OPEN JOINT STOCK COMPANY “ACRON”

International Accounting Standard No. 34

Consolidated Condensed Interim (nine months) Financial Information

30 September 2009

Contents

Consolidated Condensed Interim Balance Sheet as at 30 September 2009 (unaudited) and 31 December 2008

(in thousands of Russian Roubles)

	Note	30 September 2009	31 December 2008
ASSETS			
Non-current assets			
Property, plant and equipment	7	19,473,199	18,053,913
Exploration rights	8	21,256,974	19,624,441
Leasehold land		534,153	458,991
Goodwill		1,271,673	1,271,673
Other non-current assets		1,333,782	1,143,099
Investments in associates	10	-	571,010
Available-for-sale investments	9	16,619,841	6,659,501
Long-term loans receivable		49,015	58,607
Deferred tax assets		304,390	620,085
Total non-current assets		**60,843,027**	**48,461,320**
Current assets			
Inventories		4,871,744	5,538,401
Short-term loans receivable		847,102	920,353
Accounts receivable	6	5,076,515	3,958,728
Cash and cash equivalents	5	9,819,737	4,008,768
Other current assets		390,648	143,406
Total current assets		**21,005,746**	**14,569,656**
TOTAL ASSETS		**81,848,773**	**63,030,976**
EQUITY			
Share capital		3,125,018	3,125,018
Treasury shares		(46,326)	(46,326)
Retained earnings		21,289,723	15,391,110
Revaluation reserve		10,791,690	3,953,534
Other reserves		(248,466)	(248,466)
Cumulative currency translation difference		555,994	189,984
Share capital and reserves attributable to the Company's equity holders		**35,467,633**	**22,364,854**
Minority interest		3,781,369	2,810,532
TOTAL EQUITY		**39,249,002**	**25,175,386**
LIABILITIES			
Non-current liabilities			
Long-term borrowings	12	20,924,543	10,413,584
Finance lease liability		52,671	69,514
Other long-term liabilities		280,842	306,714
Deferred tax liability		3,936,578	2,299,726
Total non-current liabilities		**25,194,634**	**13,089,538**
Current liabilities			
Accounts payable	11	1,979,232	2,291,645
Notes payable		889,718	1,466,581
Current income tax payable		797,249	22,465
Other taxes payable		370,319	216,849
Short-term borrowings	12	11,841,130	18,409,629
Advances received		1,340,816	2,223,679
Finance lease liability		24,347	30,557
Other current liabilities		162,326	104,647
Total current liabilities		**17,405,137**	**24,766,052**
TOTAL LIABILITIES		**42,599,771**	**37,855,590**
TOTAL LIABILITIES AND EQUITY		**81,848,773**	**63,030,976**

Approved for issue and signed on behalf of the Board of Directors on 01 December 2009.

I. N. Antonov
President

A.V. Milenkov
Finance Director

The accompanying notes on pages 5 to 13 are an integral part of this consolidated condensed interim financial information.

Consolidated Condensed Interim Statement of Income
for the nine months ended 30 September 2009 and 30 September 2008 (unaudited)
(in thousands of Russian Roubles, except for per share amounts)

		Nine months ended	
	Note	**30 September 2009**	**30 September 2008**
Revenue		28,354,828	36,294,872
Cost of sales		(17,030,525)	(15,510,300)
Gross profit		**11,324,303**	**20,784,572**
Transportation services		(3,778,132)	(2,090,827)
Selling, general and administrative expenses		(2,930,250)	(3,105,189)
Income / loss on disposal of property, plant and equipment, net		(74,322)	66,297
Other operating income / (expenses), net	14	(464,333)	(141,305)
Operating profit		**4,077,266**	**15,513,548**
Finance income / (loss)	13	9,596	(369,965)
Interest expense		(148,802)	(288,718)
Share of result of associates	10	(130,326)	175,717
Profit from sale of associates		3,731,842	-
Profit before taxation		**7,539,576**	**15,030,582**
Income tax expense	16	(1,752,970)	(3,854,424)
Net profit for the period		**5,786,606**	**11,176,158**
Net profit is attributable to:			
Equity holders of the Company		5,986,538	10,312,344
Minority interest		(199,932)	863,814
Net profit for the period		**5,786,606**	**11,176,158**
Earnings per share for profit for the period attributable to the equity holders of the Company, basic and diluted (expressed in RUB per share)	15	137.49	237.01

(in thousands of Russian Roubles)

	Note	Nine months ended 30 September 2009	Nine months ended 30 September 2008
Cash flows from operating activities			
Profit before taxation		**7,539,576**	**14,402,924**
Adjustments for:			
Depreciation and amortization		981,691	814,862
Reversal of impairment of accounts receivable	6	8,886	(8,774)
Reversal of provision for write-down on inventory		(267,673)	(9,313)
Share of results of associate		130,326	(175,717)
Profit from sale of associates		(3,731,842)	-
Loss on disposal of property, plant and equipment		74,322	66,297
Interest expense		148,802	916,376
Interest income		(86,587)	(151,913)
Dividend income		(29,528)	(130,235)
Foreign exchange effect on non-operating balances		677,180	975,167
Operating cash flows before working capital changes		**5,445,153**	**16,699,674**
(Increase) / decrease in gross trade receivables		(35,357)	(773,970)
(Increase) / decrease in advances to suppliers		(470,307)	(371,331)
(Increase) / decrease in other receivables		(1 023,702)	(18,144)
(Increase) / decrease in inventories		934,330	(1,721,309)
Increase / (decrease) in trade payables		10,554	428,954
Increase / (decrease) in other payables		(197,621)	438,536
Increase / (decrease) in advances from customers		(882,863)	5,201
(Increase) / decrease in other current assets		(247,242)	(417,283)
Increase / (decrease) in other current liabilities		57,679	(13,832)
Net change in other non-current assets and liabilities		(239,608)	(190,893)
Cash generated from operations		**3,351,016**	**14,065,603**
Income taxes paid		(757,830)	(3,570,967)
Interest paid		(1,666,376)	(947,633)
Net cash generated from operating activities		**926,810**	**9,547,003**
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,317,006)	(2,368,768)
Purchase of intangible assets and leasehold land		(73,237)	(18,342,131)
Purchase of treasury shares		-	(210,236)
Proceeds from sale of property, plant and equipment		394,310	8,255
Loans provided		(369,864)	(693,999)
Proceeds from loans repaid		452,707	465,332
Interest received		45,494	105,579
Dividends received		29,528	130,095
Purchase of available-for-sale investments		(29,045)	(635,509)
Proceeds from sale of associates		4,127,527	**-**
Net cash used in investing activities		**2,260,414**	**(21,541,382)**
Cash flows from financing activities			
Dividends paid to shareholders		(427,265)	(2,775,449)
Dividends paid to minority shareholders		(1,562)	(239,013)
Proceeds from borrowings	12	27,201,930	31,119,334
Repayment of borrowings	12	(24,236,675)	(13,784,643)
Net cash provided from (used in) financing activities		**2,536,428**	**14,320,229**
Effect of exchange rate changes on cash and cash equivalents		87,317	146,567
Net increase in cash and cash equivalents		**5,810,969**	**2,472,417**
Cash and cash equivalents at the beginning of the period		**4,008,768**	**1,335,275**
Cash and cash equivalents at the end of the period		**9,819,737**	**3,807,692**

(in thousands of Russian Roubles)

	Share capital and reserves attributable to the Company's equity holders							
	Share capital	**Treasury shares**	**Retained earnings**	**Revaluation reserve**	**Other reserves**	**Cumulative currency translation difference**	**Minority interest**	**Total equity**
Balance at 1 January 2008	**3,125,018**	**(39,737)**	**11,247,092**	**11,207,376**	**-**	**(78,531)**	**2,835,506**	**28,296,724**
Purchase (sale) of subsidiaries	-	-	3,725	-	-	-	339,021	342,746
Treasury shares	-	(210,236)	-	-	-	-	-	(210,236)
Fair value gains on available-for-sale investments (Note 9)	-	-	-	(987,476)	-	-	1,750,973	763,497
Currency translation differences	-	-	-	-	-	18,198	8,871	27,069
Income tax recorded in equity	-	-	-	236,994	-	-	(420,233)	(183,239)
Net income recognized directly in equity	-	(210,236)	3,725	(750,482)	-	18,198	1,678,632	739,837
Profit for the period	-	-	10,312,344	-	-	-	863,814	11,176,158
Total recognized income	-	(210,236)	10,316,069	(750,482)	-	18,198	2,542,446	11,915,995
Dividends declared	-	-	(4,993,464)	-	-	-	(541,477)	(5,534,941)
Balance at 30 September 2008	**3,125,018**	**(249,973)**	**16,569,697**	**10,456,894**	**-**	**(60,333)**	**4,836,475**	**34,677,778**
Balance at 1 January 2009	**3,125,018**	**(46,326)**	**15,391,110**	**3,953,534**	**(248,466)**	**189,984**	**2,810,532**	**25,175,386**
Purchase (sale) of subsidiaries	-	-	(627)	-	-	-	-	(627)
Fair value gains on available-for-sale investments (Note 9)	-	-	-	8,547,694	-	-	1,383,601	9,931,295
Currency translation differences	-	-	-	-	-	366,010	63,888	429,898
Income tax recorded in equity	-	-	-	(1,709,538)	-	-	(276,720)	(1,986,258)
Net income recognised directly in equity	-	-	(627)	6,838,156	-	366,010	1,170,769	8,374,308
Profit for the period	-	-	5,986,538	-	-	-	(199,932)	5,786,606
Total recognised income	-	-	5,985,911	3,838,156	-	366,010	970,837	14,160,914
Dividends declared	-	-	(87,298)	-	-	-	-	(87,298)
Balance at 30 September 2009	**3,125,018**	**(46,326)**	**21,289,723**	**10,791,690**	**(248,466)**	**555,994**	**3,781,369**	**39,249,002**

The accompanying notes on pages 5 to 13 are an integral part of this consolidated condensed interim financial information.

1 Acron Group and Its Operations

This unaudited consolidated condensed interim financial information has been prepared in accordance with International Financial Reporting Standards for the nine months ended 30 September 2009 for Open Joint Stock Company "Acron" (the "Company" or "Acron") and its subsidiaries (together referred to as the "Group" or "Acron Group").

The Group's principal activities include the manufacture, distribution and sales of chemical fertilizers and related by-products. The Group's manufacturing facilities are primarily based in the Novgorodskaya and Smolenskaya oblasts of Russia and also in China. Acron was incorporated as a joint stock company on 19 November 1992. On that date the majority of assets and liabilities previously managed by the state conglomerate "Azot" were transferred to the Company. The transfer of assets and liabilities was made in accordance with Decree No. 721 on the privatisation of state companies approved on 1 July 1992.

The Group's ultimate parent is Subero Associates Inc. (British Virgin Islands) (31 December 2008: Subero Associates Inc). At as 30 September 2009 and 31 December 2008 the Group was ultimately controlled by Mr. Viatcheslav Kantor.

The Company's registered office is at Novgorod the Great, 173012, Russia.

2 Basis of Presentation

This consolidated condensed interim financial information for the nine months ended 30 September 2009 has been prepared in accordance with IAS 34, *Interim Financial Reporting*. This consolidated condensed interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2008.

3 Accounting Policies

The accounting policies adopted are consistent with those of the consolidated financial statements for the year ended 31 December 2008, as described in the consolidated financial statements for the year ended 31 December 2008.

In addition, the following revised and issued standards were adopted in accordance with their transitional provisions and effective dates:

- ***IFRIC 11, IFRS 2 — Group and Treasury Share Transactions*** (effective for annual periods beginning on or after 1 March 2007);
- ***IFRIC 12, Service Concession Arrangements*** (effective for annual periods beginning on or after 1 January 2008);
- ***IFRIC 14, IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*** (effective for annual periods beginning on or after 1 January 2008).

These interpretations did not have any significant effect on the Group's consolidated financial statements.

Reclassification of Financial Assets — Amendments to IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures and a subsequent amendment, Reclassification of Financial Assets: Effective Date and Transition. The amendments allow entities the options (a) to reclassify a financial asset out of the held for trading category if, in rare circumstances, the asset is no longer held for the purpose of selling or repurchasing it in the near term; and (b) to reclassify an available-for-sale asset or an asset held for trading to the loans and receivables category, if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity (subject to the asset otherwise meeting the definition of loans and receivables). The amendments may be applied with retrospective effect from 1 July 2008 for any reclassifications made before 1 November 2008; the reclassifications allowed by the amendments may not be applied before 1 July 2008 and retrospective reclassifications are only allowed if made prior to 1 November 2008. Any reclassification of a financial asset made on or after 1 November 2008 takes effect only from the date when the reclassification is made. The Group has not elected to make any of the optional reclassifications during the period.

3 Accounting Policies (continued)

New Accounting Pronouncements

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. Management is currently assessing what impact the standard will have on segment disclosures in the Group's financial statements.

Puttable Financial Instruments and Obligations Arising on Liquidation — IAS 32 and IAS 1 Amendment (effective for annual periods beginning on or after 1 January 2009). The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities. The Group does not expect the amendment to affect its financial statements.

IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009). The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The Group is currently assessing the impact of the amendment to the standard on its financial statements.

IAS 1, Presentation of Financial Statements (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Group expects the revised IAS 1 to affect the presentation of its financial statements but to have no impact on the recognition or measurement of specific transactions and balances.

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously “minority interests”) even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Group is currently assessing the impact of the amended standard on its financial statements.

Vesting Conditions and Cancellations — Amendment to IFRS 2, Share-based Payment (issued in January 2008; effective for annual periods beginning on or after 1 January 2009). The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Amendment to IFRS 2, Share-based Payment is not currently applicable to the Group as it has no such payments.

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration.

3 Accounting Policies (continued)

Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Group is currently assessing the impact of the amended standard on its financial statements

IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Group's operations because no Group companies operate any loyalty programmes.

IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009). The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions. IFRIC 15 is not relevant to the Group's operations because it does not have any agreements for the construction of real estate

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

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

IFRS 1, First-time Adoption of International Financial Reporting Standards (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The Group concluded that the revised standard does not have any effect on its financial statements.

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

Improving Disclosures about Financial Instruments — Amendment to IFRS 7, Financial Instruments: Disclosures (issued in March 2009; effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity will be required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its

(in thousands of Russian Roubles)

3 Accounting Policies (continued)

financial statements to evaluate the nature and extent of liquidity risk. The Group is currently assessing the impact of the amendment on disclosures in its financial statements.

Other new standards or interpretations. The Group has not currently adopted the following other new standards or interpretations:

- IFRIC 15 – Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009);
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008);
- Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate – IFRS 1 and IAS 27 Amendment (issued in May 2008; effective for annual periods beginning on or after 1 January 2009);
- Eligible Hedged Items – Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009).
- IFRIC 9, IAS 39 – Embedded Derivatives (effective for annual periods ending on or after 30 June 2009; not yet adopted by the EU).
- Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on of after 1 July 2009; amendments to IFRS 5, IAS 1, IAS 7, IAS 17, IAC 36 and IAS 39 are effective for annual periods beginning on of after 1 January 2010).

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's consolidated condensed interim finance information.

4 Balances and Transactions with Related Parties

Related parties are defined in IAS 24, *Related Party Disclosures*. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Company's ultimate controlling party is disclosed in Note 1.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 30 September 2009 and 31 December 2008 are detailed below.

The following turnovers and balances arise from transactions with related parties:

i Balances with related parties

Balance sheet caption	Note	Relationship	30 September 2009	31 December 2008
Trade receivables, gross	6	Parties under common control	83,895	54,651
Provision for impairment of trade receivables	6	Parties under common control	(202)	(40)
Prepayments	6	Parties under common control	7,004	5,000
Loans issued		Parties under common control	309,873	213,200
Other receivables	6	Parties under common control	6,994	669
Loans received		Parties under common control	(8,000)	(8,000)
Trade payables	11	Parties under common control	(26,709)	(17,138)

ii Transactions with related parties

		Nine months ended	
Income statement caption	Relationship	30 September 2009	30 September 2008
Sales of chemical fertilizers	Parties under common control	52,337	77,705
Purchases of raw materials	Parties under common control	(52,760)	(44,382)
Security services	Parties under common control	(110,494)	(99,094)

(in thousands of Russian Roubles)

4 Balances and Transactions with Related Parties (continued)

iii Cross shareholding

At 30 September 2009 JSC Dorogobuzh, a 73.17% subsidiary of the Company (31 December 2008: 72.33%), owned 4,147,246 ordinary shares or 8.7% of the ordinary share capital of the Company (31 December 2008: 4,041,600 ordinary shares or 8.48%). Shares owned by JSC Dorogobuzh are accounted for as treasury shares, but retain their voting rights and dividends.

iv Loans issued

At 30 September 2009 and 31 December 2008 short-term loans to parties under common control totalled RUB 260,858 and RUB 202,200 respectively, at interest rates in the range of 11,3% to 14.2% (31 December 2008: 10% to 14.2%).

At 30 September 2009 and 31 December 2008 long-term loans to parties under common control totalled RUB 49,015 and RUB 11,000 respectively, at interest rates in the range of 11% to 14.2% (31 December 2008: 11.3%).

For nine months ended 30 September 2009 the Group accrued interest income of RUB 24,982 (for nine months ended 30 September 2008: RUB 1,119).

At 30 September 2009 long-term loans to key management members totalled RUB 17,673, at interest rate of 8% (31 December 2008: RUB 17,673).

v Key management personnel compensation

Compensation of key management personnel consists of remunerations paid to the members of the Management Boards of the Group’s main subsidiaries and to members of Boards of Directors of the Company and its main subsidiaries. Compensation is made up of an annual remuneration and a performance bonus depending on operating results.

Total key management personnel compensation included in general and administrative expenses in the income statement for nine months ended 30 September 2009 amounted to RUB 223,708 (for nine months ended 30 September 2008: RUB 145,062). Related state pension and social security costs for nine months ended 30 September 2009 amounted to RUB 5,843 (for nine months ended 30 September 2008: RUB 4,291).

5 Cash and Cash Equivalents

	30 September 2009	31 December 2008
Cash on hand and bank balances denominated in RUB	4,253,623	931,031
Bank balances denominated in USD	3,425,450	1,493,181
Bank balances denominated in EUR	1,282,943	178,335
Bank balances denominated in CAD	4,488	31,597
Bank balances denominated in ESK	12,342	12,859
Bank balances denominated in CNY	840,891	1,361,765
Total cash and cash equivalents	**9,819,737**	**4,008,768**

6 Accounts Receivable

	30 September 2009	31 December 2008
Trade accounts receivable	1,168,730	1,133,373
Notes receivable	5,985	7,131
Other accounts receivable	595,017	232,296
Less: impairment provision	(219,039)	(210,153)
Total financial assets	**1,550,693**	**1,162,647**
Advances to suppliers	2,109,499	1,639,192
Value-added tax recoverable	1,386,548	931,229
Income tax prepayments	2,132	203,877
Other taxes receivable	38,438	32,578
Less: impairment provision	(10,795)	(10,795)
Total accounts receivable	**5,076,515**	**3,958,728**

(in thousands of Russian Roubles)

7 Property, Plant and Equipment

Property, plant and equipment and related accumulated depreciation consist of the following:

	2009	2008
Carrying amount at 1 January	**18,053,913**	**13,726,062**
Additions	2,317,006	3,601,262
Disposals	(119,386)	(74,552)
Charge for the period	(978,954)	(812,203)
Currency translation difference	200,620	252,172
Carrying amount at 30 September	**19,473,199**	**16,692,741**

At 30 September 2009 buildings, machinery, equipment and construction in progress with a net book value of RUB 2,538,625 (31 December 2008: RUB 1,969,649) had been pledged as security for long-term loans.

8 Exploration Rights

Exploration rights comprise of:

Activity	30 September 2009	31 December 2008
Apatite-nepheline ore exploration and mining (Russia)	237,843	237,843
Potash exploration and mining (Russia)	19,340,202	17,929,735
Permits for exploration (Canada)	1,678,929	1,456,863
	21,256,974	**19,624,441**

During the nine months ended 30 September 2009 the Group capitalised borrowing costs associated with license for the exploration and development of the Talitsky section of the Verkhnekamskoye potash-magnesium deposit. For the nine months ended 30 September 2009 total capitalised interest was RUB 1,410,467 at 11.25% (for nine months ended 30 September 2008: RUB 627,658).

9 Available-for-Sale Investments

The Group has investments in the following companies:

Name	Activity	Country of registration	30 September 2009	31 December 2008
JSC Silvinit	Potash mining	Russia	11,377,925	4,311,200
JSC Apatit	Apatite-nepheline ore mining	Russia	4,929,726	2,159,105
Sberbank	Banking	Russia	150,407	56,454
Other			161,783	132,742
			16,619,841	**6,659,501**

For the nine months ended 30 September 2009 fair value gains for available-for-sale investments were recognised directly in equity in the amount of RUB 9,931,295 (for nine months ended 30 September 2008: RUB 763,497). These investments comprise principally equity securities, which are listed on the Russian Trading System. The share price quoted by RTS for JSC Apatit and MICEX for JSC Silvinit amounted to USD 255 and USD 598 for 1 share at 30 September 2009 (USD 114 and USD 231 respectively for 1 share at 31 December 2008).

10 Investments in Associates

	2009	2008
Balance at 1 January	571,010	362,568
Share of income/(loss) before tax	(130,326)	175,717
Disposal	(440,684)	-
Balance at 30 September	**-**	**538,285**

The amount above in represented by the investment of the Group into JSC Sibir Oil and Gas Company. In September 2009 the Group sold 100% of shares OJSC Firma Proekt, owned 21% of JSC Sibir Oil and Gas Company to a third party CJSC ITERA-Vostok for RUB 4,172,527.

(in thousands of Russian Roubles)

11 Accounts Payable

	30 September 2009	31 December 2008
Trade accounts payable	1,064,607	1,054,053
Dividends payable	16,013	445,596
Total financial payables	**1,080,620**	**1,499,649**
Payables to employees	498,611	472,630
Accrued liabilities and other creditors	400,001	319,366
Total accounts payable and accrued expenses	**1,979,232**	**2,291,645**

12 Short-Term and Long-Term Borrowings

The Group's borrowings mature as follows:

	30 September 2009	31 December 2008
Borrowings due:		
- within 1 year	11,841,130	18,409,629
- between 1 and 5 years	16,367,846	5,946,869
- after 5 years	4,556,697	4,466,715
	32,765,673	**28,823,213**

Bank loans denominated in CNY were collateralised by buildings, machinery and equipment with a net book value of RUB 216,680 (31 December 2008: RUB 223,795) and land use right with a net book value of RUB 155,926 (31 December 2008: RUB 35,463). The loans obtained from Chinese banks are secured by guarantees issued by third parties totalled RUB 837,241 (31 December 2008: RUB 862,334).

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

At 30 September 2009 and 31 December 2008 the fair value of borrowings was not materially different from their carrying amounts.

The Group's loan agreements for a total of RUB 5,266,135 (31 December 2008: nil) are collateralised by pledge of securities of JSC Silvinit and property, plant and equipment for a total net value of RUB 156,780 (31 December 2008: nil).

The loan agreements for a total of RUB 4,271,600 (31 December 2008: RUB 4,271,600) were secured by pledge of 100% shares of subsidiary LLC Verkhnekamskaya Kaliynaya Kompaniya.

The Group's loan agreements for a total of RUB 1,930,803 are collateralised by property, plant and equipment for a total of RUB 2,165,165 (31 December 2008: RUB 1,745,854).

At 30 September 2009 unused credit lines available under the long-term loan facilities were RUB 962,950 (31 December 2008: RUB 1,304,739).

The details of the significant short-term loan balances are summarised below:

	30 September 2009	31 December 2008
Short-term borrowings		
RUB		
Loans with fixed interest rates 10% per annum (31 December 2008: of 7% to 14% per annum)	8,000	4,287,700
USD		
Loans with fixed interest rates of 7.6% to 9.85% per annum (31 December 2008: 8,75% per annum)	4,904,026	1,175,215
Loans with floating interest rates of 1m LIBOR+3,6% to 1m LIBOR+9,0% per annum (31 December 2008: of 1m LIBOR+2.5% to 1m LIBOR +5,57% per annum)	5,232,589	11,737,470
CNY		
Loans with fixed interest rates of 5.31% to 7,62% per annum (31 December 2008: of 5,55% to 8,22% per annum)	1,432,123	884,257
Plus: current portion of long-term debt	264,392	324,987
Total short-term borrowings	**11,841,130**	**18,409,629**

(in thousands of Russian Roubles)

12 Short-Term and Long-Term Borrowings (continued)

The details of the significant long-term loan balances are summarised below:

	30 September 2009	31 December 2008
Long-term borrowings		
RUB		
Bonds issued with coupon payments of 14.05% per annum	3,500,000	-
Loans with fixed interest rates of 11.25% per annum (31 December 2008: of 11,25% to 14,0% per annum)	4,271,600	4,271,600
EUR		
Loans with floating interest rates of EURIBOR + 1.3% per annum (31 December 2008: EURIBOR + 1.3% per annum)	1,930,803	1,586,616
USD		
Loans with fixed interest rates of 9.85% to 11.5% per annum	5,702,472	-
Loans with floating interest rates 1 m LIBOR+8,0% per annum (31 December 2008: of 1m LIBOR+3.6% to 1m LIBOR+4.1% per annum)	5,365,440	4,318,919
CNY		
Loans with fixed interest rates of 6,24% to 7.78% per annum (31 December 2008: of 6,24% to 7, 78% per annum)	418,620	561,436
Less: current portion of long-term debt	(264,392)	(324,987)
Total long-term borrowings	**20,924,543**	**10,413,584**

In September 2009 the Group issued 3,500 thousand non-convertible four year Russian rouble denominated bonds (at par value 1,000 of roubles each) totaling RUB 3,500,000 with maturity in September 2013 and half-year coupon payments for the rate of 14.05% per annum for the first four coupons and for the rate to be set by the issuer in accordance with the issue terms and conditions for the coupons from 5 to 8.

The loan agreements for a total of RUB 14,818,576 (31 December 2008: RUB 12,064,352) contain certain covenants including those which require the Group and Group entities to maintain a minimum level of net assets, and impose restrictions on EBITDA/net interest expense ratio and debt/EBITDA ratio. The loan agreements provide for the borrower's obligation to maintain the required level of foreign currency inflows through the accounts opened with the lending banks and stipulate subjective acceleration clauses in case of the borrower's failure to fulfill or appropriately fulfill its obligations to the bank.

The loan agreements for a total of around RUB 1,939,633 (31 December 2008: RUB 2,970,000) contain a covenant, that requires the borrower to maintain a required level of cash flows through the accounts opened with the lending bank. The loan agreement also contains a number of covenants and a subjective acceleration clause in case of the borrower's failure to fulfill its obligations under the loan agreements which include restrictions on material transactions with assets. Also, these covenants permit the respective banks to directly debit the accounts opened by the debtors with the banks to ensure repayment of the borrowings.

13 Finance Income (Loss), net

	Nine months ended	
	30 September 2009	**30 September 2008**
Interest income from loans provided	86,587	151,913
Dividend income	29,528	130,235
Foreign exchange gain	3,917,520	209,106
Foreign exchange loss	(4,024,039)	(861,219)
	9,596	**(369,965)**

14 Other Operating Income (Expenses), net

	Nine months ended	
	30 September 2009	**30 September 2008**
Income / (loss) on disposal of investments	(62,658)	53,980
Charity expenses	(91,492)	(66,761)
Other expenses	(12,680)	(160,850)
Foreign exchange gain	2,212,616	323,943
Foreign exchange loss	(2,510,119)	(291,617)
	(464,333)	**(141,305)**

(in thousands of Russian Roubles)

15 Earnings per Share

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

	Nine months ended	
	30 September 2009	30 September 2008
Weighted average number of shares outstanding	47,687,600	47,687,600
Adjusted for weighted average number of treasury shares	(4,147,246)	(4,177,246)
Weighted average number of shares outstanding	43,540,354	43,510,354
Profit attributable to the equity holders of the Company	**5,986,538**	**10,312,344**
Basic and diluted earnings per share (in Russian roubles) attributable to the equity holders of the Company	**137.49**	**237.01**

16 Income Taxes

	Nine months ended	
	30 September 2009	30 September 2008
Income tax expense – current	1,759,797	3,966,589
Deferred tax expense – origination and reversal of temporary differences	(6,827)	(112,165)
Income tax charge	**1,752,970**	**3,854,424**

17 Contractual Commitments and Contingencies

As at 30 September 2009 the Group had outstanding capital commitments in relation to property, plant and equipment for amount of RUB 296,561 (31 December 2008: RUB 572,548).

The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

As at 30 September 2009 the Group has issued financial guarantees to third parties in respect of borrowings from non-group companies in the amount of RUB 938,150 (31 December 2008: RUB 1,022,678).

18 Subsequent Events

In November 2009 the Group issued 3,500 thousand non-convertible four year Russian rouble denominated bonds (at par value 1,000 of roubles each) totaling RUB 3,500,000 with maturity in November 2013 and half-year coupon payments for the rate of 13.85% per annum for the first five coupons and for the rate to be set by the issuer in accordance with the issue terms and conditions for the coupons from 6 to 8.