiaries	-	2,532	608
Total	**39,198**	**15,988**	**6,940**

All amounts are in thousands of US Dollars unless otherwise stated

14. INTEREST EXPENSE

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Interest on loans and borrowings	150,440	87,536	29,165
Interest on obligations under finance leases	6,555	5,305	130
Total	**156,995**	**92,841**	**29,295**

15. INCOME TAX

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Current income tax expense	14,613	130,189	19,595
Deferred tax benefit	(63,787)	(31,963)	(2,595)
Effect of changes in income tax rates	-	(16,153)	-
Total	**(49,174)**	**82,073**	**17,000**

During the years ended 31 December 2009, 2008 and 2007 the corporate income tax rate applicable to the Company, which is registered in Cyprus, was 10.0%. The corporate income tax rates applicable to the Group's subsidiaries incorporated in the Russian Federation, the primary location of the Group's production entities, varied from 15.5% to 20.0% during the year ended 31 December 2009, and varied from 20.0% to 24.0% during the years ended 31 December 2008 and 2007.

In 2008, the Government of the Russian Federation enacted a change in the Russian corporate income tax rate from 24.0% to 20.0% (and from 20.0% to 15.5% in some regions of the Russian Federation). The new corporate income tax rates became effective from 1 January 2009, and deferred tax balances of all of the Group's subsidiaries registered on the territory of the Russian Federation have been re-measured as of 31 December 2008, accordingly.

All amounts are in thousands of US Dollars unless otherwise stated

A reconciliation of the statutory income tax, calculated at the rate effective in Cyprus, where the Company is located, to the amount of actual income tax expense is as follows:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
(Loss)/profit before tax from continuing operations	(146,218)	158,297	76,992
Loss before tax from discontinued operations	-	-	(7,855)
(Loss)/profit before tax	**(146,218)**	**158,297**	**69,137**
Income tax calculated at 10%	(14,622)	15,830	6,914
Effect of different tax rates of subsidiaries operating in other jurisdictions	(18,982)	15,420	9,371
Tax effect of bonuses, interest expenses and other expenses that are non-deductible	14,003	16,078	198
Effect of previously unrecognised and unutilised tax losses and tax offsets now recognised as deferred tax assets	(29,573)	-	(1,353)
Impact of change in income tax rate in the Russian Federation	-	(16,153)	-
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	-	41,240	-
Tax effect of goodwill impairment	-	9,658	-
Income tax at effective income tax rate of 34% (2008: 52%, 2007: 22%)	**(49,174)**	**82,073**	**15,130**
Income tax benefit attributable to discontinued operations	-	-	(1,870)
Income tax attributable to continuing operations	**(49,174)**	**82,073**	**17,000**

16. DISCONTINUED OPERATIONS

On 31 March 2007, the shareholders of the Group approved a plan to dispose of the Group's investments in Polymer Plant and TLC KCCW which represented the polymers and fluoroplastics business of CI-Chemical Invest Limited.

At 31 October 2007, the Group sold 100.0% of Polymer Plant and 100.0% of TLC KCCW to CI-Chemical Invest Limited for USD 55,290 thousand. As this was a transaction with the parent company of the Group, the difference between the consideration received and the carrying amount of the net assets disposed of in the amount of USD 8,271 thousand was recognised in the statement of changes in equity as a distribution to the shareholders of the Group.

The disposal of the Group's polymers operations is consistent with the Group's policy to focus its activities primarily on the production of fertilisers. The transaction was completed on 31 October 2007. Details of the assets and liabilities disposed of are disclosed below.

All amounts are in thousands of US Dollars unless otherwise stated

Assets and liabilities of discontinued operations

Major classes of assets and liabilities as at 31 October 2007, the date of disposal, were as follows:

	31 October 2007
ASSETS	
Property, plant and equipment	76,846
Goodwill	4,340
Intangible assets	340
Inventories	23,888
Trade and other receivables	21,324
Advances paid and prepaid expenses	4,424
Income tax receivable	44
Other taxes receivable	3,347
Cash and cash equivalents	225
Total assets	**134,778**
LIABILITIES	
Loans and borrowings	34,994
Obligations under finance leases	14,215
Retirement benefit obligations	1,426
Deferred tax liabilities	5,320
Trade and other payables	10,409
Advances received	2,955
Income tax payable	28
Other taxes payable	1,870
Total liabilities	**71,217**
Group's share of net assets disposed of	**63,561**
Less: Loss on disposal	(8,271)
Total net assets distributed to shareholders	**55,290**
Deferred sales proceeds on disposal	(55,290)
Net cash flow arising on disposal	
Cash and cash equivalents disposed of	(225)
Net cash outflow on disposal	**(225)**

All amounts are in thousands of US Dollars unless otherwise stated

Cash flows from discontinued operations

The results of discontinued operations included in the cash flow statement were as follows:

	10 months ended 31 October 2007
Net cash flows used in operating activities	(4,697)
Net cash flows generated from investing activities	5,135
Net cash flows used in financing activities	(368)
Net cash flows	**70**

During the ten months ended 31 October 2007, the Group acquired property, plant and equipment attributable to discontinued operations in the amount of USD 8,353 thousand.

Loss for the period from discontinued operations

The results of discontinued operations included in the income statement were as follows:

	10 months ended 31 October 2007
Revenue	
Sales of goods	87,731
Other sales	22,300
Total revenue	**110,031**
Cost of sales	(106,237)
Gross profit	**3,794**
Selling and distribution expenses	(2,582)
General and administrative expenses	(9,739)
Other operating income	2,043
Other operating expenses	(2,727)
Operating loss	**(9,211)**
Interest income	758
Interest expense	(2,744)
Foreign exchange gain from financing activities	1,472
Loss before tax	**(9,725)**
Income tax benefit	1,870
Loss for the period from discontinued operations	**(7,855)**
Basic and diluted earnings per share from discontinued operations (US dollars per share)	(592.7)

All amounts are in thousands of US Dollars unless otherwise stated

Deferred proceeds on disposal of subsidiaries

Movement in deferred sales proceeds on disposal of subsidiaries was as follows:

	31 December 2008	31 December 2007
Balance at the beginning of the year	**56,533**	**-**
Unwinding of discount on deferred sales proceeds on disposal of subsidiaries	2,532	608
Recognised on disposal of subsidiaries	-	55,290
Settlement of deferred sales proceeds	(61,796)	-
Effect of translation to presentation currency	2,731	635
Balance at the end of the year	**-**	**56,533**

The settlement of deferred sales proceeds during the year ended 31 December 2008 was performed as follows: USD 43,424 thousand was offset against promissory notes held by the purchaser; USD 8,012 thousand was received in promissory notes issued by related parties; USD 6,553 thousand was offset against accounts payable to the purchaser and USD 3,807 thousand was received in cash.

Due to the early settlement of the deferred sales proceeds, the difference between the amount of the consideration received from the shareholders and the carrying value of the deferred sales proceeds on the date of settlement in the amount of USD 1,167 thousand was recognised in the income statement as interest income.

All amounts are in thousands of US Dollars unless otherwise stated

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures	Machinery, equipment and transport	Other	Construction in-progress	Total
Cost					
Balance at 1 January 2007	**122,471**	**99,547**	**2,432**	**19,462**	**243,912**
Additions	2,913	27,631	889	37,862	**69,295**
Acquisitions through business combinations	49,859	183,647	3,143	13,796	**250,445**
Transfers	3,958	36,783	315	(41,056)	**-**
Disposals	(867)	(1,890)	(586)	(1,504)	**(4,847)**
Disposal of subsidiaries	(28,279)	(48,902)	(298)	(7,051)	**(84,530)**
Effect of translation to presentation currency	10,982	16,982	329	1,801	**30,094**
Balance at 31 December 2007	**161,037**	**313,798**	**6,224**	**23,310**	**504,369**
Additions	16,378	113,015	9,735	79,149	**218,277**
Acquisitions through business combinations	178,041	125,133	18,050	4,136	**325,360**
Transfers	2,351	28,201	4,532	(35,084)	**-**
Disposals	(402)	(6,034)	(4,032)	(2,820)	**(13,288)**
Disposal of subsidiaries	-	-	(199)	(6)	**(205)**
Effect of translation to presentation currency	(62,920)	(95,351)	(5,589)	(12,743)	**(176,603)**
Balance at 31 December 2008	**294,485**	**478,762**	**28,721**	**55,942**	**857,910**
Additions	5,544	8,727	2,301	82,792	**99,364**
Transfers	4,973	13,391	3,076	(21,440)	**-**
Disposals	(853)	(1,881)	(1,140)	(4,852)	**(8,726)**
Effect of translation to presentation currency	(7,898)	(12,690)	(658)	(1,063)	**(22,309)**
Balance at 31 December 2009	**296,251**	**486,309**	**32,300**	**111,379**	**926,239**

All amounts are in thousands of US Dollars unless otherwise stated

	Buildings and structures	Machinery, equipment and transport	Other	Construction in-progress	Total
Accumulated depreciation					
Balance at 1 January 2007	**-**	**-**	**-**	**-**	**-**
Charge for the year	(10,476)	(28,103)	(413)	-	**(38,992)**
Disposals	106	443	26	-	**575**
Disposal of subsidiaries	1,770	5,878	36	-	**7,684**
Effect of translation to presentation currency	(423)	(1,119)	(1)	-	**(1,543)**
Balance at 31 December 2007	**(9,023)**	**(22,901)**	**(352)**	**-**	**(32,276)**
Charge for the year	(22,977)	(67,255)	(2,269)	-	**(92,501)**
Disposals	155	1,503	94	-	**1,752**
Disposal of subsidiaries	-	-	117	-	**117**
Effect of translation to presentation currency	4,845	13,063	302	-	**18,210**
Balance at 31 December 2008	**(27,000)**	**(75,590)**	**(2,108)**	**-**	**(104,698)**
Charge for the year	(25,853)	(68,920)	(3,224)	-	**(97,997)**
Disposals	245	709	167	-	**1,121**
Effect of translation to presentation currency	(480)	(1,164)	(83)	-	**(1,727)**
Balance at 31 December 2009	**(53,088)**	**(144,965)**	**(5,248)**	**-**	**(203,301)**
Carrying value					
At 31 December 2007	**152,014**	**290,897**	**5,872**	**23,310**	**472,093**
At 31 December 2008	**267,485**	**403,172**	**26,613**	**55,942**	**753,212**
At 31 December 2009	**243,163**	**341,344**	**27,052**	**111,379**	**722,938**

During December 2009, the Group acquired commercial real estate property, which is in the final stage of construction, from an entity under common control with the Group for a cash consideration of USD 109,421 thousand. The commercial real estate property represents two floors in an office building located in Moscow.

The commercial real estate property was recorded at cost, which was measured as the carrying value at which the commercial real estate property was recorded by the transferor at the date of the transaction which amounted to USD 45,390 thousand. The carrying value of the commercial real estate property for the transferor comprised historical cost of USD 109,421 thousand less accumulated impairment loss of USD 64,031 thousand. The difference between the cash consideration and the carrying value in the amount of USD 64,031 thousand was recorded in the statement of changes in equity as a distribution to shareholders in accordance with the Group's accounting policy for transactions with entities under common control (refer to note 35).

As at 31 December 2009, property, plant and equipment included advances paid for acquisition of the property, plant and equipment in the amount of USD 55,110 thousand (2008: USD 18,436 thousand; 2007: USD 5,612 thousand).

Depreciation charge recognised in the income statement for the year ended 31 December 2007 consisted of USD 31,518 thousand related to continuing operations and USD 7,474 thousand related to discontinued operations.

The Group leases certain items of machinery, equipment and transport under a number of finance lease agreements with third parties. As at 31 December 2009, the net book value of leased machinery, equipment and transport was USD 53,542 thousand (2008: USD 62,357 thousand; 2007: USD 1,685 thousand).

All amounts are in thousands of US Dollars unless otherwise stated

Assets pledged as collateral

The carrying values of property, plant and equipment pledged to secure loans and borrowings granted to the Group were as follows (refer to note 28):

	31 December 2009	31 December 2008	31 December 2007
Machinery, equipment and transport	183,973	111,597	72,599
Buildings and structures	49,723	1,117	76,182
Other	1,563	493	36
Total	**235,259**	**113,207**	**148,817**

18. GOODWILL

Cost	31 December 2009	31 December 2008	31 December 2007
Balance at the beginning of the year	**214,851**	**113,844**	**26,600**
Additional amounts recognised from business combinations occurring during the year	-	147,941	85,941
Derecognised on disposal of subsidiaries	-	-	(4,340)
Effect of translation to presentation currency	(6,136)	(46,934)	5,643
Balance at the end of the year	**208,715**	**214,851**	**113,844**
Accumulated impairment losses			
Balance at the beginning of the year	**(40,240)**	**-**	**-**
Impairment losses recognised in the year	-	(40,240)	-
Effect of translation to presentation currency	1,149	-	-
Balance at the end of the year	**(39,091)**	**(40,240)**	**-**
Carrying amount			
At the beginning of the year	**174,611**	**113,844**	**26,600**
At the end of the year	**169,624**	**174,611**	**113,844**

The sale of the Group's polymers and fluoroplastics business to CI-Chemical Invest Limited was completed on 31 October 2007 (refer to note 16), and goodwill in the amount of USD 4,340 thousand was included in determination of the net result from the disposal of the polymers and fluoroplastics business.

All amounts are in thousands of US Dollars unless otherwise stated

Allocation of goodwill to cash-generating units

The carrying amount of goodwill was allocated to the following cash-generating units:

	31 December 2009	31 December 2008	31 December 2007
Phosphate Fertilisers	76,775	79,033	-
Nitrogen Fertilisers	92,197	94,908	113,844
Other	652	670	-
Total	**169,624**	**174,611**	**113,844**

Annual test for impairment

For the purpose of impairment testing, the recoverable amount of the relevant cash-generating unit was assessed by reference to value in use. These calculations use pre-tax cash flow projections based on budgets approved by the Group and covering a five-year period. Cash flows beyond the five-year period are extrapolated by using the expected forecasts stated below. The key assumptions used by management for value in use determination are as follows:

	31 December 2009	31 December 2008	31 December 2007
Gross margin	15.0-20.0%	20.0-35.0%	44.0-59.0%
Growth rate	3.0%	3.0%	3.0%
Discount rate	14.7%	17.3%	12.0%
Raw materials price inflation	3.0-18.0%	2.0-18.0%	9.0-18.0%
Exchange rate (RUR to 1 USD)	32.2	36.9	27.7

These assumptions have been used for analysis of each cash-generating unit within the Group's nitrogen and phosphate fertilisers segments.

Management determined budgeted gross margin based on past performance and its expectation of the current market development. The gross margin and raw material price inflation ranges relate to a variety of products produced and raw materials consumed by the cash-generating unit, respectively. The weighted average growth rates used are consistent with the forecast included in industry reports.

During the year ended 31 December 2008, the Group determined that goodwill associated with VMF was impaired by USD 40,240 thousand. The main factor contributing to the impairment of the cash generating unit was a decrease in Russian and international phosphate based fertiliser prices by approximately 60.0% during the fourth quarter of 2008. Goodwill associated with VMF is included in the Phosphate Fertilisers segment in note 6.

All amounts are in thousands of US Dollars unless otherwise stated

19. INVESTMENTS IN ASSOCIATES

Details of the Group's associates are as follows:

		Effective ownership, %		
Name of associate	**Principal activity**	**31 December 2009**	**31 December 2008**	**31 December 2007**
Perm Mineral Fertilisers	Production of mineral fertilisers	46.5	2.2	-
NPK Karbon-Shungit	Mining and processing	49.7	49.7	-
ZhDTsekh	Other services	50.0	50.0	-

Movements in the carrying amount of investments in associates were as follows:

	31 December 2009	**31 December 2008**	**31 December 2007**
Investments in associates – equity method			
Balance at beginning of the year	**15,892**	**-**	**-**
Acquisitions	-	18,015	-
Impairment	(3,622)	-	-
Share of post-acquisition losses	(1,040)	(131)	-
Effect of translation to presentation currency	(504)	(1,992)	-
Balance at the end of the year	**10,726**	**15,892**	**-**
Investments in associates – at cost			
Balance at beginning of the year	**-**	**-**	**-**
Reclassification from AFS due to increase in ownership	4,977	-	-
Acquisitions	19,951	-	-
Effect of translation to presentation currency	(350)	-	-
Balance at end of the year	**24,578**	**-**	**-**
Total	**35,304**	**15,892**	**-**

Investments in associates – equity method

During the year ended 31 December 2009, the Group recognised an impairment loss on its investment in NPK Karbon-Shungit in the amount of USD 3,622 thousand (2008: nil). The impairment loss is due to a decrease in NPK Karbon-Shungit's manufacturing output and a decrease in shungit prices during 2009. The amount of the impairment loss was measured as the difference between the carrying amount of the investment and the present value of estimated future cash flows discounted at the rate of 17.3%.

Summarised financial information in respect of the Group's associates accounted for under the equity method:

	31 December 2009	**31 December 2008**	**31 December 2007**
Total assets	28,037	39,591	-
Total liabilities	(6,329)	(7,344)	-
Net assets	**21,708**	**32,247**	**-**
Group's share of net assets of associates	**10,726**	**15,892**	**-**

All amounts are in thousands of US Dollars unless otherwise stated

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Revenue	2,863	6,658	-
(Loss)/profit for the period	(2,090)	429	-
Share of loss of associates	(1,040)	(131)	-

Investments in associates – at cost

During the year ended 31 December 2008, the Group acquired 2.2% of Open Joint Stock Company Perm Mineral Fertilisers (“PMF”), which was recorded as an available-for-sale investment.

On 30 December 2009, the Group acquired an additional 44.3% interest in PMF from an entity under common control with the Group for a consideration of USD 162,000 thousand, increasing its ownership in PMF to 46.5%. The additional investment was recorded at historic cost, which was measured as the carrying value at which the investment was recorded by the transferor at the date of the transaction which was USD 19,951 thousand. The difference between the consideration and the carrying value was recorded in the statement of changes in equity in accordance with the Group’s accounting policy for transactions with entities under common control (refer to note 35).

The Group does not have any information related to the financial position of PMF as at 31 December 2009 and its financial results for the year then ended. Thus, it is impracticable for the Group to account for this investment applying equity method and the Group has continued to account for this investment at cost. As at 31 December 2008, the investment in PMF was classified in these consolidated financial statements as available-for-sale (refer to note 21).

PMF is a Russian-based company engaged in the production of nitrogen based mineral fertilisers, whose main operating facilities are located in the Perm region of the Russian Federation.

20. INVENTORIES

	31 December 2009	31 December 2008	31 December 2007
Inventories expected to be recovered after twelve months			
Catalytic agents	25,583	26,272	32,949
Mercury and other inventories	4,022	5,116	2,842
	29,605	**31,388**	**35,791**
Inventories expected to be recovered in the next twelve months			
Raw materials, net of allowance for obsolescence	48,552	57,505	24,304
Finished goods	37,456	51,905	24,223
Work in-progress	10,311	7,059	5,073
Goods for resale	5,183	1,041	237
	101,502	**117,510**	**53,837**
Total	**131,107**	**148,898**	**89,628**

During the year ended 31 December 2009, the Group recognised a write down of USD 3,965 thousand to reduce the carrying amount of inventories to net realisable value (2008: USD 26,032 thousand; 2007: nil). At 31 December 2009, inventories in the amount of USD 18,784 thousand were stated at net realisable value (2008: USD 37,973 thousand; 2007: nil).

All amounts are in thousands of US Dollars unless otherwise stated

At 31 December 2009, raw materials were presented net of allowance for obsolescence of USD 4,902 thousand (2008: USD 5,415 thousand; 2007: USD 8,155 thousand). During the year ended 31 December 2009, the Group recognised USD 281 thousand (2008: USD 1,828 thousand; 2007: USD 1,498 thousand) and released USD 794 thousand (2008: USD 3,325 thousand; 2007: USD 39 thousand) of allowance for obsolescence of raw materials.

Certain inventories were pledged to secure bank loans and borrowings granted to the Group, as follows:

	31 December 2009	31 December 2008	31 December 2008
Carrying value of pledged inventories (refer to note 28)	58,492	83,256	27,583

21. AVAILABLE-FOR-SALE INVESTMENTS

At 31 December 2009, available-for-sale investments represent a 9.7% investment in Open Joint Stock Company Togliattiazot ("Togliattiazot") of USD 177,779 thousand (2008: USD 182,938 thousand; 2007: nil) and other available-for-sale investments of USD 58 thousand (2008: USD 82 thousand; 2007: USD 106 thousand). The available-for-sale investment in Togliattiazot is accounted for at cost as the fair value of the investment cannot be reliably measured.

In December 2008, the Group acquired 2.2% interest in PMF from an entity under common control with the Group for a consideration of USD 5,918 thousand. The investment was recorded at cost which was measured as the carrying value at which the investment was recorded by the transferor at the date of the transaction which amounted to USD 7,632 thousand. The difference between the consideration and the carrying value of USD 1,714 thousand was recorded in the statement of changes in equity in accordance with the Group's accounting policy for transactions with entities under common control.

At 31 December 2008, the available-for-sale investment in PMF of USD 4,977 thousand (2007: nil) was accounted for at cost as the fair value of the investment could not be reliably estimated.

During the year ended 31 December 2008, the Group recognised an impairment loss on its investment in PMF in the amount of USD 2,655 thousand. The impairment loss is due to a decrease in PMF's manufacturing output and a decrease in Russian and international fertiliser prices. The amount of the impairment loss was measured as the difference between the carrying amount of the investment and the present value of estimated future cash flows discounted at a rate of 17.3%.

On 30 December 2009, the Group acquired 44.3% of PMF from an entity under common control. At the date of the transaction, the Group reclassified the 2.2% available-for-sale investment in PMF to investments in associates (refer to note 19).

All amounts are in thousands of US Dollars unless otherwise stated

22. OTHER FINANCIAL ASSETS

	31 December 2009	31 December 2008	31 December 2007
Non-current			
Loans issued, at amortised cost	7,359	142,631	-
Promissory notes of related parties, at amortised cost	-	-	988
Foreign currency forward contracts, at FVTPL	-	-	862
Other financial assets	-	255	243
	7,359	**142,886**	**2,093**
Current			
Loans issued, at amortised cost	35,931	41,718	26,156
Promissory notes of related parties, at amortised cost	351	7,086	-
Promissory notes, at amortised cost	326	128	-
Foreign currency forward contracts, at FVTPL	-	-	1,155
Other financial assets	365	249	15
	36,973	**49,181**	**27,326**
Total	**44,332**	**192,067**	**29,419**

As at 31 December 2009, interest rates on loans issued varied from 5.0% to 19.5% (2008: from 6.0% to 14.0%; 2007: from 10.4% to 11.5%). The majority of loans issued were unsecured, USD-denominated and receivable from related parties (refer to note 35).

23. TRADE AND OTHER RECEIVABLES

	31 December 2009	31 December 2008	31 December 2007
Trade receivables	33,890	24,102	16,729
Other receivables	9,953	9,465	3,743
	43,843	**33,567**	**20,472**
Less: allowance for doubtful receivables	(3,260)	(3,740)	(440)
Total	**40,583**	**29,827**	**20,032**

The average credit period for the Group's customers varies from 60 to 90 days. During this period no interest is charged on the outstanding balances. The Group has provided fully for all receivables over 360 days because historical experience is such that receivables that are outstanding beyond 360 days are generally not recoverable. Before accepting a new customer, the Group uses an internal credit system to assess the potential customer's credit quality and defines credit limits separately for each individual customer. Credit limits available to customers are reviewed on an annual basis. As at 31 December 2009, the Group's five largest debtors (individually exceeding more than 4.2% (2008: 2.9%; 2007: 3.0%) of the total current receivables balance) represented 39.9% (2008: 34.8%; 2007: 48.0%) of the outstanding balance of accounts receivable.

Included in the Group's receivables balance at 31 December 2009 are debtors of USD 7,810 thousand (2008: USD 6,492 thousand; 2007: USD 1,291 thousand) which were past due but not impaired. The Group did not hold any collateral over these outstanding balances. The weighted average age of these receivables is 348 days (2008: 176 days; 2007: 155 days).

All amounts are in thousands of US Dollars unless otherwise stated

Movements in the allowance for doubtful receivables were as follows:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Balance at the beginning of the year	**3,740**	**440**	**1,156**
Eliminated on disposal of subsidiaries	-	-	(166)
Recognised in the income statement	1,498	4,414	83
Amounts written-off	(1,862)	(824)	(172)
Amounts recovered during the year	(63)	(88)	(518)
Effect of translation to presentation currency	(53)	(202)	57
Balance at the end of the year	**3,260**	**3,740**	**440**

24. ADVANCES PAID AND PREPAID EXPENSES

	31 December 2009	31 December 2008	31 December 2007
Advances paid for supply of natural gas	11,522	15,949	24,656
Advances for transportation services	3,034	16,012	16,678
Other advances and prepaid expenses	14,392	14,305	13,872
Total	**28,948**	**46,266**	**55,206**

25. OTHER TAXES RECEIVABLE

	31 December 2009	31 December 2008	31 December 2007
Value added tax reimbursable	94,234	105,559	39,106
Other taxes	1,072	9,827	237
Total	**95,306**	**115,386**	**39,343**

26. CASH AND CASH EQUIVALENTS

	31 December 2009	31 December 2008	31 December 2007
Current accounts, including:			
USD-denominated	25,886	23,284	3,491
EUR-denominated	8,660	6,886	-
RUR-denominated	3,378	20,473	14,968
Bank deposits maturing within three months:			
RUR-denominated	15,616	6,586	-
USD-denominated	65	61,000	10,407
Other cash and cash equivalents	53	72	42
Total	**53,658**	**118,301**	**28,908**

At 31 December 2009, interest rates on deposits at HSBC bank, Sberbank and VTB bank varied from 0.5% to 4.8% (2008: 1.0% to 16.5%; 2007: 3.0% to 4.0%).

All amounts are in thousands of US Dollars unless otherwise stated

27. SHARE CAPITAL

	Number of authorised ordinary shares		Number of issued ordinary shares		
	Class A	**Class B**	**Class A**	**Class B**	**Share capital**
Balance at 1 January 2007	**3,000**	**-**	**3,000**	**-**	**7**
Issue of ordinary shares on 16 October 2007 with par value of CY₤ 1 each - to be paid in cash	100	-	100	-	-
Issue of ordinary shares on 16 October 2007 with par value of CY₤ 1 each - in exchange for shares in subsidiaries	7,000	-	7,000	-	17
Balance at 31 December 2007	**10,100**	**-**	**10,100**	**-**	**24**
Issue of ordinary shares on 7 July 2008 with par value of EUR 1.71 each at premium of EUR 12.720 each (total premium of USD 200 thousand) - paid in cash	10	-	10	-	-
Balance at 31 December 2008	**10,110**	**-**	**10,110**	**-**	**24**
Increase of authorised share capital on 21 October 2009	-	249,989,890	-	-	-
Issue of ordinary shares on 16 November 2009 with par value of EUR 0.00515 each - in exchange for shares in subsidiaries	-	-	-	164,639,890	1,270
Issue of ordinary shares on 17 November 2009 with par value of EUR 0.00515 each - partly paid in cash	-	-	-	10,350,000	80
Increase of authorised share capital on 20 November 2009	-	110,000,000	-	-	-
Balance at 31 December 2009	**10,110**	**359,989,890**	**10,110**	**174,989,890**	**1,374**

Shareholders of Class A and Class B ordinary shares have the same rights, voting powers, preferences and restrictions. Class A ordinary shares have a par value of EUR 1.71 each and Class B ordinary shares have a par value of EUR 0.00515 each. At 1 January 2008, Cyprus changed its national currency to the EUR, at a fixed exchange rate of EUR 1.71 to CY₤ 1.

At 31 December 2009, share capital in the amount of USD 18 thousand (31 December 2008 and 2007: USD 7 thousand) related to 100 Class A shares and 7,848,751 Class B shares (31 December 2008 and 2007: 3,100 Class A shares) remained unpaid.

On 16 November 2009, the Company issued 164,639,890 class B ordinary shares in exchange for 1.0% of UralChem OJSC's ordinary shares which was owned by an entity under common control with the Group. The change in the Company's ownership in UralChem OJSC has been accounted for retrospectively from the date of incorporation of the Company.

The 7,000 shares issued on 16 October 2007 are accounted for as if they were in issue at 29 December 2006, the date from which the Group accounted for the acquisition of KCCW in these consolidated financial statements (refer to note 5).

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Retained earnings and dividends

The statutory financial statements of the Group entities are the basis for the profit distribution and other appropriations.

KCCW, a subsidiary of the Company, declared a dividend of USD 182,348 thousand, which was approved at the annual general shareholder meeting on 31 December 2008, of which USD 5,025 thousand was attributable to minority shareholders.

Earnings/(loss) per share

Earnings/(loss) per share were calculated by dividing net profit/(loss) attributable to shareholders of the Company for the years ended 31 December 2009, 2008 and 2007 by the weighted average number of ordinary shares in issue during the respective year.

28. LOANS AND BORROWINGS

	31 December 2009	31 December 2008	31 December 2007
Loans denominated in USD	1,149,585	1,063,657	182,622
Loans denominated in RUR	262,955	252,230	235,381
Loans denominated in EUR	8,165	288	881
Promissory notes	265	275	41,858
Total	**1,420,970**	**1,316,450**	**460,742**
Less: current portion repayable within twelve months and shown under current liabilities	(533,604)	(470,329)	(148,818)
Long-term portion of loans and borrowings	**887,366**	**846,121**	**311,924**

Loans denominated in USD

Loans denominated in USD were obtained from a variety of lenders. During the year ended 31 December 2008 the Group entered into loan agreements to fund its acquisition of VMF of USD 380,537 thousand, share in PMF of USD 7,426 thousand, an available-for-sale investment in Togliattiazot of USD 225,535 thousand and to fund the increase in ownership of subsidiaries as well as other investing activities of the Group.

In March 2009, the Group reached an agreement with UniCredit Bank to extend the repayment of short-term loans and borrowings in the amount of USD 200,134 thousand to 2010. This modification has been treated as a debt extinguishment and new loans for accounting purposes, and as a result the Group wrote off the remaining unamortised debt issuance costs associated with these loans of USD 294 thousand. In addition, the Group expensed the costs associated with modifying this agreement of USD 6,037 thousand. The total of these costs are included in interest expense in the consolidated income statement. This modification also resulted in an increase in the weighted average annual interest rate on these borrowings from 5.3% to 6.4%.

In November 2009, the Group entered into a REPO agreement with Sberbank. The Group sold 9,452,561 shares of Togliattiazot, which represent 9.7% of the investee's share capital, to the bank for a cash consideration of USD 75,750 thousand payable under a repurchase agreement and agreed to buy the shares back not later than 15 November 2010. The repurchase obligation bears interest at 8.0% per annum. The REPO agreement by substance represents secured debt financing, and it was accounted for accordingly in these consolidated financial statements. As at 31 December 2009, the repurchase obligation with accrued interest amounted to USD 75,914 thousand and was included in current loans and borrowings in the consolidated statement of financial position.

In November 2009, the Group reached an agreement with Sberbank to extend the repayment of the current portion of a long-term loan as of the date of the agreement in the amount of USD 99,933 thousand to 2011, and to extend the repayment of the long-term portion of the same loan in the amount of USD 600,000 thousand from 2011 - 2012 to 2012 - 2013. Related to this refinancing was a decrease in the annual interest rate on this borrowing from 11.5% to 9.0%. The commission for loan restructuring was USD 30,000 thousand and was capitalised as an offset to the principal amount of the loan. The agreement includes a new covenant, that requires the proceeds from an Initial Public Offering to be used for repayment of bank loans and borrowings, and also introduces a number of less significant changes to the existing covenants.

The loans denominated in USD had a weighted average annual interest rate of 9.7% during the year ended 31 December 2009 (2008:10.0%; 2007: 10.1%) and included the following borrowings:

- USD 795,354 thousand (2008: USD 714,309 thousand; 2007: USD 117,415 thousand) at fixed rates varying from 7.0% to 11.5% (2008: from 9.4% to 12.0%; 2007: from 8.0% to 12.0%) per annum;
- USD 260,225 thousand (2008: USD 345,680 thousand; 2007: USD 65,207 thousand) at floating rates linked to Libor 1m, Libor 3m and Libor 6m, varying from 5.2% to 9.2% (2008: from 5.6% to 9.4%; 2007: 8.9% to 10.1%);
- USD 18,092 thousand (2008: USD 3,668 thousand, 2007: nil) at the floating BNPP rate (linked to Libor), varying from 2.6% to 2.7% which were secured by trade receivables; and
- USD 75,914 thousand (2008: nil, 2007: nil) at a fixed REPO rate of 8.0%.

The loans denominated in USD are due in the years 2010 to 2013. USD-denominated loans in the amount of USD 1,048,268 thousand (2008: USD 880,029 thousand; 2007: USD 182,537 thousand) are secured by 100% (2008: 14.9%; 2007: nil) of Azot’s shares, 62.4% (2008: 87.4%; 2007: 25%+1) of KCCW’s shares, 74.8% of VMF’s shares (2008: nil; 2007: nil), 100% (2008: 100%; 2007: nil) of KCCW MFP’s shares and 44.3% (2008: nil; 2007: nil) of PMF’s shares held by the Group and certain fixed assets and inventories (refer to notes 17 and 20).

Loans denominated in RUR

In March 2009, the Group reached an agreement with Sberbank to extend the repayment of the current portion of a long-term loan as of the date of the agreement in the amount of USD 63,328 thousand to 2010. The Group expensed the costs associated with modifying this agreement of USD 591 thousand which were included in interest expense in the consolidated income statement. Related to this refinancing was an increase in the annual interest rate on this borrowing from 12.0% to 18.0%.

In November 2009, the Group reached an agreement with Sberbank to extend the repayment of the current portion of a long-term loan as of the date of the agreement in the amount of USD 68,443 thousand to 2011, and to extend the repayment of the long term portion of the same loan in the amount of USD 90,514 thousand from 2011 - 2012 to 2012 - 2013. Related to this refinancing was a decrease in the annual interest rate on this borrowing from 18.0% to 16.0%.

Loans denominated in RUR consist of a loan of USD 159,375 thousand (2008: USD 164,123 thousand; 2007: USD 195,458 thousand) that bears interest at a fixed rate of 16.0% (2008: 12.0%; 2007: 10.0%) per annum and is repayable in quarterly instalments starting from 24 March 2011 with the final instalment due on 24 June 2013 and other loans of USD 103,580 thousand (2008: USD 88,107 thousand; 2007: USD 39,923 thousand) that bear interest at fixed rates varying from 14.5% to 16.0% (2008: from 11.3% to 15.5%; 2007: from 7.4% to 11.0%) per annum and are due in 2010 to 2011. The majority of loans are secured by 100% (2008: 77.0%; 2007: 77.7% (of which 45.1% belong to the Group)) of Azot’s shares, 62.4% (2008: 87.4%; 2007: 25%+1) of KCCW’s shares, 74.8% of VMF’s shares (2008: nil; 2007: nil), 100% (2008: 100%; 2007: nil) of KCCW MFP’s shares and 44.3% (2008: nil; 2007: nil) of PMF’s shares held by the Group and certain fixed assets and inventories (refer to notes 17 and 20).

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Total loans and borrowings were repayable as follows:

	31 December 2009	31 December 2008	31 December 2007
Due within three months	166,150	69,901	28,066
Due from three to six months	190,792	145,655	21,642
Due from six to twelve months	176,662	254,773	99,110
Total current portion repayable within twelve months	**533,604**	**470,329**	**148,818**
Due in the second year	199,867	191,421	160,369
Due in the third year	317,142	295,227	85,842
Due in the fourth year	370,357	359,473	54,038
Due in the fifth year	-	-	11,675
Total long-term portion of loans and borrowings	**887,366**	**846,121**	**311,924**

As at 31 December 2009 the Group's bank loans are subject to restrictive covenants, including but not limited to:

- set-up limits for the total amount of borrowings of certain Group subsidiaries;
- bank approval for any transfer of pledged property;
- set-up limits for the amount of cash collections of certain Group subsidiaries that have to be transferred to the accounts at defined banks;
- proceeds from an Initial Public Offering are required to be used for repayment of bank loans and borrowings; and
- set-up limits for disposal of assets with a carrying value of more than USD 3,306 thousand for two of the Company's subsidiaries, UralChem OJSC and UralChem Management.

All loan agreements have acceleration clauses, allowing the creditors to request early repayment of outstanding amounts in case of non-compliance with these covenants.

The Group breached the covenant stipulated in the loan agreements with one of the banks as at 31 December 2009. The amount of loans outstanding as at 31 December 2009 under these agreements was USD 200,134 thousand and was payable within one year. As of 31 December 2009, the lender waived his right to request accelerated repayment of the loans. The Group's covenant is waived until the next covenant test date, 31 December 2010. Furthermore, the terms of these loans were renegotiated in February 2010 (refer to note 39).

29. OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain items of machinery, equipment and transport under a number of finance lease agreements (refer to note 17). The average lease term is 109 months. For the year ended 31 December 2009 the weighted average effective annual interest rate was 11.7% (2008: 12.0%; 2007: 10.3%). All leases are on a fixed repayment basis and are predominantly denominated in USD; insignificant part of leases is RUR-denominated. In January and July 2009, the Group amended its finance lease agreements with Brunswick Rail Leasing, reducing the minimum daily lease rates which resulted in a reduction of the carrying amount of the finance lease liabilities. The Group recognised interest income in the amount of USD 14,833 thousand (refer to note 13) as a result of the reduction in the finance lease liabilities.

All amounts are in thousands of US Dollars unless otherwise stated

	Minimum lease payments			Present value of minimum lease payments		
	31 December			31 December		
	2009	**2008**	**2007**	**2009**	**2008**	**2007**
Due within one year	12,264	14,159	785	11,500	12,152	713
Due from two to five years	43,351	58,431	339	31,451	38,263	300
Due thereafter	25,513	49,058	5	11,643	25,408	-
	81,128	**121,648**	**1,129**	**54,594**	**75,823**	**1,013**
Less: future finance charges	(26,534)	(45,825)	(116)	-	-	-
Present value of lease liabilities	**54,594**	**75,823**	**1,013**	**54,594**	**75,823**	**1,013**
Less: amount due for settlement within one year and shown under current liabilities				(11,500)	(12,152)	(713)
Total non-current finance lease liabilities				**43,094**	**63,671**	**300**

30. TRADE AND OTHER PAYABLES

	31 December 2009	**31 December 2008**	**31 December 2007**
Long-term trade and other payables			
Other accounts payable	17,628	-	-
	17,628	**-**	**-**
Short-term trade and other payables			
Trade accounts payable	14,961	19,512	13,392
Other accounts payable	38,302	9,774	10,203
Provision for unused vacation	7,150	7,809	2,888
Unpaid salaries	4,808	5,412	6,478
Payables for property, plant and equipment	3,627	6,814	1,559
Accrued expenses	454	1,927	2,561
	69,302	**51,248**	**37,081**
Total	**86,930**	**51,248**	**37,081**

The average credit period on the purchase of inventories and services in the Russian Federation is 59 days (2008: 19 days; 2007: 30 days).

Long term other accounts payable represent the amounts payable to the parent company and are repayable in two installments of USD 8,692 thousand due within two years and USD 8,936 due within three years. Short term other accounts payable include the amounts payable to the parent company of USD 30,000 thousand which is due from six to twelve months.

All amounts are in thousands of US Dollars unless otherwise stated

The table below summarises the maturity profile of the Group's trade accounts payable and payables for property, plant and equipment based on undiscounted contractual payments:

	31 December 2009	31 December 2008	31 December 2007
Due within three months	16,782	12,948	12,934
Due from three to six months	67	2,248	-
Due from six to twelve months	1,739	11,130	2,017
Total	**18,588**	**26,326**	**14,951**

31. RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plan

Unified social tax for the year ended 31 December 2009 included contributions to the State Pension Fund in the amount of USD 16,120 thousand (2008: USD 18,936 thousand; 2007: USD 11,607 thousand, of which USD 3,356 thousand related to discontinued operations).

At 31 December 2009, outstanding contributions to the State Pension Fund amounted to USD 806 thousand (2008: USD 961 thousand; 2007: USD 1,140 thousand).

Defined benefit plans

The Group operates a number of unfunded defined benefit plans for qualifying employees of subsidiaries located in the Russian Federation. The actuarial valuation of the Group's defined benefit obligations as at 31 December 2009, 2008 and 2007 was performed by an independent actuary.

Under these plans a retired employee (or his/her family members) is entitled to the following payments:

- *one-time payment on retirement* varying from USD 16 (2008: USD 17; 2007: USD 20) to six monthly salaries, depending on the seniority of employee;
- *quarterly allowance* varying from USD 7 to USD 12 (2008: from USD 9 to USD 16; 2007: from USD 9 to USD 16) for the rest of his/her life;
- *one-time payment upon death* varying from USD 139 to ten official minimum monthly salaries (as at 31 December 2009 the official minimum monthly salary was USD 144 (2008: USD 147; 2007: USD 98)); and
- other payments stipulated in labour agreements such as anniversary payments, disability compensation, etc.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	31 December 2009	31 December 2008	31 December 2007
Discount rate	9.5%	9.0%	6.6%
Expected salary increase	9.7%	10.2%	9.2%
Expected pension increase	5.5%	6.0%	5.0%
Employee turnover rate	5.0%	5.0%	5.0%
Age of retirement			
Male	53 years	53 years	53 years
Female	50 years	50 years	50 years
Average life expectancy of members from date of retirement			
Male	20 years	20 years	20 years
Female	31 years	31 years	31 years

All amounts are in thousands of US Dollars unless otherwise stated

Amounts recognised in the income statement in respect of these defined benefit plans were as follows:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Actuarial (gain)/loss recognised in the year	(1,599)	(2,755)	1,628
Interest expense	716	767	276
Gain on settlements	-	(419)	-
Current service cost	247	312	129
Total pension (income)/costs recognised in the income statement	**(636)**	**(2,095)**	**2,033**
Pension (income)/costs included in continuing operations	**(636)**	**(2,095)**	**1,287**
Pension costs included in discontinued operations	**-**	**-**	**746**

Amounts included in the statement of financial position in respect of defined benefit plans were as follows:

	31 December 2009	31 December 2008	31 December 2007
Present value of unfunded defined benefit obligations	7,635	8,798	8,385

Movements in the present value of the unfunded defined benefit obligations were as follows:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Balance at the beginning of the year	**8,798**	**8,385**	**1,903**
Actuarial (gain)/loss recognised in the year	(1,599)	(2,755)	1,628
Interest expense	716	767	276
Current service cost	247	312	129
Benefits paid	(233)	(277)	(93)
Liabilities assumed in business combinations	-	3,845	5,533
Liabilities assumed in other transactions	-	867	-
Liabilities eliminated on disposal of subsidiaries	-	-	(1,426)
Gain on settlements	-	(419)	-
Effect of translation to presentation currency	(294)	(1,927)	435
Balance at the end of the year	**7,635**	**8,798**	**8,385**

All amounts are in thousands of US Dollars unless otherwise stated

32. DEFERRED TAXES

	1 January 2009	(Charged)/ credited to the income statement	Effect of translation to presentation currency	31 December 2009
Property, plant and equipment	(88,218)	12,363	3,124	(72,731)
Inventories	(609)	(3,644)	(162)	(4,415)
Trade and other receivables	(105)	726	39	660
Trade and other payables	385	(501)	(35)	(151)
Obligations under finance leases	15,040	(3,551)	(602)	10,887
Foreign currency forward and option contracts	6,820	(6,316)	(504)	-
Tax loss carried forward	4,477	61,458	2,876	68,811
Provisions for deferred tax assets	(4,796)	1,895	230	(2,671)
Other	(552)	1,357	79	884
	(67,558)	**63,787**	**5,045**	**1,274**

	1 January 2008	Acquired through business combina-tions	(Charged)/ credited to the income statement	Effect of translation to presentation currency	31 December 2008
Property, plant and equipment	(58,578)	(66,106)	12,890	23,576	(88,218)
Inventories	(4,490)	(5,923)	9,485	319	(609)
Trade and other receivables	(592)	(505)	(722)	1,714	(105)
Trade and other payables	695	-	(248)	(62)	385
Obligations under finance leases	6	-	18,327	(3,293)	15,040
Foreign currency forward and option contracts	(419)	-	7,853	(614)	6,820
Tax loss carried forward	4,942	-	2,479	(2,944)	4,477
Provisions for deferred tax assets	(6,101)	-	387	918	(4,796)
Other	195	1,764	(2,335)	(176)	(552)
	(64,342)	**(70,770)**	**48,116**	**19,438**	**(67,558)**

Amounts recognised in the income statement for the year ended 31 December 2008 included USD 16,153 thousand related to the effect of the change in the Russian statutory income tax rate (refer to note 15).

All amounts are in thousands of US Dollars unless otherwise stated

	1 January 2007	Acquired through business combinations	Eliminated on disposal of subsidia-ries	(Charged)/ credited to the income statement	Effect of translation to presentation currency	31 December 2007
Property, plant and equipment	(28,216)	(34,803)	5,243	1,926	(2,728)	(58,578)
Inventories	(5,408)	(1,656)	1,499	1,464	(389)	(4,490)
Trade and other receivables	267	518	-	(1,361)	(16)	(592)
Trade and other payables	(264)	(1)	-	940	20	695
Obligations under finance leases	-	-	-	6	-	6
Foreign currency forward and option contracts	-	-	-	(402)	(17)	(419)
Tax loss carried forward	3,875	-	(1,422)	2,128	361	4,942
Provisions for deferred tax assets	(7,003)	-	-	1,353	(451)	(6,101)
Other	1,359	257	-	(1,468)	47	195
	(35,390)	**(35,685)**	**5,320**	**4,586**	**(3,173)**	**(64,342)**

Amounts recognised in the income statement for the year ended 31 December 2007 included USD 2,595 thousand related to continuing operations and USD 1,991 thousand related to discontinued operations.

Certain deferred tax assets and liabilities were offset by jurisdiction, where the subsidiaries of the Group have a legally enforceable right to offset related taxes. The deferred tax balances (after offset) recorded in the statement of financial position were as follows:

	31 December 2009	31 December 2008	31 December 2007
Deferred tax assets	55,153	4,838	1,915
Deferred tax liabilities	(53,879)	(72,396)	(66,257)
	1,274	**(67,558)**	**(64,342)**

Taxable temporary differences in relation to investments in subsidiaries for which deferred tax assets have not been recognised are attributable to the following:

	31 December 2009	31 December 2008	31 December 2007
Russian subsidiaries	676,394	395,920	183,357
Other subsidiaries	(9,584)	(824)	1,036
	666,810	**395,096**	**184,393**

At 31 December 2009, the Group had unused tax losses of USD 68,811 thousand (2008: USD 4,477 thousand; 2007: USD 4,942 thousand) available for offset against future profits. During the year ended 31 December 2008, the Group did not recognise deferred tax assets for unused tax losses of USD 41,240 thousand (2007: nil). During the year ended 31 December 2009, the Group recognised deferred tax assets for previously unrecognised tax losses based on changes in its estimates of whether the Group will be able to utilise such losses to offset future profits or that it has tax planning strategies that will allow it to utilise the losses. The majority of tax losses will expire in 2018 and 2019.

All amounts are in thousands of US Dollars unless otherwise stated

33. DERIVATIVE FINANCIAL OBLIGATIONS

	31 December 2009	31 December 2008	31 December 2007
Foreign currency forward contracts, at FVTPL	-	21,572	-
Foreign currency collar contracts, at FVTPL, including:			
call options sold	-	19,588	-
put options bought	-	(3)	-
Total	**-**	**41,157**	**-**

During the year ended 31 December 2008 and 2007, the Group entered into foreign currency forward and option contracts to hedge risks arising from exchange rate fluctuations from its export sales pertaining to US Dollar cash receipts (refer to note 38), all of which expired during the year ended 31 December 2009.

34. OTHER TAXES PAYABLE

	31 December 2009	31 December 2008	31 December 2007
Value added tax	1,925	4,195	1,984
Property tax	1,088	1,445	911
Unified social tax	948	1,214	1,481
Other taxes	2,679	2,074	1,681
Total	**6,640**	**8,928**	**6,057**

35. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Related parties include shareholders, entities under common ownership and control with the Group and members of key management personnel. The Group enters into transactions with related parties in the ordinary course of business for the purchase and sale of goods and services and in relation to the provision of financing arrangements to and from its parent entity or entities under common ownership.

The Group had the following outstanding balances with related parties:

	31 December 2009	31 December 2008	31 December 2007
Parent company			
Loans issued, at amortised cost	35,116	174,307	20,286
Loans and borrowings	(1,087)	(3,109)	-
Other payables	(47,628)	-	-
Entities under common ownership and control with the Group			
Trade and other receivables	4,277	4,571	11,864
Deferred sales proceeds on disposal of subsidiaries	-	-	56,533
Loans issued, at amortised cost	1,781	6,769	6,327
Promissory notes of related parties, at amortised cost	351	7,086	988
Other financial assets	-	63	-
Loans and borrowings	-	-	(41,544)
Trade and other payables	(2,816)	(3,118)	(9,824)

All amounts are in thousands of US Dollars unless otherwise stated

The Group entered into the following transactions with related parties:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Parent company			
Loans issued	(112,878)	(187,270)	(19,400)
Settlement of loans issued	156,223	40,732	-
Interest income	19,576	9,771	-
Other (expense)/income	(41)	315	-
Entities under common ownership and control with the Group			
Sales of goods and services	31,932	55,587	77,589
Purchases of goods and services	(12,511)	(21,392)	(28,462)
Loans issued	(5,832)	(16,383)	(8,597)
Proceeds from repayment of loans issued	7,020	14,540	3,284
Interest income	235	377	11
Interest expense	(18)	(591)	(4,008)
Other income	3,246	5,489	-

Included in the Group's receivables balance at 31 December 2009 are amounts receivable from related parties of USD 2,472 thousand which were past due but not impaired (2008: USD 2,856 thousand; 2007: nil).

Transactions with related parties

Sale and purchases of goods

Sales of goods to related parties were made on terms similar to those that were used in transactions with third parties, including average discounts of 3.0% to 5.0% applicable to the Group's largest customers. Sales of services, which mainly consisted of sales of electricity and heat energy, were made at prices established by the Federal Utility Committee, a government regulator responsible for establishing and monitoring the prices on the utility market in the Russian Federation.

Purchases from related parties which primarily included purchases of inventories for production of nitrogen fertilisers and re-charges of transport bills from Open Joint Stock Company Russian Railways and other independent carriers were made at market prices plus an insignificant premium of 1.0% to 2.0% as reimbursement for operating expenses of those entities.

Loans issued to related parties

The loans issued to related parties are primarily loans issued to the parent company of the Group for financing of its investing activities.

As at 31 December 2009, loans issued to related parties included an amount of USD 35,116 thousand denominated in USD (2008: USD 177,604 thousand; 2007: USD 21,043 thousand). These loans bear interest at a fixed rate of 12.0% (2008: varying from 6.0% to 12.0%; 2007: varying from 10.0% to 11.0%). As at 31 December 2009, loans issued to related parties included an amount of USD 1,781 thousand denominated in RUR (2008: USD 3,472 thousand; 2007: USD 5,570 thousand). These loans bear interest at a fixed rate of 11.0% (2008: varying from 6.0% to 12.0%; 2007: varying from 10.0% to 11.0%).

Settlement of loans to related parties

During the year ended 31 December 2009, the Group entered into an agreement with its parent company to settle amounts due to the Group through a series of transactions. This agreement included transfers of commercial real estate property and a 44.3% investment in PMF to the Group. The total value assigned to these assets in settling the loans was USD 271,421 thousand, which comprised of USD 109,421 thousand related to the commercial real estate property which was based on the original price paid by the parent company of the Group when the commercial real estate property was acquired and USD 162,000 thousand related to PMF which was the parent company's estimate of fair value.

All amounts are in thousands of US Dollars unless otherwise stated

These assets have been recorded based on the historical carrying value in accordance with the Group's accounting policy for transactions with entities under common control. The difference between the carrying value of the above assets and the amount settled by the Group was treated as a distribution to shareholders and was recorded in the statement of changes in equity as a decrease in retained earnings in the amount of USD 206,080 thousand. The net effect of the above transactions is accounts payable to the parent company of the Group of USD 47,628 thousand. This amount has been recorded in trade and other payables (refer to note 30).

Compensation of key management personnel

The compensation of key management personnel of the Group for the year ended 31 December 2009 comprised salaries, cash bonuses and share based payments in the amount of USD 4,506 thousand (2008: USD 51,638 thousand; 2007: USD 5,168 thousand), including unified social tax in the amount of USD 419 thousand (2008: USD 538 thousand; 2007: USD 1,066 thousand).

	31 December 2009	31 December 2008	31 December 2007
Short term benefits, including:			
Salaries	3,088	4,320	3,349
Cash bonuses	1,418	26,618	1,819
	4,506	**30,938**	**5,168**
Share based payments	-	20,700	-
Total	**4,506**	**51,638**	**5,168**

On 28 December 2008, the controlling shareholder of the Group entered into agreements with members of key management of the Group to pay bonuses in the amount of USD 24,595 thousand to them. The payment of the bonuses by the controlling shareholder to members of key management of the Group was recognised directly in the statement of changes in equity as additional paid-in capital.

On 31 December 2008, the controlling shareholder of the Group entered into agreements with members of key management of the Group to transfer 4.14% of the Company`s ordinary shares to them as an additional bonus for services provided to the Group. At the date of the agreements, the fair value of the shares to be transferred by the controlling shareholder of the Group to members of key management of Group was USD 20,700 thousand and was recognised directly in the statement of changes in equity as additional paid-in capital. The fair value of the Company`s shares was determined by comparing the Company to similar public traded companies. The transfer of 4.14% of the Company`s ordinary shares to members of key management of the Group was completed during the year ended 31 December 2009.

The total amount of compensation of key management personnel was included as wages and salaries in note 11.

All amounts are in thousands of US Dollars unless otherwise stated

36. COMMITMENTS AND CONTINGENCIES

Purchase of natural gas

In December 2007, the Group entered into binding purchase agreements with Gazprom and Novatek, to purchase defined volumes of natural gas.

Future minimum costs under non-cancellable purchase agreements were as follows:

	31 December 2009	31 December 2008	31 December 2007
Due in one year	238,856	187,249	163,253
Due from two to five years	436,738	658,955	760,378
Total	**675,594**	**846,204**	**923,631**

Capital commitments

The Group's contractual capital commitments for acquisition of property, plant and equipment and fulfillment of certain finance lease agreements were as follows:

	31 December 2009	31 December 2008	31 December 2007
Acquisition of property, plant and equipment	13,250	27,328	6,295
Fulfilment of finance lease agreements	-	-	2,176
Total	**13,250**	**27,328**	**8,471**

Operating leases: Group as a lessee

The Group leases certain machinery, equipment and office premises. The respective lease agreements have an average life of one to five years with no renewal option at the end of the lease term.

Future minimum rental expenses under non-cancellable operating leases were as follows:

	31 December 2009	31 December 2008	31 December 2007
Due in one year	18,748	13,685	381
Due from two to five years	46,840	34,648	115
Total	**65,588**	**48,333**	**496**

Guarantees issued

As at 31 December 2009, 2008 and 2007, the Group issued financial guarantees in respect of loans obtained by related and third parties. The total amount of outstanding guarantees issued by the Group was as follows:

	31 December 2009	31 December 2008	31 December 2007
Related parties	6,723	28,270	52,528
Third parties	13	28	28
Total	**6,736**	**28,298**	**52,556**

The Group's maximum exposure to credit risk in the event of non-performance by parties to these financial guarantees is limited to the contractual amounts disclosed above. At 31 December 2009, 2008 and 2007, management assessed the risk of non-performance by parties to these financial guarantees as remote.

The loans subject to guarantees have maturities due in June, August and October 2010. Management believes that these loans will be refunded by the borrowers in due course.

Litigation

The Group has a number of claims and litigations relating to sales and purchases. Management believes that none of these claims, individually or in aggregate, will have a material adverse impact on the Group.

In 2008, after the acquisition of the controlling interest in VMF, the Group made a mandatory tender offer for the buyout of the minority share in VMF. One of the minority shareholders of VMF claimed that his rights in respect of this buyout were breached and filed a claim against Sberbank, who provided a bank guarantee to secure the offer. In case the court rules in favour of the claimant, the Group will become obliged to reimburse the incurred expenses to Sberbank in full. Management believes that the unfavorable outcome of the case is unlikely.

Taxation contingencies in the Russian Federation

The Russian Federation currently has a number of laws related to various taxes imposed by both federal and regional governmental authorities. Applicable taxes include VAT, corporate income tax, UST, together with others. Laws related to these taxes have not been in force for significant periods, in contrast to more developed market economies; therefore, the government's implementation of these regulations is often inconsistent or nonexistent. Accordingly, few precedents with regard to tax rulings have been established. Tax declarations, together with other legal compliance areas (for example, customs and currency control matters), are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in Russia that are more significant than typically found in countries with more developed tax systems. Generally, tax declarations remain open and subject to inspection for a period of three years following the tax year.

While management believes that it has adequately provided for tax liabilities based on its interpretation of current and previous legislation, the risk remains that tax authorities in the Russian Federation could take different positions with regard to interpretive issues. This uncertainty may expose the Group to additional taxation, fines and penalties that could be significant.

Environmental matters

The Group is subject to extensive federal, state and local environmental controls and regulations in the regions of the Russian Federation in which it operates. The Group's operations involve the discharge of materials, contaminants and waste water into the environment that could potentially impact on flora and fauna, and give rise to other environmental concerns.

The Group's management believes that its production facilities are in compliance with all current existing environmental legislation in the regions in which it operates. However, environmental laws and regulations continue to evolve.

The Group is unable to predict the timing or extent to which those laws and regulations may change. Such change, if it occurs, may require that the Group modernise technology and upgrade production equipment to meet more stringent standards.

Management of the Group regularly reassesses environmental obligations related to its operations. Estimates are based on management's understanding of current legal requirements and the terms of licence agreements. Should the requirements of applicable environmental legislation change or be clarified and amended, the Group may incur additional environmental obligations.

Russian Federation risk

The economy of the Russian Federation, while deemed to be of market status, continues to display certain traits consistent with that of an emerging market. These characteristics have in the past included higher than normal inflation, insufficient liquidity of the capital markets, and the existence of currency controls. The continued success and stability of the Russian economy will be subject to their government's continued actions with regard to supervisory, legal and economic reforms.

All amounts are in thousands of US Dollars unless otherwise stated

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities is determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

As at 31 December 2009, management believes that the carrying value of financial assets and liabilities approximated their fair values due to (i) their short term nature for current financial assets and liabilities, (ii) the fact that interest rates on loans receivable approximate current market rates for similar debt instruments, and (iii) the fact that the interest rates on long term liabilities approximate the current market rates for similar instruments given that of the majority of loans and borrowings were renegotiated in 2009 (refer to note 28).

As at 31 December 2008, management believes that the carrying values of all significant financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximated their fair value, except for the following borrowings:

	31 December 2008		
	Carrying value	**Fair value**	**Difference**
Financial assets			
Loans issued, at amortised cost	184,349	194,055	(9,706)
Total assets	**184,349**	**194,055**	**(9,706)**
Financial liabilities			
Loans denominated in USD	1,063,657	1,054,464	9,193
Loans denominated in RUR	252,230	241,541	10,689
Total liabilities	**1,315,887**	**1,296,005**	**19,882**

As at 31 December 2007, management believes that the carrying value of financial assets and liabilities approximated their fair values due to the fact that the interest rates on such instruments approximated current market rates for similar instruments.

38. FINANCIAL RISK MANAGEMENT

Capital risk management

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the Group's debt to equity ratio. Management of the Group reviews the capital structure on a regular basis. Based on the results of this review, the Group takes steps to balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

Major categories of financial instruments

The Group's principal financial liabilities comprise loans and borrowings and trade payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as available-for-sale investments, trade and other receivables and loans issued, cash and cash equivalents, promissory notes, foreign currency forward and option contracts.

All amounts are in thousands of US Dollars unless otherwise stated

	31 December 2009	31 December 2008	31 December 2007
Financial assets			
Loans issued and accounts receivable, including deferred proceeds on disposal of subsidiaries	83,873	207,712	102,721
AFS investments	177,837	187,997	106
Cash and cash equivalents	53,658	118,301	28,908
Promissory notes held by related parties, at amortised cost	351	7,086	988
Promissory notes of third parties, at amortised cost	326	128	-
Other financial assets	365	504	258
Foreign currency forward contracts, at FVTPL	-	-	2,017
Total financial assets	**316,410**	**521,728**	**134,998**
Financial liabilities			
Loans and borrowings	1,420,970	1,316,450	460,742
Obligations under finance leases	54,594	75,823	1,013
Foreign currency forward contracts, at FVTPL	-	21,572	-
Foreign currency collar contracts, at FVTPL	-	19,585	-
Trade and other payables	74,518	36,100	25,154
Total financial liabilities	**1,550,082**	**1,469,530**	**486,909**

The main risks arising from the Group's financial instruments are foreign currency, interest rate, credit and liquidity risks.

Foreign currency risk

Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies. During the years ended 31 December 2008 and 2007, the Group entered into foreign currency forward and option contracts to manage its foreign currency risk exposure (see below).

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2009, 2008 and 2007 were as follows:

	USD-denominated			EUR-denominated		
	31 December			31 December		
	2009	2008	2007	2009	2008	2007
Assets						
Trade and other receivables	9,092	2,799	7,254	3,588	6,804	-
Other financial assets	35,116	174,307	-	-	-	-
Cash and cash equivalents	25,881	84,050	13,842	7,892	6,886	-
Total assets	**70,089**	**261,156**	**21,096**	**11,480**	**13,690**	**-**

All amounts are in thousands of US Dollars unless otherwise stated

	USD-denominated			EUR-denominated		
	31 December			31 December		
	2009	2008	2007	2009	2008	2007
Liabilities						
Loans and borrowings	1,148,367	1,060,738	191,574	8,165	289	602
Obligations under finance leases	53,808	74,522	-	-	-	-
Trade and other payables	47,842	616	9,498	811	578	365
Total liabilities	**1,250,017**	**1,135,876**	**201,072**	**8,976**	**867**	**967**
Total net (liabilities)/assets	**(1,179,928)**	**(874,720)**	**(179,976)**	**2,504**	**12,823**	**(967)**

Sensitivity analysis

The table below details the Group's sensitivity to the strengthening of the Russian Rouble against the US Dollar and the Euro by 10.0%. The analysis was applied to monetary items at the end of the reporting period denominated in currencies different than the respective entity's functional currency. A positive number indicates an increase in profit where the Russian Rouble strengthens against the US Dollar and Euro.

	USD-impact			EUR-impact		
	31 December			31 December		
	2009	2008	2007	2009	2008	2007
Profit/(loss)	117,993	87,472	17,998	(250)	(1,282)	97

Impacts of the sensitivity analysis on equity would be the same as that on profit/loss as shown in the table above.

All amounts are in thousands of US Dollars unless otherwise stated

Derivative financial obligations

During the years ended 31 December 2008 and 2007, the Group entered into foreign currency forward and option contracts to hedge risks arising from exchange rate fluctuations from its export sales pertaining to USD cash receipts, all of which expired during the year ended 31 December 2009.

The following table details the foreign currency forward contracts and foreign currency collar contracts outstanding as at 31 December 2008:

		31 December 2008	
	Weighted average exchange rate	**Contract value**	**Fair value**
Foreign currency forward contracts, including:			
Sell USD for RUR			
Due less than three months	25.30	47,317	10,067
Due from three to six months	25.26	20,951	5,386
Due from six to twelve months	25.45	21,588	6,119
Sell EUR for USD			
Due less than three months	1.39	4,881	-
Foreign currency collar contracts, including:			
Call options sold			
Due less than three months	26.70	120,000	19,588
Put options bought			
Due less than three months	24.35	120,000	(3)
Total		**334,737**	**41,157**

The following table details the foreign currency forward contracts outstanding as at 31 December 2007:

		31 December 2007	
	Weighted average exchange rate	**Contract value**	**Fair value**
Foreign currency forward contracts			
Sell USD for RUR			
Due less than three months	24.56	65,158	269
Due from three to six months	24.63	57,038	286
Due from six to twelve months	24.77	115,062	600
Total current		**237,258**	**1,155**
Due in the second year	25.33	89,856	862
Total		**327,114**	**2,017**

The total net (loss)/gain from derivative financial instruments recognised in the income statement during the year ended 31 December 2009 amounted to USD (15,657) thousand (2008: USD (60,793) thousand; 2007: USD 1,936 thousand).

At 31 December 2008 if the RUR had weakened 10.0% against the USD with all variables held constant, the fair value of the foreign currency collar contracts would have been USD 27,978 thousand. On contrary, if the RUR had strengthened 10.0% against the USD with all other variables held constant, the fair value of the foreign currency collar contracts would have been USD 11,191 thousand.

All amounts are in thousands of US Dollars unless otherwise stated

At 31 December 2008 if the RUR had weakened 10.0% against the USD with all variables held constant, the fair value of the foreign currency forward contracts would have been USD 29,634 thousand. On contrary, if the RUR had strengthened 10.0% against the USD with all other variables held constant, the fair value of the foreign currency forward contracts would have been USD 12,761 thousand.

Interest rate risk

Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Group. The Group does not use any derivatives to manage interest rate risk exposure. The majority of the Group's financial liabilities are at fixed rates and, accordingly, interest rate risk is limited.

The table below details the Group's sensitivity to an increase of 1.0% in the floating interest rate. The analysis was applied to loans and borrowings based on the assumption that the amount of the liability outstanding as at the end of the reporting period was outstanding for the whole year.

			LIBOR - impact
	31 December 2009	31 December 2008	31 December 2007
Loss	2,600	3,450	650

Impacts of sensitivity analysis on equity would be the same as that on profit/loss as shown in the table above.

Credit risk

Credit risk is the risk that a customer may default or not meet its obligations to the Group in time, leading to financial losses to the Group.

For the year ended 31 December 2009, revenue from the Group's five largest customers constituted over 23.6% of the Group's total revenue (2008: 36.3%; 2007: 50.0%). However, the Group is not dependent on these customers because of the existence of a liquid commodity market for the majority of fertilisers and its by-products.

At 31 December 2009, amounts receivable from the Group's five largest customers were USD 4,968 thousand (2008: USD 1,981 thousand; 2007: USD 6,824 thousand), which represented approximately 12.2% of the total outstanding balance of accounts receivable (2008: 8.5%; 2007: 34.0%).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all its liabilities as they fall due. The Group's liquidity position is carefully monitored and managed. The Group has a detailed budgeting and cash forecasting process to help ensure that it has adequate cash available to meet its payment obligations.

All amounts are in thousands of US Dollars unless otherwise stated

Presented below is the maturity profile of the Group's loans and borrowings (the maturity profile for trade accounts payable and payables for property, plant and equipment is presented in note 30) as at 31 December 2009, 2008 and 2007 based on undiscounted contractual payments, including interest payments:

	31 December 2009				
	Fixed rate financial liabilities, at amortised cost				
	Obligations under finance leases		Loans and borrowings		Total
	Principal	Interest	Principal	Interest	
Due within three months	1,405	1,579	33,292	38,120	**74,396**
Due from three to six months	1,509	1,495	128,833	28,245	**160,082**
Due from six to twelve months	3,457	2,819	76,424	49,155	**131,855**
Due in the second year	6,133	5,126	199,814	95,538	**306,611**
Due in the third year	6,556	4,470	317,142	66,510	**394,678**
Due in the fourth year	7,193	3,760	370,357	33,092	**414,402**
Due in the fifth year	7,135	2,978	-	-	**10,113**
Due thereafter	21,206	4,307	-	-	**25,513**
	54,594	**26,534**	**1,125,862**	**310,660**	**1,517,650**
	Floating rate financial liabilities, at amortised costs				
Due within three months	-	-	124,289	4,180	**128,469**
Due from three to six months	-	-	61,959	2,105	**64,064**
Due from six to twelve months	-	-	100,000	1,748	**101,748**
	-	**-**	**286,248**	**8,033**	**294,281**
Total	**54,594**	**26,534**	**1,412,110**	**318,693**	**1,811,931**

	31 December 2008				
	Fixed rate financial liabilities, at amortised cost				
	Obligations under finance leases		Loans and borrowings		Total
	Principal	Interest	Principal	Interest	
Due within three months	735	2,214	29,224	33,436	**65,609**
Due from three to six months	1,634	2,177	12,387	24,437	**40,635**
Due from six to twelve months	3,449	3,950	33,317	47,894	**88,610**
Due in the second year	7,540	8,260	140,691	86,542	**243,033**
Due in the third year	7,362	7,031	295,227	60,360	**369,980**
Due in the fourth year	7,959	6,201	359,473	22,933	**396,566**
Due in the fifth year	8,819	5,259	-	-	**14,078**
Due thereafter	38,325	10,733	-	-	**49,058**
	75,823	**45,825**	**870,319**	**275,602**	**1,267,569**
	Floating rate financial liabilities, at amortised cost				
Due within three months	-	-	31,199	10,031	**41,230**
Due from three to six months	-	-	133,268	6,857	**140,125**
Due from six to twelve months	-	-	221,456	6,458	**227,914**
Due in the second year	-	-	50,730	592	**51,322**
	-	**-**	**436,653**	**23,938**	**460,591**
Total	**75,823**	**45,825**	**1,306,972**	**299,540**	**1,728,160**

All amounts are in thousands of US Dollars unless otherwise stated

	31 December 2007				
	Fixed rate financial liabilities, at amortised cost				
	Obligations under finance leases		Loans and borrowings		Total
	Principal	Interest	Principal	Interest	
Due within three months	242	30	16,735	19,849	**36,856**
Due from three to six months	212	21	21,642	7,195	**29,070**
Due from six to twelve months	259	24	99,110	30,348	**129,741**
Due in the second year	221	25	95,162	29,056	**124,464**
Due in the third year	55	12	85,842	16,417	**102,326**
Due in the fourth year	19	4	54,038	16,147	**70,208**
Due in the fifth year	5	-	11,675	9,204	**20,884**
	1,013	**116**	**384,204**	**128,216**	**513,549**
	Floating rate financial liabilities, at amortised cost				
Due within three months	-	-	-	1,443	**1,443**
Due from three to six months	-	-	-	1,443	**1,443**
Due from six to twelve months	-	-	-	2,917	**2,917**
Due in the second year	-	-	65,207	2,457	**67,664**
	-	**-**	**65,207**	**8,260**	**73,467**
Total	**1,013**	**116**	**449,411**	**136,476**	**587,016**

39. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Increase of ownership in subsidiaries

In February 2010, the Group acquired through a number of transactions additional 2,768,220 ordinary shares or 0.2% interest in the share capital of VMF for a consideration of USD 459 thousand. As a result of this transaction, the Company made a mandatory offer of USD 0.21 per ordinary share to acquire minority shares in VMF. The maximum amount of obligation which the Group can potentially face under this mandatory offer amounts to USD 31,856 thousand. The offer is being made in accordance with the Russian Federal Law on Joint Stock Companies and minority shareholders have 70 days from receipt of the mandatory offer documentation within which to accept the offer. VTB bank is acting as guarantor of the transaction.

Loans issued and repaid

Up to the date of approval of these consolidated financial statements, the parent company of the Group repaid previously issued loans outstanding as at 31 December 2009, which resulted in a cash inflow of USD 35,124 thousand. The loans bore interest at annual fixed rates from 11.5% to 12.0%.

Up to the date of approval of these consolidated financial statements, the Group repaid loans to the third parties in the net amount of USD 12,823 thousand. The loans bore interest at interest rates ranging from BNPP+2.0% to BNPP+2.7%. The BNPP rates are linked to Libor.

Loans restructuring

In February 2010, the Group reached agreements with UniCredit Bank to extend the repayment of short term loans in the amount of USD 200,000 thousand from 2010 to 2011. The commission for loans restructuring amounted to USD 750 thousand. Related to this refinancing was an increase in the weighted average annual interest rate on these borrowings from 6.1% to 6.3%.

In March 2010, the Group reached an agreement with Raiffeisen Bank to extend the repayment of a short term loan in the amount of USD 60,000 thousand from 2010 to 2011. The commission for loan restructuring amounted to USD 150 thousand. The interest rate on this loan did not change.

In March 2010, the Group reached an agreement with Sberbank to extend the repayment of USD 70,096 thousand obtained under a revolving credit facility agreement from 2010 to 2011. In accordance with the agreement, the bank provided the Group with a new multi-currency revolving credit facility with a borrowing limit of USD 70,096 thousand. Annual interest rates under this facility vary from 9.0% to 14.5% depending on the currency in which the financing is drawn as compared to the average annual interest rate of 16.0% under the old credit facility. As at the date of approval of these consolidated financial statements, the Group repaid USD 39,297 thousand of the amount outstanding under the old credit facility and obtained USD 11 000 thousand under the new credit facility. The commission for loan restructuring amounted to 0.5% of the borrowing limit.

During the first quarter 2010, the Group repaid USD 26,650 thousand to Sberbank payable under a revolving credit facility agreement and obtained the same amount maturing in August 2010.

Settlement of liability on unpaid share capital

In January 2010, the shareholders of the Company contributed USD 18 thousand for 100 Class A shares and 7,848,751 Class B shares which were unpaid as at 31 December 2009.