URALCHEM HOLDING P.L.C.

Consolidated financial statements
for the year ended 31 December 2011

URALCHEM HOLDING P.L.C.

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

The following statement, which should be read in conjunction with the independent auditor's report set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditor 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 2011, the results of its operations, cash flows and changes in equity for the year ended 31 December 2011, in accordance with International Financial Reporting Standards ("IFRS").

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 year ended 31 December 2011 were approved and signed on 06 March 2012 by:

Victor N. Zorkin	Charalambos Meivatzis
Director	Director

Limassol, Cyprus
06 March 2012

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INDEPENDENT AUDITOR'S 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 2011, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 about whether the consolidated 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 auditor's judgment, 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 auditor considers 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to the fact that comparative information for the year ended 31 December 2010 and 2009 has been restated following information becoming available to enable the Group to equity account for its investment in Mineral Fertilisers OJSC in accordance with IAS 28 Investments in Associates. This is further described in Note 40 of these consolidated financial statements.

Moscow, Russia
6 March 2012

URALCHEM HOLDING P.L.C.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011
All amounts are in thousands of US Dollars unless otherwise stated

	Notes	Year ended 31 December 2011	Year ended 31 December 2010 - as restated
Revenue			
Sales of goods	8	1,998,436	1,318,937
Other sales	9	81,880	70,182
Total revenue		**2,080,316**	**1,389,119**
Cost of sales	10	(867,967)	(726,381)
Gross profit		**1,212,349**	**662,738**
Selling and distribution expenses	11	(443,286)	(321,735)
General and administrative expenses	12	(119,371)	(120,927)
Other operating income	13	18,195	5,467
Other operating expenses	13	(6,749)	(20,312)
Operating profit		**661,138**	**205,231**
Interest income	14	1,531	1,137
Interest expense	15	(115,066)	(150,304)
Other financial expenses		(280)	(2,357)
Impairment of non-current assets		-	(11,147)
Share of profit of associates	19	49,541	22,257
Foreign exchange loss from financing activities		(38,957)	(5,646)
Profit before tax		**557,907**	**59,171**
Income tax expense	16	(113,261)	(24,203)
Profit for the year		**444,646**	**34,968**
Attributable to:			
Shareholders of the Company		439,997	39,302
Non-controlling interests		4,649	(4,334)
		444,646	**34,968**
Earnings per share			
Weighted average number of ordinary shares in issue during the year		175,000,001	175,000,000
Basic and diluted earnings per share (US dollars per share)		2.5	0.2

The notes on pages 9 to 58 are an integral part of these consolidated financial statements.

URALCHEM HOLDING P.L.C.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

All amounts are in thousands of US Dollars unless otherwise stated

	Year ended 31 December 2011	Year ended 31 December 2010 - as restated
Profit for the year	**444,646**	**34,968**
Other comprehensive loss:		
Effect of translation to presentation currency	(33,899)	(3,737)
Other comprehensive loss	**(33,899)**	**(3,737)**
Total comprehensive income for the year	**410,747**	**31,231**
Total comprehensive income/(loss) for the year attributable to:		
Shareholders of the Company	404,630	36,075
Non-controlling interests	6,117	(4,844)
	410,747	**31,231**

The notes on pages 9 to 58 are an integral part of these consolidated financial statements.

URALCHEM HOLDING P.L.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011
All amounts are in thousands of US Dollars unless otherwise stated

	Notes	31 December 2011	31 December 2010 - as restated	31 December 2009 - as restated
ASSETS				
Non-current assets				
Property, plant and equipment	17	619,194	638,073	722,938
Goodwill	18	158,852	168,329	169,624
Intangible assets		14,216	11,426	8,158
Investments in associates	19	87,669	115,159	111,357
Inventories	20	30,750	32,704	29,605
Available-for-sale investments	21	167,110	176,530	177,837
Long-term advances paid	40	27,448	-	-
Other financial assets	22	91	4,833	7,359
Deferred tax assets	33	51,466	72,305	55,153
		1,156,796	**1,219,359**	**1,282,031**
Current assets				
Assets held for sale	23	6,163	9,274	-
Inventories	20	113,051	112,938	101,502
Trade and other receivables	24	88,804	91,514	36,579
Advances paid and prepaid expenses	25	41,049	48,449	32,952
Income tax receivable		6,644	5,482	10,119
Other taxes receivable	26	83,265	54,788	95,306
Other financial assets	22	6,908	1,689	36,973
Cash and cash equivalents	27	252,566	46,410	53,658
		598,450	**370,544**	**367,089**
TOTAL ASSETS		**1,755,246**	**1,589,903**	**1,649,120**
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	28	1,375	1,374	1,374
Additional paid-in capital		165,632	152,223	152,223
Foreign currency translation reserve		(105,230)	(69,863)	(66,636)
Retained earnings/ (Accumulated deficit)		251,363	(181,175)	(183,333)
Equity attributable to shareholders of the Company		**313,140**	**(97,441)**	**(96,372)**
Non-controlling interests		10,842	33,639	73,121
Total equity		**323,982**	**(63,802)**	**(23,251)**
Non-current liabilities				
Loans and borrowings	29	791,968	881,043	887,366
Obligations under finance leases	30	40,384	37,543	43,094
Trade and other payables	31	-	8,936	17,628
Retirement benefit obligations	32	8,374	8,655	7,635
Deferred tax liabilities	33	50,553	43,627	53,879
		891,279	**979,804**	**1,009,602**
Current liabilities				
Loans and borrowings	29	338,275	473,263	533,604
Obligations under finance leases	30	12,788	10,604	11,500
Trade and other payables	31	117,905	114,911	69,302
Advances received		59,243	56,041	39,705
Income tax payable		6,714	13,782	2,018
Other taxes payable	34	5,060	5,300	6,640
		539,985	**673,901**	**662,769**
Total liabilities		**1,431,264**	**1,653,705**	**1,672,371**
TOTAL EQUITY AND LIABILITIES		**1,755,246**	**1,589,903**	**1,649,120**

The notes on pages 9 to 58 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

All amounts are in thousands of US Dollars unless otherwise stated

	Year ended 31 December 2011	Year ended 31 December 2010 - as restated
Operating activities		
Profit before tax	**557,907**	**59,171**
Adjustments for:		
Depreciation of property, plant and equipment	87,809	101,815
Amortisation of intangible assets	2,918	2,117
Impairment of non-current assets	-	11,147
Change in provisions and allowances	2,451	20,168
Write-down of inventory to net realisable value	3,311	2,224
Loss on disposal of property, plant and equipment	3,225	2,267
Foreign exchange loss, net	34,010	8,242
Share of profit of associates	(49,541)	(22,257)
Profit on disposal of subsidiaries	(588)	-
Interest income	(1,531)	(1,137)
Other financial expenses	280	2,357
Interest expense	115,066	150,304
Operating cash flows before working capital changes	**755,317**	**336,418**
Increase in inventory	(12,981)	(16,220)
Decrease/(increase) in trade and other receivables	1,197	(66,314)
Decrease/(increase) in advances paid and prepaid expenses	6,260	(4,660)
(Increase)/decrease in other taxes receivable	(33,526)	31,140
Increase in retirement benefit obligations	198	1,082
Decrease in trade and other payables	(8,104)	(1,685)
Increase in advances received	6,473	16,267
Increase/(decrease) in other taxes payable	175	(996)
Cash generated from operations	**715,009**	**295,032**
Interest paid	(99,710)	(132,131)
Income tax paid	(90,543)	(27,983)
Net cash generated from operating activities	**524,756**	**134,918**

The notes on pages 9 to 58 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)
All amounts are in thousands of US Dollars unless otherwise stated

	Year ended 31 December 2011	Year ended 31 December 2010 - as restated
Investing activities		
Advance paid for the acquisition of shares	(28,300)	-
Acquisition of available-for-sale investments	-	(38)
Proceeds from disposal of subsidiaries	1,413	-
Payments for property, plant and equipment	(102,182)	(47,644)
Proceeds from sale of property, plant and equipment	12,515	2,817
Payments for intangible assets	(7,026)	(5,459)
Loans issued	(1,103)	(47,743)
Proceeds from repayment of loans issued	815	69,223
Acquisition of promissory note	-	(35,000)
Repayment of promissory note	-	35,000
Dividends received from associates	65,069	16,423
Interest received	487	16,602
Net cash (used in)/generated from investing activities	**(58,312)**	**4,181**
Financing activities		
Proceeds from short-term loans and borrowings	231,790	387,996
Proceeds from long-term loans and borrowings	68,163	27,087
Repayment of short-term loans and borrowings	(520,071)	(494,198)
Repayment of long-term loans and borrowings	(3,125)	-
Increase of ownership in subsidiaries	(31,398)	(59,913)
Repayment of principal amounts of finance leases	(7,548)	(6,424)
Distribution of dividends received from associate to the parent company	(15,778)	-
Proceeds from issue of shares	13,410	-
Proceeds from issue of shares by a subsidiary	8,206	508
Net cash used in financing activities	**(256,351)**	**(144,944)**
Net increase/(decrease) in cash and cash equivalents	**210,094**	**(5,845)**
Cash and cash equivalents at the beginning of the year	46,410	53,658
Effect of exchange rate changes on the balance of cash held in foreign currencies	(3,938)	(1,403)
Cash and cash equivalents at the end of the year	**252,566**	**46,410**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011
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	Non-controlling interests	Total
Balance as at 1 January 2010 - as previously reported		**1,374**	**152,223**	**(66,636)**	**(259,386)**	**(172,425)**	**73,121**	**(99,304)**
Restatements	40	-	-	-	76,053	**76,053**	-	**76,053**
Balance as at 1 January 2010 - as restated		**1,374**	**152,223**	**(66,636)**	**(183,333)**	**(96,372)**	**73,121**	**(23,251)**
Profit/(loss) for the year		-	-	-	39,302	**39,302**	(4,334)	**34,968**
Other comprehensive loss		-	-	(3,227)	-	**(3,227)**	(510)	**(3,737)**
Total comprehensive income/(loss) for the year		**-**	**-**	**(3,227)**	**39,302**	**36,075**	**(4,844)**	**31,231**
Increase of ownership in subsidiaries	5	-	-	-	(22,419)	**(22,419)**	(37,494)	**(59,913)**
Increase in non-controlling interests due to additional share issue by a subsidiary		-	-	-	-	**-**	508	**508**
Decrease of ownership in subsidiaries	5	-	-	-	913	**913**	2,348	**3,261**
Distribution of dividends received from the associate to the shareholders	35	-	-	-	(15,638)	**(15,638)**	-	**(15,638)**
Balance as at 31 December 2010		**1,374**	**152,223**	**(69,863)**	**(181,175)**	**(97,441)**	**33,639**	**(63,802)**
Profit for the year		-	-	-	439,997	**439,997**	4,649	**444,646**
Other comprehensive (loss)/income		-	-	(35,367)	-	**(35,367)**	1,468	**(33,899)**
Total comprehensive (loss)/income for the year		**-**	**-**	**(35,367)**	**439,997**	**404,630**	**6,117**	**410,747**
Issue of shares	28	1	22,349	-	-	**22,350**	-	**22,350**
Unpaid portion of the contribution from the parent company	28	-	(8,940)	-	-	**(8,940)**	-	**(8,940)**
Increase of ownership in subsidiaries	5	-	-	-	5,715	**5,715**	(37,113)	**(31,398)**
Increase in non-controlling interests due to additional share issue by a subsidiary		-	-	-	-	**-**	8,199	**8,199**
Distribution of dividends received from the associate to the shareholders	35	-	-	-	(13,174)	**(13,174)**	-	**(13,174)**
Balance as at 31 December 2011		**1,375**	**165,632**	**(105,230)**	**251,363**	**313,140**	**10,842**	**323,982**

The notes on pages 9 to 58 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Organisation

UralChem Holding P.L.C. ("the Company") is a public limited company which was incorporated in Cyprus on 4 May 2006.

As at 31 December 2011, the Company was 95.5% owned by CI-Chemical Invest Limited ("the parent company"), incorporated in Cyprus. The remaining 4.5% of the Company's shares were held by management. 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.

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 production facilities of the Group are located in the Moscow, Perm and Kirov regions of the Russian Federation.

Market conditions

Global economic conditions continued to improve during 2011 and had a positive impact on fertiliser markets. The positive outlook in the fertiliser markets has been driven by strong demand for nitrogen and phosphate based fertilisers during the application season in the northern hemisphere. Global market prices for ammonia increased on average by 62.1%, for ammonium nitrate by 50.4% and for diammonium phosphate by 42.8% during the year ended 31 December 2011 in comparison with the year ended 31 December 2010. Urea prices have increased by 65.3% during the same period.

Through the nine months of 2011, the global economic environment development provided significant price growth for all basic kinds of fertilizers and semi-products but the price trend changed in the fourth quarter of 2011. A lack of demand both in agricultural and industrial sectors caused significant price decreases in the ammonia market. At the end of December ammonia prices were 33.0% lower than at the beginning of October.

A dramatic price decrease in urea market also occured during the last quarter of 2011. Price levels at the end of December were almost 40.0% lower than at the end of the third quarter of 2011. The situation was defined by high traders and producers inventories, cancelling of earlier signed contracts by buyers and suppliers' attempts to sell long positions before Christmas and New Year vacations. During January and February 2012 urea market began to recover and the prices began to increase from the year end low points.

Prices for ammonium nitrate decreased less than urea prices at the end of 2011. FOB prices at the end of December were 20.0% lower than at the end of the third quarter of 2011. The ammonium nitrate price reduction was mostly connected with the pressure of the urea price decrease, low current demand and buyers' expectations of a further price decrease. During January and February 2012 moderate price growth was seen due to large demand to CIS domestic market.

The significant stock of phosphate fertilisers were made due to large import volumes during the nine months of 2011 in South Asia and Latin America. As a result the spot demand in the last quarter of 2011 sharply reduced and there was a dramatic price decrease in the phosphates market. Large carryover in South Asia and Latin America and severe weather in Europe additionally reduce spot demand.

During the reporting period, the Group renegotiated the terms of its loan agreements with UniCredit Bank, Raiffeisen Bank and Sberbank that resulted in extending the maturity profile of the Group's debt (refer to note 29). In 2011, the Group generated net profit in the amount of USD 444,646 thousand and positive cash flows from operating activities in the amount of USD 524,756 thousand.

Management believes that as a result of the improvements in operating performance, cash flows and extending the maturity profile of its debt the Group will be able to meet its borrowing obligations that the Group will continue as a going concern.

All amounts are in thousands of US Dollars unless otherwise stated

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

			Effective ownership as at 31 December, %	
Subsidiaries	**Principal activity**	**Location**	**2011**	**2010**
UralChem OJSC [1,2]	Holding company	Russia	100.0	100.0
KCCW Mineral Fertiliser Plant OJSC*[3]	Production of mineral fertilisers	Russia	100.0	97.5
Voskresensk Mineral Fertilisers OJSC	Production of mineral fertilisers	Russia	100.0	89.9
Trading house UralChem LLC	Sales and marketing	Russia	100.0	100.0
SIA UralChem Trading	Sales and marketing	Latvia	100.0	100.0
Upravleniye Avtomobilnogo Transporta LLC*	Transportation and logistics	Russia	100.0	97.5
UralChem Freight Limited	Investment company	Cyprus	100.0	100.0
UralChem Trans LLC	Transportation and logistics	Russia	100.0	100.0
SIA Riga Fertiliser Terminal	Transportation and logistics	Latvia	51.0	51.0
Remontno-Mekhanichesky Zavod LLC*	Industrial services	Russia	100.0	97.5
Energosnabzhayuschaya Organizatsiya LLC*	Industrial services	Russia	100.0	97.5

* Calculated based on both ordinary and preference shares.
[1] Azot OJSC merged with UralChem OJSC on 14 December 2010; starting from 15 December 2010 is referred to as "Azot branch".
[2] UralChem Management LLC merged with UralChem OJSC on 13 December 2010.
[3] Kirovo-Chepetsk Chemical Works OJSC merged with KCCW Mineral Fertiliser Plant OJSC on 13 December 2010.

All amounts are in thousands of US Dollars unless otherwise stated

2. ADOPTION OF NEW AND REVISED STANDARDS

Standards and Interpretations effective in the current period

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 2011.

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

IFRS 3 Business Combinations (amendments)
IFRS 7 Financial Instruments (amendments)
IAS 1 Presentation of Financial Statements (amendments)
IAS 19 Employee Benefits (revised)
IAS 24 Related Party Disclosures (revised)
IAS 27 Consolidated and Separate Financial Statements (amendments)
IAS 32 Financial Instruments: Presentation (amendments)
IAS 34 Interim Financial Reporting (amendments)
IFRIC 13 Customer Loyalty Programmes (amendments)
IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (amendments)
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The adoption of other new and revised Standards and Interpretations effective on or after 1 January 2011 as listed above, had no material impact on these consolidated financial statements.

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 7 Financial Instruments (amendments)	1 January 2013
IFRS 9 Financial Instruments – Classification and Measurement	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
IAS 1 Presentation of Financial Statements (amendments)	1 July 2012
IAS 12 Income Taxes (amendments)	1 January 2012
IAS 19 Employee Benefits (revised)	1 January 2013
IAS 27 Consolidated and Separate Financial Statements (revised)	1 January 2013
IAS 28 Investments in Associates (revised)	1 January 2013
IAS 32 Financial Instruments (amendments)	1 January 2014

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”) and IFRS 13 Fair Value Measurement (“IFRS 13”), 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. IFRS 13 establishes a single source of guidance for fair value measurements.

Also IFRS 12 Disclosure of Interests in Other Entities and IFRS 13 Fair Value Measurement require more extensive disclosures than current standards.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards.

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 consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Difference, if any, between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in retained earnings and attributed to shareholders of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- the previous carrying amount of the assets (including goodwill, if any) and liabilities of the subsidiary and any non-controlling interests.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations with third parties

Acquisitions of subsidiaries and businesses, other than acquisitions from entities under common control, are accounted for using the purchase method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in the income statement as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Total comprehensive income is attributable to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 Financial Instruments: Recognition and Measurement, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in the income statement.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to income statement where such treatment would be appropriate if those interests were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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.

Goodwill

Goodwill arising on acquisition is recognised as an asset and is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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.

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, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds 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), the Group discontinues recognising its share of further losses. Additional losses 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.

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 non-controlling interests 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 revenue from 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 from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. 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 expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, 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 each individual group entity, 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 profit or loss 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 repayment of the monetary items.

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, if any, are recognised in other comprehensive income and accumulated in equity; 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, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to the income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to the income statement.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

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, receivable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and 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 temporary 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. 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 deferred tax 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. 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.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income, in which case, the current and deferred tax are also recognised in other comprehensive income respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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 income statement as incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the 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 profit or loss.

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.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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 profit or loss, 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 profit or loss 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 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 for 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 the income statement 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 costs 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 social taxes, 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.

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.

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, operational 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.

5. BUSINESS COMBINATIONS

Increase of ownership interest in Open Joint Stock Company Voskresensk Mineral Fertilisers ("VMF") in 2011 by the Group

During the year ended 31 December 2011, the Group acquired, through a number of transactions with non-controlling shareholders, an additional 10.1% of VMF's shares for a total cash consideration of USD 23,132 thousand, increasing its ownership in the company to 100.0%. The carrying value of VMF's net assets at the dates when the shares were acquired ranged from USD 279,008 thousand to USD 279,934 thousand. As a result of these transactions, the Group recognised a decrease in net assets attributable to non-controlling interests in the amount of USD 27,860 thousand. The excess of the Group's share in net assets acquired over the consideration paid of USD 4,728 thousand was recognised directly in the statement of changes in equity as an increase in retained earnings.

Increase of ownership interest in VMF in 2010 by the Group

During the year ended 31 December 2010, the Group acquired, through a number of transactions with non-controlling shareholders, an additional 15.1% of VMF's shares for a total cash consideration of USD 58,505 thousand, increasing its ownership in the company to 89.9%. The carrying value of VMF's net assets at the dates when the shares were acquired ranged from USD 238,001 thousand to USD 266,890 thousand. As a result of these transactions, the Group recognised a decrease in net assets attributable to non-controlling interests in the amount of USD 36,410 thousand. The excess of the consideration paid over the Group's share in net assets acquired of USD 22,095 thousand was recognised directly in the statement of changes in equity as a decrease in retained earnings.

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

Increase of ownership interest in KCCW in 2011 by the Group

During the year ended 31 December 2011, the Group increased its effective ownership in KCCW to 100.0%. Total consideration comprised USD 8,266 thousand. The carrying value of KCCW net assets at the dates when the shares were acquired ranged from USD 423,107 thousand to USD 437,873 thousand. As a result of these transactions, the Group recognised a decrease in net assets attributable to non-controlling interests in the amount of USD 9,253 thousand. The excess of the Group's share in net assets acquired over the consideration paid of USD 987 thousand was recognised directly in the statement of changes in equity as an increase in retained earnings.

Increase of ownership interest in KCCW in 2010 by the Group

During the year ended 31 December 2010, the Group acquired, through a number of transactions with non-controlling shareholders, an additional 0.5% of KCCW's shares for a total cash consideration of USD 1,408 thousand, increasing its ownership in the company to 98.8%. The carrying value of KCCW's net assets at the dates when the shares were acquired ranged from USD 166,052 thousand to USD 229,288 thousand. As a result of these transactions, the Group recognised a decrease in net assets attributable to non-controlling interests in the amount of USD 1,084 thousand. The excess of the consideration paid over the Group's share in net assets acquired of USD 324 thousand was recognised directly in the statement of changes in equity as a decrease in retained earnings.

Decrease of ownership interest in KCCW in 2010 by the Group

During the year ended 31 December 2010, the Group sold a 1.3% interest in KCCW, or 17,000 ordinary shares, to third parties for a total consideration of USD 3,261 thousand, decreasing its ownership in the company to 97.5%. The total consideration receivable was outstanding as of 31 December 2010 and was recorded as other receivables in these consolidated financial statements. The carrying value of KCCW's net assets at the dates when the shares were sold ranged from USD 186,589 thousand to USD 229,288 thousand. As a result of these transactions, the Group recognised an increase in net assets attributable to non-controlling interests in the amount of USD 2,348 thousand. The excess of the consideration received over the Group's share in net assets sold of USD 913 thousand was recognised directly in the statement of changes in equity as an increase in retained earnings.

6 DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2011, the Group sold its 100.0% interest in Promkanal LLC, Promkanal – Techno LLC, NGCR, Kamski GOK LLC, Azotstoiremont LLC, subsidiaries for a total consideration of USD 2,934 thousand, net of cash disposed. The consideration in the amount of USD 1,781 thousand was recorded as other receivables in these consolidated financial statements. The amount of cash disposed equalled USD 260 thousand. At the date of disposal the net assets of these companies amounted to USD 2,113 thousand and goodwill amounted to USD 493 thousand (refer to note 18).

As a result of this disposal, the Group recognised a gain on disposal of subsidiaries in the amount of USD 588 thousand, which was recorded as other income in the income statement in these consolidated financial statements.

7. 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 and branches allocated to the nitrogen fertilisers segment are KCCW MFP, located in the Kirov region of the Russian Federation, and Azot branch of UralChem OJSC ("Azot branch"), formerly Azot OJSC (refer to note 1), 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 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 engage 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. Costs and assets of subsidiaries of the Group engaged in other operations are not allocated 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 2011 and 2010 is as follows:

Year ended 31 December 2011	**Nitrogen fertilisers**	**Phosphate fertilisers**	**Total**
Revenue from external customers	1,571,349	427,087	**1,998,436**
Inter-segment revenue	40,937	1,324	**42,261**
Total segment revenue	**1,612,286**	**428,411**	**2,040,697**
OIBDA	715,557	90,942	**806,499**
Interest income	2,639	443	**3,082**
Interest expense	(28,538)	(2,023)	**(30,561)**
Depreciation and amortisation	(55,790)	(29,783)	**(85,573)**
Income tax expense	(77,415)	(12,423)	**(89,838)**

Year ended 31 December 2010	**Nitrogen fertilisers**	**Phosphate fertilisers**	**Total**
Revenue from external customers	1,025,333	293,604	**1,318,937**
Inter-segment revenue	32,821	413	**33,234**
Total segment revenue	**1,058,154**	**294,017**	**1,352,171**
OIBDA	335,672	19,180	**354,852**
Interest income	2,450	413	**2,863**
Interest expense	(39,531)	(1,787)	**(41,318)**
Other financial expenses	(1,610)	(713)	**(2,323)**
Impairment of non-current assets	(7,374)	(3,773)	**(11,147)**
Depreciation and amortisation	(55,143)	(44,560)	**(99,703)**
Income tax (expense)/benefit	(35,359)	6,031	**(29,328)**

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

Year ended 31 December 2011	**Nitrogen fertilisers**	**Phosphate fertilisers**	**Total**
Total segment revenue	1,612,286	428,411	**2,040,697**
Inter-segment revenue	(40,937)	(1,324)	**(42,261)**
Unallocated revenue			81,880
Total consolidated revenue			**2,080,316**

Year ended 31 December 2010	**Nitrogen fertilisers**	**Phosphate fertilisers**	**Total**
Total segment revenue	1,058,154	294,017	**1,352,171**
Inter-segment revenue	(32,821)	(413)	**(33,234)**
Unallocated revenue			70,182
Total consolidated revenue			**1,389,119**

During the year ended 31 December 2011, there was no single customer, which constituted more than 10.0% of the Group's consolidated revenue.

All amounts are in thousands of US Dollars unless otherwise stated

During the year ended 31 December 2010, the Nitrogen Fertilisers segment and Phosphate Fertilisers segment earned approximately USD 147,357 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 profit before tax as follows:

Year ended 31 December 2011	Nitrogen fertilisers	Phosphate fertilisers	Total
Segment OIBDA	715,557	90,942	**806,499**
Unallocated operating activity			
Depreciation and amortisation			(90,727)
Corporate overheads			(39,941)
Other			(46,861)
Inter-segment operations			32,168
Group operating profit			**661,138**
Interest income			1,531
Interest expense			(115,066)
Other financial expenses			(280)
Share of profit of associates			49,541
Foreign exchange loss from financing activities			(38,957)
Group profit before tax			**557,907**

Year ended 31 December 2010	Nitrogen fertilisers	Phosphate fertilisers	Total
Segment OIBDA	335,672	19,180	**354,852**
Unallocated operating activity			
Depreciation and amortisation			(103,932)
Corporate overheads			(44,922)
Other			(44,175)
Inter-segment operations			43,408
Group operating profit			**205,231**
Interest income			1,137
Interest expense			(150,304)
Other financial expenses			(2,357)
Impairment of non-current assets			(11,147)
Share of profit of associates			22,257
Foreign exchange loss from financing activities			(5,646)
Group profit before tax			**59,171**

Refer to note 17 for details of impairment of non-current assets.

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 at 31 December 2011	Nitrogen fertilisers	Phosphate fertilisers	Total
Total segment assets	937,650	329,641	**1,267,291**
Deferred tax assets			51,466
Current tax assets			6,644
Corporate assets			360,140
Other			111,516
Inter-segment assets			(41,811)
Total consolidated assets			**1,755,246**

As at 31 December 2010	Nitrogen fertilisers	Phosphate fertilisers	Total
Total segment assets	793,932	355,022	**1,148,954**
Deferred tax assets			72,305
Current tax assets			5,482
Corporate assets			328,166
Other			97,955
Inter-segment assets			(62,959)
Total consolidated assets			**1,589,903**

As at 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			341,898
Other			95,396
Inter-segment assets			(37,417)
Total consolidated assets			**1,649,120**

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 investments 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.

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 2011	81,128	22,277	**103,405**
Year ended 31 December 2010	42,761	11,004	**53,765**
Year ended 31 December 2009	44,367	12,214	**56,581**

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.

8. SALES OF GOODS

Year ended 31 December 2011	Total	Export	Russian Federation	Other CIS countries
Mineral fertilisers				
Nitrogen based fertilisers	**984,219**	750,762	174,260	59,197
Phosphate based fertilisers	**343,944**	264,168	35,643	44,133
Complex fertilisers	**289,890**	218,006	51,437	20,447
Ammonia	**231,095**	184,665	42,763	3,667
Explosive grade ammonium nitrate	**74,074**	6,620	57,866	9,588
Inorganic acids	**29,576**	137	29,422	17
Other chemical products	**45,638**	9,394	35,574	670
Total	**1,998,436**	**1,433,752**	**426,965**	**137,719**
Year ended 31 December 2010				
Mineral fertilisers				
Nitrogen based fertilisers	**648,356**	448,343	146,617	53,396
Phosphate based fertilisers	**244,609**	170,117	42,478	32,014
Complex fertilisers	**190,691**	136,316	36,196	18,179
Ammonia	**131,997**	127,410	2,686	1,901
Explosive grade ammonium nitrate	**50,955**	6,188	39,758	5,009
Inorganic acids	**19,298**	-	19,298	-
Other chemical products	**33,031**	3,052	29,002	977
Total	**1,318,937**	**891,426**	**316,035**	**111,476**

9. OTHER SALES

	Year ended 31 December 2011	Year ended 31 December 2010
Electricity and heat energy	48,524	41,004
Construction, repairs and maintenance services	6,100	5,602
Processing of waste water	4,857	4,268
Transportation	3,514	3,389
Other	18,885	15,919
Total	**81,880**	**70,182**

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

All amounts are in thousands of US Dollars unless otherwise stated

10. COST OF SALES

	Year ended 31 December 2011	Year ended 31 December 2010
Raw materials, including:		
Natural gas	285,998	232,487
Apatite	134,004	125,580
Sulphur	32,982	15,004
Potassium chloride	28,143	17,563
Other raw materials	60,540	50,204
Energy and utilities	133,764	106,286
Wages and salaries	77,277	67,090
Depreciation	68,912	81,324
Unified social tax	24,750	16,557
Repairs and maintenance	6,620	5,213
Increase in inventory balance of work in-progress and finished goods	(3,757)	(9,119)
Other	18,734	18,192
Total	**867,967**	**726,381**

11. SELLING AND DISTRIBUTION EXPENSES

	Year ended 31 December 2011	Year ended 31 December 2010
Transportation, including:		
Railway tariff	183,973	128,474
Freight and transshipment	139,390	103,766
Rail cars rent expenses	39,655	18,858
Other transportation expenses	14,841	13,420
Wages and salaries	16,516	13,863
Depreciation	12,335	11,365
Advertising and marketing	8,137	9,456
Social taxes	4,664	2,307
Customs clearance charges	2,947	2,525
Commissions and agent fees	1,352	1,610
Other	19,476	16,091
Total	**443,286**	**321,735**

All amounts are in thousands of US Dollars unless otherwise stated

12. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2011	Year ended 31 December 2010
Wages and salaries	58,362	53,216
Social taxes	8,860	7,211
Audit, legal and consulting services	8,440	12,200
Depreciation	6,562	9,126
Fines and penalties	3,351	1,168
Rent	3,088	3,760
Security	3,003	3,575
Bank charges	1,150	1,824
Other	26,555	28,847
Total	**119,371**	**120,927**

13. OTHER OPERATING INCOME AND EXPENSES

	Year ended 31 December 2011	Year ended 31 December 2010
Other operating income		
Reversal of provision for unfavorable court decision	6,577	-
Foreign exchange gain on operating activities	4,947	-
Gain on disposal of assets	-	408
Other income	6,671	5,059
Total	**18,195**	**5,467**
Other operating expenses		
Loss on disposal of assets	1,862	-
Research expenses	-	4,503
Provision for unfavorable court decision	-	7,807
Foreign exchange loss on operating activities	-	2,596
Other expenses	4,887	5,406
Total	**6,749**	**20,312**

14. INTEREST INCOME

	Year ended 31 December 2011	Year ended 31 December 2010
Interest on loans issued and deposits	1,531	1,137
Total	**1,531**	**1,137**

All amounts are in thousands of US Dollars unless otherwise stated

15. INTEREST EXPENSE

	Year ended 31 December 2011	Year ended 31 December 2010
Interest on loans and borrowings	109,507	144,033
Interest on obligations under finance leases	5,559	6,271
Total	**115,066**	**150,304**

16. INCOME TAX

	Year ended 31 December 2011	Year ended 31 December 2010
Current income tax expense	84,388	51,717
Deferred tax expense/(benefit)	28,873	(27,514)
Total	**113,261**	**24,203**

During the years ended 31 December 2011 and 2010 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 2011 and 2010.

On 14 December 2010, Azot OJSC, located in the Perm region of the Russian Federation merged with UralChem OJSC registered in Moscow (refer to note 1). As at 31 December 2010, tax rates applicable to companies registered in the Perm region of the Russian Federation and Moscow were 15.5% and 20.0%, respectively. After completion of the merger of Azot OJSC with UralChem OJSC, the effective income tax rate applicable to the combined entities approximated 15.8% for the year ended 31 December 2011 (2010: 15.6%). Previously recognised deferred tax balances were recalculated using this rate and the changes in deferred tax balances were accounted for as an effect of changes in income tax rate due to the reorganisation of the Group.

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 2011	Year ended 31 December 2010
Profit before tax	**557,907**	**59,171**
Income tax calculated at 10%	55,791	5,917
Effect of different tax rates of subsidiaries operating in other jurisdictions	45,063	10,707
Tax effect of bonuses, interest expenses and other expenses that are non-deductible	8,632	6,674
Tax on dividends from associates	3,775	903
Deferred taxes arising from transfer of assets between Group companies	-	(12,806)
Effect of changes in income tax rate due to the reorganisation of the Group	-	12,808
Income tax at effective income tax rate of 20.3% (2010: 40.9%)	**113,261**	**24,203**

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 2009	**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**
Additions	4,589	14,370	441	28,986	**48,386**
Transfers	6,985	37,396	1,311	(45,692)	**-**
Reclassified to assets held for sale (refer to note 23)	(802)	(5,928)	(10)	(11,136)	**(17,876)**
Disposals	(2,216)	(4,751)	(2,565)	(1,191)	**(10,723)**
Effect of translation to presentation currency	(2,285)	(3,881)	(255)	(627)	**(7,048)**
Balance at 31 December 2010	**302,522**	**523,515**	**31,222**	**81,719**	**938,978**
Additions	5,628	50,038	1,882	61,279	**118,827**
Transfers	4,608	20,220	153	(24,981)	**-**
Disposals	(1,210)	(6,675)	(9,536)	(1,820)	**(19,241)**
Effect of translation to presentation currency	(18,289)	(33,330)	488	(6,789)	**(57,920)**
Balance at 31 December 2011	**293,259**	**553,768**	**24,209**	**109,408**	**980,644**
Accumulated depreciation and impairment losses					
Balance at 1 January 2009	**(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)**
Charge for the year	(27,503)	(70,791)	(3,521)	-	**(101,815)**
Reclassified to assets held for sale (refer to note 23)	100	1,121	7	-	**1,228**
Impairment	(846)	(2,911)	(16)	-	**(3,773)**
Disposals	1,869	2,475	497	-	**4,841**
Effect of translation to presentation currency	497	1,351	67	-	**1,915**
Balance at 31 December 2010	**(78,971)**	**(213,720)**	**(8,214)**	**-**	**(300,905)**
Charge for the year	(24,362)	(60,128)	(3,319)	-	**(87,809)**
Disposals	575	3,356	586	-	**4,517**
Effect of translation to presentation currency	6,274	15,993	480	-	**22,747**
Balance at 31 December 2011	**(96,484)**	**(254,499)**	**(10,467)**	**-**	**(361,450)**
Carrying value					
At 31 December 2009	**243,163**	**341,344**	**27,052**	**111,379**	**722,938**
At 31 December 2010	**223,551**	**309,795**	**23,008**	**81,719**	**638,073**
At 31 December 2011	**196,775**	**299,269**	**13,742**	**109,408**	**619,194**

All amounts are in thousands of US Dollars unless otherwise stated

During the year ended 31 December 2010, the Group determined that a group of fixed assets, mainly associated with the ammonia production facility at VMF, was impaired by USD 3,773 thousand. The main factor contributing to the impairment of the ammonia production facility at VMF was the temporary stoppage of the production of ammonia at VMF. Management decided to stop the production of ammonia at VMF until ammonia market prices recover to a level which will ensure profitability of ammonia production at VMF.

As at 31 December 2011, property, plant and equipment included advances paid for acquisition of the property, plant and equipment in the amount of USD 10,579 thousand (2010: USD 45,914 thousand, 2009: USD 55,110 thousand).

The Group leases certain items of machinery, equipment and transport under a number of finance lease agreements with third parties. As at 31 December 2011, the net book value of leased machinery, equipment and transport was USD 49,331 thousand (2010: USD 45,065 thousand, 2009: USD 53,542 thousand). During the year ended 31 December 2011, the Group acquired USD 15,397 thousand of machinery, equipment and transport under a finance lease (2010: nil). The acquisition represent a non-cash investing and financing activity which is not reflected in the consolidated statement of cash flows.

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 29):

	31 December 2011	31 December 2010	31 December 2009
Machinery, equipment and transport	72,117	136,300	183,973
Buildings and structures	17,543	21,433	49,723
Other	247	1,276	1,563
Total	**89,907**	**159,009**	**235,259**

18. GOODWILL

Cost	31 December 2011	31 December 2010	31 December 2009
Balance at the beginning of the year	**207,121**	**208,715**	**214,851**
Derecognised on disposal of subsidiaries	(493)	-	-
Effect of translation to presentation currency	(11,055)	(1,594)	(6,136)
Balance at the end of the year	**195,573**	**207,121**	**208,715**
Accumulated impairment losses			
Balance at the beginning of the year	**(38,792)**	**(39,091)**	**(40,240)**
Effect of translation to presentation currency	2,071	299	1,149
Balance at the end of the year	**(36,721)**	**(38,792)**	**(39,091)**
Carrying amount			
At the beginning of the year	**168,329**	**169,624**	**174,611**
At the end of the year	**158,852**	**168,329**	**169,624**

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 2011	31 December 2010	31 December 2009
Nitrogen Fertilisers	86,608	91,494	92,197
Phosphate Fertilisers	72,121	76,189	76,775
Other	123	646	652
Total	**158,852**	**168,329**	**169,624**

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 2011	31 December 2010	31 December 2009
Gross margin	22.0%-49.0%	10.0-35.0%	15.0-20.0%
Growth rate	3.0%	3.0%	3.0%
Discount rate	12.4%	14.0%	14.7%
Raw materials price inflation	3.0-6.0%	4.1-15.0%	3.0-18.0%
Exchange rate (RUR to 1 USD)	31.0	31.0	32.2

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.

19. INVESTMENTS IN ASSOCIATES

Details of the Group’s associates are as follows:

		Effective ownership, %		
Name of associate	**Principal activity**	**31 December 2011**	**31 December 2010**	**31 December 2009**
Mineral Fertilisers OJSC (“PMF”)	Production of mineral fertilisers	46.5	46.5	46.5
NPK Karbon-Shungit	Mining and processing	49.7	49.7	49.7
ZhDTsekh	Other services	50.0	50.0	50.0

All amounts are in thousands of US Dollars unless otherwise stated

Summarised financial information in respect of the Group's associates is presented below:

	31 December 2011	31 December 2010	31 December 2009
Total assets	219,249	274,573	263,942
Total liabilities	(32,098)	(28,234)	(25,682)
Net assets	**187,151**	**246,339**	**238,260**
Group's share of net assets of associates	**87,669**	**115,159**	**111,357**

	Year ended 31 December 2011	Year ended 31 December 2010
Revenue	332,662	245,922
Profit for the period	106,464	47,965
Share of profit of associates	49,541	22,257

20. INVENTORIES

	31 December 2011	31 December 2010	31 December 2009
Inventories expected to be recovered after twelve months			
Catalytic agents	28,021	29,983	25,583
Other inventories	2,729	2,721	4,022
	30,750	**32,704**	**29,605**
Inventories expected to be recovered in the next twelve months			
Raw materials, net of allowance for obsolescence	51,748	51,556	48,552
Finished goods	52,024	54,287	37,456
Work in-progress	7,269	6,785	10,311
Goods for resale	2,010	310	5,183
	113,051	**112,938**	**101,502**
Total	**143,801**	**145,642**	**131,107**

During the year ended 31 December 2011, the Group recognised a write down of USD 3,311 thousand to reduce the carrying amount of inventories to net realisable value (2010: USD 2,224 thousand). At 31 December 2011, inventories in the amount of USD 64,263 thousand were stated at net realisable value (2010: USD 5,526 thousand; 2009: USD 18,784 thousand).

At 31 December 2011, raw materials were presented net of allowance for obsolescence of USD 4,206 thousand (2010: USD 4,902 thousand; 2009: USD 4,902 thousand). During the year ended 31 December 2011, the Group recognised USD 385 thousand (2010: USD 1,119 thousand; 2009: USD 281 thousand) and released USD 1,283 thousand (2010: USD 1,119 thousand; 2009: USD 794 thousand) of allowance for obsolescence of raw materials.

All amounts are in thousands of US Dollars unless otherwise stated

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

	31 December 2011	31 December 2010	31 December 2009
Carrying value of pledged inventories (refer to note 29)	6,611	38,981	58,492

21. AVAILABLE-FOR-SALE INVESTMENTS

At 31 December 2011, available-for-sale investments represent a 9.7% investment in Open Joint Stock Company Togliattiazot OJSC ("Togliattiazot") of USD 167,037 thousand (2010: USD 176,459 thousand; 2009: USD 177,779 thousand) and other available-for-sale investments of USD 73 thousand (2010: USD 71 thousand; 2009: USD 58 thousand). The available-for-sale investment in Togliattiazot is accounted for at cost as the fair value of the investment cannot be reliably measured.

22. OTHER FINANCIAL ASSETS

	31 December 2011	31 December 2010	31 December 2009
Non-current			
Loans issued, at amortised cost	91	4,833	7,359
	91	**4,833**	**7,359**
Current			
Loans issued, at amortised cost	6,361	583	35,931
Promissory notes of related parties, at amortised cost	330	349	351
Promissory notes, at amortised cost	62	429	326
Other financial assets	155	328	365
	6,908	**1,689**	**36,973**
Total	**6,999**	**6,522**	**44,332**

As at 31 December 2011, interest rates on loans issued, predominantly denominated in USD, varied from 6.0% to 15.5% (2010: from 6.0% to 17.0%; 2009: from 5.0% to 19.5%) per annum.

23. ASSETS HELD FOR SALE

The Group decided to cease in 2010 the development of the Sordinsky Plot at the Vyatsko-Kamsky phosphate deposit to sell the fixed assets which were purchased exclusively for the development of this project. Certain of these assets were sold during the year ended 31 December 2011. As at 31 December 2011, the net selling price of the remaining assets after deduction of the related costs to sell was estimated at USD 6,163 thousand. As of 31 December 2010, the selling price of these assets net of costs to sell was estimated at USD 9,274 thousand which was USD 7,374 thousand lower than the original carrying value of these assets prior to their reclassification to assets held for sale.The write down of the assets to their net selling price was recorded as an impairment loss in 2010.

All amounts are in thousands of US Dollars unless otherwise stated

24. TRADE AND OTHER RECEIVABLES

	31 December 2011	31 December 2010	31 December 2009
Trade receivables	81,767	81,761	33,890
Other receivables	10,105	13,390	5,949
	91,872	**95,151**	**39,839**
Less: allowance for doubtful receivables	(3,068)	(3,637)	(3,260)
	88,804	**91,514**	**36,579**
Total	**88,804**	**91,514**	**36,579**

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 2011, the Group's five largest debtors (individually exceeding more than 8.0% (2010: 5.8%; 2009: 4.7%) of the total current receivables balance) represented 58.4% (2010: 61.4%; 2009: 45.1%) of the outstanding balance of accounts receivable.

Included in the Group's receivables balance at 31 December 2011 are debtors of USD 7,741 thousand (2010: USD 9,398 thousand; 2009: USD 7,810 thousand) which are past due but not impaired. The Group did not hold any collateral over these outstanding balances. The weighted average age of these receivables is 239 days (2010: 264 days; 2009: 348 days).

Movements in the allowance for doubtful receivables were as follows:

	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2009
Balance at the beginning of the year	**3,637**	**3,260**	**3,740**
Recognised in the income statement	3,375	1,741	1,498
Amounts written-off	(3,479)	(892)	(1,862)
Amounts recovered during the year	(307)	(447)	(63)
Effect of translation to presentation currency	(158)	(25)	(53)
Balance at the end of the year	**3,068**	**3,637**	**3,260**

All amounts are in thousands of US Dollars unless otherwise stated

25. ADVANCES PAID AND PREPAID EXPENSES

	31 December 2011	31 December 2010	31 December 2009
Long-term			
Advances paid for the acquisition of PMF shares (refer to note 39)	27,448	-	-
	27,448	**-**	**-**
Short-term			
Advances for transportation services	23,707	25,758	7,038
Advances paid for apatite	5,311	6,699	2,733
Advances paid for supply of natural gas	56	832	11,522
Other advances and prepaid expenses	11,975	15,160	11,659
	41,049	**48,449**	**32,952**
Total	**68,497**	**48,449**	**32,952**

26. OTHER TAXES RECEIVABLE

	31 December 2011	31 December 2010	31 December 2009
Value added tax reimbursable	82,325	53,600	94,234
Other taxes	940	1,188	1,072
Total	**83,265**	**54,788**	**95,306**

27. CASH AND CASH EQUIVALENTS

	31 December 2011	31 December 2010	31 December 2009
Current accounts, including:			
EUR-denominated	31,205	1,792	8,660
USD-denominated	28,493	25,405	25,886
RUR-denominated	7,440	8,978	3,378
Bank deposits maturing within three months:			
USD-denominated	163,510	2,258	65
RUR-denominated	21,827	7,927	15,616
Other cash and cash equivalents	91	50	53
Total	**252,566**	**46,410**	**53,658**

At 31 December 2011, interest rates on deposits at UniCredit Bank, Bank Vozrozhdenie, Sberbank, HCBS, Nordea Bank, MKB Bank and VTB Bank varied from 0.3% to 6.3% (2010: 1.8% to 5.0%; 2009: 0.5% to 4.8%) per annum.

All amounts are in thousands of US Dollars unless otherwise stated

28. SHARE CAPITAL

	Number of authorised ordinary shares		Number of issued ordinary shares		
	Class A	Class B	Class A	Class B	Share capital
Balance at 31 December 2009, 2010	**10,110**	**359,989,890**	**10,110**	**174,989,890**	**1,374**
Issue of ordinary shares on 18 November 2011 with par value of EUR 1.71 each	10	-	10	-	1
Balance at 31 December 2011	**10,120**	**359,989,890**	**10,120**	**174,989,890**	**1,375**

The additional share issue was partly paid in the amount of USD 13,410 thousand.

Retained earnings and dividends

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

Earnings per share

Earnings per share were calculated by dividing net profit attributable to shareholders of the Company for the years ended 31 December 2011 and 2010 by the weighted average number of ordinary shares in issue during the respective year.

29. LOANS AND BORROWINGS

	31 December 2011	31 December 2010	31 December 2009
Loans denominated in USD	949,512	1,163,365	1,149,585
Loans denominated in RUR	180,731	190,941	262,955
Loans denominated in EUR	-	-	8,165
Promissory notes	-	-	265
Total	**1,130,243**	**1,354,306**	**1,420,970**
Less: current portion repayable within twelve months and shown under current liabilities	(338,275)	(473,263)	(533,604)
Long-term portion of loans and borrowings	**791,968**	**881,043**	**887,366**

Loans denominated in USD

In December 2011, the Group obtained a new credit facility from Sberbank in the amount of USD 60,000 thousand, of which USD 31,300 thousand wasn’t withdrawn yet. The annual interest rate under the new loan was set at Libor 3m + 5.1%.

In October 2011, the Group restructured the loan in the amount of USD 700,000 thousand. First part of the loan in the amount of USD 400,000 thousand was extended from December 2013 to September 2016. The second part in the amount of USD 300,000 thousand was extended from December 2013 to October 2014. The commission for loan restructuring amounted to USD 4,200 thousand. The annual interest rate under previous loan was set at Libor 3m + 7.4%. The annual interest rates under new loans were set at Libor 3m + 4.0% for the loan in the amount of USD 300,000 thousand and Libor 3m + 5.0% for the loan in the amount of USD 400,000 thousand.

In February 2011, the Group reached an agreement with UniCredit Bank to extend the repayment of short-term loans in the amount of USD 190,000 thousand from February 2011 to May 2012. The annual interest rate on these facilities decreased from Libor 1m + 5.9% - 6.2% to Libor 1m + 5.8% per annum.

In January 2011, the Group reached an agreement with Raiffeisen Bank to partly extend the repayment of a short-term loan denominated in USD in the amount of USD 57,000 thousand from January 2011 to May 2012. The agreement requires early partial repayment of the amount extended in the event of an IPO or bond offering made by the Group. The average interest rate on the loan remained unchanged.

The loans denominated in USD had a weighted average annual interest rate of 5.9% during the year ended 31 December 2011 (2010: 8.1%; 2009: 9.7%) and included the following borrowings:

- USD 2,738 thousand (2010: USD 84,797 thousand; 2009: USD 795,354 thousand) at fixed rates varying from 6.2% to 9.0% (2010: from 7.0% to 9.0%; 2009: from 7.0% to 11.5%) per annum;
- USD 946,774 thousand (2010: USD 1,002,118 thousand; 2009: USD 260,225 thousand) at floating rates linked to Libor 1m and Libor 3m, varying from 4.4% to 7.0% (2010: from 6.2% to 7.7%; 2009: from 5.2% to 9.2%) per annum.

The loans denominated in USD are due in the years 2012 to 2016. As at 31 December 2011, USD-denominated loans in the amount of USD 684,562 thousand (2010: USD 1,144,504 thousand; 2009: USD 1,048,268 thousand) were secured by 49.0% of UralChem OJSC’s shares (2010: 100.0%; 2009: nil) and certain fixed assets and inventories (refer to notes 17 and 20).

Loans denominated in RUR

In June 2011, the Group obtained a credit facility from Sberbank in the amount of USD 35,622 thousand, which matures in June 2013. The annual interest rate on this facility is settled at MosPrime rate + 3.9% per annum.

In August 2011, the Group reached an agreement with Sberbank to reduce the annual interest rate from 13.0% to 9.0% for the loan in amount USD 149,320 thousand.

Loans denominated in RUR consist of a loan of USD 149,639 thousand (2010: USD 158,080 thousand, 2009: USD 159,375 thousand) that bears interest at a fixed rate of 9.0% (2010: 13.0%; 2009: 16.0%) per annum and is repayable in quarterly instalments starting from 20 June 2012 with the final instalment due on 24 June 2013 and other loans of USD 31,093 thousand (2010: USD 32,861 thousand; 2009: USD 103,580 thousand) that bear interest at floating rate linked to MosPrime 3m + 3.9% (2010: 10.0%; 2009: from 14.5% to 16.0%) per annum and are due in June 2013.

The loans are secured by 100.0% of UralChem OJSC’s shares (2010: 100.0%), 74.8% of VMF’s shares (2010: 74.8%; 2009: 74.8%), 96.8% of KCCW MFP’s shares (2010: 87.4 %; 2009: 100.0%) and 44.3% of PMF’s shares (2010: 44.3%; 2009: nil) held by the Group and certain fixed assets and inventories (refer to notes 17 and 20).

All amounts are in thousands of US Dollars unless otherwise stated

Total loans and borrowings were repayable as follows:

	31 December 2011	31 December 2010	31 December 2009
Due within three months	156,083	268,756	166,150
Due from three to six months	116,423	37,399	190,792
Due from six to twelve months	65,769	167,108	176,662
Total current portion repayable within twelve months	**338,275**	**473,263**	**533,604**
Due in the second year	168,712	414,988	199,867
Due in the third year	273,870	466,055	317,142
Due in the fourth year	174,693	-	370,357
Due in the fifth year	174,693	-	-
Total long-term portion of loans and borrowings	**791,968**	**881,043**	**887,366**

As at 31 December 2011, 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;
- set-up limit for the Group total amount of loans and borrowings not exceeding USD 1,400,000 thousand;
- 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;
- set-up limit for the annualised "net debt/EBITDA" ratio not exceeding 3.5; and
- set-up limits for disposal of assets with a carrying value of more than USD 3,106 thousand for OJSC UralChem.

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

30. 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 153 months. For the year ended 31 December 2011 the weighted average effective annual interest rate was 12.5% (2010: 11.2%; 2009: 11.7%). All leases are on a fixed repayment basis and are predominantly denominated in USD; insignificant part of leases is RUR-denominated.

	Minimum lease payments			Present value of minimum lease payments		
	31 December			31 December		
	2011	2010	2009	2011	2010	2009
Due within one year	13,675	11,250	12,264	12,788	10,604	11,500
Due from two to five years	48,237	40,458	43,351	34,090	29,373	31,451
Due thereafter	13,598	17,105	25,513	6,294	8,170	11,643
	75,510	**68,813**	**81,128**	**53,172**	**48,147**	**54,594**
Less: future finance charges	(22,338)	(20,666)	(26,534)	-	-	-
Present value of lease liabilities	**53,172**	**48,147**	**54,594**	**53,172**	**48,147**	**54,594**
Less: amount due for settlement within one year and shown under current liabilities				(12,788)	(10,604)	(11,500)
Total non-current finance lease liabilities				**40,384**	**37,543**	**43,094**

All amounts are in thousands of US Dollars unless otherwise stated

31. TRADE AND OTHER PAYABLES

	31 December 2011	31 December 2010	31 December 2009
Long-term			
Other accounts payable	-	8,936	17,628
	-	**8,936**	**17,628**
Short-term			
Trade accounts payable	24,188	31,116	14,961
Other accounts payable	67,316	46,789	38,302
Provision for unused vacation	10,138	8,769	7,150
Unpaid salaries	5,785	5,421	4,808
Performance bonus	4,875	12,820	-
Payables for property, plant and equipment	3,219	1,651	3,627
Provision for unfavorable court decisions	1,944	7,780	-
Accrued expenses	440	565	454
	117,905	**114,911**	**69,302**
Total	**117,905**	**123,847**	**86,930**

The average credit period on the purchase of inventories and services in the Russian Federation is 46 days (2010: 67 days; 2009: 59 days).

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 2011	31 December 2010	31 December 2009
Due within three months	27,137	32,372	16,782
Due from three to six months	87	120	67
Due from six to twelve months	183	275	1,739
Total	**27,407**	**32,767**	**18,588**

32. RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plan

Social taxes for the year ended 31 December 2011 included contributions to the State Pension Fund in the amount of USD 28,318 thousand (2010: USD 19,994 thousand; 2009: USD 16,120 thousand).

At 31 December 2011, outstanding contributions to the State Pension Fund amounted to USD 1,331 thousand (2010: USD 749 thousand; 2009: USD 806 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 2011 and 2010 was performed by an independent actuary.

All amounts are in thousands of US Dollars unless otherwise stated

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 (2010: USD 16; 2009: USD 16) to two monthly salaries, depending on the seniority of employee;
- *quarterly allowance* varying from USD 9 to USD 16 (2010: from USD 13 to USD 16; 2009: from USD 7 to USD 12) for the rest of his/her life;
- *one-time payment upon death* varying from USD 137 to three official minimum monthly salaries (2010: from 144 to three official minimum monthly salaries; 2009: from USD 139 to ten official minimum monthly salaries). As at 31 December 2011 the official minimum monthly salary was USD 143 (2010: USD 142; 2009: USD 144); 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 2011	31 December 2010	31 December 2009
Discount rate	8.0%	7.5%	9.5%
Expected salary increase	9.7%	9.2%	9.7%
Expected pension increase	5.5%	5.0%	5.5%
Employee turnover rate	5.0%	5.0%	5.0%
Age of retirement			
Male	55 years	53 years	53 years
Female	52 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

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

	Year ended 31 December 2011	Year ended 31 December 2010
Actuarial (gain)/loss recognised in the year	(400)	1,093
Interest expense	679	698
Gain on settlements	-	(609)
Current service cost	249	198
Total pension costs recognised in the income statement	**528**	**1,380**

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

	31 December 2011	31 December 2010	31 December 2009
Present value of unfunded defined benefit obligations	8,374	8,655	7,635

All amounts are in thousands of US Dollars unless otherwise stated

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

	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2009
Balance at the beginning of the year	**8,655**	**7,635**	**8,798**
Actuarial (gain)/loss recognised in the year	(400)	1,093	(1,599)
Interest expense	679	698	716
Current service cost	249	198	247
Benefits paid	(331)	(298)	(233)
Gain on settlements	-	(609)	-
Effect of translation to presentation currency	(478)	(62)	(294)
Balance at the end of the year	**8,374**	**8,655**	**7,635**

33. DEFERRED TAXES

	1 January 2011	(Charged)/ credited to the income statement	Effect of translation to presentation currency	31 December 2011
Property, plant and equipment	(47,914)	(648)	2,614	(45,948)
Inventories	279	4,897	(442)	4,734
Trade and other receivables	1,594	75	(92)	1,577
Trade and other payables	5,292	(1,401)	(161)	3,730
Obligations under finance leases	9,624	1,647	(658)	10,613
Tax loss carried forward	59,027	(30,690)	(411)	27,926
Other	776	(2,753)	258	(1,719)
Total	**28,678**	**(28,873)**	**1,108**	**913**

	1 January 2010	(Charged)/ credited to the income statement	Effect of translation to presentation currency	31 December 2010
Property, plant and equipment	(72,731)	24,348	469	(47,914)
Inventories	(4,415)	4,676	18	279
Trade and other receivables	660	942	(8)	1,594
Trade and other payables	(151)	5,462	(19)	5,292
Obligations under finance leases	10,887	(1,183)	(80)	9,624
Tax loss carried forward	68,811	(9,226)	(558)	59,027
Other	(1,787)	2,495	68	776
Total	**1,274**	**27,514**	**(110)**	**28,678**

All amounts are in thousands of US Dollars unless otherwise stated

	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
Other	(5,348)	3,252	309	(1,787)
Total	**(67,558)**	**63,787**	**5,045**	**1,274**

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 2011	31 December 2010	31 December 2009
Deferred tax assets	51,466	72,305	55,153
Deferred tax liabilities	(50,553)	(43,627)	(53,879)
Total	**913**	**28,678**	**1,274**

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

	31 December 2011	31 December 2010	31 December 2009
Russian subsidiaries	675,828	644,002	676,394
Other subsidiaries	37,728	11,704	(9,584)
Total	**713,556**	**655,706**	**666,810**

At 31 December 2011, the Group had unused tax losses of USD 27,926 thousand (2010: USD 59,027 thousand, 2009: USD 68,811 thousand) available for offset against future profits. The majority of tax losses will expire in 2013.

34. OTHER TAXES PAYABLE

	31 December 2011	31 December 2010	31 December 2009
Social taxes	1,602	1,161	948
Property tax	683	1,203	1,088
Value added tax	431	1,168	1,925
Other taxes	2,344	1,768	2,679
Total	**5,060**	**5,300**	**6,640**

All amounts are in thousands of US Dollars unless otherwise stated

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 company or entities under common ownership.

The Group had the following outstanding balances with related parties:

	31 December 2011	31 December 2010	31 December 2009
Parent company			
Other receivables	-	-	35,116
Loans and borrowings	(2,627)	(18,754)	(1,087)
Other payables	(42,634)	(51,323)	(47,628)
Entities under common ownership and control			
Trade and other receivables	3,604	5,070	4,277
Advances paid and prepaid expenses	608	-	-
Promissory notes of related parties, at amortised cost	330	349	351
Loans issued, at amortised cost	-	-	1,781
Trade and other payables	(1,754)	(1,621)	(2,816)
Advances received	(92)	-	-

The Group entered into the following transactions with related parties:

	Year ended 31 December 2011	Year ended 31 December 2010
Parent company		
Loans issued	-	(19,839)
Proceeds from repayment of loans issued	-	38,580
Interest income	904	78
Interest expense	(4,017)	-
Other expense	-	(201)
Entities under common ownership and control		
Sales of goods and services	51,853	41,999
Purchases of goods and services	(12,662)	(9,689)
Proceeds from repayment of loans issued	-	1,519
Interest income	4	155
Other income	2,202	659

Included in the Group's receivables balance at 31 December 2011 were amounts receivable from related parties of USD 1,048 thousand which were past due but not impaired (2010: USD 1,429 thousand, 2009: USD 2,472 thousand).

Transactions with related parties

Sale and purchases of goods

Sales of goods to related parties were made on market terms. 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 raw materials for production of nitrogen fertilisers were made at market prices plus an insignificant premium of 1.0% to 2.0% as reimbursement for operating expenses of those entities.

Loans received from related parties

As at 31 December 2011, the USD-denominated loan received from the parent company in the amount of USD 2,627 thousand (31 December 2010: USD 18,754 thousand, 31 December 2009: USD 1,087 thousand) bears interest at a fixed rate of 6.2% (31 December 2010: 7.0%; 31 December 2009: 7.0%) per annum.

Dividends received from related parties

During the year ended 31 December 2011, the Group received dividends from PMF in the amount of USD 64,909 thousand. The Group is obliged to transfer USD 13,174 thousand from this amount to it's parent company in accordance with the terms of the original purchase agreement. This amount has been recorded in other payables in the consolidated statement of financial position and recorded as a distribution to shareholders in the consolidated statement of changes in equity.

During the year ended 31 December 2011, the Group received dividends from NPK Karbon-Shungit in the amount of USD 160 thousand.

During the year ended 31 December 2010, the Group received dividends from PMF in the amount of USD 16,423 thousand. The Group is obliged to transfer USD 15,638 thousand from this amount to it's parent company in accordance with the terms of the original purchase agreement. This amount has been recorded in other payables in the consolidated statement of financial position and recorded as a distribution to shareholders in the consolidated statement of changes in equity. As at 31 December 2011, the liability was fully settled.

Compensation of key management personnel

The compensation of key management personnel of the Group for the year ended 31 December 2011 comprised salaries and cash bonuses in the amount of USD 13,709 thousand (2010: USD 10,966 thousand), including social taxes in the amount of USD 238 thousand (2010: USD 214 thousand).

36. COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 31 December 2011, the Group's contractual capital commitments for acquisition of property, plant and equipment amounted to USD 8,175 thousand (2010: USD 4,684 thousand; 2009: USD 13,250 thousand).

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.

All amounts are in thousands of US Dollars unless otherwise stated

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

	31 December 2011	31 December 2010	31 December 2009
Due in one year	39,250	29,280	18,748
Due from two to five years	33,616	46,082	46,840
Total	**72,866**	**75,362**	**65,588**

Litigation

The Group has a number of claims and litigation 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.

As at 31 December 2011, the Group has a number of claims with tax authority relating to non-payment of tax on intercompany dividends in the amount of USD 23,137 thousand, tax effect on loss incurred on liquidation of VMF's subsidiary in the amount of USD 2,325 thousand and tax effect on loss from derivative financial instruments in the amont of USD 3,399 thousand. 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 and social taxes, 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.

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 2011, 2010 and 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 as the majority of loans and borrowings were renegotiated in 2011, 2010 and 2009 (refer to note 29).

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 and promissory notes.

All amounts are in thousands of US Dollars unless otherwise stated

	31 December 2011	31 December 2010	31 December 2009
Financial assets			
Cash and cash equivalents	252,566	46,410	53,658
AFS investments	167,110	176,530	177,837
Loans issued and accounts receivable	95,256	96,930	79,869
Promissory notes of third parties, at amortised cost	62	429	326
Promissory notes held by related parties, at amortised cost	330	349	351
Other financial assets	155	328	365
Total financial assets	**515,479**	**320,976**	**312,406**
Financial liabilities			
Loans and borrowings	1,130,243	1,354,306	1,420,970
Trade and other payables	95,372	88,492	74,518
Obligations under finance leases	53,172	48,147	54,594
Total financial liabilities	**1,278,787**	**1,490,945**	**1,550,082**

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.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at 31 December 2011, 2010 and 2009 were as follows:

	USD-denominated			EUR-denominated		
			31 December			31 December
	2011	**2010**	**2009**	**2011**	**2010**	**2009**
Assets						
Trade and other receivables	69,907	41,695	9,092	586	4	3,588
Other financial assets	-	-	35,116	-	-	-
Cash and cash equivalents	191,613	27,497	25,881	13,013	246	7,892
Total assets	**261,520**	**69,192**	**70,089**	**13,599**	**250**	**11,480**

All amounts are in thousands of US Dollars unless otherwise stated

	USD-denominated			EUR-denominated		
	31 December			31 December		
	2011	**2010**	**2009**	**2011**	**2010**	**2009**
Liabilities						
Loans and borrowings	949,401	1,162,642	1,148,367	-	-	8,165
Obligations under finance leases	56,105	48,004	53,808	-	-	-
Trade and other payables	8,022	2,737	47,842	393	162	811
Total liabilities	**1,013,528**	**1,213,383**	**1,250,017**	**393**	**162**	**8,976**
Total net (liabilities)/assets	**(752,008)**	**(1,144,191)**	**(1,179,928)**	**13,206**	**88**	**2,504**

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		
	2011	**2010**	**2009**	**2011**	**2010**	**2009**
Profit/(loss)	75,201	114,419	117,993	(1,321)	(9)	(250)

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

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 table below details the Group's sensitivity to an increase of 1.0% in the Libor 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 2011	**31 December 2010**	**31 December 2009**
Loss	9,468	10,021	2,600

Impacts of sensitivity as loss analysis on equity would be the same as that on profit 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 2011, revenue from the Group's five largest customers constituted over 23.1% of the Group's total revenue (2010: 25.7%; 2009: 23.6%). 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.

All amounts are in thousands of US Dollars unless otherwise stated

At 31 December 2011, amounts receivable from the Group's five largest customers were USD 13,783 thousand (2010: USD 43,516 thousand; 2009: USD 4,968 thousand), which represented approximately 15.5% of the total current outstanding balance of accounts receivable (2010: 49.2%; 2009:13.6%).

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.

Presented below is the maturity profile of the Group's financial liabilities (the maturity profile for trade accounts payable and payables for property, plant and equipment is presented in note 31) as at 31 December 2011, 2010 and 2009 based on undiscounted contractual payments, including interest payments:

					31 December 2011
	Fixed rate financial liabilities, at amortised cost				
	Obligations under finance leases		**Loans and borrowings**		**Total**
	Principal	**Interest**	**Principal**	**Interest**	
Due within three months	3,334	73	7	3,637	**7,051**
Due from three to six months	3,237	168	32,923	3,384	**39,712**
Due from six to twelve months	6,236	627	64,614	6,469	**77,946**
Due in the second year	11,378	2,217	53,326	2,458	**69,379**
Due in the third year	9,429	3,287	2	-	**12,718**
Due in the fourth year	7,071	3,918	-	-	**10,989**
Due in the fifth year	6,225	4,712	-	-	**10,937**
Due thereafter	6,262	7,336	-	-	**13,598**
	53,172	**22,338**	**150,872**	**15,948**	**242,330**
	Floating rate financial liabilities, at amortised cost				
Due within three months	-	-	150,500	18,031	**168,531**
Due from three to six months	-	-	83,500	10,791	**94,291**
Due from six to twelve months	-	-	-	19,476	**19,476**
Due in the second year	-	-	119,725	37,260	**156,985**
Due in the third year	-	-	284,444	30,248	**314,692**
Due in the fourth year	-	-	177,778	19,110	**196,888**
Due thereafter	-	-	177,778	7,166	**184,944**
	-	**-**	**993,725**	**142,082**	**1,135,807**
Total	**53,172**	**22,338**	**1,144,597**	**158,030**	**1,378,137**

All amounts are in thousands of US Dollars unless otherwise stated

	31 December 2010				
	Fixed rate financial liabilities, at amortised cost				
	Obligations under finance leases		Loans and borrowings		Total
	Principal	Interest	Principal	Interest	
Due within three months	1,477	1,361	14	10,316	**13,168**
Due from three to six months	1,552	1,310	33,172	8,994	**45,028**
Due from six to twelve months	3,076	2,474	159,144	13,823	**178,517**
Due in the second year	6,552	4,467	102,371	13,852	**127,242**
Due in the third year	7,189	3,758	55,372	3,473	**69,792**
Due in the fourth year	7,130	2,976	-	-	**10,106**
Due in the fifth year	6,136	2,250	-	-	**8,386**
Due thereafter	15,035	2,070	-	-	**17,105**
	48,147	**20,666**	**350,073**	**50,458**	**469,344**
	Floating rate financial liabilities, at amortised cost				
Due within three months	-	-	260,000	24,471	**284,471**
Due from three to six months	-	-	-	19,920	**19,920**
Due from six to twelve months	-	-	-	39,840	**39,840**
Due in the second year	-	-	314,433	64,311	**378,744**
Due thereafter	-	-	412,500	18,997	**431,497**
	-	**-**	**986,933**	**167,539**	**1,154,472**
Total	**48,147**	**20,666**	**1,337,006**	**217,997**	**1,623,816**

	31 December 2009				
	Fixed rate financial liabilities, at amortised cost				
	Obligations under finance		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 cost				
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**

39. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Acquisition of controlling interest in PMF in 2012 by the Group

On 19 January, the Group acquired additional 41.2% of PMF's shares for cash consideration of USD 255,429 thousand, increasing its ownership in PMF to 87.7%.

PMF is an unlisted company, specialising in the production of ammonia and urea with its main production facilities located in Perm, Russian Federation. PMF's output is intended both for the domestic and export markets. The main products are primarily sold in export markets.

Up to the date of approval of these consolidated financial statements, the Group has not completed the purchase accounting of PMF therefore the information about fair values of assets and liabilities of PMF, goodwill and non-controlling interests are not disclosed in these consolidated financial statements.

On 1 March 2012, the Group made a mandatory offer to the non-controlling shareholders to sell the shares at USD 400.93 per ordinary share. The management assess the probability of the future outflow of economic benefits as high. The maximum amount of obligation which the Group could potentially face under these offers amounts to USD 79,928 thousand. Sberbank is acting as guarantor of the transaction.

Loans issued and repaid

Up to the date of approval of these consolidated financial statements, the Company issued loans to the parent company in the total amount of USD 6,072 thousand. The loans bear interest at a fixed rate of 6.8%.

Up to the date of approval of these consolidated financial statements, the Group repaid loans in the net amount USD 19,450 thousand. The loans bore interest at annual floating rates from Libor 1m+5.8% to Libor 3m+6.7%.

Transactions with the parent company

On 18 January 2012, the Group settled liabilities to the parent company in the amount of USD 42,634 thousand (refer to notes 31 and 35).

Disposal of available-for-sale investments

On 1 March 2012, the Group through a number of transactions sold 5 ordinary shares or 1.2% of the total outstanding ordinary shares of Togliattiazot to the related parties for a consideration of USD 22,054 thousand, decreasing its ownership in this company to 8.6%.

All amounts are in thousands of US Dollars unless otherwise stated

40. RESTATEMENT

Subsequent to the issuance of the Group’s consolidated financial statements for the year ended 31 December 2010, the Group obtained control over PMF the former associate of the Group (see note 39) and management received complete information to apply equity method of accounting in accordance with the requirements of IAS 28 Investments in Associates. As a result, the consolidated financial statements for the year ended 31 December 2010 were restated.

Subsequent to the issuance of the Group’s consolidated financial statements for the year ended 31 December 2010 management decided to classify prepaid railway tarrif as advances rather than other accounts receivable to achieve a better match between the substance and presentation of the amounts.

The impact of the changes on the consolidated statement of financial position as at 31 December 2010 and 2009 and consolidated income statement for the year ended 31 December 2010 is presented below:

	Notes	Year ended 31 December 2010	Year ended 31 December 2010 - as restated	Restatement and reclassification
CONSOLIDATED INCOME STATEMENT				
Share of profit of associate	19	15,952	22,257	6,305
Income tax		(23,300)	(24,203)	(903)
		(7,348)	**(1,946)**	**5,402**
Basic and diluted earnings per share (US dollar per share)		0.2	0.2	-

	Notes	31 December 2010	31 December 2010 - as restated	Restatement and reclassification
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
Investments in associates	19	34,715	115,159	80,444
Trade and other receivables	24	106,187	91,514	(14,673)
Advances paid and prepaid expenses	25	33,776	48,449	14,673
Foreign currency translation reserve		(68,852)	(69,863)	(1,011)
Accumulated dificit		(262,630)	(181,175)	81,455

	Notes	31 December 2009	31 December 2009 - as restated	Restatement
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
Investments in associates	19	35,304	111,357	76,053
Trade and other receivables	24	40,583	36,579	(4,004)
Advances paid and prepaid expenses	25	28,948	32,952	4,004
Foreign currency translation reserve		(66,636)	(66,636)	-
Accumulated dificit		(259,386)	(183,333)	76,053