IMPORTANT NOTICE

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached prospectus (the "**Prospectus**") and you are advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Prospectus. In accessing the attached Prospectus you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Issuer, EuroChem or the Joint Lead Managers (each as defined below) as a result of such access. The attached Prospectus is intended for the addressee only.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES DESCRIBED IN THE ATTACHED PROSPECTUS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES DESCRIBED IN THE ATTACHED PROSPECTUS MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT); DIRECTLY OR INDIRECTLY, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, REDISTRIBUTION OR REPRODUCTION OF THE ATTACHED PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE ATTACHED PROSPECTUS.

Confirmation of your Representation: In order to be eligible to view the attached Prospectus or make an investment decision with respect to the securities described in the attached Prospectus, investors must comply with the following provisions. You have been sent the attached Prospectus on the basis that you have confirmed to Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited and SIB (Cyprus) Limited (the "**Joint Lead Managers**"), being the senders of the attached Prospectus, that:

(a) you (and each investor that you represent) are either: (A) not a U.S. person (as such term is defined in Regulation S under the Securities Act), are not investing in the Rule 144A Note and the electronic mail address that you have given to us and to which this electronic transmission has been sent is not located in the United States; or (B) a "qualified institutional buyer" (as such term is defined in Rule 144A under the Securities Act) (a "**QIB**") that is also a "qualified purchaser" (within the meaning of Section 2(a)(51) of the United States Investment Company Act of 1940, as amended) (a "**QP**");

(b) you consent to delivery of the attached Prospectus by electronic transmission;

(c) you are a prospective purchaser of the notes referred to in the attached Prospectus (the "**Notes**") and you are a relevant person (as defined below) if in the United Kingdom;

(d) you will not transmit the attached Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of a Joint Lead Manager; and

(e) you acknowledge that the attached Prospectus does not constitute an offer of or an invitation to subscribe for or purchase any of the Notes.

By accepting this electronic transmission and accessing the attached Prospectus, you shall be deemed to have made the above representation and that you consent to delivery of such Prospectus by electronic transmission.

This document is only addressed to and directed at persons in member states of the European Economic Area that have implemented the Directive 2003/71/EC, as amended (the "**Prospective Directive**") who

are ''qualified investors'' within the meaning of Article 2(1)(e) of the Prospectus Directive (''**Qualified Investors**''). In addition, the Prospectus is directed solely at (i) persons outside the United Kingdom, (ii) persons with professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (the ''**Order**''), (iii) high net worth entities, or (iv) any other persons to whom an invitation or inducement to engage in investment activities may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons in (i)-(iv) above being ''**relevant persons**''). Any investment activity to which this communication relates will only be available to and will only be engaged with relevant persons. Any person who is not a relevant person should not act or rely on this communication.

The attached Prospectus or information contained therein is not an offer, or an invitation to make offers, to sell, exchange or otherwise transfer securities in the Russian Federation to or for the benefit of any Russian person or entity and does not constitute an advertisement or offering of securities in the Russian Federation within the meaning of Russian securities laws. Information contained in the attached Prospectus is not intended for any persons in the Russian Federation who are not ''qualified investors'' within the meaning of Article 51.2 of the Federal Law No. 39-FZ ''On the Securities Market'' dated 22 April 1996, as amended (the ''**Russian QIs**'') and must not be distributed or circulated into Russia or made available in Russia to any persons who are not Russian QIs, unless and to the extent they are otherwise permitted to access such information under Russian law. The Notes have not been and will not be registered in Russia and are not intended for ''placement'' or ''circulation'' in Russia (each as defined in Russian securities laws) unless and to the extent otherwise permitted under Russian law.

The attached Prospectus has been delivered to you on the basis that you are a person into whose possession the attached Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Prospectus to any other person.

The attached Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of EuroChem Global Investments Limited (the ''**Issuer**''), Open Joint Stock Company ''Mineral and Chemical Company ''EuroChem'' (''**EuroChem**'', and EuroChem and its subsidiaries taken as a whole being, the ''**Group**'') or the Joint Lead Managers, or any person who controls them, or any director, officer, employee or agent of any of them, or their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the attached Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

You are reminded that no representation or warranty, expressed or implied, is made or given by or on behalf of the Joint Lead Managers, nor any person who controls the Joint Lead Managers or any director, officer, employee or agent of any of them, or their respective affiliates as to the accuracy, completeness or fairness of the information or opinions contained in the attached Prospectus and such persons do not accept responsibility or liability for any such information or opinions.

Neither this electronic transmission nor the attached Prospectus constitutes or contains any offer to sell or invitation to subscribe or make commitments for or in respect of any securities in any jurisdiction where such an offer or invitation would be unlawful. If a jurisdiction requires that the offering of the Notes be made by a licensed broker or dealer, and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in the relevant jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

OPEN JOINT STOCK COMPANY "MINERAL AND CHEMICAL COMPANY "EUROCHEM"

U.S.$750,000,000

5.125 per cent. Loan Participation Notes due 2017 to be issued by, but with limited recourse to, EuroChem Global Investments Limited for the sole purpose of financing a Loan to Open Joint Stock Company "Mineral and Chemical Company "EuroChem", as may be guaranteed from time to time

Issue Price: 100 per cent.

EuroChem Global Investments Limited established as a special purpose vehicle for the purpose of issuing the Notes, is a private company with limited liability incorporated under the laws of Ireland, having its registered office at 31 Fitzwilliam Square, Dublin 2, Ireland, and registered under number 519757 (the "**Issuer**"). The Issuer is issuing an aggregate principal amount of U.S.$750,000,000 5.125 per cent. Loan Participation Notes due 2017 (the "**Notes**") to be issued by, but with limited recourse to the Issuer for the sole purpose of financing a loan (as may be guaranteed from time to time, the "**Loan**") to Open Joint Stock Company "Mineral and Chemical Company "EuroChem" ("**EuroChem**") on the terms of a loan agreement dated 7 December 2012 (as amended or supplemented from time to time, the "**Loan Agreement**") between the Issuer and EuroChem as the borrower, or such other borrower from time to time pursuant to the Loan Agreement (the "**Borrower**"). In accordance with Clause 9 (*Guarantee*) of the Loan Agreement, an entity may, from time to time, accede to guarantee the due payment of all sums expressed to be payable by EuroChem thereunder (hereinafter, the "**Guarantor**"). The Notes are constituted by, are subject to, and have the benefit of, a trust deed to be dated 12 December 2012 (the "**Trust Deed**") between the Issuer and Citibank, N.A., London Branch as trustee (the "**Trustee**") for the benefit of the Noteholders (as defined in the *Terms and Conditions of the Notes*). In the Trust Deed, the Issuer has charged, in favour of the Trustee for itself and for the benefit of the Noteholders, by way of a first fixed charge as security for its payment obligations in respect of the Notes and under the Trust Deed, certain of its rights and interests under the Loan Agreement and the Account (as defined in the Trust Deed). In addition, the Issuer has assigned absolutely certain of its administrative rights under the Loan Agreement to the Trustee.

The Notes are limited recourse obligations of the Issuer. In each case where amounts of principal, interest and additional amounts (if any) are stated to be payable in respect of the Notes, the obligation of the Issuer to make any such payment shall constitute an obligation only to account to the Noteholders, on each date upon which such amounts of principal, interest and additional amounts (if any) are due in respect of the Notes, for an amount equivalent to all principal, interest and additional amounts (if any) actually received and retained (net of tax) by, or for the account of, the Issuer pursuant to the Loan Agreement excluding, however, any amounts paid in respect of Reserved Rights (as defined in the Trust Deed). The Issuer will have no other financial obligation under the Notes. Noteholders will be deemed to have accepted and agreed that they will be relying solely and exclusively on EuroChem's or, as the case may be, the Guarantor's covenant to pay under the Loan Agreement and on the credit and financial standing of EuroChem or, as the case may be, the Guarantor in respect of the payment obligations of the Issuer under the Notes.

Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce any of the provisions in the Loan Agreement or have direct recourse to EuroChem except through action by the Trustee under any of the Security Interests (as defined in the *Terms and Conditions of the Notes*).

On each Interest Payment Date being 12 June and 12 December (each, an "**Interest Payment Date**") in each year, commencing on 12 June 2013 and ending on 12 December 2017, the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest actually received and retained by or for the account of the Issuer pursuant to the Loan Agreement, which interest under the Loan Agreement is equal to 5.125 per cent. per annum from, and including, 12 December 2012 (the "**Issue Date**") to, but excluding 12 December 2017 (the "**Maturity Date**").

The Loan may be prepaid at its principal amount, together with accrued interest, at the option of the Borrower or, as the case may be, the Guarantor. for tax reasons or in the event that it becomes unlawful for the Issuer to fund the advance or allow the Loan to remain outstanding and/or increased costs are due under the Loan Agreement, and thereupon (subject to the receipt of the relevant funds from the Borrower) the principal amount of all outstanding Notes will be prepaid by the Issuer, together with accrued interest.

There is currently no public market for the Notes. The Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**") as competent authority under Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and European Union ("**EU**") law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange (the "**Irish Stock Exchange**") for the Notes to be admitted to the official list (the "**Official List**") and trading on its regulated market (the "**Main Securities Market**"). References in this Prospectus to the Notes being listed (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial institutions.

The Notes will be in registered form. The Notes may be held and transferred, and will be offered and sold, in the principal amount of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof, in each case without interest coupons attached. Notes that are offered and sold outside the United States to non-U.S. persons in reliance on Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**") will be represented by interests in a global registered certificate (the "**Regulation S Global Certificate**") deposited with a common depositary (the "**Common Depositary**") for, and registered in the name of, a nominee of, Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") on or about 12 December 2012 (the "**Closing Date**"). Notes which are offered and sold in the United States to qualified institutional buyers ("**QIBs**"), as defined in Rule 144A under the Securities Act ("**Rule 144A**"), that are also qualified purchasers ("**QPs**"), as defined in Section 2(a)(51) of the United States Investment Company Act of 1940, as amended (the "**Investment Company Act**"), in reliance on the exemption from registration provided by Rule 144A will be represented by interests in a global registered certificate (the "**Rule 144A Global Certificate**" and, together with the Regulation S Global Certificate, the "**Global Certificates**") deposited with a custodian for, and registered in the name of, a nominee of The Depository Trust Company ("**DTC**") on or about the Closing Date. Interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their respective participants. Individual notes in definitive form (the "**Definitive Certificates**") evidencing holdings of Notes will only be available in certain limited circumstances. See *Summary of the Provisions Relating to the Notes in Global Form.*

AN INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CAREFULLY CONSIDER THE RISK FACTORS BEGINNING ON PAGE 14 OF THIS PROSPECTUS BEFORE INVESTING IN THE NOTES.

THE NOTES, THE LOAN IN RESPECT THEREOF AND ANY GUARANTEE OF THE LOAN FROM TIME TO TIME (TOGETHER, THE "SECURITIES") HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, EXCEPT PURSUANT TO CERTAIN EXEMPTIONS, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S'). THE NOTES MAY BE OFFERED AND SOLD (I) WITHIN THE UNITED STATES TO QIBs THAT ARE ALSO QPs IN RELIANCE ON THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144A (THE "RULE 144A NOTES") AND (II) TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S (THE "REGULATION S NOTES"). THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE RULE 144A NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS, SALES AND TRANSFERS OF THE NOTES AND DISTRIBUTION OF THIS PROSPECTUS, SEE *SUBSCRIPTION AND SALE* AND *TRANSFER RESTRICTIONS.*

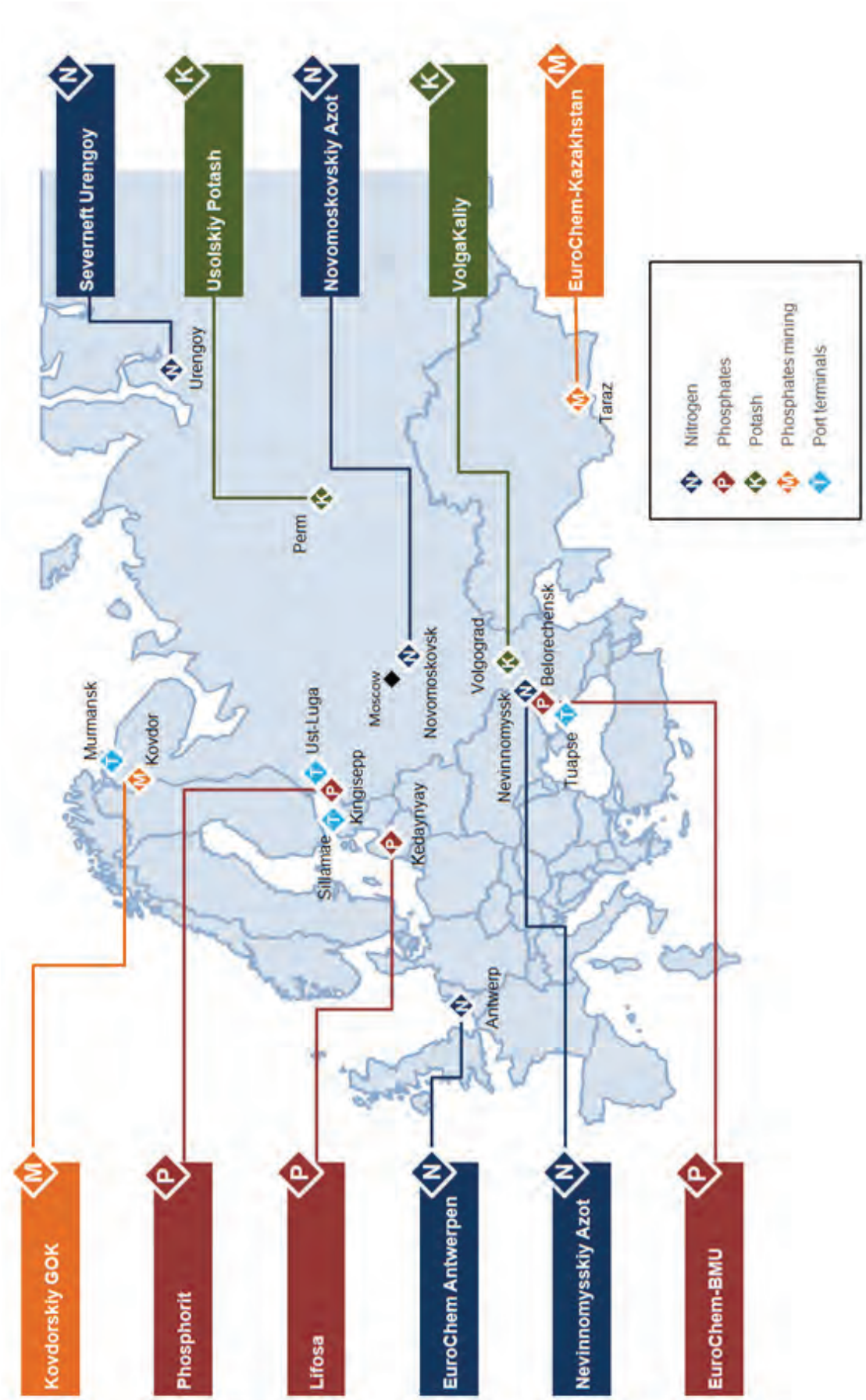
The Notes are expected to be rated BB by Fitch Ratings Ltd ("**Fitch**") and BB by Standard & Poor's Credit Market Services Europe Limited, a division of the McGraw Hill Companies Inc. ("**S&P**"). Each of Fitch and S&P is established in the European Community and registered under Regulation (EC) No. 1060/2009 on credit rating agencies (the "**CRA Regulation**"). The list of credit rating agencies registered in accordance with the CRA Regulation is available on the European Securities and Market Authority's website (http://www.esma/europa.eu/popup2/php?id=7692). A rating is a not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Joint Lead Managers

BARCLAYS **BNP PARIBAS** **CITIGROUP** **SBERBANK CIB**

The date of this Prospectus is 7 December 2012

EUROCHEM AND ITS PRODUCTION AND MINING SUBSIDIARIES



This document comprises a prospectus for the purposes of the Prospectus Directive as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005 (the "**Prospectus Regulations**") and has been prepared for the purpose of giving information with regard to the Issuer, EuroChem and EuroChem and its consolidated subsidiaries taken as a whole (the "**Group**"), the Notes and the Loan which, according to the particular nature of the Issuer, EuroChem, the Group, the Notes and the Loan, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and EuroChem. Each of the Issuer and EuroChem (whose registered office is set out on page 9 of this Prospectus) accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of each of the Issuer and EuroChem (each of which having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

EuroChem, having made all reasonable enquiries, confirms that (i) this Prospectus contains all information with respect to EuroChem, the Group, the Notes and the Loan that is material in the context of the issue and offering of the Notes; (ii) the statements contained in this Prospectus relating to EuroChem and the Group are in every material respect true and accurate and are not misleading; (iii) the opinions, expectations and intentions expressed in this Prospectus with regard to EuroChem and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts with respect to EuroChem, the Group, the Notes or the Loan the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Prospectus misleading in any material respect; and (v) all reasonable enquiries have been made by EuroChem to ascertain such facts and to verify the accuracy of all such information and statements. EuroChem accepts responsibility accordingly.

No representation or warranty, express or implied, is made by the Joint Lead Managers named under *Subscription and Sale* (the "**Joint Lead Managers**"), the Trustee or any of their respective affiliates or any person acting on their behalf as to the accuracy or completeness of the information contained in this Prospectus. Each person receiving this Prospectus acknowledges that such person has not relied on any Joint Lead Manager or the Trustee or any person affiliated with any Joint Lead Manager or the Trustee, in connection with its investigation of the accuracy of such information or its investment decision. Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of EuroChem and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors that may be relevant to it in connection with such investment. This Prospectus may only be used for the purpose for which it has been published.

To the fullest extent permitted by law, the Joint Lead Managers accept no responsibility whatsoever for the contents of this Prospectus or for any other statement made, or purported to be made, by the Joint Lead Managers or on their behalf in connection with the Issuer, EuroChem or the issue and offering of the Notes. The Joint Lead Managers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of this Prospectus or any such statement.

Certain information and data contained in this Prospectus relating to the Russian fertiliser sector and the competitors of EuroChem (which may include estimates and approximations) was derived from publicly available information, including press releases and filings under various regulatory and securities laws. The sources of such information and data include, *inter alia*, the International Fertilizer Association, the United States Department of Agriculture and the Food and Agricultural Organization of the United Nations, as defined herein. In addition, EuroChem and the Issuer have derived some of the information contained in this Prospectus from official data published by Russian government agencies, such as the Central Bank of the Russian Federation (the "**CBR**"). The official data published by Russian federal, regional and local governments is substantially less complete or researched than data published by governmental agencies of Western countries. Official statistics may also be compiled on different bases than those used in Western countries. Any discussion of matters relating to the Russian Federation in this Prospectus may, therefore, be subject to uncertainty due to concerns about the completeness or reliability of available official and public information. The veracity of some official data released by the Russian government may be questionable. See "*Risk Factors – Risks Related to Russia – Incomplete, unreliable or inaccurate official data and statistics could create uncertainty*". Each of EuroChem and the Issuer accepts responsibility that such publicly available information and data has been accurately reproduced and as far as EuroChem and the Issuer are aware and are able to ascertain, no facts have been omitted which would

render such information inaccurate or misleading. However, EuroChem and the Issuer have relied on the accuracy of such publicly available information and data without carrying out an independent verification.

The Prospectus does not constitute an offer of, or an invitation by or on behalf of, the Issuer, EuroChem, the Group or the Joint Lead Managers to subscribe or purchase any Notes. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstance in which such offer or solicitation is not authorised or is unlawful. In particular, this Prospectus is only being distributed to and is only directed at (i) persons outside the United Kingdom, (ii) persons with professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (the "**Order**"), (iii) high net worth entities, or (iv) any other persons to whom an invitation or inducement to engage in investment activities may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons in (i)-(iv) above being "**relevant persons**"). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Persons into whose possession this Prospectus comes are required by the Issuer, EuroChem and the Joint Lead Managers to inform themselves about and to observe any such restrictions. Any consents or approvals that are needed in order to purchase any Notes must be obtained. EuroChem, the Issuer and the Joint Lead Managers are not responsible for compliance with these legal requirements. The appropriate characterisation of any Notes under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase such Notes, is subject to significant interpretative uncertainties. None of the Issuer, EuroChem, the Trustee, the Group or the Joint Lead Managers or any of the respective representatives is making any representation to any offeree or purchaser of the Notes regarding the legality of an investment by such offeree or purchaser under relevant legal investment or similar laws. Such investors should consult their legal advisers regarding such matters. The Securities have not been and will not be registered under the Securities Act. The Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, in a transaction not subject to, the registration requirements of the Securities Act. The Notes are being offered and sold outside the United States to non U.S. persons in reliance on Regulation S and within the United States to QIBs that are also QPs in reliance on the exemption from registration under the Securities Act provided by Rule 144A. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provision of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the Notes and distribution of this Prospectus, see "*Subscription and Sale* and *Transfer Restrictions*".

The information provided in this Prospectus is not an offer or an invitation to make offers, to sell, exchange or otherwise transfer the Notes in the Russian Federation or to, or for the benefit of, any Russian person or entity. This Prospectus does not constitute an advertisement or offering of any securities in the Russian Federation. The Notes have not been and will not be registered in the Russian Federation or admitted to placement or public circulation in the Russian Federation. The information set forth in this Prospectus is not intended for any persons in the Russian Federation who are not "qualified investors" in terms of the Federal Law On the Securities Market ("**Russian QIS**"). This Prospectus must not be distributed into or circulated in the Russian Federation to any persons who are Russian QIS unless and to the extent they are otherwise allowed to access such information. No person should at any time carry out any activities in breach of the restrictions set out in "*Subscription and Sale – Russian Federation*".

None of the Issuer or EuroChem intends to provide any post-issuance transaction information regarding the Notes or the performance of the Loan. No person is authorised to provide any information or to make any representation not contained in this Prospectus, and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, EuroChem, the Group, the Trustee or the Joint Lead Managers. The delivery of this document at any time does not imply that the information contained in it is correct as at any time subsequent to its date. Without limitation to the generality of the foregoing, the contents of EuroChem's or any other member of the Group's website, in addition to any other websites referred to in this Prospectus, as at the date hereof or as at any other date do not form any part of this Prospectus (and, in particular, are not incorporated by reference herein).

This Prospectus has been filed with and approved by the Central Bank as required by the Prospectus Regulations. The Prospectus, as approved by the Central Bank, will be filed with the Irish Companies Registration Office in accordance with Regulation 38(1)(b) of the Prospectus Regulations.

Any investment in the Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Central Bank. The Issuer is not and will not be regulated by the Central Bank as a result of issuing the Notes.

All references herein to "**Russia**" are to the Russian Federation, all references to "**Ireland**" are to Ireland (exclusive of Northern Ireland) and all references to a "**Member State**" are to a Member State of the European Economic Area.

IN CONNECTION WITH THE ISSUE OF THE NOTES, BNP PARIBAS (THE *"STABILISING MANAGER"*) (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN AT ANY TIME AFTER ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE CLOSING DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

NOTICE TO U.S. INVESTORS

EACH PROSPECTIVE PURCHASER OF RULE 144A NOTES OR BENEFICIAL INTERESTS THEREIN, BY ACCEPTING DELIVERY OF THIS PROSPECTUS, SHALL BE DEEMED TO HAVE ACKNOWLEDGED AND AGREED THAT SUCH PROSPECTUS IS PERSONAL TO IT AND DOES NOT CONSTITUTE AN OFFER TO ANY OTHER PERSON OR TO THE PUBLIC GENERALLY TO SUBSCRIBE FOR OR OTHERWISE ACQUIRE SUCH NOTES OTHER THAN PURSUANT TO RULE 144A. DISTRIBUTION OF THIS PROSPECTUS, OR DISCLOSURE OF ANY OF ITS CONTENTS TO ANY PERSON OTHER THAN SUCH OFFEREE AND THOSE PERSONS, IF ANY, RETAINED TO ADVISE IT WITH RESPECT THERETO IS UNAUTHORISED AND ANY DISCLOSURE OF ANY OF ITS CONTENTS, WITHOUT THE PRIOR WRITTEN CONSENT OF THE ISSUER, IS PROHIBITED. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, EXCEPT AS REASONABLY NECESSARY TO COMPLY WITH APPLICABLE SECURITIES LAWS, INVESTORS (AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF THE INVESTORS) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE U.S. FEDERAL TAX TREATMENT AND U.S. FEDERAL TAX STRUCTURE OF THE OFFERING AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO THE INVESTORS RELATING TO SUCH U.S. FEDERAL TAX TREATMENT AND U.S. FEDERAL TAX STRUCTURE (AS SUCH TERMS ARE DEFINED FOR PURPOSES OF SECTIONS 6011, 6111 AND 6112 OF THE U.S. INTERNAL REVENUE CODE AND THE TREASURY REGULATIONS PROMULGATED THEREUNDER).

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("**RSA**") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

UNITED STATES INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

PURSUANT TO UNITED STATES INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO UNITED STATES FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE UNITED STATES INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN. TAXPAYERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

ADDITIONAL INFORMATION

Neither the Issuer nor EuroChem is required to file periodic reports under Section 13 or 15 of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). For so long as either the Issuer or EuroChem is not a reporting company under Section 13 or 15(d) of the Exchange Act, or exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Issuer or EuroChem, as the case may be, will, upon request, furnish to each holder or beneficial owner of Notes that are "restricted securities" (within the meaning of Rule 144(a)(3) under the Securities Act) and to each prospective purchaser thereof designated by such holder or beneficial owner upon request of such holder, beneficial owner or prospective purchaser, in connection with a transfer or proposed transfer of any such Notes pursuant to Rule 144A or otherwise, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The consolidated financial information of the Group set forth herein, as at and for the years ended 31 December 2011, 2010 and 2009, has been derived from the audited consolidated financial statements of the Group as at and for the years ended 31 December 2011, 2010 and 2009 (the "**2011 Consolidated Financial Statements**", the "**2010 Consolidated Financial Statements**" and the "**2009 Consolidated Financial Statements**", respectively, and collectively, the "**Annual Consolidated Financial Statements**"), in each case prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**"). The Annual Consolidated Financial Statements, together with the related independent auditor's reports, are set forth elsewhere in this Prospectus.

The consolidated financial information of the Group set forth herein, as at 30 September 2012 and for the nine months ended 30 September 2012 and 2011, has been derived from the unaudited consolidated condensed interim financial information as at and for the nine months ended 30 September 2012 (the "**Interim Consolidated Financial Information**" and, together with the Annual Consolidated Financial Statements, the "**Group Consolidated Financial Statements**"), prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("**IAS 34**"). The Interim Consolidated Financial Information, together with the related review report, is set forth elsewhere in this Prospectus.

Change in Presentation

During 2010, the Group made changes in presentation to provide information about the nature and effects of transactions on the Group's financial performance and cash flows. In order to present financial information for the year ended 31 December 2009 included in this Prospectus on a basis comparable with the information for the year ended 31 December 2010, the transactions and cash flows for the year ended 31 December 2009 were adjusted as presented below.

The effects of changes in presentation on the consolidated statement of comprehensive income for the year ended 31 December 2009 were as follows:

	For the year ended 31 December 2009
	(RUB in thousands)
Increase in: Cost of sales	1,444,271
Decrease in: Distribution costs	(1,444,271)

The effects of changes in presentation on respective notes to the consolidated statement of comprehensive income for the year ended 31 December 2009 were as follows:

	For the year ended 31 December 2009
	(RUB in thousands)
Increase in: Cost of sales – Materials and components used or resold	1,444,271
Decrease in: Distribution costs – Transportation	(1,444,271)

The effects of changes in presentation of acquisition of interest in subsidiaries on the consolidated statement of cash flows for the year ended 31 December 2009 were as follows:

	For the year ended 31 December 2009
	(RUB in thousands)
Increase in: Net cash – financing activities	(4,255)
Decrease in: Net cash – investing activities	4,255

The 2009 Consolidated Financial Statements presented in this Prospectus have not been adjusted to take into account the changes described above that were effected in 2010. Accordingly, the 2009 Consolidated Financial Statements included elsewhere in this Prospectus are not comparable in all respects to the presentation of the 2009 financial information contained in this Prospectus.

Independent Auditors

ZAO PricewaterhouseCoopers Audit (''**PwC**''), independent auditor, of Butyrsky Val 10, 125047 Moscow, Russian Federation, has audited the Annual Consolidated Financial Statements included elsewhere in this Prospectus. With respect to the Interim Consolidated Financial Information, included elsewhere in this Prospectus, PwC reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate review report dated 14 November 2012 appearing elsewhere in this Prospectus states that they did not audit and do not express an opinion on the Interim Consolidated Financial Information. Accordingly, the degree of reliance on their separate review report on such Interim Consolidated Financial Information should be restricted in light of the limited nature of the review procedures performed. PwC is a member of the Self Regulated Organization non-profit partnership ''Audit Chamber of Russia'' (''*Auditorskaya Palata Rosii*'').

Non-IFRS Measures

This Prospectus includes certain financial measures that are not measure of performance specifically defined by IFRS. These include EBITDA (as defined below), EBITDA margin, net debt, net working capital, after-tax cash return on capital employed and gross cash flow. The non-IFRS measures disclosed in this Prospectus are unaudited supplementary measures of the Group's performance and liquidity that are not required by, or presented in accordance with, IFRS. Non-IFRS measures should not be considered as an alternative to the measures determined in accordance with IFRS.

The Group defines EBITDA as profit before taxation adjusted by interest expense, depreciation and amortisation, net financial foreign exchange gain or loss, other non-cash and extraordinary items, excluding net profit or loss for the period attributable to non-controlling interests (''**EBITDA**'') and EBITDA margin as EBITDA divided by sales.

Although EBITDA is not a measures of operating income, operating performance or liquidity derived in accordance with IFRS, the Group has presented these measures in this Prospectus because it understands that similarly titled measures may be used by some investors to determine a company's ability to service indebtedness and fund ongoing capital expenditures. The Group's EBITDA should not, however, be considered in isolation or as a substitute for profit before tax as defined by the Group, or for cash flows from operating activities as determined in accordance with IFRS, or as an indicator of operating performance, or as a member of discretionary cash available to the Group to invest in the growth of its business. EBITDA and EBITDA margin disclosed in this Prospectus may not be comparable to similarly titled measures disclosed by other companies because such measures not uniformly defined. In particular, EBITDA as disclosed in this Prospectus may be calculated in a manner more similar to how some

companies calculate measures that they refer to as ''adjusted EBITDA'' in that the Group's EBITDA excludes items in addition to interest expense, income tax expense and depreciation and amortisation. These additional items include idle property, plant and equipment write off, write off of portion of assets at the Gremyachinskoe potash deposit, loss or gain on disposal of non-current assets held for sale, gain on disposal of available for sale investments, financial foreign exchange gain or loss - net, other financial gain - net and net profit or loss for the period attributable to non controlling interests. For a reconciliation of the Group's EBITDA to its profit before taxation, see ''*Selected Consolidated Financial and Other Information–Key Financial Ratios and Other Information*''. Some of the limitations of the Group's EBITDA as a financial measure include the following:

- it does not reflect the Group's cash expenditures or future requirements for capital expenditure or contractual commitments;
- it does not reflect changes in, or cash requirements for, the Group's working capital needs; and
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and the measure does not reflect any cash requirements for such replacements.

Accordingly, undue reliance should not be placed on the non-IFRS measures presented in this Prospectus.

The Group defines:

- net debt as total borrowings (current bank borrowings, non-current bank borrowings, current bonds issued and non-current bonds issued) less total cash (current restricted cash, fixed-term deposits and cash and cash equivalents);
- net working capital as current assets (inventories, trade receivables, prepayments, other receivables and other current assets) less current liabilities (trade payables, other accounts payable and accrued expenses, income tax payable and other taxes payable);
- after tax cash return on capital employed as EBITDA less income tax expense multiplied by k (where k=1 for full year reporting, and k=4/3 for nine months ended 30 September reporting) and divided by sum of total non-current assets and net working capital; and
- gross cash flow as operating profit less income tax paid plus sum of depreciation and amortisation, net loss on disposals and write off of property, plant and equipment, impairment or reversal of impairment of receivables and change of provision for obsolete and damaged inventories and other non cash income or expense – net. For a reconciliation of the Group's gross cash flow to its operating profit, see ''*Overview – Key Financial Ratios and Other Information*''.

Net debt, net working capital, after-tax cash return on capital employed and gross cash flow are not measures specifically defined by IFRS and the Group's use of the terms net debt, net working capital, after-tax cash return on capital employed and gross cash flow may vary from other companies in its industry due to differences in accounting policies or differences in the calculation methodology of net debt, net working capital, after-tax cash return on capital employed and gross cash flow by other companies in its industry. Net debt, net working capital, after-tax cash return on capital employed and gross cash flow have limitations and should not be considered in isolation, or as substitutes for financial information as reported under IFRS. Net debt, net working capital, after-tax cash return on capital employed and gross cash flow should not be considered as alternatives to any performance measures derived in accordance with IFRS.

Last Twelve Months Selected Consolidated Financial Information

In this Prospectus, the Group presents unaudited selected consolidated financial information (sales by segment, EBITDA by segment and EBITDA margin by segment) for the twelve months ended 30 September 2012. The unaudited selected consolidated financial information in respect of sales by segment and EBITDA by segment for the twelve months ended 30 September 2012 has been calculated by adding the relevant consolidated financial information for the year ended 31 December 2011, from the 2011 Consolidated Financial Statements, to the relevant consolidated financial information for the nine months ended 30 September 2012, from the Interim Consolidated Financial Information, and subtracting the the relevant consolidated financial information for the nine months ended 30 September 2011, from the Interim Consolidated Financial Information included elsewhere in the Prospectus. The selected

consolidated financial information in respect of EBITDA margin by segment has been calculated as EBITDA by segment divided by sales by segment.

The Group's management believes that the presentation of unaudited selected consolidated financial information for the twelve months ended 30 September 2012 is useful to investors because it presents information about how the Group's business has performed in the twelve-month period immediately preceding the date of the Group's most recent interim condensed financial information, which allows investors to review the Group current performance trends over a full-year period, and because it presents results for four consecutive quarters, which presentation compensates for seasonal factors that might influence results in a particular quarter within the year.

Currency

In this Prospectus, the following currency terms are used:

- "**U.S. dollar**", "**Dollar**", or "**U.S.$**" means the lawful currency for the time being of the United States;
- "**RUB**", "**RR**", "**Russian Roubles**", "**Rouble**", or "**rouble**" means the lawful currency for the time being of the Russian Federation; and
- "**EUR**", "**Euro**", "**euro**" or "**€**" means the lawful currency for the time being of the member states of the European Union that adopted the single currency in accordance with the Treaty of Rome establishing the European Economic Community, as amended.

This Prospectus contains conversions of certain amounts relating to particular transactions from the currency in which the transaction was effected into U.S. dollars. These conversions were effected at the relevant foreign currency to U.S. dollar rate in effect as at the date of the transaction unless otherwise stated. The rouble/U.S. dollar exchange rate, published by the CBR and expressed as a number of roubles per U.S. $1.00, was RUB 30.92 at 30 September 2012, RUB 32.20 at 31 December 2011, RUB 30.48 at 31 December 2010 and RUB 30.24 at 31 December 2009. As at the close of business on 4 December 2012 (being the last practicable date prior to the finalisation of this Prospectus), the rouble/U.S. dollar exchange rate was RUB 30.84 = U.S.$1.00. No representation is made that the rouble or U.S. dollar amounts referred to herein could have been or could be converted into roubles or U.S. dollars, as the case may be, at these rates, at any particular rate or at all.

Rounding

Some numerical figures included in this Prospectus have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

Market and Industry Information

This Prospectus contains information about the markets and industries in which the Group operates and the Group's competitive position therein. Where such information has been derived from third-party sources, the name of the source is provided. Each of EuroChem and the Issuer accepts responsibility for accurately reproducing such information. While EuroChem has accurately reproduced such third-party information, neither EuroChem nor the Joint Lead Managers have verified the accuracy of such information, market data or other information on which third parties have based their studies. As far as EuroChem is aware and is able to ascertain from information published by these third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Moreover, market studies are frequently based on information and assumptions that may not be exact or appropriate, and their methodology is by nature forward-looking and speculative.

This Prospectus also contains estimates regarding the market position of the Group that cannot be gathered from publications by market research institutions or any other independent sources. In many cases, there is no publicly available information on such data, for example from industry associations, public authorities or other organisations and institutions. EuroChem believes that the estimates of market data and information derived therefrom and included in this Prospectus are helpful in order to give prospective investors a better understanding of the industry in which the Group operates as well as its position within this industry. Although EuroChem believes that its internal market observations are fair estimates, they have not been reviewed or verified by any external experts and EuroChem cannot guarantee that a third-party expert using different methods would obtain or generate the same results.

ENFORCEABILITY OF CIVIL LIABILITIES IN RUSSIA

EuroChem is an Open Joint-Stock Company incorporated under the laws of the Russian Federation. The majority of EuroChem's assets are currently located outside the United Kingdom and the United States. In addition, the majority of the directors and executive officers of EuroChem are residents of countries other than the United Kingdom and the United States. As a result, it may not be possible for investors to:

- effect service of process within the United Kingdom or the United States on EuroChem or on any of the directors or executive officers of EuroChem named in this Prospectus; or
- enforce, in courts located within the United Kingdom or the United States, judgments obtained in courts in jurisdictions located outside the United Kingdom and the United States against EuroChem or any of the directors or executive officers of EuroChem in any action.

In addition, it may be difficult for investors to enforce, in original actions brought in courts in jurisdictions located outside the United Kingdom and the United States, liabilities predicated upon English law or U.S. securities laws.

Judgments rendered by a court in any jurisdiction outside the Russian Federation will be recognised by courts in Russia only if: (i) an international treaty providing for the recognition and enforcement of judgments in civil cases exists between the Russian Federation and the country where the judgment is rendered; and/or (ii) a federal law of the Russian Federation provides for the recognition and enforcement of foreign court judgments. No such treaty exists between Russia, on the one hand, and the United Kingdom or the United States, on the other hand, for the reciprocal enforcement of foreign court judgments. Even if there were such a treaty, Russian courts could nevertheless refuse to recognise and enforce a foreign court judgment on the grounds set forth in such treaty and in Russian law in effect on the date which such recognition or enforcement is sought. Moreover, Russia has adopted no such law.

The Loan Agreement is governed by English Law. The Issuer and EuroChem have agreed that any dispute or difference arising from or in connection with the Loan Agreement shall be settled by arbitration in accordance with the Rules of the LCIA (formerly known as the London Court of International Arbitration). The Russian Federation is a party to the 1958 United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Consequently, a foreign arbitral award obtained in a state which is party to that convention generally should be recognised and enforced by a Russian court (subject to the qualifications provided for in the convention and compliance with Russian civil procedure regulations and other procedures and requirements established by Russian legislation).

The Arbitrazh Procedural Code of the Russian Federation (the "**Arbitrazh Procedural Code**") sets out the procedure for the recognition and enforcement of foreign arbitral awards by Russian courts. The Arbitrazh Procedural Code also contains an exhaustive list of grounds for the refusal of recognition and enforcement of foreign arbitral awards by Russian courts, which grounds are broadly similar to those provided by the New York Convention.

The Arbitrazh Procedural Code and other Russian procedural legislation could change, and other grounds for Russian courts to refuse the recognition and enforcement of foreign courts' judgments and foreign arbitral awards could arise in the future. In practice, reliance upon international conventions and treaties may meet with resistance or relative inexperience or a lack of understanding on the part of a Russian court or other officials, thereby introducing delay and unpredictability into the process of enforcing any foreign judgment or any foreign arbitral award in the Russian Federation.

Furthermore, any arbitral award pursuant to arbitration proceedings in accordance with the LCIA Rules and the application of English law to the Loan Agreement may be limited by the mandatory provisions of Russian laws relating to the exclusive jurisdiction of Russian courts and the application of Russian laws with respect to bankruptcy, winding up or liquidation of Russian companies.

FORWARD-LOOKING STATEMENTS

Some statements in this Prospectus, as well as written and oral statements that EuroChem and its officers make from time to time in reports, filings, news releases, conferences, teleconferences, web postings or otherwise, may be deemed to be "forward-looking statements". Forward-looking statements include statements concerning EuroChem's plans, objectives, goals, strategies and future operations and performance and the assumptions underlying these forward-looking statements. EuroChem uses the

words ''anticipates'', ''estimates'', ''expects'', ''believes'', ''intends'', ''plans'', ''may'', ''will'', ''should'' and other similar expressions to identify forward-looking statements. These forward-looking statements are contained in ''*Risk Factors*'', ''*Overview of the Fertiliser Industry*'', ''*Operating and Financial Review*'', ''*Description of Business*'' and other sections of this Prospectus. EuroChem has based these forward-looking statements on the current views of its management with respect to future events and financial performance. These views reflect the best judgment of the management of EuroChem but involve uncertainties and are subject to certain risks, the occurrence of which could cause actual results to differ materially from those EuroChem predicts in its forward-looking statements and from its past results, performance or achievements.

Although EuroChem believes that the estimates and the projections reflected in its forward-looking statements are reasonable, if one or more risks or uncertainties were to materialise or occur, including those which EuroChem has identified in this Prospectus, or if any underlying assumptions prove to be incomplete or inaccurate, its results of operations may vary from those it expected, estimated or projected.

Forward-looking statements that may be made by EuroChem from time to time (but that are not included in this document) may also include projections or expectations of interest income, net interest income, operating income (or loss), net profit (or loss) (including on a per share basis), dividends, capital structure or other financial items or ratios.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements. These factors include:

- inflation, interest rate fluctuations and exchange rate fluctuations in Russia;
- prices for securities issued by Russian entities;
- the health of the Russian economy, including the Russian fertiliser sector;
- the cyclical nature of the Russian fertiliser sector and fluctuations in the demand and pricing of the Group's products;
- the effects of, and changes in, the policy of the federal government of Russia and regulations promulgated by the CBR;
- the effects of competition in the geographic and business areas in which EuroChem conducts its operations;
- the effects of changes in laws, regulations and taxation or accounting standards or practices in the jurisdictions where EuroChem conducts its operations;
- EuroChem's ability to maintain or increase market share for its products and services and control expenses;
- the management of the rapid growth of EuroChem's business and assets;
- the Group's ability to obtain financing to meet its capital expenditure needs and business requirements;
- unplanned events or accidents affecting the Group's operations or facilities;
- acquisitions or divestitures;
- technological changes; and
- EuroChem's success at managing the risks associated with the aforementioned factors.

This list of important factors is not exhaustive. When reviewing forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which EuroChem operates. Such forward-looking statements speak only as at the date on which they are made. Accordingly, but subject to the requirements of the Central Bank, EuroChem is not obliged to, and does not intend to, update or revise any forward-looking statements made in this Prospectus whether as a result of new information, future events or otherwise. All subsequent written or oral forward-looking statements attributable to

EuroChem, or persons acting on EuroChem's behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Prospectus. As a result of these risks, uncertainties and assumptions, a prospective purchaser of the Notes should not place reliance on these forward-looking statements.

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OVERVIEW

This overview may not contain all the information that may be important to prospective purchasers of the Notes and, therefore, should be read in conjunction with this entire Prospectus, including the more detailed information regarding the Group's business and the financial statements and related notes included elsewhere in this Prospectus. Certain statements in this Prospectus include forward-looking statements that also involve risks and uncertainties as described under ''Forward-Looking Statements''. Prospective purchasers of the Notes should also carefully consider the information set forth under ''Risk Factors''.

Overview of the Group

The Group is a leading vertically integrated nitrogen and phosphate fertiliser producer. The Group produces nitrogen mineral fertilisers, including urea, ammonia, ammonium nitrate (''**AN**''), urea ammonium nitrate (''**UAN**''), calcium ammonium nitrate (''**CAN**'') and nitrate phosphate potash (''**NPK**''), and phosphate mineral fertilisers, including monoammonium phosphate (''**MAP**''), diammonium phosphate (''**DAP**''), nitrate phosphate (''**NP**'') and feed phosphates, as well as P_2O_5 rich magnetite-apatite ore (37.0 per cent. to 38.0 per cent.). In 2011, the Group was the largest fertiliser producer in Russia in terms of tonnes of nutrients sold according to market data from AzotEconPlus. The Group's nitrogen production facilities are located in the Stavropol Krai in southern Russia; the Tula Oblast south of Moscow, Russia; and Antwerp, Belgium. The Group's phosphate mines and production facilities are located in the Murmansk Oblast in northern Russia, the Leningrad Oblast in Northwestern Russia, the Krasnodar Krai in Southern Russia and in Lithuania. In 2012, EuroChem-Fertilizers signed agreements with the authorities of the Republic of Kazakhstan for the extraction of phosphate rock from the Kok-Jon and Gimelfarbskoe deposits in Kazakhstan's Zhambyl province. The Group is in the process of developing its potash deposit license areas in the Volgograd Oblast in southern Russia and the Perm Krai near the Ural Mountains in Russia. The Group also has a natural gas production facility located in the Yamalo-Nenets Autonomous Region in Russia.

As part of its vertically integrated business model, the Group mines magnetite-apatite ore, which is high-quality phosphate rock, from the Group's Kovdorskiy Mining-and-Processing Integrated Works, OJSC (''**Kovdorskiy GOK**'') mine and extracts apatite concentrate from the ore at the Group's beneficiation plant. The Group then uses its apatite concentrate output as a raw material to produce phosphate-based fertilisers and sells a small portion of its apatite concentrate production to third parties. The Group also extracts baddeleyite concentrate and produces iron ore concentrate from iron ore extracted from Kovdorskiy GOK's mine and sells it to third parties. In addition, the Group produces natural gas, the main raw material for the production of ammonia and subsequent production of nitrogen-based fertilisers, and gas condensate.

The Group's combined reserves and resources of baddeleyite-apatite-magnetite ore (''**BAMO**''), low ferruginous apatite ore (''**LFAO**''), apatite-staffelite ore and apatite-baddeleyite tailings were measured by IMC Montan as at October 2009 according to the JORC Code and consisted of proved and probable reserves of 595 million tonnes and measured and indicated resources of 593 million tonnes. The Group is also in the process of developing its potash deposit license areas. The Group's reserves and resources of potash ore were measured by IMC Montan as at September 2009 (Gremyachinskoe potassium deposit license areas) and October 2009 (Verkhnekamskoe potassium deposit license area) according to the JORC Code and consisted of proved and probable reserves of 912 million tonnes and measured and indicated resources of 2,413 million tonnes. The Group also has natural gas reserves of approximately 47 billion m^3, petroleum reserves of approximately 35 million tonnes and gas condensate reserves of approximately 5.0 million tonnes as recorded in the State Register of Mineral Resources of the Russian Federation as at 1 January 2012 according to the Russian Classification of Reserves and Forecasted Resources of Solid Minerals (the ''**Russian Classification**'').

As at 30 September 2012, the Group had a combined annual production capacity of approximately 9.7 million tonnes of nitrogen mineral fertilisers, 2.4 million tonnes of phosphate mineral fertilisers and 2.7 million tonnes of apatite concentrate. As a co-product of its apatite mining operations, the Group has an annual production capacity of approximately 5.7 million tonnes of iron ore concentrate and 9 thousand tonnes of baddeleyite concentrate. For the nine months ended 30 September 2012 and the year ended 31 December 2011, the Group produced 6.3 million tonnes and 8.2 million tonnes, respectively, of nitrogen mineral fertilisers (ammonia, urea, AN, CAN, UAN and complex fertilisers); 1.5 million tonnes and 2.0 million tonnes, respectively, of phosphate mineral fertilisers (MAP, DAP and NP); and 7.8 million tonnes and 6.0 million tonnes, respectively, of raw material feedstock, including apatite, iron ore and baddeleyite concentrates. The Group also produced feed phosphates, melamine and organic

synthesis products. Additionally, the Group is developing its potash segment with the Gremyachinskoe and Verkhnekamskoe greenfield potash projects in Russia, which are currently expected to begin production in 2015 and 2017, respectively, with planned total annual production capacities of 4.6 million tonnes (expected to be achieved in 2020) and 3.7 million tonnes (expected to be achieved in 2026), respectively.

The Group primarily sells its fertilisers outside of Russia through its trading companies in Switzerland and the United States as well as through its EuroChem Agro distribution platform (previously K+S Nitrogen). The Group's fertiliser products are sold to customers in over 90 countries. The principal markets outside of Russia for the Group's fertiliser products are Europe, Asia, Latin America, North America and the rest of the Commonwealth of Independent States (the "**CIS**"). The Group primarily sells iron ore concentrate to distributors and ultimate customers in Russia and Asia. Overall, sales outside of Russia accounted for 78.7 per cent. and 76.3 per cent. of the Group's external sales for the nine months ended 30 September 2012 and the year ended 31 December 2011, respectively. Most of the Group's fertiliser sales in Russia are directly to customers through the Group's network of distribution centres. Most of the Group's sales of iron ore concentrate in Russia are to Severstal OJSC ("**Severstal**"). Total sales to Severstal accounted for 4.2 per cent. and 6.1 per cent. of the Group's total sales for the nine months ended 30 September 2012 and the year ended 31 December 2011, respectively.

To support fertiliser sales, the Group has developed a distribution network of 24 distribution centres in Russia, of which six are owned by the Group, and a distribution centre company with four distribution outlets in Ukraine, which is owned by the Group. In addition to providing advisory services to local farmers and promoting the efficient use of fertilisers to increase yields, the distribution centres offer seeds, crop protection products and soil analysis services. On 2 July 2012, the Group acquired the nitrogen fertiliser distribution business of German potash producer K+S Group AG ("**K+S Group**") based in Mannheim, Germany (now EuroChem Agro). EuroChem Agro markets nitrogen-based fertilisers with a focus on major customers in agriculture and special crops such as fruits, vegetables and grapes. EuroChem Agro's distribution assets are located in Germany, Spain, Italy, Greece, Mexico, France, Turkey, Singapore and China and sell to wholesalers, distributors and cooperatives in their respective countries as well as in Northern, Central and Eastern Europe, South East Asia and the Americas. The Group also has international sales offices in Brazil, Switzerland and the United States.

The Group's logistics infrastructure supports the Group's vertically integrated business model. As at 30 September 2012, the Group had rolling stock comprised of approximately 6,850 rail cars and 44 locomotives, and the Group also operates dedicated rail service and repair centres. The Group also operates its wholly-owned fertiliser transhipment terminals in the towns of Tuapse (Black Sea) and Murmansk (Barents Sea) in Russia, and Sillamäe (Gulf of Finland) in Estonia as well as benefits from direct jetty access in the port of Antwerp in Belgium. The Group owns two Panamax vessels and operates a ship on long-term lease and two ships on short-term leases.

For the nine months ended 30 September 2012, the Group had sales of RUB 124,778,901 thousand, EBITDA of RUB 38,879,363 thousand and net profit for the period of RUB 24,593,592 thousand. The Group's EBITDA margin for the same period was 31.2 per cent. For the year ended 31 December 2011, the Group had sales of RUB 131,298,080 thousand, EBITDA of RUB 49,655,961 thousand and net profit for the period of RUB 32,031,393 thousand. The Group's EBITDA margin for the same period was 37.8 per cent.

Key Strengths

The Group's principal competitive strengths and advantages include:

- significant market share;
- cost efficient production and access to low-cost raw material feedstock;
- vertical integration providing raw material price stability;
- global footprint with balanced exposure to developed and emerging markets;
- global distribution footprint;
- developed transportation and distribution network;
- broad value-added product offering;
- unique products in certain geographies;

- well positioned to take advantage of opportunities presented by Russia's accession to the World Trade Organisation (the "**WTO**");
- dynamic, experienced management team; and
- international standard corporate governance.

Strategy

The Group's strategic objective is to become one of the five leading mineral fertiliser producers in the world in terms of production, sales and profitability. To achieve this objective, the Group has been implementing a strategy that includes the following key elements:

- diversifying product range, building and launching own potash production and further improving product quality;
- increasing vertical integration and improving efficiency;
- expanding distribution network; and
- environmental protection.

Risk Factors

An investment in the Notes involves a high degree of risk. For a detailed discussion of the risks and other factors to be considered when making an investment with respect to the Notes, see "*Risk Factors*" and "*Forward-Looking Statements*". Prospective investors in the Notes should carefully consider the risks and other information contained in this Prospectus prior to making any investment decision with respect to the Notes. Prospective investors should note that the risks described in this Prospectus are not the only risks the Group faces. EuroChem and the Issuer have described only the risks they consider to be material. However, there may be additional risks that they currently consider immaterial or of which they are currently unaware.

Summary Consolidated Financial and Other Information

The following tables present summary consolidated financial and other information for the Group as at the dates and for the periods as indicated. The summary consolidated financial information presented below has been derived from the Group Consolidated Financial Statements. The unaudited selected consolidated financial information in respect of sales by segment and EBITDA by segment for the twelve months ended 30 September 2012 presented below has been calculated by adding the relevant consolidated financial information for the year ended 31 December 2011, from the 2011 Consolidated Financial Statements, to the relevant consolidated financial information for the nine months ended 30 September 2012, from the Interim Consolidated Financial Information, and subtracting the relevant consolidated financial information for the nine months ended 30 September 2011, from the Interim Consolidated Financial Information included elsewhere in the Prospectus. The summary consolidated financial and other information presented below should be read together with "*Presentation of Financial and Other Information*", "*Operating and Financial Overview*" and the Group Consolidated Financial Statements and the related notes included elsewhere in this Prospectus.

Summary Consolidated Statement of Comprehensive Income Data

	For the nine months ended 30 September		For the year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**[1]
	(RUB in thousands)				
Sales	124,778,901	98,269,877	131,298,080	97,787,533	73,577,249
Cost of sales[1][2]	(71,819,283)	(47,545,276)	(63,641,275)	(50,205,529)	(42,884,070)
Gross profit[2]	**52,959,618**	**50,724,601**	**67,656,805**	**47,582,004**	**30,693,179**
Distribution costs[1][2]	(17,086,328)	(13,791,655)	(18,952,488)	(17,784,897)	(16,944,421)
General and administrative expenses	(3,843,838)	(3,450,793)	(4,653,188)	(3,754,449)	(3,261,398)
Other operating income/(expenses) – net	378,062	(455,226)	(190,858)	(16,695)	225,029
Operating profit	**32,407,514**	**33,026,927**	**43,860,271**	**26,025,963**	**10,712,389**
Write off of portion of assets at the Gremyachinskoe potash deposit	(3,611,387)	–	–	–	–
Dividend income	101,676	613,927	613,927	147,946	2,168,715
(Loss)/gain on disposal of non current assets held for sale	–	–	–	(429,598)	358,878
Fair value gain on trading investments	–	–	–	–	139,584
Gain on disposal of available for sale investments	568,382	914,434	914,434	1,407,261	966,640
Financial foreign exchange gain/(loss) – net	3,100,404	(3,382,505)	(3,803,986)	(389,660)	748,903
Interest income	565,556	101,617	644,524	180,444	399,724
Interest expense	(3,168,159)	(2,018,663)	(3,122,871)	(2,066,011)	(1,983,587)
Other financial gain – net	999,821	937,914	993,863	134,831	193,458
Profit before taxation	**30,963,807**	**30,193,651**	**40,100,162**	**25,011,176**	**13,704,704**
Income tax expense	(6,370,215)	(5,920,480)	(8,068,769)	(4,958,699)	(2,629,256)
Net profit for the period	**24,593,592**	**24,273,171**	**32,031,393**	**20,052,477**	**11,075,448**
Other comprehensive income/(loss)					
Currency translation differences, net of tax	(513,739)	1,135,708	495,249	(695,283)	364,188
Revaluation of available for sale investments	956,311	(8,635,847)	(12,689,257)	9,642,508	1,689,667
Disposal of available for sale investments – reclassification of revaluation to profit and loss	(568,382)	(914,434)	(914,434)	(1,407,261)	(966,640)
Total other comprehensive (loss)/income for the period	**(125,810)**	**(8,414,573)**	**(13,108,442)**	**7,539,964**	**1,087,215**
Total comprehensive income for the period	**24,467,782**	**15,858,598**	**18,922,951**	**27,592,441**	**12,162,663**
Net profit/(loss) for the period attributable to:					
Owners of EuroChem Group S.E.	24,597,395	24,275,471	32,028,279	19,997,844	11,111,048
Non controlling interests	(3,803)	(2,300)	3,114	54,633	(35,600)
Net profit for the period	**24,593,592**	**24,273,171**	**32,031,393**	**20,052,477**	**11,075,448**
Total comprehensive income/(loss) attributable to:					
Owners of EuroChem Group S.E.	24,481,870	15,845,764	18,908,932	27,588,209	12,189,656
Non controlling interests	(14,088)	12,834	14,019	4,232	(26,993)
Total comprehensive income for the period	**24,467,782**	**15,858,598**	**18,922,951**	**27,592,441**	**12,162,663**

(1) In 2010, the Group changed presentation of cost of sales and distribution costs (see "*Presentation of Financial and Other Information-Change in Presentation*"). Consequently, the financial information provided with respect to these line items for the year ended 31 December 2009 above has been presented on a basis consistent with the other periods and, therefore, it is not directly comparable with the 2009 Consolidated Financial Statements included elsewhere in the Prospectus.

(2) The information in respect of cost of sales, gross profit and distribution costs for 2009 presented above has been extracted from the 2010 Consolidated Financial Statements included elsewhere in the Prospectus.

Summary Consolidated Statement of Financial Position Data

	As at 30 September	As at 31 December		
	2012	**2011**	**2010**	**2009**
Assets		*(RUB in thousands)*		
Non current assets:				
Property, plant and equipment	120,664,779	100,752,901	73,121,566	56,382,417
Mineral rights[1]	15,365,357	14,271,178	7,318,107	7,271,496
Goodwill	11,302,861	295,275	204,866	204,866
Intangible assets	7,503,976	610,463	814,523	427,457
Restricted cash	43,715	7,980	143,898	179,115
Available for sale investments (including pledged as collateral)[2]	3,068,276	22,467,999	37,863,331	33,619,657
Other non current assets[3]	4,972,440	2,098,647	969,064	1,576,741
Total non current assets	**162,921,404**	**140,504,443**	**120,435,355**	**99,661,749**
Current assets:				
Inventories	20,162,521	14,957,399	9,827,892	8,105,067
Trade receivables	11,806,092	3,435,913	2,710,818	2,151,240
Prepayments, other receivables and other current assets	9,625,299	10,190,762	7,523,132	7,630,102
Restricted cash	324,297	77,238	37,461	551,086
Fixed-term deposits	6,427,572	20,865,910	–	–
Cash and cash equivalents	18,862,119	8,506,949	8,896,623	10,676772
Other current assets[4]	4,295,610	6,301,867	36,751	–
Total current assets	**71,503,510**	**64,336,038**	**29,032,677**	**29,114,267**
Assets classified as held for sale	938,668	–	–	–
Total assets	**235,363,582**	**204,840,481**	**149,468,032**	**128,776,016**
Liabilities And Equity				
Equity attributable to owners of EuroChem Group S.E.:				
Share capital	6,800,000	6,800,000	6,800,000	6,800,000
Treasury shares	(29,679,427)	(29,679,427)	(7,760)	(7,760)
Retained earnings and other reserves	130,856,712	106,265,011	87,388,382	65,644,137
Total equity attributable to owners of EuroChem Group S.E.	**107,977,285**	**83,385,584**	**94,180,622**	**72,436,377**
Non controlling interests	179,022	6,985,154	323,896	758,683
Total equity	**108,156,307**	**90,370,738**	**94,504,518**	**73,195,060**
Non current liabilities:				
Bank borrowings	70,849,906	73,228,199	11,464,834	26,556,324
Bonds issued	9,968,601	9,964,656	18,772,380	8,724,895
Other non current liabilities[5]	13,146,151	6,070,321	2,704,253	2,403,175
Total non current liabilities	**93,964,658**	**89,263,176**	**32,941,467**	**37,684,394**
Current liabilities:				
Bank borrowings	12,761,546	4,167,140	12,589,767	12,491,434
Bonds issued	-	9,332,241	–	–
Trade payables	11,563,084	3,061,104	2,182,951	1,373,488
Other accounts payable and accrued expenses	6,455,542	6,378,011	5,860,875	3,574,522
Other current liabilities[6]	2,462,445	2,268,071	1,388,454	457,118
Total current liabilities	**33,242,617**	**25,206,567**	**22,022,047**	**17,896,562**
Total liabilities	**127,207,275**	**114,469,743**	**54,963,514**	**55,580,956**
Total liabilities and equity	**235,363,582**	**204,840,481**	**149,468,032**	**128,776,016**

(1) Mineral rights are referred to as exploration rights in the consolidated statement of financial position as at 31 December 2009 in the 2009 Consolidated Financial Statements included elsewhere in this Prospectus.

(2) Includes available-for-sale investments pledged as collateral in amount of RUB 896,272 thousand, RUB 11,423,184 thousand, RUB 3,182,443 thousand and RUB 9,224,869 thousand as at 30 September 2012, 31 December 2011, 2010 and 2009, respectively.

(3) Represents the sum of derivative financial assets, deferred income tax assets and other non current assets.

(4) Represents the sum of prepayments for treasury shares, originated loans and derivative financial assets.

(5) Represents the sum of derivative financial liabilities, deferred income tax liabilities and other non current liabilities and deferred credits.

(6) Represents the sum of derivative financial liabilities, income tax payable and other taxes payable.

Summary Consolidated Statement of Cash Flows Data

	For the nine months ended 30 September		For the year ended 31 December		
	2012	2011	2011	2010	2009[1]
	(RUB in thousands)				
Net cash - operating activities	33,681,889	27,882,945	36,030,756	26,193,959	17,538,693
Net cash - investing activities[1][2]	(9,557,346)	(15,186,808)	(53,702,877)	(14,331,336)	(27,040,965)
Net cash - financing activities[1][2]	(13,437,920)	(10,108,779)	16,840,155	(13,342,427)	(7,880,377)
Effect of exchange rate changes on cash and cash equivalents	(331,453)	243,486	442,292	(300,345)	1,834,071
Net increase/(decrease) in cash and cash equivalents	10,355,170	2,830,844	(389,674)	(1,780,149)	(15,548,578)
Cash and cash equivalents at the beginning of the period	8,506,949	8,896,623	8,896,623	10,676,772	26,225,350
Cash and cash equivalents at the end of the period	18,862,119	11,727,467	8,506,949	8,896,623	10,676,772

(1) In 2010, the Group changed presentation of acquisition of interest in subsidiaries in cash flows from investing activities and cash flows from financing activities (see "*Presentation of Financial and Other Information-Change in Presentation*"). Consequently, the financial information provided with respect to these line items for the year ended 31 December 2009 above has been presented on a basis consistent with the other periods and, therefore, it is not directly comparable with the 2009 Consolidated Financial Statements included elsewhere in this Prospectus.

(2) The information in respect of these line items for 2009 presented above has been extracted from the 2010 Consolidated Financial Statements included elsewhere in this Prospectus.

Key Financial Ratios and Other Information

	As at or for the nine months ended 30 September		As at or for the year ended 31 December		
	2012	2011	2011	2010	2009
	(RUB in thousands, unless otherwise indicated)				
Gross profit margin, per cent.	42.4	51.6	51.5	48.7	41.7
Operating profit margin, per cent.	26.0	33.6	33.4	26.6	14.6
Net profit margin, per cent.	19.7	24.7	24.4	20.5	15.1
Operating profit before depreciation and amortisation	38,068,889	36,292,850	48,343,599	29,491,926	13,688,742
EBITDA[1]	38,879,363	37,066,259	49,655,961	29,937,053	16,516,237
EBITDA margin, per cent.	31.2	37.7	37.8	30.6	22.4
Net debt[2]	67,966,065	54,898,645	67,242,139	33,892,897	36,544,795
Net working capital[3]	21,113,683	12,882,125	17,043,938	10,757,543	12,481,281
After tax cash return on capital employed, per cent.[4] [5]	23.6	30.5	26.4	19.0	12.4
Gross cash flow[6]	32,112,975	31,932,208	41,768,188	24,946,678	12,915,772
Permanent employees, number of people	22,041	20,653	20,801	19,614	20,034

(1) EBITDA represents profit before taxation adjusted for interest expense, depreciation and amortization, idle property, plant and equipment write off, write off of portion of assets at the Gremyachinskoe potash deposit, (loss)/ gain on disposal of non-current assets held for sale, gain on disposal of available for sale investments, financial foreign exchange gain/(loss) - net, other financial gain - net and net profit or loss for the period attributable to non controlling interests.

(2) Net debt represents total borrowings (current bank borrowings, non-current bank borrowings, current bonds issued and non-current bonds issued) less total cash (current restricted cash, fixed-term deposits, and cash and cash equivalents).

(3) Net working capital represents current assets (inventories, trade receivables, prepayments, other receivables and other current assets) less current liabilities (trade payables, other accounts payable and accrued expenses, income tax payable and other taxes payable).

(4) After-tax cash return on capital employed = $\frac{\text{EBITDA less income tax expense*k}}{\text{(total non-current asssets + net working capital)}}$

where k=1 for full year reporting, and k=4/3 for nine months ended 30 September reporting

(5) Annualised for the nine months ended 30 September 2012 and 2011.

(6) Gross cash flow represents operating profit less income tax paid and adding back depreciation and amortisation, net loss on disposals and write off of property, plant and equipment, impairment/(reversal of impairment) of receivables and change of provision for obsolete and damaged inventories and other non cash (income)/expense - net.

The following table sets forth a reconciliation of the Group's EBITDA to the Group's profit before taxation for the periods indicated:

	For the nine months ended 30 September		For the year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
	(RUB in thousands)				
EBITDA	**38,879,363**	**37,066,259**	**49,655,961**	**29,937,053**	**16,516,237**
Depreciation and amortisation	(5,661,375)	(3,265,923)	(4,483,328)	(3,465,963)	(2,976,353)
Idle property, plant and equipment write off	(139,439)	(55,565)	(57,025)	(171,370)	(83,872)
Write off of portion of assets at the Gremyachinskoe potash deposit	(3,611,387)	–	–	–	–
(Loss)/gain on disposal of non current assets held for sale	–	–	–	(429,598)	358,878
Gain on disposal of available for sale investments	568,382	914,434	914,434	1,407,261	966,640
Financial foreign exchange gain/(loss) – net[(1)]	3,100,404	(3,382,505)	(3,803,986)	(389,660)	748,903
Interest expense	(3,168,159)	(2,018,663)	(3,122,871)	(2,066,011)	(1,983,587)
Other financial gain – net	999,821	937,914	993,863	134,831	193,458
Non controlling interests	(3,803)	(2,300)	3,114	54,633	(35,600)
Profit before taxation	**30,963,807**	**30,193,651**	**40,100,162**	**25,011,176**	**13,704,704**

(1) The line item "Financial foreign exchange gain/(loss) - net" reflects the revaluation of monetary assets and liabilities denominated in foreign currency relating to operating activities due to exchange rate fluctuations in the foreign currencies to functional currency of the Group's subsidiaries. The Group does not feel that this is an accurate measure of its performance. See "*Operating and Financial Overview-Key Factors Affecting the Group's Results of Operations-Currency Exchange Fluctuations*".

The following table sets forth a reconciliation of gross cash flow to the Group's operating profit for the periods indicated:

	For the nine months ended 30 September		For the year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
	(RUB in thousands)				
Operating profit	**32,407,514**	**33,026,927**	**43,860,271**	**26,025,963**	**10,712,389**
Income tax paid	(5,690,619)	(5,054,746)	(7,099,060)	(3,736,157)	(1,767,696)
Depreciation and amortisation	5,661,375	3,265,923	4,483,328	3,465,963	2,976,353
Net loss on disposals and write off of property, plant and equipment	222,079	101,948	135,294	370,788	262,098
Impairment/(reversal of impairment) of receivables and change of provision for obsolete and damaged inventories	104,314	53,141	59,921	(32,578)	192,265
Other non cash (income)/expenses-net	(591,688)	539,015	328,434	(1,147,301)	540,363
Gross cash flow	**32,112,975**	**31,932,208**	**41,768,188**	**24,946,678**	**12,915,772**

The following table sets forth the Group's EBITDA (including operations with other segments) by segment for the periods indicated:

	For the nine months ended 30 September		For the year ended 31 December		
	2012	2011	2011	2010	2009
	(RUB in thousands)				
Nitrogen	22,563,485	18,449,194	25,549,392	13,568,863	9,314,223
Phosphates	14,005,659	18,996,566	23,988,466	16,791,934	4,427,044
Potash	(397,888)	(470,347)	(599,306)	(420,652)	(246,796)
Distribution	723,091	676,213	853,242	489,870	22,400
Other	2,161,648	(269,518)	207,683	(225,390)	2,798,944
Elimination	(176,632)	(315,849)	(343,516)	(267,572)	200,422
EBITDA	**38,879,363**	**37,066,259**	**49,655,961**	**29,937,053**	**16,516,237**

The following table sets forth unaudited selected consolidated financial information in respect of sales by segment, EBITDA by segment and EBITDA margin by segment for the twelve months ended 30 September 2012:

	For the twelve months ended 30 September 2012
	(RUB in thousands, unless otherwise indicated)
Sales by segment[1]	
Nitrogen	71,613,673
Phosphates	59,774,472
Distribution and Other	26,418,959
Total sales	**157,807,104**
EBITDA by segment[1]	
Nitrogen	29,663,683
Phosphates	18,997,559
Potash	(526,847)
Distribution and Other	3,538,969
EBITDA	**51,673,364**
EBITDA margin[2] **by segment, per cent.**	
Nitrogen	41.4
Phosphates	31.8
Distribution and Other	13.4
EBITDA margin	**32.7**

(1) Calculated by adding the corresponding consolidated financial information for the year ended 31 December 2011, to the corresponding consolidated financial information for the nine months ended 30 September 2012, and subtracting the corresponding consolidated financial information for the nine months ended 30 September 2011.

(2) EBITDA margin by segment represent EBITDA by segment divided by sales by segment.

Overview of the Offering

The Notes:	Issue of U.S.$750,000,000 5.125 per cent. Loan Participation Notes due 2017
Issuer:	EuroChem Global Investments Limited
Borrower:	• Open Joint Stock Company "Mineral and Chemical Company "EuroChem" ("**EuroChem**"), a company incorporated under the laws of the Russian Federation on 27 August 2001, number 001.460.272, at the following address: 3/1 2nd Frezernaya Street, Moscow 109202, Russian Federation. Current legal and postal address is 53 Dubiniskaya Street bldg. 6, Moscow 115054, Russian Federation. Telephone: +7 495 795 2527 Fax: +7 495 795 2532; or • such other borrower from time to time pursuant to the terms of the Loan Agreement
Joint Lead Managers:	Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited and SIB (Cyprus) Limited
Trustee:	Citibank, N.A., London Branch
Principal Paying Agent and Transfer Agent:	Citibank, N.A., London Branch
Registrar:	Citigroup Global Markets Deutschland AG. A copy of the register of the Notes shall be kept at the registered office of the Issuer.
Issue Date:	12 December 2012
Issue Price:	100 per cent. of the principal amount of the Notes
Interest:	On each Interest Payment Date (being 12 June and 12 December in each year commencing on 12 June 2013 and ending on 12 December 2017 (the "**Maturity Date**")), the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest actually received and retained (net of tax) by or for the account of the Issuer pursuant to the Loan Agreement, which interest under the Loan Agreement is equal to 5.125 per cent. per annum from, and including, the Issue Date to, but excluding, the Maturity Date.
Status of the Notes:	The Notes constitute secured, limited recourse obligations of the Issuer. Recourse in respect of the Notes is limited to the assets securing the Notes. The Notes are secured in the manner described in the Trust Deed and shall at all times rank *pari passu* and without preference amongst themselves.
Limited Recourse:	The Notes will constitute the obligation of the Issuer to apply the gross proceeds from the issue of the Notes solely for the purpose of financing the Loan to EuroChem pursuant to the terms of the Loan Agreement. The Issuer will only account to the Trustee and the Noteholders for all amounts equivalent to those (if any) received and retained (net of tax) from EuroChem under the Loan Agreement or held on deposit in the Account (as defined in the Trust Deed) less amounts in respect of the Reserved Rights (as defined in the Trust Deed), all as more fully described under "*Terms and Conditions of the Notes*". All moneys received by the Trustee under the Trust Deed shall be applied in accordance with the priority of payments (as more fully set out in the Trust Deed).
Security:	The Issuer's payment obligations under and in respect of the Notes and its obligations under the Trust Deed will be secured by a first

fixed charge with full title guarantee in favour of the Trustee for the benefit of itself and the Noteholders of:

(a) its rights to all principal, interest and additional amounts (if any) payable by the Borrower or, as the case may be, the Guarantor (as defined below) under the Loan Agreement;

(b) its right to receive all sums which may be or become payable by the Borrower or, as the case may be, the Guarantor under any claim, award or judgment relating to the Loan Agreement; and

(c) its rights, title and interest in and to all sums of money now or in the future deposited in, the Account (as defined in the Trust Deed), (in each case, other than the Reserved Rights),

all as more fully described under "*Terms and Conditions of the Notes*".

In addition, the Issuer with full title guarantee will assign absolutely certain administrative rights under the Loan Agreement (save for the rights charged or excluded as described above) to the Trustee for the benefit of itself and the Noteholders, as more fully described under "*Terms and Conditions of the Notes*".

Status of the Loan: The Loan and all payment obligations expressed to be assumed by the Borrower or, as the case may be, the Guarantor thereunder constitute direct, general, unconditional, unsecured and unsubordinated obligations of the Borrower and, as the case may be, the Guarantor which will at all times rank at least *pari passu* with all its other unsecured and unsubordinated indebtedness, save for such indebtedness as may be preferred by provisions of law that are both mandatory and of general application.

Guarantee: In accordance with Clause 9 (*Guarantee*) of the Loan Agreement, an entity may, from time to time, accede to guarantee the due payment of all sums expressed to be payable by the Borrower thereunder (hereinafter, the "**Guarantor**").

Form and Initial Delivery of Notes: The Notes will be issued in fully registered form in the denominations of U.S. $200,000 and higher integral multiples of U.S. $1,000. Notes which are offered and sold outside the United States to non U.S. persons in reliance on Regulation S will be represented by interests in the Regulation S Global Certificate deposited with a Common Depositary for, and registered in the name of a nominee of, Euroclear or Clearstream, Luxembourg on or about the Closing Date. Notes which are offered and sold in the United States to U.S. persons that are QIBs and QPs in reliance on Rule 144A will be represented by interests in the Rule 144A Global Certificate deposited with a custodian for, and registered in the name of a nominee of, DTC on or about the Closing Date. The Global Certificates will only be exchangeable for Definitive Certificates in the limited circumstances described under "*Summary of the Provisions Relating to the Notes in Global Form*".

Redemption: The Notes will be redeemed on the Maturity Date. The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time upon giving notice to the Noteholders, at their outstanding principal amount together with accrued and unpaid interest to the date of redemption and any additional amounts in respect thereof in the event that EuroChem elects to prepay the Loan for tax reasons or in the event that it becomes unlawful for the Issuer to fund the Loan or to allow the Loan or the Notes to remain outstanding under the Loan Agreement. See Condition 6 (*Redemption*).

Amendments/Waiver:	As long as any of the Notes remain outstanding, the Issuer will not, without the prior written consent of the Trustee, agree to any amendment to or any modification or waiver of, or authorise any breach or proposed breach of, the terms of the Loan Agreement, except as otherwise expressly provided in the Trust Deed or the Loan Agreement.
Negative pledge and other Covenants:	Clause 11 (*Covenants*) of the Loan Agreement contains, *inter alia*, a negative pledge in relation to the creation of Liens (as defined in the Loan Agreement) by the Borrower or, as the case may be, the Guarantor and the Borrower's or, as the case may be, the Guarantor's, Subsidiaries (as defined in the Loan Agreement) and covenants limiting, *inter alia*, mergers and disposals by the Borrower and, as the case may be, the Guarantor, transactions between the Borrower and, as the case may be, the Guarantor and the Borrower's or, as the case may be, the Guarantor's Affiliates (as defined in the Loan Agreement) and financial covenants by the Borrower and, as the case may be, the Guarantor. See "*Loan Agreement*".
Event of Default/Relevant Event:	If an Event of Default (as defined in the Loan Agreement) or a Relevant Event (as defined in the Trust Deed) shall have occurred and be continuing, the Trustee may, subject as provided in the Trust Deed, (i) in the case of an Event of Default, require the Issuer to declare all amounts payable under the Loan Agreement by the Borrower to be due and payable and do all such other acts in connection therewith that the Trustee may direct or (ii) in the case of a Relevant Event, enforce any or all rights of the security created in the Trust Deed. Upon repayment of the Loan following an Event of Default, the Notes will be redeemed or repaid at their principal amount together with interest accrued to the date fixed for such redemption and any additional amounts due and thereupon the Notes shall cease to be outstanding, all as more particularly described in the "*Terms in Conditions of the Notes*".
Rating:	The Notes are expected to be rated BB by Fitch and BB by S&P. Credit ratings assigned to the Notes do not necessarily mean that the Notes are a suitable investment. **A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.** Similar ratings on different types of notes do not necessarily mean the same thing. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes or the Borrower could adversely affect the price that a subsequent purchaser would be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.
Withholding Tax:	All payments in respect of interest and principal on the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of Ireland, save as required by law. If any such taxes, duties, assessments or governmental charges are payable, the Issuer shall (subject to certain exceptions) pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received had no such deduction or withholding been required. The sole obligation of the Issuer in this respect will be to account to the Trustee and the Noteholders for the sums equivalent to the sums received and retained (net of tax) from the Borrower or, as the case may be, the Guarantor. See "*Terms and Conditions of the*

	Notes''. In such circumstances, the Borrower or, as the case may be, the Guarantor will be required to increase the sum payable under the Loan Agreement to the extent necessary to ensure that the Issuer receives and retains (net of tax) a net sum sufficient to pay to the Noteholders such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received had no such deduction or withholding been made or required to be made. All payments in respect of interest and principal to be made by the Borrower or, as the case may be, the Guarantor under the Loan Agreement will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of the Russian Federation or, as the case may be, the jurisdiction of the Guarantor or the Borrower if different, save as required by law. If any such taxes, duties, assessments or governmental charges are payable, the Borrower or, as the case may be, the Guarantor shall (subject to certain exceptions) pay such additional amounts as will result in the receipt by the Issuer of such amounts as would have been received and retained had no such deduction or withholding been required.
Use of proceeds:	The proceeds of the Notes will be used by the Issuer for the sole purpose of financing the Loan to the Borrower. In connection with the receipt of the Loan, the Borrower will pay a facility fee to the Issuer. See ''*Use of Proceeds*''.
Listing and Trading:	Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Main Securities Market.
Selling Restrictions:	The Notes have not been, and will not be, registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S). The Issuer has not been and will not be registered under the Investment Company Act. The Issuer is relying on the exemption from the requirements of the Investment Company Act provided by Section 3(c)(7) thereof. The Notes may be offered and sold (i) within the United States to QIBs that are also QPs in reliance on the exemption from registration provided by Rule 144A; and (ii) to non-U.S. persons in offshore transactions in reliance on Regulation S. The Notes may be sold in other jurisdictions (including the United Kingdom, Russia and Ireland) only in compliance with applicable laws and regulations. See ''*Subscription and Sale*''.
Governing Law:	The Notes, the Loan Agreement and the Trust Deed and any non-contractual obligations arising out of or in connection with them, shall be governed by, and continued in accordance with, English law.
Risk Factors:	An investment in the Notes involves a high degree of risk. See ''*Risk Factors*''.
Security Codes:	Regulation S ISIN: XS0863583281 Regulation S Common Code: 086358328 Regulation S CFI Code: DYFXXR Rule 144A ISIN: US29872PAA66 Rule 144A Common Code: 086397331 Rule 144A CUSIP: 29872P AA6

ERISA:	The Notes may not be sold or transferred to any Benefit Plan Investor (as defined herein), and no Benefit Plan Investor is permitted to purchase or hold any of the Notes. See ''*Certain ERISA Considerations*.''

RISK FACTORS

An investment in the Notes involves a high degree of risk. Potential investors should carefully consider the following risks described below, as well as other information contained in this Prospectus before making any investment decision. Any of the following risks, individually or together, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, in which case, the trading price of the Notes could decline and investors could lose part or all of their investment.

The Group has described the risks and uncertainties that its management believes are material, but these risks and uncertainties may not be the only ones the Group faces. Additional risks and uncertainties, including those the Group currently is not aware of or sees as immaterial, could also have a material adverse effect on the Group's business, financial condition, results of operations and prospects, which could result in a decline in the value of the Notes.

Risks Related to the Group's Business and the Fertiliser Industry

The global and domestic fertiliser industries are highly competitive and the Group may not be able to compete successfully

The Group is subject to intense price competition from both domestic and foreign sources. Fertilisers are global commodities, with little or no product differentiation, and customers make their purchasing decisions principally on the basis of delivered price and, to a lesser extent, on customer service and product quality. The Group competes with a number of domestic and foreign producers, including state-owned and government-subsidised entities. Some of these competitors have greater resources and are less dependent on earnings from fertiliser sales, which makes them less vulnerable to industry downturns and better positioned to pursue new expansion and development opportunities. Some of the Group's traditional competitors (in the global markets, Yara (Norway), PotashCorp (Canada) and The Mosaic Company (USA), as well as other producers in North America, North Africa, the Middle East and Asia, and, in the Russian and the CIS markets, PhosAgro, Acron, Uralchem, Sibur and Mineralnye Udobreniya) also benefit from control over or access to raw material reserves, functional locations near major suppliers or consumers, market reputation and long-standing trade relationships with global market participants.

The Group's competitive position could be adversely affected should additional consolidation occur in the fertiliser industry, which could increase the resources of the Group's competitors. The Group's inability to compete successfully could result in the loss of customers, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Furthermore, new mineral fertiliser production capacity is being brought online in the Middle East and Northern Africa. This increase in capacity could adversely affect the global supply and demand balance and apply downward pressure on global fertiliser prices, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The fertiliser industry is cyclical in nature and is affected by global economic conditions, which results in fluctuations in demand for and prices of the Group's products

The Group operates in a cyclical industry and historically, demand for and prices of the Group's products have fluctuated significantly in response to changes in market conditions. Demand is, among other things, affected by agricultural product prices, weather conditions, population growth, changes in dietary habits, planted acreage and fertiliser application rates. Supply is affected by available capacity and operating rates, raw material costs, government policies and global trade. Periods of high demand, high capacity utilisation and increasing profit margins tend to result in new plant investment and increased production, causing supply to exceed demand and prices and capacity utilisation to decline. Reduced prices restrict investment, initiating a new cycle. During periods of industry oversupply, the Group's results of operations tend to be adversely affected as the price at which it sells its products typically declines, resulting in reduced profit margins, lower production volumes, and possible plant downtime and closures.

Accordingly, the cyclical nature of the fertiliser industry has had, and may in the future have, a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The fertiliser industry is also affected by global economic conditions. For example, during the global economic downturn that commenced in the second half of 2008, the global and Russian fertiliser markets (except for the Russian urea market) faced a significant decrease in prices for these products resulting from a slowdown in the industries consuming these products, such as the agricultural industry, which were

experiencing declines in demand for their products, lack of credit (for example, the agricultural industry depends heavily on credit financing, which became significantly less available during the global economic downturn) and excess inventories. This decline in prices led to a 34.4 per cent. decrease in the Group's sales from RUB 112,173,573 thousand for the year ended 31 December 2008 to RUB 73,577,249 thousand for the year ended 31 December 2009. Although commodity crop prices have since recovered to stabilise at record high or near record high levels, prices may fall in the future and such declines could have a material adverse effect on demand for and prices of the Group's products.

Any future economic downturn, whether globally or in Russia, could adversely affect the industries that use the Group's products, which could lead to a decline in demand for and prices of the Group's products and could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Changes in government policies could have a material adverse effect on demand for and prices of the Group's products

Government policies significantly affect fertiliser demand and prices. Government policies that have an effect on fertilisers include:

- policies and commodity support programmes that provide subsidies to farmers for the purpose of purchasing fertilisers;
- export duties on fertilisers;
- import duties and other trade barriers;
- government policies affecting prices of raw materials used in fertiliser production; and
- other policies such as those restricting the number of hectares that may be planted, requiring a particular type of crops to be grown and limiting the use of fertilisers in certain areas or for certain types of agricultural products.

For example, fertiliser demand and prices in China and India have historically been heavily dependent on government policies. In China, the government imposed export duties on fertilisers in order to preserve domestic supply, whereas in India, the government provides direct subsidies to farmers to purchase fertilisers. Government policies can also influence market conditions in markets with indirect government subsidies such as in Europe and the United States.

In a number of markets, the Group benefits from government policies that support the agricultural industry. As a result of such policies (which often include direct or indirect fertiliser purchase subsidies), farmers and growers are often able to spend more on fertiliser purchases than in the absence of such policies. For example, the Group benefits from the direct state fertiliser purchase subsidies provided by the Indian government, as described above. In addition, the United States government provides subsidies for growing crops that can be used as biofuel. Russia also has a state support programme for the agricultural industry. The Russian Government Program for Agricultural Development and Regulation of Agricultural Commodities, Raw Materials and Food Markets for 2013-2020 envisions allotments from the Russian federal budget and regional budgets in the aggregate amount of approximately RUB 2.1 trillion during this period aimed at modernising the Russian agricultural industry and improving living standards of the Russian rural population. The Group's management believes that one of the effects of the programme is that it provides farmers and growers with funds that they can use towards fertiliser purchases, including direct or indirect fertiliser purchase subsidies. Government policies beneficial for the Group in those and other countries could change in a manner adverse to the Group's business for a number of reasons including:

- a change in the government;
- a move towards more protectionist policies to help local fertiliser producers;
- closer political or economic ties with countries other than Russia;
- preferences for other fertiliser products;
- a desire to increase competition;
- rotation of suppliers from period to period to maintain bargaining position; and
- maintenance of greater inventories to strengthen bargaining position.

A change in government policies due to these or other factors could result in a decrease in demand for and prices of fertilisers, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. Examples of on-going changes in governmental policies that could have a material adverse effect on the Group include the following:

Decreases in agricultural subsidies. In November 2007, a proposal to reform the Common Agricultural Policy (the "**CAP**") of the EU was submitted. The CAP provides for the form and size of subsidies paid to farmers in the EU for production and export of their crops and products and the reform primarily involves a reduction in the amount of payments made to farmers for sustaining certain levels of production. Agricultural activity may decline as reduced subsidies make agriculture less economically attractive, which may, in turn, reduce the demand for and prices of fertilisers. The CAP reform also includes set-aside policies that could contribute to increases in arable land, which could further reduce demand for and prices of fertilisers by reducing the pressure to increase crop yields from existing farmed land. The current CAP reform proposal also extends to the ten Central and Eastern European countries that joined the EU in May 2004. It is unclear how Western European producers will be affected by the expansion of the EU. The expansion could, for instance, result in a shift in agricultural activity from Western European producers to producers in Central and Eastern Europe that would be disruptive to established fertiliser markets and distribution systems, which could allow new entrants to take market share away from existing fertiliser suppliers such as the Group. In October 2011, the European Commission presented a set of legal proposals to reform the CAP. The reformed CAP is expected to come into effect in 2014.

WTO. International treaties and agreements, including those promulgated by the WTO, may also result in reductions in subsidies for agricultural producers or in other adverse changes to agricultural state support programmes, which could undermine the growth of, or cause a decline in, demand for and prices of fertilisers.

Regulatory changes with respect to fertilisers. A number of jurisdictions, including the European Economic Area, are considering, and from time to time may consider, limitations on the use and application of fertilisers due to concerns about the impact of these products on the environment. Statutory limitations on fertiliser use, if adopted, could have a material adverse effect on demand for and prices of fertilisers.

The use of certain fertilisers is regulated or prohibited in certain jurisdictions. For example, the EU Water Framework Directive restricts heavy use of nitrogen fertilisers. If existing restrictions on fertiliser use are extended or adopted by other countries, it could have a material adverse effect on demand for and prices of fertilisers.

A decline in demand for and prices of fertilisers due to developments affecting the agricultural industries in Russia or the Group's major export markets could have a material adverse effect on the Group's business

Developments in the agricultural industries in Russia and the Group's major export markets (including markets in Asia, Europe and North America) have had, and may in the future have, a material adverse effect on the Group's business, financial condition, results of operations and prospects. The majority of fertiliser products are ultimately sold to growers; therefore, the Group's results of operations are significantly affected by trends and other factors that influence the agricultural market generally. The following factors have affected, and could in the future affect, the agricultural markets:

Lower agricultural product prices. Lower agricultural product prices could result in reduced production of agricultural products, which could decrease demand for fertilisers and result in downward pressure on fertiliser prices. Movements in commodity crop prices also affect the Group's results, and this could result not only in reduced sales, but also in competitive price pressure in certain markets when commodity crop prices are depressed. For example, during the global economic downturn that commenced in the second half of 2008, agricultural product and commodity crop prices substantially declined, resulting in lower fertiliser prices. Although commodity crop prices have since recovered to stabilise at record-high or near record-high levels, prices may fall in the future and such declines could have a material adverse effect on sales of the Group's products.

Adverse weather conditions. The agricultural industry is heavily influenced by local weather conditions. Significant deviations from typical weather patterns of a given region, variations in local climates or major weather-related disasters could reduce demand for the Group's fertilisers, particularly in the short term, if agricultural products or the land on which they grow are damaged or if such deviations, variations or

disasters reduce the incomes of growers and thus their ability to purchase the Group's products. The effect of adverse weather conditions, in particular, can be very significant, resulting in delays or intermittent disruptions during the planting and growing seasons, which may, in turn, cause agricultural customers to use different forms of fertiliser, because fertilisers may only be applied at specific times. Similarly, adverse weather conditions following harvest may delay or eliminate opportunities to apply fertiliser in the autumn, which is the season when fertilisers are applied in certain areas of Russia and other countries. Weather can also have an adverse effect on crop yields, which lowers the income of growers and could impair their ability to purchase fertilisers.

Adverse governmental agricultural policies. Any changes in subsidies to growers or in other state support programmes may inhibit the growth of, or cause a decline in, the demand for fertiliser products. For example, fertiliser demand and prices in China and India have historically been heavily dependent on government agricultural policies. In China, the Government imposed export duties on fertilisers in order to preserve domestic supply, whereas in India, the Government provides direct subsidies to farmers to purchase fertilisers. International treaties and agreements, including those made by the WTO, may also result in reductions in subsidies for agricultural products or in other adverse changes to state support programmes. In addition, the Russian Government may require fertiliser producers to decrease domestic prices for local agricultural producers. Furthermore, governmental policies may regulate the amount of land that can be used for growing crops, the mix of crops planted or crop prices, any of which could have a material adverse effect on the demand for the Group's products. See "— *Changes in government policies could have a material adverse effect on demand for and prices of the Group's products*" above.

Use of substitute products. Replacement of fertiliser application with other products or techniques aimed at improving crop yield could result in a decline in fertiliser demand and prices. For example, genetically modified organisms ("**GMOs**"), which are organisms whose genetic material has been altered by genetic engineering, can be used to grow agricultural products that require less fertiliser application.

A decline or change in agricultural production in Russia or one or more of the Group's major export markets due to these or other factors could result in decreased demand for and prices of the Group's fertilisers, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is subject to mining risks

The Group's mining operations are subject to the hazards and risks normally associated with the exploration and extraction of natural resources, any of which could result in material damage to, or the destruction of, mineral properties or production facilities, personal injury or death, environmental and natural resource damage, delays in mining taking place and possible legal liability, any of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In particular, hazards or risks associated with the Group's open-pit mining operations include, without limitations:

- accidents associated with rock blasting operations and construction activities;
- collapses of the mine walls;
- accidents associated with the operation of large mining and transportation equipment;
- falling of personnel into ore passes; and
- weather and other natural phenomena such as floods and seismic activity.

Hazards or risks associated with the Group's underground mine operations include, without limitations:

- cave-ins or ground falls;
- collapses of shaft walls or mine structure;
- unusual or unexpected geological conditions; and
- other accidents associated with drilling, blasting and removing and processing material from an underground mine.

Any of these hazards could delay the commissioning of a mine, stop extraction and affect production, increase production costs and result in injury to, or death of, employees, contractors or other persons, damage to property and liability for the Group. In each of the years ended 31 December 2011, 2010 and

2009, the Group experienced 13 workplace-related accidents at its mining facilities, of which one accident in 2010 resulted in a fatality.

The occurrence of any of these events could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is subject to numerous environmental, health and safety laws and regulations, as well as potential environmental liabilities, which may require it to make substantial expenditures or engage in clean-up and other activities

The Group's operations and properties are subject to numerous environmental and health and safety laws and regulations, including laws and regulations relating to land reclamation; the generation, treatment, storage, disposal and handling of hazardous substances and wastes; and the clean-up of hazardous substance releases.

Environmental legislation in Russia is generally undeveloped and less stringently enforced than in the EU or the United States. Nonetheless, Russian environmental protection agencies have become more proactive in recent years in carrying out their regulatory functions. In addition, more stringent standards may be introduced or enforcement increased in Russia in the future.

Any change in the current regulatory environment could result in actual costs and liabilities for which the Group has not provided or planned. Moreover, in the course of, or as a result of, environmental investigations, regulatory authorities in Russia could issue orders to reduce or cease production at facilities that have violated environmental standards. If production at one or more of the Group's facilities were to be partially or wholly interrupted due to this type of sanction, it could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Violations of environmental and health and safety laws can result in substantial penalties, court orders to install pollution-control equipment, civil and criminal sanctions, permit revocations and unplanned facility shutdowns. Environmental and health and safety laws change rapidly and have tended to become more stringent over time. As a result, the Group has not always been and may not always be in compliance with all environmental and health and safety laws and regulations. Additionally, future environmental and health and safety laws and regulations, more vigorous enforcement of current laws and regulations, whether caused by violations of environmental and health and safety laws by the Group or other chemical fertiliser companies or otherwise, and the environmental laws and regulations of jurisdictions outside of Russia in which the Group operates, including the EU, or to which the Group exports its products may require the Group to make substantial expenditures, and its costs to comply with, or any liabilities under, these laws and regulations could have a material adverse effect on its business, financial condition, results of operations and prospects.

Accidents involving the Group's products could cause severe damage or injury to property, the environment and human health

As a fertiliser business working with chemicals and other hazardous substances, the Group's business is inherently subject to spills, discharges or other releases of hazardous substances into the environment. Certain environmental laws applicable to the Group impose joint and several liability, without regard to fault, for clean-up costs on persons who have disposed of or released hazardous substances into the environment. Given the nature of the Group's business, it has incurred, is currently incurring, and will likely in the future periodically incur environmental clean-up liabilities at its current or former facilities, adjacent or nearby third-party facilities or offsite disposal locations. Pollution risks and related clean-up costs are often impossible to assess unless environmental audits have been performed and the extent of liability under environmental laws is clearly determinable. The costs associated with future clean-up activities that the Group may be required to conduct or finance may be material. Additionally, the Group may become liable to third parties for damages, including personal injury and property damage, resulting from the disposal or release of hazardous substances into the environment.

Under current Russian environmental legislation, the Group must make payments for air-emissions, water discharges, waste disposals and third-party liabilities that are within specified limits as well as make increased payments for emissions, discharges and waste disposals in excess of these limits. In particular, the Group is subject to the Russian environmental legislation that divides all production waste into five categories, depending on the hazardousness of the waste. Payments for waste-disposals may vary materially, depending on the classification of the waste. Due to uncertainties in the legislation and the vague criteria in respect of the five categories of waste, no assurance can be given that the waste produced

by the Group's operations will not be reclassified as more hazardous waste. Any reclassification of the category of waste produced by the Group's operations as more hazardous, as well as any amendments to the existing regulations to increase the amount of payments, could result in substantial increases in the amounts payable, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may also become involved in claims, lawsuits and administrative proceedings relating to environmental matters ("**Environmental Claims**"). An adverse outcome in any Environmental Claim could have a material adverse effect on the Group's business, financial condition, results of operations and prospects and could include the imposition of civil or criminal liability on the Group or its officers. Stricter environmental, health and safety laws and enforcement policies could result in substantial costs and liabilities and could subject the Group's production facilities and properties (or those formerly owned or operated by the Group) to more rigorous scrutiny than is currently the case. Consequently, compliance with these laws could result in significant capital expenditures as well as other costs and liabilities, and thereby have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is dependent on a limited number of suppliers, some of which are monopolies or have a dominant market position, for electricity and natural gas and may suffer from increased energy prices or supply interruptions

The Group's performance results depend on access to low cost natural gas and energy. Additionally, if any interruptions in electricity supply or failures in electricity grids were to occur, the Group's production facilities would shut down after which a considerable time period may be required to recommence the production processes. The Group is dependent on third-party suppliers, including, subsidiaries of Gazprom, for the majority of its natural gas needs. Any discontinuation of access to low cost natural gas (due to Gazprom's dominant position in Russia or other reasons) and electricity as well as interruptions or failures in natural gas or electricity supply could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Company is also dependent on Gazprom, which owns the gas distribution system in Russia, for transporting natural gas produced by Severneft-Urengoy LLC ("**Severneft-Urengoy**"), the Group's natural gas operator to the Group's Novomoskovskiy Azot nitrogen facility. Capacity constraints have led to and could continue to lead to limited pipeline access and have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In the nine months ended 30 September 2012, energy costs accounted for 7.0 per cent. of the Group's cost of sales. The two largest components of energy related expenses are electricity and natural gas. If the Group is required to pay higher prices for electricity in the future or is otherwise unable to reduce its energy costs, it could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The production of nitrogen fertilisers which represents a substantial segment of the Group's business, is dependent on purchase of significant amounts of natural gas. For the nine months ended 30 September 2012, based on the EuroChem management production reports, the cost of natural gas supplies represented approximately 76 per cent. of the production costs of ammonia and 50 per cent. and 48 per cent. of the production costs of urea and UAN, respectively. In Russia, natural gas prices are regulated by the Government, and have been rising over the last few years. Despite recent price increases in Russia and the effect of North American unconventional gas resources, natural gas prices in Russia currently remain below Western European and North American levels, helping to provide the Group with a cost advantage over many of its competitors. In connection with Russia's accession to the WTO, Russia and the EU agreed that Russia would raise domestic gas prices to European export net back parity by 2015. To reach this level, the Russian Government has been increasing prices by approximately 15 per cent. each year.

Any interruption in the supply of energy and natural gas, increases in, or inability to achieve a decrease in, energy or natural gas costs could adversely affect the Group's future output and profitability, particularly if it is unable to pass on higher costs to its customers. This could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, an increase of prices for natural gas and electricity could have a material adverse effect on the Group's gross margin.

The Group's capital expenditure programme is subject to various risks and uncertainties

Capital expenditure programmes are subject to a variety of potential problems and uncertainties, including incompletion, cost overruns and defects in design or construction, which may require additional investments; as well as changes in economic and market conditions, which may affect the economic viability of such capital expenditures. In addition, the Group relies to a significant degree on third-party contractors for the implementation of its construction projects. If these third-party contractors cease their operations due to any reasons, the Group could incur higher costs and expenses and experience construction delays. There can be no assurance that the Group will successfully implement its capital expenditure programme, either on time or on budget. If any or all major projects that constitute the Group's capital expenditure programme are not implemented according to schedule or at all, the existing constraints that limit production volumes or those that can limit future growth will remain, the efficiency gains from modernising the existing production facilities and constructing the new facilities will not be achieved and any growth prospects based on the assumption that these projects are completed will not materialise, which could have a material adverse effect on the Group's business, growth prospects and competitive position.

The Group's mining capital expenditure projects are subject to the completion of planned development on time and according to budget, and are dependent on the effective support of the Group's personnel, systems, procedures and controls. Mining equipment required for the mining capital expenditure projects may not be available in a timely manner due to high demand, insufficient supply or other reasons. There may also be a shortage of suitably qualified personnel for the implementation of the Group's mining capital expenditure projects. Any such failure may result in delays in the completion of the Group's mining capital expenditure projects which could result in reduced extraction volumes at the Group's mines, which in turn could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group requires a significant amount of funding for its capital expenditure programme, including the development of its Potash segment

Fertiliser and other chemicals production, research and development and mining related activities are capital-intensive businesses. In particular, the Group is implementing a programme for the development of its Potash segment around the Gremyachinskoe (Volgograd region) and Verkhnekamskoe (Perm region) potash deposit license areas. In addition, the Group is currently implementing an extensive programme to modernise and develop its existing production and mining facilities, which requires significant capital expenditures. See "*Operating and Financial Overview—Capital Expenditures*". The Group relies on cash generated from its operations to provide the capital needed for its capital expenditure programme, there can be no assurance that the Group will be able to generate adequate cash from operations or that external financing, if necessary, will be available on reasonable terms, or at all. In addition, capital improvement programmes are subject to a variety of potential problems and uncertainties, including changes in economic conditions, delays in completion, cost overruns and defects in design or construction, which may require additional cash investment. A failure or delay of the Group's capital investment programme could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Since 2005, the Group has engaged in a significant strategic capital expenditure programme to significantly increase production capabilities, expand its product range and enhance the efficiency of production processes. During the years ended 31 December 2011, 2010 and 2009, the Group contributed to capital expenditures to the property, plant and equipment, mineral (exploration) rights and intangible assets amounting to RUB 23,805,400 thousand, RUB 20,463,909 thousand and RUB 18,701,780 thousand, respectively. The Group has planned to allocate RUB 25,141,181 thousand in total capital expenditures for the year ending 31 December 2012, of which RUB 19,155,334 thousand had been paid for the nine months ended 30 September 2012. An aggregate amount of approximately U.S.$4,569 million is expected to be allocated on strategic capital expenditure for the years 2013 to 2017.

The Group faces risks related to the development of its potash deposit license areas

The Group's potash subsoil mining projects at the Gremyachinskoe and Verkhnekamskoe potash deposit license areas are subject to the completion of scheduled development goals and budgeted capital expenditure, and are dependent on the effective support of the Group's and its contractors' personnel, systems, procedures and controls. Unplanned delays or interruptions in the development of the Group's mining projects, including those caused by unusual or unexpected geological conditions, could have a

material adverse effect on the development timeline of the mining projects and could result in operational delays, cost overruns, or failure to complete the projects.

The Gremyachinskoe and Verkhnekamskoe deposits face complex and significant risks involved in sinking shafts up to 1,200 metres below surface on Gremyachinskoe deposit, through water layers and other challenging geological conditions. For example, the Group has experienced a delay in the expected commencement of potash production at the Gremyachinskoe potash deposit due to the failure of the grouting technology employed by Shaft Sinkers (Pty) Ltd. (''**Shaft Sinkers**'') in the construction of the cage shaft. For more information, see ''*Description of Business—Legal Proceedings—Claim Against Shaft Sinkers*''.

Limited in-house experience in mining and lack of potash greenfield mine construction know-how in the global market may lead to higher costs due to the need to engage sub-contractors for planning and construction of mines and processing facilities or may lead to the failure to complete the Group's potash projects on time or at all.

Maintenance and repair work is a significant expense for the Group and may interrupt the Group's production processes

Most of the Group's production sites were originally commissioned between the 1930s and the 1970s. Partly as a result of age and normal wear and tear, a significant amount of capital expenditure is needed to support existing production capacity and general maintenance and repair work for property, plant and equipment. Older assets require greater maintenance, repair and capital expenditures. Although significant amounts have been spent already, and significant amounts are planned for the future, there can be no assurance that the amounts that will actually be required to be spent will not be much higher, or that the Group will have the liquidity to cover such cash outflows.

There can also be no assurance that the Group will not have to divert resources from its planned capital expenditures focused on growth, such as increases in production capacity and segments, to capital expenditures aimed at maintaining existing production capacity and this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. There can also be no assurance that the modernisation and improvement of the Group's facilities will be completed as originally planned or on schedule or that the expected improvements in production and product quality will be fully realised.

Maintenance and repair work also sometimes interrupts the Group's production processes. The Group's production capacity is important to its business, particularly when demand for mineral fertiliser can support production at higher levels than those possible because of interruptions of production. Any such interruptions could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's indebtedness or the enforcement of certain provisions of its financing arrangements could have a material adverse effect on the Group's operational and financial condition

As at 30 September 2012, the Group had RUB 83,611,452 thousand of bank borrowings. Among other things, the Group's indebtedness could potentially:

- limit its ability to fund its strategic capital expenditure program;
- limit its ability to obtain additional financing;
- limit its flexibility in planning for, or reacting to, changes in the markets in which it competes;
- place it at a competitive disadvantage relative to its competitors with less indebtedness;
- render it more vulnerable to general adverse economic and industry conditions; and
- require it to dedicate all or a substantial part of its cash flow to service its debt.

The Group's ability to make payments on its indebtedness depends upon its ability to maintain its operating performance at a certain level, which is subject to general economic and market conditions and to financial, business and other factors, many of which the Group cannot control. If the Group's cash flow generated from operating activities becomes insufficient, the Group may be required to take certain actions, including delaying or reducing capital or other expenditures in an attempt to restructure or refinance its indebtedness, selling its investment properties or other assets or seeking additional equity capital. The Group may be unable to take any of these actions on favourable terms or in a timely manner.

Furthermore, such actions may not be sufficient to allow the Group to service its debt obligations in full and, in any event, may have a material adverse effect on its business, financial condition, results of operations and prospects. The Group's inability to service its debt through internally generated cash flow or such other sources of liquidity may put it in default of its obligations to its creditors.

In addition, certain of the Group's material loan agreements currently include certain financial covenants. For example certain of the Group's loan agreements contain covenants in relation to the level of financial indebtedness that can be assumed by the Group. See "*Operating and Financial Overview—Indebtedness*". If the Group is unable to comply with these covenants in the future, it could be required to renegotiate the credit facilities, request waivers or replace them in order to prevent a default. There can be no assurance that the Group would be able to take any such action on terms that are acceptable to it, or at all.

The Group bears the risk of currency fluctuations

The Group is required to settle transactions in Russia (including, *inter alia*, purchases of energy, natural gas and raw materials) in Russian Roubles. However, while the Group's reporting currency is the Russian Rouble, a large proportion of the Group's revenue is from export sales, and such revenue is received in foreign currencies, principally U.S. dollars. For example, for the year ended 31 December 2011, sales that were denominated in a currency other than the Russian Rouble accounted for 75.7 per cent. of the Group's total sales. While some of the Group's costs, such as interest expense and costs of equipment, are incurred in currencies other than the Russian Rouble and a majority of the Group's loans are denominated in U.S. dollars or euros, there is still a mismatch between the proportion of total revenue received in foreign currencies and the proportion of total costs paid in foreign currencies, so that the appreciation of the Russian Rouble against the U.S. dollar tends to result in an increase in the Group's costs relative to the Group's revenue. A material appreciation of the Russian Rouble against the U.S. dollar could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group faces interest rate risk

The Group faces interest rate risk from its current and non-current borrowings that bear interest at a floating rate. As at 30 September 2012 and 31 December 2011, the Group had RUB 63,675,397 thousand and RUB 57,471,262 thousand, respectively, of floating rate debt outstanding, which represented 68.0 per cent. and 59.4 per cent., respectively, of the Group's total indebtedness. As at 30 September 2012, the Group had not entered into any hedging arrangements to mitigate the impact of interest rate fluctuations. As a result, an increase in interest rates would increase the Group's interest payments, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Estimates of the Group's reserves and resources are subject to uncertainties

The estimates contained in this Prospectus concerning the Group's ore, natural gas and recoverable oil reserves and resources are subject to considerable uncertainties. The estimates stated according to the JORC Code are generally based on site visits of representatives of IMC Montan to the Group's mining operations, their review of statistical data, their discussions with the Group's management in 2009 on the current status and future plans of the Group and projected rates of extraction in the future. In particular, preparation of the estimates involves the analysis of the geological conditions and nature of the deposits, the review of historical and current methods of exploration and sampling, the assessment of the suitability and efficiency of the current and planned mining methods, the assessment of the suitability of the existing surface and underground infrastructure and the status and operating availability of the equipment and infrastructure facilities. This Prospectus contains reserves and resources estimates stated in accordance with the JORC Code, the Russian classification and the Kazakhstan Classification, both of which permit a number of assumptions to be made. However, there is no certainty that the levels set out in the reserves reports will actually be realised.

In addition, actual extraction results may differ significantly from these estimates. Furthermore, it may take many years from the exploration phase before extraction becomes possible. During that time, the economic feasibility of exploiting a discovery may change as a result of changes in the market price of the relevant raw materials. The Group's ability to develop these reserves and resources is also subject to the Group's ability to maintain and renew the licences relating to those reserves and resources. To the extent that the actual reserves and resources are less than those estimated, or cannot be extracted cost effectively or at all, the Group may incur a significant write-down of such assets and the Group's

extraction operations may become disrupted and/or decrease and the Group's extraction costs for these raw materials may increase significantly, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's reserves and resources are disclosed on a different basis than those disclosed in filings with the U.S. Securities and Exchange Commission in accordance with SEC Industry Guide 7 and include measured or indicated resources, which may never be classified as reserves

The Group's reserve and resources estimates are disclosed on a different basis than those disclosed in registration statements and other documents filed with the U.S. Securities Exchange Commission (the "**SEC**"). While the Group's reserves and resources estimates for its Kovdorskiy GOK phosphate mine and Gremaychinskoe and Verkhnekamskoe potash deposit license areas are disclosed according to the JORC Code, the Group's reserves and resources estimates for its hydrocarbon deposits in Russia are disclosed according to the Russian Classification and for its phosphate ore deposit in Kazakhstan according to the Kazakhstan Classification. The disclosure rules and practices associated with JORC and the Russian reserves system differ in several significant respects from SEC Industry Guide 7 ("**Guide 7**"), which governs disclosures of mineral reserves in registration statements and reports filed with the SEC. In particular, Guide 7 does not recognise classifications other than proved and probable reserves, and the SEC does not permit mining companies to disclose mineral resources in SEC filings. The reserve and resources estimates included in this Prospectus include measured and indicated resources under the JORC Code, the Russian Classification and the Kazakhstan Classification, which are generally not permitted in disclosure filed with the SEC. Under Guide 7, minerals may not be classified as a "reserve" unless the determination has been made that the minerals could be economically and legally produced or extracted at the time the reserve determination is made. There can be no assurance that all or any part of measured or indicated resources under the JORC Code, the Russian Classification or the Kazakhstan Classification, will ever be classified as reserves. Further, the reserves and resources estimates included in this Prospectus are as at the relevant dates specified and do not reflect production that has occurred at the relevant deposits since such dates.

The Group faces risks associated with the acquisition opportunities and the successful integration of targeted assets

In the recent past, the Group has acquired a number of businesses, including Severneft-Urengoy, a natural gas producer located in Russia's Yamalo-Nenets Autonomous Region, in December 2011; EuroChem Antwerpen, the nitrogen fertiliser operations of BASF in Belgium, in March 2012; and K+S Nitrogen (now EuroChem Agro), companies specialising in the marketing of nitrogen fertilisers with a focus on major customers in agriculture and special crops such as fruits, vegetables and grapes, in July 2012. The pursuit of acquisition opportunities entails certain risks, including failing to identify suitable acquisition targets and/or failing to conduct appropriate due diligence on their operations and/or financial condition; incurring significantly higher than anticipated financing-related risks and operating expenses; failing to assimilate the operations and personnel of acquired businesses; failing to install and integrate all necessary systems and controls; entering new markets in which the Group has no or limited experience and/or where there may be limited access to requisite logistics and distribution facilities and arrangements; and experiencing the disruption of on-going business and the strain of the Group's management resources. If the Group fails to integrate its acquisitions successfully, it could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group relies heavily on the Russian railroad network, and faces risks associated with the cost and availability of reliable rail transportation for its products and raw materials

Railway transportation is the Group's principal means of transporting raw materials from third-party suppliers and Group companies to the Group's production facilities and for transporting the Group's products to its customers as well as to ports for onward transportation overseas. Moreover, the Group's production facilities are located at considerable distances from most of the destination markets and ports. As a result, the Group's operations heavily depend on the Russian railway system and rely predominantly on the rail freight network operated by OJSC Russian Railways ("**Russian Railways**"). Russian Railways is a state-owned monopoly company handling a significant majority of all railway freight in Russia. In 2011, based on the EuroChem management production reports, the Group incurred expenses in the amount of approximately RUB 6.6 billion payable primarily to Russian Railways for railway transportation services. The Russian Government sets rail tariffs and may further increase these tariffs as it has done in the past. Railway tariffs for freight were increased by 7.4 per cent. on 1 January 2012. Railway tariffs for freight are expected to increase by 7.0 per cent. in 2013 based on the information from

the Russian Federal Tariff Service. Past and future increases in railway tariffs for freight have resulted and will continue to result in significant increases in the Group's transportation costs. In the past, the Group has been able to pass to its customers most of the increases in railway transportation costs associated with the delivery of the Group's products to its domestic customers, however there can be no assurance that the Group will be able to do so in the future. The Group is usually unable to pass to its customers increases in railway transportation costs associated with the delivery of raw materials to or between Group companies and the delivery of the Group's products to ports for onward transportation overseas to the Group's export customers. If railway transportation costs in Russia continue to rise without a matching increase in the Group's product prices, the Group's profit margins would decrease, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects if the Group is unable to pass these cost increases to its customers.

In addition, there has been insufficient investment in the Russian rolling stock and locomotives in the past, which has caused their quality to deteriorate. In particular, there is a shortage of railcars capable of transporting the Group's products and raw materials, and locomotives. While the Group owns and operates approximately 6,850 rail cars and 44 locomotives, it also uses some rolling stock from third parties. For the year ended 31 December 2011, expenses related to rolling stock and locomotives amounted to RUB 852 million. As such, there can be no assurance that the Group will have adequate availability of railcars and/or locomotives.

Moreover, a strike or industrial action involving Russian Railways, for example in connection with the continued reorganisation and/or proposed privatisation of Russian Railways, could result in disruption to the transportation of the Group's raw materials and products, including delays, and increased railway transportation costs for the Group, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Equipment failures or production curtailments or shutdowns could have a material adverse effect on production

The Group's production capacities are subject to equipment failures and to the risk of catastrophic loss due to unanticipated events, such as fires, explosions and adverse weather conditions. The manufacturing processes utilised depend on critical pieces and such equipment may, on occasion, be out of service as a result of unanticipated failures, which could require the closure of part or all of the relevant production facility, causing a reduction in production. Any interruption in production capacity may require significant and unanticipated capital expenditures to affect repairs, which could have a material adverse effect on the Group's profitability and cash flows. Although the Group has comprehensive property and business interruption insurance based on the replacement value of the assets, the recoveries that may obtained in the future may not fully offset the lost revenues or increased costs resulting from operational disruption. A sustained disruption could also result in a loss of customers. Any or all of these occurrences could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is not insured against all potential losses and liabilities and could be seriously harmed by the occurrence of any uninsured events

The Group's operations are subject to hazards inherent in the manufacturing, transportation, storage and distribution of hazardous chemical substances. These hazards include: explosions; fires; severe weather and natural disasters; train derailments, collisions, vessel groundings and other transportation and maritime incidents; leaks and ruptures involving storage tanks and pipelines; spills, discharges and releases of toxic or hazardous substances or gases; deliberate sabotage and terrorist incidents; mechanical failures; unscheduled downtime; labour difficulties and other risks. Some of these hazards can cause bodily injury and loss of life, severe damage to or destruction of property and equipment and environmental damage, and they may result in suspension of operations and the imposition of civil or criminal penalties and liabilities. The Group has revised and has developed insurance policies similar to its peers in the more developed market economies of Western Europe and North America and maintains certain mandatory and voluntary insurance (see "*Description of Business—Insurance*"). Notwithstanding the insurance coverage that the Group carries, the occurrence of an event that causes losses in excess of limits specified under the relevant policy or is subject to material deductibles, or losses arising from events not covered by insurance policies, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group faces the risk of product liability claims and associated adverse publicity

The processing of raw materials supplied by third parties and the production and sale of fertilisers, feed phosphates and other products of the Group, entail an inherent risk of product liability claims, product recalls and associated adverse publicity. Such raw materials may contain contaminants that may be inadvertently redistributed by the Group. These contaminants may, in certain cases, result in damage to property (*e.g.*, crops or livestock), illness, injury or death if processing does not eliminate such contaminants. A shipment of contaminated products may lead to product liability claims asserted against the Group and/or require product recalls. There can be no assurance that such claims will not be asserted against the Group in the future, or that such recalls will not be necessary. The Group does not currently have adequate insurance or contractual indemnification available and therefore successful product liability claims relating to defective products could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. In addition, even if a product liability claim is not successful or is not fully pursued, the negative publicity surrounding any assertion that the products the Group sells caused damage, illness or injury could have a material adverse effect on the Group's reputation with existing and potential customers, and on its business, financial condition, results of operations and prospects.

Acts of terrorism could have a material adverse effect on the Group's business

Like other companies with major industrial facilities, the Group's plants and ancillary facilities may be targets of terrorist activities. Many of these plants and facilities store significant quantities of ammonia and other items that can be volatile if mishandled. Any damage to infrastructure facilities, such as electricity generation, transmission and distribution facilities, or injury to employees, who could be direct targets or indirect casualties of an act of terrorism, may affect the Group's operations. Any disruption of the Group's ability to produce or distribute its products could result in a significant decrease in revenues and significant additional costs to replace, repair or insure its assets, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

In addition, due to concerns related to terrorism or the potential use of certain fertilisers, acids and other chemical substances as explosives or poisonous materials, local, state and federal governments could implement new regulations impacting the security of the Group's plants, warehouses and other facilities or the transportation and use of fertilisers and other chemicals. These regulations could result in higher operating costs or limitations on the sale of the Group's products and could result in significant unanticipated costs and/or lower revenues, each of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

An increase in existing trade barriers or the imposition of new trade barriers on the Group's exports from Russia could cause a significant decrease in the demand for the Group's products in certain markets

The Group's products that are manufactured in Russia are subject to various trade barriers, such as anti-dumping duties, tariffs and quotas in Europe and North America. As at 30 September 2012, based on the EuroChem management production reports, approximately 78 per cent. of the Group's fertiliser production capacity was located within Russia. These trade barriers affect the demand for the Group's products by effectively increasing the prices for those products compared to domestically available products. An increase in existing trade barriers, or the imposition of new trade barriers, could cause a significant decrease in the demand for the Group's Russian products in its principal export markets, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. There can be no assurance as to how anti-dumping regimes will evolve in the future. Further, there can be no assurance that the regulators in the Group's principal markets will not amend the antidumping duties currently in force.

The Group may fail to fulfil the terms of its licences, permits, certificates or other authorisations, or fail to renew them on expiry, or there may be changes in licence requirements

The Group's business depends on the continuing validity of its licences, permits, certificates and other authorisations ("**Licences**"), the issuance to it of new Licences and its compliance with the terms of its Licences, including subsoil licences for the Group's mining operations at Kovdorskiy GOK and the Group's future mining operations at the EuroChem-Usolskiy potash complex (Verkhnekamskoe potash deposit) and EuroChem-VolgaKaliy (Gremyachinskoe potash deposit) as well as the hydrocarbon licences for Severneft-Urengoy. Licences, together with the relevant pieces of applicable Russian legislation, contain various requirements that must be complied with in order to remain valid.

Regulatory authorities exercise considerable discretion in monitoring licensees' compliance with the terms of Licences and in the timing of Licence issuance and renewal. Requirements imposed by these authorities may be costly and time-consuming and may result in delays in the commencement or continuation of exploration or production operations. Moreover, legislation on subsoil rights remains internally inconsistent and vague, and the acts and instructions of licensing authorities and procedures by which Licences are issued are often arguably inconsistent with legislation.

Under certain circumstances, state authorities in Russia, Lithuania (in relation to Lifosa AB (''**Lifosa**'')) and Belgium (in relation to EuroChem Antwerpen) may seek to interfere with the issuance of Licences, for example, by initiating legal proceedings where the issuance of a Licence may allegedly violate the civil rights or legal interests of a person or legal entity. The licensing process may also be influenced by outside commentary, political pressure or other extra-legal factors. In the case of subsoil licences, unsuccessful applicants may bring direct claims against the issuing authorities that the licence was issued in violation of applicable law or regulation. If successful, such proceedings and claims may result in the revocation or invalidation of the Licence. Accordingly, Licences that the Group requires may be invalidated or may not be renewed. Licences that are issued or renewed may not be issued or renewed in a timely fashion and may involve conditions that restrict the Group's ability to conduct its operations in a profitable manner, or at all.

As part of its obligations under licensing regulations and the terms of its Licences, the Group is also required to comply with numerous industrial standards, maintain production levels, recruit qualified personnel, maintain necessary equipment and a system of quality control, monitor the Group's operations, maintain all appropriate filings and, upon request, submit appropriate information to licensing authorities, which are entitled to control and inspect its activities. In most cases, a Licence may be suspended or terminated if the licensee does not comply with the ''significant'' or ''material'' terms of the Licence. However, the Ministry of Natural Resources and Ecology of the Russian Federation has not issued any interpretive guidance on the meaning of ''significant'' or ''material'' terms of Licences. Court decisions on the meaning of these terms have been inconsistent and, under Russia's civil law system, do not have significant value as precedents for future judicial proceedings. These deficiencies result in the regulatory authorities, prosecutors and courts having significant discretion over enforcement and interpretation of the law, which may be used arbitrarily to challenge the rights of licencees. As a result, while the Group seeks to comply with the terms of its Licences and believes that it is currently in material compliance with the terms of all such Licences, there can be no assurance that its Licences will not be suspended or terminated if the licensing authorities in Russia, Lithuania (in relation to Lifosa) and Belgium (in relation to EuroChem Antwerpen) discover or otherwise allege a material violation of the terms of the Licenses by the Group, in which case, the Group may be required to suspend its operations or to incur substantial costs in eliminating or remedying the violation, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Any or all of these factors could affect the Group's ability to obtain, maintain or renew necessary Licences. If the Group fails to comply with the requirements of applicable Russian, Lithuanian (in relation to Lifosa) or Belgian (in relation to EuroChem Antwerpen) law, fails to meet the terms of its Licences, is unable to obtain, maintain or renew necessary Licences, or is only able to obtain or renew them with new material restrictions, it may have to cease conducting its business as it does now or otherwise alter its operations, and it could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Further, there can be no assurance that no new local, state or federal licence requirements will be introduced or that any given Licence will be deemed sufficient by the competent governmental authorities for the conduct of the Group's operations, nor can there be any assurance that the Group will be able to obtain the necessary Licences in the desired timeframe, or at all.

The Group's subsidiaries in Russia are in many cases the largest employers in their respective regions, and as a result the Group may be limited in its ability to make rapid and significant reductions in numbers of its employees

The Group's subsidiaries are in many instances a significant or the largest employers in the towns in which they operate, such as Kovdorskiy GOK in the town of Kovdor, Nevinnomysskiy Azot, OJSC (''**Nevinnomysskiy Azot**'') in Nevinnomyssk and Phosporit Industrial Group, LLC (''**Phosphorit**'') in Kingisepp. The Group's ability to quickly alter the number of its employees may be subject to political and social considerations. Any inability to make planned reductions in numbers of employees or other

changes to the Group operations in such regions could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Loss of the Group's senior management could have a material adverse effect on the Group's competitive position and future prospects

The Group's ability to maintain its competitive position and to implement the Group's strategy is dependent to a large degree on the services of the Group's senior management team. The Group depends on its existing senior management for the implementation of the Group's strategy and management of day-to-day activities. In addition, the business and governmental connections of members of senior management are important to the Group's business. There can be no assurance that current senior management will continue to remain employed with the Group in the future.

The loss of, or the deterioration in the performance of, the Group's existing senior management or the Group's inability to attract, retain and motivate additional senior management personnel could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, competition in Russia for personnel with relevant expertise is intense due to the relatively small number of qualified individuals, which could have a material adverse effect on the Group's ability to retain existing senior management and attract additional qualified senior management.

The Group's business may be affected by shortages of skilled labour or labour disputes

Competition for skilled labour is intense in the Russian fertiliser industry. The demand for skilled engineers, technicians, chemical experts, mining and construction workers, and operators of specialised equipment continues to increase, reflecting the significant demand from other industries and public infrastructure projects. Further increases in demand for skilled labour are likely to lead to increases in labour costs, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

A significant proportion of the Group's employees are members of trade unions. Large union representation subjects the Group's businesses to the threat of interruptions through strikes, lock-outs or delays in renegotiations of labour contracts. In addition, labour strikes or other disruptions due to labour disputes at companies acting as contractors for the Group could have a material adverse effect on the Group. There can be no assurance that such industrial actions will not occur. Any significant work slowdowns, stoppages or other labour-related developments could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's labour costs could increase as Russia's economy moves into line with that of Western countries

The Group believes that currently it benefits from one of the lowest costs of production in the industry. However, its costs of production may increase significantly, particularly as Russia's economic environment moves into line with those of Western countries. The labour costs follow the expenses for materials used in the production process and energy related costs in the Group's most significant operational costs. Although labour costs in Russia have historically been significantly lower than those in some of the more developed market economies of North America and Western Europe for similarly skilled employees, according to the Ministry of Economic Development of the Russian Federation, the average wage in Russia has been rising at a rate of between 7.8 per cent. and 27.8 per cent. per year for the period 2006-2011.

The Group's profitability could be reduced should labour and related costs continue to increase. The Group might need to increase the levels of its employee compensation more rapidly than in the past to remain competitive. Further, unionisation of the Group's workforce could limit the Group's flexibility in managing its workforce and increase its payroll costs and/or lead to labour conflicts. A significant increase in the cost of labour that is not recovered through an increase in the efficiency of its employees could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's operations in Belgium and Lithuania may be subject to higher costs and greater regulation Russian operations

Many of the competitive advantages that the Group enjoys in Russia are not available to the Group in the EU, or, if available, are less benefiting, such as with natural gas prices. Energy prices within EU countries are higher than prices in Russia. Should these continue to increase in the future, this could have a material adverse effect on the profitability of the Group's Western European operations.

In addition, operating in the EU increases environmental liabilities, labour costs and other expenditures as compared to operating in the CIS. There can be no assurance that the EU will not impose new environmental regulations or that national environmental laws will not change in the future and that the Group's Western European operations may be required to adopt and implement more stringent environmental and labour laws in the future. The costs of complying with more stringent environmental and labour law requirements of the EU, including the increased obligations of the EU in respect of CO_2 emissions, may be substantial and could have a material adverse effect on the Group's operations within the EU.

If the Group fails adequately to protect its intellectual property rights or faces a claim of intellectual property infringement by a third party, it could lose its property rights or be liable for significant damages, which could have a material adverse effect on the Group's business

The Group relies primarily on a combination of patents, registered trademarks, licensing agreements and restrictions on disclosure to protect the Group's intellectual property. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the Group's developed techniques, products, processes, brand names or other intellectual property without authorisation. Russia generally offers less intellectual property protection than some more developed market economies such as the EU or the United States. If the Group is unable to protect its proprietary rights against infringement or misappropriation, it could have a material adverse effect on its future financial results and the ability to develop the Group's business. In addition, the Group may need to engage in litigation in order to enforce the Group's intellectual property rights in the future or to determine the validity and scope of the rights of others. Any litigation could result in substantial costs and diversion of management and other resources, either of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Deficiencies or ambiguities in privatisation and/or bankruptcy legislation could be exploited to challenge the Group's ownership of certain of the Group's production facilities, which could materially affect the Group's production capacity, business, financial condition, results of operations and prospects

The Group's business includes a number of privatised companies and assets acquired through bankruptcy proceedings, and it may seek to acquire additional companies that have been privatised or that have undergone bankruptcy proceedings. To the extent that privatisation legislation has been vague, internally inconsistent and in conflict with other legislation, including conflicts between federal and local privatisation legislation, most, if not all, privatisations are arguably deficient and therefore are vulnerable to attack. In July 2005, the statute of limitations for challenging transactions entered into in the course of a privatisation was reduced from ten years to three years. It is, however, still unclear whether Russian courts will apply this provision as an imperative provision applicable to all privatisations that occurred prior to the statute of limitations period or whether certain carve-outs from the statute of limitations will be introduced. In the event that any of the Group's privatised companies are subject to attack as having been improperly privatised and the Group is unable to defeat such claims, it risks losing its ownership in the company or its assets, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. Certain of the Group's substantial assets, including manufacturing facilities of Phosphorit and EuroChem-Belorechenskie Minudobrenia, LLC ("**EuroChem-BMU**"), were acquired by the Group through a bankruptcy auction process. The regulations relating to Russian insolvency proceedings are cumbersome and it may be difficult to be in full compliance with such regulations. If any of such acquisitions were challenged as having been improperly conducted and EuroChem were unable to successfully defend its acquisition, EuroChem may lose its ownership interests, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

Risks Related to Russia

Substantially all of the Group's assets are located in Russia, which is an emerging market. Investors in emerging markets should be aware that these markets are subject to greater risk than the more developed markets, including in some cases significant economic, political, social and legal risks. Investors should also note that emerging economies, such as Russia, are subject to rapid change and that the information set forth herein may become outdated relatively quickly.

Political and governmental instability could have a material adverse effect on the value of investments in Russia

As a result of the dismantling of the political and economic apparatus of the former Soviet Union and the widespread privatisation of state assets, political conditions in Russia were highly volatile in the 1990s, which adversely affected the Russian business and investment climate. Although the political situation in Russia has stabilised since 2000, future political instability, in particular in light of the recent parliamentary and presidential elections, could result in a worsening of the overall economic situation, including capital flight and a slowdown of investment and business activity. Following both parliamentary elections in December 2011 and presidential elections in March 2012, controversy concerning alleged electoral fraud in favour of the current ruling party, United Russia, and President Putin, respectively, as well as criticism towards the political system implemented under President Putin, led to organised political demonstrations in numerous Russian cities. Moreover, shifts in governmental policy and regulation in Russia are less predictable than in many Western democracies and could disrupt or reverse political, economic and regulatory reforms. Any significant change in the Russian Government's programme of reforms could lead to the deterioration of Russia's investment climate that might limit the ability of the Group to obtain financing in the international capital markets or otherwise have a material adverse effect on its business, financial condition, results of operations and prospects.

Russia consists of 83 sub-federal political units, including republics, territories, regions, cities of federal importance and autonomous regions and districts. The delineation of authority and jurisdiction among the members of the federation and the Russian federal Government is, in many instances, unclear and remains contested. Lack of consensus between the Russian federal Government and local or regional authorities often results in the enactment of conflicting legislation at various levels and may lead to further political instability. In particular, in the past, conflicting laws have been enacted with regards to privatisation of Russian state-owned industries, securities and corporate law, and certain transactions consummated pursuant to these laws have in the past been challenged in Russian courts and such challenges may occur in the future. The occurrence of any of these factors could have a material adverse effect on the value of investments relating to businesses operating in Russia or on the Group's business, financial condition, results of operations and prospects.

In the recent past, Russian authorities have prosecuted some Russian companies, their executive officers and their shareholders on tax evasion and related charges. Some analysts contend that such prosecutions demonstrate a willingness to reverse key political and economic reforms of the 1990s. Other analysts, however, believe that these prosecutions are isolated events that relate to the specific individuals and companies involved and do not signal any deviation from broader political and economic reforms or a wider programme of asset redistribution. The occurrence of similar events in the future could result in the deterioration of Russia's investment climate, and such a result could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Economic instability in Russia could have a material adverse effect on the Group's business

The Russian economy has experienced at various times:

- significant declines in GDP;
- a weak banking system providing limited liquidity to Russian enterprises;
- widespread tax evasion;
- the growth of "black" and "grey" market economies;
- high levels of capital flight;
- high levels of corruption and the penetration of organised crime into the economy;
- significant rates of unemployment and underemployment; and
- significant economic inequalities for a large portion of the Russian population.

The Russian economy has been subject to abrupt downturns in the past. In addition, as Russia produces and exports large quantities of crude oil, natural gas and other commodities, the Russian economy is particularly vulnerable to fluctuations in the prices of crude oil, natural gas and other commodities on the world market, which reached record high levels in the first half of 2008 and have since experienced high levels of volatility, including significant decreases. In late 2008, at the outset of the global economic downturn, the Russian Government announced plans to institute more than U.S.$200 billion in

emergency financial assistance in order to ease taxes, refinance foreign debt and encourage lending. However, these measures had a limited effect and the Russian economy has not yet fully recovered from the economic downturn. Any future disruption of the Russian economy and its financial markets could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Russia has experienced high levels of inflation in the past and any future inflation could increase the Group's cost base

As a substantial portion of the Group's expenses (including operating costs and capital expenditures) are denominated in Roubles, the relative movement of inflation and exchange rates could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. The effects of inflation could cause some of the Group's costs to rise. Russia has experienced high levels of inflation since the early 1990s. According to the Federal State Statistics Service of the Russian Federation, the rate of inflation (measured as change in the consumer price index) in Russia was 11.9 per cent. in 2007, 13.3 per cent. in 2008, 8.8 per cent. in 2009 and 2010, 6.1 per cent. in 2011 and 6.6 per cent. year-over-year as at 30 September 2012.

The Group tends to experience inflation-driven increases in certain of its costs, such as salaries and locally purchased supplies, that are linked to the general price level in Russia as well as local borrowing rates. To the extent inflation causes these costs to increase, such inflation could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Crime, corruption and social instability could disrupt the Group's ability to conduct business

Levels of organised criminal activity continue to be significant in Russia. The Russian and international press have reported high levels of corruption in Russia, including the bribing of officials for the purpose of initiating investigations by government agencies. Additionally, published reports indicate that a significant number of Russian media agencies regularly publish biased articles in exchange for payment. Illegal activities, corruption or claims implicating the Group in illegal activities could have a material adverse effect on the Group's business and reputation. Additionally, the Group and/or its directors and management could face criminal sanctions.

Social instability in Russia, coupled with difficult economic conditions and the failure of salaries and benefits generally to keep pace with the rapidly increasing cost of living, have led in the past to labour and social unrest (principally in urban areas). The rising level of unemployment and deteriorating standards of living in Russia that were principally caused by the global financial and economic crisis make labour and social unrest more likely in the future. Such labour and social unrest may have political, social and economic consequences, such as increased support for a renewal of centralised authority, increased nationalism, including restrictions on foreign involvement in the Russian economy and increased violence. Any of these factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

There can be no assurance as to the completeness, reliability or accuracy of official data and statistics in this Prospectus

The official data published by the Russian federal, regional and local government agencies are substantially less complete or reliable than those of some of the more developed countries of North America and Europe. Official statistics may also be produced on different bases than those used in those countries. The Group relies on and refers to information from various third-party sources and its own internal estimates. The Group believes that these sources and estimates are reliable, but it has not independently verified them and, to the extent that such sources or estimates are based on official data released by Russian federal, regional and local government agencies, they may be subject to the same uncertainty as the official data on which they are based. Any discussion of matters relating to Russia in this Prospectus is, therefore, subject to uncertainty due to concerns about the completeness or reliability of available official and public information.

The Russian legal system and Russian legislation still continue to develop and this may create an uncertain environment for investment and for business activity

Russia is still developing an adequate legal framework required for the proper functioning of a market economy. The recent nature of much Russian legislation and the rapid evolution of the Russian legal system may place the enforceability and underlying constitutionality of laws in doubt and result in

ambiguities, inconsistencies and anomalies in their application. In addition, Russian legislation sometimes leaves substantial gaps in the regulatory infrastructure.

Among the possible risks of the current Russian legal system are:

- inconsistencies among (i) federal laws, (ii) decrees, orders and regulations issued by the president, the Russian Government, federal ministries and regulatory authorities and (iii) regional and local laws, rules and regulations;
- limited judicial and administrative guidance on interpreting Russian legislation;
- limited court personnel with the ability to interpret new principles of Russian legislation, particularly business and corporate law;
- gaps in the regulatory structure due to delay in legislation or the absence of implementing legislation;
- a high degree of discretion on the part of governmental authorities; and
- the inadequacy of bankruptcy procedures and certain violations in bankruptcy proceedings.

All of these factors make judicial decisions in Russia difficult to predict and effective redress uncertain.

Moreover, it is uncertain whether the Group would be able to enforce its rights in disputes with any of its contractual counterparties. In addition, judgments rendered by a court in any jurisdiction outside Russia will be recognised by courts in Russia only if (i) an international treaty providing for the recognition and enforcement of judgments in civil cases exists between Russia and the country where the judgment is rendered, and/or (ii) a Russian federal law providing for the recognition and enforcement of foreign court judgment is adopted. No such federal law has been passed and no such treaty exists between Russia and many foreign countries, including the United Kingdom.

In the absence of established court practice, it is difficult to predict whether a Russian court will be inclined in any particular instance to recognise and enforce a foreign court judgment. Consequently, judgments against Russian subsidiaries of the Group and their officers or directors predicated upon the civil liability provisions of foreign securities laws may not be enforced against such subsidiaries of Group and such persons in the courts of Russia without re-examination of the issues in Russia whether they are brought in original actions or in actions to enforce judgments. Moreover, a Russian court may refuse or limit enforcement of a foreign judgment, *inter alia*, on public policy grounds.

Additionally, court claims are often used to further political aims. The Group may be subject to these claims and may not be able to receive a fair hearing. All of these weaknesses could have a material adverse effect on the Group's ability to enforce its rights or to defend itself against claims by others, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Difficulty in enforcing the Group's rights in Russia

The current status of the Russian legal system makes it uncertain whether the Group would be able to enforce its rights in disputes with any of its contractual counterparties. Furthermore, the dispersion of regulatory power among a number of state agencies in Russia has resulted in inconsistent or contradictory regulations and unpredictable enforcement. The Russian Government has rapidly introduced laws and regulations and has changed its legal structure in an effort to make the Russian economy more market-oriented, resulting in considerable legal confusion. No assurance can be given that local laws and regulations will become stable and more consistent in the future. Difficulties in protecting and enforcing the Group's rights and future changes in Russia could have a material adverse effect on the Group's ability to operate in Russia. Further, its ability to protect and enforce such rights is dependent on the Russian courts, which are underdeveloped, inefficient and, in places, corrupt. Judicial precedents generally have no binding effect on subsequent decisions.

Legislation to protect against nationalisation and expropriation may not be enforced in the event of a nationalisation or expropriation of the Group's assets

Although the Russian Government has enacted legislation to protect property against expropriation and nationalisation and to provide for fair compensation to be paid if such events were to occur, there can be no certainty that such protections will be enforced. This uncertainty is due to several factors, including the lack of state budgetary resources, the lack of an independent judicial system and sufficient mechanisms to

enforce judgments, and corruption among Russian state officials. The concept of property rights is not well developed in Russia and there is not a great deal of experience in enforcing legislation enacted to protect private property against nationalisation and expropriation. As a result, the Group may not be able to obtain proper redress in the courts, and may not receive adequate compensation if, in the future, the Russian Government decides to nationalise or expropriate some or all of the Group's assets. While management considers that the Group's assets are not liable to be nationalised or expropriated, any expropriation or nationalisation of any of the Group's assets without fair compensation may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Russia's physical infrastructure is in very poor condition, which could disrupt normal business activity

The physical infrastructure in Russia largely dates back to Soviet times and has not been adequately funded and maintained. Particularly affected are the rail and road networks, power generation and transmission, communication systems and building stock. The state of Russia's physical infrastructure negatively affects Russia's national economy, disrupts the transportation of goods and supplies, imposes additional costs on business and can interrupt business operations. Further deterioration in the physical infrastructure could have a material adverse effect on the Group, in particular, and on the value of investments in Russia, in general.

Unlawful or arbitrary government action in Russia could have a material adverse effect on the Group's business

State authorities have a high degree of discretion in Russia and at times exercise their discretion arbitrarily, without conducting a hearing or giving prior notice, and sometimes illegally. Moreover, the state also has the power in certain circumstances, by regulation or act, to interfere with the performance of, nullify or terminate contracts. Unlawful or arbitrary state actions have included withdrawal of licences, sudden and unexpected tax audits, criminal prosecutions and civil actions. Federal and local government entities have also used immaterial defects in matters relating to financing documentation as pretexts for court claims and other demands to invalidate such activities and/or to void transactions, often for political purposes. Unlawful or arbitrary state action, if directed at the Group, could have a material adverse effect on its business, financial condition, results of operations and prospects.

Russian bankruptcy law has been the object of limited court decisions and, thus, there can be no assurance as to how claims by the Lender or the Trustee on behalf of the Noteholders against EuroChem would be resolved in the event of EuroChem's bankruptcy

Russian bankruptcy laws often differ from comparable laws in the United States and Western European countries and may be subject to varying interpretations. There is little precedent to predict how claims on behalf of the Noteholders or the Issuer against EuroChem would be resolved in the case of EuroChem's bankruptcy. In addition, under Russian law, EuroChem's obligations under the relevant loan agreement would be subordinated in the event of its insolvency to the following obligations: claims related to the administration of insolvency proceedings, including salaries of personnel involved in insolvency proceedings, utility bills, legal expenses and other payments; first priority claims (including claims in tort for damages in respect of physical persons' life or health, claims under employment contracts and other social benefits and copyright claims; and claims secured by a pledge of the credit organisation's assets. Any residual claims of secured creditors that remain unsatisfied after the sale of such collateral rank *pari passu* with claims of unsecured creditors.

The Russian taxation system is relatively underdeveloped

The Russian Government is constantly reforming the tax system by redrafting parts of the Tax Code of the Russian Federation (the "**Russian Tax Code**"). These changes have resulted in some improvement in the tax climate. As of 1 January 2009 the corporate profits tax rate was reduced to 20 per cent. For individuals who are tax residents in Russia the current personal income tax rate is 13 per cent. The general rate of VAT is 18 per cent. Since 1 January 2010, the Unified Social Tax was replaced by social security charges to the Russian pension, social security and medical insurance funds. The total rate of the respective social security charges equals 30 per cent. on the taxable base of RUB512,000 of an employee's annual remuneration and 10 per cent. on any amount exceeding RUB512,000 for 2012. In addition, the new Russian transfer pricing legislation has been in force since 1 January 2012.

The production and export of hydrocarbons is subject to significant taxes, which may be increased on relatively short notice. The rate of unified natural resources production tax (the "**UPT**", commonly referred to as mineral extraction tax ("**MET**")) which is applied to the Company's natural gas production

has escalated significantly in recent years: from RUB147 per mcm in 2009 to RUB237 per mcm in 2011 and RUB251 per mcm in 2012. For independent natural gas producers such as EuroChem, the UPT is calculated by applying a regressive co-efficient to the base UPT rate. Draft legislation (the "**2012 Draft Legislation**") that would significantly increase the UPT to be paid by such producers in 2013, 2014 and 2015 has been introduced to the Russian legislature. The 2012 Draft Legislation has been passed in the State Duma, the lower house, and is currently with the Federation Council. If passed by the Federation Council, the 2012 Draft Legislation will be submitted to the President for signature and publication. According to the 2012 Draft Legislation, the UPT base rates per mcm would be increased to RUB622 for the period from 1 July 2013 until 31 December 2013 (under current law, the base tax rate for 2013 is RUB582 per mcm) using a co-efficient of 0.646 (rather than 0.455 under current law), RUB700 for 2014 (under current law, the base tax rate for 2014 is RUB622 per mcm) using a co-efficient of 0.673 (rather than 0.447 under current law) and RUB788 using a co-efficient of 0.701 for the period starting from 1 January 2015.

Russian tax laws, regulations and court practice are subject to frequent change, varying interpretations and inconsistent and selective enforcement. In accordance with the Constitution of the Russian Federation, laws that introduce new taxes or worsen a taxpayer's position cannot be applied retroactively. Nonetheless, there have been several instances when such laws have been introduced and applied retroactively.

Despite the Russian Government taking steps to reduce the overall tax burden in recent years in line with its objectives, there is a possibility that the Russian Federation would impose arbitrary or onerous taxes and penalties in the future, which could have a material adverse effect on EuroChem's business, results of operations and financial condition.

In addition to the usual tax burden imposed on Russian taxpayers, these conditions complicate tax planning and related business decisions. These uncertainties could possibly expose EuroChem to significant fines and penalties and potentially severe enforcement measures despite its best efforts at compliance, and could result in a greater than expected tax burden, and could have a material adverse effect on EuroChem's business, results of operations and financial condition or prospects.

Generally, taxpayers are subject to tax audits for a period of three calendar years immediately preceding the year in which the audit commences. This provision of the Tax Code relates to the fact that generally the tax authorities are prohibited from carrying out repeat on-site tax audits in respect of the same taxes for a tax period which has already been audited. The statute of limitations for the commission of a tax offence is also limited to three years from the date on which it was committed or from the date following the end of the tax period during which the tax offence was committed (depending on the nature of the tax offence). Nevertheless, based on current judicial interpretation, there may be cases where the tax offence statute of limitations may be extended beyond three years.

Tax audits or inspections may result in additional costs to EuroChem, in particular if the relevant tax authorities conclude that EuroChem did not satisfy its tax obligations in any given year. Such audits or inspections may also impose additional burdens on EuroChem by diverting the attention of management resources. The outcome of these audits or inspections could have a material adverse effect on EuroChem's business, results of operations, financial condition or the trading price of the Notes.

In October 2006, the Plenum of the Supreme Arbitration Court of the Russian Federation issued a ruling concerning judicial practice with respect to unjustified tax benefits. In this context, a tax benefit means a reduction in the amount of a tax liability resulting, in particular, from a reduction of the tax base, the receipt of a tax deduction or tax concession or the application of a lower tax rate, and the receipt of a right to a refund (offset) or reimbursement of tax. The ruling provides that where the true economic intent of operations is inconsistent with the manner in which they have been taken into account for tax purposes a tax benefit may be deemed to be unjustified. The same conclusion may apply when an operation lacks a reasonable economic or business rationale. As a result, a tax benefit cannot be regarded as a business objective in its own right. On the other hand, the fact that the same economic result might have been obtained with a lesser tax benefit accruing to the taxpayer does not constitute grounds for declaring a tax benefit to be unjustified. Moreover, there are no rules and little practice for distinguishing between lawful tax optimisation and tax avoidance or evasion. The tax authorities have actively sought to apply this concept when challenging tax positions taken by taxpayers in court, and are anticipated to expand this trend in the future. Although the intention of this ruling was to combat tax law abuses, in practice there can be no assurance that the tax authorities will not seek to apply this concept in a broader sense than may have been intended by the Supreme Arbitration Court.

The above conditions create tax risks in Russia that are more significant than the tax risks typically found in countries with more developed taxation, legislative and judicial systems. These tax risks impose additional burdens and costs on EuroChem's operations, including management resources. Further, these risks and uncertainties complicate EuroChem's tax planning and related business decisions, potentially exposing EuroChem to significant fines, penalties and enforcement measures, and could materially adversely affect EuroChem's business, results of operations and financial condition.

Furthermore, Russian tax legislation is consistently becoming more sophisticated. It is possible that new revenue raising measures could be introduced. Although it is unclear how any new measures would operate, the introduction of such measures may affect EuroChem's overall tax efficiency and may result in significant additional taxes becoming payable. There can be no assurance to prospective investors that additional tax exposures will not arise. Additional tax exposures could have a material adverse effect on EuroChem's business, results of operations, financial condition or prospects.

New Russian transfer pricing rules may subject EuroChem's transfer prices to challenge by the Russian tax authorities

Since 1 January 2012 new transfer pricing legislation has been introduced to the Russian tax law.

In summary, this transfer pricing legislation results in new transfer pricing rules, in particular:

- the methods for monitoring the prices of controlled transactions have been expanded; and
- the list of controlled transactions has been expanded to include:
  - cross border transactions with certain types of commodities where the amount of income attributable to one counterparty exceeds RUB 60 million;
  - Russian domestic transactions between related entities if the total annual turnover of such transactions exceeds RUB 1 billion (RUB 3 billion for 2012 and RUB 2 billion for 2013);
  - transactions with residents of offshore jurisdictions included in the list established by the Russian Ministry of Finance where the amount of income attributable to one counterparty exceeds RUB 60 million; and
  - transactions between Russian legal entities and related foreign legal entities.

The amended transfer pricing law requires taxpayers to notify the Russian tax authorities of all controlled transactions (for 2012 and 2013 the notification should be made if the income attributable to one counterparty exceeds RUB 100 million and RUB 80 million, respectively). Taxpayers must also be required to present to the Russian tax authorities transfer pricing documentation upon their request. The amendments to the Russian transfer pricing laws could have a material adverse effect on EuroChem's business, results of operations and financial condition. They will also require EuroChem to ensure compliance with the new transfer pricing documentation requirements proposed in such rules.

Payments on the Loan may be subject to Russian withholding tax

In general, interest payments on borrowed funds made by a Russian legal entity to a non-resident legal entity or organisation are subject to Russian withholding tax at a rate of 20 per cent. for legal entities and 30 per cent. for non-resident individuals, unless such withholding is reduced or eliminated pursuant to the terms of an applicable double tax treaty.

The amendments to the Russian Tax Code should allow the interest on the Loan not to be subject to withholding. In particular, these amendments introduce under the Russian Tax Code an exemption from the obligation to withhold tax from interest paid under transactions similar to the transactions described herein. The amendments to the Russian Tax Code came into force on 1 July 2012.

According to these amendments, in respect of bonds issued prior to 1 January 2014, Russian borrowers are exempt from the obligation to withhold Russian withholding tax from interest payments made to foreign companies on debt obligations arising in connection with placement by these foreign companies of quoted bonds, provided that (1) there is a double tax treaty between the Russian Federation and the jurisdiction of tax residence of the issuer, and (2) the issuer duly confirms its tax residence. Federal Law #97-FZ of 29 June 2012 introducing the above amendments (hereinafter "**Law #97-FZ**") does not provide tax exemption for the holders of Eurobonds from Russian tax on interest payments, although at present there is no mechanism or requirement for non-residents to self-assess and pay the tax.

For the purpose of the above amendments to the Russian Tax Code introduced by Law #97-FZ, ''quoted bonds'' mean bonds and other debt obligations which passed the listing procedure and/or were accepted to listing on one or more foreign stock exchanges sand/or rights to which are recorded by a foreign depositary clearing organisation, provided such foreign stock exchanges and depositary clearing organisations are specified in the list approved by the FSFM in consultation with the Ministry of Finance of the Russian Federation. Until such list is adopted, bonds and other debt obligations which passed the listing procedure and/or were accepted to listing on one or more foreign stock exchanges and/or rights to which are recorded by any foreign depositary clearing organisation should be recognised as ''quoted bonds''. From publicly available information, the draft of this list has been released, but not officially adopted and enforced so far.

The amendments to the Russian Tax Code introduced by Law #97-FZ should apply retrospectively to interest payments made after 1 January 2007, which, given the general three year limitation for tax audits, should mean that tax agents in the above situation should not be challenged for not having withheld tax in prior periods.

According to the amendments to the Russian Tax Code introduced by Law #97-FZ, the above exemption established for the interest payments is also applicable to (i) income payable by a Russian legal entity in connection with a guarantee, surety or other security granted by such Russian organisation with respect to a debt obligation to a foreign organisation and/or with respect to quoted bonds and (ii) to other income payable by a Russian organisation providing payment of such income is established by the provisions of the respective debt obligation or such income is paid due to a change in the terms and conditions of the respective quoted bonds and/or debt obligations including the cases of their early repurchase or redemption.

The above amendments to the Tax Code introduced by Law #97-FZ address Russian withholding tax treatment of interest payments or other above payments to be made to foreign companies on debt obligations arising in connection with the issuance by these foreign companies of bonds before 1 January 2014. These amendments do not address Russian tax treatment of such payments on or after 1 January 2014.

If any payments under the relevant Loan are subject to any Russian or Irish withholding tax, EuroChem will be obliged to increase the amounts payable as may be necessary to ensure that the recipient receives a net amount equal to the amount it would have received in the absence of such withholding taxes. In addition, payments in respect of the Notes will, except in certain limited circumstances, be made without deduction or withholding for or on account of Irish taxes except as required by law. Payments in respect of the Notes should only be subject to deduction or withholding for or on account of Irish taxes as described in ''*Taxation—Ireland*''. In the event of such a deduction or withholding, the Issuer will only be required to increase payments to the extent that it receives corresponding amounts from EuroChem under the relevant Loan Agreement. While the Loan Agreement provides for EuroChem to pay such corresponding amounts in these circumstances, there are some doubts as to whether a tax gross up clause such as that contained in the Loan Agreement is enforceable under Russian law. Due to the limited recourse nature of the Notes, if EuroChem fails to pay any such gross-up amounts, the amount payable by the Issuer under the Notes will be correspondingly reduced. Any failure by EuroChem to increase such payments would constitute an Event of Default under the Loan Agreement. In certain circumstances (including following enforcement of the security upon the occurrence of a Relevant Event as defined in the Trust Deed), in the event that EuroChem is obliged to increase the amounts payable, it may prepay the principal amount of the Loan together with accrued interest and/or additional amounts payable (if any) thereon, and all outstanding Notes would be redeemed by the Issuer (to the extent that it has actually received the relevant funds from EuroChem).

The Issuer will grant security over certain of its rights in the Loan Agreement to the Trustee in respect of its obligations under the Notes. The security under the Trust Deed will become enforceable upon the occurrence of a Relevant Event, as defined in the Loan Agreement and the Trust Deed. In these circumstances, payments under the relevant Loan Agreement (other than in respect of Reserved Rights) would be required to be made to, or to the order of, the Trustee. Under Russian tax law, payments of interest and other payments made by EuroChem to the Trustee will in general be subject to Russian income tax withholding at a rate of 20 per cent. (or, potentially, 30 per cent. in respect of non-resident individual Noteholders). It is not expected that the Trustee will, or will be able to, claim a withholding tax exemption under any double tax treaty. In addition, while it may be possible for some Noteholders who may be eligible for an exemption from Russian withholding tax under double tax treaties to claim a refund of tax withheld, there would be considerable practical difficulties in obtaining any such refund.

There is a risk that under the Russian thin capitalisation rules in certain circumstances where parties related to EuroChem (i.e. the Related Parties as defined above) hold Notes part or all of the interest to be paid by EuroChem under the Loan could be reclassified as dividends for Russian tax purposes. This would occur if the overall amount of the ''controlled debt'' of EuroChem, calculated on an individual related party basis, exceeded the capital of EuroChem, calculated in accordance with the requirements of the Russian Tax Code, 3 times. Interest in the amount of such excess would be reclassified as dividends for Russian tax purposes. Under the Russian Tax Code, there is a risk that the ''controlled debt'' of EuroChem may include all or part of the Loan, to the extent that any Related Parties acquire any portion of the Notes.

Such reclassification of all or a portion of the interest under the Loan as dividends could potentially lead to the imposition of Russian withholding tax on such reclassified interest at the rate of 15 per cent., subject to possible tax relief under the double tax treaty between the Russian Federation and Ireland, and the non-deductibility of such interest for Russian profits tax purposes by EuroChem. Also, such withholding on dividends would trigger the gross-up obligation of EuroChem discussed above.

Based on the assumption that the amount of EuroChem's ''controlled debt'' calculated in accordance with the requirements of Article 269 of the Russian Tax Code will not exceed 3 times the amount of EuroChem's ''own capital'' (''собственный капитал'') calculated on an individual Related Party basis, the Russian thin capitalisation rules should not apply currently to the interest on the Loan. However, changes in these assumptions could result in all or a portion of such interest being subject to the thin capitalisation rules in the future so as to treat ''excess interest'' related to the Loan as a dividend under the double tax treaty between the Russian Federation and Ireland subject to 15 per cent. withholding tax applicable to dividends (subject to possible tax treaty relief, if any) rather than zero withholding tax applicable to interest. Such withholding on dividends would trigger the gross-up obligation of EuroChem discussed above.

As indicated above, it is currently unclear whether the provisions obliging EuroChem to gross-up payments will be enforceable in the Russian Federation. If, in the case of litigation in the Russian Federation, a Russian court does not rule in favour of the Issuer or the Trustee and Noteholders, there is a risk that the tax gross-up for withholding tax will not take place and that payments made by EuroChem under the Loan Agreement will be reduced by Russian income tax withheld by EuroChem at a rate of 20 per cent. (or potentially, 30 per cent. in respect of individual Noteholders). See ''*Taxation—Russian Taxation*''.

Tax might be withheld on disposals of the Notes in the Russian Federation, reducing their value

If a non-resident Noteholder that is a legal entity or organisation, which in each case is not organised under Russian law and which holds and disposes of the Notes otherwise than through a permanent establishment in Russia, sells the Notes and receives proceeds from a source within the Russian Federation, there is a risk that any part of the payment that represents accrued interest may be subject to a 20 per cent. Russian withholding tax (even if a disposal is performed at a loss). The foreign Noteholder may be entitled to a reduction of such Russian withholding tax under an applicable double tax treaty.

Where proceeds from a disposal of the Notes are received from a source within the Russian Federation by a non-resident Noteholder that is an individual, there is a risk that Russian withholding tax would be charged at a rate of 30 per cent. on gross proceeds from such disposal of the Notes less any available cost deduction. There is no assurance that advance double tax treaty relief would be granted to an individual and obtaining a refund can involve considerable practical difficulties. The imposition or risk of imposition of this withholding tax could adversely affect the value of the Notes. See ''*Taxation—Russian Taxation*''.

RISKS RELATED TO THE ISSUER

The Issuer is subject to risks, including the location of its centre of main interest, the appointment of examiners, claims of preferred creditors and floating charges

Centre of main interest

The Issuer, a company incorporated under the laws of Ireland, has its registered office in Ireland. As a result there is a rebuttable presumption that its centre of main interest (''**COMI**'') is in Ireland and consequently that any main insolvency proceedings applicable to it would be governed by Irish law. In the decision by the European Court of Justice (''**ECJ**'') in relation to Eurofood IFSC Limited, the ECJ restated the presumption in Council Regulation (EC) No. 1346/2000 of 29 May 2000 on Insolvency Proceedings, that the place of a company's registered office is presumed to be the company's COMI and

stated that the presumption can only be rebutted if ''factors which are both objective and ascertainable by third parties enable it to be established that an actual situation exists which is different from that which locating it at the registered office is deemed to reflect''. As the Issuer has its registered office in Ireland, has Irish directors, is registered for tax in Ireland and has an Irish corporate services provider, the Issuer does not believe that factors exist that would rebut this presumption, although this would ultimately be a matter for the relevant court to decide, based on the circumstances existing at the time when it was asked to make that decision. If the Issuer's COMI is not located in Ireland, and is held to be in a different jurisdiction within the European Union, main insolvency proceedings may not be opened in Ireland.

Examinership

Examinership is a court procedure available under the Irish Companies (Amendment) Act 1990, as amended (the ''**1990 Act**'') to facilitate the survival of Irish companies in financial difficulties.

The Issuer, the directors of the Issuer, a contingent, prospective or actual creditor of the Issuer, or shareholders of the Issuer holding, at the date of presentation of the petition, not less than one-tenth of the voting share capital of the Issuer are each entitled to petition the court for the appointment of an examiner. The examiner, once appointed, has the power to halt, prevent or rectify acts or omissions, by or on behalf of the company after his appointment and, in certain circumstances, negative pledges given by the company prior to his appointment will not be binding on the company. Furthermore, where proposals for a scheme of arrangement are to be formulated, the company may, subject to the approval of the court, affirm or repudiate any contract under which some element of performance other than the payment remains to be rendered both by the company and the other contracting party or parties.

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement to assist in the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the Irish High Court when a minimum of one class of creditors, whose interests are impaired under the proposals, has voted in favour of the proposals and the Irish High Court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement and the proposals are not unfairly prejudicial to any interested party.

The fact that the Issuer is a special purpose entity and that all its liabilities are of a limited recourse nature means that it is unlikely that an examiner would be appointed to the Issuer.

If however, for any reason, an examiner were appointed while any amounts due by the Issuer under the Notes were unpaid, the primary risks to the Noteholders would be as follows:

- the Trustee, acting on behalf of Noteholders, would not be able to enforce rights against the Issuer during the period of examinership; and
- a scheme of arrangement may be approved involving the writing down of the debt due by the Issuer to the Noteholders irrespective of the Noteholders' views.

Preferred Creditors

If the Issuer becomes subject to an insolvency proceeding and the Issuer has obligations to creditors that are treated under Irish law as creditors that are senior relative to the Noteholders, the Noteholders may suffer losses as a result of their subordinated status during such insolvency proceedings. In particular:

- under the terms of the Trust Deed, payment of all sums under the Trust Deed and the Notes will be secured in favour of the Trustee for the benefit of itself and the other Noteholders by security over the Charged Property (as defined in the Trust Deed). Under Irish law, the claims of creditors holding fixed charges may rank behind other creditors (namely fees, costs and expenses of any examiner appointed and certain capital gains tax liabilities) and, in the case of fixed charges over book debts, may rank behind claims of the Irish Revenue Commissioners for PAYE and VAT;
- under Irish law, for a charge to be characterised as a fixed charge, the charge holder is required to exercise the requisite level of control over the assets purported to be charged and the proceeds of such assets including any bank account into which such proceeds are paid. There is a risk therefore that even a charge which purports to be taken as a fixed charge may take effect as a floating charge if a court deems that the requisite level of control was not exercised; and

- in an insolvency of the Issuer, the claims of certain other creditors (including the Irish Revenue Commissioners for certain unpaid taxes), as well as those of creditors mentioned above, will rank in priority to claims of unsecured creditors and claims of creditors holding floating charges.

RISKS RELATED TO THE NOTES

The Borrower or, as the case may be, the Guarantor may be unable to repay the Loan at maturity or prepay the Loan upon the occurrence of certain events set forth in the Loan Agreement

At the time of maturity, the Borrower or, as the case may be, the Guarantor may not have the funds to fulfil their respective obligations under the Loan Agreement and may not be able to arrange for additional financing. Furthermore, if the maturity date of the Loan occurs at a time when other arrangements prohibit the Borrower or, as the case may be, the Guarantor from repaying the Loan, the Borrower or, as the case may be, the Guarantor would try to obtain waivers of such prohibitions from the lenders under those arrangements, or the Borrower or, as the case may be, the Guarantor could attempt to refinance the borrowings that contain the restrictions. If the Borrower or, as the case may be, the Guarantor were unable to obtain the requisite waivers or refinance these borrowings, the Borrower or, as the case may be, the Guarantor would be unable to repay the Loan.

In addition, as set forth in the Loan Agreement, the Issuer may require the Borrower to prepay the Loan in full if it becomes unlawful for the Issuer to:

- allow all or part of the Loan to remain outstanding under the Loan Agreement;
- allow the Notes to remain outstanding;
- maintain or give effect to any of its obligations in connection with the Loan Agreement; or
- charge, raise or to be paid interest at the rate applicable in relation to the Loan or the Notes.

In case of any such prepayment, all outstanding Notes would be redeemable at the principal amount thereof together with accrued interest. The Borrower or, as the case may be, the Guarantor may not have sufficient cash available to make such prepayment at that time.

Credit Rating

Outstanding Eurobonds of the Russian Federation are rated Baa1 by Moody's Investors Service, Inc. ("**Moody's**"), BBB by S&P and BBB by Fitch. EuroChem has a long-term rating of "BB" (stable) assigned by Fitch and a long-term rating of BB (stable) assigned by S&P. The Notes are expected to be rated BB by Fitch and BB by S&P. Each of S&P and Fitch are established in the European Community and registered under the CRA Regulation. Moody's is not established in the European Union, has not applied for registration under the CRA Regulation and is not included in the list of registered credit rating agencies published on the website of European Securities and Markets Authority.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation. Any change in the credit rating of EuroChem, of the Notes or of the Russian Federation could adversely affect the trading price for the Notes. See *Risks Relating to the Russian Federation* above.

Limited Recourse Obligations of the Issuer

The Issuer has an obligation under the Terms and Conditions of the Notes and the Trust Deed to pay such amounts of principal and interest, and additional amounts (if any) as are due in respect of the Notes. However, the Issuer's obligation to pay is equal to the amount of principal, interest and additional amounts (if any) actually received and retained by or for the account of the Issuer from the Borrower or, as the case may be, the Guarantor pursuant to the Loan Agreement less any amount in respect of Reserved Rights. Consequently, if the Borrower or, as the case may be, the Guarantor fail to meet their respective payment obligations under the Loan Agreement in full, this will result in the Noteholders receiving less than the scheduled amount of principal and/or interest and/or other amounts (if any) payable on the Notes.

No Direct Recourse of the Noteholders to EuroChem or, as the case may be, the Guarantor

Save as otherwise expressly provided in the Terms and Conditions of the Notes and in the Trust Deed, no proprietary or other direct interest in the Issuer's rights under, or in respect of the Loan Agreement exists for the benefit of the Noteholders. Subject to the terms of the Trust Deed, no Noteholder will have any

entitlement to enforce any provision of the Loan Agreement or have direct recourse to the Borrower or, as the case may be, the Guarantor except through action by the Trustee pursuant to the Security Interests (as defined in the Trust Deed) granted to the Trustee in the Trust Deed. Under the Trust Deed, the Trustee shall not be required to take proceedings to enforce payment under the Notes or the Loan Agreement, unless it has been indemnified and/or secured by the Noteholders to its satisfaction.

Payments under the Loan Agreement are structurally subordinated to existing indebtedness of the Borrower's subsidiaries, and these subsidiaries may incur further such indebtedness in the future

The obligations of the Borrower under the Loan Agreement are structurally subordinated to the existing obligations of the Borrower's subsidiaries. In addition, subject to certain limitations set forth in the Loan Agreement, the Borrower and, as the case may be, the Guarantor and their respective subsidiaries may be able to incur substantial additional debt in the future, including debt that may be secured or structurally senior to the debt under the Loan. Any such additional debt incurred by the Borrower's or, as the case may be, the Guarantor's subsidiaries may be structurally senior to the obligations of the Borrower or, as the case may be, the Guarantor under the Loan Agreement. Secured indebtedness of the Borrower or, as the case may be, the Guarantor or any of their respective subsidiaries may also rank effectively senior to the obligations of the Borrower and, as the case may be, the Guarantor under the Loan Agreement. The incurrence of additional indebtedness by the Borrower and, as the case may be, the Guarantor, including secured indebtedness, may have a material adverse effect on the value of an investment in the Notes.

In addition, the Borrower's and, as the case may be, the Guarantor's ability to make payments under the Loan depends upon payments to the Borrower and, as the case may be, the Guarantor, from their respective subsidiaries. Although EuroChem controls or, pursuant to the Reorganisation, the New Parent (as defined in "*Description of the Transaction*") will control, its subsidiaries as the majority shareholder and, in certain cases, as the managing company, the subsidiaries of EuroChem are or, as the case may be, the New Parent will be, separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the Loan Agreement or to make any funds available for these purposes, whether by dividends, loans, distributions or other payments, and do not guarantee the payment of interest on, or principal of, the Loan. Any right that EuroChem has or, as the case may be, the New Parent will have, to receive any assets of an operating subsidiary upon the liquidation or reorganisation of such a subsidiary, and the consequent right of the Issuer to realise proceeds from the sale of such a subsidiary's assets, may be effectively subordinated to claims of that subsidiary's creditors, including trade creditors and holders of debt issued by that subsidiary.

The Loan Agreement does not restrict the Group from incurring Non-recourse Project Financing

The Loan Agreement contains certain restrictions limiting the Group's flexibility in operating its business. Such restrictions limit its ability to, *inter alia*, create liens, borrow moneys, sell or otherwise dispose of assets and engage in mergers. However, the Loan Agreement does not place any restrictions on the Group's ability to incur Non-recourse Project Financing. Therefore, the Group will be able to incur Non-recourse Project Financing even in circumstances where (i) the Group would be unable to meet its obligations under the Financial Indebtedness to Consolidated EBITDA ratio or (ii) it would result in a Potential Event of Default or Event of Default occurring or continuing, in each case, on a pro-forma basis. See "*Loan Agreement—Covenants—Limitation on Financial Indebtedness*". Terms defined in this risk factor have the meanings given to them in the Loan Agreement.

There is no active trading market for the Notes

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Borrower. Although application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Main Securities Market, there is no assurance that such application will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes.

The Issuer may issue further Notes with identical terms that may have a negative impact on the market value of the original Notes

The Issuer may from time to time, without the consent of the Noteholders of outstanding Notes, issue further notes with identical terms. These further Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, may be treated as a separate series not fungible with the original Notes for U.S. federal income tax purposes. If the further Notes are not fungible with the original Notes for U.S. federal income tax purposes and are not otherwise distinguishable from the original Notes, the market value of the original Notes may be negatively impacted in the event that the further Notes are issued with original issue discount for U.S. federal income tax purposes.

The substitution of the New Parent for EuroChem as the Borrower under the Loan Agreement may result in adverse tax consequences for holders of the Notes

In accordance with the terms of Clause 13 (Substitution) of the Loan Agreement, EuroChem may substitute the New Parent in place of EuroChem as the Borrower under the Loan Agreement.

The treatment of the Notes as indebtedness of the Issuer for U.S. federal income tax purposes is not free from doubt. If the Notes were recharacterised as beneficial ownership interests in the Loan, then the substitution of EuroChem as the Borrower in respect of the Loan Agreement could result in adverse U.S. federal income tax consequences for U.S. holders of the Notes. In general, the substitution of the original borrower for a new borrower can, in certain circumstances, cause lenders to be deemed to have exchanged their debt instrument issued by the original borrower for a new debt instrument issued by the new borrower for U.S. federal income tax purposes. This deemed exchange may result in recognition of taxable gain or loss by the lender (as well as potentially other adverse tax consequences). Therefore, if the Notes were recharacterised as beneficial ownership of the Loan, the assumption of the Loan by the New Parent could result in adverse U.S. federal income tax consequences for U.S. holders. Similar treatment and adverse consequences may apply to holders subject to tax in other jurisdictions. Each holder should consult its own tax advisors regarding the consequences to it of an investment in the Notes.

Modification, waivers and substitution

The Trust Deed contains provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders which did not attend and vote at the relevant meeting and Noteholders which voted in a manner contrary to the majority.

The Terms and Conditions of the Notes provide that the Trustee may, subject to the provisions of the Trust Deed, without the consent of Noteholders, agree to: (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes, the Trust Deed or the Loan Agreement; or (ii) determine without the consent of the Noteholders that any event which would, or might otherwise give rise to a right of acceleration under the Loan Agreement shall not be treated as such, all as more fully described in Condition 10 (*Meetings of Noteholders; Modification; Waiver; Substitution of the Lender*) of the Terms and Conditions of the Notes.

The market price of the Notes may be volatile

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Group's own, and the Group's competitors', operating results, adverse business developments, changes to the regulatory environment in which the Group operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes, as well as other factors. In addition, in recent years, the global financial markets have experienced significant price and volume fluctuations which, if repeated, could adversely affect the market price of the Notes without regard to the Group's business, results of operations, financial condition or prospects.

The Notes may be redeemed prior to maturity

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Russian Federation, Ireland or, as the case may be, the jurisdiction of the Guarantor or the Borrower if different, or any political subdivision thereof or any authority therein or thereof having power to tax, the Borrower or, as the case may be, the Guarantor would be required to increase amounts

payable under the Loan Agreement. In such circumstances, the Borrower may prepay the Loan, in which case the Issuer would redeem all outstanding Notes in accordance with the Conditions.

In addition, the Notes shall be redeemed in whole, but not in part, upon giving notice to the Noteholders at any time at their outstanding principal amount together with accrued interest to the date of redemption and any additional amounts in respect thereof, in the event that it becomes unlawful for the Issuer to fund the Loan or to allow it to remain outstanding under the Loan Agreement, or to allow the Notes to remain outstanding, all as more fully described in Clause 5 (*Repayment and Prepayment*) of the Loan Agreement. See "*Loan Agreement*". As with the optional repayment feature of the Loan referred to above, it may not be possible to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes and this may only be possible at a significantly lower rate. See also Condition 6 of the Terms and Conditions of the Notes.

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of the relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Exchange rate risks and exchange controls

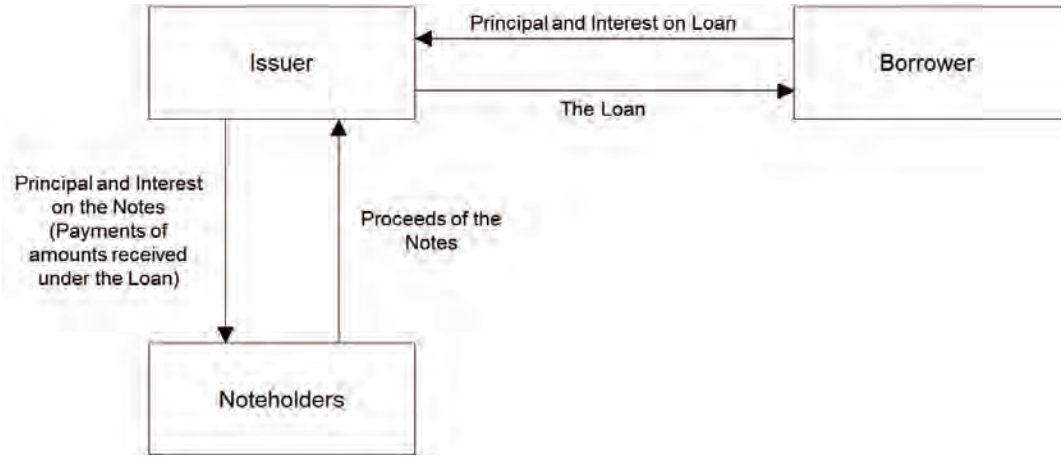
The Issuer will pay principal and interest on the Notes in U.S. dollars. This presents certain risks relating to currency conversions if any investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the U.S. dollar. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency relative to the U.S. dollar could impose currency controls that could decrease: (i) the Investor's Currency equivalent yield on the Notes; (ii) the Investor's Currency equivalent value of the principal payable on the Notes; and (iii) the Investor's Currency equivalent market value of the Notes.

The Notes may only be transferred in accordance with the procedures of the depositaries in which the Notes are deposited

Except in limited circumstances, the Notes will be issued only in global form, with interests therein held through the facilities of Euroclear, Clearstream, Luxembourg and/or DTC. Ownership of beneficial interests in the Notes is shown on, and the transfer of that ownership is effected only through, records maintained by Euroclear, Clearstream, Luxembourg and/or DTC or their nominees and the records of their participants. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. These laws may impair the ability to transfer beneficial interests in the Notes. Because Euroclear, Clearstream, Luxembourg and/or DTC can only act on behalf of their participants, which, in turn, act on behalf of owners of beneficial interests held through such participants and certain banks, the ability of a person having a beneficial interest in a Note to pledge or transfer such interest to persons or entities that do not participate in the Euroclear, Clearstream, Luxembourg and/or DTC systems may be impaired.

DESCRIPTION OF THE TRANSACTION

The following summary description should be read in conjunction with, and is qualified in its entirety by, the information set out under "Terms and Conditions of the Notes" and "Loan Agreement" appearing elsewhere in this Prospectus.



The transaction will be structured in the form of a loan to the Borrower (EuroChem, or such other borrower from time to time pursuant to the terms of the Loan Agreement) by the Issuer. In accordance with Clause 9 (*Guarantee*) of the Loan Agreement, an entity may, from time to time, accede to the Loan Agreement in order to guarantee the due payment of all sums expressed to be payable by the Borrower thereunder, the Guarantor. See "*Reorganisation of the Group*" below.

The Issuer will issue the Notes, which will be limited recourse loan participation notes issued for the sole purpose of funding the Loan to the Borrower. The Loan will be made on the terms of the Loan Agreement and will have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. The Notes will be constituted by, be subject to, and have the benefit of the Trust Deed. The obligations of the Issuer to make payments under the Notes shall constitute an obligation only to account to the Trustee and the Noteholders for an amount equal to the sums of principal, interest and/or additional amounts (if any) the Issuer actually receives and retains (net of tax) by or for its account from the Borrower or, as the case may be, the Guarantor pursuant to the Loan Agreement or that are deposited in the Account, less any amounts in respect of the Reserved Rights (as defined in the Trust Deed). The Issuer will have no other financial obligations under the Notes and no other assets of the Issuer will be available to the Noteholders. In the event that the amount due and payable by the Issuer under the Notes exceeds the sums so received, recovered or retained, the right of any person to claim payment of any amount exceeding such sums shall be extinguished, and Noteholders may take no further action to recover such amounts.

As provided in the Trust Deed, the Issuer has charged with full title guarantee in favour of the Trustee for itself and for the benefit of the Noteholders as security for its payment obligations in respect of the Notes:

(a) its rights to all principal, interest and additional amounts (if any) payable by the Borrower or, as the case may be, the Guarantor under the Loan Agreement;

(b) its right to receive all sums which may be or become payable by the Borrower or, as the case may be, the Guarantor under any claim, award or judgment relating to the Loan Agreement; and

(c) its rights, title and interest in and to all sums of money now or in the future deposited in an account with the Principal Paying Agent in the name of the Issuer, together with the debt represented thereby (the "**Account**"),

(collectively, the "**Charged Property**"), in each case other than the Reserved Rights (as defined in the Trust Deed) and amounts relating thereto.

In addition, the Issuer has assigned absolutely certain administrative rights under the Loan Agreement to the Trustee for the benefit of the Noteholders. The Borrower or, as the case may be, the Guarantor will be obliged to make payments under the Loan to the Issuer in accordance with the terms of the Loan Agreement to the Account or, following a Relevant Event, as otherwise instructed by the Trustee.

The Issuer has covenanted not to agree to any amendments to, or any modification or waiver of, or authorise any breach or potential breach of, the terms of the Loan Agreement unless the Trustee has given its prior written consent (in each case except in relation to the Reserved Rights).

The Issuer (save as expressly provided in the Trust Deed, the Loan Agreement or with the consent of the Trustee) shall not pledge, charge or otherwise deal with the Loan or the Charged Property or the administrative rights assigned to the Trustee or any right or benefit either present or future arising under or in respect of the Loan Agreement or the Account or any part thereof or any interest therein or purport to do so (in each case except in relation to the Reserved Rights). Any amendments, modifications, waivers or authorisations made with the Trustee's consent shall be notified to the Noteholders in accordance with Condition 14 (*Notices*) of the ''*Terms and Conditions of the Notes*'' and will be binding on the Noteholders.

The security under the Trust Deed will become enforceable upon the occurrence of a Relevant Event, as further described in ''*Terms and Conditions of the Notes*''.

Payments in respect of the Notes will be made without any deduction or withholding for, or on account of, taxes of Ireland, except as required by law. See ''*Terms and Conditions of the Notes – Taxation*''. In that event, the Issuer will only be required to pay an additional amount to the extent it receives and retains (net of tax) corresponding amounts from the Borrower or, as the case may be, the Guarantor under the Loan Agreement. The Loan Agreement provides for the Borrower or, as the case may be, the Guarantor to pay such corresponding amounts in these circumstances. In addition, payments under the relevant Loan Agreement will be made without any deduction or withholding for, or on account of, any taxes in the Russian Federation or, as the case may be, the jurisdiction of the Guarantor or the Borrower if different, or any jurisdiction from, or through, which any payments are made, except as required by law, in which event the Borrower or, as the case may be, the Guarantor will be obliged to increase the amounts payable under the Loan Agreement. See ''*Risk Factors – Risks Related to the Notes*''.

The Borrower may prepay the Loan at its principal amount, together with accrued interest and additional amounts (if any), in the event that the Borrower is required to increase the amount payable or to pay additional amounts on account of taxes of the Russian Federation, Ireland or, as the case may be the jurisdiction of the Borrower, if different, pursuant to the Loan Agreement or if it becomes unlawful for the Loan or the Notes to remain outstanding, as set out in the Loan Agreement. In each case (to the extent that the Issuer has actually received the relevant funds from the Borrower or, as the case may be, the Guarantor), the Issuer will prepay the Notes together with accrued interest and additional amounts (if any) thereon. See ''*Loan Agreement—Repayment and Prepayment—Special Prepayment*'', ''*Loan Agreement—Repayment and Prepayment—Illegality*'' and ''*Terms and Conditions of the Notes—Redemption*''.

Reorganisation of the Group

EuroChem is considering a potential corporate reorganisation in the future whereby control of EuroChem will be transferred to a new holding company (hereinafter, the ''**New Parent**'') to be established in either Cyprus, Luxembourg, the Netherlands or Switzerland. The New Parent will be wholly owned by EuroChem's existing shareholders (see ''*Shareholding*''). As part of such a potential reorganisation, EuroChem may decide to transfer to the New Parent certain of its assets (including certain of its non-Russian subsidiaries) and the majority of its then outstanding indebtedness which may include its obligations under the Loan. The obligations under the Loan may from time to time be guaranteed by the New Parent and/or EuroChem. It is anticipated that once the reorganisation has been fully implemented, the New Parent should own, on a consolidated basis, the same assets and liabilities as EuroChem did prior to the reorganisation.

As at the date of this Prospectus, there has been no decision by EuroChem or the Group of the details of, or to proceed with, such a potential corporate reorganisation.

USE OF PROCEEDS

The gross proceeds from the offering of the Notes, expected to amount to U.S.$750,000,000 will be used by the Issuer for the sole purpose of financing the Loan to EuroChem. EuroChem will use the proceeds of the Loan for general corporate purposes.

CAPITALISATION

The following table sets forth the Group's consolidated capitalisation as at 30 September 2012, derived from the Interim Consolidated Financial Information included elsewhere in this Prospectus, and such capitalisation as adjusted to give effect to the offering of the Notes and the receipt of the Loan by EuroChem. This information should be read in conjunction with "*Selected Consolidated Financial and Other Information*", "*Operating and Financial Overview*" and the Interim Consolidated Financial Information included elsewhere in this Prospectus.

	As at 30 September 2012	
	Actual	**As adjusted[1]**
	(RUB in thousands)	
Cash and cash equivalents	**18,862,119**	**41,909,887**
Interest-bearing debt:		
Current interest-bearing debt, including current portion of non-current interest-bearing debt[2]	12,761,546	12,761,546
Non-current interest-bearing debt[3]	80,818,507	103,866,275
Total interest-bearing debt	**93,580,053**	**116,627,821**
Equity:		
Share capital	6,800,000	6,800,000
Treasury shares	(29,679,427)	(29,679,427)
Retained earnings and other reserves	130,856,712	130,856,712
Total equity attributable to the owners of EuroChem Group S.E.	**107,977,285**	**107,977,285**
Non-controlling interests	179,022	179,022
Total equity	**108,156,307**	**108,156,307**
Total capitalisation[4]	**201,736,360**	**224,784,128**

(1) Cash and cash equivalents have been adjusted to give effect to the issuance of the Notes and the receipt of the Loan by EuroChem and to include the proceeds from the offering of the Notes, net of estimated commissions, fees and expenses payable by EuroChem in connection with the offering of the Notes of approximately U.S.$745,400,000 (approximately RUB 23,047,768 thousand, converted at the foreign currency exchange rate set by the CBR as of 30 September 2012). Non-current interest-bearing debt has been adjusted to include the total net proceeds from the offering of the Notes.

(2) Includes current bank borrowings.

(3) Includes non-current bank borrowings and non-current bonds issued.

(4) Total capitalisation is the sum of total interest-bearing debt and total equity.

During the third quarter of 2012, the Group paid to EuroChem Group S.E., the parent company of the Group, RUB 4,260,184 thousand in order to buy back 718,085 ordinary shares in EuroChem, which represented 1.056 per cent. of the issued share capital of EuroChem. Additionally, on 25 October 2012, EuroChem Capital Management Ltd. signed a shares sale and purchase agreement with EuroChem Group S.E. to buy back 132,978 ordinary shares in EuroChem, which represented 0.1956 per cent. of the issued share capital of EuroChem, for RUB 781,243 thousand. According to the shares sale and purchase agreement, title to the shares passes to EuroChem Capital Management Ltd. when the transaction is recorded in the registrar's account. Title to 718,085 ordinary shares and 132,978 ordinary shares in EuroChem passed to EuroChem Capital Management Ltd. in October and November 2012, respectively. For this reason, the amounts paid for the share buy-backs are not reflected as treasury shares in the table above.

On 15 November 2012, EuroChem Capital Management Ltd. signed a sale and purchase agreement with EuroChem Group S.E. to buy back 106,384 ordinary shares in EuroChem, which represented 0.1564 per cent of the issued share capital of EuroChem, for RUB 633,844 thousand. Title to the 106,384 ordinary shares in EuroChem passed to EuroChem Capital Management Ltd. on 16 November 2012.

In November 2012, EuroChem and a European commercial bank signed an amendment to the credit line agreement signed in March 2012, to increase the amount of the facility to U.S.$94.1 million from U.S.$83.3 million. The additional disbursement was made on 20 November 2012, at which time this facility was fully utilized.

Except as described above, there have been no material changes in the consolidated capitalisation of the Group since 30 September 2012.

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables present selected consolidated financial and other information of the Group as at the dates and for the periods as indicated. The selected consolidated financial information presented below has been derived from the Group Consolidated Financial Statements. The selected consolidated financial and other information provided herein should be read together with "*Presentation of Financial and Other Information*", "*Operating and Financial Overview*" and the Group Consolidated Financial Statements and the related notes included elsewhere in this Prospectus.

SELECTED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME DATA

	For the nine months ended 30 September		For the year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**[1]
	(RUB in thousands)				
Sales	124,778,901	98,269,877	131,298,080	97,787,533	73,577,249
Cost of sales[1][2]	(71,819,283)	(47,545,276)	(63,641,275)	(50,205,529)	(42,884,070)
Gross profit[2]	**52,959,618**	**50,724,601**	**67,656,805**	**47,582,004**	**30,693,179**
Distribution costs[1][2]	(17,086,328)	(13,791,655)	(18,952,488)	(17,784,897)	(16,944,421)
General and administrative expenses	(3,843,838)	(3,450,793)	(4,653,188)	(3,754,449)	(3,261,398)
Other operating income/(expenses) – net	378,062	(455,226)	(190,858)	(16,695)	225,029
Operating profit	**32,407,514**	**33,026,927**	**43,860,271**	**26,025,963**	**10,712,389**
Write-off of portion of assets at the Gremyachinskoe potash deposit	(3,611,387)	–	–	–	–
Dividend income	101,676	613,927	613,927	147,946	2,168,715
(Loss)/gain on disposal of non-current assets held for sale	–	–	–	(429,598)	358,878
Fair value gain on trading investments	–	–	–	–	139,584
Gain on disposal of available-for-sale investments	568,382	914,434	914,434	1,407,261	966,640
Financial foreign exchange gain/(loss) – net	3,100,404	(3,382,505)	(3,803,986)	(389,660)	748,903
Interest income	565,556	101,617	644,524	180,444	399,724
Interest expense	(3,168,159)	(2,018,663)	(3,122,871)	(2,066,011)	(1,983,587)
Other financial gain – net	999,821	937,914	993,863	134,831	193,458
Profit before taxation	**30,963,807**	**30,193,651**	**40,100,162**	**25,011,176**	**13,704,704**
Income tax expense	(6,370,215)	(5,920,480)	(8,068,769)	(4,958,699)	(2,629,256)
Net profit for the period	**24,593,592**	**24,273,171**	**32,031,393**	**20,052,477**	**11,075,448**
Other comprehensive income/(loss)					
Currency translation differences, net of tax	(513,739)	1,135,708	495,249	(695,283)	364,188
Revaluation of available-for-sale investments	956,311	(8,635,847)	(12,689,257)	9,642,508	1,689,667
Disposal of available-for-sale investments – reclassification of revaluation to profit and loss	(568,382)	(914,434)	(914,434)	(1,407,261)	(966,640)
Total other comprehensive (loss)/income for the period	**(125,810)**	**(8,414,573)**	**(13,108,442)**	**7,539,964**	**1,087,215**
Total comprehensive income for the period	**24,467,782**	**15,858,598**	**18,922,951**	**27,592,441**	**12,162,663**
Net profit/(loss) for the period attributable to:					
Owners of EuroChem Group S.E.	24,597,395	24,275,471	32,028,279	19,997,844	11,111,048
Non-controlling interests	(3,803)	(2,300)	3,114	54,633	(35,600)
Net profit for the period	**24,593,592**	**24,273,171**	**32,031,393**	**20,052,477**	**11,075,448**
Total comprehensive income/(loss) attributable to:					
Owners of EuroChem Group S.E.	24,481,870	15,845,764	18,908,932	27,588,209	12,189,656
Non-controlling interests	(14,088)	12,834	14,019	4,232	(26,993)
Total comprehensive income for the period	**24,467,782**	**15,858,598**	**18,922,951**	**27,592,441**	**12,162,663**

(1) In 2010, the Group changed presentation of cost of sales and distribution costs (see "*Presentation of Financial and Other Information—Change in Presentation*"). Consequently, the financial information provided with respect to these line items for the year ended 31 December 2009 above has been presented on a basis consistent with the other periods and, therefore, it is not directly comparable with the 2009 Consolidated Financial Statements included elsewhere in the Prospectus.

(2) The information in respect of cost of sales, gross profit and distribution costs for 2009 presented above has been extracted from the 2010 Consolidated Financial Statements included elsewhere in the Prospectus.

SELECTED CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

	As at 30 September	As at 31 December		
	2012	2011	2010	2009
Assets		*(RUB in thousands)*		
Non-current assets:				
Property, plant and equipment	120,664,779	100,752,901	73,121,566	56,382,417
Mineral rights[1]	15,365,357	14,271,178	7,318,107	7,271,496
Goodwill	11,302,861	295,275	204,866	204,866
Intangible assets	7,503,976	610,463	814,523	427,457
Restricted cash	43,715	7,980	143,898	179,115
Available-for-sale investments (including pledged as collateral)[2]	3,068,276	22,467,999	37,863,331	33,619,657
Other non-current assets[3]	4,972,440	2,098,647	969,064	1,576,741
Total non-current assets	**162,921,404**	**140,504,443**	**120,435,355**	**99,661,749**
Current assets:				
Inventories	20,162,521	14,957,399	9,827,892	8,105,067
Trade receivables	11,806,092	3,435,913	2,710,818	2,151,240
Prepayments, other receivables and other current assets	9,625,299	10,190,762	7,523,132	7,630,102
Restricted cash	324,297	77,238	37,461	551,086
Fixed-term deposits	6,427,572	20,865,910	–	–
Cash and cash equivalents	18,862,119	8,506,949	8,896,623	10,676,772
Other current assets[4]	4,295,610	6,301,867	36,751	–
Total current assets	**71,503,510**	**64,336,038**	**29,032,677**	**29,114,267**
Assets classified as held for sale	938,668	–	–	–
Total assets	**235,363,582**	**204,840,481**	**149,468,032**	**128,776,016**
Liabilities And Equity				
Equity attributable to owners of EuroChem Group S.E.:				
Share capital	6,800,000	6,800,000	6,800,000	6,800,000
Treasury shares	(29,679,427)	(29,679,427)	(7,760)	(7,760)
Retained earnings and other reserves	130,856,712	106,265,011	87,388,382	65,644,137
Total equity attributable to owners of EuroChem Group S.E.	**107,977,285**	**83,385,584**	**94,180,622**	**72,436,377**
Non-controlling interests	179,022	6,985,154	323,896	758,683
Total equity	**108,156,307**	**90,370,738**	**94,504,518**	**73,195,060**
Non-current liabilities:				
Bank borrowings	70,849,906	73,228,199	11,464,834	26,556,324
Bonds issued	9,968,601	9,964,656	18,772,380	8,724,895
Other non-current liabilities[5]	13,146,151	6,070,321	2,704,253	2,403,175
Total non-current liabilities	**93,964,658**	**89,263,176**	**32,941,467**	**37,684,394**
Current liabilities:				
Bank borrowings	12,761,546	4,167,140	12,589,767	12,491,434
Bonds issued	–	9,332,241	–	–
Trade payables	11,563,084	3,061,104	2,182,951	1,373,488
Other accounts payable and accrued expenses	6,455,542	6,378,011	5,860,875	3,574,522
Other current liabilities[6]	2,462,445	2,268,071	1,388,454	457,118
Total current liabilities	**33,242,617**	**25,206,567**	**22,022,047**	**17,896,562**
Total liabilities	**127,207,275**	**114,469,743**	**54,963,514**	**55,580,956**
Total liabilities and equity	**235,363,582**	**204,840,481**	**149,468,032**	**128,776,016**

(1) Mineral rights are referred to as exploration rights in the consolidated statement of financial position as at 31 December 2009 in the 2009 Consolidated Financial Statements included elsewhere in the Prospectus.

(2) Includes available-for-sale investments pledged as collateral in amount of RUB 896,272 thousand, RUB 11,423,184 thousand, RUB 3,182,443 thousand and RUB 9,224,869 thousand as at 30 September 2012, 31 December 2011, 2010 and 2009, respectively.

(3) Represents the sum of derivative financial assets, deferred income tax assets and other non-current assets.

(4) Represents the sum of prepayments for treasury shares, originated loans and derivative financial assets.

(5) Represents the sum of derivative financial liabilities, deferred income tax liabilities and other non-current liabilities and deferred credits.

(6) Represents the sum of derivative financial liabilities, income tax payable and other taxes payable.

SELECTED CONSOLIDATED STATEMENT OF CASH FLOWS DATA

	For the nine months ended 30 September		For the year ended 31 December		
	2012	2011	2011	2010	2009[1]
	(RUB in thousands)				
Net cash – operating activities	33,681,889	27,882,945	36,030,756	26,193,959	17,538,693
Net cash – investing activities[1][2]	(9,557,346)	(15,186,808)	(53,702,877)	(14,331,336)	(27,040,965)
Net cash – financing activities[1][2]	(13,437,920)	(10,108,779)	16,840,155	(13,342,427)	(7,880,377)
Effect of exchange rate changes on cash and cash equivalents	(331,453)	243,486	442,292	(300,345)	1,834,071
Net increase/(decrease) in cash and cash equivalents	10,355,170	2,830,844	(389,674)	(1,780,149)	(15,548,578)
Cash and cash equivalents at the beginning of the period	8,506,949	8,896,623	8,896,623	10,676,772	26,225,350
Cash and cash equivalents at the end of the period	18,862,119	11,727,467	8,506,949	8,896,623	10,676,772

(1) In 2010, the Group changed presentation of acquisition of interest in subsidiaries in cash flows from investing activities and cash flows from financing activities (see "*Presentation of Financial and Other Information—Change in Presentation*"). Consequently, the financial information provided with respect to these line items for the year ended 31 December 2009 above has been presented on a basis consistent with the other periods and, therefore, it is not directly comparable with the 2009 Consolidated Financial Statements included elsewhere in the Prospectus.

(2) The information in respect of these line items for 2009 presented above has been extracted from the 2010 Consolidated Financial Statements included elsewhere in the Prospectus.

KEY FINANCIAL RATIOS AND OTHER INFORMATION

	As at or for the nine months ended 30 September		As at or for the year ended 31 December		
	2012	2011	2011	2010	2009
	(RUB in thousands, unless otherwise indicated)				
Gross profit margin, per cent.	42.4	51.6	51.5	48.7	41.7
Operating profit margin, per cent.	26.0	33.6	33.4	26.6	14.6
Net profit margin, per cent.	19.7	24.7	24.4	20.5	15.1
Operating profit before depreciation and amortisation	38,068,889	36,292,850	48,343,599	29,491,926	13,688,742
EBITDA[1]	38,879,363	37,066,259	49,655,961	29,937,053	16,516,237
EBITDA margin, per cent.	31.2	37.7	37.8	30.6	22.4
Net debt[2]	67,966,065	54,898,645	67,242,139	33,892,897	36,544,795
Net working capital[3]	21,113,683	12,882,125	17,043,938	10,757,543	12,481,281
After-tax cash return on capital employed, per cent.[4] [5]	23.6	30.5	26.4	19.0	12.4
Gross cash flow[6]	32,112,975	31,932,208	41,768,188	24,946,678	12,915,772
Permanent employees, number of people	22,041	20,653	20,801	19,614	20,034

(1) EBITDA represents profit before taxation adjusted for interest expense, depreciation and amortization, idle property, plant and equipment write off, write off of portion of assets at the Gremyachinskoe potash deposit, (loss)/ gain on disposal of non-current assets held for sale, gain on disposal of available for sale investments, financial foreign exchange gain/(loss) - net, other financial gain - net and net profit or loss for the period attributable to non controlling interests.

(2) Net debt represents total borrowings (current bank borrowing, non-current bank borrowings, current bonds issued and non-current bonds issued) less total cash (current restricted cash, fixed-term deposits and cash and cash equivalents).

(3) Net working capital represents current assets (inventories, trade receivables, prepayments, other receivables and other current assets) less current liabilities (trade payables, other accounts payable and accrued expenses, income tax payable and other taxes payable).

(4) After-tax cash return on capital employed = $\frac{\text{EBITDA less income tax expense*k}}{\text{(total non-current asssets and net working capital)}}$

where k=1 for full year reporting, and k=4/3 for nine months ended 30 September reporting

(5) Annualised for the nine months ended 30 September 2012 and 2011.

(6) Gross cash flow represents operating profit less income tax paid and adding back depreciation and amortisation, net loss on disposals and write off of property, plant and equipment, impairment/(reversal of impairment) of receivables and change of provision for obsolete and damaged inventories and other non cash (income)/expense - net.

The following table sets forth a reconciliation of the Group's EBITDA to the Group's profit before taxation for the periods indicated:

	For the nine months ended 30 September		For the year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
			(RUB in thousands)		
EBITDA	**38,879,363**	**37,066,259**	**49,655,961**	**29,937,053**	**16,516,237**
Depreciation and amortisation	(5,661,375)	(3,265,923)	(4,483,328)	(3,465,963)	(2,976,353)
Idle property, plant and equipment write-off	(139,439)	(55,565)	(57,025)	(171,370)	(83,872)
Write-off of portion of assets at the Gremyachinskoe potash deposit	(3,611,387)	–	–	–	–
(Loss)/gain on disposal of non-current assets held for sale	–	–	–	(429,598)	358,878
Gain on disposal of available-for-sale investments	568,382	914,434	914,434	1,407,261	966,640
Financial foreign exchange gain/(loss) – net[1]	3,100,404	(3,382,505)	(3,803,986)	(389,660)	748,903
Interest expense	(3,168,159)	(2,018,663)	(3,122,871)	(2,066,011)	(1,983,587)
Other financial gain – net	999,821	937,914	993,863	134,831	193,458
Non-controlling interests	(3,803)	(2,300)	3,114	54,633	(35,600)
Profit before taxation	**30,963,807**	**30,193,651**	**40,100,162**	**25,011,176**	**13,704,704**

(1) The line item "Financial foreign exchange gain/(loss) – net" reflects the revaluation of monetary assets and liabilities denominated in foreign currency relating to operating activities due to exchange rate fluctuations in the foreign currencies to functional currency of the Group's subisidiaries. The Group does not feel that this is an accurate measure of its performance. See "*Operating and Financial Overview—Key Factors Affecting the Group's Results of Operations—Currency Exchange Fluctuations*".

The following table sets forth a reconciliation of gross cash flow to the Group's operating profit for the periods indicated:

	For the nine months ended 30 September		For the year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
			(RUB in thousands)		
Operating profit	**32,407,514**	**33,026,927**	**43,860,271**	**26,025,963**	**10,712,389**
Income tax paid	(5,690,619)	(5,054,746)	(7,099,060)	(3,736,157)	(1,767,696)
Depreciation and amortisation	5,661,375	3,265,923	4,483,328	3,465,963	2,976,353
Net loss on disposals and write off of property, plant and equipment	222,079	101,948	135,294	370,788	262,098
Impairment/(reversal of impairment) of receivables and change of provision for obsolete and damaged inventories	104,314	53,141	59,921	(32,578)	192,265
Other non cash (income)/expenses-net	(591,688)	539,015	328,434	(1,147,301)	540,363
Gross cash flow	**32,112,975**	**31,932,208**	**41,768,188**	**24,946,678**	**12,915,772**

The following table sets forth the Group's EBITDA (including operations with other segments) by segment for the periods indicated:

	For the nine months ended 30 September		For the year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
	(RUB in thousands)				
Nitrogen	22,563,485	18,449,194	25,549,392	13,568,863	9,314,223
Phosphates	14,005,659	18,996,566	23,988,466	16,791,934	4,427,044
Potash	(397,888)	(470,347)	(599,306)	(420,652)	(246,796)
Distribution	723,091	676,213	853,242	489,870	22,400
Other	2,161,648	(269,518)	207,683	(225,390)	2,798,944
Elimination	(176,632)	(315,849)	(343,516)	(267,572)	200,422
EBITDA	**38,879,363**	**37,066,259**	**49,655,961**	**29,937,053**	**16,516,237**

OVERVIEW OF THE FERTILISER INDUSTRY

Since man began growing crops, the goal has always been to improve soil quality and plant nutrition to both increase the quality and quantity of crops cultivated. This drive to increase crop yields took several forms and evolved throughout the ages into various systems and techniques such as manuring, liming, crop rotation, and more recently, chemical fertilisers. Agricultural chemistry emerged some 150 years ago and is key in addressing the issues brought on by a growing population in a finite world.

A fertiliser can be a solid, liquid or gaseous substance which contains a specific quantity of one or more of the three essential nutrients. When added to the soil, these nutrients provide nutrition for the growth and development of crops, allowing farmers to increase soil and crop efficiency.

While a variety of nutrients are necessary, the fertiliser industry focuses on the three primary nutrients and three secondary nutrients. The primary nutrients are Nitrogen (N), Phosphorus (P), and Potassium (K). The secondary nutrients, which are required for optimum crop growth, are Sulphur (S), Calcium (Ca), and Magnesium (Mg).

Although every nutrient provides its own respective benefits to crops, nitrogen remains the most important of the nutrients. Globally, in 2010, the production of primary nutrients was estimated by the International Fertiliser Association (''**IFA**'') to amount to 185 million tonnes nutrient, split as 58.9 per cent. N, 23.0 per cent. P, and 18.1 per cent. K. While N is manufactured through a chemical process, the other two primary nutrients, P and K, are both obtained by mining operations.

Primary Nutrients

Nitrogen

Nitrogen, N in the periodic table, is essential for the development and growth of plants and is particularly crucial for growth, vigour, colour and yield. It is produced from natural gas and may be applied in both gaseous form (ammonia) or more commonly solid form (urea, AN) or in aquaeous solution (nitrogen solutions). It is a major component of proteins, hormones, chlorophyll, vitamins and enzymes essential for plant. Nitrogen deficiencies reduce yields and lead to a yellowing of the leaves and stunt growth, while too much can delay flowering and fruiting. As a result of leaching (water runoff) and wind erosion, nitrogen must be applied every growing season, especially for corn, but for certain crops, such as soybeans, which capture nitrogen from the atmosphere. Common nitrogen-based fertilisers include ammonia (NH_3), urea ($CO(NH_2)_2$), and AN (NH_4NO_3) as well as ammonium sulphate. Nitrogen represents approximately 82 per cent. of the content of ammonia, 46 per cent. of urea, and 34 per cent. of AN. CAN varies in nitrogen content from approximately 25 to 28 per cent, and UAN solutions include nitrogen content of approximately 28 to 32 per cent.

Phosphorus

Phosphorus, which is measured in units of phosphoric pentoxide (P_2O_5), is the second most consumed plant nutrient after Nitrogen. Phosphorous is vital to root development, cell division and essential for flower and fruit formation, seed production, and almost all aspects of growth and metabolism in plants. Phosphorus deficiencies are mainly characterised by purple stems and leaves, and delayed growth rates with decreased flower and fruit yields. Given its importance to root development, phosphorus must be applied close to root systems so as to be properly absorbed and utilised. Common phosphorus-based fertilisers are MAP and DAP. P should be multiplied by 2.29 to be converted to P_2O_5 - DAP is 46.0 per cent. P_2O_5 and MAP is 52.0 per cent. P_2O_5.

Potassium

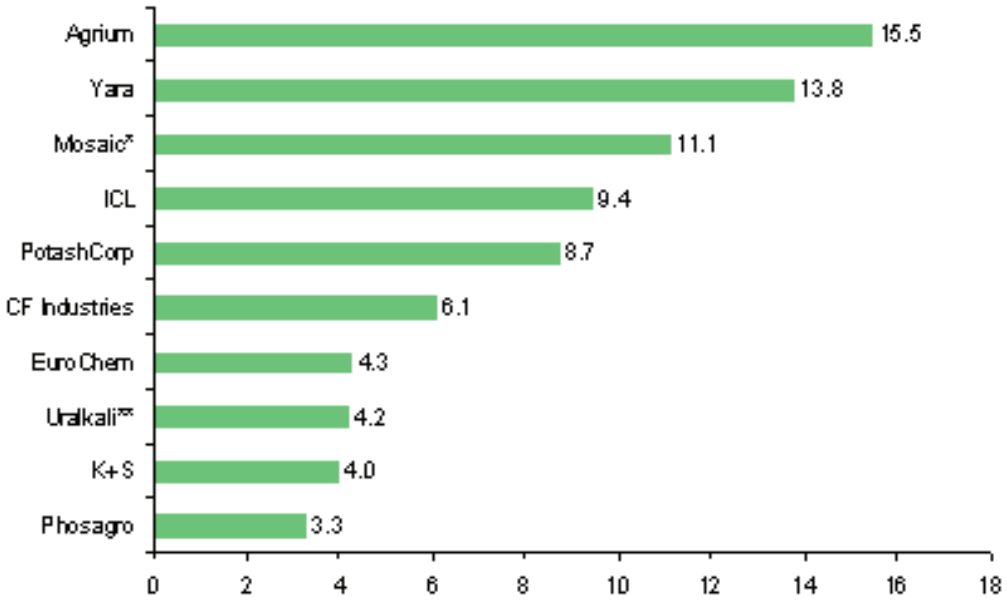
Potassium is used by plants improvement of crop quality through plant growth, starch activation, protein formation and other physiological functions. The most common form of potassium is potash (salt mined directly from underground and marine deposits) is necessary for formation of sugars, starches, carbohydrates, protein synthesis and cell division in roots and other parts of the plant. It helps to adjust water balance, improves stem rigidity and cold hardiness, enhances flavour and colour on fruit and vegetable crops, increases the oil content of fruits and is important for leafy crops. Deficiencies result in low yields, mottled, spotted or curled leaves, or scorched and burned looks to leaves. Potassium is measured in units of potassium oxide (K_2O). Potash is a term typically used to denote potassium-based fertiliser. Most potash fertiliser is potassium chloride (KCl), also called muriate of potash (''**MOP**''). To convert KCl product tonnes to K_2O tonnes, multiply by 0.61.

Market and Drivers

In 2010, the global fertiliser sector amounted to approximately U.S. $ 130 billion in sales, representing a compound annual growth rate (CAGR) of 14.0 per cent. between 2006 and 2010. Among companies in the fertiliser market, the most significant are: Yara (Norway), Mosaic (US), PotashCorp (Canada), K+S (Germany), ICL (Israel), OCP (Morocco), CF Industries (US), Agrium (Canada), EuroChem (Russia), Phosagro (Russia), Uralkali (Russia), Sinochem/Sinofert (China), IFFCO (India), SAFCO (Saudi Arabia), Orascom Construction Industries (OCI) (Egypt), Arab Fertiliser and Chemicals Company (Egypt), TogliattiAzot (Russia), and OstChem/DF Group (Ukraine).

Agrium is the largest fertiliser company globally, while EuroChem is the leading fertiliser market player in Russia by revenues.

The following chart sets forth fertiliser company comparison by revenues for 2011 (U.S.$ in billions):



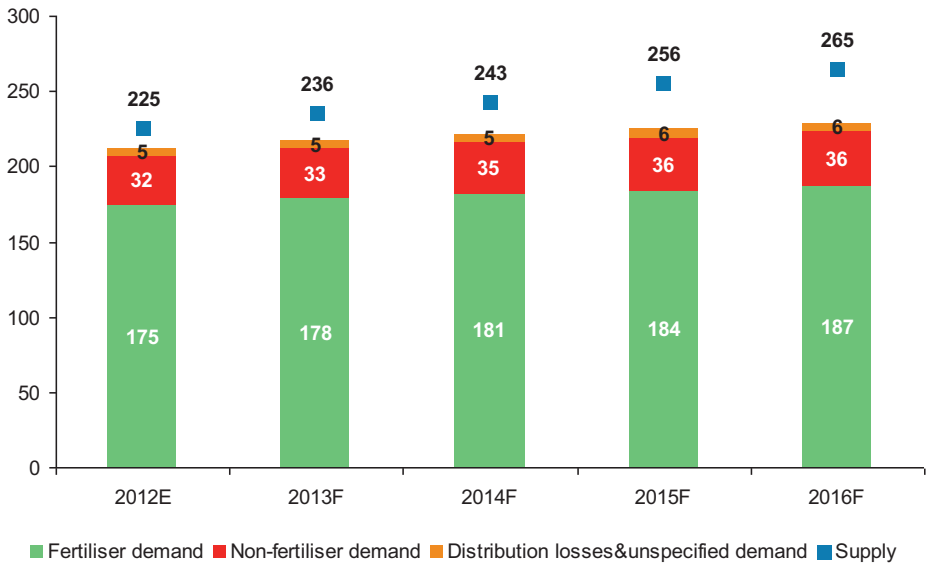
Source: Company reports

(*) Fiscal year ended 31 May 2012

(**) On pro-forma basis, including results of Uralkali and Silvinit starting 1 January 2011

According to the IFA, the global fertiliser supply/demand balance will show moderate surplus between 2012 and 2014 and will grow to 36 million tonnes nutrient in 2016, the increase being driven mainly by new production capacities expected to be launched in potash fertiliser segment.

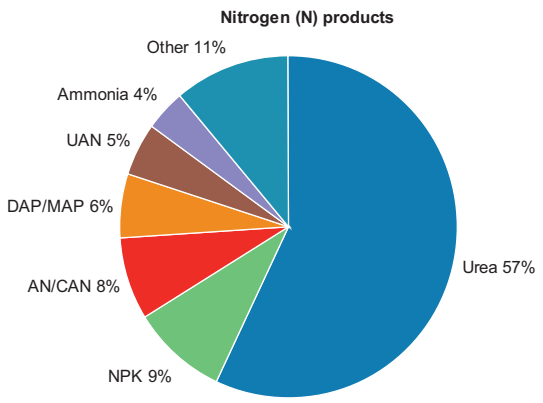
The following chart sets forth global nitrogen, phosphorous and potassium supply[(1)]/demand balance (nutrient in millions of tonnes):



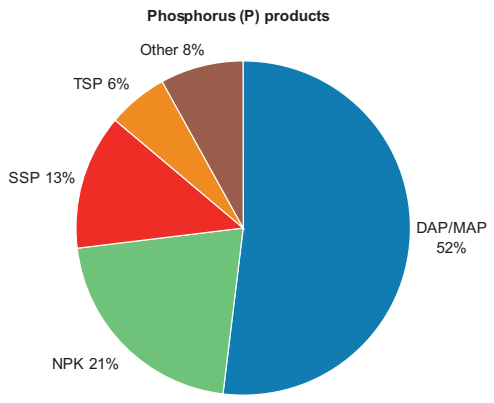
Source: Prud'homme, IFA, BNP Paribas estimates

(1) Supply is capability, equating to the maximum achievable production. It is derived by multiplying capacity by the highest achievable operating rate.

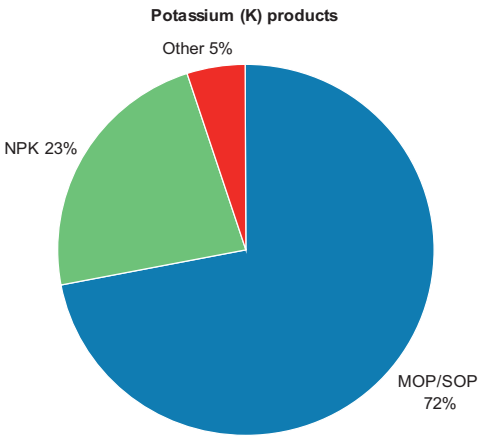
The main nitrogen, phosphate and potash based products are urea, DAP and MOP, respectively. These are key products to follow price developments for the corresponding fertiliser segment.



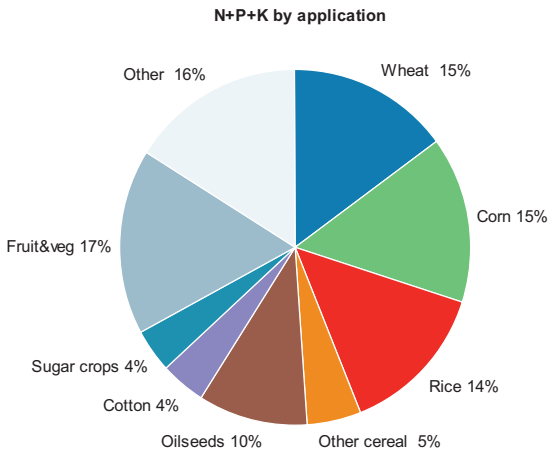
Source: IFA, Yara Fertiliser Industry Handbook 2012



Source: IFA, Yara Fertiliser Industry Handbook 2012



Source: IFA, Yara Fertiliser Industry Handbook 2012



Source: IFA, Yara Fertiliser Industry Handbook 2012

In 2011, the global fertiliser consumption estimated by the IFA amounted to 177 million tonnes nutrient, including 60.5 per cent. N, 23.4 per cent. P, and 16.0 per cent. K. Grains are the largest end-market for fertilisers with wheat, corn, and rice consuming almost 50.0 per cent. of all fertilisers used in agriculture.

Demand for fertilisers is significantly dependent on the demand for crops and foodstuff, changes in which are reflected by population growth and the dietary shifts within populations brought on by economic growth. Given limitations in available arable land, fertilisers play a key role in the drive to improve both the quality of the harvest and crop yields per acre. Putting further pressure on crop yields is the quest for renewable energy, which over the last few years has been displacing acreage traditionally used for crops in favour of biofuel production, especially in the United States.

Growing population

Global population growth continues to act as the principal long-term driver behind global fertiliser demand. Each day approximately 200,000 more people join in the global demand for food (*Source:* UNEP). Agricultural producers must continue to increase output and efficiency in order to keep up with the challenges brought on by an increasing population within a limited space. It is estimated that global farmland productivity will need to rise by at least 15 per cent. by 2020 so as to maintain global food consumption per capita on par with today's level (*Source*: UN FAO).

Dietary shifts

Growing prosperity, especially in emerging markets, has led to significant dietary changes. These changes are both quantitative and qualitative, they represent not only increasing food consumption per capita, but also greater proportions of meat and protein intake. Meat is a resource-intensive source of protein and as of 2011 approximately 50 per cent. of global cereal output was used to produce animal feed (*source*: GRID-UNEP). In addition to population growth, changing consumption patterns are requiring more food to be grown. The per capita gross national incomes ("**GNI**") based on purchasing power parity of Brazil, Russia, India and China increased by an estimated combined 125 per cent. between 2001 and 2010. During the same period, the United States per capita GNI increased by 30 per cent. (*Source*: World Bank).

Globally, food consumption expressed in kilocalories (kcal) per capita per day has been steadily increasing between 1980 and 2009. However, the change has not been equal across regions.

The following chart sets forth global and regional per capita food consumption (kcal per capita per day):

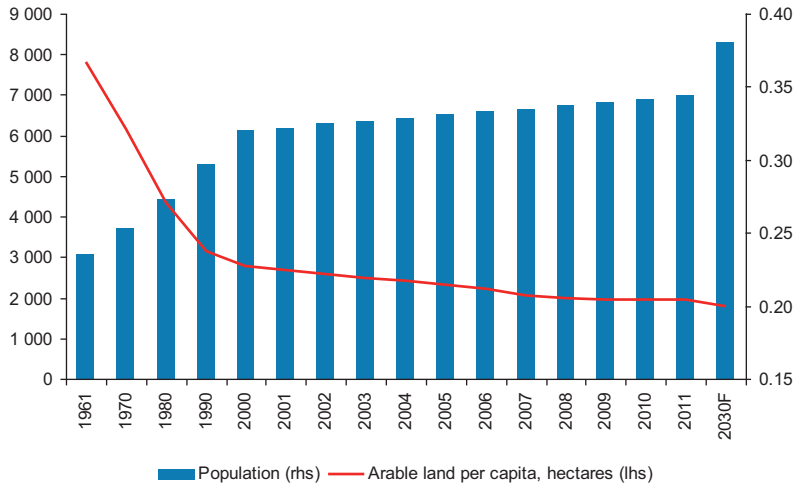
Region Name	1980	1990	2000	2009
World	2,492	2,627	2,732	2,831
North America	3,160	3,459	3,775	3,659
Western Europe	3,342	3,405	3,498	3,535
Eastern Europe	3,388	3,365	2,995	3,222
South America	2,651	2,579	2,782	2,951
Central Asia	n/a	n/a	2,351	2,772
South East Asia	2,153	2,164	2,417	2,657
Africa	2,221	2,278	2,421	2,560

Source: FAO

Arable land per capita shrinking

The amount of land that can be used for farming is limited. Between 1960 and 2011, while the global population increased by approximately 130 per cent., cultivated land increased by only 10 per cent. (*Source*: UN FAOSTAT). This diverging trend signifies that if one acre of land fed 2.4 people in 1960, that same acre must now feed 4.8 people.

The following chart sets forth world population and arable land per capita evolution:



Source: World Bank, FAO, BNP Paribas estimates

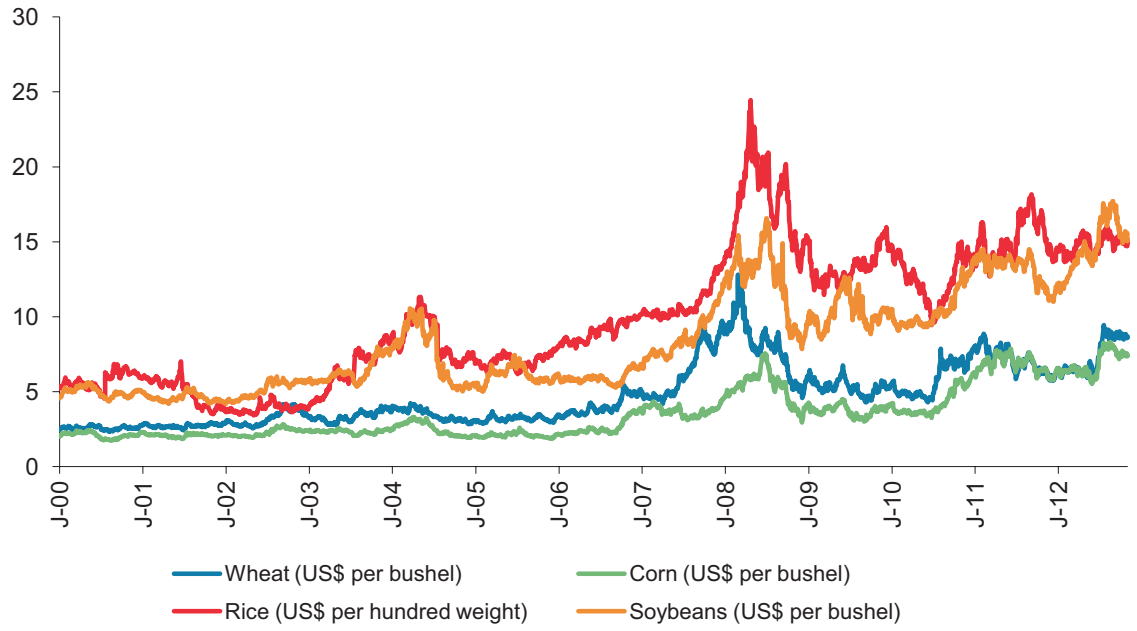
Renewable fuels

In recent years, renewable fuels have been accounting for a small but rapidly growing share of consumption of the world's food resources. In addition to feeding the world, global agricultural producers are a small but rapidly growing source of the world's fuel. Between 1980 and 2011 the share of US corn used for fuel ethanol rose from 0.3 per cent. to over 24.0 per cent. (*Source*: BP plc.). The 107 million tonnes of corn used by U.S. ethanol distilleries in 2009 represented enough corn to feed 330 million people for one year (*Source*: Earth Policy Institute).

Soft commodity prices are the main drivers behind the short-term demand and subsequent financial performance of fertiliser producers. Higher soft commodity prices incentivise farmers to increase both acreage and yield. After their peak in mid-2008, soft commodity prices dropped sharply. However, the prices have been rising recently.

Crop prices and production costs

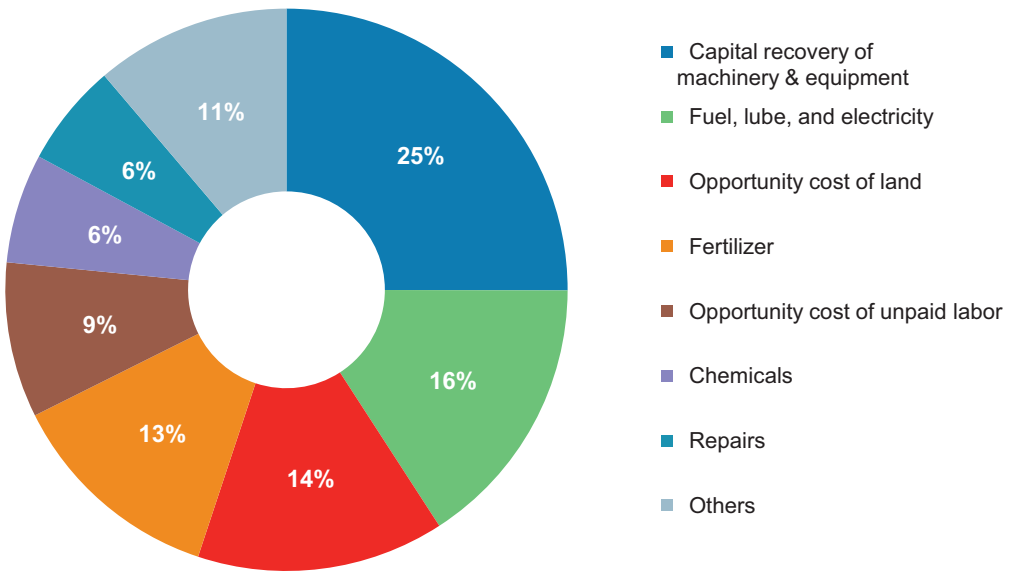
The following chart set forth crop historical price dynamics:



Source: Bloomberg

Information provided by the United States Department of Agriculture (the "**USDA**") suggests that fertilisers take up 13.0 per cent. in the total grain production costs.

The following chart sets forth a breakdown of grain production costs in 2011:



Source: USDA

Growing population, dietary shifts, as well as price dynamics in the soft commodity market affect international food prices as reflected by the FAO Food Price Index. In December 2010, the index rose above its 2008 peak. Despite the following decline of the Food Price Index, food prices still remain generally high.

OPERATING AND FINANCIAL OVERVIEW

The following overview of the Group's financial condition and results of operations as at 30 September 2012, for the nine months ended 30 September 2012 and 2011, and as of and for the years ended 31 December 2011, 2010 and 2009, should be read in conjunction with the Interim Consolidated Financial Information and Annual Consolidated Financial Statements and related notes included elsewhere in this Prospectus.

The following overview includes forward-looking statements that reflect the current view of the management and involve inherent risks and uncertainties. The actual results of the Group could differ materially from those contained in such forward-looking statements as a result of factors discussed below and elsewhere in this Prospectus, particularly in "Risk Factors".

Selected consolidated financial information in this section has been derived from the Interim Consolidated Financial Information (which is unaudited) and Annual Consolidated Financial Statements, in each case without material adjustments, unless otherwise stated, as well as EuroChem management financial reports. The interim results are not necessary indicative of the results that may be expected for a full year.

Overview

The Group is a leading vertically integrated nitrogen and phosphate fertiliser producer. The Group produces nitrogen mineral fertilisers, including urea, ammonia, AN, UAN, CAN and NPK, and phosphate mineral fertilisers, including MAP, DAP, NP and feed phosphates, as well as P_2O_5 rich magnetite-apatite ore (37.0 per cent. to 38.0 per cent.). In 2011, the Group was the largest fertiliser producer in Russia in terms of tonnes of nutrients sold according to market data from AzotEconPlus. The Group's nitrogen production facilities are located in the Stavropol Krai in southern Russia; the Tula Oblast south of Moscow, Russia; and Antwerp, Belgium. The Group's phosphate mines and production facilities are located in the Murmansk Oblast in northern Russia, the Leningrad Oblast in Northwestern Russia, the Krasnodar Krai in Southern Russia and in Lithuania. In 2012, EuroChem-Fertilizers signed agreements with the authorities of the Republic of Kazakhstan for the extraction of phosphate rock from the Kok-Jon and Gimelfarbskoe deposits in Kazakhstan's Zhambyl province. The Group is in the process of developing its potash deposit license areas in the Volgograd Oblast in southern Russia and the Perm Krai near the Ural Mountains in Russia. The Group also has a natural gas production facility located in the Yamalo-Nenets Autonomous Region in Russia.

As part of its vertically integrated business model, the Group mines magnetite-apatite ore, which is high-quality phosphate rock, from the Group's Kovdorskiy GOK mine and extracts apatite concentrate from the ore at the Group's beneficiation plant. The Group then uses its apatite concentrate output as a raw material to produce phosphate-based fertilisers and sells a small portion of its apatite concentrate production to third parties. The Group also extracts baddeleyite concentrate and produces iron ore concentrate from iron ore extracted from Kovdorskiy GOK's mine and sells it to third parties. In addition, the Group produces natural gas, the main raw material for the production of ammonia and subsequent production of nitrogen-based fertilisers, and gas condensate.

The Group's combined reserves and resources of BAMO, LFAO, apatite-staffelite ore and apatite-baddeleyite tailings were measured by IMC Montan as at October 2009 according to the JORC Code and consisted of proved and probable reserves of 595 million tonnes and measured and indicated resources of 593 million tonnes. The Group is also in the process of developing its potash deposit license areas. The Group's reserves and resources of potash ore were measured by IMC Montan as at September 2009 (Gremyachinskoe potassium deposit license area) and October 2009 (Verkhnekamskoe potassium deposit license area) according to the JORC Code and consisted of proved and probable reserves of 912 million tonnes and measured and indicated resources of 2,413 million tonnes. The Group also has natural gas reserves of approximately 47 billion m^3, petroleum reserves of approximately 35 million tonnes and gas condensate reserves of approximately 5.0 million tonnes as recorded in the State Register of Mineral Resources of the Russian Federation as at 1 January 2012 according to the Russian Classification.

As at 30 September 2012, the Group had a combined annual production capacity of approximately 9.7 million tonnes of nitrogen mineral fertilisers, 2.4 million tonnes of phosphate mineral fertilisers and 2.7 million tonnes of apatite concentrate. As a co-product of its apatite mining operations, the Group has an annual production capacity of approximately 5.7 million tonnes of iron ore concentrate and 9 thousand tonnes of baddeleyite concentrate. For the nine months ended 30 September 2012 and the year ended

31 December 2011, the Group produced 6.3 million tonnes and 8.2 million tonnes, respectively, of nitrogen mineral fertilisers (ammonia, urea, AN, CAN, UAN and complex fertilisers); 1.5 million tonnes and 2.0 million tonnes, respectively, of phosphate mineral fertilisers (MAP, DAP and NP); and 7.8 million tonnes and 6.0 million tonnes, respectively, of raw material feedstock, including apatite, iron ore and baddeleyite concentrates. The Group also produced feed phosphates, melamine and organic synthesis products. Additionally, the Group is developing its potash segment with the Gremyachinskoe and Verkhnekamskoe greenfield potash projects in Russia, which are currently expected to begin production in 2015 and 2017, respectively, with planned total annual production capacities of 4.6 million tonnes (expected to be achieved in 2020) and 3.7 million tonnes (expected to be achieved in 2026), respectively.

The Group primarily sells its fertilisers outside of Russia through its trading companies in Switzerland and the United States as well as through its EuroChem Agro distribution platform (previously K+S Nitrogen). The Group's fertiliser products are sold to customers in over 90 countries. The principal markets outside of Russia for the Group's fertiliser products are Europe, Asia, Latin America, North America and the rest of the CIS. The Group primarily sells iron ore concentrate to distributors and ultimate customers in Russia and Asia. Overall, sales outside of Russia accounted for 78.7 per cent. and 76.3 per cent. of the Group's external sales for the nine months ended 30 September 2012 and the year ended 31 December 2011, respectively. Most of the Group's fertiliser sales in Russia are directly to customers through the Group's network of distribution centres. Most of the Group's sales of iron ore concentrate in Russia are to Severstal. Total sales to Severstal accounted for 4.2 per cent. and 6.1 per cent. of the Group's total sales for the nine months ended 30 September 2012 and the year ended 31 December 2011, respectively.

To support fertiliser sales, the Group has developed a distribution network of 24 distribution centres in Russia, six of which are owned by the Group, and a distribution centre company with four distribution outlets in Ukraine, which is owned by the Group. In addition to providing advisory services to local farmers and promoting the efficient use of fertilisers to increase yields, the distribution centres offer seeds, crop protection products and soil analysis services. On 2 July 2012, the Group acquired the nitrogen fertiliser distribution business of German potash producer K+S Group based in Mannheim, Germany (now EuroChem Agro). EuroChem Agro markets nitrogen-based fertilisers with a focus on major customers in agriculture and special crops such as fruits, vegetables and grapes. EuroChem Agro's distribution assets are located in Germany, Spain, Italy, Greece, Mexico, France, Turkey, Singapore and China and sell to wholesalers, distributors and cooperatives in their respective countries as well as in Northern, Central and Eastern Europe, South East Asia and the Americas. The Group also has international sales offices in Brazil, Switzerland and the United States.

The Group's logistics infrastructure supports the Group's vertically integrated business model. As at 30 September 2012, the Group had rolling stock comprised of approximately 6,850 rail cars and 44 locomotives, and the Group also operates dedicated rail service and repair centres. The Group also operates its wholly-owned fertiliser transhipment terminals in the towns of Tuapse (Black Sea) and Murmansk (Barents Sea) in Russia, and Sillamäe (Gulf of Finland) in Estonia as well as benefits from direct jetty access in the port of Antwerp in Belgium. The Group owns two Panamax vessels and operates a ship on long-term lease and two ships on short-term leases.

For the nine months ended 30 September 2012, the Group had sales of RUB 124,778,901 thousand, EBITDA of RUB 38,879,363 thousand and net profit for the period of RUB 24,593,592 thousand. The Group's EBITDA margin for the same period was 31.2 per cent. For the year ended 31 December 2011, the Group had sales of RUB 131,298,080 thousand, EBITDA of RUB 49,655,961 thousand and net profit for the period of RUB 32,031,393 thousand. The Group's EBITDA margin for the same period was 37.8 per cent.

Key Factors Affecting the Group's Results of Operations

The Group's operations have historically been influenced by the following key factors, which the Group's management believes will continue to affect the Group's results of operations in the future:

Macroeconomic and Other Economic Trends

A number of macroeconomic factors underpin fertiliser demand across the Group's end markets and can, therefore, affect the Group's products and its results of operations. Demand for fertilisers is significantly dependant on the demand for crops and foodstuff, changes in which are reflected by population growth and the dietary shifts within populations brought on by economic growth. Given the limited amount of

available arable land, fertilisers play a key role in the drive to improve both the quality of the harvest and crop yields. Putting further pressure on crop yields is the increased production of renewable energy sources, which over the last few years has been displacing acreage traditionally used for food crops in favour of biofuel production, especially in the United States.

Growing Population

Global population growth continues to act as the principal long-term driver behind global fertiliser demand. Each day, approximately 200,000 people join the global food demand (*Source*: UNEP). Agricultural producers must continue to increase output and efficiency in order to keep up with the challenges brought on by an increasing population within a limited space. It is estimated that global farmland productivity will need to rise by at least 15 per cent. by 2020 so as to maintain global food consumption per capita on par with today's level (*Source*: UN FAO).

Dietary Shifts

Growing prosperity, especially in emerging markets, has led to significant dietary changes. These changes are both quantitative and qualitative, they not only represent increasing food consumption per capita, but also greater meat and protein intake. Meat is a resource-intensive source of protein and in 2011, approximately 50 per cent. of global cereal output was used to produce animal feed (*Source*: GRID-UNEP). In addition to population growth, changing consumption patterns require more food to be grown. The per capita GNI in purchasing power parity adjusted dollars of Brazil, Russia, India and China combined increased by an estimated combined 125 per cent. between 2001 and 2010. During the same period, the United States per capita GNI increased by 30 per cent. (*Source*: World Bank.)

Arable Land per Capita

The amount of land that can be used for farming is limited. Between 1960 and 2011, while the global population increased by approximately 130 per cent., cultivated land increased by only 10 per cent. (*Source*: UN FAOSTAT). This diverging trend means that if one acre of land fed 2.4 people in 1960, that same acre must now feed 4.8 people.

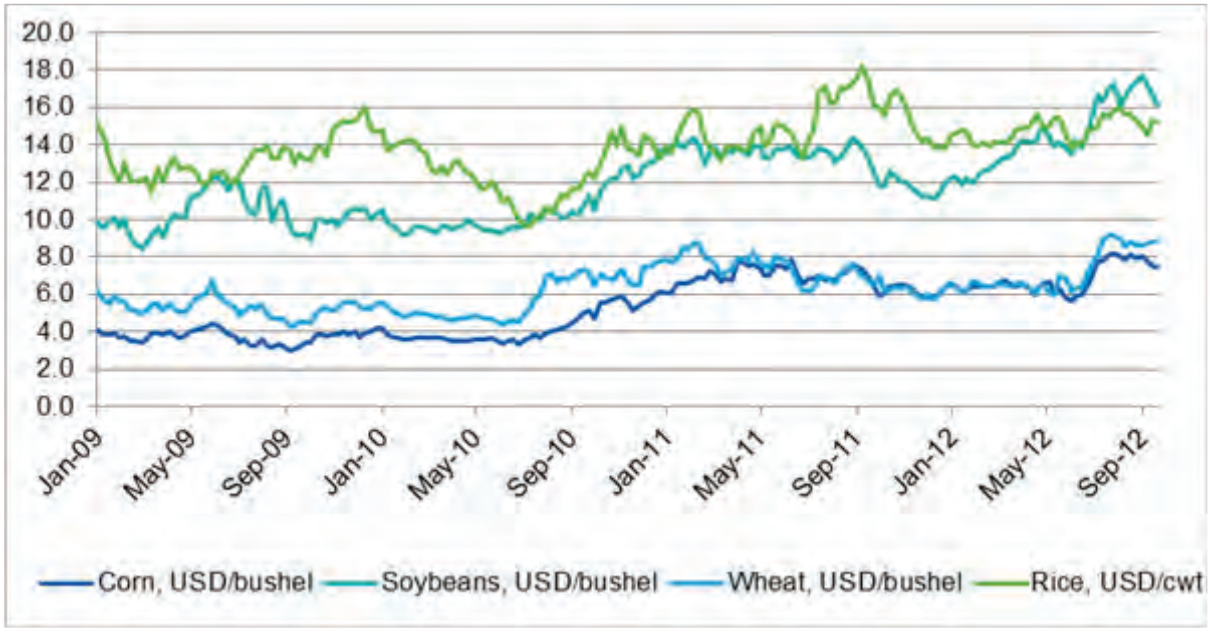
Renewable Fuels

In recent years, renewable fuels have accounted for a small, but rapidly growing share of consumption of the world's food resources. In addition to feeding the world, global agricultural producers are a small but rapidly growing source of the world's fuel. Between 1980 and 2011, the share of U.S. corn used to produce fuel ethanol rose from 0.3 per cent. to over 24 per cent. (*Source*: BP plc.). The 107 million tonnes of corn used by U.S. ethanol distilleries in 2009 represented enough corn to feed 330 million people for one year (*Source*: Earth Policy Institute).

Soft Commodity Prices

Soft commodity prices play a large role in determining the amount farmers allocate to fertilisers, which, in turn, will affect overall fertiliser consumption and the Group's results. Favourable grain and crop prices incentivise farmers to fertilise their fields and maximise crop output at harvest. Adverse weather conditions, stock-to-use ratios, increases in demand and financial speculation will all apply respective pressure on crop prices, whether as individual or combined forces. As 2010 showed, depleted inventories and localised weather disruptions in some of the world's key agricultural regions can cause crop prices to increase rapidly. These pricing corrections work both ways and the situation was much different twelve months earlier when the global economic downturn of 2008 applied severe downward pressure on agricultural commodity prices, which led to a significant decrease in both demand for and prices of fertiliser products. As at 31 December 2011, average corn, soybean and wheat prices were approximately 60 per cent., 26 per cent. and 23 per cent. higher, respectively, as compared to 31 December 2010 (*Source*: Chicago Board of Trade ("**CBT**")).

The following graph sets forth the prices of rice, wheat soybeans and corn between January 2009 and September 2012:



Source: CBT.

The following table sets forth fertiliser consumption, including both agricultural and industrial uses, by region and product for the years indicated:

	For the year ended 31 December		
	2011	**2010**	**2009**
International	*(tonnes in millions)*		
Urea	67,588	65,792	68,352
AN	15,380	14,575	14,045
CAN	4,059	3,806	3,665
MAP	12,144	10,924	8,079
DAP	14,464	15,098	14,287
UAN	6,579	5,765	4,915
MOP	32,234	30,477	25,915
CIS (including Russia)			
Urea	1,226	1,190	890
AN	2,106	1,904	1,805
MOP	1,226	1,190	890
Russia			
Urea	311	289	233
AN	1,123	963	944
MOP	311	289	233

Sources: International: UAN: CRU UAN Market, April 2012; MOP: Fertecon Potash Outlook, August 2012; MAP/DAP: CRU Phosphate Fertilizer Market Outlook, July 2012/April 2012; AN/CAN: IFA AN/CAN Statistics, October 2012; and Urea: CRU Urea Market Outlook, September 2012/June 2012.

Russia: Russian Association of Mineral Fertilizer Producers (''RAPU'').

The following table sets forth fertiliser prices by region and product for the years indicated:

	For the nine months ended 30 September		For the year ended 31 December		
International	**2012**	**2011**	**2011**	**2010**	**2009**
			(U.S.$/tonne)		
Urea (FOB Black Sea)	415	417	425	288	250
AN (FOB Black Sea)	302	312	311	231	168
CAN (FOB Baltic Sea calculated from CIF Germany)	255	315	287	174	156
MAP (FOB Baltic Sea)	565	631	636	484	329
DAP (FOB Baltic Sea)	559	630	633	485	328
UAN (FOB Black Sea)	284	308	309	213	158
MOP (FOB Baltic Sea, average spot and contract)	447	401	413	321	565
Russia[(1)]					
Urea	333	331	324	280	242
AN	223	221	216	184	157
MOP	152	148	145	141	116

Sources: "Weekly review", Fertecon; "The Market. Fertilizer News and Analysis from ICIS" (ICIS); "Weekly Report", Argus FMB; "Fertilizer Week. Weekly Market Report", CRU.
Russia: RAPU.

(1) Maximum declared prices (FCA) by Russian Association Mineral Fertilizer Producers

The following table sets forth the Group's fertiliser sales volumes (excluding internal sales) by region and product for the years indicated:

	For the nine months ended 30 September		For the year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
			(tonnes in thousands)		
International	**5,279**	**4,343**	**5,576**	**5,559**	**5,467**
Ammonia	-	6	6	154	407
Urea	1,481	1,393	1,871	1,605	1,520
AN	661	537	711	773	1,059
CAN	525	124	160	128	12
MAP, DAP	1,270	1,288	1,599	1,644	1,450
UAN	519	582	730	692	610
NPK	823	413	499	563	409
Russia	**1,314**	**1,173**	**1,599**	**1,454**	**1,187**
Ammonia	11	20	26	55	40
Urea	104	75	119	117	92
AN	810	731	1,013	939	750
CAN	14	18	21	15	1
MAP, DAP	228	197	250	202	205
UAN	79	59	85	61	52
NPK	68	73	85	65	47

Raw Materials, Production and Transportation Costs

The main components of the Group's costs of sales are materials and components used to make fertiliser products and include natural gas, raw materials, and energy. For the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009, materials and components used or resold accounted for 63.6 per cent., 61.6 per cent., 63.8 per cent., 56.5 per cent. and 51.0 per cent., respectively, of the Group's cost of sales. Although the Group produces a portion of its phosphate rock and natural gas requirements, raw material cost volatility can, nonetheless, affect the Group's performance.

Natural Gas

Natural gas is the primary raw material used by the Group to produce ammonia, the main building-block for nitrogen-based fertilisers. For the nine months ended 30 September 2012, the Group produced 514 million m^3 of natural gas, which represented 15.1 per cent. of its total consumption of 3.4 billion m^3 of natural gas for the period. Of the natural gas produced, 431.5 million m^3 were sold to Gazprom under an agreement that was entered into prior to the Group acquiring Severneft-Urengoy and the remaining 48.5 million m^3 were sold to Novomoskovskiy Azot, OJSC (''**Novomoskovskiy Azot**''). The Group sources its remaining natural gas requirements from third-party suppliers, including subsidiaries of Gazprom, at market prices.

For the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009, natural gas represented 14.9 per cent., 21.4 per cent., 21.4 per cent., 23.9 per cent. and 21.6 per cent., respectively, of the Group's cost of sales. In addition to being used for the production of ammonia, natural gas is used for heating as well as other production related purposes. For the nine months ended 30 September 2012, average gas prices for the Group's nitrogen plants had increased 5.3 per cent. and 4.7 per cent. to RUB 3,348 per 1,000 m^3 and RUB 3,494 per 1,000 m^3 at its Novomoskovskiy Azot and Nevinnomysskiy Azot facilities, respectively, as compared to RUB 3,179 per 1,000 m^3 and RUB 3,336 per 1,000 m^3 for the nine months ended 30 September 2011.

In December 2011, the Group acquired, Severneft-Urengoy, a producer of natural gas located in Russia's Yamalo-Nenets Autonomous Region. As at 30 September 2012, Severneft-Urengoy had a maximum annual production capacity of 1.1 billion m^3 of natural gas, which would have represented up to 24.4 per cent. of the Group's natural gas consumption for the year ended 31 December 2011. The remaining natural gas requirements are covered by purchases of natural gas from Gazprom regional subsidiaries and via BASF for its EuroChem Antwerpen subsidiary in Belgium. Despite the gradual rise in Russian domestic gas prices to a level equivalent to European export netback parity, as per the Russian Federal Tariff Service order No 412-e / 2 dated 10 December 2010, prices continue to remain below European levels. For the nine months ended 30 September 2012 and the year ended 31 December 2011, the Group consumed a total of 3.4 billion m^3 and 4.5 billion m^3, respectively, of natural gas, of which approximately 89 per cent. and 100 per cent., respectively, were purchased on the market. For its Russian operations, the Group has traditionally entered into five-year natural gas supply agreements with Gazprom subsidiaries. These supply agreements expire on 31 December 2012, following which, the Group expects to enter into one-year contracts with Gazprom subsidiaries. Primarily for heating purposes, the Group's Lifosa facility, located in Lithuania, consumed 4,224 thousand m^3 and 5,841 thousand m^3 of natural gas for the nine months ended 30 September 2012 and the year ended 31 December 2011, respectively, and has supply agreements with AO Lietuvos Dujos. Natural gas supplies, primarily for heating purposes, for EuroChem Antwerpen, which was consolidated as of 31 March 2012, are mainly secured via BASF.

Apatite Concentrate and Phosphate Rock

The Group mined 1.8 million tonnes and 2.6 million tonnes of phosphate rock for the nine months ended 30 September 2012 and the year ended 31 December 2011, respectively, which represented 73.4 per cent. and 80.0 per cent. of its consumption for the respective period. For the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009, the Group purchased 743,464 tonnes, 663,751 tonnes, 852,767 tonnes, 706,167 tonnes and 116,101 tonnes, respectively, of phosphate rock to meet its production needs. In 2012, EuroChem-Fertilizers signed agreements with the authorities of the Republic of Kazakhstan for the extraction of phosphate rock from the Kok-Jon and Gimelfarbskoe deposits in Kazakhstan's Zhambyl province. Although the Group seeks to increase its phosphate rock raw material base, it remains a non-renewable raw material with limited supplies globally. As a result, prices for phosphate rock are subject to market forces and can affect the Group's performance.

Sulphur

Sulphur is an important raw material consumed by the Group's phosphate production facilities. Sulphur accounted for 3.0 per cent., 4.4 per cent., 4.7 per cent., 3.0 per cent. and 3.4 per cent. of costs of sales for the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009, respectively. As a fixed by-product of the refining industry, sulphur supply remains inelastic and prices can vary significantly. The Group's average sulphur purchase price for the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009 was RUB 3,355 per tonne, RUB 3,373 per tonne, RUB 3,658 per tonne, RUB 1,933 per tonne and RUB 1,679 per tonne, respectively. For the same periods, the Group purchased 676,194 tonnes, 605,401 tonnes, 809,131 tonnes,

785,115 tonnes and 720,037 tonnes, respectively, of sulphur, the majority of which was supplied by Tengizchevroil LLC and Gazprom-Sera LLC.

Ammonia

The Group sources ammonia externally to supplement its internal ammonia production capacity. Ammonia accounted for 10.8 per cent., 3.5 per cent., 4.7 per cent., 0.5 per cent. and 0.8 per cent. of the Group's costs of sales for the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009, respectively.

Labour and Social Contributions

Labour and social contributions are the second largest component of the Group's cost of sales and the main component of the Group's general and administrative expenses, accounting for 9.9 per cent., 12.2 per cent., 12.7 per cent., 14.5 per cent. and 14.8 per cent. of the Group's cost of sales and 50.8 per cent., 52.7 per cent., 52.3 per cent., 55.8 per cent. and 48.9 per cent. of the Group's general and administrative expenses for the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009, respectively. Costs related to salaries, as well as the level of social contribution, have been increasing in Russia and closing on Western European levels. For the period of 1 January 2000 to 31 December 2011, average wages in Russia increased 966 per cent., a total increase corresponding to a compound annual growth rate (CAGR) of 24.0 per cent. (*Source*: Federal State Statistic Service of Russian Federation).

Energy

For the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009, total energy costs for the Group amounted to RUB 5,053,217 thousand, RUB 4,925,365 thousand, RUB 6,694,025 thousand, RUB 5,625,211 thousand and RUB 4,619,546 thousand, respectively, representing 7.0 per cent., 10.4 per cent., 10.5 per cent., 11.2 per cent. and 10.8 per cent., respectively, of the Group's cost of sales.

Transportation

For the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009, total transportation costs for the Group amounted to RUB 13,691,104 thousand, RUB 11,583,448 thousand, RUB 15,838,489 thousand, RUB 15,405,937 thousand and RUB 14,218,317 thousand, respectively, representing 80.1 per cent., 84.0 per cent., 83.6 per cent., 86.6 per cent. and 83.9 per cent., respectively, of the Group's distribution costs.

Currency Exchange Fluctuations

The Group's direct costs, including raw materials, labour and transportation costs, are largely incurred in Russian Roubles. However, the Group's revenue is principally linked to the U.S. dollar. For the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009, the Group's U.S. dollar-denominated sales accounted for 56.2 per cent., 64.0 per cent., 64.3 per cent., 66.1 per cent. and 69.3 per cent., respectively, of the Group's sales. As a result of most of the Group's operating and general expenses and trade payables being denominated in Russian Roubles, while most of its revenue and trade receivables are in U.S. dollars, the Group is subject to fluctuations of the Russian Rouble against the U.S. dollar, which can materially affect the Group's results of operations.

The table below shows the average exchange rate and real Russian Rouble appreciation against the U.S. dollar for the years indicated:

	For the year ended 31 December		
	2011	**2010**	**2009**
Average exchange rate (RUB/U.S.$)	29.39	30.38	31.72
Real RUB appreciation against U.S.$ per cent.[1]	5.732	0.958	2.819

Source: CBR.

(1) Reflects appreciation of the RUB/U.S.$ exchange rate as at 31 December of the relevant year compared to 1 January of that year.

The line item ''Foreign exchange gain/(loss) – net'' reflects the revaluation of monetary assets and liabilities relating to operating activities due to exchange rate fluctuations in the foreign currencies to

functional currency of the Group's subsidiaries. This line item represents an accounting adjustment only and has no effect on the Group's cash flows.

Seasonality

The Group is subject to certain seasonal fluctuations in fertiliser demand and production output as a result of fertiliser application patterns and turnaround time as its nitrogen fertiliser facilities, respectively. Although the Group sells the majority of its production on international markets within key global agricultural regions, there remains some periods of lesser activity in the international fertiliser markets, such as the end of November, prior to purchases for the spring planting season. So as to complement Northern Hemisphere fertiliser application patterns, the Group has been increasing sales to Latin American countries. For the year ended 31 December 2011, the Group's sales to Latin America were RUB 19,169,024 thousand, an increase of RUB 10,055,244 thousand as compared to RUB 9,113,780 thousand for the year ended 31 December 2009. For sales in Russia and other CIS countries, nitrogen-based fertilisers are primarily applied in the spring, with autumn and winter having lower application levels. Phosphate-based fertiliser application is slightly later, with NPK demand peaking in autumn.

The Group's nitrogen fertiliser facilities undergo an average of approximately 20 days of maintenance turnarounds per year. So as to limit their operational impact, these tend to be scheduled for mid-summer, when demand is low, and is preceded by an inventory build-up phase, which usually translates in slight increases in storage and handling costs.

Additionally, the Group's facilities will generally consume more energy during winter and the costs linked to transporting, unloading and storing raw materials during this period are also generally higher as a result of climate conditions.

Product Mix

The Group seeks to continually adjust its product mix in favour of high value-added products; however, while total production volumes may remain fairly stable, the share of high value-added products in the Group's output may vary considerably. Although the Group targets maximal operational returns, variations within its product mix can considerably affect its profitability.

Recent Developments

During the third quarter of 2012, the Group paid to EuroChem Group S.E., the parent company of the Group, RUB 4,260,184 thousand in order to buy back 718,085 ordinary shares in EuroChem, which represented 1.056 per cent. of the issued share capital of EuroChem. Additionally, on 25 October 2012, EuroChem Capital Management Ltd. signed a shares sale and purchase agreement with EuroChem Group S.E. to buy back 132,978 ordinary shares in EuroChem, which represented 0.1956 per cent. of the issued share capital of EuroChem, for RUB 781,243 thousand. Title to 718,085 ordinary shares and 132,978 ordinary shares in EuroChem passed to EuroChem Capital Management Ltd. in October and November 2012, respectively. On 15 November 2012, EuroChem Capital Management Ltd. signed a sale and purchase agreement with EuroChem Group S.E. to buy back 106,384 shares in EuroChem, which represented 0.1564 per cent of the issued share capital of EuroChem, for RUB 633,844 thousand. Title to 106,384 ordinary shares in EuroChem passed to EuroChem Capital Management Ltd. on 16 November 2012.

Business Segments

The Group has the following main reporting segments:

- Nitrogen – the production and sale of nitrogen mineral fertilisers, including complex fertilisers, and organic synthesis products. The Nitrogen segment also includes hydrocarbon extraction and production starting from 31 December 2011 and EuroChem Antwerpen starting from 31 March 2012;
- Phosphates – the production and sale of phosphate mineral fertilisers, including complex fertilisers, and the extraction of ores to produce and subsequently sell baddeleyite and iron-ore concentrates;
- Potash – the development of several deposits of potassium salts (potash) under the licenses acquired by the Group with a view to start production and marketing of potassium fertilisers. No sales have been recorded to date in this segment. The Group intends to develop its Potash segment with the Gremyachinskoe potassium deposit license area and the Verkhnekamskoe potassium deposit

licence area over the next several years; however, commercial production from the deposits is not expected to commence prior to 2015 and 2017, respectively; and

- Distribution – retail sales of mineral fertilisers (including fertilisers produced by third parties), seeds, crop protection items etc. via a number of retailers located in Russia and the CIS.

The Group's other operations include resales of third–party fertilisers outside of Russia and the CIS, certain logistics and service activities, central management, investment income and other items.

Results of Operations

The following table sets forth the Group's selected consolidated statement of comprehensive income data for the periods indicated:

	For the nine months ended 30 September		For the year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**[1]
			(RUB in thousands)		
Sales	124,778,901	98,269,877	131,298,080	97,787,533	73,577,249
Cost of sales[1][2]	(71,819,283)	(47,545,276)	(63,641,275)	(50,205,529)	(42,884,070)
Gross profit[2]	**52,959,618**	**50,724,601**	**67,656,805**	**47,582,004**	**30,693,179**
Distribution costs[1][2]	(17,086,328)	(13,791,655)	(18,952,488)	(17,784,897)	(16,944,421)
General and administrative expenses	(3,843,838)	(3,450,793)	(4,653,188)	(3,754,449)	(3,261,398)
Other operating income/ (expenses) – net	378,062	(455,226)	(190,858)	(16,695)	225,029
Operating profit	**32,407,514**	**33,026,927**	**43,860,271**	**26,025,963**	**10,712,389**
Write-off of portion of assets at the Gremyachinskoe potash deposit	(3,611,387)	–	–	–	–
Dividend income	101,676	613,927	613,927	147,946	2,168,715
(Loss)/gain on disposal of non current assets held for sale	–	–	–	(429,598)	358,878
Fair value gain on trading investments	–	–	–	–	139,584
Gain on disposal of available for sale investments	568,382	914,434	914,434	1,407,261	966,640
Financial foreign exchange gain/ (loss) – net	3,100,404	(3,382,505)	(3,803,986)	(389,660)	748,903
Interest income	565,556	101,617	644,524	180,444	399,724
Interest expense	(3,168,159)	(2,018,663)	(3,122,871)	(2,066,011)	(1,983,587)
Other financial gain – net	999,821	937,914	993,863	134,831	193,458
Profit before taxation	**30,963,807**	**30,193,651**	**40,100,162**	**25,011,176**	**13,704,704**
Income tax expense	(6,370,215)	(5,920,480)	(8,068,769)	(4,958,699)	(2,629,256)
Net profit for the period	**24,593,592**	**24,273,171**	**32,031,393**	**20,052,477**	**11,075,448**

(1) In 2010, the Group changed presentation of cost of sales and distribution costs (see "*Presentation of Financial and Other Information—Change in Presentation*"). To facilitate a year-to-year comparison, the financial information provided with respect to these line items for the year ended 31 December 2009 above has been similarly presented, and therefore, it is not directly comparable with the 2009 Consolidated Financial Statements included elsewhere in the Prospectus.

(2) The information in respect of cost of sales, gross profit and distribution costs for 2009 presented above has been extracted from the 2010 Consolidated Financial Statements included elsewhere in the Prospectus.

Nine Months Ended 30 September 2012, as Compared to the Nine Months Ended 30 September 2011

Sales

The following table sets forth the Group's sales by segment for the periods indicated:

	For the nine months ended 30 September	
	2012	**2011**
	(RUB in thousands)	
Nitrogen	57,415,228	38,888,195
Phosphates	45,571,861	46,145,043
Distribution	13,152,610	10,910,815
Other	8,639,202	2,325,824
Total sales	**124,778,901**	**98,269,877**

Group

For the nine months ended 30 September 2012, the Group's total sales were RUB 124,778,901 thousand, an increase of RUB 26,509,024 thousand, or 27.0 per cent., as compared to RUB 98,269,877 thousand for the nine months ended 30 September 2011. The increase was primarily due to the higher production capacity from the consolidation of EuroChem Antwerpen and sales volumes from the consolidation of EuroChem Agro. The increase was partially offset by the effect of lower iron ore sales volumes and weaker average prices across all product groups.

The following table sets forth the Group's sales by region for the periods indicated:

	For the nine months ended 30 September	
	2012	**2011**
	(RUB in thousands)	
Russia	26,578,563	23,453,357
CIS	10,806,788	12,871,017
Asia	19,655,272	18,685,409
Europe	30,274,799	15,072,070
Latin America	19,445,821	17,340,131
North America	13,741,849	8,242,836
Africa	3,079,754	2,077,075
Australasia	1,196,055	527,982
Total sales	**124,778,901**	**98,269,877**

For the nine months ended 30 September 2012, the Group's sales in Russia were RUB 26,578,563 thousand, an increase of RUB 3,125,206 thousand, or 13.3 per cent., as compared to RUB 23,453,357 thousand for the nine months ended 30 September 2011. The increase was primarily due to higher average prices. For the nine months ended 30 September 2012, the Group's sales in the CIS were RUB 10,806,788 thousand, a decrease of RUB 2,064,229 thousand, or 16.0 per cent., as compared to RUB 12,871,017 thousand for the nine months ended 30 September 2011. The decrease was primarily due to lower sales volumes to the CIS. For the nine months ended 30 September 2012, the Group's sales in Asia were RUB 19,655,272 thousand, an increase of RUB 969,863 thousand, or 5.2 per cent., as compared to RUB 18,685,409 thousand for the nine months ended 30 September 2011. The increase was primarily due to higher sales volumes and the consolidation of EuroChem Antwerpen and EuroChem Agro, which offset the negative effects of declining iron ore prices. For the nine months ended 30 September 2012, the Group's sales in Europe were RUB 30,274,799 thousand, an increase of RUB 15,202,729 thousand as compared to RUB 15,072,070 thousand for the nine months ended 30 September 2011. The increase was primarily due to the consolidation of EuroChem Antwerpen and EuroChem Agro. For the nine months ended 30 September 2012, the Group's sales in Latin America were RUB 19,445,821 thousand, an increase of RUB 2,105,690 thousand, or 12.1 per cent., as compared to RUB 17,340,131 thousand for the nine months ended 30 September 2011. The increase was primarily due to the consolidation of EuroChem

Antwerpen and EuroChem Agro. For the nine months ended 30 September 2012, the Group's sales in North America were RUB 13,741,849 thousand, an increase of RUB 5,499,013 thousand, or 66.7 per cent., as compared to RUB 8,242,836 thousand for the nine months ended 30 September 2011. The increase was primarily due to the higher volumes allocated to the region due to the favourable pricing environment for nitrogen fertilisers, as well as the consolidation of EuroChem Antwerpen and EuroChem Agro.

Nitrogen

The Nitrogen segment's external sales for the nine months ended 30 September 2012 were RUB 57,415,228 thousand, an increase of RUB 18,527,033 thousand, or 47.6 per cent., as compared to RUB 38,888,195 thousand for the nine months ended 30 September 2011. The increase was primarily due to the consolidation of EuroChem Antwerpen.

Phosphates

The Phosphates segment's external sales for the nine months ended 30 September 2012 were RUB 45,571,861 thousand, a decrease of RUB 573,182 thousand, or 1.2 per cent., as compared to RUB 46,145,043 thousand for the nine months ended 30 September 2011. The decrease was primarily due to lower prices for both phosphate-based fertilisers and iron ore. Sales volumes of iron ore for the nine months ended 30 September 2012 were 3,918 thousand tonnes, a decrease of 281 thousand tonnes, or 6.7 per cent., as compared to 4,199 thousand tonnes for the nine months ended 30 September 2011.

Distribution

The distribution segment's external sales for the nine months ended 30 September 2012 were RUB 13,152,610 thousand, an increase of RUB 2,241,795 thousand, or 20.5 per cent., as compared to RUB 10,910,815 thousand for the nine months ended 30 September 2011. The increase was primarily due to the increases in sales volumes to Russia and Ukraine.

Other

The Group's other operations' external sales for the nine months ended 30 September 2012 were RUB 8,639,202 thousand, an increase of RUB 6,313,378 thousand as compared to RUB 2,325,824 thousand for the nine months ended 30 September 2011. The increase was primarily due to the consolidation of EuroChem Agro, which sells products produced by third parties.

Cost of Sales

The following table sets forth components of the Group's cost of sales for the periods indicated:

	For the nine months ended 30 September	
	2012	**2011**
	(RUB in thousands)	
Materials and components used or resold	45,661,484	29,285,513
Energy	5,053,217	4,925,365
Utilities and fuel	3,142,679	2,598,681
Labour, including contributions to social funds	7,112,266	5,780,239
Depreciation and amortisation	4,556,342	2,681,300
Repairs and maintenance	1,532,238	679,144
Production overheads	1,635,795	1,260,156
Property tax, rent payments for land and related taxes	1,212,043	787,717
Idle property, plant and equipment written off	103,314	55,565
Provision/(reversal of provision) for obsolete and damaged inventories	12,040	(19,046)
Changes in work in progress and finished goods	1,469,043	(678,208)
Other costs	328,822	188,850
Total cost of sales	**71,819,283**	**47,545,276**

For the nine months ended 30 September 2012, the Group's cost of sales was RUB 71,819,283 thousand, an increase of RUB 24,274,007 thousand, or 51.1 per cent., as compared to RUB 47,545,276 thousand for

the nine months ended 30 September 2011. The increase was primarily due to the consolidation of EuroChem Antwerpen and EuroChem Agro as well as increases in the prices of the Group's main materials and components used or resold.

Materials and Components Used or Resold

For the nine months ended 30 September 2012, the Group's materials and components used or resold costs were RUB 45,661,484 thousand, an increase of RUB 16,375,971 thousand, or 55.9 per cent., as compared to RUB 29,285,513 thousand for the nine months ended 30 September 2011. The increase was primarily due to the consolidation of EuroChem Antwerpen and EuroChem Agro as well as increases in the prices for sylvinite (potash), phosphate rock, ammonia and sulphur. An increase in goods for resale due to the consolidation of EuroChem Agro, which sells third-party products, also contributed to the increase.

The following table details of the materials and components used or resold in the cost of sales for the periods indicated:

	For the nine months ended 30 September	
	2012	**2011**
	(RUB in thousands)	
Natural gas	10,676,189	10,177,082
Raw materials	22,852,550	11,258,334
Other materials and components	4,315,940	3,765,523
Goods for resale	7,816,805	4,084,574
Total materials and components used or resold	**45,661,484**	**29,285,513**

Energy

For the nine months ended 30 September 2012, the Group's energy costs were RUB 5,053,217 thousand, an increase of RUB 127,852 thousand, or 2.6 per cent., as compared to RUB 4,925,365 thousand for the nine months ended 30 September 2011. The increase was primarily due to the consolidation of EuroChem Antwerpen. The increase was partially offset by a decrease in energy costs for the Group's Russian operations resulting from limited tariff increases for electricity combined with stable gas prices in the thermal power generation sector.

Utilities and Fuel

For the nine months ended 30 September 2012, the Group's utilities and fuel costs were RUB 3,142,679 thousand, an increase of RUB 543,998 thousand, or 20.9 per cent., as compared to RUB 2,598,681 thousand for the nine months ended 30 September 2011. The increase was primarily due to a 15 per cent. increase in the price of diesel fuel and a 4.0 per cent. increase in the price of fuel oil, combined with an increase in consumption at Novomoskovskiy Azot and Kovdoerskiy GOK and the addition of EuroChem Antwerpen.

Labour, Including Contributions to Social Funds

For the nine months ended 30 September 2012, the Group's labour, including contributions to social funds costs were RUB 7,112,266 thousand, an increase of RUB 1,332,027 thousand, or 23.0 per cent., as compared to RUB 5,780,239 thousand for the nine months ended 30 September 2011. The increase was primarily due to an 8.0 per cent. average wage indexation for the Group combined with an increase in personnel intake for maintenance and services functions as well as the consolidation of EuroChem Antwerpen and Severneft-Urengoy.

Repairs and Maintenance

For the nine months ended 30 September 2012, the Group's repair and maintenance costs were RUB 1,532,238 thousand, an increase of RUB 853,094 thousand as compared to RUB 679,144 thousand for the nine months ended 30 September 2011. The increase was primarily due to higher maintenance expenses at Nevinnomysskiy Azot, Novomoskovskiy Azot as well as the consolidation of EuroChem Antwerpen and Severneft-Urengoy.

Distribution Costs

The following table sets forth the Group's distribution costs for the periods indicated:

	For the nine months ended 30 September	
	2012	**2011**
	(RUB in thousands)	
Transportation	13,691,104	11,583,448
Export duties, other fees and commissions	154,706	171,761
Labour, including contributions to social funds	1,207,535	795,706
Depreciation and amortisation	784,997	324,292
Repairs and maintenance	421,881	412,014
Provision/(reversal of provision) for impairment of receivables	867	(6,835)
Other costs	825,238	511,269
Total distribution costs	**17,086,328**	**13,791,655**

The Group's distribution costs primarily consist of transportation costs, which accounted for 80.1 per cent. and 84.0 per cent. of the Group's total distribution costs for the nine months ended 30 September 2012 and 2011, respectively. For the nine months ended 30 September 2012, the Group's distribution costs were RUB 17,086,328 thousand, an increase of RUB 3,294,673 thousand, or 23.9 per cent., as compared to RUB 13,791,655 thousand for the nine months ended 30 September 2011. The increase was primarily due to increased use of CFR and CIF shipping terms for deliveries of the Group's products for the nine months ended 30 September 2012 as compared to predominantly FOB terms for the nine months ended 30 September 2011. Additionally, increased average shipping distances and the consolidation of EuroChem Agro also contributed to the increase.

General and Administrative Expenses

The following table sets forth the Group's general and administrative expenses for the periods indicated:

	For the nine months ended 30 September	
	2012	**2011**
	(RUB in thousands)	
Labour, including contributions to social funds	1,953,429	1,818,418
Depreciation and amortisation	320,036	260,331
Audit, consulting and legal services	447,116	194,099
Rent	93,931	82,497
Bank charges	77,616	82,641
Social expenditure	96,595	116,326
Repairs and maintenance	52,063	56,874
(Reversal of provision)/provision for impairment of receivables	(5,168)	79,022
Other expenses	808,220	760,585
Total general and administrative expenses	**3,843,838**	**3,450,793**

The Group's general and administrative expenses consist mainly of salaries and wages (inclusive contributions to social funds) of administrative personnel and professional services costs, including costs incurred by financial, legal and accounting advisers. The increase in salaries and wages during each of the periods under review is attributable to salary increases in line with inflation and to increases in administrative headcount. For the nine months ended 30 September 2012, the Group's general and administrative expenses were RUB 3,843,838 thousand, an increase of RUB 393,045 thousand, or 11.4 per cent., as compared to RUB 3,450,793 thousand for the nine months ended 30 September 2011. The increase was primarily due to increased expenses related to audit, consulting and legal services and fees in connection with acquisitions as well as an approximately 8 per cent. average wage indexation.

Other Operating Income/(Expenses) – Net

The following table sets forth the Group's other operating income and expenses for the periods indicated:

	For the nine months ended 30 September	
	2012	**2011**
	(RUB in thousands)	
Gain on disposal of property, plant and equipment	59,887	68,383
Sponsorship	(370,233)	(352,817)
Foreign exchange loss – net	(64,177)	(472,741)
Idle property, plant and equipment write-off	(36,125)	—
Gain on sales and purchases of foreign currencies	292,615	233,763
Other operating income – net	496,095	68,186
Total other operating income/(expenses) – net	**378,062**	**(455,226)**

For the nine months ended 30 September 2012, the Group's net other operating income was RUB 378,062 thousand, a change of RUB 833,288 thousand as compared to net other operating expenses of RUB 455,226 thousand for the nine months ended 30 September 2011. The change was primarily due to the consolidation of EuroChem Antwerpen and decrease of net foreign exchange loss from operating activities of the Group.

Operating Profit

For the nine months ended 30 September 2012, the Group's operating profit was RUB 32,407,514 thousand, a decrease of RUB 619,413 thousand, or 1.9 per cent., as compared to RUB 33,026,927 thousand for the nine months ended 30 September 2011. The decrease was primarily due to lower average prices for iron ore and certain phosphate-based fertilisers and increased lower-margin resale operations. Operating profit margin decreased from 33.6 per cent. for the nine months ended 30 September 2011 to 26.0 per cent. for the nine months ended 30 September 2012.

Write off of Portion of Assets at the Gremyachinskoe Potash Deposit

During the nine months ended 30 September 2012, due to the failure of the grouting technology employed by Shaft Sinkers in the construction of the cage shaft, the Group wrote off previously capitalised construction expenses of RUB 3,116,000 thousand and an outstanding advance of RUB 495,387 thousand, with the result that the Group recorded RUB 3,611,387 thousand under write off of portion of assets at the Gremyachinskoe potash deposit for the nine months ended 30 September 2012. See "*Description of Business—Legal Proceedings—Claim Against Shaft Sinkers*".

Dividend Income

For the nine months ended 30 September 2012, the Group's dividend income was RUB 101,676 thousand, a decrease of RUB 512,251 thousand, or 83.4 per cent., as compared to RUB 613,927 thousand for the nine months ended 30 September 2011. The decrease was primarily due to a reduction in the number of shares in K+S Group held by the Group. The decrease was partially offset by a EUR 0.30 increase in dividends per share on the K+S Group shares.

Gain On Disposal of Available-For-Sale Investments

For the nine months ended 30 September 2012, the Group's gain on disposal of available-for-sale investments was RUB 568,382 thousand, a decrease of RUB 346,052 thousand, or 37.8 per cent., as compared to RUB 914,434 thousand for the nine months ended 30 September 2011. The decrease was primarily due to lower realised gains on the disposal of K+S Group shares.

Financial Foreign Exchange Gain/(Loss) – Net

For the nine months ended 30 September 2012, the Group's net financial foreign exchange gain was RUB 3,100,404 thousand, a change of RUB 6,482,909 thousand as compared to a net financial foreign exchange loss of RUB 3,382,505 thousand for the nine months ended 30 September 2011. The change was primarily due to foreign exchange gains on U.S. dollar-denominated bank loans resulting from the

appreciation of the Russian Rouble against the U.S. dollar. The change was partially offset by foreign exchange losses on U.S. dollar-denominated fixed-term deposits.

Interest Income

For the nine months ended 30 September 2012, the Group's interest income was RUB 565,556 thousand, an increase of RUB 463,939 thousand as compared to RUB 101,617 thousand for the nine months ended 30 September 2011. The increase was primarily due to higher amounts placed on fixed-term deposit.

Interest Expense

For the nine months ended 30 September 2012, the Group's interest expense was RUB 3,168,159 thousand, an increase of RUB 1,149,496 thousand, or 56.9 per cent., as compared to RUB 2,018,663 thousand for the nine months ended 30 September 2011. The increase was primarily due to an increase in the Group's debt portfolio. During the nine months ended 30 September 2012, the Group entered into a U.S.$100 million framework agreement for a two-year revolving facility, a U.S.$83.3 million credit line agreement with a European commercial bank, a U.S.$75 million framework agreement for a 2-year revolving facility and a U.S.$120 million one-year credit line agreement.

Other Financial Gain – Net

For the nine months ended 30 September 2012, the Group's net other financial gain was RUB 999,821 thousand, an increase of RUB 61,907 thousand, or 6.6 per cent., as compared to net other financial gain of RUB 937,914 thousand for the nine months ended 30 September 2011. The increase was primarily due to the revaluation of derivative financial instruments.

Profit before Taxation

For the nine months ended 30 September 2012, the Group's profit before taxation was RUB 30,963,807 thousand, an increase of RUB 770,156 thousand, or 2.6 per cent., as compared to RUB 30,193,651 thousand for the nine months ended 30 September 2011.

Income Tax Expense

For the nine months ended 30 September 2012, the Group's income tax expense was RUB 6,370,215 thousand, an increase of RUB 449,735 thousand, or 7.6 per cent., as compared to RUB 5,920,480 thousand for the nine months ended 30 September 2011. The increase was primarily due to the increase in profit before taxation and a slight increase in the Group's effective tax rate.

Net Profit for the Period

For the nine months ended 30 September 2012, the Group's net profit for the period was RUB 24,593,592 thousand, an increase of RUB 320,421 thousand, or 1.3 per cent., as compared to RUB 24,273,171 thousand for the nine months ended 30 September 2011. Net profit margin decreased from 24.7 per cent. for the nine months ended 30 September 2011 to 19.7 per cent. for the nine months ended 30 September 2012.

Year Ended 31 December 2011, as Compared to the Year Ended 31 December 2010, as Compared to the Year ended 31 December 2009

Sales

The following table sets forth the Group's sales by segment for the years indicated:

	For the year ended 31 December		
	2011	**2010**	**2009**
	(RUB in thousands)		
Nitrogen	53,086,640	40,315,242	35,441,252
Phosphates	60,347,654	46,475,125	29,601,687
Distribution	13,963,802	8,542,966	5,389,809
Other	3,899,984	2,454,200	3,144,501
Total sales	**131,298,080**	**97,787,533**	**73,577,249**

Group

For the year ended 31 December 2011, the Group's total sales were RUB 131,298,080 thousand, an increase of RUB 33,510,547 thousand, or 34.3 per cent., as compared to RUB 97,787,533 thousand for the year ended 31 December 2010. The increase was primarily due to higher fertiliser prices in 2011 as compared to 2010, especially on the nitrogen side as a result of a shift to more value-added products. An increase in non-Russian Rouble-denominated sales combined with the depreciation of the Russian Rouble in 2011 also contributed to the increase.

For the year ended 31 December 2010, the Group's total sales were RUB 97,787,533 thousand, an increase of RUB 24,210,284 thousand, or 32.9 per cent., as compared to RUB 73,577,249 thousand for the year ended 31 December 2009. The increase was primarily due to a higher fertiliser prices and, to a lesser extent, higher sales volumes, especially in the Phosphates segment.

The following table sets forth the Group's sales by region for the years indicated:

	For the year ended 31 December		
	2011	**2010**	**2009**
	(RUB in thousands)		
Russia	31,092,455	23,027,760	14,597,816
CIS	15,935,617	12,566,964	9,031,643
Asia	30,250,071	18,634,080	17,761,986
Europe	18,609,096	18,371,193	15,285,533
Latin America	19,169,024	14,185,236	9,113,780
North America	11,074,561	8,402,679	3,729,779
Africa	4,119,944	2,305,478	3,539,876
Australasia	1,047,312	294,143	516,836
Total sales	**131,298,080**	**97,787,533**	**73,577,249**

For the year ended 31 December 2011, the Group's sales in Russia were RUB 31,092,455 thousand, an increase of RUB 8,064,695 thousand, or 35.0 per cent., as compared to RUB 23,027,760 thousand for the year ended 31 December 2010. The increase was primarily due to higher prices and a slight increase in demand for higher-value products. For the year ended 31 December 2011, the Group's sales in the CIS were RUB 15,935,617 thousand, an increase of RUB 3,368,653 thousand, or 26.8 per cent., as compared to RUB 12,566,964 thousand for the year ended 31 December 2010. The increase was primarily due to stronger average pricing. For the year ended 31 December 2011, the Group's sales in Asia were RUB 30,250,071 thousand, an increase of RUB 11,615,991 thousand, or 62.3 per cent., as compared to RUB 18,634,080 thousand for the year ended 31 December 2010. The increase was primarily due to higher average prices, including for iron ore, favourable freight rates allowing geographical expansion of sales and the use of the Northern Sea Route from Kovdor to China, which significantly reduced both delivery time and transportation costs for sales to Asia. For the year ended 31 December 2011, the Group's sales in Europe were RUB 18,609,096 thousand, an increase of RUB 237,903 thousand, or 1.3 per cent., as compared to RUB 18,371,193 thousand for the year ended 31 December 2010. For the year ended 31 December 2011, the Group's sales in Latin America were RUB 19,169,024 thousand, an increase of RUB 4,983,788 thousand, or 35.1 per cent., as compared to RUB 14,185,236 thousand for the year ended 31 December 2010. The increase was primarily due to a combination of higher prices and favourable freight rates. For the year ended 31 December 2011, the Group's sales in North America were RUB 11,074,561 thousand, an increase of RUB 2,671,882 thousand, or 31.8 per cent., as compared to RUB 8,402,679 thousand for the year ended 31 December 2010. The increase was primarily due to a combination of higher prices and favourable freight rates.

For the year ended 31 December 2010, the Group's sales in Russia were RUB 23,027,760 thousand, an increase of RUB 8,429,944 thousand, or 57.7 per cent., as compared to RUB 14,597,816 thousand for the year ended 31 December 2009. The increase was primarily due to the combined recovery in prices and demand in Russia following the global financial crisis. For the year ended 31 December 2010, the Group's sales in the CIS were RUB 12,566,964 thousand, an increase of RUB 3,535,321 thousand, or 39.1 per cent., as compared to RUB 9,031,643 thousand for the year ended 31 December 2009. The increase was primarily due to increased sales through the Group's and third-party distributors. For the year ended 31 December 2010, the Group's sales in Asia were RUB 18,634,080 thousand, an increase of

RUB 872,094 thousand, or 4.9 per cent., as compared to RUB 17,761,986 thousand for the year ended 31 December 2009. The increase was primarily due to slightly higher average prices. For the year ended 31 December 2010, the Group's sales in Europe were RUB 18,371,193 thousand, an increase of RUB 3,085,660 thousand, or 20.2 per cent., as compared to RUB 15,285,533 thousand for the year ended 31 December 2009. The increase was primarily due to higher average pricing and higher volumes allocated to the region. For the year ended 31 December 2010, the Group's sales in Latin America were RUB 14,185,236 thousand, an increase of RUB 5,071,456 thousand, or 55.6 per cent., as compared to RUB 9,113,780 thousand for the year ended 31 December 2009. The increase was primarily due to increased volumes and higher average prices. For the year ended 31 December 2010, the Group's sales in North America were RUB 8,402,679 thousand, an increase of RUB 4,672,900 thousand as compared to RUB 3,729,779 thousand for the year ended 31 December 2009. The increase was primarily due to the recovery of demand and restocking of supply chains.

Nitrogen

The Nitrogen segment's external sales for the year ended 31 December 2011 were RUB 53,086,640 thousand, an increase of RUB 12,771,398 thousand, or 31.7 per cent., as compared to RUB 40,315,242 thousand for the year ended 31 December 2010. The increase was primarily due to shifts in the Group's sales structures and higher prices. The Nitrogen segment's sales volumes for the year ended 31 December 2011 amounted to 5,647 thousand tonnes, a slight decrease from 5,671 thousand tonnes for the year ended 31 December 2010. The slight decrease was primarily due to lower demand and prices during the fourth quarter of 2011. Urea and CAN registered the strongest year-on-year growths by increasing 12.0 per cent. and 36.4 per cent., respectively, while ammonia and complex fertiliser products retreated 53.6 per cent. and 12.0 per cent., respectively. Higher-margin granulated urea sales increased by 32.0 per cent. to 919 thousand tonnes.

The Nitrogen segment's external sales for the year ended 31 December 2010 were RUB 40,315,242 thousand, an increase of RUB 4,873,990 thousand, or 13.8 per cent., as compared to RUB 35,441,252 thousand for the year ended 31 December 2009. The increase was primarily due to an increase in sales volumes combined with higher prices on the overall product mix. Sales volumes increased by 5.5 per cent., from 5,377 thousand tonnes in 2009 to 5,671 thousand tonnes in 2010 primarily due to overall market recovery. Sales of organic synthesis products, which are also reported as part of the Nitrogen segment, increased by 23.3 per cent. as compared to 2009, amounting to 455 thousand tonnes in 2010.

Phosphates

The Phosphates segment's external sales for the year ended 31 December 2011 were RUB 60,347,654 thousand, an increase of RUB 13,872,529 thousand, or 29.8 per cent., as compared to RUB 46,475,125 thousand for the year ended 31 December 2010. The increase was primarily due to higher prices. Sales volumes in the Phosphates segment in 2011 demonstrated a mixed performance by various product lines. For the year ended 31 December 2011, MAP, DAP and feed phosphates sales volumes increased by 1.0 per cent. to 2,106 thousand tonnes as compared to 2,085 thousand tonnes for the year ended 31 December 2010. While NP fertilisers' sales volumes increased by 32.0 per cent., iron ore sales volumes were 10.6 per cent. lower year-on-year on lower production due to the need to process ore with lower iron content.

The Phosphates segment's external sales for the year ended 31 December 2010 were RUB 46,475,125 thousand, an increase of RUB 16,873,438 thousand, or 57.0 per cent., as compared to RUB 29,601,687 thousand for the year ended 31 December 2009. The increase was due to an increase in both prices and sales volumes. For the year ended 31 December 2011, MAP, DAP and other phosphate sales volumes increased by 14.2 per cent. to 2,415 thousand tonnes as compared to 2,115 thousand tonnes for the year ended 31 December 2009. Iron ore volumes were 6,116 thousand tonnes in 2010, which was 9.6 per cent. above the 2009 level of 5,579 thousand tonnes. Sales prices for the Group's iron ore were significantly higher in 2010 as compared to 2009, primarily due to increased demand from China.

Distribution

The Distribution segment's external sales for the year ended 31 December 2011 were RUB 13,963,802 thousand, an increase of RUB 5,420,836 thousand, or 63.5 per cent., as compared to RUB 8,542,966 thousand for the year ended 31 December 2010. The increase was primarily due to higher volumes of fertiliser sales as well as higher prices. The sales volumes for the year ended 31 December 2011 were 1,154 thousand tonnes, an increase of 251 thousand tonnes, or 27.8 per cent., as compared to 903 thousand

tonnes for the year ended 31 December 2010. The increase was primarily due to an increased presence in the rapidly growing markets of Russia, Ukraine and neighbouring CIS countries.

The distribution segment's external sales for the year ended 31 December 2010 were RUB 8,542,966 thousand, an increase of RUB 3,153,157 thousand, or 58.5 per cent., as compared to RUB 5,389,809 thousand for the year ended 31 December 2009. The increase was primarily due to higher sales volumes. The sales volumes for the year ended 31 December 2010 were 903 thousand tonnes, an increase of 317 thousand tonnes, or 54.1 per cent., as compared to 586 thousand tonnes for the year ended 31 December 2009. The increase was primarily due to the Group's favourable market position in rapidly growing markets.

Other

The Group's other operations' external sales for the year ended 31 December 2011 were RUB 3,899,984 thousand, an increase of RUB 1,445,784 thousand, or 58.9 per cent., as compared to RUB 2,454,200 thousand for the year ended 31 December 2010. The increase was primarily due to higher sales of nitrogen-based fertilisers and other goods produced by third parties.

The Group's other external operations' sales for the year ended 31 December 2010 were RUB 2,454,200 thousand, a decrease of RUB 690,301 thousand, or 22.0 per cent., as compared to RUB 3,144,501 thousand for the year ended 31 December 2009. The decrease was primarily due to lower sales of nitrogen-based fertilisers and organic synthesis products sold by third parties.

Cost of Sales

The following table sets forth components of the Group's cost of sales for the years indicated:

	For the year ended 31 December		
	2011	**2010**	**2009[1]**
	(RUB in thousands)		
Materials and components used or resold[1][2]	40,601,129	28,351,341	21,888,921
Energy	6,694,025	5,625,211	4,619,546
Utilities and fuel	3,617,517	3,001,341	2,062,700
Labour, including contributions to social funds	8,063,718	7,269,164	6,362,041
Depreciation and amortisation	3,656,398	2,837,043	2,363,127
Repairs and maintenance	1,041,923	620,044	531,614
Production overheads	1,487,996	1,515,867	1,237,323
Property tax, rent payments for land and related taxes	1,061,219	1,027,339	750,048
Transportation expenses for logistics services	188,706	312,733	716,116
Idle property, plant and equipment written off	57,025	171,370	83,872
Reversal of provision for obsolete and damaged inventories	(51,638)	(53,058)	(6,293)
Changes in work in progress and finished goods	(2,849,658)	(584,576)	2,064,961
Other costs	72,915	111,710	210,094
Total cost of sales	**63,641,275**	**50,205,529**	**42,884,070**

1) In 2010, the Group changed presentation of cost of sales and distribution costs (see "*Presentation of Financial and Other Information—Change in Presentation*"). To facilitate a year-to-year comparison, the financial information provided with respect to this line item for the year ended 31 December 2009 above has been similarly presented, and therefore, it is not directly comparable with the 2009 Consolidated Financial Statements included elsewhere in the Prospectus.

(2) The information in respect of this line item for 2009 presented above has been extracted from the 2010 Consolidated Financial Statements included elsewhere in the Prospectus.

For the year ended 31 December 2011, the Group's cost of sales was RUB 63,641,275 thousand, an increase of RUB 13,435,746 thousand, or 26.8 per cent., as compared to RUB 50,205,529 thousand for the year ended 31 December 2010. The increase was primarily due to higher costs of materials and components used or resold. Higher energy prices, mainly brought on by the liberalisation of the Russian wholesale electricity market from January 2011, and labour costs attributable to the indexation of salaries in January 2011 also contributed to the increase.

For the year ended 31 December 2010, the Group's cost of sales was RUB 50,205,529 thousand, an increase of RUB 7,321,459 thousand, or 17.1 per cent., as compared to RUB 42,884,070 thousand for the year ended 31 December 2009. The increase was primarily due to higher cost of materials and

components used or resold. Higher natural gas prices at the Novomoskovskiy Azot and Nevinnomysskiy Azot production facilities also contributed to the increase.

Materials and Components Used or Resold

For the year ended 31 December 2011, the Group's materials and components used or resold costs were RUB 40,601,129 thousand, an increase of RUB 12,249,788 thousand, or 43.2 per cent., as compared to RUB 28,351,341 thousand for the year ended 31 December 2010. The increase was primarily due to higher prices paid for raw materials.

For the year ended 31 December 2010, the Group's materials and components used or resold costs were RUB 28,351,341 thousand, an increase of RUB 6,462,420 thousand, or 29.5 per cent., as compared to RUB 21,888,921 thousand for the year ended 31 December 2009. The increase was primarily due to higher production volumes.

The following table details of the materials and components used or resold in the cost of sales for the years indicated:

	For the year ended 31 December		
	2011	**2010**	**2009**
	(RUB in thousands)		
Natural gas	13,619,438	12,006,111	9,250,412
Raw materials	16,323,275	9,352,380	6,179,687
Other materials and components	5,364,245	3,997,907	3,787,489
Goods for resale	5,294,171	2,994,943	2,671,333
Total materials and components used or resold	**40,601,129**	**28,351,341**	**21,888,921**

Energy

For the year ended 31 December 2011, the Group's energy costs were RUB 6,694,025 thousand, an increase of RUB 1,068,814 thousand, or 19.0 per cent., as compared to RUB 5,625,211 thousand for the year ended 31 December 2010. The increase was primarily due to liberalisation of the Russian wholesale electricity market from January 2011.

For the year ended 31 December 2010, the Group's energy costs were RUB 5,625,211 thousand, an increase of RUB 1,005,665 thousand, or 21.8 per cent., as compared to RUB 4,619,546 thousand for the year ended 31 December 2009. The increase was primarily due to higher average tariffs and increased energy consumption.

Utilities and Fuel

For the year ended 31 December 2011, the Group's utilities and fuel costs were RUB 3,617,517 thousand, an increase of RUB 616,176 thousand, or 20.5 per cent., as compared to RUB 3,001,341 thousand for the year ended 31 December 2010. The increase was primarily due to higher prices for heating oil as well as higher consumption of and prices for diesel fuel.

For the year ended 31 December 2010, the Group's utilities and fuel costs were RUB 3,001,341 thousand, an increase of RUB 938,641 thousand, or 45.5 per cent., as compared to RUB 2,062,700 thousand for the year ended 31 December 2009. The increase was primarily due to higher prices for oil at Kovdorskiy GOK as well as increased energy consumption due to increased production volumes for certain products.

Labour, Including Contributions to Social Funds

For the year ended 31 December 2011, the Group's labour, including contributions to social funds costs were RUB 8,063,718 thousand, an increase of RUB 794,554 thousand, or 10.9 per cent., as compared to RUB 7,269,164 thousand for the year ended 31 December 2010. The increase was primarily due to higher salaries resulting from the indexation of salaries in January 2011.

For the year ended 31 December 2010, the Group's labour, including contributions to social funds costs were RUB 7,269,164 thousand, an increase of RUB 907,123 thousand, or 14.3 per cent., as compared to RUB 6,362,041 thousand for the year ended 31 December 2009. The increase was primarily due to a one-time salary indexation during the first quarter of 2010 as well as higher bonus accruals for the year ended 31 December 2010 as compared to the year ended 31 December 2009.

Repairs and Maintenance

For the year ended 31 December 2011, the Group's repairs and maintenance costs were RUB 1,041,923 thousand, an increase of RUB 421,879 thousand, or 68.0 per cent., as compared to RUB 620,044 thousand for the year ended 31 December 2010. The increase was primarily due to higher repair and maintenance costs at the Group's main production facilities resulting from a partial deferral of discretionary repair work during the previous year.

For the year ended 31 December 2010, the Group's repairs and maintenance costs were RUB 620,044 thousand, an increase of RUB 88,430 thousand, or 16.6 per cent., as compared to RUB 531,614 thousand for the year ended 31 December 2009. The increase was primarily due to increased costs associated with capital repairs at Nevinnomysskiy Azot.

Distribution Costs

The following table sets forth the Group's distribution costs for the years indicated:

	For the year ended 31 December		
	2011	**2010**	**2009[1]**
	(RUB in thousands)		
Transportation[1][2]	15,838,489	15,405,937	14,218,317
Export duties, other fees and commissions	267,559	192,903	336,900
Labour, including contributions to social funds	1,077,580	800,696	710,094
Depreciation and amortisation[3]	471,659	311,999	339,519
Repairs and maintenance	614,611	571,727	726,506
Provision/(reversal of provision) for impairment of receivables	27,893	(12,470)	111,549
Other costs	654,697	514,105	501,536
Total distribution costs	**18,952,488**	**17,784,897**	**16,944,421**

(1) In 2010, the Group changed presentation of cost of sales and distribution costs (see "*Presentation of Financial and Other Information—Change in Presentation*"). To facilitate a year-to-year comparison, the financial information provided with respect to transportation for the year ended 31 December 2009 above has been similarly presented and therefore, it is not directly comparable with the 2009 Consolidated Financial Statements included elsewhere in this Prospectus.

(2) The information in respect of this line item for 2009 presented above has been extracted from the 2010 Consolidated Financial Statements included elsewhere in the Prospectus.

(3) Depreciation and amortisation is referred to as depreciation in Note 23 to the 2009 Consolidated Financial Statements included elsewhere in this Prospectus.

The Group's distribution costs primarily consist of transportation costs, which accounted for 83.6 per cent., 86.6 per cent. and 83.9 per cent. of the Group's distribution costs for the years ended 31 December 2011, 2010 and 2009, respectively. For the year ended 31 December 2011, the Group's distribution costs were RUB 18,952,488 thousand, an increase of RUB 1,167,591 thousand, or 6.6 per cent., as compared to RUB 17,784,897 thousand for the year ended 31 December 2010. The increase was primarily due to an increase in transportation costs resulting from slightly higher sales volumes for some fertiliser products coupled with longer average transportation distances. Higher labour expenses, including contributions to social funds, also contributed to the increase. For the year ended 31 December 2010, the Group's distribution costs were RUB 17,784,897 thousand, an increase of RUB 840,476 thousand, or 5.0 per cent., as compared to RUB 16,944,421 thousand for the year ended 31 December 2009. The increase was primarily due to increased transportation costs resulting from a number of factors, including higher domestic rail transportation tariffs and increased transportation volumes. The increase was partially offset by decreases in repairs and maintenance and export duties fees and commissions.

General and Administrative Expenses

The following table sets forth the Group's general and administrative expenses for the years indicated:

	For the year ended 31 December		
	2011	**2010**	**2009**
	(RUB in thousands)		
Labour, including contributions to social funds	2,435,684	2,093,426	1,594,409
Depreciation and amortisation	355,271	316,921	273,707
Audit, consulting and legal services	257,898	194,035	205,611
Rent	114,210	117,342	131,156
Bank charges	111,978	138,339	110,141
Social expenditure	148,430	66,295	79,011
Repairs and maintenance	73,059	38,659	40,276
Provision for impairment of receivables	83,666	32,950	87,009
Other expenses	1,072,992	756,482	740,078
Total general and administrative expenses	**4,653,188**	**3,754,449**	**3,261,398**

The Group's general and administrative expenses consist mainly of salaries and wages of administrative personnel and professional services costs, including costs incurred by financial, legal and accounting advisers. For the year ended 31 December 2011, the Group's general and administrative expenses were RUB 4,653,188 thousand, an increase of RUB 898,739 thousand, or 23.9 per cent., as compared to RUB 3,754,449 thousand for the year ended 31 December 2010. The increase was primarily due to higher labour expenses, including contributions to social funds, resulting from a combination of salary indexation and increased administrative personnel headcount related to the development of the Group's potash operations. Higher property tax expenses due to additions of fixed assets also contributed to the increase. For the year ended 31 December 2010, the Group's general and administrative expenses were RUB 3,754,449 thousand, an increase of RUB 493,051 thousand, or 15.1 per cent., as compared to RUB 3,261,398 thousand for the year ended 31 December 2009. The increase was primarily due to higher labour expenses, including contributions to social funds, resulting from a one-time salary indexation during the first quarter of 2010 as well as higher bonus accruals for the year ended 31 December 2010 as compared to the year ended 31 December 2009.

Other Operating (Expenses)/Income – Net

The following table sets forth the Group's other operating income and expenses for the years indicated:

	For the year ended 31 December		
	2011	**2010**	**2009**
	(RUB in thousands)		
Gain/(loss) on disposal of property, plant and equipment	90,739	38,973	(181,076)
Sponsorship	(447,246)	(417,697)	(202,847)
Foreign exchange (loss)/gain – net	(199,896)	208,168	679,113
Other operating income/(expenses) – net	365,545	153,861	(70,161)
Total other operating (expenses)/income – net	**(190,858)**	**(16,695)**	**225,029**

For the year ended 31 December 2011, the Group's net other operating expenses were RUB 190,858 thousand, an increase of RUB 174,163 thousand as compared to RUB 16,695 thousand for the year ended 31 December 2010. The increase was primarily due to net operating (*i.e.*, not resulting from financial activities) foreign exchange loss for the year ended 31 December 2011 due to the depreciation of the U.S. dollar against the Russian Rouble, as compared to net foreign exchange gain for the year ended 31 December 2010 due to the appreciation of the U.S. dollar against the Russian Rouble. For the year ended 31 December 2010, the Group's net other operating expenses were RUB 16,695 thousand, a change of RUB 241,724 thousand compared to the other net operating income of RUB 225,029 thousand for the year ended 31 December 2009. The change was primarily due to restored sponsorship activities returning to previous levels and decreased net foreign exchange gain for the year ended 31 December 2010 as compared to the year ended 31 December 2009. The change was partially offset by a change of

RUB 224,022 thousand in net other operating income for the year ended 31 December 2010 as compared to the year ended 31 December 2009 due to inventory reductions as a result of product destocking and sales of metal scrap from certain facilities as well as a change of RUB 220,049 thousand in gain on disposal of property, plant and equipment for the year ended 31 December 2010 as compared to the year ended 31 December 2009.

Operating Profit

For the year ended 31 December 2011, the Group's operating profit was RUB 43,860,271 thousand, an increase of RUB 17,834,308 thousand, or 68.5 per cent., as compared to RUB 26,025,963 thousand for the year ended 31 December 2010. The increase was primarily due to higher sales prices outpacing the growth in cost of sales and other expenses. For the year ended 31 December 2010, the Group's operating profit was RUB 26,025,963 thousand, an increase of RUB 15,313,574 thousand as compared to RUB 10,712,389 thousand for the year ended 31 December 2009. The increase was primarily due to higher sales prices and improved sales volume and mix. A limited increase in cost of sales and other expenses was also achieved through optimisation programs carried out in 2009. Operating profit margin increased from 14.6 per cent. for the year ended 31 December 2009 to 33.4 per cent. for the year ended 31 December 2011.

Dividend Income

The Group's dividend income consists of dividend income from its shares in K+S Group, a German manufacturer of potassium-based fertilisers. For the year ended 31 December 2011, the Group's dividend income was RUB 613,927 thousand, an increase of RUB 465,981 thousand as compared to RUB 147,946 thousand for the year ended 31 December 2010, which was a decrease of RUB 2,020,769 thousand as compared to RUB 2,168,715 thousand for the year ended 31 December 2009.

(Loss)/Gain on Disposal of Non-Current Assets Held for Sale

For the year ended 31 December 2011, the Group had no gain or loss on disposal of non-current assets held for sale, a change of RUB 429,598 thousand as compared to a loss on disposal of non-current assets held for sale of RUB 429,598 thousand for the year ended 31 December 2010. The change was related to the Group's termination of the agreement to sell its wholly-owned subsidiary Novomoskovskiy Chlor LLC ("**Novomoskovskiy Chlor**") in 2010. For the year ended 31 December 2010, the Group's loss on disposal of non-current assets held for sale was RUB 429,598 thousand, a change of RUB 788,476 thousand as compared to a gain on disposal of non-current assets held for sale of RUB 358,878 thousand for the year ended 31 December 2009. The change was related to the Group's termination in 2010 of the agreement to sell Novomoskovskiy Chlor, which was entered into in 2009.

Fair Value Gain on Trading Investments

For the years ended 31 December 2011 and 2010, the Group had no trading investments. For the year ended 31 December 2009 the Group had a fair value gain on trading investments of RUB 139,584 thousand related to its sale of voting shares in MRSK "Center and Volga region" OJSC.

Gain On Disposal of Available-For-Sale Investments

For the year ended 31 December 2011, the Group's gain on disposal of available-for-sale investments was RUB 914,434 thousand, a decrease of RUB 492,827 thousand, or 35.0 per cent., as compared to RUB 1,407,261 thousand for the year ended 31 December 2010. The decrease was due to lower gains from the Group's sale of ordinary shares in K+S Group. For the year ended 31 December 2010, the Group's gain on disposal of available-for-sale investments was RUB 1,407,261 thousand, an increase of RUB 440,621 thousand, or 45.6 per cent., as compared to RUB 966,640 thousand for the year ended 31 December 2009. The increase was due to higher gains from the Group's sale of ordinary shares in K+S Group and gains from the Group's sale of shares in Sberbank OJSC ("**Sberbank**").

Financial Foreign Exchange Gain/(Loss) – Net

For the year ended 31 December 2011, the Group's net financial foreign exchange loss was RUB 3,803,986 thousand, an increase of RUB 3,414,326 thousand as compared to RUB 389,660 thousand for the year ended 31 December 2010. The increase was mainly due to the accounting effect of the Russian Rouble exchange rate depreciation on the Group's predominantly U.S.-dollar-denominated debt. For the year ended 31 December 2010, the Group's net financial foreign exchange loss was RUB 389,660 thousand, a change of RUB 1,138,563 thousand as compared to a net financial foreign exchange gain of RUB 748,903 thousand for the year ended 31 December 2009. The change was mainly

due to translation of fixed-term deposits with banks and borrowings denominated in foreign currencies, resulting from the depreciation of the Russian Rouble versus the U.S. dollar in 2010.

Interest Income

For the year ended 31 December 2011, the Group's interest income was RUB 644,524 thousand, an increase of RUB 464,080 thousand as compared to RUB 180,444 thousand for the year ended 31 December 2010 The increase was primarily due to more active depositing of excess cash and favourable interest rates. For the year ended 31 December 2010, the Group's interest income was RUB 180,444 thousand, a decrease of RUB 219,280 thousand, or 54.9 per cent., as compared to RUB 399,724 thousand for the year ended 31 December 2009. The decrease was primarily due to less excess cash available for deposit.

Interest Expense

For the year ended 31 December 2011, the Group's interest expense was RUB 3,122,871 thousand, an increase of RUB 1,056,860 thousand, or 51.2 per cent., as compared to RUB 2,066,011 thousand for the year ended 31 December 2010. The increase was primarily related to the Group securing a series of new long-term facilities in the second half of 2011 as well as the amendment of a revolving committed facility. For the year ended 31 December 2010, the Group's interest expense was RUB 2,066,011 thousand, an increase of RUB 82,424 thousand, or 4.2 per cent., as compared to RUB 1,983,587 thousand for the year ended 31 December 2009. The increase was primarily related to the payments on the U.S.$1.5 billion syndicated pre-export facility obtained in October 2008 as well as securing several new facilities.

Other Financial Gain/(Loss) – Net

For the year ended 31 December 2011, the Group's net other financial gain was RUB 993,863 thousand, an increase of RUB 859,032 thousand as compared to RUB 134,831 thousand for the year ended 31 December 2010. The increase was primarily due to increases to in the fair value of U.S.$/RUB non-deliverable forward contracts and the fair value of sold call options on ordinary shares in K+S Group. The increase was partially offset by a decrease in the fair value of cross currency interest rate swap. For the year ended 31 December 2010, the Group's net other financial gain was RUB 134,831 thousand, a decrease of RUB 58,627 thousand, or 30.3 per cent., as compared to RUB 193,458 thousand for the year ended 31 December 2009. The decrease was primarily due to the use of different types of derivatives in 2010, such as call options on K+S Group ordinary shares, non-deliverable forwards and interest rate swap, as compared to 2009 (put options on K+S Group ordinary shares).

Profit before Taxation

For the year ended 31 December 2011, the Group's profit before taxation was RUB 40,100,162 thousand, an increase of RUB 15,088,986 thousand, or 60.3 per cent., as compared to RUB 25,011,176 thousand for the year ended 31 December 2010, which was an increase of RUB 11,306,472 thousand, or 82.5 per cent., as compared to RUB 13,704,704 thousand for the year ended 31 December 2009.

Income Tax Expense

For the year ended 31 December 2011, the Group's income tax expense was RUB 8,068,769 thousand, an increase of RUB 3,110,070 thousand, or 62.7 per cent., as compared to RUB 4,958,699 thousand for the year ended 31 December 2010. The increase was primarily due to higher profits.

For the year ended 31 December 2010, the Group's income tax expense was RUB 4,958,699 thousand, an increase of RUB 2,329,443 thousand, or 88.6 per cent., as compared to RUB 2,629,256 thousand for the year ended 31 December 2009. The increase was primarily due to higher profits.

Net Profit for the Period

For the year ended 31 December 2011, the Group's net profit was RUB 32,031,393 thousand, an increase of RUB 11,978,916 thousand, or 59.7 per cent., as compared to RUB 20,052,477 thousand for the year ended 31 December 2010, which was an increase of RUB 8,977,029 thousand, or 81.1 per cent., as compared to RUB 11,075,448 thousand for the year ended 31 December 2009. Net profit margin increased from 15.1 per cent. for the year ended 31 December 2009 to 24.4 per cent. for the year ended 31 December 2011.

Liquidity and Capital Resources

As at 30 September 2012, the Group's net working capital, which the Group defines as the sum of inventories, trade receivables, prepayments, other receivables and other current assets less trade payables, other accounts payable, and accrued expenses, income tax payable and other taxes payable, was RUB 21,113,683 thousand, an increase of RUB 4,069,745 thousand, or 23.9 per cent., as compared to RUB 17,043,938 thousand as at 31 December 2011 (31 December 2010 and 2009: RUB 10,757,543 thousand and RUB 12,481,281 thousand, respectively). The increase was primarily due to a RUB 5,205,122 thousand increase in inventories balance as at 30 September 2012, compared to an inventories balance of RUB 14,957,399 thousand as at 31 December 2011, primarily as a result of the consolidation of EuroChem Antwerpen and EuroChem Agro. Trade receivables and trade payables, other major working capital items, increased significantly in the nine months ended 30 September 2012, but were almost offset by prevailing third-party payment deferrals within the new assets. In addition, a 5.5 per cent. decrease in prepayments, other receivables and other current assets balance as at 30 September 2012 compared to RUB 10,190,762 thousand balance of prepayments, other receivables and other current assets as at 31 December 2011. As at 30 September 2012, current restricted cash held in compliance with regulatory requirements amounted to RUB 324,297 thousand (31 December 2011: RUB 77,238 thousand).

The Group expects that working capital requirements, repayment of outstanding debt, capital expenditures and acquisitions will represent the most significant uses of funds for the next several years. The Group has historically relied on cash provided by operations and debt instruments to finance its working capital needs and capital expenditure requirements, and these are expected to remain important sources of cash in the future.

The following table sets forth the Group's selected cash flow data for the periods indicated:

	For the nine months ended 30 September		For the year ended 31 December		
	2012	2011	2011	2010	2009[2]
	(RUB in thousands)				
Operating profit	32,407,514	33,026,927	43,860,271	26,025,963	10,712,389
Operating profit less income tax paid	26,716,895	27,972,181	36,761,211	22,289,806	8,944,693
Gross cash flow[1]	32,112,975	31,932,208	41,768,188	24,946,678	12,915,772
Net cash – operating activities	33,681,889	27,882,945	36,030,756	26,193,959	17,538,693
Net cash – investing activities[2][3]	(9,557,346)	(15,186,808)	(53,702,877)	(14,331,336)	(27,040,965)
Net cash – financing activities[2][3]	(13,437,920)	(10,108,779)	16,840,155	(13,342,427)	(7,880,377)
Effect of exchange rate changes on cash and cash equivalents	(331,453)	243,486	442,292	(300,345)	1,834,071
Net increase/(decrease) in cash and cash equivalents	10,355,170	2,830,844	(389,674)	(1,780,149)	(15,548,578)
Cash and cash equivalents at the beginning of the period	8,506,949	8,896,623	8,896,623	10,676,772	26,225,350
Cash and cash equivalents at the end of the period	18,862,119	11,727,467	8,506,949	8,896,623	10,676,772

(1) Gross cash flow represents operating profit less income tax paid and adding back depreciation and amortisation, net loss on disposals and write off of property, plant and equipment, impairment/(reversal of impairment) of receivables and change of provision for obsolete and damaged inventories and other non cash (income)/expense - net for reconciliation to operating profit, see "*Overview – Summary Consolidated Financial and Other Information*".

(2) In 2010, the Group changed presentation of acquisition of interest in subsidiaries in cash flows from investing activities and cash flows from financing activities (see "*Presentation of Financial and Other Information—Change in Presentation*"). Consequently, the financial information provided with respect to these line items for the year ended 31 December 2009 above has been presented on a basis consistent with the other periods and, therefore, it is not directly comparable with the 2009 Consolidated Financial Statements included elsewhere in this Prospectus.

(3) The information in respect of these line items for 2009 presented above has been extracted from the 2010 Consolidated Financial Statements included elsewhere in the Prospectus.

Net Cash – Operating Activities

The Group's net cash from operating activities for the nine months ended 30 September 2012 was RUB 33,681,889 thousand, an increase of RUB 5,798,944 thousand, or 20.8 per cent., as compared to RUB 27,882,945 thousand for the nine months ended 30 September 2011. The increase was primarily due to cash-positive changes in working capital items, which do not include effects from the working capital items of EuroChem Antwerpen or EuroChem Agro, while operating profit for the nine months ended 30 September 2012 decreased slightly as compared to the nine months ended 30 September 2011.

The Group's net cash from operating activities for the year ended 31 December 2011 was RUB 36,030,756 thousand, an increase of RUB 9,836,797 thousand, or 37.6 per cent., as compared to

RUB 26,193,959 thousand for the year ended 31 December 2010. The increase was primarily due to a significant increase in operating profit. The increase was partially offset by increases in certain working capital items, most significantly inventories, which was due to higher prices of raw materials and finished goods, and increases in some materials and finished goods held for shipment at the Group's production facilities and warehouse in the Netherlands.

The Group's net cash from operating activities for the year ended 31 December 2010 was RUB 26,193,959 thousand, an increase of RUB 8,655,266 thousand, or 49.3 per cent., as compared to RUB 17,538,693 thousand for the year ended 31 December 2009. The increase was primarily due to a significant increase in operating profit. The increase was partially offset by negative adjustments to other non-cash income and slightly higher costs for certain working capital items.

Net Cash – Investing Activities

The Group's net cash used in investing activities for the nine months ended 30 September 2012 was RUB 9,557,346 thousand, a decrease of RUB 5,629,462 thousand, or 37.1 per cent., as compared to RUB 15,186,808 thousand for the nine months ended 30 September 2011. This decrease was primarily due to the significant cash-in sourced from the sale of available-for-sale investments, fixed-term deposits and the repayment of originated loans exceeding an acquisition cash-out (primarily EuroChem Antwerpen and EuroChem Agro) and allowances to cover part of the Group's property, plant and equipment costs and potash mineral rights investments.

The Group's net cash used in investing activities for the year ended 31 December 2011 was RUB 53,702,877 thousand, an increase of RUB 39,371,541 thousand as compared to RUB 14,331,336 thousand for the year ended 31 December 2010. The change was primarily due to a loan provided in connection with the acquisition of Severneft-Urengoy (pre-acquisition) in the fourth quarter of 2011, cash proceeds from derivatives and a net change in fixed-term deposits.

The Group's net cash used in investing activities for the year ended 31 December 2010 was RUB 14,331,336 thousand, a decrease of RUB 12,709,629 thousand, or 47.0 per cent., as compared to RUB 27,040,965 thousand for the year ended 31 December 2009. The decrease was primarily due to investment grants received and proceeds from derivative sales.

Net Cash – Financing Activities

The Group's net cash used in financing activities for the nine months ended 30 September 2012 was RUB 13,437,920 thousand, an increase of RUB 3,329,141 thousand, or 32.9 per cent., as compared to RUB 10,108,779 thousand for the nine months ended 30 September 2011. The increase was mainly due to repayment of the Group's outstanding Eurobonds issued in 2007 and bank borrowings, interest paid, prepayment for treasury shares and the acquisition of a controlling stake in Severneft-Urengoy.

The Group's net cash from financing activities for the year ended 31 December 2011 was RUB 16,840,155 thousand, a change of RUB 30,182,582 thousand as compared to a net cash flow used in financing activities of RUB 13,342,427 thousand for the year ended 31 December 2010. The change was primarily due to increased proceeds from bank borrowings.

The Group's net cash used in financing activities for the year ended 31 December 2010 was RUB 13,342,427 thousand, an increase of RUB 5,462,050 thousand, or 69.3 per cent., as compared to RUB 7,880,377 thousand for the year ended 31 December 2009. The increase was primarily due to the repayment of bank borrowings, paid dividends as well as cash payments that increased the Group's shareholdings in Lifosa AB.

Available-For-Sale Investments, Including Investments Pledged as Collateral

The following table sets forth the Group's available-for-sale investments, including pledged as collateral, as at the dates indicated:

	As at 30 September 2012	As at 31 December		
		2011	2010	2009
		(RUB in thousands)		
K+S Group ordinary shares	2,172,004	11,044,815	34,680,888	24,378,074
K+S Group ordinary shares pledged as collateral	896,272	11,423,184	3,182,443	9,224,869
Sberbank ordinary shares	–	–	–	16,714
Total available for sale investments (including pledged as collateral)	**3,068,276**	**22,467,999**	**37,863,331**	**33,619,657**

The following table sets forth the changes in the carrying amount of available-for-sale investments, including investments pledged as collateral, for the periods indicated:

	For the nine months ended 30 September	For the year ended 31 December		
	2012	2011	2010	2009
		(RUB in thousands)		
Carrying amount at beginning of period	**22,467,999**	**37,863,331**	**33,619,657**	**13,899,438**
Acquisition of available for sale investments	59,607	–	–	25,405,127
Revaluation of available for sale investments	956,311	(12,689,257)	9,642,508	1,689,667
Disposal of available for sale investments, including:				
– available for sale investments at cost	(19,847,259)	(1,791,641)	(3,991,573)	(6,407,935)
– reclassification of revaluation to profit and loss	(568,382)	(914,434)	(1,407,261)	(966,640)
Carrying amount at end of period	**3,068,276**	**22,467,999**	**37,863,331**	**33,619,657**

Indebtedness

Borrowings

The following table sets forth the changes in the Group's bank borrowings for the periods indicated:

	For the nine months ended 30 September	For the year ended 31 December		
	2012	2011	2010	2009
		(RUB in thousands)		
Balance as at the beginning of the period	**77,395,339**	**24,054,601**	**39,047,758**	**43,511,956**
Bank loans received, denominated in U.S.$	12,041,505	55,713,268	5,882,093	–
Bank loans received, denominated in EUR	125,113	5,037,412	166,753	9,811,419
Bank loans received, denominated in RUB	–	19,920,000	4,376,000	31,635
Bank loans repaid, denominated in U.S.$	–	(31,234,477)	(18,031,409)	(9,755,831)
Bank loans repaid, denominated in EUR	(3,295,374)	–	(3,344,492)	(5,993,656)
Bank loans repaid, denominated in RUB	–	–	(4,376,000)	(50,522)
Capitalisation and amortisation of transaction costs– net[(1)]	177,275	463,404	291,491	66,255
Foreign exchange (gain)/loss – net	(2,832,406)	3,441,131	42,407	1,426,502
Balance as at the end of the period	**83,611,452**	**77,395,339**	**24,054,601**	**39,047,758**

(1) Capitalisation and amortisation of transaction costs - net are referred to as capitalisation and amortisation of bank borrowings syndication fees in the Note 18 to the 2009 Consolidated Financial Statements included elsewhere in this Prospectus.

The Group has a number of facility agreements and credit lines in place with various banks. As at 30 September 2012, the Group's long-term borrowings amounted to RUB 70,849,906 thousand

(31 December 2011: RUB 73,228,199 thousand), while short-term borrowings amounted to RUB 12,761,546 thousand (31 December 2011: RUB 4,167,140 thousand).

The following table sets forth the Group's bank borrowings maturity profile as at the dates indicated:

	As at 30 September 2012	As at 31 December		
		2011	2010	2009
		(RUB in thousands)		
– within 1 year	12,761,546	4,167,140	12,589,767	12,491,434
– between 1 and 2 years	18,292,285	7,325,334	10,336,604	16,148,572
– between 2 and 5 years	50,778,861	63,826,082	344,285	10,407,752
– more than 5 years	1,778,760	2,076,783	783,945	–
Total bank borrowings	**83,611,452**	**77,395,339**	**24,054,601**	**39,047,758**

The following table sets forth the Group's debt repayment schedule based on EuroChem management financial report as at 30 September 2012:

	Due during the three months ended 31 December	Due during the year ending 31 December				
	2012	2013	2014	2015	2016	2017–2023
			(RUB in thousands)			
Loans	5,404,036	12,042,123	20,121,546	27,463,995	16,546,976	2,032,776
RUB-denominated bonds	–	–	–	9,968,601	–	–
Total	**5,404,036**	**12,042,123**	**20,121,546**	**37,432,596**	**16,546,976**	**2,032,776**

The Group uses both fixed rate and floating rate debt to finance its operations. The Group's facility agreements include various general and financial covenants which require it to respect certain financial ratios, such as net debt to EBITDA for the previous 12 months and net debt to net worth (as defined in the respective agreements), as well as other general covenants which are customary to credit facilities. As at the date of this Prospectus, the Group believes that it is in compliance with such ratios and covenants.

The following is a list of the Group's significant borrowings as at 30 September 2012:

- A five-year club loan facility, which was obtained in August 2011, for U.S.$1.3 billion bears a floating interest rate of one-month Libor + 1.8 per cent.
- In September 2011, the Group signed a RUB 20 billion five-year non-revolving fixed-interest rate loan facility with a leading Russian bank.
- In March 2010, the Group signed a U.S.$261 million, ten-year export credit agency-backed loan facility with a floating interest rate based on six-month Libor for financing the construction of the cage shaft at the Gremyachinskoe potash deposit license area. In April 2012, due to the termination of the construction contract, the unutilised part of the facility was cancelled.
- In August 2010, the Group signed a U.S.$250 million five-year credit line agreement bearing a floating interest rate based on one-month Libor with a European commercial bank.
- In May 2012, the Group signed a U.S.$100 million framework agreement for a two-year revolving facility bearing a floating interest rate based on Libor. In September 2012, the facility was fully utilised.
- In March 2012, the Group signed a U.S.$83.3 million credit line agreement with a European commercial bank, bearing a floating interest rate based on 1-month Libor and maturity in August 2015. In November 2012, the parties signed an amendment to the facility to increase the amount to

U.S.$94.1 million. The additional disbursement was made on 20 November 2012, at which time this facility was fully utilised.

- In August 2010, the Group signed a EUR 36.7 million, thirteen-year export credit agency-backed loan facility with a floating interest rate based on six-month Euribor for financing the acquisition of permanent hoisting equipment for the cage and skip shafts of the Gremyachinskoe potash deposit license area development project from a Czech engineering company.
- In September 2009, the Group obtained a loan for EUR 85 million at a floating interest rate based on one-month Euribor, which was converted into a revolving committed facility in 2010. In 2011, the credit limit was increased to EUR 140 million and by 31 December 2011, EUR 100 million of the facility was utilised. During the nine months ended 30 September 2012, EUR 85 million of the facility was repaid and the credit limit was reduced to EUR 30 million with an extended maturity of March 2013.
- In May 2012, the Group signed a U.S.$75 million framework agreement for a two-year revolving facility bearing a floating interest rate based on Libor. This facility was fully utilised.
- In September 2012, the Group signed a U.S.$120 million one-year credit line agreement bearing a floating interest rate based on three-month Libor. This facility was fully utilised.

Collaterals and Pledges

As at 30 September 2012, collaterals comprised cash balances of RUB 293,825 thousand restricted by banks to secure the next principal and interest payments (31 December 2011: nil), future export proceeds of the Group under sales contracts with certain customers securing a bank loan of RUB 40,191,969 thousand (31 December 2011: RUB 41,854,930 thousand) and 585,806 K+S Group shares with a fair value of RUB 896,272 thousand (31 December 2011: 6,350,094 shares with a fair value RUB 9,240,436 thousand) securing a bank loan of RUB 599,679 thousand (31 December 2011: RUB 4,167,140 thousand). Fair value was determined by reference to the share price quoted on the Xetra trading system.

Bonds Issued

As at 30 September 2012, the Group had RUB 10,000,000 thousand of outstanding balance of total bonds issued before transaction fees (31 December 2011: RUB 10,000,000 thousand). The Group issued two Russian Rouble-denominated corporate bonds in 2010 on the domestic market. In July 2010, the Group priced an eight-year RUB 5.0 billion bond at 8.90 per cent. per annum with a five-year put option and followed in November 2010 with another eight-year RUB 5.0 billion bond priced at 8.25 per cent. per annum with a five-year put option.

The following table sets forth the Group's outstanding bonds issued as at the dates indicated:

	As at 30 September	As at 31 December		
	2012	2011	2010	2009
		(RUB in thousands)		
Current bonds issued				
7.875 per cent. U.S.$-denominated bonds due March 2012	–	9,336,869	–	–
Less: transaction costs	–	(4,628)	–	–
Total current bonds issued	**–**	**9,332,241**	**–**	**–**
Non-current bonds issued				
7.875 per cent. U.S.$-denominated bonds due March 2012	–	9,336,869	8,838,300	8,770,818
Less: current portion of long-term bonds issued in U.S.$	–	(9,336,869)	–	–
8.9 per cent. RUB-denominated bonds due July 2018/callable by investors in July 2015	5,000,000	5,000,000	5,000,000	–
8.25 per cent. RUB-denominated bonds due November 2018/callable by investors in November 2015	5,000,000	5,000,000	5,000,000	–
Less: transaction costs	(31,399)	(35,344)	(65,920)	(45,923)
Total non-current bonds issued	**9,968,601**	**9,964,656**	**18,772,380**	**8,724,895**
Total bonds issued	**9,968,601**	**19,296,897**	**18,772,380**	**8,724,895**

Contractual Commitments

As at 30 September 2012, the Group had contractual commitments for capital expenditures of RUB 14,573,174 thousand (31 December 2011: RUB 21,603,857 thousand), mostly euro- and U.S. dollar-denominated (30 September 2012: RUB 4,825,591 thousand and RUB 614,045 thousand, respectively; 31 December 2011: RUB 7,173,654 thousand and RUB 5,913,736 thousand, respectively). RUB 5,246,688 thousand and RUB 4,331,118 thousand of the total amount as at 30 September 2012 relates to the development of potassium salt deposits and the construction of mining facilities at the Gremyachinskoe and Verkhnekamskoe potash deposit license areas, respectively (31 December 2011: RUB 10,463,842 thousand and RUB 4,982,570 thousand, respectively).

In addition to the borrowings described under "—*Borrowings*" above and the contractual commitments related to capital expenditures described above, the Group had short- and long-term contractual commitments related to non-cancelable land lease agreements as at 30 September 2012.

Off-Balance-Sheet Arrangements

Except for the contractual commitments set forth in "—*Contractual Commitments*" above, the Group has no off-balance-sheet arrangements that are reasonably likely to have a material impact on its business, financial condition, results of operations and prospects.

Capital Expenditures

The Group contributed to capital expenditure on the property, plant and equipment, mineral (exploration) rights and intangible assets RUB 19,155,334 thousand, RUB 16,469,727 thousand, RUB 23,805,400 thousand, RUB 20,463,909 thousand and RUB 18,701,780 thousand during the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009, respectively. The Group primarily funded these capital expenditures through operating cash flows and pre-export finance facilities.

The budgeted capital expenditures described below do not include amounts for any acquisition the Group may make, including any partial acquisition of Murmansk Port.

The following table sets forth the Group's capital expenditures by segment based on the EuroChem management financial reports for the periods indicated:

	For the nine months ended 30 September		For the year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
	(RUB in thousands)				
Nitrogen	4,766,578	2,992,832	4,676,592	5,295,812	6,794,087
Phosphates	3,400,304	4,601,502	6,401,785	4,940,062	2,760,672
Potash	8,746,419	7,354,704	10,561,220	6,937,481	6,043,014
Distribution	59,409	30,005	63,938	178,048	23,605
Other	2,182,624	1,490,684	2,101,865	3,112,506	3,080,402
Total capital expenditures	**19,155,334**	**16,469,727**	**23,805,400**	**20,463,909**	**18,701,780**
Strategic and development	14,517,187	9,933,852	15,272,646	16,086,843	12,141,096
Maintenance	6,613,116	6,084,189	8,221,820	4,344,110	4,828,166
Change in other cash and non cash position	(1,974,969)	451,686	310,934	32,956	1,732,518

Nitrogen Segment

Over the next five years (2013-2017), the Group plans to invest approximately U.S.$513 million in its Nitrogen segment. These include investments in new production capacity at the LDAN plant and the upgrade of ammonia production units at the Nevinnomysskiy Azot and Novomoskovskiy Azot facilities. Approximately 55 per cent. of the planned capital expenditures are expected to be development-driven, while approximately 45 per cent. are expected to be maintenance-related.

Nevinnomysskiy Azot

The Group plans to invest approximately U.S.$216 million in its Nevinnomysskiy Azot facility between 2013 and 2017, including U.S.$59 million in development-driven and U.S.$157 million in maintenance-related capital expenditures. The proposed investments during this five-year period include plans to invest approximately U.S.$55 million in increasing the plant's ammonia capacity. The U.S.$157 million maintenance-related capital expenditures includes investments of U.S.$41 million to decommission and replace weak nitric acid equipment type 1/35 with two UKL-7 units, which will allow an incremental production increase of 225 thousand tonnes of AN per annum and the replacement of obsolete GTT-3M gas compressors with newer and more efficient GTU-8 gas turbines.

Novomoskovskiy Azot

The Group plans to invest approximately U.S.$244 million in its Novomoskovskiy Azot production facility between 2013 and 2017, including U.S.$168 million in development-driven and U.S.$76 million in maintenance-related capital expenditures. The proposed investments during this five-year period include plans to invest approximately U.S.$95 million in the construction of an additional weak nitric acid unit and a low-density production line, as well as approximately U.S.$37 million in upgrading the existing weak nitric acid unit. Maintenance-related capital expenditures for the same period are estimated at U.S.$76 million.

EuroChem Antwerpen

The Group plans to invest approximately U.S.$54 million in EuroChem Antwerpen between 2013 and 2017, in upgrading and expansion of certain production lines.

Severneft-Urengoy

The Group plans to invest approximately U.S.$24 million in Severneft-Urengoy between 2013 and 2017, in drilling and increased production.

Phosphates Segment

Over the next five years (2013-2017), the Group plans to invest over U.S.$513 million in its Phosphates segment. These investments include the construction of a NPK production facility at EuroChem-BMU and increasing ore extraction and processing capacities at Kovdorskiy GOK. Approximately 64 per cent. of the planned capital expenditures are expected to be development-driven, while 36 per cent. are expected to be maintenance-related.

Kovdorskiy GOK

The Group plans to invest approximately U.S.$267 million in its Kovdorskiy GOK mining and production facility between 2013 and 2017, including U.S.$172 million in development-driven and U.S.$95 million in maintenance-related capital expenditures. The proposed investments during this five-year period include plans to invest approximately U.S.$56 million in apatite-staffelite extraction operations, U.S.$57 million in increasing ore processing capacity to 18.7 million tonnes per annum and U.S.$7 million in constructing a fine ore intermediate homogenisation warehouse facility.

Phosphorit

The Group plans to invest approximately U.S.$55 million in its Phosphorit production facility between 2013 and 2017, including U.S.$38 million in development-driven and U.S.$17 million in maintenance-related capital expenditures. The proposed investments during this five-year period include the installation of a 25MW turbine and reconstruction of a sulfuric acid unit.

Lifosa

The Group plans to invest approximately U.S.$57 million in its Lifosa production facility between 2013 and 2017, including U.S.$18 million in development-driven and U.S.$39 million in maintenance-related capital expenditures. The proposed investments during this five-year period include plans to invest approximately U.S.$8 million in the construction of an additional ammonia tank.

EuroChem-BMU

The Group plans to invest approximately U.S.$134 million in its EuroChem-BMU production facility between 2013 and 2017, including U.S.$102 million in development-driven and U.S.$32 million in maintenance-related capital expenditures. The proposed investments during this five-year period include plans to invest approximately U.S.$63 million in constructing a NPK fertiliser production unit and increasing warehouse capacity, as well as U.S.$23 million in the construction of a nitric acid unit.

EuroChem-Fertilizers (Kazakhstan)

The Group plans to invest approximately U.S.$100 million in its Kazakhstan phosphate rock project between 2013 and 2017.

Potash Segment

Over the next five years (2013-2017), the Group plans to invest approximately U.S.$3.5 billion in its Potash segment to develop the Gremyachinskoe and Verkhnekamskoe potassium deposits.

Gremyachinskoe Potassium Deposit

In 2005, the Group invested U.S.$105 million in the purchase of a licence in connection with the Gremyachinskoe potassium deposit. As at 30 September 2012, total investments in connection with the Gremyachinskoe potassium deposit were approximately U.S.$1.1 billion. Between 2013 and 2017, the Group estimates that capital expenditure in connection with the Gremyachinskoe potassium deposit will exceed U.S.$2.1 billion, to be invested in a range of development activities including shaft sinking, research and development, design, construction, developing the main utility networks on the site and other development activities.

Verkhnekamskoe Potassium Deposit

In 2008, the Group invested U.S.$172 million in the purchase of a licence in connection with the Verkhnekamskoe potassium deposit. As at 30 September 2012, total investments in connection with the Verkhnekamskoe potassium deposit were approximately U.S.$375 million. Between 2013 and 2017, the Group estimates that capital expenditures in connection with the Verkhnekamskoe potassium deposit will exceed U.S.$1.3 billion, to be invested in a range of development activities including shaft sinking, research and development, design, construction, developing the main utility networks on the site and other development activities.

Distribution and Other Segments

Ust-Luga Transhipment Facility

The Group plans to invest approximately U.S.$229 million in the construction of a transhipment terminal in Ust-Luga between 2012 and 2017. The planned bulk terminal will be used to export EuroChem

fertilisers via the Baltic Sea. The terminal will have three berths with a total length of 682 m and two warehouses with up to 340 thousand tonnes of mineral fertiliser storage capacity. The terminal is expected to have an annual fertiliser transhipment capacity of 5 million tonnes.

Quantitative and Qualitative Disclosure about Market Risks

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and financial investment risk), credit risk and liquidity risk. The overall risk management programme seeks to minimise potential adverse effects on the financial performance of the Group.

Foreign Currency Risk

The Group's revenues, expenses, capital expenditure, investments and borrowings are denominated in foreign currencies as well as Russian roubles. The Group is exposed to foreign exchange risk to the extent that its future cash inflows and outflows over a certain period of time are denominated in different currencies.

The objective of the Group's foreign exchange risk management is to minimise the volatility of the Group's cash flows arising from fluctuations in foreign exchange rates. Management focuses on assessing the Group's future cash flows in foreign currencies and managing the gaps arising between inflows and outflows.

Translation gains and losses arising from the revaluation of its monetary assets and liabilities are therefore not viewed as an indicator of the total impact of foreign exchange fluctuations on its future cash flows since such gains or losses do not capture the impact on cash flows of foreign exchange-denominated revenues, costs, future capital expenditure, investment and financing activities.

The Group believes that it has significant positive foreign exchange exposure towards the U.S.$/RUB exchange rate given that its expected U.S. dollar-denominated revenues exceed its planned outflows in U.S. dollars, mostly related to servicing of debt and capital expenditure. Hence any depreciation of the Russian rouble against the U.S. dollar has a positive effect, while appreciation of the Russian rouble against the U.S. dollar has a negative effect on the Group's future cash flows.

At 30 September 2012, if the RUB exchange rate against the U.S. dollar had been higher/lower by 10.0 per cent., all other things being equal, after tax profit for the period would have been RUB 4,355,383 thousand (31 December 2011: RUB 4,517,453 thousand) lower/higher, purely as a result of foreign exchange gains/losses on translation of U.S. dollar-denominated financial assets and liabilities and with no regard to the impact of this appreciation/depreciation on sales.

During the nine months ended 30 September 2012 and the year ended 31 December 2011, the Group entered into RUB/U.S.$ non-deliverable forward contracts for a nominal amount of RUB 25,600,000 thousand to partially offset the volatility of its cash flows from potential appreciation/depreciation of the RUB against the U.S. dollar between 2014 and 2016 (during the repayment period of a major part of the Group's Russian-rouble-denominated borrowings).

Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's principal interest rate risk arises from long-term and short-term borrowings.

The Group is exposed to risk from floating interest rates as it had RUB 63,003,414 thousand of U.S. dollar-denominated loans outstanding (before transaction costs) as at 30 September 2012 (31 December 2011: RUB 53,430,421 thousand) bearing floating interest rates varying from one-month Libor + 1.8 per cent. to one-month Libor + 3.5 per cent., from three-month Libor + 2.3 per cent. to three-month Libor + 2.55 per cent. and six-month Libor + 2.5 per cent. and RUB 2,035,559 thousand of euro-denominated loans bearing floating interest rates outstanding (before transaction costs) as at 30 September 2012 (31 December 2011: RUB 5,532,635 thousand).

The Group's profit after tax for the nine months ended 30 September 2012 would have been RUB 34,903 thousand, or 0.14 per cent., lower/higher (year ended 31 December 2011: RUB 24,358 thousand, or 0.08 per cent., lower/higher) if the U.S. dollar Libor interest rate was 10 bps higher/lower than its actual level during the year. The Group's profit after tax for the nine months ended 30 September 2012 would have been RUB 1,766 thousand, or 0.01 per cent., lower/higher (year ended 31 December 2011: RUB 3,076 thousand, or 0.01 per cent. lower/higher) if the Euribor interest rate was 10 bps higher/lower

than its actual level during the year. During the nine months ended 30 September 2012 and the year ended 31 December 2011, the Group did not hedge this exposure using financial instruments.

The Group does not have a formal policy of determining how much exposure the Group should have to fixed or variable rates for as long as the impact of changes in interest rates on the Group's cash flows remains immaterial. However, the Group performs a periodic analysis of the current interest rate environment and depending on this analysis at the time of raising new debt management makes decisions on whether obtaining finance on a fixed-rate or a variable-rate basis would be more beneficial to the Group over the expected period until maturity.

Financial Investments Risk

The Group's exposure to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as available-for-sale decreased due to the sale of a portion of the Group's shares in K+S Group during the nine months ended 30 September 2012. As at 30 September 2012 and 31 December 2011 the Group held RUB 2,172,004 thousand and RUB 11,044,815 thousand, respectively, of available-for-sale investments and RUB 896,272 thousand and RUB 11,423,184 thousand, respectively, of available-for-sale investments pledged as collateral.

The Group is principally exposed to market price risks in relation to the investment in the ordinary shares of K+S Group. Management reviews reports on the performance of K+S Group on a quarterly basis and provides recommendations to the Board of Directors on the advisability of further investments or divestments.

The Group does not enter into any transactions with financial instruments whose value is exposed to the value of any commodities traded on a public market.

Credit Risk

Credit risk arises from the possibility that counterparties to transactions may default on their obligations, causing financial losses for the Group. Financial assets, which potentially subject Group entities to credit risk, consist principally of trade receivables, loans issued, cash and bank deposits. The objective of managing credit risk is to prevent losses of liquid funds deposited with or invested in financial institutions or the loss in value of receivables.

The maximum exposure to credit risk resulting from financial assets is equal to the carrying amount of the Group's financial assets, which as at 30 September 2012 and 31 December 2011 amounted to RUB 37,666,639 thousand and RUB 39,805,161 thousand, respectively. The Group has no other significant concentrations of credit risk.

Cash and Cash Equivalents and Fixed-Term Deposits

Cash and short-term deposits are mainly placed in major multinational and Russian banks with independent credit ratings. No bank balances and term deposits are past due or impaired. See the analysis by credit quality of bank balances and term deposits in Note 13 to the 2011 Consolidated Financial Statements included elsewhere in this Prospectus.

Trade Receivables

Trade receivables are subject to a policy of active credit risk management which focuses on an assessment of on-going credit evaluation and account monitoring procedures. The objective of the management of trade receivables is to sustain the growth and profitability of the Group by optimising asset utilisation whilst maintaining risk at an acceptable level. The Group's trade receivables risk increased significantly upon the acquisition of EuroChem Agro. The Group holds voluntary credit insurance policies of some trade debtors relating to the European distribution of fertilisers.

The monitoring and controlling of credit risk is performed by the corporate treasury function of the Group. The credit policy requires the performance of credit evaluations and ratings of customers. The credit quality of each new customer is analysed before the Group provides it with the standard terms of delivery and payment. The Group gives preference to customers with an independent credit rating. New customers without an independent credit rating are evaluated on a sample basis by an appointed rating agency or the score and credit limits for new customers are set by the appointed insurance company. The credit quality of other customers is assessed taking into account their financial position, past experience and other factors. Customers that do not meet the credit quality requirements are supplied on a prepayment basis only. Although the collection of receivables could be influenced by economic factors,

management believes that there is no significant risk of loss to the Group beyond the provision already recorded. (Note 12 to the Interim Consolidated Financial Information and the 2011 Consolidated Financial Statements).

The primary component of trade receivables relates to wholesale distributors and steel producers.

The rest of trade receivables is analysed by management who believes that the balance of the receivables is of good quality due to strong business relationships with these customers. The credit risk of every single customer is monitored.

Liquidity Risk

Liquidity risk results from the Group's potential inability to meet its financial liabilities, such as settlements of financial debt and payments to suppliers. The Group's approach to liquidity risk management is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time.

In order to take advantage of financing opportunities in the international capital markets the Group has obtained credit ratings from Fitch and Standard & Poor's. As at 30 September 2012, these institutions had rated the Group as BB with stable outlook (31 December 2011: BB with stable outlook).

Cash flow forecasting is performed throughout the Group. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

The Group controls the minimum required level of cash balances available for short-term payments in accordance with the financial policy of the Group adopted in alignment with economic realities. Such cash balances are represented by current cash balances on bank accounts, bank deposits, short-term investments, cash and other financial instruments, which may be classified as cash equivalents in accordance with IFRS. The Group assesses liquidity on a weekly basis using a twelve-month rolling forecast of cash flow.

Product Price Risk

Out of all risk factors, declines in either or both fertiliser product prices and iron ore prices typically have the largest impact on the Group's cash flows. The ability to mitigate these risks through financial instruments is limited by liquidity constraints; however, their use is assessed by management on an on going basis.

Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include taxation, deferred income tax recognition, land, related party transactions, and the fair value of Severneft-Urengoy net assets.

Taxation

Judgments are required in determining current income tax liabilities. The Group recognises liabilities for taxes based on estimates of whether additional taxes will be due. Where the final outcome of various tax matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred taxes provision in the period in which such determination is made.

For the Interim Consolidated Financial Information, taxes on income were accrued using the tax rate that would be applicable to expected total annual earnings.

Deferred Income Tax Recognition

The net deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the consolidated statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgements and estimates based on the last three years' taxable profits and expectations of future income that are believed to be reasonable under the circumstances.

As at 30 September 2012, the Group had not recognised a deferred tax liability in respect of temporary differences associated with investments in subsidiaries to the amount of RUB 73,063,286 thousand (31 December 2011: RUB 62,961,581 thousand) as the Group controls the timing of the reversal of those temporary differences and does not expect to reverse them in the foreseeable future.

Land

Certain industrial premises of the Group's subsidiary OJSC Baltyiskie Generalnie Gruzy are located on land occupied under a short-term lease. The management believes that no losses will be sustained by the Group due to the short-term nature of the land lease, since it will be able to either purchase the land or to secure its use via a long-term lease agreement in due course.

Related Party Transactions

The Group enters into transactions with its related parties in the normal course of business. These transactions are priced predominantly at market rates. IAS 39, Financial Instruments: Recognition and Measurement, requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining whether transactions are priced at market or non-market interest rates where there is no active market for such transactions. Judgements are made by comparing prices for similar types of transactions with unrelated parties and performing effective interest rate analyses**.** For additional information on the Group's transactions with related parties, see "*Related Party Transactions*".

Fair Value of Severneft-Urengoy's Net Assets

The Group applied a number of estimates to define the provisional fair value of Severneft-Urengoy's net assets. In estimating the fair values of mineral rights over proven reserves acquired, the Group applied the residual method, which is based on a discounted cash flow analysis of the estimated future economic benefits attributable to the rights, net of the attributable other assets. Estimates used in discounted cash flow analysis represent management's best estimates based on currently available information. The fair value of mineral rights over unproven reserves was estimated applying the market approach, based on comparable deals in mineral rights.

Recent Accounting Pronouncements

The following new standards, amendments to standards and interpretations became effective for the Group from 1 January 2012:

- Recovery of Underlying Assets: Amendments to IAS 12, *Recovery of Underlying Assets* (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012) and
- Disclosure – Transfers of Financial Assets: Amendments to IFRS 7, *Disclosures – Transfers of Financial Assets* (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011).

A number of new standards, amendments to standards and interpretations are not yet effective as at 30 September 2012 and have not been adopted early:

- IFRS 9, *Financial Instruments Part 1 – Classification and Measurement* (issued in November 2009, effective for annual periods beginning on or after 1 January 2015, with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial statements;
- IFRS 10, *Consolidated Financial Statements* (issued in May 2011, effective for annual periods beginning on or after 1 January 2013 with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial statements;
- IFRS 11, *Joint Arrangements* (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted);

- IFRS 12, *Disclosure of Interests in Other Entities* (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted);
- IFRS 13, *Fair Value Measurement* (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial statements;
- Amendments to IAS 1*, Presentation of Financial Statements* (issued June 2011, effective for annual periods beginning on or after 1 July 2012). The Group is currently assessing the impact of the amendments on its consolidated financial statements;
- Amended IAS 19*, Employee Benefits* (issued June 2011, effective for periods beginning on or after 1 January 2013). The Group is currently assessing the impact of the amended standard on its consolidated financial statements;
- IAS 27*, Separate Financial Statements* (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013);
- IAS 28, *Investments in Associates and Joint Ventures* (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013);
- Disclosures – Offsetting Financial Assets and Financial Liabilities: Amendments to IFRS 7, *Disclosures – Offsetting Financial Assets and Financial Liabilities* (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The Group is currently assessing the impact of the amended standard on its consolidated financial statements;
- Offsetting Financial Assets and Financial Liabilities: Amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities* (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The Group is currently assessing the impact of the amended standard on its consolidated financial statements;
- Improvements to International Financial Reporting Standards (issued in May 2012 and effective for the Group from 1 January 2013). The improvements consist of changes to five standards**.** IFRS 1, *First-time Adoption of International Financial Reporting Standards* was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1, *First-time Adoption of International Financial Reporting Standards* or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23, *Borrowing Costs***,** retrospectively by first-time adopters**.** IAS 1, *Presentation of Financial Statements* was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16, *Property, Plant and Equipment* was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32, *Financial Instruments: Presentation* was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12, *Income Taxes*. IAS 34, *Interim Financial Reporting*" was amended to bring its requirements in line with IFRS 8, *Operating Segments***.** IAS 34, *Interim Financial Reporting* will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual consolidated financial statements;
- *Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12* (issued on 28 June 2012 and effective for annual periods beginning on or after 1 January 2013). The Group is currently assessing the impact of the amended standard on its consolidated financial statements; and
- Other revised standards and interpretations: The amendments to IFRS 1, *First-time Adoption of International Financial Reporting Standards*, relating to severe hyperinflation and eliminating references to fixed dates for certain exceptions and exemptions, amendment to IAS 12, *Income Taxes*, which introduces a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale, will not have any impact on this consolidated condensed interim financial information. IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* considers when and how to account for the benefits arising from the stripping activity in mining industry. The

Group is currently assessing the impact of the interpretation on its consolidated financial statements.

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

DESCRIPTION OF BUSINESS

Overview

The Group is a leading vertically integrated nitrogen and phosphate fertiliser producer. The Group produces nitrogen mineral fertilisers, including urea, ammonia, AN, UAN, CAN and NPK, and phosphate mineral fertilisers, including MAP, DAP, NP and feed phosphates, as well as P_2O_5 rich magnetite-apatite ore (37.0 per cent. to 38.0 per cent.). In 2011, the Group was the largest fertiliser producer in Russia in terms of tonnes of nutrients sold according to market data from AzotEconPlus. The Group's nitrogen production facilities are located in the Stavropol Krai in southern Russia; the Tula Oblast south of Moscow, Russia; and Antwerp, Belgium. The Group's phosphate mines and production facilities are located in the Murmansk Oblast in northern Russia, the Leningrad Oblast in Northwestern Russia, the Krasnodar Krai in Southern Russia and in Lithuania. In 2012, EuroChem-Fertilizers signed agreements with the authorities of the Republic of Kazakhstan for the extraction of phosphate rock from the Kok-Jon and Gimelfarbskoe deposit license areas in Kazakhstan's Zhambyl province. The Group is in the process of developing its potash deposits in the Volgograd Oblast in southern Russia and the Perm Krai near the Ural Mountains in Russia. The Group also has a natural gas production facility located in the Yamalo-Nenets Autonomous Region in Russia.

The Group operates its business according to the following segments:

- Nitrogen – the production and sale of nitrogen mineral fertilisers, including complex fertilisers, natural gas, gas condensate and organic synthesis products. For the nine months ended 30 September 2012 and the year ended 31 December 2011, 46.0 per cent. and 40.4 per cent., respectively, of the Group's external sales were derived from the Nitrogen segment.
- Phosphates – the production and sale of phosphate mineral fertilisers, including complex fertilisers and the extraction of ores to produce and subsequently sell baddeleyite and iron ore concentrates. For the nine months ended 30 September 2012 and the year ended 31 December 2011, 36.5 per cent. and 46.0 per cent., respectively, of the Group's external sales were derived from the Phosphates segment.
- Potash – the development of several deposits of potassium salts (potash) under the licenses acquired by the Group with a view to start production and marketing of potassium fertilisers. As at 30 September 2012, no sales had been recorded in the Potash segment. The Group intends to develop its Potash segment with the Gremyachinskoe potassium deposit and the Verkhnekamskoe potassium deposit over the next several years; however, commercial production from the deposits is not expected to commence prior to 2015 and 2017, respectively.
- Distribution – retail sales of mineral fertilisers (including fertilisers produced by third parties), seeds, crop protection items etc. via a number of retailers located in Russia and the CIS. For the nine months ended 30 September 2012 and the year ended 31 December 2011, 10.5 per cent. and 10.6 per cent., respectively, of the Group's external sales were derived from the distribution segment.

The Group's other operations include sales of third-party fertilisers outside of Russia and the CIS, certain logistics and service activities, central management, investment income and other activities.

As part of its vertically integrated business model, the Group mines magnetite-apatite ore, which is high-quality phosphate rock, from the Group's Kovdorskiy GOK mine and extracts apatite concentrate from the ore at the Group's beneficiation plant. The Group then uses its apatite concentrate output as a raw material to produce phosphate-based fertilisers and sells a small portion of its apatite concentrate production to third parties. The Group also extracts baddeleyite concentrate and produces iron ore concentrate from iron ore extracted from Kovdorskiy GOK's mine and sells it to third parties. In addition, the Group produces natural gas, the main raw material for the production of ammonia and subsequent production of nitrogen-based fertilisers, and gas condensate.

The Group's combined reserves and resources of BAMO, LFAO, apatite-staffelite ore and apatite-baddeleyite tailings were measured by IMC Montan as at October 2009 according to the JORC Code and consisted of proved and probable reserves of 595 million tonnes and measured and indicated resources of 593 million tonnes. The Group is also in the process of developing its potash deposit license areas. The Group's reserves and resources of potash ore were measured by IMC Montan as at September 2009 (Gremyachinskoe potassium deposit license area) and October 2009 (Verkhnekamskoe potassium deposit license area) according to the JORC Code and consisted of proved and probable reserves of 912 million tonnes and measured and indicated resources of 2,413 million tonnes. The Group also has

natural gas reserves of approximately 47 billion m^3, petroleum reserves of approximately 35 million tonnes and gas condensate reserves of approximately 5.0 million tonnes as recorded in the State Register of Mineral Resources of the Russian Federation as at 1 January 2012 according to the Russian Classification.

As at 30 September 2012, the Group had a combined annual production capacity of approximately 9.7 million tonnes of nitrogen mineral fertilisers, 2.4 million tonnes of phosphate mineral fertilisers and 2.7 million tonnes of apatite concentrate. As a co-product of its apatite mining operations, the Group has an annual production capacity of approximately 5.7 million tonnes of iron ore concentrate and 9 thousand tonnes of baddeleyite concentrate. For the nine months ended 30 September 2012 and the year ended 31 December 2011, the Group produced 6.3 million tonnes and 8.2 million tonnes, respectively, of nitrogen mineral fertilisers (ammonia, urea, AN, CAN, UAN and complex fertilisers); 1.5 million tonnes and 2.0 million tonnes, respectively, of phosphate mineral fertilisers (MAP, DAP and NP); and 7.8 million tonnes and 6.0 million tonnes, respectively, of raw material feedstock, including apatite, iron ore and baddeleyite concentrates. The Group also produced feed phosphates, melamine and organic synthesis products. Additionally, the Group is developing its potash segment with the Gremyachinskoe and Verkhnekamskoe greenfield potash projects in Russia, which are currently expected to begin production in 2015 and 2017, respectively, with planned total annual production capacities of 4.6 million tonnes (expected to be achieved in 2020) and 3.7 million tonnes (expected to be achieved in 2026), respectively.

The Group primarily sells its fertilisers outside of Russia through its trading companies in Switzerland and the United States as well as through its EuroChem Agro distribution platform (previously K+S Nitrogen). The Group's fertiliser products are sold to customers in over 90 countries. The principal markets outside of Russia for the Group's fertiliser products are Europe, Asia, Latin America, North America and the rest of the CIS. The Group primarily sells iron ore concentrate to distributors and ultimate customers in Russia and Asia. Overall, sales outside of Russia accounted for 78.7 per cent. and 76.3 per cent. of the Group's external sales for the nine months ended 30 September 2012 and the year ended 31 December 2011, respectively. Most of the Group's fertiliser sales in Russia are directly to customers through the Group's network of distribution centres. Most of the Group's sales of iron ore concentrate in Russia are to Severstal. Total sales to Severstal accounted for 4.2 per cent. and 6.1 per cent. of the Group's total sales for the nine months ended 30 September 2012 and the year ended 31 December 2011, respectively.

To support fertiliser sales, the Group has developed a distribution network of 24 distribution centres in Russia, six of which are owned by the Group, and a distribution centre company with four distribution outlets in Ukraine, which is owned by the Group. In addition to providing advisory services to local farmers and promoting the efficient use of fertilisers to increase yields, the distribution centres offer seeds, crop protection products and soil analysis services. On 2 July 2012, the Group acquired the nitrogen fertiliser distribution business of German potash producer K+S Group based in Mannheim, Germany (now EuroChem Agro). EuroChem Agro markets nitrogen-based fertilisers with a focus on major customers in agriculture and special crops such as fruits, vegetables and grapes. EuroChem Agro's distribution assets are located in Germany, Spain, Italy, Greece, Mexico, France, Turkey, Singapore and China and sell to wholesalers, distributors and cooperatives in their respective countries as well as in Northern, Central and Eastern Europe, South East Asia and the Americas. The Group also has international sales offices in Brazil, Switzerland and the United States.

The Group's logistics infrastructure supports the Group's vertically integrated business model. As at 30 September 2012, the Group had rolling stock comprised of approximately 6,850 rail cars and 44 locomotives, and the Group also operates dedicated rail service and repair centres. The Group also operates its wholly-owned fertiliser transhipment terminals in the towns of Tuapse (Black Sea) and Murmansk (Barents Sea) in Russia, and Sillamäe (Gulf of Finland) in Estonia as well as benefits from direct jetty access in the port of Antwerp in Belgium. The Group owns two Panamax vessels and operates a ship on long-term lease and two ships on short-term leases.

For the nine months ended 30 September 2012, the Group had sales of RUB 124,778,901 thousand, EBITDA of RUB 38,879,363 thousand and net profit for the period of RUB 24,593,592 thousand. The Group's EBITDA margin for the same period was 31.2 per cent. For the year ended 31 December 2011, the Group had sales of RUB 131,298,080 thousand, EBITDA of RUB 49,655,961 thousand and net profit for the period of RUB 32,031,393 thousand. The Group's EBITDA margin for the same period was 37.8 per cent.

Competitive Strengths and Advantages

Significant Market Share

The Group is the largest mineral fertiliser producer in Russia in terms of tonnes of nutrient sold, with a combined nitrogen and phosphate fertiliser market share of approximately 24 per cent. in 2011 (source: AzotEconPlus). According to the same data, the Group had a 25.5 per cent. nitrogen mineral fertilisers market share and a 20.5 per cent. phosphates mineral fertilisers market share in Russia in 2011. Globally, the Group's market share as measured by annual nutrient production was 1.7 per cent., 1.8 per cent. and 1.7 per cent., respectively, for the years ended 31 December 2011, 2010 and 2009 (*Source*: CRU, Fertecon, IFA).

Cost-Efficient Production and Access to Low-Cost Raw Material Feedstock

The Group believes that it has comparably low costs of production as compared to some of its domestic and international competitors. For the nine months ended 30 September 2012 and the year ended 31 December 2011, the Group's EBITDA margin was 31.2 per cent. and 37.8 per cent., respectively, which ranked the Group among the top ten fertiliser producers globally by EBITDA margin for both periods. The Group also believes that a key factor in achieving lower costs of production and higher profitability lies in its ownership of the Zhelezny open-pit mine at Kovdorskiy GOK, a source of high quality apatite concentrate for the Group's Phosphates segment as well as its ownership of Severneft-Urengoy, a source of natural gas, and gas condensate located in Russia's Yamalo-Nenets Autonomous Region. By selling gas condensate to third parties, the Group is able to offset a portion of its costs for natural gas. The Group estimates that during 2013, the delivered cost of natural gas produced by Severneft-Urengoy to the Novomoskovskiy Azot production facility will be U.S.$1.6 per mmBtu assuming that Severneft-Urengoy operates at full production capacity and after subtracting sales of gas condensate. For the year ended 31 December 2011, the Group had the internal capacity to meet up to 75 per cent. of its phosphate rock requirements. The acquisition of Severneft-Urengoy in December 2011 has provided the Group with an internal capability to meet up to approximately 25 per cent. of its natural gas requirements. For the nine months ended 30 September 2012, the Group consumed 3.4 billion m^3 of natural gas. For the same period, Severneft-Urengoy produced 514 million m^3 of natural gas, 431.5 million m^3 were sold to Gazprom under an agreement that was entered into prior to the Group acquiring Severneft-Urengoy and the remaining 48.5 million m^3 were sold to Novomoskovskiy Azot, as well as 99 thousand tonnes of gas condensate. For its nitrogen production, the Group believes that it is among the most efficient producers of ammonia in terms of natural gas consumption per tonne of ammonia produced (source: Integer Research – Nitrogen benchmark cost data report).

Vertical Integration Providing Raw Material Price Stability

The Group's business is vertically integrated and includes significant mining, production, logistics, transportation and marketing functions that allow it to achieve cost reductions in producing and marketing its fertiliser products and improve margins. The Group believes that its vertical integration also allows it to minimise its exposure to fluctuations in the prices of some raw materials, such as those produced by its mining operations in the Kola Peninsula in Russia and natural gas production operations in the Yamalo-Nenets Autonomous Region in Russia, giving the Group a cost advantage over its competitors. The Group's high quality apatite concentrate from Kovdorskiy GOK allows it to meet approximately 75 per cent. of its phosphate rock requirements while its gas operations, acquired in December 2011, provided it with the equivalent of up to approximately 25 per cent. of its natural gas requirements for the nine months ended 30 September 2012. The Group's combined reserves and resources of BAMO, LFAO, apatite-staffelite ore and apatite-baddeleyite tailings were measured by IMC Montan as at September 2009 according to the JORC Code and consisted of proved and probable reserves of 595 tonnes and measured and indicated resources of 593 tonnes. The Group also has natural gas reserves of approximately 47 billion m^3, petroleum reserves of approximately 35 million tonnes and gas condensate reserves of approximately 5.0 million tonnes as recorded in the State Register of Mineral Resources of the Russian Federation as at 1 January 2012 according to the Russian Classification. In addition to apatite concentrate, the Group's mining operations at Kovdorskiy GOK also yield iron ore as a co-product of phosphate rock mining. For the years ended 31 December 2011, 2010, and 2009, the Group sold 5.5 million tonnes, 6.1 million tonnes and 5.6 million tonnes, respectively, of iron ore, further minimising exposure to fertiliser cyclicality while providing a substantial credit to apatite concentrate production costs.

Global Footprint with Increasingly Balanced Exposure to Developed and Emerging Markets

The Group has an international footprint with production facilities in Russia, Belgium and Lithuania and an international sales and distribution network, including EuroChem Agro, which has distribution assets located in Germany, Spain, Italy, Greece, Mexico, France, Turkey, Singapore and China and sells to wholesalers, distributors and cooperatives in their respective countries as well as in Northern, Central and Eastern Europe, South East Asia and the Americas. The Group also has international sales offices in Brazil, Switzerland and the United States.

As at the date of this Prospectus, the Group has over 750 customers worldwide. For the nine months ended 30 September 2012 and 2011, 21.3 per cent. and 23.9 per cent., respectively, of the Group's sales were to Russia; 36.2 per cent. and 24.3 per cent., respectively, were to Europe, North America and Australasia; and 42.5 per cent. and 51.9 per cent., respectively, were to the CIS, Asia, Latin America and Africa. The Group believes that its global exposure and global distribution network provide it with the flexibility to channel products to most advantageous markets.

Global Distribution Footprint

On 2 July 2012, the Group completed its acquisition of K+S Nitrogen, a global distributor of nitrogen fertilisers from the German potash and salt producer K+S Group AG, subsequently renamed EuroChem Agro. These assets were the trading arm of the BASF fertiliser assets in Belgium, which were earlier acquired by the Group and are now known as EuroChem Antwerpen. EuroChem Agro is comprised of a network of distribution companies operating in Germany, France, Spain, Italy, Mexico, Singapore, China, Greece and Turkey. The Group's consolidation of this distribution platform supports its strategy of moving closer to customers in core markets, both in terms of distance to end-customer and in terms of specific regional fertiliser requirements as the specialty fertiliser grades distributed by the Group are tailored to specific markets and crop cultivation.

Developed Transportation and Distribution Network

A significant portion of the cost of fertilisers is attributable to transportation costs. The Group operates a large transportation and logistics network, which includes rolling stock owned by the Group and leased from third parties, allowing it to keep its transportation costs lower than those of many of its competitors without a similar transportation network. The Group's transportation and logistics facilities also provide it with a reliable means of supplying raw materials to, and delivering products from, the Group's production facilities, thus reducing the Group's dependence on third parties for logistics and transportation services. As at 30 September 2012, the Group had rolling stock comprised of approximately 6,850 rail cars and 44 locomotives, and the Group also operates dedicated rail service and repair centres. The Group also operates its wholly-owned fertiliser transhipment terminals in the towns of Tuapse (Black Sea) and Murmansk (Barents Sea) in Russia, and Sillamäe (Gulf of Finland) in Estonia, while benefiting from direct jetty access in the port of Antwerp in Belgium. The Group owns two Panamax vessels and operates a ship on long-term lease and two ships on short-term leases. The Group's logistics assets include storage facilities in Russia, the CIS, Europe, North America and Mexico.

Broad Value-Added Product Offering

The Group produces and sells more than 100 different products, including ammonia, urea, AN, CAN, UAN, MAP, DAP, NPKs, methanol, and melamine. The Group is taking steps to diversify its product range further with the development of two potash deposits in Russia. The Group believes that its diversified product mix provides it with a competitive advantage in both domestic and international markets as its substantial degree of sales flexibility allows it to adapt to changes in customer demand and economic conditions for different products and regions over sustained periods of time if needed. Additionally, the acquisition of nitrogen fertiliser production assets from BASF and the K+S Nitrogen global distribution have further broadened the Group's product offering with a range of nitrogen fertilisers, including branded specialty grades as well as an experienced global sales force and platform to offer both commodity type products and high-performance and high-quality stabilised fertilisers such as Nitrophoska®, UTEC® and the ENTEC® inhibitors, which can reduce evaporation and lower N_2O emissions in nitrogen products.

Unique Products in Certain Geographies

The Group is the world's only producer of baddeleyite concentrate and the only Russian producer of melamine and merchant-grade synthetic acetic acid. The Group also benefits from the geological characteristics of its Kovdorskiy GOK apatite mine, which provided the Group with up to 75.0 per cent.

of its phosphate rock requirements for phosphate-based fertiliser production for the year ended 31 December 2011. The deposit also contains significant amounts of iron ore concentrate, which provides the Group with revenue diversification. For the nine months ended 30 September 2012 and the year ended 31 December 2011, the Group had external sales volumes of 3.9 million tonnes and 5.5 million tonnes, respectively, of iron ore concentrate. For the same periods, sales of iron ore concentrate represented 11.1 per cent. and 16.7 per cent., respectively, of the Group's total sales.

Well Positioned to Take Advantage of Opportunities Presented by Russia's Accession to the WTO

On 16 December, 2011, Russia signed the Protocol on its accession to the WTO. The ratification procedures were completed in July 2012, and the accession to the WTO became effective for Russia on 22 August 2012. Upon the Protocol's entry into force, Russia became subject to the WTO regime. The Group believes that Russia's accession to the WTO is likely to affect anti-dumping and other trade-restrictive measures previously affecting the Group by enabling the possibility to challenge unfair trade restrictions. The Group believes that it is well positioned to take advantage of opportunities presented by the removal of anti-dumping and other trade-restrictive measures.

Prudent Financial Policy

The Group has historically maintained what it believes to be conservative financial policies. The Group's strategy has been to maintain a net debt to twelve-month EBITDA ratio of less than 3, and as at 30 September 2012, the foreign currency risk on approximately 95 per cent. of the Group's Russian Rouble-denominated debt was mitigated through the use of forward exchange non-deliverable forward contracts. In addition, the Group's strategy has been to maintain consolidated cash balances of between U.S.$200 million and U.S.$300 million, plus credit lines, and maintain a debt structure with a balanced maturity profile. As a result of these policies, the Group has not faced any significant liquidity issues in the past three years, including during the financial crisis.

Dynamic, Experienced Management Team

The Group has a strong management team with extensive domestic and international expertise and a proved management track record in improving the operating results of the Group's production assets as well as significant mergers and acquisition activity experience. Members of EuroChem's senior management team combine industry and marketing expertise coupled with extensive financial and managerial expertise, with the Board of Directors, including its independent directors, providing additional leadership and oversight. See "*Management and Directors – Board of Directors*".

International Corporate Governance Model

The Group believes that its corporate governance model is of an international standard. The Group has had annual IFRS reporting since 2002 and quarterly IFRS reporting since 2005.

Strategy

The Group's strategic objective is to become one of the five leading mineral fertiliser producers in the world in terms of production, sales and profitability. To achieve this objective, the Group has been implementing a strategy that includes the following key elements:

Diversifying Product Range, Building and Launching Own Potash Production and Further Improving Product Quality

The Group intends to further diversify its product range and to achieve additional improvements in the quality of its products, while maintaining its price competitiveness. To this end, the Group is planning to invest approximately U.S. $4.4 billion in large-scale nitrogen, phosphates and logistics investment programmes to extend its business and upgrade its existing production facilities, as well as to commission new production facilities and further develop its transportation capacity over the period of 2012–2017. In addition, the Group has started an estimated U.S. $6.6 billion investment program to commence potash production at the Gremyachinskoe and Verkhnekamskoe potassium deposits. As at 30 September 2012, the Group had invested RUB 29.6 billion (U.S. $1.1 billion) and RUB 10.5 billion (U.S. $375 million) at the Gremyachinskoe and Verkhnekamskoe deposits, respectively, or 28.9 per cent. and 12.9 per cent. of the total expected costs of these respective projects. Once potash production underway, the Group will be operating production assets in all three primary fertiliser segments: nitrogen, phosphate and potash.

Increasing Vertical Integration and Improving Efficiency

The Group intends to further increase its vertical integration and improve efficiency. To this end, the Group is planning to invest in increasing the ammonia production capacity at Nevinnomysskiy Azot and the mining output of the Kovdorskiy GOK facility, both of which are expected to increase the Group's raw materials base. In addition, the Group plans to launch a phosphate rock mining and production project in Kazakhstan from the Kok-Jon and Gimelfarbskoe deposits in Kazakhstan's Zhambyl province. In Kazakhstan, the Group has phosphate rock proved reserves of 515 million tonnes and probable reserves of 249 million tonnes as recorded in the State Register of Mineral Resources of the Republic of Kazakhstan as at 1 January 2012 according to the Kazakhstan Classification. Improved operating efficiency and a reduction in operations and production costs are expected to be achieved through the implementation of various strategic programmes, such as by increasing the efficiency of the Group's production and marketing facilities. The Group further plans to increase its vertical integration by expanding its sales and distribution network.

Expanding Distribution Network

The Group plans to develop its distribution network in key domestic and international markets by setting up subsidiaries or branches. In addition, the Group has been acquiring, as well as partnering with, distributors in Russia and other CIS countries, such as Belarus and the Ukraine, as well as other areas of Eastern and Western Europe. The Group also has established representative offices in the United States and Brazil, two of the world's largest agricultural markets, as well as Switzerland. Complementing its organic growth strategy, the Group finalised the acquisition of K+S Nitrogen on 2 July 2012, subsequently renamed EuroChem Agro. The assets are comprised of a global sales network marketing nitrogen fertilisers with a focus on major customers in agriculture and special crops. The Group has been developing its transport and logistics infrastructure with the aim of ensuring greater stability in the supply of raw materials to its production subsidiaries and the distribution of products to its customers. In particular, the Group acquired and developed maritime transhipment facilities in Russia and Estonia. As at 30 September 2012, the Group owned and operated a total annual transhipment capacity of 4.8 million tonnes, consisting of 3.8 million tonnes in Russia and 1 million tonnes in Estonia, in addition to dedicated access to jetties within the territory of its EuroChem Antwerpen facility in Belgium. To support potash exports from the Verkhnekamskoe potash project, the Group is launching a construction project for a 5.0 million tonne per annum bulk terminal in the Baltic port of Ust-Luga. The Group plans to invest approximately U.S. $229 million in the construction of a transhipment terminal in Ust-Luga between 2012 and 2017. The planned bulk terminal will be used to export the Group's fertilisers via the Baltic Sea. The terminal will have three berths and two warehouses. The terminal is expected to have an annual fertiliser transhipment capacity of 5 million tonnes. The Group also plans investing in the purchase of additional railcars. The Group is expected to proceed with the partial acquisition of Murmansk Port, where it already owns a terminal that it primarily uses for iron ore shipments.

Environmental Protection

The Group continuously strives to achieve high standards of environmental protection and health and safety and plans to continue to upgrade its existing production facilities. The Group has deployed and implements environmental management and other safety systems certified to ISO 9001, ISO 14001, and OHSAS 18001 throughout all production subsidiaries.

The Group has been implementing its environmental investment programme since 2004. Investments have primarily been directed at the upgrade of outdated equipment and the launch of more efficient production lines, which have contributed to reduce the Group's total energy consumption per tonne of output. These investments have provided the Group with direct cost savings and the Group believes that they have increased its competitiveness.

The following table sets forth certain key indicators related to the Group's environmental investment program for the years indicated:

	For the year ended 31 December							
	2011	2010	2009	2008	2007	2006	2005	2004
Environmental protection expenses (RUB in millions)	1,067.7	917.9	762.2	803.8	894	671.9	544.4	348.9
Atmospheric emissions (Kg/tonne)	1.13	1.20	1.20	1.24	1.24	1.26	1.26	1.34
Effluent discharge (m^3/tonne)	3.38	3.35	3.48	4.04	4.60	5.25	5.45	5.75
Non recycle water consumption (m^3/tonne)	3.43	3.39	3.30	3.59	4.40	4.94	4.41	4.77
Energy consumption (KWh/tonne)	137.88	134.40	133.47	140.41	148.72	155.50	147.94	154.97

Source: EuroChem's management financial and operating reports

History and Development of the Group's Business

EuroChem Mineral and Chemical Company was incorporated under the laws of the Russian Federation on 27 August 2001.

In 2002, the Company acquired controlling stakes in the Novomoskovskiy Azot and Nevinnomysskiy Azot nitrogen facilities, Phosphorit and EuroChem-BMU phosphate facilities and the Kovdorskiy GOK iron ore and apatite mine. In 2003, the Group proceeded with a series of upgrades and overhauls at the EuroChem-BMU plant. The Group followed the next year with the large-scale overhaul of ammonia production at Novomoskovskiy Azot in order to reduce gas and steam consumption.

In 2005, the Group acquired the Lithuania-based Lifosa phosphate plant from its shareholders. That same year, the Group acquired an exploration and mining license for the Gremyachinskoe potassium deposit in the Volgograd region at a public auction. The Gremyachinskoe potassium deposit's reserves and resources of potash ore were measured by IMC Montan as at September 2009 according to the JORC Code and consisted of proved and probable reserves of 492 million tonnes and measured and indicated resources of 1.3 billion tonnes. In 2006, the Group acquired a port terminal in Sillamäe, Estonia, while at the same time, it began the construction of the Tuapse transhipment terminal on the Black Sea. The following year, in 2007, the Group acquired port terminal facilities in Murmansk's commercial sea port and acquired the Mosaic Ukraine and Mosaic Krasnodar distributors from the U.S.-based Mosaic fertiliser company.

In 2008, the Group acquired at auction a license for the exploration and mining of sections of the Verkhnekamskoe potassium deposit in the Perm region. The Verkhnekamskoe potassium deposit's reserves and resources of potash (sylvinite) ore were measured by IMC Montan as at October 2009 according to the JORC Code and consisted of proved and probable reserves of 420 million tonnes and measured and indicated resources of 1.1 billion tonnes. In September 2009, the Group's Russian assets were certified to the ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 standards.

In October 2009, the Group launched CAN production at Novomoskovskiy Azot, with an annual production capacity of 420 thousand tonnes and Russia's only granulated urea production facility with a production capacity of 2,000 tonnes per day. In mid-2010, the Group completed pre-design work for the planned construction of a 5 million tonne per annum bulk terminal at the commercial port of Ust-Luga, Leningrad region. In August 2010, Novomoskovskiy Azot became Europe's largest urea plant with the launch of a second urea production line. Further capacity expansion followed as the Group doubled the feed phosphate capacity at Lifosa. Active shaft sinking was launched at the Gremyachinskoe potassium deposit in November 2010. In July 2011, the 2.3 million tonne per annum Tuapse Transhipment Terminal officially began operating. In December 2011, skip shaft sinking operations started at the Verkhnekamskoe potassium deposit, followed by cage shaft sinking in March 2012.

In December 2011, the Group acquired Severneft-Urengoy, a natural gas producer located in Russia's Yamalo-Nenets Autonomous Region. Severneft-Urengoy has a combined maximum annual production capacity of approximately 1.1 billion m^3 of natural gas and 220 thousand tonnes of gas condensate. Severneft-Urengoy has natural gas reserves of approximately 47 billion m^3, petroleum reserves of 35 million tonnes and gas condensate reserves of approximately 5.0 million tonnes as recorded in the State Register of Mineral Resources of the Russian Federation as at 1 January 2012 according to the Russian Classification.

In March 2012, the Group acquired the nitrogen fertiliser operations of BASF in Belgium (EuroChem Antwerpen). The transaction included production plants for CAN/AN fertilisers, NPK fertilisers and

nitrophosphoric acid as well as three related nitric acid plants with a combined annual production capacity of 2.5 million tonnes of nitrogen and complex fertilisers.

In July 2012, the Group completed its acquisition of K+S Nitrogen and its affiliates (now EuroChem Agro), a business specialising in the global marketing of nitrogen fertilisers with a focus on major customers in agriculture and special crops such as fruits, vegetables and grapes. In addition to the fertilisers produced by EuroChem Antwerpen and delivered by BASF, EuroChem Agro also markets the products of other European fertiliser producers.

In 2012, EuroChem-Fertilizers signed agreements with the authorities of the Republic of Kazakhstan for the extraction of phosphate rock from the Kok-Jon and Gimelfarbskoe deposits in Kazakhstan's Zhambyl province. The Group plans to launch a mining and production project in Kazakhstan, which includes the development of phosphate rock deposits, the construction of integrated mining-and-processing facilities and a fertiliser production plant. In Kazakhstan, the Group's has phosphate rock proved reserves of 515 million tonnes and probable reserves of 249 million tonnes as recorded in the State Register of Mineral Resources of the Republic of Kazakhstan as at 1 January 2012 according to the Kazakhstan Classification.

Recent Developments

During the third quarter of 2012, the Group paid to EuroChem Group S.E., the parent company of the Group, RUB 4,260,184 thousand in order to buy back 718,085 ordinary shares in EuroChem, which represented 1.056 per cent. of the issued share capital of EuroChem. Additionally, on 25 October 2012, EuroChem Capital Management Ltd. signed a shares sale and purchase agreement with EuroChem Group S.E. to buy back 132,978 ordinary shares in EuroChem, which represented 0.1956 per cent. of the issued share capital of EuroChem, for RUB 781,243 thousand. Title to 718,085 ordinary shares and 132,978 ordinary shares in EuroChem passed to EuroChem Capital Management Ltd. in October and November 2012, respectively.

On 15 November 2012, EuroChem Capital Management Ltd. signed a sale and purchase agreement with EuroChem Group S.E. to buy back 106,384 ordinary shares in EuroChem, which represented 0.1564 per cent of the issued share capital of EuroChem, for RUB 633,844 thousand. Title to the 106,384 ordinary shares in EuroChem passed to EuroChem Capital Management Ltd. on 16 November 2012.

Product Range

Overview

The Group's product range consists of:

- *Nitrogen segment:* ammonia, urea, AN, UAN, CAN, NPK, AS, melamine, acetic acid, methanol, vinyl acetate, natural gas and gas condensate.
- *Phosphates segment:* MAP and DAP, NP, feed phosphates, superphosphate ("**SP**") and TSP apatite concentrate, iron ore concentrate and baddeleyite concentrate.

Nitrogen Segment

The following table sets for the Nitrogen segment's sales (including internal sales) by product for the periods indicated:

	For the nine months ended 30 September 2012		For the year ended 31 December 2011	
	Sales	**Share of total sales**	**Sales**	**Share of total sales**
	(RUB in thousands)	*(per cent.)*	*(RUB in thousands)*	*(per cent.)*
Urea	21,434,784	32.4	23,717,501	37.6
Ammonium Nitrate	12,692,504	19.2	13,953,339	22.1
UAN	4,694,959	7.1	6,517,578	10.3
NPK	11,262,306	17.0	4,684,974	7.4
Ammonia	1,875,631	2.8	3,078,940	4.9
CAN	4,529,838	6.9	1,533,464	2.4
NP	628,082	1.0	–	–
Other	3,748,623	5.7	4,429,501	7.0
Acetic Acid	1,177,842	1.8	1,993,470	3.2
Methanol	2,718,509	4.1	3,199,065	5.1
Hydrocarbons	1,341,903	2.0	–	–
Total Nitrogen segment sales	**66,104,981**	**100.0**	**63,107,832**	**100.0**

Ammonia

Ammonia is a basic raw material for mineral fertilisers and is a primary input for other fertiliser products. For the nine months ended 30 September 2012 and the year ended 31 December 2011, the Group produced a total of 2.03 million tonnes and 2.66 million tonnes, respectively, of ammonia, of which 100.0 per cent. and 98.8 per cent., respectively, was utilised by the Group for fertiliser production.

Urea

Urea is an organic compound of carbon, nitrogen, oxygen and hydrogen produced from synthetic ammonia and carbon dioxide as an assortment of granules, flakes, pellets, crystals and solutions. Urea is the most widely used dry nitrogen fertiliser. It is a solid nitrogen product containing 46.0 per cent. nitrogen and is typically applied in granular form. Once applied to the soil, urea is converted to ammonia, which reacts with water to form ammonium. Urea is produced from ammonia and carbon dioxide and is also used as a raw material for the manufacture of plastics (urea-formaldehyde resin), glues (urea-formaldehyde or urea-melamine-formaldehyde) and as a component of compound mineral fertilisers. Urea can be combined with ammonium nitrate solution to make liquid nitrogen fertiliser (UAN). For the nine months ended 30 September 2012 and the year ended 31 December 2011, the Group produced a total of 1.77 million tonnes and 2.20 million tonnes, respectively, of urea.

Ammonium Nitrate (AN)

Ammonium nitrate is produced by reacting ammonia gas with unconcentrated nitric acid, an intermediate chemical feedstock produced from ammonia, to form a concentrated watery solution that is subsequently solidified in a prilling or granulation process. It contains 34.0 per cent. nitrogen and is typically applied in solid form as it is water soluble and can be used in various fertiliser solutions. For the nine months ended 30 September 2012 and the year ended 31 December 2011, the Group produced a total of 1.99 million tonnes and 2.42 million tonnes, respectively, of AN.

Urea Ammonium Nitrate Solution (UAN)

Urea ammonium nitrate solution is a carbamide-ammonium mixture produced from ammonium nitrate, urea and nitric acid. UAN is one of the principal nitrogen fertilisers used in agriculture and, like other fertilisers in solution form, has the advantage that it can be applied with fertigation systems, which can increase its effectiveness. Another advantage to solution fertilisers is the ability to mix in liquid pesticides. The most common form of UAN solutions vary in nitrogen content from 28.0 per cent. to 32.0 per cent.

For the nine months ended 30 September 2012 and the year ended 31 December 2011, the Group produced a total of 0.55 million tonnes and 0.69 million tonnes, respectively, of UAN.

Calcium Ammonium Nitrate (CAN)

Calcium ammonium nitrate is a mixture of AN and calcium or magnesium carbonate containing 25.0 per cent. to 28.0 per cent. nitrogen which is produced by mixing calcium and/or magnesium carbonate into an ammonium nitrate solution before the solidification process. The lime content of CAN also helps to neutralise soil acidity. For the nine months ended 30 September 2012 and the year ended 31 December 2011, the Group produced a total of 0.48 million tonnes and 0.20 million tonnes, respectively, of CAN.

Multi-Nutrient and Complex Fertilisers (Including NP, NPK)

Multi-nutrient, complex fertilisers, commonly referred to as NPK, include a variety of composite fertilisers (such as ammophos, nitroammophos, nitrophos and liquid compound fertilisers) originating from a combination of basic nitrogen and phosphoric products. Complex fertilisers are produced by either blending (NP) or chemical reaction between phosphoric acid, ammonia, potassium chloride, nitric acid and other substances. For the nine months ended 30 September 2012 and the year ended 31 December 2011, the Nitrogen segment produced a total of 1.02 million tonnes and 0.43 million tonnes, respectively, of complex fertilisers.

Acetic Acid

Acetic acid is an organic chemical compound used in the production of polyethylene terephthalate, cellulose acetate and polyvinyl acetate, as well as many synthetic fibres and fabrics. Acetic acid is generated through methanol carbonylation and is applied as a chemical reagent for the production of many chemical compounds. The major use of acetic acid is for the production of vinyl acetate monomer. The Group produces various types of acetic acid, including glacial acetic acid and acetic acid for the food industry. For the nine months ended 30 September 2012 and the year ended 31 December 2011, the Group produced a total of 0.11 million tonnes and 0.15 million tonnes, respectively, of acetic acid.

Methanol

Methanol is an organic chemical compound that is synthesised from the methane component in natural gas and used mainly in the manufacturing of synthetic resins, formaldehyde and acetic acid by the customers of the Group. For the nine months ended 30 September 2012 and the year ended 31 December 2011, the Group produced a total of 0.31 million tonnes and 0.42 million tonnes, respectively, of methanol.

Natural Gas

For the nine months ended 30 September 2012, the Group produced a total of 514 million m^3 of natural gas.

Gas Condensate

For the nine months ended 30 September 2012, the Group produced a total of 99 thousand tonnes of gas condensate.

Phosphates Segment

The following table sets for the Phosphates segment's sales (including internal sales) by product for the periods indicated:

	For the nine months ended 30 September 2012		For the year ended 31 December 2011	
	Sales	**Share of total sales**	**Sales**	**Share of total sales**
	(RUB in thousands)	*(per cent.)*	*(RUB in thousands)*	*(per cent.)*
MAP, DAP	26,460,831	53.8	32,830,590	51.4
Iron ore concentrate	13,867,299	28.2	21,953,124	34.3
Feed phosphates	3,494,285	7.1	3,993,861	6.2
Apatite concentrate	987,401	2.1	1,141,219	1.9
Baddeleyite concentrate	751,190	1.5	1,027,264	1.6
NP	2,150,495	4.4	1,423,474	2.2
NPK	738	0.0	2,673	0.0
Other	1,445,428	2.9	1,552,555	2.4
Total Phosphates segment sales	**49,157,667**	**100.0**	**63,924,760**	**100.0**

Monoammonium Phosphate (MAP) and Diammonium Phosphate (DAP)

Monoammonium Phosphate and Diammonium Phosphate products are granulated, high quality, water-soluble, complex mineral fertilisers consisting primarily of nitrogen and phosphorus. DAP is a dry material used extensively for bulk blending and for direct application where soils do not need an additional application of potassium. An affordable fertiliser option, it also has the added advantage of being highly water soluble. MAP is also used for bulk blending or direct application, but has a lower ammonia content than DAP and is, therefore, less harmful to germinating seeds. Both DAP and MAP are produced using the same production process and differ mainly in their respective nitrogen and phosphorus content. DAP is sold as a finished product as well as being used in a further purification process to produce MAP. For the nine months ended 30 September 2012 and the year ended 31 December 2011, the Group produced a total of 0.67 million tonnes and 0.96 million tonnes, respectively, of MAP and 0.69 million tonnes and 0.96 million tonnes, respectively, of DAP.

Multi-Nutrient and Complex Fertilisers (Including NP, NPK)

See "*—Nitrogen Segment—Multi-Nutrient and Complex Fertilisers (Including NP, NPK)*" above. For the nine months ended 30 September 2012 and the year ended 31 December 2011, the Phosphates segment produced a total of 0.15 million tonnes and 0.12 million tonnes, respectively, of complex fertilisers.

Feed Phosphates

Feed phosphates include monocalcium phosphate, defluorinated phosphate and a number of other products manufactured using phosphoric rock, apatite concentrate, phosphoric acid, calcium carbonate and sodium hydrate. Feed phosphates are used as feeding additive in the cattle, poultry and swine industries. For the nine months ended 30 September 2012 and the year ended 31 December 2011, the Group produced a total of 0.22 million tonnes and 0.25 million tonnes, respectively, of feed phosphates.

Apatite Concentrate

Apatite concentrate is a high grade phosphate rock used for the production of phosphate-based fertilisers by being reacted with phosphoric and sulphuric acid. For the nine months ended 30 September 2012 and the year ended 31 December 2011, the Group produced a total of 1.79 million tonnes and 2.58 million tonnes, respectively, of apatite concentrate.

Iron Ore Concentrate

Iron ore concentrate is produced through the reduction, processing, enrichment and concentration of the iron ore mined from the Zhelezny open-pit mine by Kovdorskiy GOK. Iron ore concentrate is used in steel manufacturing. For the nine months ended 30 September 2012 and the year ended 31 December 2011, the Group sold 48.7 per cent. and 46.8 per cent., respectively, of its iron ore

concentrate production to Severstal, a major Russian steel producer, 1.7 per cent. and 0.8 per cent., respectively, to other major Eastern European steel producers and 49.6 per cent. and 52.4 per cent., respectively, to customers in Asia. For the nine months ended 30 September 2012 and the year ended 31 December 2011, the Group produced a total of 4.23 million tonnes and 5.25 million tonnes, respectively, of iron ore concentrate.

Baddeleyite Concentrate

Baddeleyite concentrate is a product of natural zirconium ore processing and is used in refractory, abrasives, ceramic pigment and technical ceramic manufacturing. The Group is the only industrial-size manufacturer of baddeleyite concentrate in the world and produces a variety of grades of this product. For the year ended 31 December 2011, the Group exported 40.3 per cent. and 34.2 per cent. of its baddeleyite production to customers in Japan and Western Europe, respectively. For the nine months ended 30 September 2012 and the year ended 31 December 2011, the Group produced a total of 6,053 tonnes and 8,917 tonnes, respectively, of baddeleyite concentrate.

Production Volumes

The following table sets forth the production volumes of the Group's primary products for the periods indicated:

	For the nine months ended 30 September		For the year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
	(tonnes in millions, except as otherwise indicated)				
Nitrogen Mineral Fertilisers					
Ammonia	2.03	2.01	2.66	2.76	2.79
Urea	1.77	1.66	2.20	1.98	1.80
AN	1.99	1.81	2.42	2.35	2.30
CAN	0.48	0.17	0.20	0.15	0.03
UAN	0.55	0.50	0.69	0.69	0.68
NP, NPK	1.02	0.35	0.43	0.41	0.36
Methanol	0.31	0.30	0.42	0.43	0.32
Acetic acid	0.11	0.12	0.15	0.16	0.17
Phosphate Mineral Fertilisers					
MAP	0.67	0.81	0.96	0.94	0.67
DAP	0.69	0.64	0.96	0.91	0.96
NP, NPK	0.15	0.08	0.12	0.10	0.08
Feed phosphates	0.22	0.22	0.25	0.25	0.15
Mineral raw materials					
Apatite	1.79	1.94	2.58	2.70	2.51
Iron ore	4.23	3.88	5.25	5.70	5.57
Baddeleyite (tonnes in thousands)	6.05	6.65	8.92	9.30	8.25

Sales Volumes

The following table sets forth the sales volumes (including sales to other segments) of the Group's primary products for the periods indicated:

	For the nine months ended 30 September		For the year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
	(tonnes in millions, except as otherwise indicated)				
Nitrogen Mineral Fertilisers					
Ammonia	0.01	0.03	0.24	0.52	0.64
Urea	1.58	1.47	1.92	1.71	1.51
AN	1.47	1.27	1.73	1.71	1.83
CAN	0.54	0.14	0.19	0.14	0.02
UAN	0.60	0.64	0.72	0.68	0.67
NP, NPK	0.82	0.33	0.40	0.46	0.34
Methanol	0.26	0.24	0.33	0.33	0.23
Acetic acid	0.08	0.08	0.11	0.13	0.14
Phosphate Mineral Fertilisers					
MAP	0.74	0.79	0.94	0.96	0.72
DAP	0.76	0.69	0.93	0.89	0.95
NP, NPK	0.16	0.08	0.12	0.11	0.07
Feed phosphates	0.22	0.20	0.24	0.24	0.16
Mineral raw materials					
Apatite	0.13	0.12	0.17	0.21	0.22
Iron ore	3.92	4.20	5.47	6.12	5.58
Baddeleyite (tonnes in thousands)	6.14	9.60	12.09	7.80	5.40

Mineral Reserves

Most of the Group's reserves have been evaluated in accordance with the JORC Code. In 1975, a geological-exploration expedition from Murmansk conducted a review of the mineral resources at the Kovdorskiy field, which is now subject to exploration by Kovdorskiy GOK. An additional internal review of the mineral resources is carried out by Kovdorskiy GOK on an annual basis. Certain of the Group's reserves have been evaluated in accordance with the Russian Classification or the Kazakhstan Classification.

The estimation of the quantity and content of the Group's reserves is based on drilling and geological data, and represents the mineral resources that could be legally and economically extracted or produced at the time that the reserve estimation was made. Russian subsoil licences are issued for areas within defined boundaries and for specific periods. However, under the Law on Subsoil Resources No. 2395-1 dated 21 February 1992, as amended, licences are required to be extended by the relevant authorities on the date of their scheduled termination at the request of the licensee if the extension is necessary to finish production in the field, provided that the licensee has not violated the conditions of the licence. Although there can be no assurance that the licences of the Group will be extended, or that such licences will not be withdrawn prior to their scheduled expiration, or that no new local, state or federal licence requirements will be introduced, the Group believes that it will be able to maintain the licences as valid and to extend them, where relevant.

The Group holds a total of 15 exploration and production solid minerals licences with respect to its mining operations; such licences expire between 2013 and 2035. None of the Group's subsoil licences has ever been revoked or suspended.

Kovdorskiy GOK

The following table sets forth Kovdorskiy GOK's reserves and resources of BAMO, LFAO, apatite-staffelite ore and apatite-baddeleyite tailings as measured by IMC Montan as at October 2009 according to the JORC Code:

	Amount	Fe content	P_2O_5 content	ZrO_2 content
	(tonnes in millions)		*(per cent.)*	
BAMO				
Proved and probable	372.19	26.05	6.66	0.17
Measured and indicated	365.93	26.62	6.80	0.17
LFAO				
Proved and probable	136.44	10.17	5.74	0.08
Measured and indicated	143.73	10.45	5.90	0.08
Apatite staffelite ore				
Proved and probable	63.05	7.17	12.80	–
Measured and indicated	57.16	8.09	14.46	–
Apatite baddeleyite tailings				
Proved and probable	22.83	–	10.66	0.28
Measured and indicated	26.37	–	10.67	0.28

EuroChem VolgaKaliy (Gremyachinskoe Potassium Deposit)

The Group plans to mine potassium and produce potassium mineral fertiliser (see "*—Production—Phosphates Segment—Gremyachinskoe Potassium Deposit*" above). EuroChem's subsidiary EuroChem VolgaKaliy is in the process of building shafts and underground mines.

The following table sets forth the Gremyachinskoe potassium deposit's reserves and resources of potash ore as measured by IMC Montan as at September 2009 according to the JORC Code:

	Amount	KCl content	NaCl content	$MgCl_2$ content	$CaSo_4$ content	Insoluble residue content
	(tonnes in millions)			*(per cent.)*		
Proved and probable	491.60	36.77	53.72	0.19	6.99	0.53
Measured	448.43	37.55	52.64	0.19	7.55	0.46
Indicated	889.26	39.01	52.21	0.19	6.36	0.51

EuroChem-Usolskiy Potash Complex (Verkhnekamskoe Potassium Deposit)

The Group plans to mine potassium and produce potassium mineral fertiliser (see "*—Production—Phosphates Segment—Verkhnekamskoe Potassium Deposit*" above). Usolskiy Potash is in the process of building shafts and underground mines.

The following table sets forth the Verkhnekamskoe potassium deposit's reserves and resources of potash (sylvinite) ore as measured by IMC Montan as at October 2009 according to the JORC Code:

	Amount	KCl content	NaCl content	$MgCl_2$ content	$CaSo_4$ content	Insoluble residue content
	(tonnes in millions)			*(per cent.)*		
Proved	118.45	27.16	61.90	0.38	2.55	6.77
Probable	301.60	27.66	62.01	0.38	2.31	6.54
Measured and indicated	1,075.68	30.04	61.97	0.34	2.20	4.73

Severneft-Urengoy

The Group operates Severneft-Urengoy, a gas exploration and production company with a combined annual production capacity of approximately 1.1 billion m^3 of natural gas and 220 thousand tonnes of gas

condensate. Severneft-Urengoy has natural gas reserves of approximately 47 billion m^3, petroleum reserves of approximately 35 million tonnes and gas condensate reserves of approximately 5.0 million tonnes as recorded in the State Register of Mineral Resources of the Russian Federation as at 1 January 2012 according to the Russian Classification.

EuroChem-Fertilizers

In 2008, EuroChem-Fertilizers, a wholly-owned subsidiary of EuroChem, acquired 58.2 per cent. of state-owned Sary-Tas Fertilisers located in Karatau, Kazakhstan. In 2012, EuroChem-Fertilizers signed agreements with the authorities of the Republic of Kazakhstan for the extraction of phosphate rock from the Kok-Jon and Gimelfarbskoe deposits in Kazakhstan's Zhambyl province. The Group plans to launch a mining and production project, which includes the development of phosphate rock deposits, the construction of integrated mining-and-processing facilities and a fertiliser production plant. The Group estimates that the project will be completed by 2017 and plans to invest approximately U.S. $100 million between 2013 and 2017. As at 30 September 2012, the Group had made total capital expenditures of less than U.S. $30 million in relation to its Kazakhstan development. EuroChem-Fertilizers has phosphate rock proved reserves of 515 million tonnes and probable reserves of 249 million tonnes as recorded in the State Register of Mineral Resources of the Republic of Kazakhstan as at 1 January 2012 according to the to the Kazakhstan Classification.

Production

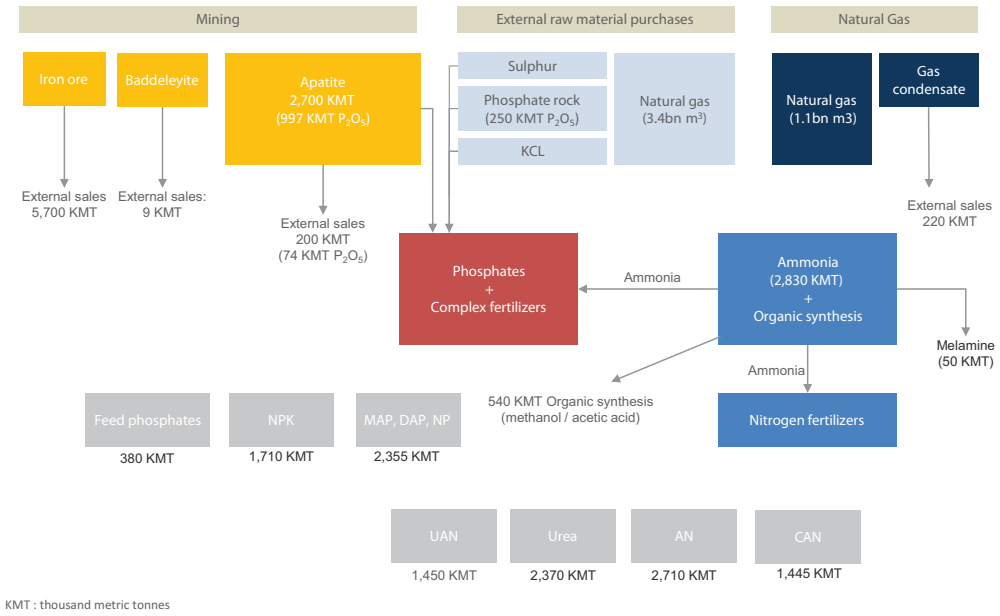
Overview

The Group's operations consist of natural gas extraction and production; a magnetite-apatite mine; apatite, iron ore and baddeleyite beneficiation plants; and nitrogen mineral fertiliser, organic synthesis product and phosphate mineral fertiliser production facilities.

As part of its vertically integrated business model, the Group mines magnetite-apatite ore, which is high-quality phosphate rock, from the Group's own mine and extracts apatite concentrate from the ore at the Group's beneficiation plant. The Group then uses its apatite concentrate output as a raw material to produce phosphate mineral fertilisers. Additional products derived from the production of phosphate mineral fertilisers include reactive sulphuric acid, aluminium fluoride and silicofluoric sodium. As requested by the Russian anti-monopoly services, the Group also sells a small portion of its apatite concentrate production to third parties. In addition, the Group produces natural gas, which it uses internally, primarily for the production of nitrogen mineral fertilisers as well as gas condensate, a by-product of natural gas extraction, which is sold externally to third parties. The Group also extracts baddeleyite concentrate from its magnetite-apatite ore and sells it to third parties. The Group's mining operations also yield iron ore concentrate, a co-product of apatite mining, which it sells to third parties for the production of steel.

Phosphate-based and nitrogen-based fertilisers are used to improve soil fertility by enhancing nutrient content in the soil and, as a result, to increase crop production and yields. Feed phosphates are used as feeding additive in the cattle, poultry and swine industries. Iron ore concentrate is used in steel production.

The following chart sets forth the main elements of the Group's production chain (including maximum annual production capacities) as at 30 September 2012:



Operational Structure

The Group operates its business according to the following segments:

- Nitrogen – the production and sale of nitrogen mineral fertilisers, including NPK, and organic synthesis products from Novomoskovskiy Azot and Nevinnomysskiy Azot as well as hydrocarbon extraction and production (Severneft-Urengoy), EuroChem Antwerpen production and sales from EuroChem Agro.
- Phosphates – the production and sale of phosphate mineral fertilisers, including complex fertilisers, and the extraction of ores to produce and subsequently sell baddeleyite and iron ore concentrates. Production from the following facilities is included within the Phosphate segment: EuroChem-BMU, Lifosa, Phosphorit, Kovdorskiy GOK, and EuroChem-Fertilisers.
- Potash – the development of several deposits of potassium salts under the licenses acquired by the Group with a view to start production and marketing of potassium fertilisers.
- Distribution – retail sales of mineral fertilisers (including fertilisers produced by third parties), seeds, crop protection items etc. via a number of retailers located in Russia and the CIS.

The Group's other operations include sales of third-party fertilisers outside of Russia and the CIS, certain logistics and service activities, central management, investment income and other items.

Nitrogen Segment

The Group's Nitrogen segment includes Novomoskovskiy Azot, Nevinnomysskiy Azot and EuroChem Antwerpen, which produce nitrogen mineral fertilisers and organic synthesis products, and Severneft-Urengoy, which produces natural gas and gas condensate. Sales of nitrogen mineral fertilisers and organic synthesis products constituted 46.0 per cent. and 40.4 per cent. of the Group's external sales for the nine months ended 30 September 2012 and the year ended 31 December 2011, respectively.

The following table sets forth the production volumes, production capacities and utilisation levels of the Nitrogen segment's production facilities for the years indicated:(1)

	For the year ended 31 December								
	2011			2010			2009		
	Production volume	Production capacity	Utilisation	Production volume	Production capacity	Utilisation	Production volume	Production capacity	Utilisation
	(tonnes in millions)		*(per cent.)*	*(tonnes in millions)*		*(per cent.)*	*(tonnes in millions)*		*(per cent.)*
Ammonia	2.66	2.83	94.0	2.76	2.83	97.5	2.79	2.79	100.0
Urea	2.20	2.37	92.8	1.98	2.38	83.2	1.80	1.9	94.7
AN	2.42	2.71	89.3	2.35	2.71	86.7	2.30	2.6	88.5
UAN	0.69	1.45	47.6	0.69	1.45	47.6	0.68	1.45	46.9
CAN	0.20	0.42	47.6	0.15	0.42	35.7	0.03	0.42	7.1
Methanol	0.42	0.47	89.4	0.43	0.46	93.5	0.32	0.47	68.1
Compound fertilisers	0.43	0.46	93.5	0.41	0.46	89.1	0.36	0.44	81.8
Acetic acid	0.15	0.17	88.2	0.16	0.17	94.1	0.17	0.17	100.0

(1) Excludes EuroChem Antwerpen, which was consolidated as of 31 March 2012 and Severneft-Urengoy, which was consolidated as of 31 December 2011.

Nevinnomysskiy Azot

History and Development

Nevinnomysskiy Azot is located in the town of Nevinnomyssk in the Stavropol Krai in southern Russia. Nevinnomysskiy Azot was the second largest producer of nitrogen fertilisers in Russia as at 31 December 2011 (*Source*: AzotEconPlus), and the country's only producer of melamine. The Group believes Nevinnomysskiy Azot to be one of the most technologically advanced chemical plants in Russia.

Construction of the site began in the mid-1950s, with ammonia first being produced in August 1962. Since 1965, Nevinnomysskiy Azot has been producing organically synthesised products, and launched the production of complex fertilisers in 1970. Since then and through the late 1980s, Nevinnomysskiy Azot underwent rapid development and expansion. However, in the early 1990s, due to the general downturn in the state of the Russian economy, production started to decline. In 1993, Nevinnomysskiy Azot was privatised and reorganised into an open joint-stock company. In 1998, under the relevant privatisation laws, the Russian Government obtained a certain right, a so-called ''golden share'', in Nevinnomysskiy Azot, stipulating that a representative of the Russian Government should be a member of the Board of Directors of Nevinnomysskiy Azot. Additionally, the golden share provided the Government with a right to veto certain shareholder resolutions on such issues as the winding-up or the reorganisation of the company or the revision of its constitutional documents.

In December 2002, EuroChem acquired a controlling stake in Nevinnomysskiy Azot and the Group began implementing its strategic programme designed to increase the production capacity of the plant. Since its acquisition, the Group has invested a total of U.S. $525 million in capital expenditures in Nevinnomysskiy Azot. As at 30 September 2012, Nevinnomysskiy Azot had annual production capacities of 1.16 million tonnes of ammonia, 0.89 million tonnes of urea, 1.42 million tonnes of AN, 1.02 million tonnes of UAN, 0.13 million tonnes of methanol, 0.46 million tonnes of NPK and 0.17 million tonnes of acetic acid.

Nevinnomysskiy Azot is a strategic company within the meaning of Federal Law No. 52-FZ ''On the Procedure for Making Foreign Investments in the Companies of Strategic Importance for the Defense and Security of the State'' dated 29 April 2008, as amended.

According to data from AzotEconPlus, as at 31 December 2011, Nevinnomysskiy Azot was the seventh largest ammonia producer in Russia and the country's second largest nitrogen fertiliser producer. For the year ended 31 December 2011, Nevinnomysskiy Azot accounted for approximately 8 per cent., of the total production of ammonia in Russia (*Source*: AzotEconPlus). For the same period, it produced approximately 8 per cent. of the ammonium nitrate and 39 per cent. of the UAN produced in Russia (*Source*: AzotEconPlus).

Production Processes

Nitrogen Fertilisers

The following chart sets forth the Nevinnomysskiy Azot fertiliser production process:

The Nevinnomysskiy Azot nitrogen fertiliser production assets include facilities for the production of ammonia, non-concentrated nitric acid, ammonium nitrate, urea, UAN, NPK and melamine.

Ammonia is produced in two workshops: Workshop No. 1-B, designed by TEC (Japan) and Workshop No. 1-V, designed by GIAP Design Institute (Russia). Ammonia is produced through the catalytic steam and air conversion of methane via the cleaning of the gas mix with a CARSOL solution (Workshop No. 1-B) or diethanolamine solution (Workshop No. 1-V) and the catalytic synthesis of ammonia. The main equipment used in the ammonia shops is comprised of stripping columns, absorption columns and ammonia synthesis columns, compressors driven by a steam turbine, primary reforming tubular furnaces, secondary reforming methane converters, heat exchangers, reactors for high and low temperature carbon oxide conversion, and boilers.

Ammonium nitrate is produced in Workshops No. 6.3 and No. 3A. The ammonium nitrate production technology applied at Nevinnomysskiy Azot is based on the neutralisation of non-concentrated nitric acid with gaseous ammonia. The main chemical reaction of the process takes place in the neutralisation heat utilizers under 0.02 MPa pressure and at temperatures of 1,308-1,408ºC. The main equipment of the ammonium nitrate production workshop includes neutralisation heat utilisers ammonia heaters, continuous washers, evaporation pans, granulators, belt conveyors, manual packaging machines and sack loading machines.

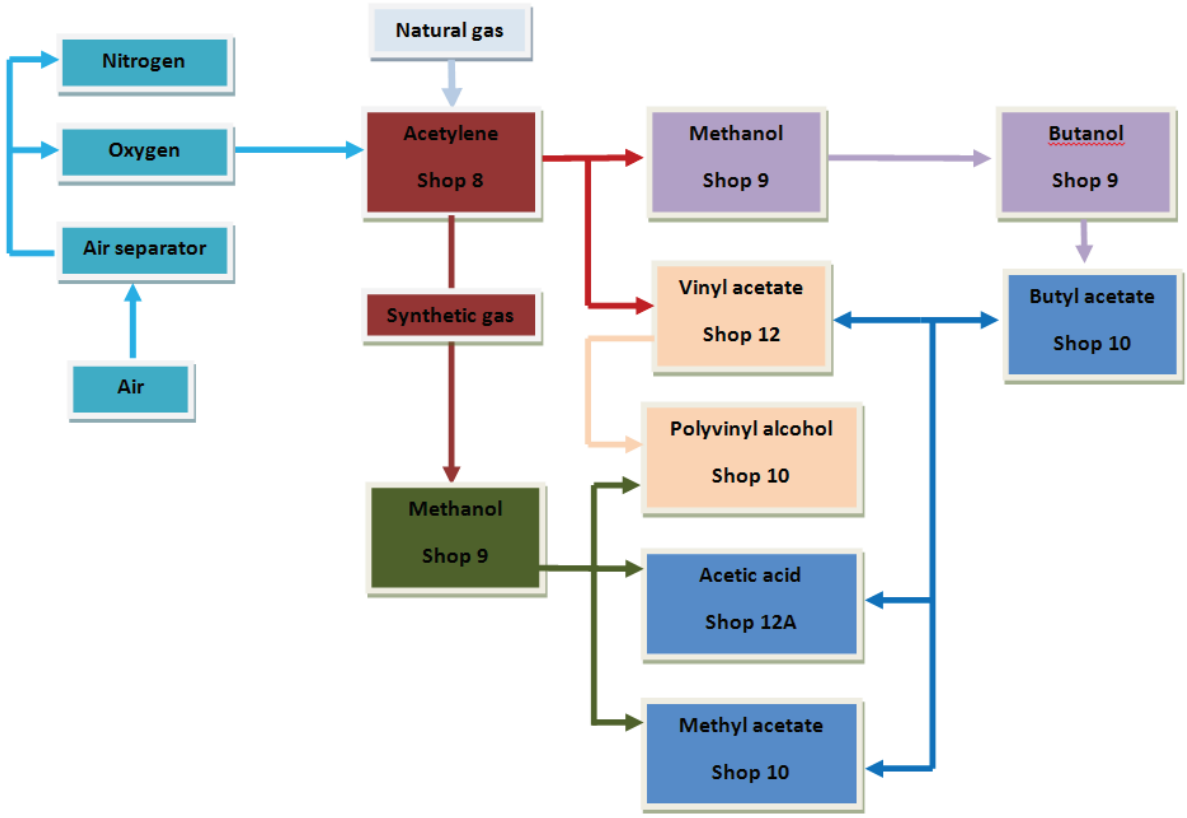
Urea is produced in Workshops No. 2 and No. 2A, synthesising urea from liquid ammonia and gaseous carbon dioxide at a pressure of 13.4-14.4 MPa and a temperature of 1,838ºC. The main equipment of the

urea production workshop includes a stripper, heat exchanging equipment, a synthesis column, a rectification column, a solution collector, vacuum pans with agitators, centrifuges, granulators, rail and automobile scales and packaging lines.

UAN solutions are produced in Workshop No. 30. The main equipment of the UAN solutions production workshop includes mixing installations, a tubular cooler, storage tanks with agitators, 3-stage and 2-stage compressors, a rail and a truck loading facility.

Organic Synthesis Products

The following chart sets forth the Nevinnomysskiy Azot organic synthesis production process:



This division includes facilities for the production of acetylene, methanol, butanol, acetic acid, vinyl acetate, butyl acetate and methyl acetate.

Methanol is produced by processing the synthesis gas generated in the course of acetylene production, the converted gas generated in the course of production of nitrogen fertilisers and the hydrogen/carbon oxide generated in the course of acetic acid production. The production process uses SNM-1 catalyst and is carried out at a pressure of 5.3 MPa and temperature of up to 573K. The main equipment of the methanol workshop includes a booster compressor, methanol synthesis reactor, rectification columns, a methanol collector and storage, separators, absorbers and heat exchangers.

Acetic acid is produced in Workshop No. 540, using catalytic steam and carbon dioxide conversion of methane with a low-temperature separation of the gas feedstock and carbonylation of methanol. Acetic acid synthesis is carried out at a temperature of 1,858ºC and a pressure of 2.8 MPa using rhodium, methyl iodide and hydroiodic acid. The main equipment of the acetic acid production workshop comprises compressors driven by electric motors and by steam, hydrogenation, rectification, condensation, separation, and dehydration columns, a tubular reforming furnace, heat exchangers, reactors, intermediate and storage tanks, pumps, air blowers, smoke removers and stand-by diesel generators.

Vinyl acetate and zinc acetate catalyst are produced in Workshop No. 122, using acetic acid and acetylene conversion in the gas-vapour phase in the aerated layer or static layer of zinc acetate catalyst applied to activated charcoal. The main equipment of the vinyl acetate production workshop includes air blowers, separation and rectification columns, scrubbers, contact reactors, gas holders and heat exchangers.

Compound Fertilisers

Compound fertilisers, including NPK (containing nitrogen, phosphate and potassium) and NK (containing nitrogen and potassium) complex fertilisers, are produced in Workshop No. 18. The division's main equipment includes drying and granulating drums, absorbers, scrubbers, ammonium nitrate evaporators, transporters, elevators and band conveyors, hammer crushers, ventilators, chemical, vacuum, submerged and vertical pumps and screens.

Production Volumes

If considered as a stand-alone producer, in 2011, Nevinnomysskiy Azot would have ranked second among Russian producers in terms of both ammonia and nitrogen fertiliser production according to data from AzotEconPlus.

The following table sets forth the production volumes of principal products at Nevinnomysskiy Azot for the periods indicated:

	For the nine months ended 30 September		For the year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
			(tonnes)		
Ammonia	890,722	790,328	1,058,123	1,186,003	1,132,690
Urea	672,167	581,022	784,800	879,196	854,160
AN	913,221	872,719	1,150,373	1,199,361	1,126,350
UAN	434,104	358,185	484,953	623,379	473,799
Acetic acid	106,163	115,001	154,527	156,851	165,597
Methanol	81,192	94,172	129,466	127,060	111,410
Compound fertilisers	356,238	343,397	432,130	411,943	361,128

Novomoskovskiy Azot

History and Development

Novomoskovskiy Azot, located in the town of Novomoskovsk in the Tula Oblast, approximately 220 kilometres south of Moscow, was Russia's largest producer of nitrogen fertilisers as at 31 December 2011 (*Source*: AzotEconPlus). In terms of production output, Novomoskovskiy Azot ranks first in Russia in urea and second in ammonia volumes according to data from AzotEconPlus. According to the same source, for the year ended 31 December 2011, Novomoskovskiy Azot was responsible for approximately 13.8 per cent. of Russia's total nitrogen fertiliser output, 23.4 per cent. of urea output, 11.5 per cent. of ammonia output, 11.6 per cent. of ammonium nitrate output and 16.2 per cent. of UAN output in Russia.

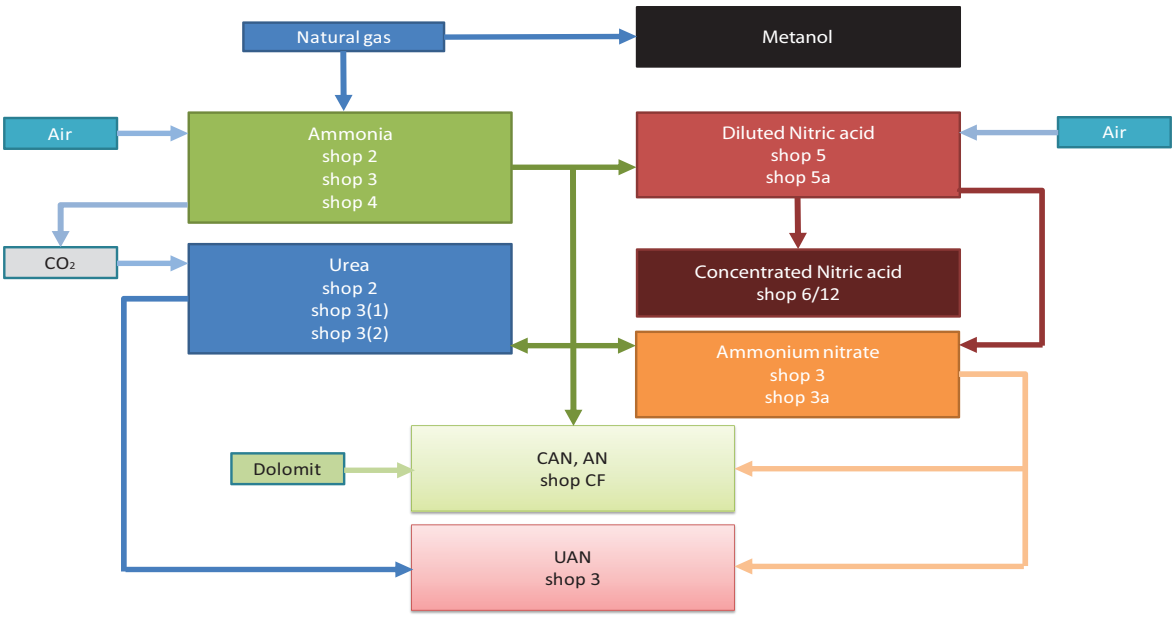
Synthetic ammonia was first produced at the Novomoskovskiy facilities in July 1933. In the late 1950s, Novomoskovskiy Azot was the first in Russia to adopt internationally recognised technology enabling it to produce ammonia from natural gas. By 1959, all production had been fully converted to this technology, which resulted in a two-fold reduction in ammonia costs. By the 1980s, the plant had been upgraded and expanded to become a leading European producer of nitrogen fertilisers and ammonia. In the early 1990s, as a result of declines in Russia's agricultural sector and its economy, the plant shifted the bulk of its sales to the international markets. In 1992, Novomoskovskiy Azot was privatised and reorganised as an open joint-stock company.

In December 2002, EuroChem acquired a controlling stake in Novomoskovskiy Azot. Since its acquisition by the Group and until 30 September 2012, the Group invested an aggregate of U.S. $619 million in capital expenditures in Novomoskovskiy Azot to increase efficiency, broaden the product mix and increase capacity while bringing the production processes in line with modern environmental standards. As a result of these investments by the Group, a new 300 thousand tonne per annum methanol production facility was launched and the plant also began producing various new fertiliser products, as well as stabilised ammonium nitrate and de-icing agents. In 2004, a large-scale upgrade of the ammonia production facilities resulted in a 20.0 per cent. reduction in gas and steam consumption. In 2009, the Group began CAN production at Novomoskovskiy Azot with granulated urea production beginning later that year before being expanded in September 2010 when a second production line began operation. In parallel to capacity growth, the Group has been actively investing in environmental safeguards, while overhauling the internal water consumption system to reduce freshwater intake and upgrading effluent treatment facilities. As at 30 September 2012, Novomoskovskiy Azot had

annual production capacities of 1.67 million tonnes of ammonia, 1.49 million tonnes of urea, 1.29 million tonnes of AN, 0.43 million tonnes of UAN, 0.42 million tonnes of CAN and 0.34 million tonnes of methanol.

Production

The following chart sets forth the Novomoskovskiy Azot production processes:



Novomoskovskiy Azot has highly mechanised and automated production facilities with state-of-the-art technology and equipment.

Ammonia and Nitrogen Fertilisers

The ammonia and fertiliser production division includes facilities for the production of ammonia, non-concentrated nitric acid, ammonium nitrate and urea.

Ammonia is produced through a process of catalytic steam and air conversion of methane and catalytic synthesis of ammonia. At Novomoskovskiy Azot, ammonia is produced in the Ammonia-2, Ammonia-3 and Ammonia-4 workshops. The main equipment of the ammonia production workshops consists of stripping columns, absorption columns, ammonia synthesis columns, major compressors driven by steam turbines, primary reforming tubular furnaces, secondary reforming methane converters, heat exchangers, major reactors, an absorption and cooling installation, boilers and other related equipment.

Ammonium nitrate is produced in Workshops No.3 and No.3a. The ammonium nitrate production technology applied at Novomoskovskiy Azot is based on the neutralisation of non-concentrated nitric acid with gaseous ammonia. The major chemical reaction of the process occurs in the neutralisation heat utilisers at between 0.35-0.6 MPa of pressure and temperatures of 180-2,008ºC. The main equipment in place at the ammonium nitrate production workshops consists of an ammonia evaporator, neutralisation heat equipment, granulators, semiautomatic packaging machines and sack loaders.

Urea is synthesised from liquid ammonia and gaseous carbon dioxide at a pressure of 14-18 kg/cm^2. The main equipment of the urea production workshops includes steam boilers, steam-turbine-driven centrifugal compressors, a reactor for urea fusion cake synthesis, medium and low pressure distillation columns, granulators, and a portal scrapper.

Calcium ammonium nitrate is produced in Workshops No. 0208 and No. 1208. The main equipment of the compound fertilisers production workshops includes decomposition and ammonisation reactors, spherodisers, cooling and conditioning drums and fertiliser loading cranes.

UAN is produced using ammonium nitrate and urea. The main stages of the UAN production process include combining the major inputs in a mixing reactor and cooling the resulting solution. The main equipment of the UAN production facilities includes mixing reactors, a UAN solution cooler, UAN storage tanks and centrifugal pumps.

Organic Synthesis

This division includes facilities for the production of acetylene, vinyl chloride, polyvinyl chloride resin, and methanol. The organic synthesis line of products are produced by Novomoskovskiy Khlor, a EuroChem subsidiary located within the Novomoskovskiy Azot industrial complex.

Vinyl chloride is produced by mixing acetylene, once purified from homologoacetylene via sulphuric acid reaction, with hydrogen chloride and delivered to the chlorination reactor to produce reaction gases (gaseous vinyl chloride and hydrogen chloride). The main equipment of the vinyl chloride production workshops includes chlorination, absorption, and rectification columns, scrubbers, heat exchangers, tubular acetylene hydroclorination reactors and coolant production installations.

Methanol is produced almost entirely in Workshop No. M300, by processing synthesis gas from acetylene production. The production process uses SNM-V catalyst and is carried out at a pressure of 4.5 kg/cm^2 and a temperature of up to 508ºC. The main equipment of Workshop No. M300 includes compressors, major columns, heat exchangers, methanol synthesis reactors and storage tanks.

Production Volumes

The following table sets forth the production volumes of principal products at Novomoskovskiy Azot for the periods indicated:

	For the nine months ended 30 September		For the year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
			(tonnes)		
Ammonia	1,140,286	1,217,423	1,600,064	1,574,383	1,656,421
Urea	1,095,899	1,074,399	1,419,203	1,102,388	945,100
AN	972,429	935,770	1,267,703	1,155,568	1,177,406
UAN	112,794	143,526	200,587	67,518	204,599
Methanol	227,695	208,620	287,190	299,475	208,415
CAN	107,381	172,410	197,657	152,211	27,802

EuroChem Antwerpen

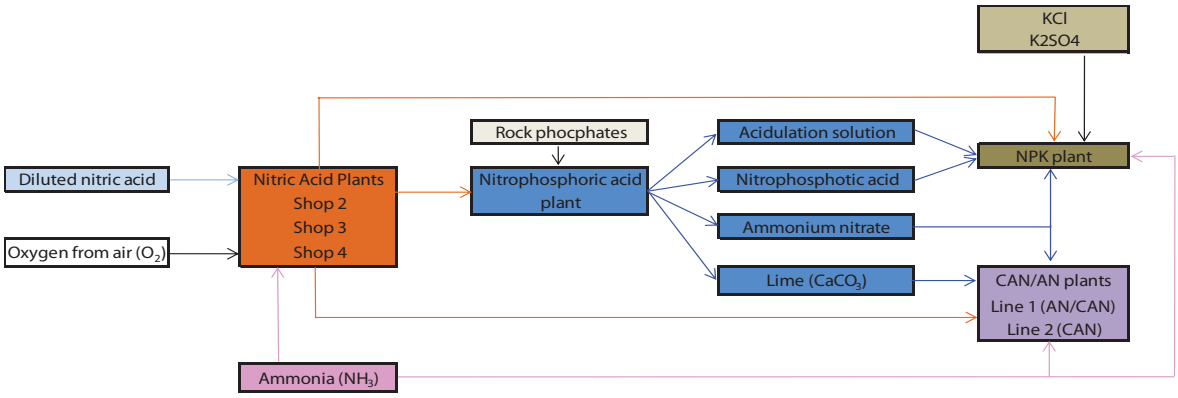
History and Development

In March 2012, the Group acquired BASF's fertiliser's assets located in Antwerp, Belgium. The plants are surrounded by the Scheldt and Scheldt-Rhine canal and have their own warehouses for raw materials and fertilisers and unloading and loading infrastructure, facilitating the arrival of main raw materials by barges and sea-going vessels and the transportation of bulk-fertilisers, mainly via the North Sea, Rhine River and different canals. The transaction included three nitric acid plants, a nitrophosphoric acid plant (the so-called Odda process), a NPK plant, a AN/CAN plant and logistics assets. The addition of these fertilisers facilities increased the Group's annual production capacities of NPK by 1,250 thousand tonnes and of AN/CAN by 1,025 thousand tonnes. The NPK product range produced by EuroChem Antwerpen includes traditional compound fertilisers as well as premium non-chlorine specialties with microelements and ENTEC NPKs with slow nitrogen release effect.

EuroChem Antwerpen is located on the BASF production site. The Group owns the buildings that comprise the EuroChem Antwerpen production facility and the land on which the facility is located is leased under a long-term lease. EuroChem Antwerpen has entered into a site services agreement with BASF that covers utilities, including water and electricity, as well as certain auxiliary services such as security and maintenance. The agreement was signed in 2012 and pricing terms are reviewed every five years. EuroChem Antwerpen also has agreements with BASF to purchase ammonia and AN from BASF. Under the agreement for the purchase of ammonia, EuroChem Antwerpen is obliged to purchase 200 thousand tonnes of ammonia per year from BASF.

Production

The following chart sets forth the EuroChem Antwerpen production processes:



Nitrophosphoric Acid

- The nitrophosphoric acid unit (A40 + A50) has four main parts:
- digestion of the rock phosphate with nitric acid (production of acidulation acid);
- separation of $Ca(NO_3)_2$-crystals out of the desanded acidulation acid in order to form nitrophosphoric acid;
- transformation of $Ca(NO_3)_2$ into AN-solution and lime by using CO_2 and NH_3 as raw materials; and
- preparation of NP-feed mix for the NPK-unit.

The main equipment of the nitrophosphoric acid plant includes reactors, ammonia evaporator, deep coolers, vacuum conveyor belts, scrubbers and general transport systems.

NPK

The NPK-unit consists of two parallel lines in one building (B50). The main parts of the NPK-plant are:

- neutralisation of the prepared NP-feed mix with gaseous ammonia;
- adding of K- and Mg-salts in a mixing vessel in order to produce a NPK-slurry;
- granulation based on the spherodizer-technology; and
- drying, conditioning and cooling.

The main equipment of the unit includes a reclaimer for potassium, ammonisation reactors, scrubbers, spherodizers, furnaces, sieves and crushers, drying and cooling drums, bulk flow heat exchangers, cyclones, extruder for anticaking agent and general transport systems.

AN/CAN

The main parts of the AN/CAN-unit B60 are:

- AN-synthesis (where nitric acid 60.0 per cent.-solution is neutralised with gaseous ammonia at an effective pressure of 1.5 bar and a temperature of max. 180ºC);
- AN-concentration (using saturated 8 bar steam as heat medium);
- mixing with additives;
- granulation based on the pugmill-technology; and
- cooling and conditioning.

The main equipment of the unit includes the synthesis-reactor, heat exchangers, pugmill, sieves and crushers, drying and cooling drum, cyclones, scrubber and general transport systems

CAN

The main parts of the CAN-plant B61 are:

- AN-synthesis (where nitric acid 60.0 per cent.-solution is neutralised with gaseous ammonia at an effective pressure of 0.5 bar and a temperature of max. 180ºC);
- AN-concentration (using saturated 8 bar steam as heat medium);
- mixing with lime and additives;
- granulation in a drum, using ambient air as drying medium; and
- cooling and conditioning.

The main equipment of the unit includes the synthesis-reactor, heat exchangers, granulation and drying drum, sieves and crushers, bulk flow heat exchanger, fluidised bed cooler, cyclones, scrubber and general transport systems

Production Volumes

The following table sets forth the production volumes of principal products at EuroChem Antwerpen for the periods indicated:

	For the nine months ended 30 September 2012	Annual Production Capacity
	(tonnes in thousands)	
NP, NPK	666	1,250
AN, CAN	479	1,025

Severneft-Urengoy

History and Development

In December 2011, the Group acquired Severneft-Urengoy, a natural gas producer located in Siberia. Severneft-Urengoy has natural gas reserves of approximately 47 billion m^3, petroleum reserves of approximately 35 million tonnes and gas condensate reserves of approximately 5.0 million tonnes as recorded in the State Register of Mineral Resources of the Russian Federation as at 1 January 2012 according to the Russian Classification.

As at 30 September 2012, Severneft-Urengoy had annual production capacities of 1.1 billion m^3 of natural gas and 220 thousand tonnes of gas condensate. The Group uses natural gas produced by Severneft-Urengoy to produce nitrogen-based fertilisers at its Novomoskovskiy Azot and Nevinnomysskiy Azot production facilities.

Production Volumes

The following table sets forth the production volumes of principal products at Severneft-Urengoy for the nine months ended 30 September 2012:

	For the nine months ended 30 September 2012
Natural gas (m^3 in millions)	514
Gas condensate (tonnes in thousands)	99

Phosphates Segment

The Group's Phosphates segment includes Kovdorskiy GOK, which produces apatite, iron ore and baddeleyite concentrates from magnetite-apatite ore and iron ore that it mines, and Phosphorit, Lifosa and EuroChem-BMU, which produce phosphate mineral fertilisers. Sales of phosphate mineral fertilisers and apatite, iron ore and baddeleyite concentrates constituted 36.5 per cent. and 46.0 per cent. of the Group's external sales for the nine months ended 30 September 2012 and the year ended 31 December 2011, respectively.

The following table sets forth the production volumes, production capacities and utilisation levels of the Phosphates segment's production facilities for the years indicated:

	For the year ended 31 December								
	2011			2010			2009		
	Production volume	Production capacity	Utilisation	Production volume	Production capacity	Utilisation	Production volume	Production capacity	Utilisation
	(tonnes in millions)		*(per cent.)*	*(tonnes in millions)*		*(per cent.)*	*(tonnes in millions)*		*(per cent.)*
Apatite	2.58	2.70	95.6	2.70	2.70	100.0	2.51	2.70	93.0
MAP, DAP, NP.	2.04	2.36	86.4	1.96	2.36	83.1	1.56	2.23	70.0
Feed phosphates	0.25	0.38	65.8	0.25	0.38	65.8	0.15	0.30	50.0
Iron ore	5.25	5.70	92.1	5.70	5.70	100.0	5.57	5.70	97.7

Kovdorskiy GOK

History and Development

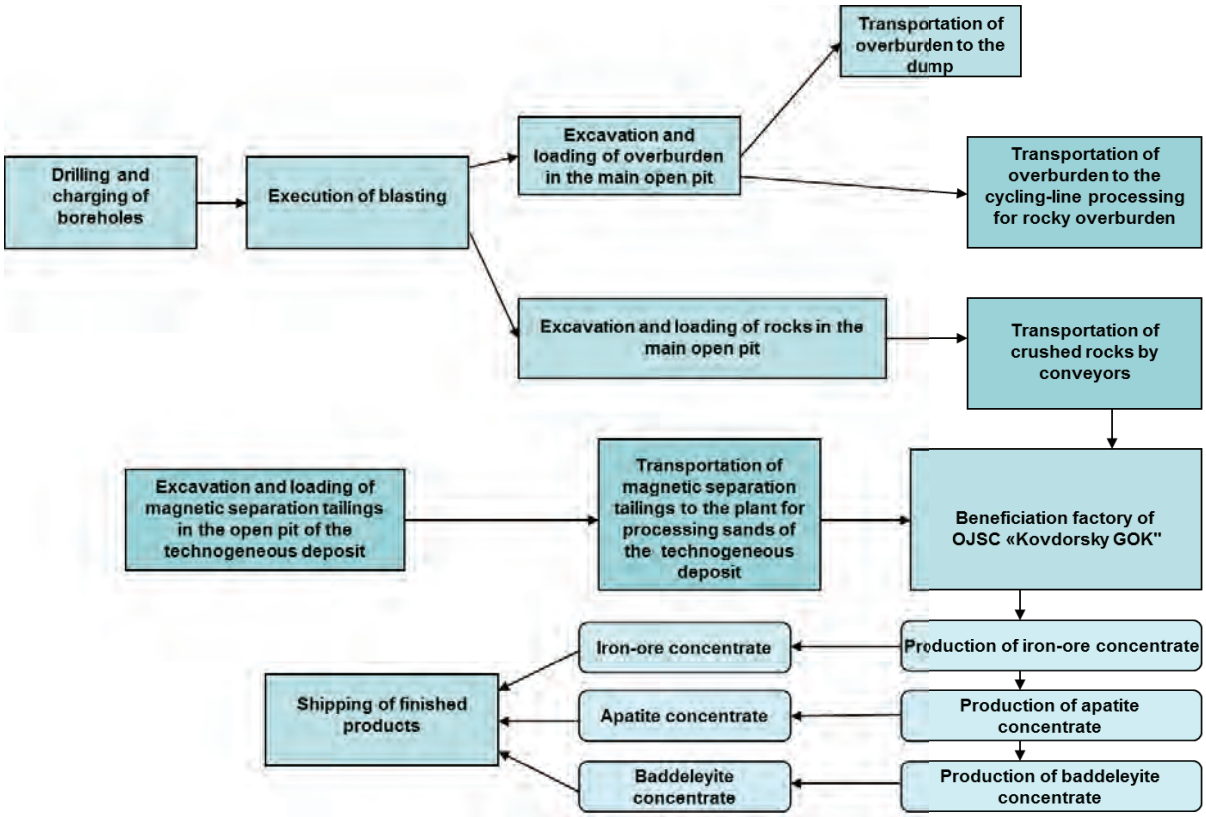
Located in Kovdor in the Murmansk Oblast in northern Russia, Kovdorskiy GOK is the second largest producer of apatite concentrate in Russia, the sixth largest producer of iron ore concentrate in Russia and the only producer of baddeleyite concentrate in the world (source: Metal Expert). Construction of the plant commenced in 1953, and Kovdorskiy GOK began to regularly supply customers from 1962. In the mid-1970s, an apatite and baddeleyite beneficiation plant was put into operation to produce apatite and baddeleyite concentrates from the mined ore. By the early 1980s, operations at Kovdorskiy GOK had reached their full capacity and the facilities were privatised in 1993. In December 2002, the Group acquired a controlling stake in Kovdorskiy GOK. Subsequently, Kovdorskiy GOK was integrated into the Group's phosphate fertiliser production chain as the principal raw materials supplier. As at the date of this Prospectus, over 90 per cent. of all apatite concentrate produced by Kovdorskiy GOK is consumed within the Group. Since 2002, the Group has invested an aggregate of U.S. $402 million capital expenditures in Kovdorskiy GOK.

As a result of a production upgrade programme for the apatite processing facility carried out from 2005, the apatite concentrate production capacity of Kovdorskiy GOK was expanded and had reached a total annual output of approximately 2.70 million tonnes as at 30 September 2012. As at 30 September 2012, Kovdorskiy GOK had annual production capacities of 5.70 million tonnes of iron ore concentrate and 8.85 thousand tonnes of baddeleyite.

Production

Kovdorskiy GOK produces iron ore concentrate with an average Fe content of 64.0 per cent., apatite concentrate with an average P_2O_5 content of 38.0 per cent. and a maximum MgO content of 2.5 per cent., and baddeleyite concentrate with an average ZrO_2 content of 98.5 per cent. The main production divisions of Kovdorskiy GOK include the Zhelezny open-pit mine (Workshop No. 02), the technological transport workshop (Workshop No. 03), the crushing facility (Workshop No. 04), the iron ore concentrating facility (Workshop No. 05) and the apatite-baddeleyite ore concentrating facility (Workshop No. 06).

The following chart sets forth the principal technological processes of Kovdorskiy GOK:



Zhelezny Mine

The Zhelezny open-pit mine is the main ore mining facility of the Group. The mining facility includes an administrative building, repair workshops, garages and auxiliary warehouses. Its main equipment includes excavators, roller bit drilling rigs and jaw crushers. The mine is of an open-pit design, and mining is conducted using the blasting method, which involves the drilling of blast holes in the ore body by roller-bit drilling rigs and the placing of explosives into the holes for detonation.

Crushing

Crushing is the initial operation prior to iron ore dressing. There are three stages of crushing: primary (350–100 mm), secondary (100–40 mm) and fine (30–5 mm). Jaw and cone crushers are used for the primary and secondary crushing of hard rocks, following which the ore is further reduced to powder using ball and rod mills. Crushed ore is further treated at a dressing plant. The crushing facility includes main production buildings, a repair workshop and reloading station. The main machinery and equipment of the crushing facility includes various types of cone crushers and jaw crushers.

Iron Ore Dressing

Iron ore dressing comprises several stages. Primary crushed ore is first ground using rod and ball mills and is then separated from the tails using electro-magnetic separators. The pulp produced is then dried with vacuum filters. During the winter, the concentrate is further dried to 1.5 per cent. humidity in order to produce a dry concentrate before shipment to customers. The tailings of the iron ore dressing are then taken to apatite and baddeleyite production. The tailings are screened and ground if required, and then transformed into concentrate. Apatite concentrate is separated from the tailings via floatation. The pulp is heated and mixed with reagents before being floated, dried in rotary kilns and stored in silos. The tailings from the apatite concentrate production are later used for baddeleyite concentrate production. Baddeleyite is separated from the tailings via gravitation and magnetic separation methods. The pulp is then concentrated and dried and the residual tailings pumped to the tailing quarry.

Iron Ore Concentrating

The iron ore concentrating facility occupies ten buildings, including the main production building, the concentrate storage, the drying building, reloading stations and a compressor station. The main

machinery and equipment of the iron ore concentrating facility includes drying furnaces, rod mills, ball mills and vacuum filters.

Apatite-Baddeleyite Ore Concentrating

The apatite-baddeleyite facility includes building housing the thickening department, buildings for the dressing plant, pumping stations, reloading stations and an administrative building. The main machinery and equipment of the apatite-baddeleyite ore concentrating facility includes drying furnaces, rod mills, ball mills, vacuum filters and screens.

Production Volumes

The following table sets forth the production volumes of principal products at Kovdorskiy GOK for the periods indicated:

	For the nine months ended 30 September		For the year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
			(tonnes)		
Apatite concentrate	1,791,078	1,937,841	2,576,817	2,701,119	2,511,728
Iron ore	4,233,958	3,880,838	5,247,605	5,703,119	5,567,229
Baddeleyite concentrate	6,053	6,652	8,917	9,308	8,249

Phosphorit

History and Development

Phosphorit is located in the city of Kingisepp in the Leningrad Oblast in Northwestern Russia. Phosphorit is one of the leading regional producers of phosphate fertilisers and feed phosphates and accounted for approximately 12.5 per cent. of Russia's total phosphate fertiliser production for the year ended 31 December 2011 (*Source*: AzotEconPlus).

The Phosphorit facility benefits from a convenient location close to the ports of Tallinn and St. Petersburg. In the 1950s, deposits of phosphorus-containing sands and sandrocks were discovered in the Kingisepp district. In December 1963, the company produced its first fertiliser, ground phosphate rock. Following the launch of the open pit, a processing plant, electric workshop, instrumentation and control workshop, transportation shop and mechanical repair workshop were constructed. Given the low value of ground phosphate rock as mineral fertiliser, the construction of a chemical plant began in 1969 to enable it to produce more complex mineral fertilisers. Phosphorit, which was established during the course of privatisation in 1990s, operated the phosphate fertilisers facilities located in Kingisepp, including workshops for the production of wet-process phosphoric acid, MAP, sulphuric acid as well as a pilot workshop for phosphogypsum processing. The present day Phosphorit was established as a limited liability company in November 2001. In June 2003, EuroChem acquired a 100.0 per cent. stake in Phosphorit. Since becoming part of the Group in 2002, Phosphorit has undergone a series of investments targeting increases in production quality, launching DAP production capacity and installing turbine generators capturing and utilising heat generated from the facility's production processes. In terms of environmental investments, particular attention was given to the plant's effluent treatment system given its proximity to the Baltic Sea. As at 31 December 2012, annual effluent discharge had decreased by approximately 71 per cent., from 4.87 m^3 of effluent per tonne of production output to 1.41 m^3 of effluent per tonne of production output.

The following table sets forth the effluent discharge per tonne of production output at Phosphorit for the years indicated:

	For the year ended 31 December							
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**
	(m^3 per tonne of production output)							
Effluent discharge	1.41	1.63	1.81	1.99	1.69	2.90	4.24	4.87

As at 30 September 2012, Phosphorit had annual production capacities of 0.78 million tonnes of MAP, DAP and NP and 0.22 million tonnes of feed phosphates.

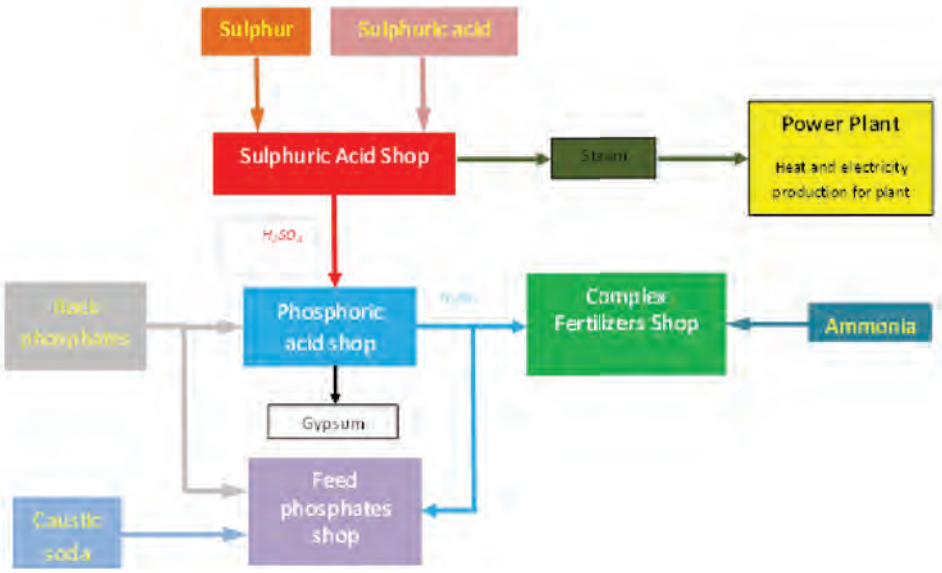
Production

Phosphorit's facilities are located approximately 120 kilometres southwest of St. Petersburg, approximately 25 kilometres from the Estonian border. The site has immediate access to the local road and rail networks, both of which are used for raw material and finished product shipments. The Phosphorit facility also benefits from its proximity to the Estonian ports of Sillamäe, Tallinn and Paldiski. The Kingisepp phosphate fertiliser plant originally consisted of mining and dressing facilities built in the 1960s. Major additions to, and modernisations of, the facilities since then include the expansion of the phosphoric flour production capacity in 1965, construction of the ammophos workshop (from 1973 to 1980) for the production of fertilisers from phosphoric powder, construction of a workshop for the production of phosphoric acid (from 1973 to 1980), construction of the sulphuric acid production Workshop No. 1 (from 1972 to 1974) and Workshop No. 2 (in 1979) and the commencement of fluorine-free feed phosphates production in the late 1970s. Until 2006, Phosphorit operated an open-pit mine and a concentrating plant that produced phosphorite concentrate, the main raw material used for fertiliser production. The open pit was closed in 2006, and currently the raw materials are being supplied by Kovdorskiy GOK and (to a lesser extent) by outside suppliers such as OCP. Phosphorit includes several main production divisions and auxiliary divisions.

Phosphate Fertilisers

Phosphorit produces MAP using a production process involving neutralisation, granulation and drying. Neutralisation takes place in a pipe reactor and the phosphate fertilisers are then granulated using an ammonisator-granulator machine and dried in a drying drum. The dried material is screened and the granules are cooled, coated and transferred to a warehouse.

The following charts provide a brief technological overview of the production processes at the Phosphorit plant:



Animal Feed Phosphates

Phosphorit produces fluorine-free calcium phosphate, which is used as a mineral additive in feed for livestock. The production is based on the hydrothermal treatment of apatite concentrates (defluorination) with the addition of extractive phosphoric acid in a rotary calciner. The resulting substance, clinker, is then crushed, cooled and packed as a final product.

Sulphuric Acid

Phosphorit produces technical sulphuric acid with a concentration of 92.5 per cent. and above, which is used for the production of fertilisers, man-made fibres and other chemical products. It is produced from liquid or lump sulphur using double conversion technology, involving the treatment of sulphur in sulphur burners, the conversion of sulphur dioxide into sulphur trioxide in a catalyst converter, and the intermediate absorption of sulphur anhydrate in absorption columns. The sulphuric acid production

workshop occupies 12 buildings including a washing section building, a chemical water treatment building, a lump sulphur storage building, and an air blower and compression building.

Phosphoric Acid

Phosphorit produces extractive phosphoric acid for use in the production of compound phosphate fertilisers and animal feed phosphates. The phosphoric acid production workshop has an annual production capacity of approximately 400 thousand tonnes of 100 per cent. P_2O_5 grade. Phosphoric acid is produced by the decomposition of apatite concentrate and phosphoric concentrate by sulphuric acid in a dehydrate process. The dehydrate process comprises three stages: reaction, filtration and concentration. The reaction of apatite concentrate with sulphuric acid produces phosphoric acid, calcium sulphate dehydrate and fluorine compounds. The phosphoric acid is separated using vacuum filters and concentration in a vacuum evaporator.

The auxiliary production facilities of Phosphorit include utilities (including electricity supply, water supply, industrial wastes treatment and detoxification, steam supply and telecommunication facilities), various maintenance workshops, transport workshops, control equipment and an automation workshop, a laboratory, and a technical control department. Electricity is supplied through the high voltage lines of Lenenergo and two of the facility's own turbo generators. The water needed for the production process is taken from the Luga River. As at 30 September 2012, a total aggregate amount of U.S. $45 million had been invested in Phosphorit environmental safeguards.

Production Volumes

The following table sets forth the production volumes of principal products at Phosphorit for the periods indicated:

	For the nine months ended 30 September		For the year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
			(tonnes)		
MAP	346,855	464,846	530,328	526,090	410,383
Compound fertiliser	91,054	7,524	28,553	35,710	26,330
Feed	91,500	122,580	142,900	182,554	111,310
DAP	105,297	33,028	124,058	58,489	56,682

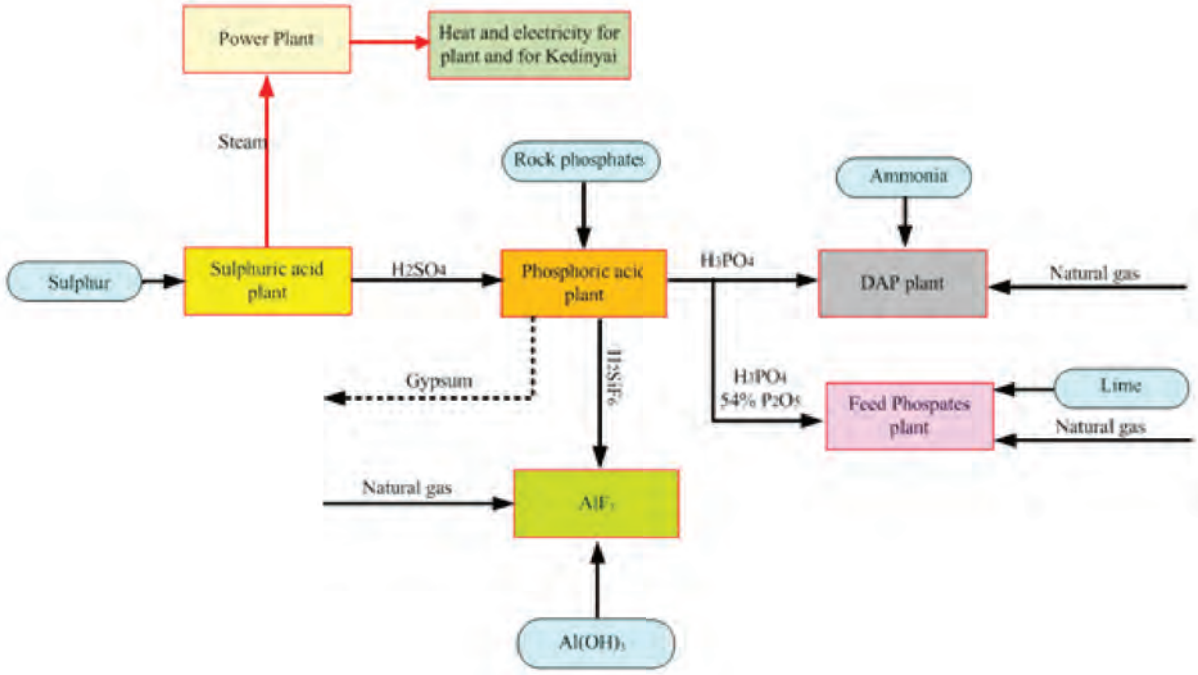
Lifosa

History and Development

Lifosa is located in Kedainiai, Lithuania. The Group considers Lifosa to be the largest producer of phosphate fertilisers in Lithuania and one of the leading producers of phosphate fertilisers within the European Union. Lifosa benefits from a convenient location close to the ports of Tallinn and Klaipeda. The plant was established in 1959 as the Kedainiai Chemical Plant. Sulphuric acid was first produced at the plant in January 1963. Also in 1963, a powdered superphosphate production facility was commissioned, followed by a granular superphosphate and aluminium fluoride facility in 1964. In 1969, ammophos and wet-process phosphoric acid plants were commissioned, with the second line of granular superphosphate entering production in 1970. In 1972, the blending of phosphorus and potassium fertilisers commenced. In the 1980s, the second wet-process phosphoric acid shop, a new aluminium fluoride workshop and the third process line for MAP were constructed and installed. In 1989, the old sulphuric acid production facility was shut down and a new SK-50 facility was commissioned to produce sulphuric monohydrate. In 1996, the Kedainiai Chemical Plant was reorganised into Lifosa. In 1998, Lifosa started DAP production and in 2000, it upgraded its sulphuric acid workshop. This upgrade resulted in an increase in production capacity in excess of two-fold and the new 25 MWe turbo generator reduced the consumption of electricity and heat from third parties. In 2001, the company began the production of feed phosphates. In 2007, Lifosa commissioned a heat recovery system utilising surplus heat to generate electricity. A feed phosphate production line with an annual capacity of 150,000 tonnes was installed in partnership with the European Union and launched in 2009. Lifosa was acquired by EuroChem in 2005. In December 2011, EuroChem increased its interest in Lifosa from 99.1 per cent. to 100.0 per cent., following a minority shareholder squeeze-out and has fully consolidated Lifosa since then.

As at 30 September 2012, Lifosa had annual production capacities of 0.99 million tonnes of MAP, DAP and NP, and 0.16 million tonnes of feed phosphates.

The following charts provide a brief technological overview of the production processes at the Lifosa plant:



Production

Lifosa operates fertiliser production, granulation and maintenance facilities. Lifosa's production site has immediate access to both the rail and local road networks, which in turn are directly connected to the Klaipeda port infrastructure. Lifosa is a phosphate fertiliser producer, mainly producing DAP and animal feed phosphates. The main raw materials consumed by Lifosa include apatite concentrate (supplied by Kovdorskiy GOK and third-party suppliers), ammonia (supplied mainly by Novomoskovskiy Azot) and sulphur (supplied from outside sources). Lifosa has several main production divisions and auxiliary divisions.

Sulphuric Acid

Lifosa produces technical sulphuric acid with a concentration of 92.5 per cent. and above using double conversion technology. The sulphuric acid facility of Lifosa has an annual production capacity of approximately 1.1 million tonnes of sulphuric acid monohydrate. The main production equipment of the sulphuric acid plant comprises an air blower, two sulphur burners with waste heat boilers, a five-layer catalyst converter, a drying tower, two absorption columns, heat exchangers, pumps, a water treatment system, sulphur filters, and storage and operating tanks.

Phosphoric Acid

Lifosa produces extractive phosphoric acid using a hemihydrate process introduced at the plant in place of the conventional dehydrate process in 1997. The phosphoric acid production plant has an annual production capacity of approximately 720 thousand tonnes. The main production equipment includes delivery and metering bunkers, an extractor, two phosphoric acid pulp reactors, two carousel vacuum filters, two vacuum-evaporating systems, and tanks, pumps, heat exchangers, absorbers and condensers.

DAP

Lifosa produces DAP by neutralisation of phosphoric acid with liquid ammonia in a pipe reactor. The stages of the production process include neutralisation, granulation and drying of the obtained pulp in a granulator-dryer, screening the dried material using sieves and cooling and coating of the granules in a spouted bed cooler before storage and shipment. The plant also has an absorption system to clean the dust, fluorine and ammonia gas formed during the production process.

Production Volumes

The following table sets forth the production volumes of principal products at Lifosa for the periods indicated:

	For the nine months ended 30 September		For the year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
			(tonnes)		
DAP	588,721	604,502	835,836	854,963	908,191
Feed phosphates	106,860	96,440	111,940	69,800	42,500

EuroChem-BMU

History and Development

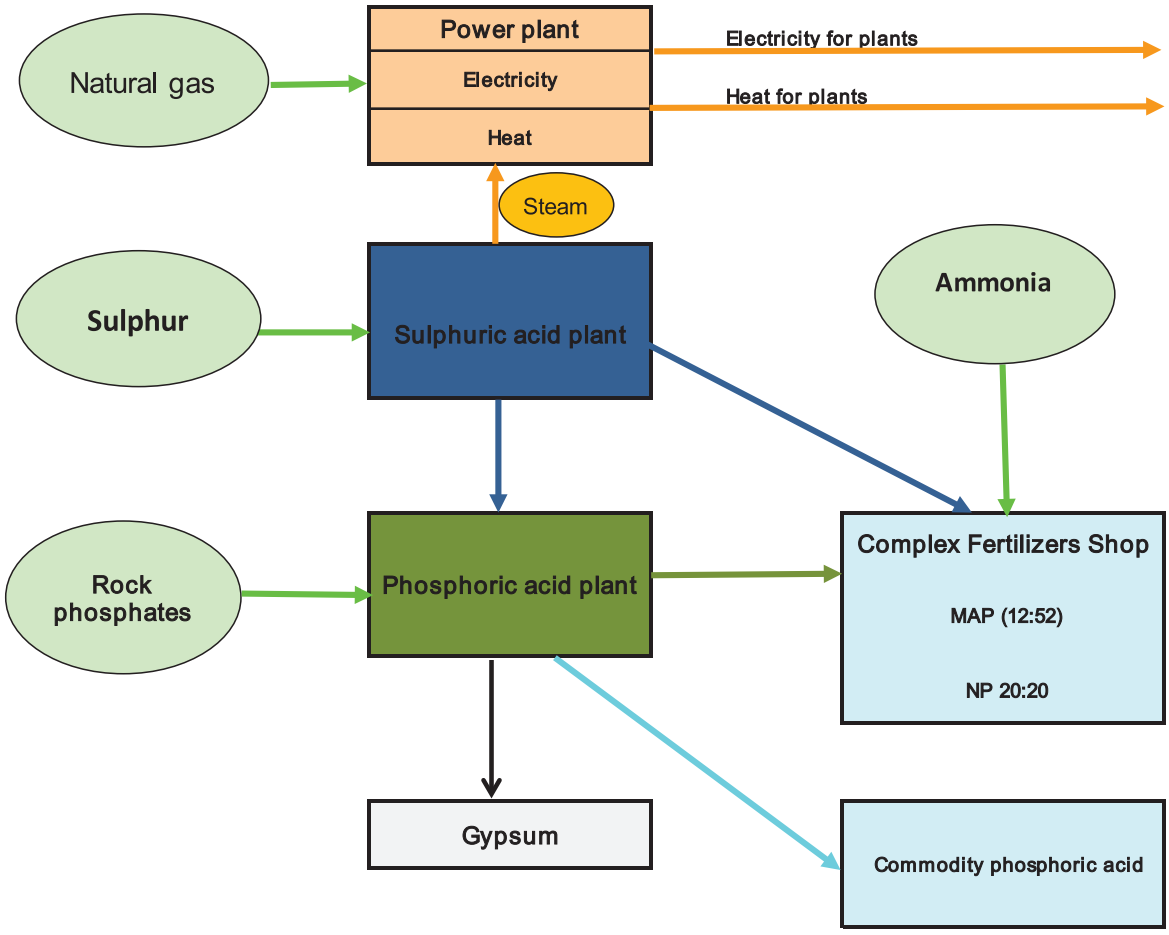
EuroChem-BMU is located in the town of Belorechensk in the Krasnodar Krai in Southern Russia. The company is a major producer of phosphate and compound fertilisers with MAP and NP as key components. The phosphate fertilisers production facilities in Belorechensk have been producing commercial-grade products since 1977. The present-day EuroChem-BMU was established in the form of an open joint-stock company in October 2002. Since the establishment of EuroChem-BMU, EuroChem has been its sole shareholder. EuroChem-BMU has acquired phosphate fertiliser production assets through a number of sales contracts concluded with, and in connection with the insolvency proceedings of, its predecessor, OAO Belorechenskie Mineralnye Udobrenia. In September 2006, EuroChem-BMU was reorganised into a limited liability company. Following the acquisition by EuroChem-BMU of the fertiliser production assets, the Group embarked on an investment programme to upgrade the company's facilities and improve its production process. As part of this programme, a series of equipment upgrades were implemented: a phosphogypsum storage facility upgrade, a major overhaul and retrofitting of the sulphuric and phosphoric acid production facilities and an increase in granular fertiliser output.

As at 30 September 2012, EuroChem-BMU had an annual production capacity of 0.59 million tonnes of MAP and NP.

Production

BMU's facilities are located in Belorechensk, approximately 80 kilometres southeast of the city of Krasnodar in southern Russia. The main production site has immediate access to the rail network and the local road network. Raw materials and finished products are shipped by rail. The facilities were originally designed to produce liquid fertilisers. Between, 1982 and 1988, the facility underwent major expansion and added MAP, phosphoric acid, additional sulphuric acid, phosphate feeds and various other production facilities. EuroChem-BMU's output is primarily represented by phosphate-based fertilisers, including MAP, sulphoammophos, silicofluoric sodium, phosphoric acid and sulphuric acid. The main raw materials consumed by the plant include apatite concentrate (supplied mainly from Kovdorskiy GOK), ammonia (supplied mainly by Nevinnomysskiy Azot) and sulphur (supplied by Gazprom subsidiaries and Tengizchevroil).

The following chart sets forth EuroChem-BMU's main production divisions and auxiliary divisions:



MAP

EuroChem-BMU produces MAP through neutralisation, granulation and drying. Neutralisation takes place in a pipe reactor and the phosphate fertilisers are then granulated using an ammonisator-granulator machine, and further dried in a drying drum. The dried material is screened and the granules are cooled, coated and transferred to a warehouse. EuroChem-BMU can also produce DAP fertilisers.

Sulphuric Acid

EuroChem-BMU produces technical sulphuric acid with a concentration of 92.5 per cent. and above. The annual production capacity of the sulphuric acid workshop is approximately 720 thousand tonnes. The main production equipment of the sulphuric acid production workshop includes a sulphur furnace cyclone, a two-stage five layer converter with an utilisation boiler and absorption columns.

Phosphoric Acid

EuroChem-BMU produces extractive phosphoric acid, which is used for the production of compound phosphate fertilisers and animal feed phosphates. The phosphoric acid production workshop has a production capacity of 300 thousand tonnes of P_2O_5 per year.

The auxiliary production divisions of the plant include a heat and power plant, various maintenance divisions, transport divisions, a communication workshop, a laboratory and other divisions. The heat and power plant's equipment includes natural-gas-fired boilers and steam boilers. Natural gas is supplied to the plant from the regional network. The plant's electricity is supplied through high voltage lines from the regional high-voltage grid and the plant also uses electrical energy produced internally by the power plant. BMU's transportation equipment includes locomotives, buses, cars, trucks, fire-fighting trucks, mobile laboratories, containers and cargo railway cars.

Production Volumes

The following table sets forth the production volumes of principal products at EuroChem-BMU for the periods indicated:

	For the nine months ended 30 September		For the year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
			(tonnes)		
MAP	339,509	349,360	432,116	416,744	121,552
Compound fertiliser	61,460	69,693	92,749	72,470	40,289

Potash Segment

The Potash segment includes EuroChem-VolgaKaliy and EuroChem-Usolskiy Potash Complex, which are in the process of developing the Gremyachinskoe and Verkhnekamskoe potassium deposits, respectively. As at 30 September 2012, the Group has not recorded any sales in the Potash segment.

Gremyachinskoe Potassium Deposit

History and Development

In 2005, Investpromresurs LLC (later renamed EuroChem-VolgaKaliy LLC), a wholly-owned subsidiary of EuroChem, obtained a licence for the exploration and mining of potassium in the Gremyachinskoe field, located in the Volgograd Oblast in southern Russia, at a purchase price of U.S. $106 million by way of auction. The Gremyachinskoe potassium ore deposit is estimated to be one of the four largest deposits of potassium ore in Russia. The Gremyachinskoe potassium deposit's reserves and resources of potash ore were measured by IMC Montan as at September 2009 according to the JORC Code and consisted of proved and probable reserves of 492 million tonnes and measured and indicated resources of 1.3 billion tonnes. According to the same report, the estimated useful life of mine is 58 years, calculated from the deposit's operational start.

The first phase of the development is expected to commence production in 2015 and to reach the expected total annual production capacity of 2.3 million tonnes in 2018. The second phase of the development is expected to commence production in 2018 and to reach the expected total annual production capacity of 2.3 million tonnes (for a combined total for both phases of 4.6 million tonnes), in 2020.

According to the Group's estimates, annual potash production at the Gremyachinskoe potassium deposit has the potential, once fully operational, to produce approximately 4.6 million tonnes per annum by 2021, which, together with the development of the Verkhnekamskoe potassium deposit, will enable the Group to become one of the ten largest producers of potassium fertilisers globally (*Source*: IFA). The Group intends to develop its Potash segment with both the Gremyachinskoe potassium deposit and the Verkhnekamskoe potassium deposit over the next several years. As at the date of this Prospectus, 94 metres of the planned 1,117-metre cage shaft and 572 metres of the planned 1,147-metre skip shaft had been completed.

The Group's operations should benefit from the proximity to its Tuapse Transhipment Terminal, located on the Black Sea, and railway connections with the large potash markets of Central Asia and China. The Group believes that the development of both the Verkhnekamskoe potassium deposit and the Gremyachinskoe potassium deposit should allow it to diversify its business and customer base as well as reduce the Group's exposure to any future fluctuations in its nitrogen and phosphates fertiliser businesses. The Group estimates that the development of both phases of the Gremyachinskoe potassium deposit will require total investments of approximately U.S. $3.8 billion. As at 30 September 2012, an aggregate amount of U.S. $1.1 billion had been spent on the development of the Gremyachinskoe potassium deposit, which represents 28.9 per cent. of the total planned expenditures.

Verkhnekamskoe Potassium Deposit

History and Development

In 2008, OJSC Kovdorskiy GOK, a wholly-owned subsidiary of EuroChem, acquired at auction a licence for the exploration and mining of potassium in sections of the Verkhnekamskoe field at a purchase price of U.S. $172 million. In 2011, EuroChem-Usolskiy Potash Complex was established to develop and construct the mining operations, production and related social infrastructure. The Verkhnekamskoe

potassium deposit is located near the city of Perm in the Urals region, near Russia's traditional potash production sites. The Verkhnekamskoe potassium deposit is estimated to be one of the largest deposits of potassium ore in Russia. The Verkhnekamskoe potassium deposit's reserves and resources of potash (sylvinite) ore were measured by IMC Montan as at October 2009 according to the JORC Code and consisted of proved and probable reserves of 420 million tonnes and measured and indicated resources of 1.1 billion tonnes. According to the same report, the estimated useful life of mine is 37 years, calculated from the deposit's operational start.

The first phase of the development is expected to commence production in 2017 and to reach the expected total annual production capacity of 2.3 million tonnes in 2021. The second phase of the development is expected to commence production in 2021 and to reach the expected total annual production capacity of 1.4 million tonnes (for a combined total for both phases of 3.7 million tonnes), in 2026.

According to the Group's estimates, annual potash production at the Verkhnekamskoe potassium deposit has the potential, once fully operational, to reach approximately 3.7 million tonnes of capacity in 2026, which, together with the development of the Gremyachinskoe potassium deposit, will enable the Group to become one of the ten largest producers of potassium fertilisers globally (source: IFA). As at the date of this Prospectus, 306 metres of the planned 473-metre cage shaft and 367 metres of the planned 546-metre skip shaft had been completed.

The Group believes that the development of both the Verkhnekamskoe potassium deposit and the Gremyachinskoe potassium deposit should allow it to diversify its business and customer base, as well as reduce the Group's exposure to any future fluctuations in its nitrogen and phosphates fertiliser business. The Group estimates the total investment required for the development of the Verkhnekamskoe potassium deposit to be approximately U.S. $2.9 billion. As at 30 September 2012, an aggregate amount of U.S. $375 million had been spent on the development of the Verkhnekamskoe potassium deposit, which represents 12.9 per cent. of the total planned expenditures.

Investment Programmes and Capital Expenditures

Over the last few years, the Group has been investing in its existing core business (namely the nitrogen, phosphate and mining operations) as well as extensively in the development of potash production, its logistics and distribution infrastructure (including the acquisition of trading vehicles in Russia, Ukraine and the European Union) and acquisition of an additional railcar fleet. During the period 2007-2011, the Group invested U.S.$1,671 million in the expansion of its business, U.S.$1,132 million in potash developments and U.S.$1,090 in acquisitions.

For the nine months ended 30 September 2012, the Group invested in the acquisition of:

Severneft-Urengoy. In December 2011, the Group acquired Severneft-Urengoy. The total value of the transaction on a cash-free, debt-free basis was RUB 12.7 billion (U.S.$402.7 million at the times of the acquisition) for 100 per cent. of the share capital of Severneft-Urengoy.

EuroChem Antwerpen The total final purchase consideration for 100 per cent. of the charter capital of the company acquired was EUR 893,140 thousand to be paid in cash, including a deferred payment of EUR 142,240 thousand payable over the period from 2013 to 2016. The fair value of the deferred payment amounts to EUR 129,600 thousand. The fair value of the total purchase consideration amounted to EUR 880,500 thousand.

EuroChem Agro On 2 July 2012 the Group completed the acquisition of 100 per cent. of the K+S Nitrogen business after the relevant antitrust authority gave the approval on 25 June 2012. After the acquisition, the business was renamed EuroChem Agro, operating as a trading company specialising in nitrogen fertilisers in Germany, France, Spain, Italy, Greece, Turkey, Mexico, Singapore and China. The acquisition supports the Group's strategy of increasing its proximity to customers in its core fertiliser markets, while further bolstering the company's product offering. The total purchase consideration for 100.0 per cent. of the shares of the business acquired amounted to EUR 195,655 thousand paid in cash. Additionally, the Group made a prepayment of EUR 50 thousand for a subsidiary located in China. As at the date of this Prospectus, this legal entity is in the process of incorporation..

For the nine months ended 30 September 2012, the Group invested U.S. $219 million in the expansion of its business in addition to U.S. $260 million in potash developments.

For the nine months ended 30 September 2012 and the year ended 31 December 2011, the maintenance capital expenditures for the Group's nitrogen, phosphate and mining operations business represented U.S. $72 million and U.S. $84 million, respectively.

Nitrogen Segment

Over the next five years (2013-2017), the Group plans to invest approximately U.S. $513 million in its Nitrogen segment. These include investments in new production capacity at the LDAN plant and the upgrade of ammonia production units at the Nevinnomysskiy Azot and Novomoskovskiy Azot facilities. Approximately 54.6 per cent. of the planned capital expenditures are expected to be development-driven, while 45.4 per cent. are expected to be maintenance-related.

Nevinnomysskiy Azot

The Group plans to invest approximately U.S. $216 million in its Nevinnomysskiy Azot facility between 2013 and 2017, including U.S. $59 million in development-driven and U.S. $157 million in maintenance-related capital expenditures. The proposed investments during this five-year period include plans to invest approximately U.S. $55 million in increasing the plant's ammonia capacity. The U.S. $157 million maintenance-related capital expenditures includes investments of U.S. $41 million to decommission and replace weak nitric acid equipment type 1/35 with two UKL-7 units, which will allow an incremental production increase of 225 thousand tonnes of AN per annum and the replacement of obsolete GTT-3M gas compressors with newer and more efficient GTU-8 gas turbines.

Novomoskovskiy Azot

The Group plans to invest approximately U.S. $244 million in its Novomoskovskiy Azot production facility between 2013 and 2017, including U.S. $168 million in development-driven and U.S. $76 million in maintenance-related capital expenditures. The proposed investments during this five-year period include plans to invest approximately U.S. $95 million in the construction of an additional weak nitric acid unit and a low-density production line, as well as approximately U.S. $37 million in upgrading the existing weak nitric acid unit.

EuroChem Antwerpen

The Group plans to invest approximately U.S. $54 million in EuroChem Antwerpen between 2013 and 2017, in upgrading and expansion of certain production lines.

Severneft-Urengoy

The Group plans to invest approximately U.S. $24 million in Severneft-Urengoy between 2013 and 2017, in drilling and increased production.

Phosphates Segment

Over the next five years (2013-2017), the Group plans to invest over U.S. $513 million in its Phosphates segment. These investments include the construction of a NPK production facility at EuroChem-BMU and increasing ore extraction and processing capacities at Kovdorskiy GOK. Approximately 64.4 per cent. of the planned capital expenditures are expected to be development-driven, while 35.6 per cent. are expected to be maintenance-related.

Kovdorskiy GOK

The Group plans to invest approximately U.S. $267 million in its Kovdorskiy GOK mining and production facility between 2013 and 2017, including U.S. $172 million in development-driven and U.S. $95 million in maintenance-related capital expenditures. The proposed investments during this five-year period include plans to invest approximately U.S. $56 million in apatite-staffelite extraction operations, U.S. $57 million in increasing ore processing capacity to 18.7 million tonnes per annum and U.S. $7 million in constructing a fine ore intermediate homogenisation warehouse facility.

Phosphorit

The Group plans to invest approximately U.S. $55 million in its Phosphorit production facility between 2013 and 2017, including U.S. $38 million in development-driven and U.S. $17 million in maintenance-related capital expenditures. The proposed investments during this five-year period include the installation of a 25MW turbine and reconstruction of a sulfuric acid unit.

Lifosa

The Group plans to invest approximately U.S. $57 million in its Lifosa production facility between 2013 and 2017, including U.S. $18 million in development-driven and U.S. $39 million in maintenance-related capital expenditures. The proposed investments during this five-year period include plans to invest approximately U.S. $8 million in the construction of an additional ammonia tank.

EuroChem-BMU

The Group plans to invest approximately U.S. $134 million in its EuroChem-BMU production facility between 2013 and 2017, including U.S. $102 million in development-driven and U.S. $32 million in maintenance-related capital expenditures. The proposed investments during this five-year period include plans to invest approximately U.S. $63 million in constructing a NPK fertiliser production unit and increasing warehouse capacity, as well as U.S. $23 million in the construction of a nitric acid unit.

EuroChem-Fertilizers (Kazakhstan)

The Group plans to invest approximately U.S. $100 million in its Kazakhstan phosphate rock project between 2013 and 2017.

Potash Segment

Over the next five years (2013-2017), the Group plans to invest approximately U.S. $3.5 billion in its Potash segment to develop the Gremyachinskoe and Verkhnekamskoe potassium deposits.

Gremyachinskoe Potassium Deposit

In 2005, the Group invested U.S. $105 million in the purchase of a licence in connection with the Gremyachinskoe potassium deposit. As at 30 September 2012, total investments in connection with the Gremyachinskoe potassium deposit were approximately U.S. $1.1 billion. Between 2013 and 2017, the Group estimates that capital expenditure in connection with the Gremyachinskoe potassium deposit will exceed U.S. $2.1 billion, to be invested in a range of development activities including shaft sinking, research and development, design, construction, developing the main utility networks on the site and other development activities.

Verkhnekamskoe Potassium Deposit

In 2008, the Group invested U.S. $172 million in the purchase of a licence in connection with the Verkhnekamskoe potassium deposit. As at 30 September 2012, total investments in connection with the Verkhnekamskoe potassium deposit were approximately U.S. $375 million. Between 2013 and 2017, the Group estimates that capital expenditures in connection with the Verkhnekamskoe potassium deposit will exceed U.S. $1.3 billion, to be invested in a range of development activities including shaft sinking, research and development, design, construction, developing the main utility networks on the site and other development activities.

Distribution and Other Segments

Ust-Luga Transhipment Facility

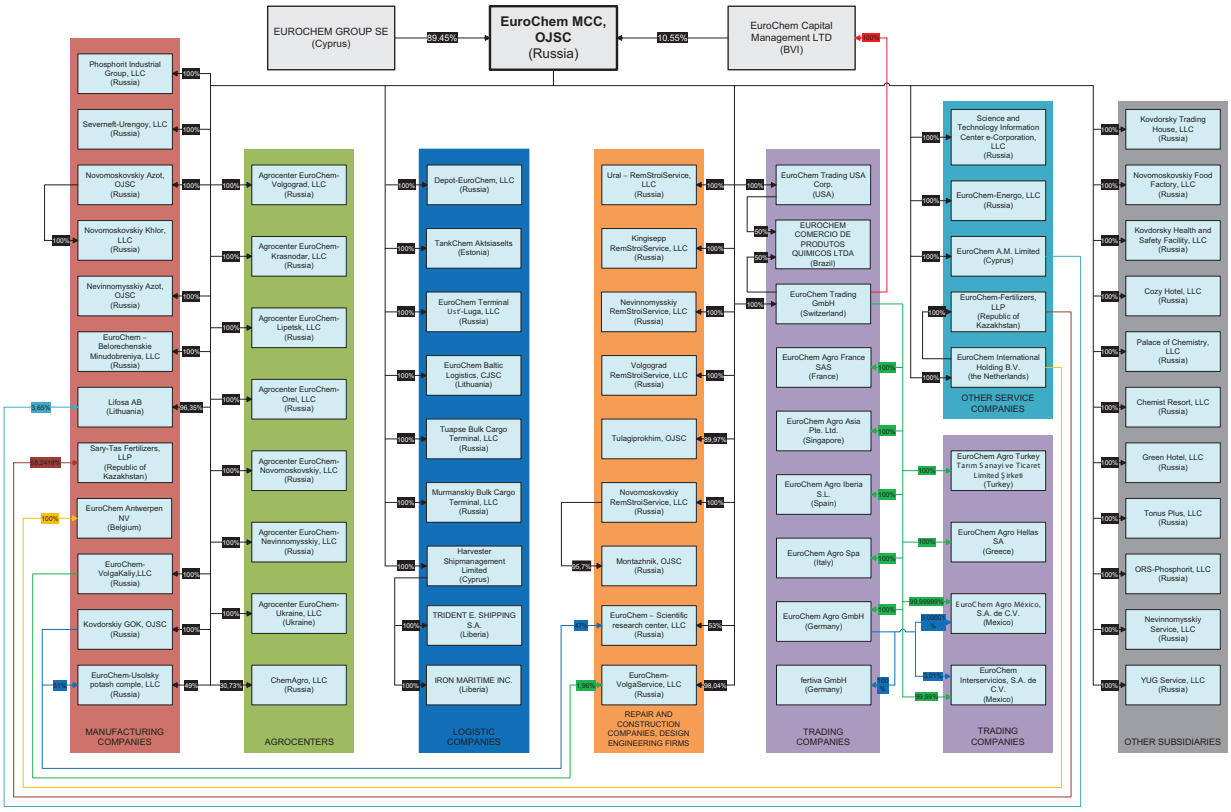
The Group plans to invest approximately U.S. $229 million in the construction of a transhipment terminal in Ust-Luga between 2012 and 2017. The planned bulk terminal will be used to export EuroChem fertilisers via the Baltic Sea. The terminal will have three berths with a total length of 682m and two warehouses with up to 340 thousand tonnes of mineral fertiliser storage capacity. The terminal is expected to have an annual fertiliser transhipment capacity of 5 million tonnes.

Corporate Organisation

All production, sales, marketing and other operations are conducted through the Group's subsidiaries.

The following chart sets forth the Group's main production, trading and services companies, including effective ownership interest in these companies, as at 30 September 2012:

EUROCHEM GROUP SHARE OWNERSHIP STRUCTURE



Raw Materials and Energy

Raw Materials

Overview

The most important raw materials used by the Group in its production processes are natural gas, apatite, sulphur and ammonia.

Natural Gas

Natural gas is the primary raw material used by the Group to produce ammonia, the main building block for nitrogen-based fertilisers, as well as for heating and other production related purposes. Acquired in December 2011, the Group's Severneft-Urengoy natural gas operator produced 514 million m^3 of natural gas during the nine months ended 30 September 2012, an amount equivalent to 11.0 per cent. of the Group's total natural gas consumption for the same period. Of the natural gas produced, 431.5 million m^3 were sold to Gazprom under an agreement that was entered into prior to the Group acquiring Severneft-Urengoy and the remaining 48.5 million m^3 were sold to Novomoskovskiy Azot. The Group sources its remaining natural gas requirements from third-party suppliers at market prices. For its Russian operations, the Group has traditionally entered into five-year natural gas supply agreements with Gazprom subsidiaries. Following the expiration of the current five-year supply agreements, which will begin to expire at the end of December 2012, the Group expects to enter into one-year contracts with Gazprom subsidiaries. Natural gas supplies for EuroChem Antwerpen, which was consolidated from 31 March 2012, are mainly secured via BASF.

Apatite

The Group produces approximately 75 per cent. of its phosphate rock requirements from its Kovdorskiy GOK apatite mine. In 2012, EuroChem-Fertilizers signed agreements with the authorities of the

Republic of Kazakhstan for the extraction of phosphate rock from the Kok-Jon and Gimelfarbskoe deposits in Kazakhstan's Zhambyl province. The Group purchases the remainder of its apatite requirements from third-party suppliers.

Sulphur

Sulphur is an important raw material consumed by the Group's phosphate production facilities. Sulphur accounted for 3.0 per cent., 4.4 per cent., 4.7 per cent., 3.0 per cent. and 3.4 per cent. of the Group's costs of sales for the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009, respectively. The Group purchases the majority of its sulphur requirements from Tengizchevroil.

Ammonia

Ammonia is sourced externally when nitrogen fertiliser demand fully utilises the Group's internal ammonia production capacity. Ammonia accounted for 10.8 per cent., 3.5 per cent., 4.7 per cent., 0.5 per cent. and 0.8 per cent. of the Group's costs of sales for the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009, respectively.

Energy

The Group's total energy costs accounted for 7.0 per cent., 10.4 per cent., 10.5 per cent., 11.2 per cent. and 10.8 per cent. of the Group's cost of sales for the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009, respectively. In addition, the Group also has power generation capabilities at some of its phosphate facilities. In parallel to the upgrading of sulphuric acid production, the Group has launched an energy efficiency program. By installing heat recapturing systems to its sulphuric acid production unit, the Group is capable of harnessing the steam generated by the unit to subsequently generate electric power.

Customers and Marketing

Overview

The Group markets its products to a wide range of domestic and international customers and believes that a developed marketing network in Russia and abroad is fundamental to its future success. As at the date of this Prospectus, the Group has over 750 customers worldwide. To support fertiliser sales, the Group has developed a distribution network of 25 distribution centres in Russia and Ukraine, including seven distribution centres owned by the Group and 18 distribution centres owned and operated by third parties that exclusively sell EuroChem products. The group also sells its products to third-party distributors. In addition to providing advisory services to local farmers and promoting the efficient use of fertilisers to increase yields, the distribution centres offer seeds, crop protection products and soil analysis services.

In July 2012, the Group expanded its distribution network with the acquisition of K+S Nitrogen (now EuroChem Agro), a mineral fertilisers distributor with annual sales volumes of approximately 4.5 million tonnes. EuroChem Agro has distribution agreements with EuroChem Antwerpen (AN/CAN, AS, NPK and NPK specialties/Entec products) with an annual volume of 2.2 million tonnes, BASF Ludwigshafen (AS, ASN and ASN + Entec products) with an annual volume of 1.4 million tonnes and Lanxess Antwerp (AS/AS granulated products) with an annual volume of 0.9 million tonnes. EuroChem Agro sells products to more than 50 countries, has what the Group believes to be a strong brand portfolio, including Nitrophoska and Entec, among others, and has developed distribution and logistics process. As at the date of this Prospectus, EuroChem Agro operates nine regional offices and has 186 employees working in Germany (80), France (19), Italy (22), Spain (16), Greece (31), Turkey (4), Singapore (2), China (1) and Mexico (11). In Europe, and in markets of presence, EuroChem Agro sells its products primarily to local wholesale buyers, distributors and co-ops. In Southern Europe, Turkey, Mexico and China, EuroChem Agro sells significant volumes of high premium specialty products to be used for fruits, vegetables, vineyards and lawns, among others, which requires greater customer interaction.

The Group has an established and diversified customer base in the domestic and international markets in which it operates. For the year ended 31 December 2011, the Group's ten largest customers accounted for a total of 41.8 per cent. of the Group's total sales. The Group's three largest customers represented 11.4 per cent., 9.8 per cent., and 6.1 per cent., respectively, of the Group's total sales. Most of the Group's key customers have been purchasing the Group's products for several years and the Group believes these relationships with key customers to be stable.

The following table sets forth the percentage of the Group's sales volumes outside of Russia by primary product for the years indicated:

	For the year ended 31 December		
	2011	2010	2009
		(per cent.)	
Urea	94.0	93.2	94.2
Ammonia	18.7	73.6	90.9
MAP	74.8	79.9	75.5
DAP	98.1	98.9	99.9
UAN	89.6	91.8	91.9
CAN	88.2	89.7	88.5
AN	41.3	45.2	57.5
NPK	85.5	89.7	89.5
Feed phosphates	84.2	83.4	74.5
Methanol	58.2	68.2	73.4
Acetic acid	45.2	45.4	45.6
Other organic synthesis products	52.5	53.0	69.7
Baddeleyite concentrate	96.7	94.8	93.9
Apatite concentrate	100.0	100.0	100.0
Iron ore concentrate	53.2	46.4	64.6

The following table sets forth the Group's geographical distribution of sales by product for the year ended 31 December 2011:

	Russia	Europe	Latin America	North America	CIS	Australasia & Oceania	Asia	Africa
				(per cent.)				
Urea	6.0	11.8	45.4	8.1	7.1	–	18.3	3.3
Ammonia	81.3	0.1	–	–	–	–	–	18.6
MAP	25.2	11.1	18.7	14.9	17.3	–	12.7	0.1
DAP	1.9	37.1	4.3	4.4	–	–	41.3	11.0
UAN	10.4	0.7	18.0	49.7	8.2	13.0	–	–
CAN	11.8	63.3	–	–	24.3	–	–	0.6
AN	58.7	1.2	13.2	–	9.0	0.1	11.7	6.1
NPK	14.5	2.3	9.9	15.9	35.8	–	21.3	0.3
Feed phosphates	15.8	60.2	–	10.5	10.7	0.1	–	2.7
Methanol	41.8	52.6	–	–	4.4	–	1.2	–
Acetic acid	54.8	28.3	–	–	2.4	–	14.5	–
Other organic synthesis products	47.5	18.2	–	–	7.2	–	27.1	–
Baddeleyite concentrate	3.3	34.2	–	3.3	0.4	–	58.8	–
Apatite concentrate	–	–	–	–	100.0	–	–	–
Iron ore concentrate	46.8	0.7	–	–	14.0	–	38.5	–

The following sections provide further details on the sales of mineral fertilisers, organic synthesis products iron ore concentrate and baddeleyite concentrate.

Mineral Fertilisers

Domestic Sales of Mineral Fertilisers

The Group's own distribution network handles sales in Russia and the CIS. The network consists of 25 distribution centres in Russia and Ukraine. The Group's distribution network supplies farmers with a full range of fertilisers as well as seeds, crop protection products, and advisory services. The Group also sells its products to approximately 18 domestic distributors who are not affiliated with the Group.

Export Sales of Mineral Fertilisers

Export sales by the Group are primarily conducted through EuroChem Trading GmbH (Zug, Switzerland), further sales to the United States are effected via EuroChem Trading USA Corp.

(Tampa, Florida, United States). For export sales (except sales to Ukraine and Belarus), the relevant production subsidiary sells its products to EuroChem Trading GmbH on a FOB, CFR (for carriage by sea) or DAF (for rail transportation) basis. The Group operates vessels and owns two Panamax class ships. For export sales to Ukraine and Belarus, the relevant production subsidiary sells products directly to customers or via the Ukrainian distribution subsidiary of the Group.

Lifosa sells its products to customers in the EU and Ukraine directly. Delivery of products to Lifosa's customers in the EU is performed by Lifosa or is sub-contracted, depending on the type of the transportation required. For sales by Lifosa to customers not based in the EU, Lifosa contracts with EuroChem Trading GmbH, which, in turn, sells the products to customers. The transportation of the products to the customers is also performed by Lifosa.

Production subsidiaries contract with each other directly for intra-Group supplies of semi-finished products and raw materials. The intra-Group sales of semi-finished products and raw materials are effected at prices applicable only to intra-Group transactions and fixed on a monthly basis, but which are approximately equal to the market price for the relevant products.

Organic Synthesis Products

In the domestic market, sales contracts for organic synthesis products, such as methanol and acetic acid, are tender-based and entered into annually.

Export sales are normally concluded on the basis of one- or two-year contracts. The price is typically based on a formula and linked to quotes published monthly in ICIS, an online pricing service for global and regional chemicals markets.

Iron Ore Concentrate

The majority of the Group's domestic sales of iron ore concentrate are made to Severstal. Sales are on the basis of an annual contract. Export sales are effected through EuroChem Trading GmbH, which, in turn, sells the product to distributors and ultimate customers in the Czech Republic, Poland, Hungary and China. Sales are conducted on a spot basis. For the nine months ended 30 September 2012, the largest sales markets for the Group's iron ore concentrate were Russia and Asia, which represented 48.8 per cent. and 49.6 per cent., respectively, of total iron ore concentrate sales volumes. For the year ended 31 December 2011, the largest sales markets for the Group's iron ore concentrate were Russia and Asia, which represented 46.8 per cent. and 38.5 per cent., respectively, of total iron ore concentrate sales volumes.

Baddeleyite Concentrate

Domestic sales of baddeleyite concentrate are made on a spot and annual contract basis, with prices fixed in Russian roubles. No domestic purchaser has a share of more than 90 per cent. of the Group's sales of this product.

Export sales are typically on the basis of one-, two- or three-year contracts, with annual prices fixed in U.S. dollars. Contract prices are typically calculated on the basis of industry publications, including Industrial Minerals and Minerals Price Watch.

Transportation and Logistics

Transportation costs represent a significant proportion of the cost of mineral and chemical products and the Group aims to minimise these costs to achieve more competitive pricing for its products. The Group's transportation and logistics infrastructure also provides it with a reliable means of supplying raw materials to, and delivering products from, its production facilities.

As at 30 September 2012, the Group's logistics assets included three wholly-owned port facilities (the Murmansk bulk terminal in Russia on the Barents Sea, the Sillamae liquid terminal in Estonia on the Gulf of Finland and the Tuapse transhipment terminal in Russia on the Black Sea), a ship on long-term lease and two ships on short-term leases, two Panamax ships and rolling stock comprised of approximately 6,850 rail cars and 44 locomotives as well as dedicated rail service and repair centres. The Group also benefits from direct jetty access in the port of Antwerp in Belgium.

The Tuapse Transhipment Terminal began operating in July 2011. Located on the Black Sea coast, this terminal is intended to handle potash shipments from Gremyachinskoe, and is capable of handling 2.3 million tonnes of fertilisers per year. To support potash exports from the Verkhnekamskoe potash

project, the Group is launching a construction project for a 5.0 million tonne per annum bulker terminal in the Baltic port of Ust-Luga. The project is estimated to cost approximately U.S. $230 million and is expected to be completed in 2018.

Shipments of iron ore from Kovdorskiy GOK to Asian markets are despatched from the Group's Murmansk bulk terminal, which has an annual capacity of 1.5 million tonnes. The Group also operates a terminal in Sillamäe, Estonia, that has the capability to handle 800,000 tonnes of methanol and 200,000 tonnes of other chemical products per year. Additionally, the Group uses the Klaipeda, Lithuania, port facilities, which have an annual capacity of 3.5 million tonnes of bulk fertilisers, 1 million tonnes of phosphate rock and up to 0.5 million tonnes of liquid chemicals. The Group is expected to proceed with the partial acquisition of Murmansk Port, where the Group already owns a terminal that it primarily uses for iron ore shipments.

Intellectual Property, Research and Development

The Group regularly seeks to improve the operations of its production, mining, logistics and marketing facilities, principally by improving operating efficiency, reliability and capacity. Most of these efforts constitute incremental improvements to current activities, and are undertaken in connection with regular operational maintenance and monitoring. The modernisation programme that is currently being carried out by the production subsidiaries and the technical upgrades of the manufacturing assets are largely based on the implementation of advanced technological and information processes and the installation of modern equipment and machinery. The Group outsources a variety of research and engineering works to a wide range of specialised contractors.

Where appropriate, the Group seeks to register any intellectual property rights that may result from these activities. As at 30 September 2012, the Group owned numerous patents and trademarks and also used a variety of patents under licensing agreements. Other entities of the Group also own, or share ownership of, a number of patents and trademarks. For instance, Lifosa has registered three trademarks with the Lithuanian State Patent Bureau concerning fertilisers and chemical products for industrial needs under the Nice classification. In addition, the acquisition of EuroChem Antwerpen and EuroChem Agro provided the Group with the patents and registered trademarks for, amongst others, Nitrophoska® UTEC® and the ENTEC® inhibitors, which can reduce evaporation and lower N_2O emissions in nitrogen products.

Market Share and Competition

In 2011 the Group was the world's sixth largest nitrogen fertiliser producer by primary product capacity (tradable ammonia), with a 2.2 per cent. share of the global ammonia market (source: CRU, Fertecon, IFA). In 2011, the Group had a 2.4 per cent. global market share in terms of phosphoric acid capacity (*Source*: CRU, Fertecon, IFA). The Group is Russia's largest manufacturer of fertilisers in terms of total production and had a 25.5 per cent. nitrogen fertiliser market share and a 20.5 per cent. phosphates fertiliser market share in 2011 (*Source*: AzotEconPlus).

The following table sets forth the ten largest fertiliser producers in terms of tradable ammonia content as at 31 December 2011:

	Tradable ammonia content (N)
	(million metric tonnes in nutrient per annum)
Yara	6.90
CF Industries	5.60
PotashCorp	2.90
Agrium	2.80
TogliattiAzot	2.60
EuroChem	2.30
UralChem	1.60
Acron	1.40
PhosAgro	0.90
Mosaic	0.40

Source: CRU, Fertecon, IFA

In the nitrogen segment of the mineral fertiliser market, Acron Holding and UralChem are the Group's main competitors in Russia. In the phosphate segment of the mineral fertiliser market, PhosAgro is the Group's main competitors in Russia. In the potash segment of the mineral fertiliser market, Uralkali is the largest Russian producer. In 2008, the Acron Group obtained a license to develop the Talitsky area of the Verkhnekamskoe potassium deposit.

In the global market for nitrogen fertilisers in 2011, Yara (Norway) was the world's largest producer in terms of nutrient capacity (ammonia), followed by CF Industries (United States), PotashCorp (Canada) and Agrium (Canada) (*Source*: CRU, Fertecom, IFA). In the global market for phosphate fertilisers in 2011, OCP (Morocco) was the largest producer in terms of nutrient capacity (phosphoric acid, P_2O_5), followed by The Mosaic Company (United States) and PotashCorp (Canada).

The following table sets forth the seven largest fertiliser producers in terms of tradable phosphoric acid capacity as at 31 December 2011:

	Tradable phosphoric acid capacity (P_2O_5)
	(million metric tonnes in nutrient per annum)
OCP	4.44
Mosaic	4.41
PotashCorp	2.37
PhosAgro	1.77
GCT	1.65
Ma'aden	1.44
EuroChem	1.30

Source: CRU, Fertecon, IFA

The following table sets forth the global fertiliser consumption ($N + P_2O_5 + K_2O$) and Group's market share for the years indicated:

	For the year ended 31 December					
	2011		2010		2009	
	Global consumption	The Group's market share	Global consumption	The Group's market share	Global consumption	The Group's market share
	(tonnes in thousands)	*(per cent.)*	*(tonnes in thousands)*	*(per cent.)*	*(tonnes in thousands)*	*(per cent.)*
Region						
Russia	2,488	23.7	2,365	22.6	2,379	18.5
CIS countries (excluding Russia)	3,563	8.4	3,251	8.5	3,401	6.5
Europe	16,639	2.6	16,573	3.3	15,143	3.1
North America	23,377	1.5	22,572	1.4	20,542	1.0
Latin America	18,556	3.6	16,609	4.0	14,815	3.3
Africa	4,746	2.1	4,512	2.0	4,021	3.9
Asia	104,523	0.6	101,198	0.5	96,812	0.8
Oceania	3,001	1.1	2,783	0.6	2,403	1.1
World	176,893	1.7	169,863	1.8	159,516	1.7

Sources: 80th IFA Annual Conference 21-23 May 2012, Doha, Qatar; Fertecon FSU Update, September 2012.

Environmental Matters

The Group strive to ensure that the activity of its subsidiaries conforms to world standards and environmental legislation. The Group's primary goal in this respect is to make environmental protection an integral part of its business. The Group is subject to a wide range of local, regional and national laws, regulations, permits and decrees in Russia, Lithuania and Belgium concerning, among other matters, environmental safety, discharges to the air and water and the handling of solid wastes.

According to the Group's environmental policy, each of its plants approves an environmental protection plan on an annual basis. These plans include measures to aid in adhering to the limits imposed on air and water pollution and storage of industrial waste, introduction of environmentally-friendly industrial technologies, the construction of purification and filtering facilities, the repair and reconstruction of industrial water supply systems, the installation of metering systems, reforestation and the recycling of water and industrial waste.

The Group also works with non-governmental organisations, including the Russian Union of Industrialists and Entrepreneurs and the Chamber of Commerce and Industry of the Russian Federation and the Russian Steel Association, to respond in a timely fashion to changes in state and market driven environmental regulatory standards.

The Group has introduced environmental management systems at each of its plants as a means of improving its environmental processes. All of the Group's plants have received ISO certifications with respect to their environmental management systems and are regularly audited by independent companies to ensure compliance with standards.

Employees

The following table sets forth the number of permanent employees of the Group by function as at the dates indicated:

	As at 31 October 2012	As at 31 December		
		2011	2010	2009
Production	10,115	9,670	9,348	10,926
Service	8,275	7,926	7,349	5,803
Logistics	1,580	1,300	1,008	1,093
Sales, administrative and other	2,071	1,905	1,909	2,212
Total permanent employees	**22,041**	**20,801**	**19,614**	**20,034**

As at 30 September 2012, 51.8 per cent. of the Group's employees were members of trade unions. Each of the production subsidiaries has entered into collective bargaining agreements with its trade unions. There

have been no strikes or other cases of industrial action at any of the production subsidiaries since the Group acquired each of those entities.

The Group makes defined contributions to state pension funds for its employees in accordance with applicable legislation, and provides pension and other post-employment benefits to its employees under the collective bargaining agreements. The Group also provides various benefits programmes and maintains social facilities for its employees.

The Group's Russian subsidiaries make defined contributions on behalf of their employees to the Russian Federation state pension, social insurance, medical insurance and unemployment funds at the applicable rates (approximately 26.4 per cent.) based on gross salary payments. These contributions are expensed as incurred and the Group has no legal or constructive obligation to make any further payment in respect of such statutory social and pension contributions. Furthermore, the Group's subsidiaries provide certain pension and other post-employment benefits to their employees in accordance with collective bargaining agreements. In addition, the Group and each of its Russian plants are parties to agreements with each of the regional authorities in the regions in which the Group's Russian plants operate, which cover certain aspects of activities in the respective regions. In particular, the Group undertaken in the agreements to contribute to the social infrastructure of the localities where each of the Group's plants operate, including providing assistance to schools and medical facilities.

Over the last few years, the Group has been seeking to further optimise its personnel structure, primarily through a controlled reduction in the number of employees, the outsourcing of non-production activities and the disposal of non-core assets. The Group has been managing its workforce reductions gradually and in a controlled manner. At the same time, organic growth and strategic expansion have resulted in considerable personnel intake. An estimated 3,561 employees are expected to be required with regards to the development of the Group's potash operations between 2012 and 2018.

Insurance

The Group obtains risk insurance cover as mandated by statutory requirements. The Group also holds voluntary insurance policies covering directors' and officers' liability (D&O insurance), physical property and business interruption insurance at nitrogen production plants, as well as insurance policies related to trade operations, including export shipments and credit insurance of trade debtors relating to the European distribution of fertilisers. The Group also carries voluntary life and accident insurance for employees.

The Group maintains insurance cover for its production and transportation assets and businesses, including insurance for damage related to explosions, fire and other accidents caused by operating processes, third-party liability insurance for entities operating hazardous production facilities, insurance of storage warehouses, insurance of the hazardous products carriers, insurance of certain pledged property and transportation vehicles insurance. Additionally, as part of its potash project, the Group has voluntarily insured construction risks for the cage and skip mine shafts at the Gremyachinskoe deposit for RUB 16.7 billion. The insurance covers a substantial part of the risks related to sinking of the two shafts for the period from June 2011 to June 2013.

Lifosa has more extensive insurance coverage than the Group's Russian production subsidiaries. Lifosa holds the following insurances: (a) cargo insurance, (b) insurance of civil liability for the performance of customs proceedings, (c) employee accident insurance, (d) employee health insurance, (e) vehicle insurance, (f) insurance of civil liability of car drivers, (g) employee travel insurance, (h) insurance of civil liability for the management of toxic/hazardous waste and (i) insurance of installation works. As is customary in its business, Lifosa does not maintain property (except for vehicles) or product liability insurance.

Material Contracts

Novomoskovskiy Azot

On 16 December 2011, Novomoskovskiy Azot entered into an agreement with Chemoproject Nitrogen a.s. for the delivery of an ammonium nitrate production unit to modernise production baseof Novomoskovskiy Azot.

On 1 November 2008, Novomoskovskiy Azot extend into a gas supply agreement with ''Tulskaya Regionalnaya Kompania po Realizatsii Gaza'' LLC for gas supplies until 31 December 2012. Under this agreement, Novomoskovskiy Azotis required to pay penalties if it consumes less than 95 per cent. of the monthly volume of gas agreedby the parties.

Nevinnomysskiy Azot

On 15 November 2010, Nevinnomysskiy Azot made the agreement with OJSC Uralkali for the supply of mineral concentrate ''Silvin'' until 31 December 2013, with approximately 153,000 tonnes supplied in 2011 and 170,000 tonnes to be supplied by the end of 2012.

Kovdorskiy GOK

On 29 June 2010, Kovdorskiy GOK extended into an agreement with Thyssen Schachtbau GmbH for the preparation of design documentation (in the amount of EUR849,600), and the performance of works (in the amount of EUR32.8 million) in relation to the installation of shafts on Verkhnekamskoe Potassium Deposit and for the pledge of contractor's equipment (valued at EUR7 million) securing performance of the contractor's obligations in relation to the advancepayment of EUR5 million).

On 16 January 2012, Kovdorsky GOK entered into the framework agreement with JSC ''Gazprom neft'' for supply of oil products until 31 December 2012. The purchase price and other terms of the oil products supplies to be agreed between the parties in the supplements to the agreement.

EuroChem VolgaKaliy

On 22 December 2009 and 7 February 2012, Eurochem Volga-Kaliy entered into agreements with INCOengineering s.r.o. for the purchase of equipment for Gremyachinskoe Potassium Deposit for the aggregate amount of EUR48.6 million.

During 2010–2011, EuroChem VolgaKaliy entered into a number of agreements with Thyssen Schachtbau GmbH for performing works and services, as well as developing design documentationin relation to Gremyachinskiy mining-and-processing integrated works for the aggregate amount of EUR76.8 million.

AgroCenter Ukraine

On 9 December 2011, AgroCenter Ukraine entered into an agreement with JSC ''Gomel Chemical Plant'' for the supplyof nitrogen-phosphate and potash fertilisers until 31 December 2012. Under this agreement, JSC ''Gomel Chemical Plant'' supplies fertilizers in the amount as specified in the agreement.

Severneft-Urengoy

On 30 January 2012, Severneft-Urengoy entered into an agreement with JSC ''GAZPROM''. Under this agreement, Severneft-Urengoy is required to supply gas into the gas-transportation system operated by JSC ''GAZPROM''.

Financing Agreements

For descriptions of certain of the Group's financing agreements, see ''*Operating and Financial Overview–Indebtedness–Borrowings*''.

Legal Proceedings

The Group's entities have been and continue to be the subject of legal proceedings arising from time to time in the ordinary course of business. During the 12 months preceding the date of this Prospectus, neither EuroChem, nor any of its consolidated subsidiaries, is or has been subject to any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) which may have, or have had in the recent past a material adverse effect on the Group's financial position or profitability.

Claim Against Shaft Sinkers

In October 2012, the Group filed a claim against Shaft Sinkers, a company involved in the construction of the Gremyachinskoe potash deposit license area under a contract that was terminated in April 2012, with the Swiss Chambers of Commerce in Zurich and the International Chamber of Commerce in Paris. The claim seeks U.S. $800 million in compensation for the direct costs and substantial foregone profits from the delay in commencing potash production as a result of Shaft Sinkers' inability fulfil its contractual obligations and complete the construction of the Gremyachinskoe cage shaft. As a result of the discontinued relationship with Shaft Sinkers, an outstanding advance of RUB 495,387 thousand was written off in the nine months ended 30 September 2012. Due to the failure of the grouting technology

employed by Shaft Sinkers in the construction of the cage shaft, previously capitalised construction expenses of RUB 3,116,000 thousand were written off in the nine months ended 30 September 2012.

In October 2012, Shaft Sinkers presented an interim claim letter to the Group claiming compensation of U.S. $45 million in costs incurred by them up to and including 30 September 2012 in connection with the termination of the construction contract. Management believes this claim is without merit.

Caustic Soda Cartel Claim

In the fall of 2011, the Russian Federal Anti-Monopoly Service (''**FAS**'') brought a claim against EuroChem and its Novomoskovskiy Azot and Novomoskovskiy Chlor LLC subsidiaries, alleging that these companies, along with a large group of other non-affiliated companies, had participated in a cartel in the caustic soda market. The Group believes that the claim is without merit. The Group believes that if the claim is upheld, it would not have a material adverse effect on the Group.

MANAGEMENT AND DIRECTORS

Overview

According to EuroChem's Charter, principal management bodies are the General Shareholders' Meeting, the Board of Directors, the Management Board and the General Director.

The governance of EuroChem consists of various levels and sub-levels, each responsible for different aspects of EuroChem's overall activities. The highest level of governance is conducted through the General Shareholders' Meeting, the ultimate decision-making body. The General Shareholders' Meeting elects the Board of Directors, which is responsible for the general governance of EuroChem, including the determination of strategy, coordination and general supervision thereof. The Board of Directors elects the Management Board, which is the collegial executive body, and the General Director, which is the sole executive body. The General Director acts as the Chairman at the meetings of the Management Board and, together with the latter, is responsible for the day-to-day operations of EuroChem.

General Shareholders' Meeting

The General Shareholders' Meeting is EuroChem's highest management body. The General Shareholders' Meeting has the power, among other things, to carry out the following matters:

- alterations of Charter and the size of charter capital;
- election of members of the Board of Directors;
- approval of annual reports and financial statements and the distribution of profits;
- approval of certain types of transactions (such as certain related party and major transactions);
- decisions as to reorganisation or liquidation;
- election of the Auditor;
- approval of certain internal documents and corporate records; and
- other issues, as provided for by the Joint Stock Companies Law and Charter.

Decisions of the General Shareholders' Meeting are made by a simple majority of votes. On issues such as changes to the size of charter capital, a reorganisation or liquidation, a three-quarter majority of votes of those present at the General Shareholders' Meeting is required.

Board of Directors

The Board of Directors supervises the Management Board, approves the agendas for the General Shareholders' Meeting, has the power to elect and dismiss the members of Management Board, approves various regulations for the operation of various management bodies and approves plans of operations.

Members of the Board of Directors are elected by the shareholders by cumulative voting for a one-year term. Persons elected to the Board of Directors may be re-elected an unlimited number of times.

The Board of Directors has a one-tier structure and eight members, seven of which are non-executive directors. At present, four of the members have a status of independent directors. Other than their directorships, they do not have any relations with EuroChem that could potentially influence the objectivity of their decisions. The criteria for independent status are set out in the Board of Directors Regulations, which are aligned with generally recognised international practices and are even more stringent than national standards. A member's independent status is confirmed by the Board of Directors when he is elected. Independent directors must inform the Corporate Secretary of any changes to their status, including any events that may have an impact on their independent status, and any conflicts of interest that may arise during their directorships.

EuroChem's most recent General Shareholders' Meeting was held on 21 June 2012. As at the date of this Prospectus, the members of the Board of Directors are:

Mr. Andrey Melnichenko	Chairman of the Board of Directors, Non-executive director
Ms. Andrea Wine	Independent non-executive director, member of the Corporate Governance and Personnel Committee
Mr. George Cardona	Non-executive director, chairman of the Strategy Committee

Mr. Keith Jackson	Independent non-executive director, member of the Strategy Committee and the Audit Committee
Mr. Nikolay Pilipenko	Non-executive director, member of the Audit Committee and the Corporate Governance and Personnel Committee
Mr. Vladimir Stolin	Independent non-executive director, chairman of the Corporate Governance and Personnel Committee
Mr. Dmitry Strezhnev	Executive director, General Director, chairman of the Management Board
Mr. Richard Sheath	Independent non-executive director, chairman of the Audit Committee

The business address of the above members of the Board of Directors is 53 Dubininskaya Street, bldg 6, Moscow, 115054, Russian Federation.

Mr. Andrey Melnichenko. A company that holds the business interests of Mr. Andrey Melnichenko owns 92.2 per cent. of the shares of EuroChem Group S.E., EuroChem's parent company. Over the past 15 years, Mr. Andrey Melnichenko has played a significant role in building some of Russia's most successful corporations such as EuroChem, SUEK, TMK and MDM Bank. Mr. Andrey Melnichenko studied physics at Moscow State University and graduated from Plekhanov Russian Academy of Economics majoring in Finance and Credit.

Ms. Andrea Wine. Ms. Andrea Wine is CEO and Managing Partner of Tevel Global Ltd., advisers and capital raisers in international markets for early- stage Israeli technology companies. She is currently on the Board of Directors of Orpheus Medical Ltd, a start-up company in the field of digital broadcasting for medical applications. From 2003-2008, Andrea was Partner of Amrop Russia, one of Moscow's leading executive search firms, and specialised in Board of Directors and C-level appointments. Before that Andrea was a Partner of TASA, a global search firm, and member of the Board of Directors at the time of the firm's sale to TMP Worldwide (today Monster Worldwide), a NASDAQ-quoted company. During her years with TASA/TMP, Andrea was Managing Partner of various offices in Europe and South America. After the acquisition, she was also involved in M&A activity in both regions. Andrea is a graduate of Tufts University and has an MBA from Stanford Business School and an MA from the Stanford Food Research Institute.

Mr. George Cardona. Mr. George Cardona was the head of strategy of HSBC Group before being appointed HSBC's General Manager for International Banking. He was a member of the Board of Directors at several banks and financial companies in Europe and the Americas. In 1979 he was appointed Special Adviser to the UK Treasury under the Margaret Thatcher administration. He is a Director at Linea, Cardona Lloyd Hedge Portfolio, as well as a member of the Boards of Directors of SUEK and Linea Limited. In October 2009, Mr. Cardona was appointed to Supervisory Board of K+S AG. Mr. Cardona graduated from Trinity College (Oxford) in Philosophy, Political Science and Economics.

Mr. Keith Jackson. Mr. Keith Jackson has a 32-year career with the major international mining company, Anglo American plc. Keith was Chairman of Cleveland Potash Ltd, one of the three European potash producing companies, and has served as finance director of Petrosur SA, an Argentine urea fertiliser company. Most recently he was CFO of Anglo Industrial Minerals, a division which included Copebras, a significant Brazilian fertiliser company. Mr. Jackson graduated from Selwyn College (Cambridge) with a degree in Economics, and earned an MBA from Manchester Business School.

Mr. Nikolay Pilipenko. From 2006 to 2008, Mr. Pilipenko was CFO of EuroChem. Before joining EuroChem he worked for ABB Group, holding various managerial positions in Russia, Spain and Switzerland. Mr. Pilipenko graduated from Moscow State University and holds a PhD in economics.

Mr. Vladimir Stolin. In 1989, Mr. Stolin founded Ecopsy Consulting company, specialising in human resource management, motivation and development. Earlier he worked as a consultant at RHR International (Chicago, US), he is a member of American Society of Training and Development. Mr. Stolin graduated from Moscow State University with a degree in Psychology.

Mr. Dmitry Strezhnev. Mr. Strezhnev owns 7.8 per cent. of the shares of EuroChem Group S.E., EuroChem's parent company. Before joining EuroChem as CEO, Mr. Strezhnev was the head of Agrodortekhsnab LLP and Tekhsnab-2000 LLC, trading companies that sell road and construction

machinery and provide maintenance works. He was also deputy director of Dorstroykomplekt CJSC, a company specialising in highway engineering and then head of the Likino Bus Manufacturing Plant OJSC, a large vehicle manufacturer. For several years Mr. Strezhnev combined two executive positions in RusPromAvto LLC, a car, trucks, buses, road and construction equipment manufacturer, and in GAZ OJSC, an automobile factory. He graduated with honours from Moscow State University with a degree in physics and received an MBA from the Academy of National Economy of the Government of the Russian Federation.

Mr. Richard Sheath. Mr. Sheath has extensive experience of internal control, risk management and reporting. He is a director and co-founder of Independent Audit Limited, a consultancy specialising in corporate governance. He advises the boards of major companies in the UK and overseas on all aspects of governance with a particular focus on audit and risk committees, risk governance, control culture and corporate reporting. Previously Mr. Sheath was a partner in the risk management consulting practice of PricewaterhouseCoopers and spent six years with the firm in Russia. He began his career with the Bank of England and HM Treasury (Finance Ministry). Mr. Sheath earned an MBA from the City University (London) and graduated from University of York (UK) (Bachelor of Arts).

Audit Committee

The members of the Audit Committee are Mr. Richard Sheath, Mr. Keith Jackson and Mr. Nikolay Pilipenko. The committee deals with EuroChem's financial reporting and the functioning of the internal control and risk management systems, and cooperates with the independent external auditor, the department that carries out the internal audit functions and the Revision Commission, and considers the valuation of EuroChem's assets.

Strategy Committee

The members of the Strategy Committee are Mr. George Cardona and Mr. Keith Jackson. The committee develops recommendations for the Board of Directors on EuroChem's strategic targets, long-term programmes, development plans, strategies for cooperation, business plans, investment plans, budgets and dividend policies.

Corporate Governance and Personnel Committee

The members of the Corporate Governance and Personnel Committee are Mr. Vladimir Stolin, Mr. Nikolay Pilipenko and Ms. Andrea Wine. The committee develops competitive systems of motivation and remuneration for the members of the Board of Directors, members of the Audit Committee, the General Director, members of the Management Board and the senior managers of EuroChem. It also deals with the improvement of EuroChem's corporate governance.

General Director and Management Board

The Management Board and General Director manage EuroChem's day-to-day operations. The General Director is elected, and other members of the Management Board are appointed by, the Board of Directors. The Management Board reports to the General Shareholders' Meeting and the Board of Directors. The General Director is authorised to represent EuroChem, to enter into transactions on its behalf and issue power of attorney. The Management Board consists of six people. The address of the Management Board is 53 Dubininskaya Street, bldg 6, Moscow, 115054, Russian Federation.

As at the date of this Prospectus, the members of the Management Board included:

Mr. Dmitry Strezhnev. Mr. Strezhnev is the General Director of EuroChem and Chairman of the Management Board. See "*–Board of Directors*" above.

Mr. Igor Nechaev (age 46). From 1988 to 1995 Mr. Nechaev served in the Armed Forces of the Russian Federation, from 1995 to 2005 he was employed at Severstal, where he worked his way up from a specialist in the Foreign Relations Department of the Sales Directorate to Commercial Director of the company. From 2002 to 2006 Mr. Nechaev was member of the Board of Directors of Severstal, from 2008 to 2010 he was Chairman of the Board of Directors of Severstal Vtorchermet and Severo-Zapad Ogneupor. In 1988 he graduated from Cherepovets Higher Military Engineering School of Radio Electronics. In 2006 he received an MBA from Northumbria University Business School (Newcastle, UK). Mr. Nechaev is holder of Academician Bardin Award for his work "The Use of Converter Steel for Production of Cast Sections in Electric-Furnace Steelmaking Shop". Mr. Nechaev is Logistics Director of EuroChem.

Mr. Alexander Tugolukov (age 50). From 1984 to 1994 Mr. Tugolukov worked at Gorlovka JSC Concern Stirol in Ukraine, where he held different positions ranging from Engineer to Deputy Engineering Director. In 1994 he was appointed Engineering Director and later Chief Vice-President for Technology Development at Stirol, which became one of the leading Ukrainian producers of nitrogen. Mr. Tugolukov graduated from the Dnipropetrovsk Institute of Chemistry and Technology with a degree in Inorganic Matter Engineering and Technology. During his career he has earned the title ''Honoured Ukrainian Chemist'', in addition to a Rank II Medal for Service to the Russian Chemical Industry. Mr. Tugolukov is Engineering Director of EuroChem.

Mr. Igor Schelkunov (age 45) Mr. Schelkunov joined EuroChem in 2005 as deputy administrative director and ran the department for HR policies. Mr. Schelkunov accumulated many years of experience at Yuganeftegaz, a prominent Russian oil company. In 1988, he began his career as an oil and gas production operator, later taking on various management responsibilities in different divisions within the company. From 1997 to 2005 he was responsible for the company's HR policy, first as division head and later as the deputy head of the HR department and then HR Director. Mr. Schelkunov graduated from the Tyumen Industrial Institute with a degree in technology and integrated mechanisation of the development of oil and gas deposits. Mr. Schelkunov is Administrative Director of EuroChem.

Mr. Valery Rogalskiy (age 44). Mr. Rogalskiy has worked in the fertiliser business since 1992 and during this time has been based in Cyprus, the UK and the Netherlands as well as in Russia. From 1996 to 2002 he worked as Commercial Director of V.T.I. Group – a fertiliser production, transport and distribution holding. Before becoming Sales Director, Mr. Rogalskiy was the Head of the Fertiliser Sales Department. Mr. Rogalskiy graduated from the Moscow Power Engineering Institute, Faculty of Automation and Computer Engineering with a degree in Applied Mathematics. Mr. Rogalskiy is Sales Director of EuroChem.

Mr. Andrey Ilyin (age 40). In 1993 Mr. Ilyin started his career with PriceWaterhouse (Moscow). From 1997 to 2004 he worked in London-based investment banks Nomura International PLC, and later in Sindicatum Ltd, where he had equity research and investment banking responsibilities. Before joining EuroChem he was the CFO of MDM Bank in Moscow. Mr. Ilyin graduated from the Faculty of International Economic Relations of the Finance Academy of the Russian Federation. He also holds a Certificate in International Banking and Finance from London School of Economics. Mr Ilyin is CFO of EuroChem.

Revision Commission

The Revision Commission is a supervisory body established pursuant to the requirements of the Joint Stock Companies Law and Charter, which facilitates the control of shareholders over EuroChem's financial and business activities, as well as management. As a rule, such control is limited to the annual review of the results of operations. A positive opinion of the Revision Commission is required for annual General Shareholders' Meeting to approve statement of financial position and profit and loss statement.

The Revision Commission is comprised of 3 (three) members. The membership term for the members on the Revision Commission begins as of their election by a General Shareholders' Meeting and terminates as of the (re)election of the members of the Revision Commission at the next annual General Shareholders' Meeting. The authorities of one or several of the members of the Revision Commission may be terminated early by resolve of a General Shareholders' Meeting. Members of the Revision Commission may not simultaneously serve as members of the Board of Directors, nor may they perform the functions of any other positions in the Company, including its management bodies.

Compensation

In the nine months ended 30 September 2012, total remuneration of the Management Board and Board of Directors amounted to RUB 274,595 thousand and RUB 392,400 thousand in the year ended 31 December 2011.

The Board of Directors', total compensation was RUB 24,811 thousand for the nine months ended 30 September 2012 and RUB 34,866 thousand for the twelve months ended 31 December 2011.The Management Board' total compensation was RUB 249,784 thousand for the nine months ended 30 September 2012 and RUB 357,534 thousand for the twelve months ended 31 December 2011. This compensation is paid to six individuals who are members of the Management Board, for their services in full time positions. Compensation is made up of an annual fixed remuneration plus a performance bonus accrual.

SHAREHOLDING

As at the date of this Prospectus, EuroChem's authorised, issued and fully paid-up share capital is RUB 6,800,000,000 comprised of 68,000,000 ordinary registered shares with a par value of RUB 100 per share.

The following table sets forth EuroChem's shareholders as indicated in an extract from the register of shareholders dated 22 November 2012:

	As at 22 November 2012	
	Number of ordinary shares	**Percentage of share capital**
Shareholders		
EuroChem Group S.E.	60,825,902	89.4
EuroChem Capital Management Ltd. (treasury shares)	7,174,098	10.6
Total	**68,000,000**	**100.0**

Mr. Andrey Melnichenko and Mr. Dmitry Strezhnev are, together, the 100.0 per cent. ultimate beneficial owners of EuroChem Group S.E., a Cypriot European company holding 90.86 per cent. of the ordinary shares of EuroChem as at 30 September 2012 and 89.4 per cent. as at 22 November 2012. Both Mr. Andrey Melnichenko and Mr. Dmitry Strezhnev are Russian nationals.

The ultimate beneficial owners of the Group exercise their control over EuroChem through the representatives of EuroChem Group S.E. in the general shareholders meeting of EuroChem (see "*Management and Directors—General Shareholders' Meeting*"). In addition, Mr. Andrey Melnichenko is currently Chairman of EuroChem's Board of Directors (see "*Management and Directors—Board of Directors*") and Mr. Dmitry Strezhnev is a member of EuroChem's Board of Directors, Chairman of the Management Board and the General Director of EuroChem (see "*Management and Directors—Board of Directors*"). The inclusion of independent directors in the Board of Directors of EuroChem is designed, *inter alia*, to ensure that the powers of the beneficial owners of EuroChem are not abused.

EuroChem Capital Management Ltd. is a wholly owned subsidiary of the Group (*i.e.*, EuroChem Capital Management Ltd. is a wholly-owned subsidiary of EuroChem Trading GmbH, which is a wholly-owned subsidiary of EuroChem). Therefore, the ordinary shares in EuroChem held by EuroChem Capital Management Ltd. are treated as treasury shares in the Annual Consolidated Financial Statements and the Interim Consolidated Financial Information.

The ordinary shares of EuroChem held by EuroChem Capital Management Ltd. carry voting rights in the same proportion as other ordinary shares. The voting rights of these ordinary shares are effectively controlled by the management of the Group.

During the third quarter of 2012, the Group paid to EuroChem Group S.E. RUB 4,260,184 thousand in order to buy back 718,085 ordinary shares in EuroChem, which represented 1.056 per cent. of the issued share capital of EuroChem. Additionally, on 25 October 2012, EuroChem Capital Management Ltd. signed a shares sale and purchase agreement with EuroChem Group S.E. to buy back 132,978 ordinary shares in EuroChem, which represented 0.1956 per cent. of the issued share capital of EuroChem, for RUB 781,243 thousand.

According to shares sale and purchase agreement, title to the shares passes to EuroChem Capital Management Ltd. when the transaction is recorded in the registrar's account. Title to the 718,085 ordinary shares and 132,978 ordinary shares in EuroChem passed to EuroChem Capital Management Ltd. in October and November 2012, respectively.

On 15 November 2012, EuroChem Capital Management Ltd. signed a sale and purchase agreement with EuroChem Group S.E. to buy back 106,384 ordinary shares in EuroChem, which represented 0.1564 per cent of the issued share capital of EuroChem, for RUB 633,844 thousand. Title to the 106,384 ordinary shares in EuroChem passed to EuroChem Capital Management Ltd. on 16 November 2012.

As at the date of this Prospectus, 17,000,001 shares in EuroChem owned by EuroChem Group S.E. are pledged to a leading Russian bank as security under a loan facility agreement.

Other than the potential reorganisation of the Group (see ''*Description of the Transaction–Reorganisation of the Group*''), EuroChem is not aware of any arrangements in existence as of the date of this Prospectus which could reasonably be expected to result in a change of control of EuroChem.

REGULATION OF MINING AND MINERAL INDUSTRY IN RUSSIA

Applicable Laws, Rules and Regulations

Russia has not enacted any specific legislation governing the fertiliser industry or the activities of mineral fertiliser producers. The production, sale and distribution of mineral fertilisers in the Russian Federation are regulated by general civil legislation and special legislation relating to quality standards, industrial safety rules, the environment and other issues.

The legislation regulating mining, processing and the use of minerals in Russia is based on the Russian Constitution and Law No. 2395-1 ''On Subsoil'' dated 21 February 1992, as amended (the ''**Subsoil Law**''). The Subsoil Law allocates jurisdiction in the mining sector between federal and regional authorities, sets out the basic principles and features of the licence-based regulatory framework, and outlines the rules governing the issuance, transfer, suspension and termination of subsoil licences. There are also a number of regulations issued by the Russian federal government through its ministries and agencies that regulate certain aspects of mineral mining.

On 14 March 2008, the Ministry of Industry and Trade of the Russian Federation (''**Minpromtorg**'') enacted the ''Strategy for Development of the Chemical and Petrochemical Industry until 2015''. This document, among other things, determines key ways to develop the chemical industry and sets out steps to implement them. It also proposes measures aimed at satisfying the imbalance between the marketing of chemical products and the development of Russian chemical production, promoting and implementing innovative approaches in the chemical and petrochemical industry, achieving effective management of chemical and petrochemical enterprises and reducing negative impact on the environment.

Federal Law No. 184-FZ ''On Technical Regulation'' dated 27 December 2002, as amended (the ''**Technical Regulation Law**'') sets forth rules and requirements relating to the development, enactment, application and enforcement of mandatory technical requirements and the development of voluntary standards relating to manufacturing processes, operations, storage, transportation, selling and utilisation.

Federal, Regional and Local Regulatory Authorities

At the federal level, regulatory supervision over the Group's operations is divided primarily among the Russian Government, the Ministry of Economic Development, the Ministry of Natural Resources and Environment and Minpromtorg. The Russian Government ensures the implementation of a general state policy in the area of geological study, use and trade of nitrogen and phosphate fertilisers; it also determines licensing procedures for the use of subsoil in connection with the exploration and extraction of natural resources. The Ministry of Economic Development is responsible for encouraging investment, foreign trade and support of scientific research. The Ministry of Natural Resources and Environment is responsible for the development of government policy and regulation in the sphere of exploration, use, restoration and protection of natural resources and environment. Minpromtorg is responsible for the development of government policy in the areas of industrial development, energy consumption effectiveness, standardisation and metrology.

The federal ministries in Russia are not, however, responsible for compliance control or management of state property and provision of state services, which is within the jurisdiction of federal services and federal agencies, respectively. The federal services and agencies that regulate the Group's operations in Russia include: the Federal Agency for Subsoil Use (''**Rosnedra**''), the Federal Supervisory Natural Resources Management Service (''**Rosprirodnadzor**''), the Federal Service for Environmental, Technological and Nuclear Supervision (''**Rostekhnadzor**''), the Federal Labour and Employment Service, and the Federal Agency for Technical Regulation and Metrology.

Rosnedra mainly organises tenders and auctions, issues licences for the use of natural resources and approves design documentation for subsoil use.

Rosprirodnadzor oversees compliance with the terms and conditions of subsoil licences, certain matters of environmental legislation, controls geological exploration, use and protection of subsoil, and provides official ecological examination of project papers.

The Rostekhnadzor oversees compliance with certain mandatory industrial safety rules and environmental legislation, which include safety procedures relating to the installation, deployment and operation of technical devices and machinery used in the Group's business, and the production and technological processes. It also (i) issues licences for certain industrial activities and activities relating to safety and environmental protection, such as licences for exploitation of inflammable facilities and

conduct of operations involving the use of explosives, surveyors' works and use of dangerous wastes; (ii) maintains a register of dangerous facilities; and (iii) establishes limits for waste disposal.

The Federal Labour and Employment Service controls and supervises the Group's compliance with labour legislation.

The Federal Agency for Technical Regulation and Metrology determines and oversees levels of compliance with mandatory general technical and industrial standards.

The Federal Anti- Monopoly Service (''**FAS**'') implements the state policy relating to promoting the development of the commodity markets and competition, enforcing antimonopoly legislation, and preventing and stopping anti-competitive behaviour, unfair competition practices and other actions restricting competition. The FAS, among other things, oversees acquisitions of controlling stakes in companies meeting certain criteria and the achievement of dominant market position by business enterprises.

In addition to the above-listed federal executive bodies, which are directly involved in the supervision and regulation of the Group's business, there are a number of other governmental bodies and agencies with authority over general issues relating to the Group's business, including Ministry of Justice of the Russian Federation, and transportation and tax collection agencies.

Under the Subsoil Law, the jurisdiction of the regional authorities in the exploration industry includes, among other things, establishment and execution of local programmes aimed at the development of subsoil plots in the region, creating a local database of geological information, the creation of state funds of mineral resources for the Russian regions, and regulation, along with federal authorities, of the activities of organisations in the mining industry within the territory of the constituent of the Russian Federation.

In addition, regional and local authorities control land-use allocations and exercise certain taxation powers.

Licensing

The Group is required to obtain licences, permits and authorisations from Russian governmental authorities to conduct its operations. Federal Law No. 99-FZ ''On Licensing of Certain Types of Activities'' dated 4 May 2011, as amended (the ''**Licensing Law**''), and other laws and regulations list activities which can only be performed under a licence issued by the relevant Russian authorities and establish the procedures for the issuance of such licences. In order to conduct its operations, the Group requires licences and permits for, among other things:

- the use of subsoil, as described in more detail in ''- *Subsoil Licensing*'';
- water consumption (the use of water resources);
- discharge of pollutants into the environment;
- geographical surveying operations;
- handling of hazardous waste (collection, use and recycling);
- the storage and use of explosive materials;
- the operation of explosive and flammable production facilities (explosives, chemicals and fire hazards);
- exploitation of chemically hazardous substances; and
- transportation of hazardous materials by a railway or river and sea transport.

Under the licensing regulations and the terms of its licences and permits, the Group must comply with numerous industrial standards, employ qualified personnel, maintain certain equipment and a system of quality control, maintain insurance coverage, monitor operations, make appropriate filings and, upon request, submit information requested by the licensing authorities that oversee and inspect its activities. A licence may be suspended in case of (i) imposition of administrative sanctions on the licensee and (ii) administrative suspension of activities for gross breach of the licensing requirements. A licence may also be cancelled by the court in case of repeated breach of the licensing requirements after suspension of the licence.

According to the Urban Planning Code of the Russian Federation No. 190-FZ dated 29 April 2004, as amended (the "**Urban Planning Code**"), design, construction and reconstruction of permanent structures and facilities, including those used in mining, are subject to certain permissions for construction or reconstruction and review of the design documentation by Glavgosexpertiza.

Subsoil Licensing

Overview

Each mining operation requires a subsoil licence issued by Rosnedra with respect to an identified mineral deposit, as well as the right (through ownership, lease or other right) to use the land plot where such licensed mineral deposit is located. In addition, operating permits are required for specific mining activities.

Subsoil licences are usually issued through a tender or auction procedure held in compliance with the Subsoil Law, the Russian Civil Code and the Procedure for the Licensing of Subsoil Use adopted by Resolution of the Supreme Soviet of the Russian Federation No. 3314-1 dated 15 July 1992, as amended ("**3314-1 Procedure**"). A licence granted under the Subsoil Law is accompanied by a licensing agreement, which sets out the terms and conditions for use of the subsoil.

There are two major types of licences: (i) exploration licences, which are non-exclusive licences granting a right of geological exploration and assessment within the area covered by the licence, and (ii) extraction licences, which grant the licensee an exclusive right to extract minerals from the licensed area. In practice, many of the licences are issued as combined (exploration and extraction) licences, which grant the right to explore, assess and extract minerals from the licensed area, which is defined by its latitude, longitude and depth.

Currently, extraction licences and combined exploration and extraction licences are awarded by tender or auction conducted by special auction commissions of Rosnedra. While such auction or tender may involve a representative of the relevant region, the separate consent of regional authorities is generally not required in order to issue subsoil licences. The winning bidder in a tender is selected in particular on the basis of the submission of the most technically competent, financially attractive and environmentally sound proposal that meets published tender terms and conditions. At an auction, the success of a bid is determined by the attractiveness of the financial proposal. In limited circumstances, production licences may also be issued without holding an auction or tender, for instance to holders of exploration licences who discover mineral resource deposits through exploration work conducted at their own expense. Regional authorities may issue production licences for "common" mineral resources, such as clay, sand or limestone. The Russian Government may establish certain limits for companies with foreign ownership on participation in the auctions and tenders at which licences for exploration of subsoil plots of federal significance are awarded.

Pursuant to the Subsoil Law, a subsoil plot is provided to a subsoil user as a "mining allotment", i.e. a geometric block of subsoil. Preliminary mining allotment boundaries are determined at the time the licence is issued. Exact mining allotment boundaries are established upon the approval of a development plan by state mining supervision authorities and an environmental examination committee. These exact boundaries are certified in a mining allotment plan issued to the licence holder thereafter. The exact mining allotment boundaries are incorporated into the licence as an integral part. Pursuant to Resolution No. 118 of the Russian Government dated 3 March 2010, a special commission comprised of representatives from the Ministry of Natural Resources, Rosnedra, the Federal Supervisory Natural Resources Management Service, Rostekhnadzor, and, in certain cases, local authorities has the authority to approve development plans.

The term of each licence is set forth in the licence. Prior to January 2000, exploration licences had a maximum term of five years, extraction licences a maximum term of 20 years, and combined exploration, assessment and extraction licences a maximum term of 25 years. After the amendment of the Subsoil Law in January 2000, exploration licences now have a maximum term of five years; extraction licences are generally granted for a term of the expected operational life of the field based on a feasibility study, except under certain circumstances in which the licence may be issued for a term of one year; and combined licences can be issued for the term of the expected operational life of the field based on a feasibility study. In addition, the licence for the extraction of the subsoil waters is granted for a 25-year period. These amendments do not affect the terms of licences issued prior to January 2000, but permit licensees to apply for extensions of such licences for the term of the expected operational life of the field,

provided the licensee complies with the licence terms. The term of a subsoil licence runs from the date the licence is registered with Rosnedra.

A licence holder has the right to develop and sell extracted mineral resources from the area indicated in the licence. The Russian Federation, however, retains ownership of all subsoil resources at all times, and the licence holder only has rights to the minerals or other relevant types of mineral resources when extracted.

A subsoil exploration and production licence gives its holder exclusive subsoil use rights with respect to an identified licence area (including subsurface zones) for the term of the licence.

Extension of Licences

The Subsoil Law permits a subsoil licensee to request an extension of an extraction licence in order to complete the exploration or evaluation of the minefield, extraction from the subsoil plot covered by the licence or the procedures necessary to vacate the land once the use of the subsoil is complete, provided the licensee complies with the terms and conditions of the licence and the relevant regulations.

To extend a subsoil licence, at least six months before the expiration date, the company must file an application with the local office of Rosnedra. In order for a licence extension application to be considered, the applicant must prepare technical documentation describing exploration and extraction activities to be conducted at the underlying deposits. Such documentation must be prepared pursuant to the relevant regulations and approved by the Federal Agency for Subsoil Use.

In practice, the factors that may affect a company's ability to obtain the approval of licence amendments include (i) its compliance with the licence terms and conditions; and (ii) its management's experience and expertise relating to subsoil issues, including experience in amending licences. The Group is periodically checked for compliance by government authorities and has historically been in material compliance with its licences.

Transfer of Licences

Licences may be transferred only under certain limited circumstances that are set forth in the Subsoil Law, including the reorganisation or merger of the licence holder or in the event that an initial licence holder transfers its licence to a newly established legal entity in which it has at least a 50.0 per cent. ownership interest, provided that the transferee possesses the equipment and authorisations necessary to conduct the exploration or extraction activity covered by the transferred licence. Licences may not be transferred to a company or group of companies owned by foreign entities which (i) directly or indirectly control 10.0 per cent. of voting shares comprising the share capital of such company; (ii) determine the decisions taken by such company including terms and conditions of its business; and (iii) appoint the chief executive officer and/or more than 10.0 per cent. of members of the board of directors (supervisory board) or other collective management board of such company. However, the Russian Government in some exceptional cases may approve the transfer of the licences to such company.

Maintenance and Termination of Licences

A licence sets out the terms and conditions for the use of the subsoil licence and certain environmental, safety and production commitments. Rosnedra and the licensee may also enter into a licensing agreement where they may set out the expressly agreed additional terms, such as target extraction rates; conducting certain mining and other exploratory and development activities; protecting the environment in the licensed areas from damage; providing geological information and data to the local authorities and fulfilling specified commitments with respect to the social and economic development of the region. When the licence expires, the licensee must return the land to the condition required for its future use. Although most of the conditions set out in a licence are based on mandatory provisions contained in Russian law, certain provisions in a licensing agreement are left to the discretion of the licensing authorities and are often negotiated between the parties.

If the subsoil licensee fails to fulfil the licence conditions, upon notice the licence may be terminated by the licensing authorities.

The Subsoil Law and other Russian legislation contain extensive provisions with respect to limitation, suspension or termination of the rights of a subsoil user. A licensee can be fined or its rights can be limited, suspended or terminated for repeated breaches of the law, as a consequence of a direct threat to the lives or health of people working or residing in the local area or in the event of certain emergency situations. The rights of a subsoil user may also be limited, suspended or terminated for violations of

material licence terms. Although the Subsoil Law does not specify which terms are material, failure to pay subsoil taxes or failure to commence operations in a timely manner have been common grounds for limitation, suspension or termination of the rights of a subsoil user. Consistent overproduction, underproduction or failures to meet financial obligations in respect of a project (pursuant to the licensing agreement) are also likely to constitute violations of material licence terms. In addition, certain licences provide that a licensee's failure to fulfil any of its obligations may constitute grounds for limitation, suspension or termination of the rights of a subsoil user.

The Group must comply with the Subsoil Law, including the provisions governing the use of subsoil, geological research, and exploration and extraction of mineral resources. Pursuant to the terms of the Group's licences, tailings and waste produced during the extraction of ore must be adequately stored and re-processed if possible and commercially justified. The Group must also ensure deep processing of the extracted ore and provide geological information in respect of the deposits underlying the Group's licences to the regional department of the Russian Ministry of Natural Resources on a quarterly basis.

Payments

Payments with respect to the exploration, evaluation and extraction of minerals include: (i) payments for the use of subsoil under the Subsoil Law (which may include regular payments for exploration of minerals and certain one-off payments) and (ii) the mineral extraction tax under the Russian Tax Code. Failure to make these payments could result in the suspension or termination of the subsoil licence.

Land Use Rights

Russian legislation prohibits carrying out any commercial activity, including mineral extraction activities, on a land plot without appropriate land use rights. Land use rights are generally obtained for only those parts of the licence area which are actually in use, including the plot being mined, access areas, and areas where other mining-related activity is being carried out.

Pursuant to the Land Code, companies generally have one of the following land rights in the Russian Federation: (i) ownership; (ii) lease; (iii) right of free use for a fixed term; or (iv) right of perpetual use. The majority of land plots in the Russian Federation are owned by federal, regional or municipal authorities which can sell, lease or grant other land use rights to third parties through public auctions or tenders or through private negotiations.

Companies having a right of perpetual use of land obtained prior to the enactment of the Land Code are required, by 1 July 2012, either to purchase the land from, or to enter into a lease agreement with, the relevant federal, regional or municipal authority owning the land.

The Group generally has the right of ownership, perpetual use rights or has entered into long-term lease agreements in respect of its plots. A lessee generally has a priority right to enter into a new land lease agreement with a lessor upon the expiration of a land lease. In order to renew a land lease agreement, the lessee must apply to the lessor (usually state or municipal authorities) for a renewal prior to the expiration of the agreement. Any lease agreement for a period of one year or more must be registered with the relevant state authorities.

Subsoil Plots of Federal Importance

In order for the Russian Federation to control subsoil resources necessary to safeguard national security, certain subsoil plots, including subsoil plots where the Group mines, have been classified as subsoil plots of federal importance and are subject to a special regulatory regime with regards to their exploration and development. Although the concept of a subsoil plot of federal importance is not new for the Russian subsoil legislation, the definition of a subsoil plot of federal importance was introduced only by amendments to the Subsoil Law which came into force in May 2008.

Subsoil plots of federal importance are plots containing deposits of (i) valuable minerals (e.g., uranium, diamonds, nickel and platinum group elements); (ii) more than 70 million metric tonnes of extractable oil; (iii) more than 50 billion cubic metres of gas; (iv) more than 50 tonnes of gold; or (v) more than 500,000 metric tonnes of copper. Subsoil plots under inland seas, territorial seas and the continental shelf of the Russian Federation, as well as under land related to national defence and security, also falls within this definition. The Subsoil Law and Resolution No. 823 dated 7 November 2008 of the Russian Government provide that a list of subsoil plots of federal importance will be officially published by Rosnedra. The current edition of the list of subsoil plots of federal importance is as of 13 August 2010.

The use of subsoil plots of federal importance and the allocation of the newly discovered subsoil plots of federal importance for exploration and development are regulated at the level of the Russian Government which organises auctions and tenders for exploration and development of such subsoil plots, determines the successful bidder and takes a decision to grant rights to a newly discovered subsoil plot of federal importance. The main idea behind the concept of a subsoil plot of federal importance is to give the Russian Government an ability to restrict foreign investors and Russian companies owned by foreign investors from developing subsoil plots of federal importance in cases where this may pose a threat to the national security of the Russian Federation.

The general rule set forth in the Subsoil Law is that subsoil plots of federal importance other than subsoil plots under inland seas, territorial seas and the continental shelf of the Russian Federation may be allocated for exploration and development only to Russian companies. However, the Russian Government may restrict participation of Russian companies with foreign investments in auctions and tenders for exploration or development of a particular subsoil plot of federal importance. In addition, allocation for exploration and development of subsoil plots of federal importance which were discovered in the course of a geological survey by a foreign investor or a Russian company with foreign investments may be denied by the Russian government on a case-by-case basis.

Environmental Matters

General

The Group is subject to laws, regulations and other legal requirements relating to the protection of the environment, including those governing the discharge of substances into the air and water, the management and disposal of hazardous substances and waste, the clean-up of contaminated sites, and protection of flora, fauna and other wildlife. Issues of environmental protection in Russia are regulated primarily by Federal Law No. 7-FZ ''On Environmental Protection'' dated 10 January 2002, as amended (the ''**Environmental Protection Law**''), as well as by a number of other federal and local laws.

Ecological Approval

Any activities that may affect environment are subject to state ecological approval by federal authorities in accordance with Federal Law No. 174-FZ ''On Ecological Expert Review'' dated 23 November 1995, as amended. Conducting operations that may cause damage to the environment without state ecological approval may result in the adverse consequences described under ''- *Environmental Liability*'' below.

Enforcement Authorities

The Federal Service for the Supervision of the Use of Natural Resources, Rostekhnadzor, the Federal Service for Hydrometrology and Environmental Monitoring, Rosnedra, the Federal Agency on Forestry and the Federal Agency on Water Resources (along with their regional branches) are involved in environmental regulation, and implementation and enforcement of relevant laws and regulations. The Russian Government and the Ministry of Natural Resources and Environment are responsible for coordinating the activities of the regulatory authorities in this area. Such regulatory authorities, along with other state authorities, individuals and public and non-governmental organisations, also have the right to initiate lawsuits claiming compensation for damage caused to the environment. The statute of limitations for such lawsuits is 20 years.

Environmental Liability

If the operations of a company violate environmental requirements or cause harm to the environment or to any individual or legal entity, environmental authorities may suspend such operations or a lawsuit may be brought to limit or ban such operations and require the company to remedy the effects of the violation. Any company or employees that fail to comply with environmental regulations may be subject to administrative and/or civil liability, and individuals may be held criminally liable. Courts may also impose clean-up obligations on violators in lieu of or in addition to fines.

Subsoil licences generally require certain environmental commitments. Although these commitments can be substantial, the penalties for failing to comply are generally low and the clean-up requirements not very onerous, but failure to comply may lead to a suspension of mining works.

Reclamation

The Group conducts its reclamation activities in accordance with the Basic Regulation on Land Reclamation, Removal and Preservation, and on Rational Use of the Fertile Soil Layer approved by

Order No. 525/67 dated 22 December 1995 of the Ministry of Natural Resources and Environment. However, most of the Group's licences require the Group to conduct reclamation following exhaustion of the respective mines. The Group believes that it has complied in all material respects with the environmental standards of the appropriate regulatory authorities in the Russian Federation. The Group has not received any specific requests from such regulatory authorities to develop a closure plan or to establish a liquidation fund.

Technical Regulations

The Group is subject to various technical regulations and standards which apply to industrial manufacturing businesses. The Technical Regulation Law introduced a new regime for the development, enactment, application and enforcement of mandatory rules applicable to production, manufacturing, storage, transportation, sales and certain other operations and processes, as well as new regulations relating to the quality of products and processes, including technical regulations, standards and certification. It was expected that these rules, or technical regulations, would replace the previously adopted state standards (the so-called "**GOSTs**"). However, most technical regulations have not yet been implemented, and, in the absence of such technical regulations, the existing federal laws and regulations, including GOSTs, that prescribe rules for different products and processes remain in force to the extent that they protect health, property, the environment and/or consumers. In addition, the federal standardisation authority has declared GOSTs and interstate standards adopted before 1 July 2003 to be the applicable national standards.

In certain circumstances, companies are required to obtain certification of compliance with applicable technical regulations, standards and terms of contracts. Currently, a number of Group's products must be certified. Where certification is not mandatory, a company may elect voluntary certification by applying for a compliance certificate from the relevant authorities. Following the issuance of such certificate, the applicant has the right to use the relevant compliance mark on its products.

Industrial Safety

Due to the nature of the Group's business, a substantial portion of its activities is conducted at industrial sites by large numbers of workers, and labour protection is of significant importance to the operation of these sites.

The principal law regulating industrial safety is Federal Law No. 116-FZ "On Industrial Safety of Dangerous Industrial Facilities" dated 21 July 1997, as amended (the "**Safety Law**"). The Safety Law applies to industrial facilities and sites where certain activities are conducted, including sites where lifting machines are used, where toxic, flammable, oxidisable and other hazardous substances are produced, used, processed, stored or transported. There are also certain additional safety regulations applicable to the chemical industry.

Any construction, reconstruction, liquidation or other activities in relation to regulated industrial sites is subject to an industrial safety review. Any deviation from project documentation in the process of construction, reconstruction or liquidation of industrial sites is prohibited unless reviewed by a licensed expert and approved by the Rostekhnadzor.

Companies that operate such industrial facilities and sites have a wide range of obligations under the Safety Law and the Labour Code (as defined below). In particular, they must limit access to such sites to specialists complying with the relevant qualifications and medical requirements, maintain industrial safety controls and carry insurance for third-party liability for injuries caused in the course of operating industrial sites. The Safety Law also requires these companies to enter into contracts with professional wrecking companies or create their own wrecking services in certain cases, conduct personnel training, create systems to cope with and inform Rostekhnadzor of accidents and maintain these systems in good working order.

Companies operating industrial sites must also prepare declarations of industrial safety which summarise the risks associated with operating a particular industrial site and measures the company has taken and will take to mitigate such risks, and use the site in accordance with applicable industrial safety requirements. Such declaration must be adopted by the chief executive officer of the company, who is personally responsible for the completeness and accuracy of the data contained therein. The industrial safety declaration, as well as an industrial safety review are required for the issuance of a licence permitting the operation of a dangerous industrial facility. Dangerous industrial facilities must be

registered in the state register of dangerous industrial facilities maintained by Rostekhnadzor. The registration is temporary and must be renewed every five years.

Any company or individual violating industrial safety rules may incur administrative and/or civil liability, and individuals may also incur criminal liability. A company that violates safety rules in a way that negatively impacts the health of an individual may also be required to compensate the individual for lost earnings, as well as health-related damages.

Labour Relations

Labour relations in Russia are generally governed by the Labour Code of the Russian Federation, as amended (the ''**Labour Code**''), which came into force on 1 February 2002. However, there are certain additional regulations, such as the Sectoral Tariff Agreement of the Entities of Chemical, Petrochemical, Biotechnological and Chemical and Pharmaceutical industries of the Russian Federation for 2012-2014. It was concluded between the Russian Union of Chemists on behalf of the employers (the ''**Union**'') and the Russian Trade Union of Employees of Chemical Industry Sectors (the ''**Trade Union**'') on behalf of the employees. This agreement is compulsory for the members of the Union and certain other entities that acceded to it or if there are primary trade union organisations of the Trade Union in relation to them. The agreement sets out the minimum legal guarantees for the employees and governs certain labour relations. In addition, all of the Group's trade unions are part of regional chemical industry trade unions as well as part of the Association of Mineral Fertiliser Producers Trade Unions

Investments in Russian Companies of Strategic Importance

Federal Law No. 57-FZ ''On the Procedure for Making Foreign Investments in the Companies of Strategic Importance for the Defence and Security of the State'' dated 29 April 2008, as amended (the ''**Strategic Investments Law**'') establishes certain restrictions for foreign investments into Russian companies which are deemed strategically important for the defence and security of the Russian Federation (the ''**Strategic Companies**''). The Strategic Investments Law provides for the list of activities that have strategic importance for the national defence and security. This list inter alia includes (a) exploration and production of subsoil of federal land plots and, generally, (b) activities of those companies that have a market share in a particular segment in excess of 35 percent.

Under the Strategic Investments Law, an establishment by foreign entity (or any other person that is a member of the group with the participation of a foreign entity) (a ''**Foreign Investor**'') of direct or indirect control over a Strategic Company requires a permit of the competent state authority. Therefore, *inter alia*, a direct or indirect acquisition by a Foreign Investor of a stake in a Strategic Company which vests an acquirer with right to exercise certain percentage of voting rights (ranging from over 5 to over 50 per cent. depending on type of the Foreign Investor and type of the Strategic Company) in the charter capital of the Strategic Company, requires obtaining a prior permit of the competent state authority. If an acquisition of a stake over the relevant percentage happens without obtaining such prior permit, the acquisition transaction is void under Russian law and the Foreign Investor may be deprived from voting rights which correspond to the stake acquired in the Strategic Company. Moreover, completion of the transaction without a prior permit of the competent state authority may result in fines imposed on the Foreign Investor.

RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24, *Related Party Disclosures*. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The following table sets forth the Group's significant balances outstanding with those related parties as at the dates indicated:

	As at 30 September	As at 31 December		
	2012	2011	2010	2009
	(RUB in thousands)			
Advances given to construction companies and suppliers of property, plant and equipment	–	153	13,375	–
Trade receivables	16,647	17,518	15,861	16,104
less: impairment provision on trade receivables[1]	(16,594)	(17,518)	(15,861)	(16,104)
Prepayments, other receivables and other current assets	834	62,248	52,437	50,241
less: impairment provision on other receivables[1]	–	(53,484)	(50,628)	(50,241)
Prepayments to EuroChem Group S.E. for treasury shares	4,260,184	–	–	–
Bonds issued	–	24,147	22,858	–
Trade payables	2,678	2,463	8,128	13,517
Other accounts payable and accrued expenses	–	–	1,380	–

(1) Impaired trade and other receivables from an affiliated Ukraine-based company.

The following table sets forth the Group's significant transactions with those related parties for the periods indicated:

	For the nine months ended 30 September		For the year ended 31 December		
	2012	2011	2011	2010	2009
	(RUB in thousands)				
Sales	71,918	45,914	46,850	200,068	145,830
Purchases of goods and services[1]	(70)	(2,554)	(2,606)	(61,894)	(60,008)
General and administrative expenses	–	–	–	–	(117,190)
Distribution costs	(21,807)	(88,726)	(130,495)	(81,621)	(16,104)
Interest income from other related parties	11,902	9,333	215,104	–	–
Interest income from EuroChem Group S.E.	–	–	–	–	59,376

(1) Purchases of goods and services are referred to as purchases of materials and components in note 28 in the 2009 Consolidated Financial Statements and the 2011 Consolidated Financial Statements and note 30 in the 2010 Consolidated Financial Statements included elsewhere in this Prospectus.

In the first quarter of 2012, the Group exchanged U.S.$246,920 thousand for EUR 185,000 thousand with a related party at the EUR/U.S.$ exchange rate prevailing in the market on the date of the transaction.

The total key management personnel compensation included in the profit and loss was RUB 249,784 thousand and RUB 277,034 thousand, RUB 357,534 thousand, RUB 325,772 thousand and RUB 177,338 thousand for the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009, respectively. This compensation is paid to six individuals who are members of the Management Board, for their services in full time positions. Compensation is made up of an annual fixed remuneration plus a performance bonus accrual.

For further information on related party transactions, see note 28 in the 2009 Consolidated Financial Statements, the 2011 Consolidated Financial Statements and the Interim Consolidated Financial Information and note 30 in the 2010 Consolidated Financial Statements included elsewhere in this Prospectus.

THE ISSUER

General

The Issuer was incorporated in Ireland as a private limited company on 7 November 2012, registered number 519757, under the Companies Acts 1963-2012 (as amended) of Ireland (the "**Companies Acts**"). The registered office of the Issuer is 31 Fitzwilliam Square, Dublin 2, Ireland and phone number +353 1 905 8020.

The authorised share capital of the Issuer is EUR 100 divided into 100 ordinary shares of par value EUR 1 each (the "**Shares**"). The Issuer has issued one Share, which is fully paid and is held on trust by Cafico Trust Company Limited (the "**Share Trustee**") under the terms of a declaration of trust (the "**Declaration of Trust**") dated 12 November 2012, under which the Share Trustee holds the Shares on trust for charity. The Share Trustee has no beneficial interest in and derives no benefit (other than any fees for acting as Share Trustee) from its holding of the Shares. The Share Trustee will apply any income derived from the Issuer solely for the above purposes.

Cafico Corporate Services Limited (the "**Corporate Services Provider**"), an Irish company, acts as the corporate services provider for the Issuer. The office of the Corporate Services Provider serves as the general business office of the Issuer. Through the office and pursuant to the terms of the corporate services agreement entered into on 7 December 2012 between the Issuer and the Corporate Services Provider (the "**Corporate Services Agreement**"), the Corporate Services Provider performs various management functions on behalf of the Issuer, including the provision of certain clerical, reporting, accounting, administrative and other services until termination of the Corporate Services Agreement. In consideration of the foregoing, the Corporate Services Provider receives various fees and other charges payable by the Issuer at rates agreed upon from time to time plus expenses. The terms of the Corporate Services Agreement provide that either party may terminate the Corporate Services Agreement upon the occurrence of certain stated events, including any material breach by the other party of its obligations under the Corporate Services Agreement which is either incapable of remedy or which is not cured within 30 days from the date on which it was notified of such breach. In addition, either party may terminate the Corporate Services Agreement at any time by giving at least 90 days written notice to the other party.

The Corporate Services Provider's principal office is 31 Fitzwilliam Square, Dublin 2, Ireland.

Business

The principal objects of the Issuer are set forth in clause 2 of its Memorandum of Association (as currently in effect) and permit the Issuer, *inter alia*, to lend money and give credit, secured or unsecured, to issue debentures, loan participation notes, enter into derivatives and otherwise to borrow or raise money and to grant security over its property for the performance of its obligations or the payment of money.

The Issuer is organised as a special purpose company. The Issuer was established to raise capital by the issue of debt securities and to use an amount equal to the proceeds of each such issuance to advance a loan to the Borrower.

Since its incorporation the Issuer has not engaged in material activities other than those incidental to its registration as a private company under the Companies Acts and those related to the issue of the Notes. The Issuer has no employees.

Directors and Company Secretary

The Issuer's Articles of Association provide that the Board of Directors of the Issuer will consist of at least two Directors.

The Directors of the Issuer and their business addresses are as follows:

Rodney O'Rourke	31 Fitzwilliam Square, Dublin 2, Ireland.
Yolanda Kelly	31 Fitzwilliam Square, Dublin 2, Ireland.

The Company Secretary is Cafico Secretaries Limited.

Financial Statements

Since its date of incorporation, the Issuer has not commenced operations and no financial statements of the Issuer have been prepared as at the date of this Prospectus. The Issuer intends to publish its first

financial statements prepared in accordance with IFRS in respect of the period ending on 31 December 2013. The Issuer will not prepare interim financial statements. The financial year of the Issuer ends on 31 December in each year.

The statement of comprehensive income and statement of financial position can be obtained free of charge from the registered office of the Issuer. The Issuer must hold its first annual general meeting within 18 months of the date of its incorporation (and no more than 9 months after the financial year end) and thereafter the gap between its annual general meetings must not exceed 15 months. One annual general meeting must be held in each calendar year.

The auditors of the Issuer are PricewaterhouseCoopers of One Spencer Dock, North Wall Quay, Dublin 1, Ireland who are chartered accountants and are members of the Institute of Chartered Accountants and registered auditors qualified to practise in Ireland.

LOAN AGREEMENT

LOAN AGREEMENT, dated 7 December 2012

BETWEEN:

(1) **OPEN JOINT STOCK COMPANY "MINERAL AND CHEMICAL COMPANY "EUROCHEM"**, a company organised as an open joint stock company under the laws of the Russian Federation, whose registered address is 53 Dubiniskaya Street, bldg. 6, Moscow 115054, Russian Federation, as borrower (***EuroChem*** or the ***Borrower***, which expression, where the context so admits, includes any successor Borrower pursuant to the terms of this Agreement and, following the Substitution (as defined below) the ***Guarantor***); and

(2) **(EUROCHEM GLOBAL INVESTMENTS LIMITED**, a company incorporated under the laws of ***Ireland*** (registered number 519757), having its registered office at 31 Fitzwilliam Square, Dublin 2, Ireland, as lender (the ***Lender***, which expression, where the context so admits, includes any successor Lender pursuant to the terms of this Agreement and the Trust Deed).

WHEREAS

(A) The Lender has at the request of the Borrower agreed to make available to the Borrower a loan facility in the amount of U.S.$750,000,000 on the terms and subject to the conditions of this Agreement.

(B) It is intended that, concurrently with the Lender making the Advance (as defined below) to the Borrower under this Agreement (which may, for the avoidance of doubt, be guaranteed from time to time in accordance with Clause 9 (*Guarantee*)), the Lender will issue certain loan participation notes in the same nominal amount and bearing the same rate of interest as such Advance.

NOW IT IS HEREBY AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

Definitions

1.1 In this Agreement (including the recitals), the following terms shall have the meanings indicated:

Accession Deed means an Accession Deed substantially in the form set out in Schedule 1 (*Form of Accession Deed*);

Account means the account opened and maintained by the Lender with the Principal Paying Agent with account number: 11659510, account name: EuroChem Global Investments Limited secured account and IBAN: GB92CITI18500811659510;

Additional Amounts means the additional amounts payable by the Lender in the circumstances described in Clauses 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*) and 6.3 (*Withholding on the Notes*);

Advance means the advance to be made under Clause 3 (*Drawdown*) of the sum equal to the amount of the Facility;

An ***Affiliate*** of any specified Person means: (i) any other Person, directly or indirectly, controlling or controlled by or under direct or indirect control with such specified Person; or (ii) any Person who is a director or officer (A) of such specified Person, (B) of any Subsidiary of such specified Person, or (C) of any Person described in (i) or (ii) above;

Agency means any agency, authority, central bank, department, government, legislature, minister, official or public statutory Person (whether autonomous or not) of, or of the government of, any state or supra-national body;

Agency Agreement means the agency agreement relating to the Notes to be dated on or around 7 December 2012, as amended or supplemented from time to time;

Agreed Form means that the form of the document in question has been agreed between the proposed parties thereto, subject to any amendments that the parties may agree upon prior to the Closing Date;

Agreement means this Agreement as originally executed or as it may be amended or supplemented from time to time;

Auditors means the auditors of the Group's consolidated financial statements for the time being or, if they are unable or unwilling to carry out any action requested of them under this Agreement, any other internationally recognised firm of accountants;

Authorised Signatory means, in relation to the Borrower and, as the case may be, a Guarantor, any Person who is duly authorised (in such manner as may be reasonably acceptable to the Lender) and in respect of whom the Lender has received a certificate signed by a director or another Authorised Signatory of the Borrower or, as the case may be, a Guarantor setting out the name and signature of such Person and confirming such Person's authority to act;

Board of Directors means, as to any Person, the board of directors or equivalent competent governing body of such Person, or any duly authorised committee thereof;

Business Day means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for general business in Dublin, Moscow, New York City and London and the city where the Specified Office (as defined in the Agency Agreement) of the Principal Paying Agent is located, and in relation to any date for payment or purchase of a currency, the principal financial centre of the country of that currency;

Capital Stock means, with respect to any Person, any and all shares, interests, participations, rights to purchase, warrants, options, or other equivalents (however designated) of capital stock of a corporation and any and all equivalent ownership interests in a Person other than a corporation, in each case whether now outstanding or hereafter issued;

Closing Date has the meaning given to it in the Subscription Agreement;

Commencement of the Reorganisation means the date of commencement of the first transfer of assets and liabilities pursuant to the Reorganisation;

Conditions means the terms and conditions of the Notes;

Consolidated EBITDA means the consolidated net pre-taxation profits of the Group for a Measurement Period:

(a) including the net pre-taxation profits of a member of the Group or business or assets acquired during that Measurement Period for the part of that Measurement Period when it was not a member of the Group and/or the business or assets were not owned by a member of the Group; but

(b) excluding the net pre-taxation profits attributable to any member of the Group or to any business or assets sold during that Measurement Period,

and all as adjusted by:

(i) adding back Consolidated Interest Payable;

(ii) taking no account of any extraordinary item;

(iii) excluding any amount attributable to minority interests;

(iv) adding back depreciation and amortisation;

(v) taking no account of any revaluation of an asset or any loss or gain over book value arising on the disposal of an asset (otherwise than in the ordinary course of trading) by a member of the Group during that Measurement Period; and

(vi) before taking into account any realised and unrealised exchange gains and losses;

Consolidated Interest Payable means all interest and other financing charges (including commission and commitment fees) and the interest element of any rental payments or finance or capital leases (whether, in each case, paid, payable or capitalised) incurred by the Group during a Measurement Period;

control when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by

contract or otherwise; and the terms ***controlling*** and ***controlled*** have meanings correlative to the foregoing;

Core Business means the core business of the Group, comprising:

(a) the production, manufacture, marketing, trading, transportation, reloading, shipment and distribution of mineral fertilisers and related products worldwide; and

(b) the mining, marketing, trading, transportation and distribution of certain materials, including, but not limited to, potassium salts, apatite, iron ore, natural gas and gas condensate, and related activities;

Deed of Novation means a Deed of Novation substantially in the form set out in Schedule 2 (*Form of Deed of Novation*);

Dollars, ***$*** and ***U.S.$*** means the lawful currency of the United States of America;

Environment means living organisms including the ecological systems of which they form part and the following media:

(a) air (including air within natural or man-made structures, whether above or below ground);

(b) water (including territorial, coastal and inland waters, water under or within land and water in drains and sewers); and/or

(c) land (including land under water);

Environmental Approval means any authorisation required by an Environmental Law;

Environmental Claim means any claim, proceeding or investigation by any Person in connection with any Environmental Law;

Environmental Law means any applicable law or regulation in any jurisdiction in which the Group conducts business concerning:

(a) the protection of health and safety;

(b) the environment; or

(c) any emission or substance which is capable of causing harm to any living organism or the environment;

Event of Default has the meaning assigned to such term in Clause 12.1 (*Events of Default*) hereof;

Facility means the facility specified in Clause 2 (*Facility*);

Fair Market Value means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors of the Borrower or, as the case may be, the Guarantor, whose determination shall be conclusive if evidenced by a resolution of such Board of Directors;

Fee Side Letters means the Upfront Fee Side Letter and the Ongoing Fee Side Letter;

Financial Indebtedness means, in respect of the Group, at any time the aggregate, including any off-balance sheet items (without double counting), of the following:

(a) the outstanding principal amount of any moneys borrowed;

(b) the outstanding principal amount of any acceptance under any acceptance credit;

(c) the outstanding principal amount of any bond, note, debenture, loan stock or other similar instrument;

(d) the outstanding principal amount of any redeemable preference shares;

(e) the capitalised element of indebtedness under a finance or capital lease;

(f) the outstanding principal amount of all moneys owing in connection with the sale or discounting of receivables (otherwise than on a non-recourse basis);

(g) the outstanding principal amount of any indebtedness arising from any deferred payment agreements arranged primarily as a method of raising finance or financing the acquisition of an asset;

(h) any fixed or minimum premium payable on the repayment or redemption of any instrument referred to in paragraph (c) above;

(i) the outstanding principal amount of any indebtedness arising in connection with any other transaction (including any forward sale or purchase agreement) which has the commercial effect of a borrowing; and

(j) without any double-counting, the outstanding principal amount of any indebtedness of any person which is the subject of a guarantee, indemnity or similar assurance against financial loss given by a member of the Group,

but excluding any Permitted Financial Indebtedness;

Fitch means Fitch Ratings Ltd. or any successor to its rating business;

Group means (i) from the date of this Agreement until the time that the Parent becomes the Guarantor, EuroChem and its consolidated Subsidiaries from time to time taken as a whole and (ii) from the time that the Parent becomes the Guarantor, the Parent and it consolidated Subsidiaries from time to time taken as a whole; a ***member of the Group*** means any of EuroChem and its consolidated Subsidiaries from time to time or, the Parent and its consolidated Subsidiaries from time to time, as the case may be;

Group's Potash Assets means:

(a) the shares, participatory interests or other right of ownership in, and branches of, a member of the Group (other than an the Borrower or, as the case may be, the Guarantor) that owns and/or develops the Potash Mines;

(b) the Potash Mines; and

(c) the Potash.

guarantee means, in relation to any Financial Indebtedness of any Person, any obligation of another Person to pay such Financial Indebtedness including (without limitation):

(a) any obligation to purchase such Financial Indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Financial Indebtedness;

(c) any indemnity against the consequences of a default in the payment of such Financial Indebtedness; and

(d) any other agreement to be responsible for such Financial Indebtedness;

Guarantee means a guarantee of the Borrower's payment obligations under this Agreement in accordance with the terms of Clause 9.4 (*Guarantee and Indemnity*);

Guarantor means (i) prior to the Substitution, the Parent who has acceded to this Agreement in accordance with Clause 9 (*Guarantee*) as a guarantor by executing an Accession Deed and thereby guaranteeing the due payment of all sums expressed to be payable by EuroChem under this Agreement in accordance with the Guarantee set out therein and (ii) following the Substitution, EuroChem;

IFRS means the International Financial Reporting Standards (including the International Accounting Standards) promulgated by the International Accounting Standards Board (as amended, supplemented or re-issued from time to time);

IFRS Fiscal Period means any fiscal period for which the Group has produced consolidated financial statements in accordance with IFRS which have either been audited or reviewed by independent accountants of recognised international standing;

Independent Financial Adviser means an independent investment bank, financial institution or accounting firm of international repute appointed by EuroChem and approved in writing by the

Trustee or, if EuroChem fails to make such appointment and such failure continues for a reasonable period (as determined by the Trustee in its sole discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such adviser and otherwise in connection with such appointment, the Trustee may (but shall not be obliged to appoint such an adviser on behalf of EuroChem (which adviser shall be deemed to be an agent of EuroChem) (without any liability on the liability on the part of the Trustee for doing so) following notification to EuroChem;

Interest Payment Date means 12 June and 12 December of each year, commencing on 12 June 2013, provided that such day is a Business Day and, in the event that such day is not a Business Day, the next Business Day;

Investment Grade Rating means a rating equal to or higher than (i) BBB – (or the equivalent) by S&P; (ii) BBB – (or the equivalent) by Fitch or (iii) Baa3 – (or the equivalent) by Moody's or in each case the equivalent thereof from any duly approved substitute Rating Agency;

Investment Grade Status means that the Notes have an Investment Grade Rating from two Rating Agencies;

Issuer means EuroChem Global Investments Limited in its capacity as issuer of the Notes;

Joint Lead Managers means Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited and SIB (Cyprus) Limited;

Lender Agreements means this Agreement, the Subscription Agreement, the Agency Agreement, the Trust Deed and the Fee Side Letters;

Lien means any mortgage, pledge, lien, charge, assignment, hypothecation or other security interest or agreement or arrangement having a similar effect (including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction and any conditional sale or other title retention agreement or lease in the nature thereof);

Loan, at any time, means an amount equal to the aggregate principal amount of the Facility granted by the Lender pursuant to this Agreement as reduced from time to time by repayment or prepayment;

Material Adverse Effect means a material adverse effect on: (i) the business, operations, property or condition (financial or otherwise) of the Borrower, or, as the case may be, the Guarantor or any of their respective Material Subsidiaries; (ii) the Borrower's or, as the case may be, the Guarantor's ability to perform or comply with its obligations under this Agreement, the Agency Agreement and, in the case of the Borrower only, the Subscription Agreement; or (iii) the validity or enforceability of this Agreement or the rights or remedies of the Lender thereunder;

Material Subsidiary means, (i) from the date of this Agreement until the time that the Parent becomes the Guarantor, any subsidiary of EuroChem which (a) has assets and/or revenues representing 5 per cent. or more of the consolidated assets or revenues of the Group, respectively, as calculated by reference to the Group's consolidated financial statements for the most recent IFRS Fiscal Period or (b) holds a mining licence; and (ii) from the time that the Parent becomes the Guarantor, any Subsidiary of the Parent which (a) has assets and/or revenues representing 5 per cent. or more of the consolidated assets or revenues of the Group, respectively, as calculated by reference to the Group's consolidated financial statements for the most recent IFRS Fiscal Period or (b) holds a mining licence;

Measurement Period means a period of 12 months ending on the last day of a financial quarter of the Group;

Moody's means Moody's Investors Service, Inc. or any successor to its rating business;

Non-recourse Project Financing means any financing of all or part of the costs of the acquisition, construction or development of any project if a Person or Persons providing such financing expressly agree to limit their recourse to the project financed (and related assets), the direct owner of such project (the ***Project Owner***), the shares in the Project Owner and the revenues derived from such project as the principal source of repayment for moneys advanced, provided that:

(a) equity contribution agreements, subordinated debt and similar shareholder funding arrangements (and related guaranties) with respect to the Project Owner entered into by any member of the Group;

(b) arm's length commercial agreements between the Project Owner and any member of the Group, or performance guarantees given by any member of the Group with respect to commercial agreements relating to the Project;

(c) any share purchase agreement entered into by any member of the Group with respect to the shares in the Project Owner; or

(d) any other assurance, undertaking or support provided by any member of the Group in relation to the project that is not by way of guarantee, indemnity or other assurance against financial loss,

including, in each case, any assignment by the Project Owner of its rights thereunder to the Persons providing such financing, shall not result in such financing being considered recourse to any member of the Group other than the Project Owner;

Noteholder means, in relation to a Note, the Person in whose name such Note is for the time being registered in the register of Noteholders (or, in the case of joint holders, the first named holder thereof) and ***Noteholders*** shall be construed accordingly;

Notes means the U.S.$750,000,000 5.125 per cent. loan participation notes due 2017 proposed to be issued by the Issuer pursuant to the Trust Deed;

Officer Certificate means a certificate signed by two authorised officers of the Borrower or, as the case may be, the Guarantor who shall be the principal executive officer, principal accounting officer or principal financial officer of the Borrower or, as the case may be, the Guarantor;

Ongoing Fee Side Letter means a side letter of even date herewith between, *inter alias*, the Borrower, the Lender and the Trustee, or such other replacement letter that may be agreed from time to time between the parties thereto and, as the case may be, the Guarantor;

Opinion of Counsel means a written opinion from international legal counsel who is acceptable to the Trustee and the Borrower or, as the case may be, the Guarantor;

Original Financial Statements means the 2011 audited consolidated financial statements of the Group;

Parent means a duly incorporated entity which is the holding company of the Group, controlling EuroChem and each Material Subsidiary of EuroChem;

Permitted Financial Indebtedness means any Financial Indebtedness in relation to Non-Recourse Project Financing;

Permitted Jurisdiction means one of Cyprus, Luxembourg, the Netherlands or Switzerland;

Permitted Liens means:

(a) Liens granted by EuroChem or any of its Subsidiaries which are existing as at the date of this Agreement;

(b) Liens arising or created in connection with any Non-recourse Project Financing;

(c) Liens on any property, income or assets of a Person existing at the time that such Person is acquired, merged into or consolidated with (i) from the date of this Agreement until the time that the Parent becomes the Guarantor, EuroChem or a Subsidiary of EuroChem, and (ii) from the time that the Parent becomes the Guarantor, the Parent or a Subsidiary of the Parent; provided that such Liens were not created in contemplation of such event and do not extend to any assets, income or property of EuroChem or any of its Material Subsidiaries or, as the case may be, the Parent or any of its Material Subsidiaries, other than the surviving Person and its Subsidiaries;

(d) Liens on assets, income or property acquired by (i) from the date of this Agreement until the time that the Parent becomes the Guarantor, EuroChem or a Subsidiary of EuroChem, and (ii) from the time that the Parent becomes the Guarantor, the Parent or a Subsidiary of the

Parent, existing prior to such acquisition; provided that such Liens were not created in contemplation of such acquisition and do not extend to any other assets, income or property;

(e) any Lien on any property or assets of (i) from the date of this Agreement until the time that the Parent become the Guarantor, EuroChem or any Subsidiary of EuroChem, and (ii) from the time that the Parent becomes the Guarantor, the Parent or any Subsidiary of the Parent, securing Financial Indebtedness incurred for the purpose of financing all or part of the acquisition, maintenance, repair or construction of such property or assets provided that (a) no such Lien shall extend to any other property or assets of EuroChem or any of its Subsidiaries or, as the case may be, the Parent or any of its Subsidiaries, (b) the aggregate principal amount of all Financial Indebtedness secured by Liens under this paragraph on such property or assets does not exceed the purchase price of such property or assets (including customs duties, transport, insurance, construction and installation costs and other incidental costs and expenses of purchase and any VAT or similar taxes thereon) and (iii) such Lien attaches to such property or assets concurrently with the maintenance or repair thereof or within 90 days after the acquisition or commencement of construction thereof, as the case may be;

(f) Liens incurred, or pledges and deposits in connection with workers' compensation, unemployment insurance and other social security benefits (including, any pension, retirement or post-retirement benefits or arrangements), and leases, appeal bonds and other obligations of like nature in the ordinary course of business;

(g) any Liens imposed by law;

(h) Liens for ad valorem, income or property taxes or assessments and similar charges which either are not delinquent or are being contested in good faith by appropriate proceedings for which (i) from the date of this Agreement until the time that the Parent becomes the Guarantor, EuroChem or any of its Subsidiaries, and (ii) from the time that the Parent becomes the Guarantor, the Parent or any of its Subsidiaries has set aside in its books of account reserves to the extent required by IFRS, as consistently applied;

(i) easements, rights of way, restrictions (including zoning restrictions), reservations, permits, servitudes, minor defects or irregularities in title and other similar charges or encumbrances, and Liens arising under leases or subleases granted to others, in each case not interfering in any material respect with the business of the Group and existing, arising or incurred in the ordinary course of business;

(j) (i) bankers' Liens in respect of deposit accounts, (ii) statutory landlords' Liens, (iii) deposits to secure the performance of bids, trade contracts, government contracts, leases, statutory obligations, surety and appeal bonds, performance and return-of-money bonds or liabilities to insurance carriers under insurance or self-insurance arrangements and other obligations of like nature (so long as, (X) with respect to items described in (ii) and (iii) above of this paragraph (j), such Liens do not secure obligations constituting Financial Indebtedness for borrowed money and (Y) with respect to items described in (i), (ii) and (iii) above of this paragraph (j), such Liens are incurred in the ordinary course of business), and (iv) Liens arising from any judgment, decree or other order which does not constitute an Event of Default;

(k) any Lien on the property, income or assets of (i) from the date of this Agreement until the date that the Parent becomes the Guarantor, EuroChem or any of its Subsidiaries, and (ii) from the time that the Parent becomes the Guarantor, the Parent or any of its Subsidiaries securing Financial Indebtedness of EuroChem or such Subsidiaries or, as the case may be, the Parent or such Subsidiaries incurred in an aggregate principal amount outstanding at any one time not to exceed 15 per cent. of the total assets of EuroChem or, as the case may be, from the time that the Parent becomes the Guarantor, the Parent (determined by reference to the most recent publicly available consolidated annual or interim financial statements of the Group prepared in accordance with IFRS, or such other international financial reporting standards as may be adopted from time to time by the Group). For the avoidance of doubt this paragraph (k) does not include any Lien created in accordance with paragraphs (a) to (j) or (l) to (r) hereof;

(l) Liens upon, or with respect to, any present or future assets or revenues or any part thereof which are created pursuant to any Repo transaction;

(m) Liens granted by any Subsidiary of (i) from the date of this Agreement until the time that the Parent becomes the Guarantor, EuroChem and (ii) from the time that the Parent becomes the Guarantor, the Parent, in favour of (a) EuroChem or another Subsidiary of EuroChem or, as the case may be, the Parent or another Subsidiary of the Parent, or (b) by EuroChem in favour of its Subsidiary or, as the case may be, the Parent in favour of its Subsidiary with respect to the property or assets, or any income or profits therefrom, of EuroChem, the Parent or such Subsidiary as the case may be;

(n) any Lien over any rights, title or interest in, to or under any Product Delivery Contract, including the receivables generated under any such Product Delivery Contract and all other monies and proceeds arising in connection with any such Product Delivery Contract, and any Lien over any bank accounts into which the receivables, monies and proceeds from any such Product Delivery Contract are paid or transferred (including (i) amounts standing to the credit of such bank accounts and (ii) any rights under any agreements establishing or opening such bank accounts);

(o) any Lien in respect of obligations arising under hedging agreements so long as the related indebtedness is permitted to be incurred under this Agreement and any such hedging agreement is not speculative;

(p) a right of set-off, right to combine accounts or any analogous right which any bank or other financial institution may have relating to any credit balance of any member of the Group;

(q) any Lien created in connection with the raising of any Financial Indebtedness for working capital purposes for a period of no more than 180 days; and

(r) any extension, renewal of or substitution for any Lien permitted by any of the preceding paragraphs (a) through (q); *provided, however*, that, such extension, renewal or replacement shall be no more restrictive in any material respect than the original Lien, with respect to Liens incurred pursuant to this paragraph the principal amount secured has not increased and the Liens have not been extended to any additional property (other than proceeds of the property in question);

Person means any individual, company, corporation, firm, partnership, joint venture, association, joint-stock company, trust, unincorporated organisation, government, or any agency or political subdivision thereof or any other entity;

Potash means potash mined or produced at the Potash Mines;

Potash Mines means potash mines or assets (including, without limitation, shafts) together with fertilizer production facilities and all above ground and underground industrial infrastructure to be designed, developed, procured, constructed, commissioned, owned or operated by a member of the Group (other than the Borrower and, as the case may be, the Guarantor) at the Gremiachinskoye Deposit in the Kotelnikovsky district of the Volgograd region of Russia and the Verkhnekamskoye Deposit in the Perm region of Russia;

Potential Event of Default means any event or circumstances which would with the giving of notice or lapse of time become an Event of Default;

Principal Paying Agent means Citibank, N.A., London Branch;

Product Delivery Contract means any contract for the sale or delivery of fertilisers and other products of the Group, entered into from time to time between (i) from the date of this Agreement until the time that the Parent becomes the Guarantor, EuroChem or any of its Material Subsidiaries, and (ii) from the time that the Parent becomes the Guarantor, the Parent or any of its Material Subsidiaries, and any other Person in the ordinary course of business, EuroChem's or, as the case may be, the Parent's, or such Material Subsidiary's business that is customary in the fertiliser industry, including any commission agency contracts, any spot sale contract and any transportation or other contracts related thereto;

Prospectus means the Prospectus dated 7 December 2012 relating to the issue of the Notes;

Qualifying Jurisdiction means any jurisdiction which has a double taxation treaty with the Russian Federation under which the payment of interest by Russian borrowers to lenders in the jurisdiction in which the lender is incorporated is generally able to be made without deduction or withholding of Russian income tax upon completion of any necessary formalities required in relation thereto;

Rate of Interest has the meaning given to it in Clause 4.1 (*Rate of Interest*);

Rating Agency means Fitch or S&P or any of their successors or any rating agency substituted for any of them (or any permitted substitute of them) by the Borrower, from time to time with the prior written approval of the Lender;

Repayment Date means 12 December 2017;

Reorganisation means the transfer to the Parent of certain of the Group's assets (including certain of EuroChem's non-Russian Subsidiaries) and certain of the Group's outstanding Financial Indebtedness (which may, for the avoidance of doubt, include the outstanding principal amount of the Loan);

Repo means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities lending or rental agreement or any agreement relating to securities which is similar in effect to any of the foregoing and for the purposes of this definition, the term ***securities*** means any capital stock, share, debenture or other debt or equity instrument, or derivative thereof, whether issued by any public or private company, any government or Agency or instrumentality thereof or any supranational, international or multinational organisation;

Rouble means the lawful currency from time to time of the Russian Federation;

Same-Day Funds means Dollar funds settled through the New York Clearing House Interbank Payments System or such other funds for payment in immediately available, freely transferable and cleared Dollars as the Lender may at any time determine to be customary for the settlement of international transactions in New York City of the type contemplated hereby;

Secured Obligations means all obligations at any time due, owing or incurred to the Lender by the Borrower or, as the case may be, the Guarantor under this Agreement, whether present or future, actual or contingent;

Security means the security granted by the Lender to the Trustee under the Trust Deed over the rights of the Lender under this Agreement, including an assignment of such rights in favour of the Trustee;

S&P means Standard & Poor's Credit Market Services Europe Limited, a division of the McGraw Hill Companies, Inc. or any successor to its rating business;

Subscription Agreement means the subscription agreement dated on or about 7 December 2012 relating to the Notes;

Subsidiary of any specified Person means any corporation, partnership, joint venture, association or other business or entity, whether now existing or hereafter organised or acquired, (i) in the case of a corporation, of which more than 50 per cent. of the total voting power of the Voting Stock is held by such first-named Person and/or any of its Subsidiaries and such first-named Person or any of its Subsidiaries has the power to direct the management, policies and affairs thereof; or (ii) in the case of a partnership, joint venture, association, or other business or entity, with respect to which such first-named Person or any of its Subsidiaries has the power to direct or cause the direction of the management and policies of such entity by contract or otherwise if (in each case) in accordance with IFRS, as consistently applied, such entity would be consolidated with the first-named Person for financial statement purposes;

Substitution has the meaning given to it in Clause 13 (*Substitution*);

Taxes means any taxes (including interest or penalties thereon) which are now or at any time hereafter imposed, assessed, charged, levied, collected, demanded, withheld or claimed by the Russian Federation, Ireland or, as the case may be, the jurisdiction of the Guarantor or the Borrower if different, or any tax authority thereof or therein or any other jurisdiction through which the Borrower is directed by the Lender to effect payments, provided that for the purposes of this definition the references to Ireland shall, upon the occurrence of a Relevant Event (as defined in the Trust Deed), be deemed to be references to the jurisdiction in which the Trustee is resident for tax purposes; and the term ***Taxation*** shall be construed accordingly;

Trading Price for a Note on a particular dealing day means the average of the Note prices quoted by three leading dealers of international repute selected by the Parent; provided that (a) if only two of the selected dealers provides such quotation, the Trading Price shall be the average of the Note

prices quoted by such two dealers and (b) if only one of the selected dealers provides such quotation, the Trading Price shall be such quotation and provided that if none of the selected dealers provides such quotation, the Trading Price shall be determined by an Independent Financial Adviser. The Trading Price of each dealer so selected shall be such dealer's closing price;

Transaction Documents means this Agreement, the Trust Deed, the Notes and the Agency Agreement, each case as amended from time to time;

Trust Deed means the trust deed to constitute the Notes for the equal and rateable benefit of the Noteholders to be dated on or about the Closing Date between the Issuer and the Trustee, as amended, varied or supplemented from time to time;

Trustee means Citibank, N.A., London Branch, as trustee under the Trust Deed and any successor thereto as provided thereunder;

Upfront Fee Side Letter means a side letter of even date herewith between, *inter alias*, the Lender, the Borrower, the Joint Lead Managers and the Trustee; and

Voting Stock means, in relation to any Person, Capital Stock entitled (without the need for the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof.

Other Definitions

1.2 Unless the context otherwise requires, terms used in this Agreement which are not defined in this Agreement but which are defined in the Trust Deed, the Notes, the Agency Agreement or the Subscription Agreement shall have the meanings assigned to such terms therein.

Interpretation

1.3 Unless the context or the express provisions of this Agreement otherwise require, the following shall govern the interpretation of this Agreement:

(a) All references to ''Clause'' are references to a clause of this Agreement.

(b) The terms ''hereof'', ''herein'' and ''hereunder'' and other words of similar import shall mean this Agreement as a whole and not any particular part hereof.

(c) Words importing the singular number include the plural and vice versa.

(d) All references to ''taxes'' include all present or future taxes, levies, imposts, charges, withholdings and duties of any nature and the terms ''tax'' and ''taxation'' shall be construed accordingly.

(e) The table of contents and the headings are for convenience only and shall not affect the construction hereof.

2. FACILITY

Facility

2.1 On the terms and subject to the conditions set forth herein and subject to the receipt by the Lender of the proceeds of the Notes, the Lender hereby agrees to make available to the Borrower, and the Borrower hereby agrees to borrow from the Lender, a loan facility in the amount of U.S.$750,000,000.

Purpose

2.2 The proceeds of the Advance will be used by the Borrower for general corporate purposes, but the Lender shall not be concerned with the application thereof.

Facility Fee

2.3 In consideration of the Lender making the Advance to the Borrower, the Borrower shall pay (a) a fee of U.S.$2,835,693.91 to the Lender in connection with the arrangement of the Facility (the ***Facility Fee***) and (b) certain costs and expenses which may arise and which are referred to under the Upfront Fee Side Letter.

3. DRAWDOWN

Drawdown

3.1 On the terms and subject to the conditions set forth herein, on the Closing Date the Lender shall make the Advance to the Borrower and the Borrower shall make a single drawing in the full amount of the Facility (less any amount to be deducted (if any) in accordance with Clause 3.2 (*Facility Fee*)).

Payment of the Facility Fee

3.2 The Borrower agrees to pay (a) the Facility Fee to the Lender in Same-Day Funds by 10.00 a.m. (New York City time) on the first Business Day prior to the Closing Date and (b) certain costs and expenses set out in, and in the manner described in the Upfront Fee Side Letter. In the event that the Lender has not received and retained (net of tax) the Facility Fee from the Borrower by 10.00 a.m. (New York City time) on the first Business Day prior to the Closing Date, the Borrower agrees that an amount equal to the Facility Fee may be deducted from the amount of the Advance.

The Lender hereby directs the Borrower to pay the Facility Fee to the account of Lender as follows:

Beneficiary Bank:	Citibank, N.A., London Branch
SWIFT code:	CITIGB2L
Account:	11659529
Correspondent Bank:	Citibank, N.A., New York
SWIFT code:	CITIUS33
For Credit:	EuroChem Global Investments Limited Unsecured Account
IBAN:	GB64CITI18500811659529

If, following payment of the Facility Fee from the Borrower to the Lender, the closing of the issue of the Notes does not take place in accordance with Clause 10 (*Closing*) of the Subscription Agreement, the Lender shall promptly return the Facility Fee to the Borrower.

Disbursement

3.3 Subject to the conditions set forth herein, on the Closing Date the Lender shall transfer the amount of the Advance (less any amount to be deducted (if any) in accordance with Clause 3.2 (*Facility Fee*)) to the following account of the Borrower:

Account Number:	40702840100701416007
Bank:	ZAO Citibank (Moscow)
SWIFT:	CITIRUMX
Correspondent Bank:	Citibank NY
Correspondent Bank SWIFT:	CITIUS33
Account Number:	36087478

Ongoing Fees and Expenses

3.4 In consideration of the Lender supporting the Facility as a continuing facility, the Borrower shall pay on demand to the Lender each year an additional fee. This additional fee should be calculated taking into account all properly incurred and documented costs, commissions and taxes of the Lender in connection with supporting the Facility (including without limitation any costs and taxes of the Lender required to maintain the Lender as a validly incorporated company in Ireland (such as taxes, auditors' fees, fees of the Lender's corporate services provider, legal fees and listing fees and any expenses required to cover the Lender's anticipated winding-up expenses) as set forth in the Ongoing Fee Side Letter.

4. INTEREST

Rate of Interest

4.1 The Borrower or, as the case may be, the Guarantor will pay interest in Dollars to the Lender on the outstanding principal amount of the Loan from time to time hereunder at the rate of 5.125 per cent. per annum (the ***Rate of Interest***).

Payment

4.2 Interest at the Rate of Interest shall accrue from day to day, starting from (and including) the Closing Date and shall be paid in accordance with Clause 6.1 (*Making of Payments*). Interest on the Loan will cease to accrue from the due date for repayment or prepayment thereof (or any relevant

portion thereof) unless payment of principal is withheld or refused by the Borrower or, as the case may be, the Guarantor in breach of its obligations under this Agreement, in which event interest will continue to accrue (before or after any judgment) at the Rate of Interest to, but excluding, the date on which payment in full of the principal thereof is made. If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of twelve months of 30 days each and, in the case of an incomplete month the number of days elapsed on the basis of a month of 30 days.

5. REPAYMENT AND PREPAYMENT

Repayment

5.1 Except as otherwise provided herein, the Borrower or, as the case may be, the Guarantor shall repay the Loan, all accrued but unpaid interest up to and including such Business Day and any Additional Amounts not later than 10.00 a.m. (New York City time) one Business Day prior to the Repayment Date.

Special Prepayment

5.2 If,

(a) either:

(i) as a result of the application of, or any amendments to, or change in, the double tax treaty between the Russian Federation and Ireland or the laws or regulations of the Russian Federation, Ireland or, as the case may be, the jurisdiction of the Guarantor or the Borrower if different, or of any constituent part or political sub-division thereof or any authority having power to tax therein (including as a result of a judgment of a court of competent jurisdiction) or a change in, or clarification of, the application or official interpretation of such laws or regulations which change or amendment becomes effective on or after the date of this Agreement; or

(ii) as a result of the enforcement of the Security, the Borrower or, as the case may be, the Guarantor would thereby be required to make or increase any payment due hereunder as provided in Clauses 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*) or 6.3 (*Withholding on the Notes*); or

(b) (for whatever reason) the Borrower or, as the case may be, the Guarantor would have to or has been required to pay additional amounts pursuant to Clause 8 (*Change in Law; Increase in Cost*); or

(c) if following or as a result of the Substitution (as defined in Clause 13.1), the Parent would be required to make any deduction or withholding from any payment under this Agreement for or on account of any Taxes,

and, in any such case, such additional amounts cannot be avoided by the Borrower or, as the case may be, the Guarantor taking reasonable measures applicable to it, then the Borrower may (subject to Clause 13.5, without premium or penalty), upon not less than 20 days' notice to the Lender (copied to the Trustee) specifying the date of payment and attaching an Officer Certificate confirming that the Borrower or, as the case may be, the Guarantor would be required to increase the amount payable or to pay additional amounts supported by evidence from the relevant tax authorities in the relevant tax jurisdiction (which notice shall be irrevocable), prepay the Loan in whole (but not in part).

Illegality

5.3 If, at any time after the date of this Agreement, by reason of the introduction of, or any change in, any applicable law or regulation or regulatory requirement or directive of any Agency of any state, the Lender reasonably determines (such determination being supported by an Opinion of Counsel with the cost of such Opinion of Counsel being borne solely by the Borrower or, as the case may be, the Guarantor) that it is or would be unlawful or contrary to such applicable law, regulation, regulatory requirement or directive for the Lender to allow all or part of the Loan or the Notes to remain outstanding or for the Lender to maintain or give effect to any of its obligations in connection with this Agreement, the Security, or the Notes and/or to charge or receive or to be paid interest at the rate then applicable to the Loan or the Notes, then upon notice by the Lender to the Borrower in writing (copied to the Trustee) setting out in reasonable detail the nature and extent of

the relevant circumstances, the Borrower and the Lender shall consult in good faith as to a basis which eliminates the application of such circumstances; provided that the Lender shall be under no obligation to continue such consultation if a basis has not been determined within 30 days of the date on which it so notified the Borrower. If such a basis has not been determined within the 30 days, then upon written notice by the Lender to the Borrower, the Borrower shall prepay the Loan in whole (but not in part) on the next Interest Payment Date or on such earlier date as the Lender shall certify to be necessary to comply with such requirements.

Reduction of Loan Upon Redemption and Cancellation of Notes

5.4 The Borrower, the Guarantor, or any member of the Group may from time to time, in accordance with the Conditions and to the extent permitted by applicable law, purchase Notes in the open market or by tender or by a private agreement at any price. In the event that an amount of Notes has been surrendered to the Lender for cancellation by the Borrower, as the case may be, the Guarantor, or any member of the Group and cancelled, the Loan shall be deemed to have been prepaid by the Borrower in an amount equal to the aggregate principal amount of the Notes surrendered to the Lender for cancellation, together with accrued interest (if any) thereon and no further payment shall be made or required to be made by the Borrower or, as the case may be, the Guarantor, in respect of such amounts.

Payment of Other Amounts

5.5 If the Loan is to be prepaid by the Borrower pursuant to any of the provisions of Clauses 5.2 (*Special Prepayment*) or 5.3 (*Illegality*), the Borrower shall, simultaneously with such prepayment, pay to the Lender accrued interest thereon to the date of actual receipt of payment by the Lender and all other sums payable by the Borrower pursuant to this Agreement. For the avoidance of doubt, if the principal amount of the Loan is reduced pursuant to the provisions of Clause 5.4 (*Reduction of Loan upon Redemption and Cancellation of Notes*), then no interest shall accrue or be payable during the period from the preceding Interest Payment Date up to the date upon which such reduction takes place in respect of the amount by which the Loan is so reduced and the Borrower, the Guarantor or the relevant member of the Group, as the case may be, shall not be entitled to any interest in respect of the cancelled Notes.

Provisions Exclusive

5.6 The Borrower may not voluntarily prepay the Loan except in accordance with the express terms of this Agreement. Any amount prepaid may not be reborrowed.

6. PAYMENTS

Making of Payments

6.1 All payments to be made by the Borrower or, as the case may be, the Guarantor under this Agreement shall be made to the Account in Same-Day Funds not later than 10.00 a.m. (New York City time) (i) in the case of all payments in respect of interest (and any Additional Amounts to be paid pursuant to this Clause 6), one Business Day prior to each Interest Payment Date or (ii) in the case of all payments in respect of principal, one Business Day prior to the Repayment Date. The Lender agrees with the Borrower that the Lender will not deposit any other monies into the Account and that no withdrawals shall be made from such account other than for payments to be made in accordance with the Trust Deed and the Agency Agreement.

No Set-Off, Counterclaim or Withholding; Gross-Up

6.2 All payments to be made by the Borrower or, as the case may be, the Guarantor under this Agreement shall be made in full without set-off or counterclaim and (except to the extent required by law) free and clear of, and without deduction for, or on account of, any Taxes. If the Borrower or, as the case may be, the Guarantor shall be required by applicable law to make any deduction or withholding from any payment under this Agreement for or on account of any Taxes, it shall increase any payment due hereunder to such amount as may be necessary to ensure that the Lender receives and retains (net of tax and free from any liability in respect of such withholding, deduction or increased payment) a net amount in Dollars equal to the full amount which it would have received and retained had payment not been made subject to such Taxes, shall account to the relevant authorities for the relevant amount of such Taxes so withheld or deducted within the time allowed for such payment under the applicable law and shall deliver to the Lender without undue delay evidence satisfactory to the Lender of such deduction or withholding and of the accounting therefore to the relevant taxing authority. If the Lender pays any amount in respect of such Taxes,

the Borrower or, as the case may be, the Guarantor shall reimburse the Lender in Dollars for such payment on demand. For the avoidance of doubt, this Clause 6.2 is without prejudice to the obligations of the Lender pursuant to Clause 6.7 (*Tax Treaty Relief*).

Withholding on the Notes

6.3 If the Lender notifies the Borrower (setting out in reasonable detail the nature and extent of the obligation with such evidence as the Borrower may reasonably require) that it is obliged to make any withholding or deduction for or on account of any Taxes from any payment which it is obliged to make under or in respect of the Notes, the Borrower or, as the case may be, the Guarantor agrees to pay to the Lender, not later than 10.00 a.m. (New York City time) one Business Day prior to the date on which payment is due to the Noteholders in Same-Day Funds to the Account, such Additional Amounts as are equal to the additional amounts which the Lender must pay in order that the net amounts received by the Noteholders after such deduction or withholding will equal the respective amounts which would have been received by the Noteholders in the absence of such deduction or withholding; provided that the Lender shall immediately, upon receipt from any Paying Agent of any reimbursement of the sums paid pursuant to this provision to the extent that the Noteholders are not entitled to such Additional Amounts pursuant to the Conditions, pay such Additional Amounts received and retained by way of such reimbursement to the Borrower or, as the case may be, the Guarantor (it being understood that neither the Lender, nor the Principal Paying Agent nor any Paying Agent shall have any obligation to determine whether any Noteholder is entitled to such Additional Amounts).

Tax Indemnity

6.4 Without prejudice to, and without duplication of the provisions of Clauses 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*) or 6.3 (*Withholding on the Notes*), if at any time the Lender makes or is required to make any payment to a Person (other than to or for the account of the Noteholders) on account of any Taxes (other than any Taxes on income or capital gains payable by the Lender) in respect of the Loan or the Notes imposed by Ireland, the Russian Federation or, as the case may be, the jurisdiction of the Guarantor or the Borrower if different, or any taxing authority of Ireland, the Russian Federation or, as the case may be, the jurisdiction of the Guarantor or the Borrower if different, or any liability in respect of any such payment is asserted, imposed, levied or assessed against the Lender, the Borrower or, as the case may be, the Guarantor shall, as soon as reasonably practicable after, and in any event within 30 days of, a written demand (setting out in reasonable detail the nature and extent of the obligation with such evidence as the Borrower may reasonably require) made by the Lender, indemnify the Lender against any such payment or liability, or any claim, demand, action, damages or loss in respect thereof, together with any interest, penalties, costs and expenses (including without limitation, legal fees and any applicable value added tax) payable or incurred in connection therewith.

Any payment required to be made by the Borrower or, as the case may be, the Guarantor under this Clause 6.4 (*Tax Indemnity*) is a ***Tax Indemnity Amount***. For the avoidance of doubt, the provisions of this Clause 6.4 (*Tax Indemnity*) shall not apply to any withholding or deductions of Taxes with respect to the Loan or the Notes in respect of which any additional amount is payable under Clauses 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*) and 6.3 (*Withholding on the Notes*).

Reimbursement

6.5 To the extent that the Lender subsequently obtains or uses any tax credit or allowance or other reimbursements relating to a deduction or withholding or to any Tax Indemnity Amount with respect to which the Borrower or, as the case may be, the Guarantor has made a payment pursuant to this Clause 6 in respect of amounts received by it, the Lender shall promptly pay to the Borrower or, as the case may be, the Guarantor so much of (but in any event no amount greater than) the benefit it received and retained as will leave the Lender in exactly the same position as it would have been in had no additional amount been required to be paid by the Borrower or, as the case may be, the Guarantor pursuant to this Clause 6; provided that the question of whether any such benefit has been received and retained, and accordingly, whether any payment should be made to the Borrower or, as the case may be, the Guarantor, the amount of any such payment and the timing of any such payment, shall be determined solely by the Lender. Subject to Clauses 6.6 (*Mitigation*) and 6.7 (*Tax Treaty Relief*), the Lender shall have the absolute discretion whether, and in what order and manner, it claims any credits, allowances or refunds available to it, and the Lender shall in no circumstances be obliged to disclose to the Borrower or, as the case may be the Guarantor any

information regarding its tax affairs or computations, provided that the Lender shall promptly notify the Borrower or, as the case may be, the Guarantor of any tax credit or allowance or other reimbursement it receives in respect of any Tax Indemnity Amount with respect to which the Borrower or, as the case may be the Guarantor has made a payment pursuant to Clause 6.4 (*Tax Indemnity*).

If as a result of a failure to obtain relief from deduction or withholding of taxes referred to in Clauses 6.2 (*No Set-off; Withholding or Counterclaim; Gross up*) or 6.3 (*Withholding on the Notes*): (i) such taxes are deducted or withheld by the Borrower or, as the case may be, the Guarantor and pursuant to Clauses 6.2 (*No Set-off; Withholding or Counterclaim; Gross up*) or 6.3 (*Withholding on the Notes*) an increased amount is paid by the Borrower or, as the case may be, the Guarantor to the Lender in respect of such deduction or withholding; and (ii) following the deduction or withholding of taxes as referred to above, the Lender (upon the instructions of the Borrower) applies to the competent taxing authority for a withholding tax refund and such withholding tax is refunded or repaid by the relevant taxing authority to the Lender, the Lender shall as soon as reasonably practicable notify the Borrower or, as the case may be, the Guarantor of the receipt of such withholding tax refund and promptly transfer the actually received and retained amount of the withholding tax refund in the currency actually received and less any applicable costs to a bank account of the Borrower or, as the case may be, the Guarantor specified for that purpose by the Borrower or the Guarantor.

Mitigation

6.6 If at any time either party hereto becomes aware of circumstances which would or might, then or thereafter, give rise to an obligation on the part of the Borrower or, as the case may be, the Guarantor to make any deduction, withholding or payment as described in Clauses 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-up*) or 6.3 (*Withholding on the Notes*), then, without in any way limiting, reducing or otherwise qualifying the Lender's rights, or the Borrower's or, as the case may be, the Guarantor's obligations, under such Clauses, such party shall promptly upon becoming aware of such circumstances notify the other party, and, thereupon the parties shall consider and consult with each other in good faith with a view to finding, agreeing upon and implementing a method or methods by which any such obligation may be avoided or mitigated and, to the extent that both parties can do so without taking any action which in the reasonable opinion of such party is prejudicial to its own position, take such reasonable steps as may be reasonably available to it to avoid such obligation or mitigate the effect of such circumstances. The Borrower, failing which, the Guarantor, agrees to reimburse the Lender for all properly incurred costs and expenses (including but not limited to legal fees and Taxes) incurred by the Lender in connection with this Clause 6.6 (*Mitigation*).

Tax Treaty Relief

6.7 The Lender shall to the extent it is able to do so under applicable law including, without limitation, Russian laws, use its best endeavours to obtain and to deliver to the Borrower at the Borrower's expense:

(a) no later than ten Business Days before the first Interest Payment Date (and thereafter as soon as possible at the beginning of each calendar year but not later than ten Business Days prior to the first Interest Payment Date in that year), a certificate issued by the competent Irish authorities confirming that the Lender is resident for tax purposes in Ireland for the purposes of the Agreement between Ireland and the Russian Federation for the avoidance of double taxation with respect to taxes on income in the calendar year of such Interest Payment Date; and

(b) such other information or forms as may need to be duly completed and delivered by the Lender to enable the Borrower or, as the case may be, the Guarantor to obtain relief from deduction or withholding of Russian taxes or, as the case may be, taxes of the jurisdiction of the Guarantor or the Borrower if different or, as the case may be, to apply to obtain a tax refund if a relief from deduction or withholding of Russian taxes or, as the case may be, taxes of the jurisdiction of the Guarantor or the Borrower if different has not been obtained,

provided that the Lender shall not be liable for any failure to provide, or any delays in providing, such residency certificate as a result of any action or inaction of the competent Irish authorities, but shall notify the Borrower without delay about any such failure or delay with a written description of the actions taken by the Lender to obtain such residency certificate. Such a certificate and any other

information or forms (as applicable) shall be appropriately apostilled at the Irish Department of Foreign Affairs or any successor thereof at the expense of the Borrower.

Tax Payment

6.8 If the Borrower or, as the case may be, the Guarantor makes a withholding or deduction for or on account of Taxes from a payment under or in respect of this Agreement, and the Borrower or, as the case may be, the Guarantor has paid the Lender an additional amount so as to ensure that the Lender receives and retains a net amount in Dollars equal to the full amount which the Lender would have received and retained had payment not been made subject to a withholding or deduction for or on account of Taxes, the Borrower may apply on behalf of the Lender to the relevant Russian taxing authorities or the taxing authorities of the jurisdiction of the Borrower if different or, as the case may be, the Guarantor may apply on behalf of the Lender to the relevant taxing authorities of its jurisdiction for a payment to be made by such authorities to the Lender with respect to such Taxes, provided the Lender has delivered to the Borrower or, as the case may be, the Guarantor, at the expense of the Borrower, a duly executed, notarised and apostilled power of attorney in respect of making such an application and an executed application for such tax refund. If, whether following a claim made on its behalf by the Borrower or, as the case may be, the Guarantor or otherwise, the Lender receives such a payment (***Tax Payment***) from the relevant taxing authorities with respect to such Taxes, it will, as soon as reasonably possible, notify the Borrower or, as the case may be, the Guarantor that it has received that payment (and the amount of such payment); whereupon, provided that the Borrower or, as the case may be, the Guarantor has notified the Lender in writing of the details of an account (the ***Refund Account***) to which a payment or transfer should be made, and that the Lender is able to make a payment or transfer under applicable laws and regulations, the Lender will pay or transfer an amount equal to the Tax Payment to the Refund Account.

Lender Notification

6.9 The Lender agrees promptly, upon becoming aware thereof, to notify the Borrower if it ceases to be resident in Ireland or a Qualifying Jurisdiction or if any of the representations set forth in Clause 10.2 (*Lender's Representations and Warranties*) are no longer true and correct.

7. CONDITIONS PRECEDENT

7.1 The obligation of the Lender to make the Advance (less any deduction (if any) in accordance with Clause 3.2 (*Payment of the Facility Fee*)) shall be subject to the conditions precedent that as of the Closing Date:

(a) the representations and warranties made and given by the Borrower in Clause 10.1 (*Borrower's Representation and Warranties*) shall be true and accurate as if made and given on the Closing Date with respect to the facts and circumstances then existing;

(b) no event shall have occurred and be continuing that constitutes a Potential Event of Default or an Event of Default;

(c) the Borrower shall not be in breach of any of the terms, conditions and provisions of this Agreement;

(d) the Subscription Agreement, the Trust Deed and the Agency Agreement shall have been executed and delivered; and

(e) the Lender shall have received in full the proceeds of the issue of the Notes pursuant to the Subscription Agreement and the amounts referred to in Clauses 2.3 (*Facility Fee*) and 3.2 (*Payment of theFacility Fee*).

8. CHANGE IN LAW; INCREASE IN COST

Compensation

8.1 In the event that after the date of this Agreement there is any change in or introduction of any tax, law, regulation, regulatory requirement or official directive (whether or not having the force of law but, if not having the force of law, the observance of which is in accordance with the generally accepted financial practice of financial institutions in the country concerned) or in the interpretation or application thereof by any Person charged with the administration thereof and/or any compliance by the Lender in respect of the Loan or the Facility with any request, policy or guideline (whether or not having the force of law but, if not having the force of law, the observance of which is in

accordance with the generally accepted financial practice of financial institutions in the country concerned) from or of any central bank or other fiscal, monetary or other authority, Agency or any official of any such authority, which:

(a) subjects or will subject the Lender to any Taxes with respect to payment of principal of or interest on the Loan or any other amount payable under this Agreement, other than any Taxes imposed on or calculated by reference to the net income received or receivable (but not any sum deemed received or receivable, but not actually received) by the Lender or other than any Taxes referred to in Clauses 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*) and 6.3 (*Withholding on the Notes*); or

(b) increases or will increase the taxation of or changes or will change the basis of taxation of payments to the Lender of principal of or interest on the Loan or any other amount payable under this Agreement (other than any such increase or change which arises by reason of any increase in the rate of tax payable by the Lender on its overall net income or as a result of any Taxes referred to in Clauses 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*) or 6.3 (*Withholding on the Notes*)); or

(c) imposes or will impose on the Lender any other condition affecting this Agreement, the Facility or the Loan,

and if as a result of any of the foregoing:

(i) the cost to the Lender of making, funding or maintaining the Loan or the Facility is increased or a new cost arises; or

(ii) the amount of principal, interest or other amount payable to or received by the Lender hereunder is reduced; or

(iii) the Lender makes any payments or foregoes any interest or other return on, or calculated by reference to, the gross amount of any sum receivable by it from the Borrower or, as the case may be, the Guarantor hereunder or makes any payment or foregoes any interest or other return on, or calculated by reference to, the gross amount of the Loan,

then subject to the following, and in each such case:

(A) the Lender shall, as soon as practicable after becoming aware of such increased or new cost, reduced amount or payment made or foregone, give written notice to the Borrower, together with a certificate signed by one authorised official of the Lender describing in reasonable detail the introduction or change or request which has occurred and the country or jurisdiction concerned and the nature and date thereof and describing the connection between such introduction, change or request and such increased or new cost, reduced amount or payment made or foregone, and setting out in reasonable detail the basis on which such amount has been calculated, and all relevant supporting documents describe the matters set out in such notes, providing that nothing herein shall require the Lender to disclose any confidential information; and

(B) the Borrower or, as the case may be, the Guarantor, in the case of paragraphs (a) and (c) above, shall, within 20 days of a demand by the Lender, pay to the Lender such additional amount as shall be necessary to compensate the Lender for such increased cost, and, in the case of paragraph (b) above, at the time the amount so reduced would otherwise have been payable, pay to the Lender such additional amount as shall be necessary to compensate the Lender for such reduction, payment or foregone interest or other return,

provided that this Clause 8.1 will not apply to or in respect of any matter for which the Lender has already been compensated under Clauses 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*), 6.3 (*Withholding on the Notes*) or 6.4 (*Tax Indemnity*).

Mitigation

8.2 In the event that the Lender becomes aware that it is entitled to make a claim pursuant to Clause 8.1 (*Compensation*), the Lender shall consult in good faith with the Borrower and shall use reasonable efforts (based on the Lender's reasonable interpretation of any relevant tax, law, regulation, requirement, official directive, request, policy or guideline) to reduce, in whole or in part, the Borrower's or, as the case may be, the Guarantor's obligations to pay any additional

amount pursuant to such Clause, except that nothing in this Clause 8.2 shall obligate the Lender to take any action nor incur any costs or expenses in taking any such action which, in the reasonable opinion of the Lender, is prejudicial to its interests.

9. GUARANTEE

Guarantee

9.1 Following the Substitution, EuroChem will guarantee the due payment of all sums expressed to be payable by the Borrower hereunder in accordance with the terms set out in this Clause 9. In addition, prior to the Commencement of the Reorganisation, the Parent will be required to accede to this Agreement to guarantee the due payment of all sums expressed to be payable by the Borrower hereunder in accordance with the terms set out in this Clause 9 (hereinafter, the ***Guarantor*** and, EuroChem, following the Substitution, the ***Guarantor***).

Conditions Precedent to the Parent becoming a Guarantor

9.2 The Parent shall become a Guarantor if:

(a) it delivers to:

(i) the Borrower, the Lender and the Trustee a duly completed and executed Accession Deed; and

(ii) the Borrower, the Lender, the Trustee, the Principal Paying Agent and the Registrar a duly completed and executed accession deed to the Agency Agreement (the ***Agency Agreement Accession Deed***); and

(b) each of the Lender and the Trustee has received all of the documents and other evidence listed in Clause 9.3 below, each in a form and substance satisfactory to the Lender and the Trustee.

9.3 The Lender shall notify the Borrower and the Parent promptly upon being satisfied that it and the Trustee have received (in a form and substance satisfactory to each of them) the following documents and other evidence:

(a) a copy of the constitutional documents of the Parent;

(b) a copy of a resolution of the board or, if applicable, a committee of the board of directors of the Parent:

(i) approving the terms of, and the transactions contemplated by:

(A) the Accession Deed and this Agreement and resolving that it executes, delivers and performs the Accession Deed, and performs this Agreement; and

(B) the Agency Agreement Accession Deed and the Agency Agreement and resolving that it executes, delivers and performs the Agency Agreement Accession Deed and performs the Agency Agreement;

(ii) authorising a specified Person or Persons to execute the Accession Deed and the Agency Agreement Accession Deed on its behalf;

(iii) authorising a specified Person or Persons, on its behalf, to sign and/or despatch all other documents and notices to be signed and/or despatched by it under or in connection with this Agreement; and

(iv) authorising the Borrower to act as its agent, other than its process agent, in connection with this Agreement and the Agency Agreement Accession Deed;

(c) if applicable, a copy of a resolution of the board of directors of the Parent, establishing the committee referred to in paragraph (b) above;

(d) a specimen of the signature of each Person authorised by the resolution referred to in paragraph (b) above;

(e) an Officer Certificate of the Parent, in the form of which is set out in Schedule 3 (*Form of Guarantee Officer Certificate*) certifying that:

(i) the Parent is duly incorporated and organised under the laws of the Applicable Jurisdiction (as defined below);

(ii) the Parent controls EuroChem;

(iii) each of the documents listed below and attached thereto is a true and up-to-date copy of:

(A) the constitution documents of the Parent in accordance with paragraph (a) above;

(B) a copy of the resolution of the board or, if applicable, a committee of the board of directors of the Parent in accordance with paragraph (b) above;

(C) if applicable, a copy of the resolution of the board of directors of the Parent establishing the committee in accordance with paragraph (c);

(D) a specimen of the signature of each Person authorised by the resolution in paragraph (b) above in accordance with paragraph (d); and

(iv) borrowing or guaranteeing or securing, as appropriate, the due payment of all sums expressed to be payable by the Borrower under this Agreement would not cause any borrowing, guarantee, security or similar limit binding on it to be exceeded;

(f) a legal opinion of the legal advisers to the Parent in the jurisdiction of the Parent's incorporation, which will be one of the Permitted Jurisdictions (the ***Applicable Jurisdiction***), addressed to the Lender, the Borrower, the Trustee and the Parent as to the law of the Applicable Jurisdiction and in the form distributed to the Lender and the Trustee prior to signing the Accession Deed, to the effect that:

(i) the Parent is duly incorporated and organised under the laws of the Applicable Jurisdiction;

(ii) the Guarantee will be the valid and binding obligations of the Parent, enforceable against it in accordance with its terms; and

(iii) the Parent has complied with any law in its jurisdiction relating to financial assistance or analogous process in respect of the Guarantee;

(g) if the Parent will be required to make any deduction or withholding from any payment under this Agreement for or on account of any Taxes, provide the Lender and the Trustee with confirmation in the Officer Certificate referred to in paragraph (e) above that it will not exercise its right to prepay the Loan in whole pursuant to Clause 5.2 (*Special Repayment*) unless and until there has been a change in or introduction of any tax, law, regulation, regulatory requirement or official directive (whether or not having the force of law but, if not having the force of law, the observance of which is in accordance with the generally accepted financial practice of financial institutions in the country concerned) following the date of the Accession Deed; and

(h) evidence that the process agent specified in Clause 5 (*Process Agent*) of the Accession Deed and Clause 4 (*Process Agent*) of the Agency Agreement Accession Deed, has accepted its appointment in relation to the Parent.

Guarantee and indemnity

9.4 The Guarantor irrevocably and unconditionally:

(a) guarantees to the Lender the punctual performance by the Borrower of the Borrower's payment obligations under this Agreement;

(b) undertakes with the Lender that whenever the Borrower does not pay any amount when due under or in connection with this Agreement, the Guarantor shall immediately on demand pay that amount as if it was the principal obligor; and

(c) agrees with the Lender that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify the Lender immediately on demand against any cost, loss or liability it incurs as a result of the Borrower not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under this Agreement on the date when it would have been due. The amount payable by the Guarantor under this indemnity will not exceed the amount it would have had to pay under this Clause 9.4 if the amount claimed had been recoverable on the basis of a guarantee.

Continuing Guarantee

9.5 The Guarantee is a continuing guarantee extending to the ultimate balance of sums payable by the Borrower under this Agreement, regardless of any intermediate payment or discharge in whole or in part.

Reinstatement

9.6 If any discharge, release or arrangement (whether in respect of the obligations of the Borrower or otherwise) is made by the Lender in whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, without limitation, then the liability of the Guarantor under this Clause 9 will continue or be reinstated as if the discharge, release or arrangement had not occurred.

Waiver of defences

9.7 The obligations of the Guarantor under this Clause 9 will not be affected by an act, omission, matter or thing which, but for this Clause 9, would reduce, release or prejudice any of its obligations under this Clause 9 (without limitation and whether or not known to it or the Lender) including:

(a) any time, waiver or consent granted to, or composition with, the Borrower or other Person;

(b) the release of the Guarantor or any other Person under the terms of any composition or arrangement with any creditor of any member of the Group;

(c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, the Borrower or other Person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;

(d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of the Borrower or any other Person;

(e) any amendment, novation, supplement, extension restatement (however fundamental and whether or not more onerous) or replacement of a Transaction Document or any other document or security including, without limitation, any change in the purpose of, any extension of or increase in any facility or the addition of any new facility under any Transaction Document or other document or security;

(f) any unenforceability, illegality or invalidity of any obligation of any Person under any Transaction Document or any other document or security; or

(g) any insolvency or similar proceedings.

Guarantor Intent

9.8 Without prejudice to the generality of Clause 9.7 (*Waiver of Defences*), but subject at all times to Clause 13 (*Substitution*) where the Parent is the Guarantor, the Guarantor expressly confirms that it intends that this Guarantee shall extend from time to time to any (however fundamental) variation, increase, extension or addition of this Agreement.

Immediate recourse

9.9 The Guarantor waives any right it may have of first requiring the Lender or, as the case may be, the Trustee to proceed against or enforce any other rights or security or claim payment from any Person before claiming from the Guarantor under this Clause 9. This waiver applies irrespective of any law or any provision of this Agreement or the Accession Deed (as applicable) to the contrary.

Appropriations

9.10 Until all amounts which may be or become payable by the Borrower under or in connection with this Agreement have been irrevocably paid in full, the Lender or, as the case may be, the Trustee may:

(a) refrain from applying or enforcing any other moneys, security or rights held or received by it (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and the Guarantor shall not be entitled to the benefit of the same; and

(b) hold in an interest-bearing suspense account any moneys received from the Guarantor or on account of the Guarantor's liability under this Clause 9.

Deferral of Guarantor's rights

9.11 Until all amounts which may be or become payable by the Borrower under or in connection with this Agreement have been irrevocably paid in full and unless the Lender otherwise directs, the Guarantor will not exercise any rights which it may have by reason of performance by it of its obligations under this Agreement or by reason of any amount being payable, or liability arising, under this Clause 9:

(a) to be indemnified by the Borrower;

(b) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Lender under this Agreement;

(c) to bring legal or other proceedings for an order requiring the Borrower to make any payment, or perform any obligation, in respect of which the Guarantor has given a guarantee, undertaking or indemnity under Clause 9.4 (*Guarantee and Indemnity*);

(d) to exercise any right of set-off against the Borrower; and/or

(e) to claim or prove as a creditor of the Borrower in competition with the Lender.

If the Guarantor receives any benefit, payment or distribution in relation to such rights it shall hold (separately from its own funds and/or assets) that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Lender by the Borrower under or in connection with this Agreement to be repaid in full on trust for the Lender and shall promptly pay or transfer the same to the Lender or as it may direct.

Additional security

9.12 The Guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by the Lender.

10. REPRESENTATIONS AND WARRANTIES

Borrower's Representations and Warranties

10.1 The Borrower represents and warrants to the Lender as follows, with the intent that such shall form the basis of this Agreement and shall remain in full force and effect at the date hereof and shall be deemed to be repeated by the Borrower on the Closing Date:

(a) the Borrower and each of its Material Subsidiaries is duly organised and incorporated and validly existing under the laws of its respective jurisdiction of incorporation, is not in liquidation or receivership and has the power and legal right to own its property, to conduct its business as currently conducted and, in the case of the Borrower only, to enter into and to perform its obligations under this Agreement and to borrow the Advance; the Borrower has taken all necessary corporate, legal and other action required to authorise the borrowing of the Advance on the terms and subject to the conditions of this Agreement and to authorise the execution and delivery of this Agreement and all other documents to be executed and delivered by it in connection with this Agreement, and the performance of its obligations under this Agreement;

(b) this Agreement has been duly executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium and similar laws affecting creditors' rights generally, and subject, as to enforceability: (a) to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law); and (b) to the fact that the gross-up provisions contained in Clause 6.2 (*No Set-off, Counterclaim or Withholding; Gross-up*) or 6.3 (*Withholding of the Notes*) may not be enforceable under Russian law;

(c) the execution, delivery and performance of this Agreement by the Borrower does not conflict with or result in any breach or violation of or default under: (i) any law or regulation or any order of any governmental, judicial, arbitral or public body or authority in the Russian Federation; (ii) the constitutive documents, rules and regulations of the Borrower or any of its Material Subsidiaries; or (iii) any agreement or other undertaking or instrument to which the Borrower or any of its Material Subsidiaries is a party or which is binding upon the Borrower or any of its Material Subsidiaries or any of their respective assets, nor result in the creation or

imposition of any Lien (other than Permitted Liens) on any of its assets pursuant to the provisions of any such agreement or other undertaking or instrument;

(d) all consents, licences, notifications, authorisations or approvals of, or filings with, any governmental, judicial and public bodies and authorities of the Russian Federation, if any, required by the Borrower in connection with the execution, delivery, performance, legality, validity, enforceability, and admissibility in evidence of this Agreement (subject to the Russian legal requirement to provide to a Russian court a duly certified translation thereof into Russian) have been obtained or effected and are in full force and effect where a failure to do so has or could have a Material Adverse Effect;

(e) no Event of Default or Potential Event of Default or default under any agreement or instrument evidencing any Financial Indebtedness of the Borrower or any Material Subsidiary has occurred and is continuing, and no such event will occur upon the making of the Advance;

(f) there are no judicial, arbitral or administrative actions, proceedings or claims (including, without limitation, with respect to Taxes or Environmental Claims) which have been commenced or are pending or, to the knowledge of the Borrower, threatened, against the Borrower or any of its Material Subsidiaries, the adverse determination of which could singly or in the aggregate: (i) prohibit the execution and delivery of this Agreement by the Borrower; or (ii) have a Material Adverse Effect;

(g) other than Permitted Liens, the Borrower and each of its Material Subsidiaries has good title to its property necessary for the conduct of its Core Business, duly registered, where applicable, in its name and free from adverse third party claims where a failure to have such good title has had or could have a Material Adverse Effect and the Borrower's obligations under the Loan rank at least *pari passu* with all its other unsecured and unsubordinated Financial Indebtedness;

(h) the unaudited condensed consolidated interim financial information for the Group as at and for the nine months ended 30 September 2012 and the audited consolidated financial statements of the Group as at and for the years ended 31 December 2009, 2010 and 31 December 2011:

    (i) were prepared in accordance with IAS 34, *Interim Financial Reporting*, and IFRS, respectively, as consistently applied; and

    (ii) save as disclosed therein, present fairly in all material respects the assets and liabilities as at that date and the results of operations of the Group during the relevant financial year;

(i) since the date of the latest audited IFRS consolidated statements of the Group, there has been no significant change in the financial or trading position and no material adverse change in the condition (financial or otherwise), results of business, operations or the immediate prospects of the Borrower or the Group taken as a whole or in the Borrower's ability to perform its obligations under this Agreement;

(j) the execution, delivery and enforceability of this Agreement is not subject to any tax, duty, fee or other charge, including, without limitation, any registration or transfer tax, stamp duty or similar levy, imposed by or within the Russian Federation or any constituent part or political subdivision or a taxing authority thereof or therein (other than state duty paid on any claim, petition or other application filed with a Russian court);

(k) neither the Borrower nor its property has any right of immunity from suit, execution, attachment or other legal process on the grounds of sovereignty or otherwise in respect of any action or proceeding relating in any way to this Agreement;

(l) the Borrower and each of its Material Subsidiaries is in compliance with all applicable provisions of law except where failure to be so in compliance would not have a Material Adverse Effect;

(m) neither the Borrower, nor any of its Material Subsidiaries has taken any corporate action nor have any other steps been taken or legal proceedings been started or threatened in writing against the Borrower or any of its Material Subsidiaries for its bankruptcy, winding-up, dissolution, external administration or reorganisation (whether by voluntary arrangement, scheme of arrangement or otherwise) or for the appointment of a receiver, administrator,

administrative receiver, conservator, custodian, trustee or similar officer of its or of any or all of its assets or revenues;

(n) there are no labour strikes, disturbances, lockouts, slowdowns or stoppages of employees, or other employment disputes, of or against the Borrower or any of its Material Subsidiaries which exist, are pending or, to the Borrower's knowledge, threatened or imminent, except for those that would not have a Material Adverse Effect;

(o) in any proceedings taken in the Russian Federation in relation to this Agreement, the choice of English law as the governing law of this Agreement and any arbitration award obtained in England pursuant to Clause 15.9 (*Arbitration*) in relation to this Agreement will be recognised and enforced in the Russian Federation after compliance with the applicable procedural rules and all other legal requirements in the Russian Federation;

(p) subject to the performance by the relevant parties of the relevant established procedures in connection with the obtaining of an applicable withholding tax exemption for payments hereunder (including those set out in Clause 6.7 (*Tax Treaty Relief*)), under Russian law the Borrower is not required to make any deduction or withholding from any payment of interest or principal or any other amount payable hereunder it may make hereunder in respect of Russian taxes;

(q) all licences, consents, examinations, clearances, filings, registrations and authorisations which are or may be necessary to enable the Borrower and any of its Subsidiaries to own its assets and carry on its Core Business are in full force and effect and the Borrower and its Subsidiaries are conducting such business in accordance with such licences, consents, examinations, clearances, filings, registrations and authorisations where a failure to do so has had or could have a Material Adverse Effect;

(r) except as disclosed in the Prospectus, neither the Borrower nor any of its Material Subsidiaries is materially overdue in the filing of any tax returns, reports and other information required to be filed by it with any appropriate taxing authority, and each such tax return, report or other information was, when filed, accurate and complete in all material respects; and each of the Borrower and its Material Subsidiaries has duly paid, or has made adequate reserves for, all Taxes required to be paid by it and any other assessment, fine or penalty levied against it (other than those it is contesting in good faith), and to the best of the Borrower's knowledge, no Tax deficiency is currently asserted against the Borrower or any of its Material Subsidiaries except, in each case, where any such failure to do so would not have a Material Adverse Effect;

(s) (i) the Borrower and each of its Subsidiaries is in compliance with all Environmental Laws and Environmental Approvals applicable to the Borrower or that Subsidiary, except where failure to do so may not reasonably be expected to have a Material Adverse Effect;

(ii) the Borrower and each of its Subsidiaries is in compliance with all local environmental regulations and with the environmental policies adopted by the Group, except where failure to do so may not reasonably be expected to have a Material Adverse Effect;

(iii) there are no Environmental Claims outstanding against the Borrower or any of its Subsidiaries which might reasonably be expected to have a Material Adverse Effect; and

(iv) the Borrower and each of its Subsidiaries has obtained all material Environmental Approvals, and observed in all material respects all Environmental Laws, covenants, conditions, restrictions or agreements, except where failure to do so may not reasonably be expected to have a Material Adverse Effect, in each case directly or indirectly concerned with health and safety in the workplace or any contamination, pollution or waste or the release or discharge of any toxic or hazardous substance in connection with any real property which is or was at any time owned, leased or occupied by it or any of its Subsidiaries or on which it or any of its Subsidiaries has conducted any activity;

(t) the Borrower is subject to civil and commercial law with respect to its obligations under this Agreement, and its execution of this Agreement constitutes, and its exercise of rights and performances of its obligations hereunder will constitute, private and commercial acts done and performance for private and commercial purposes; and

(u) the Borrower and its Material Subsidiaries own, possess or can acquire on reasonable terms, adequate trademarks, trade names and other rights to inventions, know-how, patents, copyrights, confidential information and other intellectual property (collectively, ***intellectual property rights***) necessary to conduct the Core Businesses now operated by them, or presently employed by them, and have not received any notice of infringement of or conflict with asserted rights of others with respect to any intellectual property rights that, if determined adversely to the Borrower or any of its Material Subsidiaries, would individually or in the aggregate have a Material Adverse Effect.

Lender's Representations and Warranties

10.2 The Lender represents and warrants to the Borrower as follows:

(a) the Lender is duly incorporated under the laws of Ireland and is a resident for Irish taxation purposes in Ireland and has full power and capacity to execute this Agreement, to issue the Notes and to undertake and perform the obligations expressed to be assumed by it herein and therein and the Lender has taken all necessary corporate action to approve and authorise the same;

(b) the execution of this Agreement, the issue of the Notes and the undertaking and performance by the Lender of the obligations expressed to be assumed by it herein and therein will not conflict with, or result in a breach of or default under, the laws of Ireland or the constitutive documents, rules or regulations of the Lender or any agreement or instrument to which it is a party or by which it is bound or in respect of Financial Indebtedness in relation to which it is a surety;

(c) the Lender is a resident of Ireland, is subject to taxation in Ireland on the basis of its registration as a legal entity, location of its management body or another similar criteria and it is not subject to taxation in Ireland merely on income from sources in Ireland or connected with property located in Ireland. The Lender will be able to receive certification to the effect that it is resident in Ireland for taxation purposes and, in particular, for the purposes of the Agreement between Ireland and the Russian Federation for the avoidance of double taxation with respect to taxes on income from the relevant Irish authority;

(d) at the date hereof, the Lender does not have a permanent establishment or presence outside Ireland, including, in particular in the Russian Federation save for that which may be created solely as a result of the Lender entering into and performing its obligations under this Agreement, the Trust Deed, the Notes, the Agency Agreement or the Subscription Agreement. In particular:

(i) the Lender does not have a branch, representation, division, bureau, office, agency or any other economically autonomous subdivision or other place of business in any other country than Ireland through which the business of the Lender is wholly or partially carried out;

(ii) the Lender did not explicitly grant authority to and is not aware of an implied authority for the Borrower or any other Person located outside Ireland to negotiate key parameters of any contracts or sign any contracts on behalf of the Lender, bind the Lender to any contracts by other means or otherwise represent the Lender in dealings with third parties;

(iii) the Lender has its central management and control in Ireland. The Lender's place of effective management is only in Ireland; and

(iv) the directors of the Lender are Irish nationals and reside in Ireland and shall at all times act independently and exercise their authority from and within Ireland by taking all key decisions relating to the Lender in the Ireland.

For the purposes of this representation in relation to Russia a branch, representation, division, bureau, office or an agency shall be understood to mean any fixed place in Russia at which the Lender possesses or rents premises.

For the purposes of this representation in relation to Russia an economically autonomous subdivision shall be understood to mean any subdivision which is located in separate territory from the Lender at the location of which permanent workplaces are equipped. A workplace may be created only to an extent there is an employment relationship between an entity and

an individual. A workplace shall be deemed to be permanent if it is created for more than one month;

(e) the Notes and the Loan will be fully accounted for by the Lender on its balance sheet, meaning that the Loan will be treated as an asset of the Lender under generally accepted accounting practice applicable in Ireland, while the Notes will be treated as a liability of the Lender under generally accepted accounting practice applicable in Ireland;

(f) this Agreement, the Fee Side Letters, the Subscription Agreement and the Agency Agreement have each been duly executed and each constitutes, and the Trust Deed will be duly executed and the Notes when issued will constitute, legal, valid and binding obligations of the Lender enforceable against the Lender in accordance with their respective terms, subject to applicable bankruptcy, insolvency, moratorium, examinership and similar laws affecting creditors' rights generally and subject, as to enforcement, to general principles of equity;

(g) all authorisations, consents and approvals required by the Lender in Ireland for or in connection with the execution of this Agreement and the performance by the Lender of the obligations expressed to be undertaken by it herein and therein have been obtained and are in full force and effect; and

(h) the Lender is liable to Irish corporate income tax at the applicable standard rates (currently 25 per cent.) in respect of all its taxable profits derived from the transactions contemplated pursuant to the Lender Agreements, computed in accordance with the applicable Irish generally accepted accounting practice, where interest and other income on the Loan receivable by the Lender will be treated as taxable income for Irish tax purposes.

11. COVENANTS

The covenants in this Clause 11 shall remain in force from the date of this Agreement for so long as the Loan or any part of it is outstanding.

Negative Pledge

11.1 Neither the Borrower nor, as the case may be, the Guarantor, shall, and the Borrower or, if applicable, the Guarantor, shall not permit any of its Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Liens, other than Permitted Liens, on any of its or their assets, now owned or hereafter acquired, or any income or profits therefrom, securing any Financial Indebtedness, unless, at the same time or prior thereto, the Loan is secured equally and rateably with such other Financial Indebtedness.

Maintenance of Authorisations

11.2 The Borrower and, as the case may be, the Guarantor shall, and the Borrower and the Guarantor, shall procure that each of its respective Subsidiaries shall, take all necessary action to obtain and do or cause to be done all things necessary, in the opinion of the Borrower, the Guarantor or the relevant Subsidiary, to ensure the continuance of its corporate existence, its business and intellectual property relating to its business and the Borrower shall take all necessary action to obtain, and do or cause to be done all things necessary to ensure the continuance of, all consents, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, which may at any time be required to be obtained or made in the Russian Federation or, as the case may be, the jurisdiction of the Guarantor or the Borrower if different or for the execution, delivery or performance of this Agreement or for the validity or enforceability thereof (as applicable) where failure to do so has had or could have a Material Adverse Effect.

Claims *Pari Passu*

11.3 The Borrower and, as the case may be, the Guarantor shall ensure that at all times the claims of the Lender against it under this Agreement rank at least *pari passu* with the claims of all its other present and future unsecured creditors of the Borrower and, as the case may be, the Guarantor, save for those claims that are preferred by any bankruptcy, insolvency, liquidation or similar laws of general application or any other mandatory provisions of applicable law.

Mergers

11.4 Other than pursuant to the Reorganisation, (i) the Borrower and, as the case may be, the Guarantor shall not enter into any reorganisation (by way of a merger, accession, division, separation or transformation, or other bases or procedures for reorganisation contemplated or as may be

contemplated from time to time by Russian legislation or the law of the relevant jurisdiction of the Guarantor, as the case may be, as these terms are construed by applicable Russian legislation or the law of the relevant jurisdiction of the Guarantor); and (ii) the Borrower and the Guarantor, shall procure that each of its Subsidiaries or, shall ensure that, without the prior written consent of the Lender and the Trustee, none of its Subsidiaries (A) enters into any reorganisation (whether by way of a merger, accession, division, separation or transformation as these terms are construed by applicable Russian legislation), or (B) in the case of a Subsidiary incorporated in a jurisdiction other than the Russian Federation participates in any type of corporate reconstruction or other analogous event (as determined under the legislation of the relevant jurisdiction); if in the case of (i) or (ii) above, any such reorganisation or other type of corporate reconstruction could reasonably result in a Material Adverse Effect.

Disposals

11.5 (a) Except as provided in paragraph (b) below, no member of the Group may, either in a single transaction or in a series of transactions and whether related or not, and whether voluntary or involuntary sell, lease, transfer or otherwise dispose of all or any part of its assets.

(b) Sub-Clause 11.5(a) above does not apply to any sale, lease, transfer or other disposal:

(i) made pursuant to the Reorganisation;

(ii) made in the ordinary course of business or trading of the disposing entity;

(iii) of assets in exchange for other assets (including freely convertible cash and its equivalents) comparable or superior as to type, value and quality;

(iv) of obsolete or redundant assets;

(v) of shares or securities made on arm's length terms;

(vi) made pursuant to any Non-recourse Project Financing;

(vii) of the Group's Potash Assets (including a disposal by way of transfer of assets in the course of spin-off (*vydeleniye*) or division (*razdelenie*)) *provided that* all liabilities attributable or attached to such Group's Potash Assets shall be transferred or disposed of together with the respective Group's Potash Assets or discharged; or

(viii) where the consideration receivable does not exceed an amount equal to 10 per cent. of the consolidated total assets of the Group or its equivalent in any financial year of the Company based on the most recent annual IFRS consolidated financial statements of the Group.

Transactions with Affiliates

11.6 Neither the Borrower nor, as the case may be, the Guarantor shall, and the Borrower and the Guarantor, shall ensure that each of its Subsidiaries do not, directly or indirectly, conduct any business, enter into or permit to exist any transaction or series of related transactions (including, without limitation, the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service but excluding any Product Delivery Contracts) with, or for the benefit of, any Affiliate (an ***Affiliate Transaction***) including, without limitation, intercompany loans, unless the terms of such Affiliate Transaction are no less favourable to the Borrower, the Guarantor or such Subsidiary, as the case may be, than those that could be obtained (at the time of such transaction or, if such transaction is pursuant to a written agreement, at the time of the execution of the agreement providing therefore) in a comparable arm's-length transaction with a Person that is not an Affiliate of the Borrower, the Guarantor or such Subsidiary.

This Clause 11.6 (*Transactions with Affiliates*) does not apply to: (i) any Affiliate Transaction between the Borrower, the Guarantor and their respective Subsidiaries and between Subsidiaries of the Borrower or the Guarantor; or (ii) any Affiliate Transaction undertaken by the Borrower, the Guarantor or any of their respective Material Subsidiaries not involving, individually or in aggregate, payments or value in excess of U.S.$50,000,000; or (iii) any Affiliate Transaction undertaken pursuant to the Reorganisation; or (iv) compensation of employee benefit arrangements with any officer or director of the Borrower, the Guarantor or any Material Subsidiary arising as a result of their employment contract.

Maintenance of Property

11.7 The Borrower and, as the case may be, the Guarantor shall, and the Borrower and the Guarantor, shall ensure that its Material Subsidiaries will, cause all property that is used in the conduct of its or their business to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as, in the judgment of the Borrower, the Guarantor or such Material Subsidiary, may be reasonably necessary so that the business carried on in connection therewith may be properly conducted at all times.

Payment of Taxes and Other Claims

11.8 The Borrower and, as the case may be, the Guarantor shall, and the Borrower and the Guarantor, shall ensure that their respective Subsidiaries will, pay or discharge or cause to be paid or discharged, before the same shall become overdue:

(a) all taxes, assessments and governmental charges levied or imposed upon, or upon the income, profits or property of the Borrower and its Subsidiaries or, as the case may be, the Guarantor and its Subsidiaries; and

(b) all lawful claims for labour, materials and supplies which, if unpaid, might by law become a Lien (other than a Permitted Lien) upon the property of the Borrower and its Subsidiaries or, as the case may be, the Guarantor and its Subsidiaries;

provided that none of the Borrower nor any of its Subsidiaries or, as the case may be, the Guarantor nor any of its Subsidiaries, shall be in breach of this Clause 11.8 if the Borrower or any Subsidiary or, as the case may be, the Guarantor or any Subsidiary, has failed to pay or discharge or cause to be paid or discharged any tax, assessment, charge or claim (i) if such amount, applicability or validity is being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with IFRS or other appropriate provision has been made; or (ii) if a failure to pay, or discharge or cause to be paid or discharged such amount, together with all such other unpaid or undischarged taxes, assessments, charges and claims, would not have a Material Adverse Effect.

Withholding Tax Exemption

11.9 The Borrower shall give to the Lender all assistance it reasonably requires to ensure that, prior to the first interest payment and at the beginning of each calendar year, the Lender can provide the Borrower with the documents required under Russian laws for the relief of the Lender from Russian withholding tax in respect of payments hereunder.

Maintenance of Insurance

11.10 So long as any amount remains outstanding under this Agreement, the Borrower and, as the case may be, the Guarantor shall, and the Borrower and the Guarantor, shall ensure that each of their respective Subsidiaries will:

(a) maintain such insurances as are required by applicable laws; and

(b) without prejudice to sub-paragraph (a) above, maintain insurance over its production and transportation assets and businesses (including insurance for damage related to explosions, fire and other accidents caused by operating processes), third-party liability insurance (where the Borrower, the Guarantor, or the relevant Subsidiary is operating hazardous production facilities), insurance over storage warehouses, insurance of any hazardous product carriers and transportation vehicles insurance to the extent that such insurance exists at the date of this Agreement.

For the purposes of this Clause 11.10, ***maintain*** means that the terms and conditions of the relevant insurance policies must not at any time be substantially worse for the Borrower, the Guarantor or the relevant Subsidiary than the terms and conditions of those policies existing at the date of this Agreement.

Environmental compliance

11.11 The Borrower and, as the case may be, the Guarantor shall, and the Borrower and the Guarantor, shall ensure that their respective Subsidiaries will, obtain all Environmental Approvals required by all applicable laws and that it will comply with all Environmental Laws and Environmental Approvals applicable to it and will take all reasonable steps in anticipation of known or expected

future changes to or obligations under the same, except where failure to do so does not and will not have a Material Adverse Effect.

Financial Information

11.12 (a) The Borrower hereby undertakes that so long as the Loan or the Notes or any other sum owing hereunder remains outstanding it shall deliver to the Lender as soon as they become available, but in any event within six months after the end of each of its financial years, copies of the Group's consolidated financial statements for such financial year, in each case audited by the Auditors and prepared in accordance with IFRS consistently applied with the Group's consolidated financial statements for the preceding period.

(b) The Borrower shall as soon as the same become available, but in any event within 120 days after the end of each first half of each of the Group's financial years, deliver to the Lender the Group's unaudited condensed consolidated financial information prepared in accordance with IAS 34, *Interim Financial Reporting*, for such period.

(c) The Borrower hereby undertakes that it will deliver to the Lender, without undue delay, such additional information regarding the financial position or the business of the Group as the Lender may reasonably request including providing certification to the Trustee according to the Trust Deed.

(d) The Borrower shall ensure that each set of consolidated financial statements delivered by it pursuant to this Clause 11.12 (*Financial Information*) is:

(i) prepared generally on the same basis as was used in the preparation of the Original Financial Statements and in accordance with IFRS and consistently applied;

(ii) in the case of the statements provided pursuant to Clause 11.12(a), accompanied by a report thereon of the Auditors referred to in Clause 11.12(a) (including opinions of such Auditors with accompanying notes and annexes); and

(iii) in the case of the statements provided pursuant to Clauses 11.12(b) and 11.12(c), certified by an Authorised Signatory (i) from the date of this Agreement until the time that the Parent becomes the Guarantor, EuroChem and (ii) from the time that the Parent becomes the Guarantor, the Parent, as giving a true and fair view of the Group's consolidated financial condition as at the end of the period to which those consolidated financial statements relate and of the results of the Group's operations during such period.

(e) The Borrower undertakes to furnish to the Lender such information as the Irish Stock Exchange (or any other or further stock exchange or stock exchanges or any relevant authority or authorities on which the Notes may, from time to time, be listed or admitted to trading) may require as necessary in connection with the listing or admission to trading on such stock exchange or relevant authority of such instruments.

(f) The Borrower consents that any information provided to the Lender pursuant to this Clause 11.12 may also be provided to the Trustee, if so requested by the Trustee, without violating any duty of confidentiality or secrecy that the Lender may owe to the Borrower under the laws of Ireland.

Limitation on Financial Indebtedness

11.13 The Borrower and, as the case may be, the Guarantor shall not cause, and neither the Borrower nor the Guarantor, will permit any of its Material Subsidiaries to create, issue, incur, assume, guarantee or otherwise in any manner become directly or indirectly liable for the payment of or otherwise incur, contingently or otherwise, any Financial Indebtedness provided that the Borrower, as the case may be, the Guarantor and any Material Subsidiary may incur Financial Indebtedness, in each case, if, (i) on the date of such incurrence of Financial Indebtedness and after giving effect thereto on a pro forma basis, the ratio of (A) the Group's total consolidated Financial Indebtedness to (B) the Group's Consolidated EBITDA for each Measurement Period, is less than 3.5:1.0; and (ii) after giving effect to such incurrence of Financial Indebtedness and the application of the proceeds thereof, on a pro forma basis, no Potential Event of Default or Event of Default would occur or be continuing.

Limitation on Restrictions on Distributions from Subsidiaries

11.14 The Borrower and, as the case may be, the Guarantor, shall not, and the Borrower and the Guarantor, shall not permit any of their respective Subsidiaries to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Subsidiary to:

(a) pay dividends or make any other distributions on its share capital;

(b) make any loans or advances or pay any Financial Indebtedness owed to the Borrower or, as the case may be, the Guarantor; or

(c) transfer any of its property or assets to the Borrower, or as the case may be, the Guarantor,

other than encumbrances or restrictions existing under the Notes, the Trust Deed and any other agreement in effect prior to the Closing Date and advised in writing to the Trustee and the Lender or any restrictions provided for by the applicable laws of the Russian Federation or, as the case may be, the jurisdiction of the Guarantor or the Borrower if different.

Officer Certificates

11.15 (a) On each Interest Payment Date, the Borrower shall deliver to the Lender and to the Trustee written notice in the form of an Officer Certificate stating whether any Potential Event of Default or Event of Default has occurred and, if it has occurred and shall be continuing, what action the Borrower is taking or proposes to take with respect thereto.

(b) The Borrower will at the same time as delivering the Group's audited annual financial statements pursuant to Clause 11.12(a) and within 30 days of a request from the Lender, deliver to the Lender copied to the Trustee an Officer Certificate specifying those Subsidiaries which were at a date no more than 20 days before the date of such Officer Certificate, Material Subsidiaries.

(c) Following the occurrence of any matter or event specified in this Agreement where this Agreement provides for a determination of whether such matter or event has or will have a Material Adverse Effect, the Borrower shall provide the Lender (with a copy to the Trustee) with an Officer Certificate certifying whether such matter or event has or will have a Material Adverse Effect and setting out such additional information as may be required to support such determination. The Lender and the Trustee shall each be entitled to rely solely on an Officer Certificate from the Borrower, certifying whether or not such matter has or will have a Material Adverse Effect.

Change of Business

11.16 The Borrower and the Guarantor, shall procure that no material change is made to the general nature of the business of itself or any of their respective Material Subsidiaries from the date of this Agreement, except to the extent that EuroChem may cease to be a holding company of its Subsidiaries pursuant to the Reorganisation.

Secured Obligation

11.17 The Borrower and the Guarantor shall not do or permit to be done any act or thing that might jeopardise or otherwise alter or impair the Secured Obligations.

Notes Held by the Borrower, the Guarantor or any other member of the Group

11.18 Upon being so requested in writing by the Lender, the Borrower shall deliver to the Lender (copied to the Trustee) an Officer Certificate of the Borrower setting out the total principal amount of Notes which, at the date of such certificate, are held by the Borrower, the Guarantor or any other member of the Group and have not been cancelled and are retained by it for its own account or for the account of any other company.

Verification

11.19 Neither the Lender nor the Trustee shall be under any obligation to verify the authenticity of any Officer Certificate or any other certificate received by it or to approve the selection of any Auditors or Rating Agency or be responsible for determining the existence of any Potential Event of Default or any Event of Default. The Lender and the Trustee shall each be at liberty to accept any aforementioned Officer Certificate as sufficient evidence of any fact or matter stated in any such Officer Certificate and neither the Lender nor the Trustee shall be bound to call for further

evidence or be responsible for any loss that may be occasioned by acting on, such Officer Certificate or selection or failure to determine the existence of any Event of Default or Potential Event of Default or whether any matter shall have a Material Adverse Effect.

Covenant Fall-Away

11.20 To the extent that the Notes have satisfied all conditions of Investment Grade Status and at all time thereafter, the Borrower and, as the case may be, the Guarantor will be released from their respective obligations to comply with Clause 11.2 *(Maintenance of Authorisations)*, Clause 11.3 (*Claims Pari Passu*), Clause 11.5 (*Disposals*) to Clause 11.8 (*Payment of Taxes and Other Claims*) inclusive, Clause 11.10 *(Maintenance of Insurance*), Clause 11.13 (*Limitation of Financial Indebtedness*) and 11.16 (*Change of Business*) and, in each case, any related Events of Default under Clause 12 (*Events of Default*).

12. EVENTS OF DEFAULT

Events of Default

12.1 Each of Clause 12.2 (*Failure to Pay*) to Clause 12.13 (*Outstanding Financial Indebtedness*) describes the circumstances which constitute an Event of Default for the purposes of this Agreement. If one or more Event of Default shall occur and be continuing, the Lender shall be entitled to the remedies set forth in Clause 12.16 (*Acceleration*) and Clause 12.17 (*Amounts Due on Demand*).

Failure to Pay

12.2 The Borrower fails to pay any sum due from it hereunder at the time, in the currency and in the manner specified herein, and such failure is not remedied within five Business Days of the due date for payment.

Obligations

12.3 The Borrower or, as the case may be, the Guarantor fails duly to perform or comply with, or is otherwise in breach of, any other obligation expressed to be assumed by it in this Agreement and such failure or breach, provided it is capable of remedy, is not remedied within 30 days after the Lender has given written notice of it to the Borrower or, as the case may be, the Guarantor.

Cross Default

12.4 Any of the following occurs in respect of any member of the Group:

(a) any of its Financial Indebtedness is not paid when due (after the expiry of any originally applicable grace period); or

(b) any of its Financial Indebtedness:

(i) becomes prematurely due and payable; or

(ii) is placed on demand; or

(iii) is capable of being declared by a creditor to be prematurely due and payable or being placed on demand,

in each case, as a result of an Event of Default; or

(c) any commitment for its Financial Indebtedness is cancelled or suspended as a result of an Event of Default,

unless the aggregate amount of Financial Indebtedness falling within all or any of sub-paragraphs (a) to (c) above is less than US$50,000,000 (or its equivalent in other currency or currencies).

Validity and Illegality

12.5 The validity of this Agreement is contested by the Borrower or, as the case may be, the Guarantor, or the Borrower or, as the case may be, the Guarantor shall deny any of its obligations under this Agreement or (save as provided in Clause 11.2 (*Maintenance of Authorisations*) it is, or will become, unlawful for the Borrower or, as the case may be, the Guarantor to perform or comply with any of its obligations under or in respect of this Agreement or any of such obligations shall become unenforceable or cease to be legal, valid and binding.

Authorisations

12.6 Any regulation, decree, consent, approval, licence, governmental authorisation, or other authority necessary to enable the Borrower or, as the case may be, the Guarantor to enter into or (save as provided in Clause 11.2 (*Maintenance of Authorisations*) perform its obligations under this Agreement or for the validity or enforceability thereof shall expire or be withheld, revoked or terminated or otherwise cease to remain in full force and effect or shall be modified in a manner which adversely affects any rights or claims of the Lender and such expiration, revocation or termination has a Material Adverse Effect.

Bankruptcy and Insolvency

12.7 (a) The occurrence of any of the following events:

(b) the Borrower, the Guarantor or any of their respective Material Subsidiaries is unable, or admits inability to, pay its debts as they fall due, generally suspends making payments on its debts or, by reason of actual or anticipated financial difficulties (in the reasonable view of the management of the Borrower, the Guarantor or the respective Material Subsidiaries), commences negotiations with one or more of its creditors with a view to rescheduling any of its Financial Indebtedness; the value of the assets of any of the Borrower, the Guarantor or any of their respective Material Subsidiaries is less than its liabilities; and/or a moratorium is declared in respect of any Financial Indebtedness of any of the Borrower, the Guarantor or any of their respective Material Subsidiaries;

(c) any of the Borrower, the Guarantor or any of their respective Material Subsidiaries seeking or consenting to the introduction of proceedings for its liquidation or bankruptcy or the appointment of a liquidation commission (*likvidatsionnaya komissiya*) or a similar officer of any of the Borrower, the Guarantor or any of their respective Material Subsidiaries, as the case may be;

(d) the presentation or filing of a petition in respect of any of the Borrower, the Guarantor or any of their respective Material Subsidiaries in any court, arbitration court or before any Agency alleging, or for, the bankruptcy, insolvency, dissolution, liquidation (or any analogous proceedings) of any of the Borrower, the Guarantor or their respective Material Subsidiaries, unless such petition is demonstrated to the reasonable satisfaction of the Lender to be vexatious or frivolous;

(e) the institution of the supervision (*nablyudeniye*), financial rehabilitation on (*finansovoye ozdorovlenie*), external management (*vneshneye upravleniye*), bankruptcy management (*konkursnoye proizvodstvo*) of any of the Borrower, the Guarantor or their respective Material Subsidiaries, or the entry by the Borrower, the Guarantor or their respective Material Subsidiaries into, or the agreeing by the Borrower, the Guarantor or their respective Material Subsidiaries to enter into, amicable settlement (*mirovoe siglashenie*) with its creditors as such terms with Russian transliteration are defined in the Federal Law of the Russian Federation No. 127-FZ ''On Insolvency (Bankruptcy)'' of 26 October 2002 (as amended or replaced from time to time), or any analogous procedure or event in any other relevant jurisdiction;

(f) any judicial liquidation, dissolution, administration or winding-up of the Borrower, the Guarantor or any of their respective Material Subsidiaries; or

(g) the shareholders of the Borrower, the Guarantor or any of their respective Material Subsidiaries, shall have approved any plan of liquidation, dissolution, administration or winding-up of the Borrower, the Guarantor or such Material Subsidiaries (otherwise than, in the case of a Material Subsidiary of the Borrower or the Guarantor, as the case may be, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent).

Governmental or Court Action

12.8 Any government, Agency or court takes any action that would result in a Material Adverse Effect, including, without prejudice to the foregoing: (i) the management of the Borrower, the Guarantor or any of their respective Material Subsidiaries is wholly or partially displaced or the authority of the Borrower, the Guarantor or such Material Subsidiary in the conduct of its business is wholly or partially curtailed; (ii) all or a majority of the issued shares of the Borrower, the Guarantor or any of their respective Material Subsidiaries is seized, nationalised, expropriated or compulsorily acquired; or (iii) the whole or any part of the gross assets of the Borrower, the Guarantor or any of their

respective Material Subsidiaries (the book value of which is 5 per cent. or more of the book value of the whole of the Group) is seized, nationalised, expropriated or compulsorily acquired.

Appropriation

12.9 Unless contested in good faith by the Borrower, the Guarantor or any of their respective Material Subsidiaries and not dismissed, disapplied or overturned within 30 Business Days by the Borrower, the Guarantor or such Material Subsidiary, a secured party takes possession (in the case of non-possessory security) or otherwise takes possession under enforcement of its security, or a receiver, manager or other similar officer is appointed, of the whole or any part of the undertaking, assets and revenues of the Borrower, the Guarantor or any of their Material Subsidiaries having a Fair Market Value in excess of 5 per cent. of the book value of the whole of the assets of the Group.

Judgments

12.10 The aggregate amount of unsatisfied judgments, decrees or orders of courts or other appropriate law-enforcement bodies for the payment of money against the Borrower, the Guarantor and/or any of their respective Subsidiaries exceeds 5 per cent. of the book value of the whole of the assets of the Group or 5 per cent. of the gross revenues of the Group.

Business

12.11 Except to the extent that EuroChem ceases to be a holding company of its Subsidiaries pursuant to the Reorganisation, the Borrower, the Guarantor or any of their respective Material Subsidiaries ceases to carry on the principal business it carried on at the date hereof.

Misrepresentation

12.12 Any representation or warranty of the Borrower or the Guarantor or any statement deemed to have been made by the Borrower or the Guarantor in this Agreement or in any certificate or notice delivered to the Lender in connection with this Agreement, the Subscription Agreement or the Agency Agreement or the issue of Notes proves to have been inaccurate, incomplete or misleading in any material respect at the time it was made or repeated, or deemed to have been made or repeated, if not remedied (if capable of remedy) within 30 days.

Outstanding Financial Indebtedness

12.13 If within 90 Business Days of the date of the Substitution, at least 70 per cent. of EuroChem's outstanding Financial Indebtedness as calculated by reference to the Group's consolidated financial statements for the most recent IFRS Fiscal Period (which shall, for the avoidance of doubt, include the outstanding principal amount of the Loan at such time) has not been assigned or transferred to the Parent.

Analogous Events

12.14 Any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Clause 12.6 (*Authorisations*) to 12.10 (*Judgments*).

Notification of Default

12.15 The Borrower or, as the case may be, the Guarantor shall deliver to the Lender and the Trustee, promptly upon becoming aware thereof, written notice in the form of an Officer Certificate of any event which is a Potential Event of Default or an Event of Default, its status and what action the Borrower, the Guarantor or the relevant Material Subsidiary, as the case may be, is taking or proposes to take with respect thereto and, if applicable, whether such event will have a Material Adverse Effect.

Acceleration

12.16 If any Event of Default shall occur and be continuing, the Lender and/or the Trustee as applicable in accordance with the Trust Deed may, by notice in writing to the Borrower: (i) declare the Loan and the obligations of the Lender hereunder to be immediately terminated, whereupon the Loan and such obligations shall terminate; and (ii) declare all amounts payable hereunder by the Borrower or, as the case may be, the Guarantor that would otherwise be due after the date of such termination to be immediately due and payable, whereupon all such amounts shall become immediately due and payable, all without diligence, presentment, demand of payment, protest or notice of any kind, which are expressly waived by the Borrower or, as the case may be, the Guarantor, provided that if any event of any kind referred to in Clause 12.7 (*Bankruptcy and Insolvency*) occurs, the Loan and the obligations of the Lender hereunder shall immediately

terminate, and all amounts payable hereunder by the Borrower or, as the case may be, the Guarantor that would otherwise be due after the occurrence of such event shall become immediately due and payable, all without diligence, presentment, demand of payment, protest or notice of any kind, which are expressly waived by the Borrower or, as the case may be, the Guarantor.

Amounts Due on Demand

12.17 If, pursuant to Clause 12.16 (*Acceleration*), the Lender and/or the Trustee declares the outstanding principal amount of the Loan to be due and payable on demand of the Lender and/or the Trustee, then, and at any time thereafter, the Lender and/or the Trustee may by written notice to the Borrower require repayment of the outstanding principal amount of the Loan on such date as it may specify in such notice (whereupon the same shall become due and payable on such date together with accrued interest thereon and any other sums then owed by the Borrower hereunder) or withdraw its declaration with effect from such date as it may specify in such notice.

Rights Not Exclusive

12.18 The rights provided for herein are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

13. SUBSTITUTION

13.1 The Lender and the Trustee shall, upon written request of EuroChem which request shall be accompanied by an Officer Certificate of EuroChem certifying that no Event of Default has occurred and is continuing, agree to the substitution (hereinafter, the ***Substitution***), in place of EuroChem as the Borrower under this Agreement and as a party to the Agency Agreement, of the Parent provided that:

(a) at the time of such request, the Parent is the Guarantor, which shall be certified in the Officer Certificate of EuroChem referred to above;

(b) an Officer Certificate of the Parent, in the form of which is set out in Schedule 4 (*Form of Substitution Officer Certificate*), is provided to the Lender and the Trustee confirming that:

(i) it is duly incorporated and organised under the laws of the Applicable Jurisdiction;

(ii) it controls EuroChem;

(iii) it is the Guarantor;

(iv) within 90 Business Days of the date of the Substitution, at least 70 per cent. of EuroChem's outstanding Financial Indebtedness as calculated by reference to the Group's consolidated financial statements for the most recent IFRS Fiscal Period (which shall, for the avoidance of doubt, include the outstanding principal amount of the Loan at such time) shall be assigned or transferred to the Parent;

(v) the due payment of all sums expressed to be payable by EuroChem under this Agreement would not cause any borrowing, guarantee, security or similar limit binding on it to be exceeded;

(vi) the Parent is solvent at the time at which the said substitution is proposed to be effected; and

(vii) the Parent has obtained all governmental and regulatory approvals and consents necessary for its assumption of the obligations and liabilities under this Agreement in place of EuroChem as Borrower and such approvals and consents are at the time of substitution in full force and effect;

(c) the Parent delivers to EuroChem, the Lender and the Trustee a duly completed and executed Deed of Novation; and

(d) a legal opinion of the legal advisers to the Parent in the Applicable Jurisdiction in which the Parent is incorporated is addressed to the Lender, EuroChem, the Trustee and the Parent as to the law of such Applicable Jurisdiction and in the form distributed to the Lender and the Trustee prior to the Substitution, to the effect that:

(i) the Parent is duly incorporated and organised under the laws of the Applicable Jurisdiction;

(ii) the Loan, following the Substitution, will be the valid and binding obligations of the Parent as Borrower, enforceable against it in accordance with its terms; and

(iii) the Security, following the Substitution, will be valid and enforceable security and the obligations thereunder will be valid and binding obligations of the Lender, enforceable against it in accordance with its terms.

13.2 Any such agreement by the Lender pursuant to Clause 13.1 shall, to the extent so expressed, operate to release EuroChem from any or all of its obligations as Borrower under this Agreement and EuroChem shall become the Guarantor, guaranteeing the obligations of the Parent, as Borrower in accordance with the Guarantee set out in Clause 9 (*Guarantee*). Not later than 14 days after the execution of any such documents as aforesaid and after compliance with the Trustee's said requirements, the Parent shall cause notice thereof to be given to the Noteholders in the manner provided in Condition 14 (*Notices*).

13.3 Upon the execution of such documents and compliance with the said requirements:

(a) the Parent shall be deemed to be named in this Agreement as the Borrower in place of EuroChem; and EuroChem shall be deemed to be named in this Agreement as the Guarantor in place of the Parent; and

(b) this Agreement, the Agency Agreement and the Notes shall thereupon be deemed to be amended in such manner as shall be necessary to give effect to the substitution and, without prejudice to the generality of the foregoing, any references in this Agreement, the Agency Agreement and in the Notes to (i) EuroChem or the Borrower shall be deemed to be references to the Parent; and (ii) the Guarantor shall be deemed to be references to EuroChem.

13.4 In connection with any proposed substitution, the Lender shall not have regard to, or be in any way liable for, the consequences of such substitution for any Noteholders resulting from the Noteholder being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. No Noteholder shall, in connection with any such substitution, be entitled to claim from the Lender or EuroChem any indemnification or payment in respect of any tax consequence of any such substitution.

13.5 Notwithstanding any other provision of this Agreement, if following or as a result of the Substitution, the Parent would be required to make any deduction or withholding from any payment under this Agreement for or on account of any Taxes, then, upon not less than 20 days' notice to the Lender (copied to the Trustee) specifying the date of payment and attaching an Officer Certificate duly confirming the requirement to make any such deduction or withholding, EuroChem or, following the Substitution, the Parent will have the right to exercise its right to prepay the Loan in whole (but not in part) pursuant to Clause 5.2 (*Special Prepayment*), but at the higher of the aggregate principal amount of the Notes outstanding and the Trading Price of the Notes for the previous 60 Business Days (as set out in the Officer Certificate). For the avoidance of doubt, in the event that the requirement for the Parent to make any such deduction or withholding following the Substitution is as a result of any of the events described in sub-Clause 5.2 (a) or (b) which, in each case, occurs following the date of the Substitution and not in relation thereto, the Parent may prepay the Loan in whole (but not in part) (without premium or penalty) in accordance with Clause 5.2 (*Special Prepayment*).

14. INDEMNITY

Indemnification

14.1 The Borrower undertakes to the Lender, that if the Lender or any of its Affiliates, each director, officer, employee or agent of the Lender and each Person controlling the Lender within the meaning of the United States securities laws (each an ***indemnified party***) incurs any loss, liability, cost, claim, charge, expense (including without limitation, any value added tax, legal fees, costs and expenses), demand or damage (a ***Loss***) as a result of or in connection with the Loan, this Agreement (or enforcement thereof), and/or the issue, constitution, sale, listing and/or enforcement of the Notes and/or the Notes being outstanding, the Borrower shall pay to the Lender on demand an amount equal to such Loss and all costs, charges and expenses which it or any indemnified party may pay or incur in connection with investigating, disputing or defending any such action or claim as such costs, charges and expenses are incurred (as evidence by an invoice distributed to the Borrower

by the Lender in accordance with Clause 15.4 (*Notices*), unless such Loss was caused either by such indemnified party's negligence or wilful misconduct or arises out of a breach of the representations and warranties of the Lender contained in this Agreement or the Subscription Agreement. The Lender shall not have any duty or obligation, whether as fiduciary or trustee for any indemnified party or otherwise, to recover any such payment or to account to any other Person for any amounts paid to it under this Clause 14.1 (*Indemnification*). If and to the extent the Lender finally and irrevocably recovers from any Person other than the Borrower any damages in connection with, or arising out of, any litigation or arbitration in respect of the Notes, and has previously been indemnified by the Borrower pursuant to Clause 14.1 (*Indemnification*) in respect of the Loss corresponding to such damages, the Lender shall pay to the Borrower the amount of such damages less any applicable fees, cost and expenses including, but not limited to, the cost of such litigation or arbitration that have not been otherwise finally and irrevocably recovered.

Independent Obligation

14.2 Clause 14.1 (*Indemnification*) constitutes a separate and independent obligation of the Borrower from its other obligations under or in connection with this Agreement or any other obligations of the Borrower in connection with the Notes and shall not affect, or be construed to affect, any other provision of this Agreement or any such other obligations.

Currency Indemnity

14.3 Each reference in this Agreement to Dollars is of the essence. To the fullest extent permitted by law, the obligation of the Borrower in respect of any amount due in Dollars under this Agreement shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in Dollars that the party entitled to receive such payment may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any premium and costs of exchange) on the Business Day immediately following the day on which such party receives such payment. If the amount in Dollars that may be so purchased for any reason falls short of the amount originally due, the Borrower hereby agrees to indemnify and hold harmless the Lender against any deficiency in Dollars. Any obligation of the Borrower not discharged by payment in Dollars shall, to the fullest extent permitted by applicable law, be due as a separate and independent obligation and, until discharged as provided herein, shall continue in full force and effect. If the amount of Dollars that may be so purchased exceeds the amount originally due, the Lender shall promptly pay the amount of the excess to the Borrower.

Evidence of Loss

14.4 Notice in writing from the Lender, supported by relevant documentation, setting forth the amount of Losses described in Clause 14.1 (*Indemnification*) and specifying in reasonable detail, as requested by the Borrower, the basis therefore shall, in absence of manifest error, be prima facie evidence of the amount of such Losses.

Survival

14.5 The obligations of the Borrower pursuant to Clauses 6.2 (*No Set-Off, Counterclaim or Withholding; Gross-Up*), 6.3 (*Withholding on the Notes*), 6.4 (*Tax Indemnity*), 6.5 (*Reimbursement*) and 14.1 (*Indemnification*) shall survive the execution and delivery of this Agreement, the drawdown of the Facility and the repayment of the Loan, in each case by the Borrower.

15. General

Evidence of Debt

15.1 The entries made in the Account shall, in the absence of manifest error, constitute *prima facie* evidence of the existence and amounts of the Borrower's obligations recorded therein.

Stamp Duties

15.2 (a) The Borrower shall pay all stamp, registration and documentary taxes, duties or similar charges (if any) imposed on the Borrower by any Person in the United Kingdom, the Russian Federation, Ireland or any other relevant jurisdiction which may be payable or determined to be payable in connection with the execution, delivery, performance, enforcement, or admissibility into evidence of this Agreement and the other Transaction Documents and shall indemnify the Lender against any and all costs, penalties and expenses which may be incurred or suffered by the Lender with respect to, or resulting from, delay or failure by the

Borrower to pay such taxes or similar charges upon presentation by the Lender to the Borrower of documentary evidence of such costs and expenses.

(b) The Borrower agrees that if the Lender incurs a liability to pay any stamp, registration and documentary taxes, duties or similar charges (if any) imposed by any Person in the United Kingdom, the Russian Federation, Ireland or any other relevant jurisdiction which may be payable or determined to be payable in connection with the execution, delivery, performance, enforcement, or admissibility into evidence of this Agreement and the other Transaction Documents, the Borrower shall reimburse the Lender on demand an amount equal to such stamp or other documentary taxes, duties or similar charges and shall indemnify the Lender against any and all costs and expenses which may be incurred or suffered by the Lender with respect to, or resulting from, delay or failure by the Borrower to procure the payment of such taxes, duties or similar charges.

Waivers

15.3 No failure to exercise and no delay in exercising, on the part of the Lender or the Borrower, any right, power or privilege hereunder and no course of dealing between the Borrower and the Lender shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and not exclusive of any rights, or remedies provided by applicable law.

Notices

15.4 All notices, requests, demands or other communication to or upon the respective parties hereto shall be given or made in the English language by SWIFT or otherwise in writing and shall be deemed to have been duly given or made at the time of delivery, if delivered by hand or courier, or if sent by facsimile, at the time of transmission (in each case, if given during normal business hours of the recipient, and on the Business Day during which such normal business hours next occur if not given during such hours on any day), to the party to which such notice, request, demand or other communication is required or permitted to be given or made under this Agreement addressed as follows:

(a) if to EuroChem:

Open Joint Stock Company ''Mineral and Chemical Company ''EuroChem''
53 Dubiniskaya Street, bldg. 6
Moscow 115054
Russian Federation
Fax: +7 495 960 2293
Attention: Head of Corporate Finance

(b) if to the Lender:

EuroChem Global Investments Limited
31 Fitzwilliam Square
Dublin 2
Ireland
Fax: +353 1 905 8029
Attention: The Directors

(c) if to the Trustee:

Citibank, N.A., London Branch
13th Floor, Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom
Fax: +44 20 7500 5877
Attention: Agency and Trust

or to such other address or fax number as any party may hereafter specify in writing to the other.

Assignment

15.5 (a) This Agreement shall inure to the benefit of and be binding upon the parties, their respective successors and any permitted assignee or transferee of some or all of a party's rights or obligations under this Agreement. Any reference in this Agreement to any party shall be construed accordingly and, in particular, references to the exercise of rights and discretions by the Lender, following the enforcement of the security and/or assignment referred to in Clause 15.5(c), shall be references to the exercise of such rights or discretions by the Trustee (as Trustee).

(b) Subject to Clause 13 (*Substitution*), neither the Borrower nor, as the case may be, the Guarantor shall assign, novate, dispose or transfer all or any part of its respective rights or obligations hereunder to any other party.

(c) Subject to Clause 16 (*Substitution*) of the Trust Deed, the Lender may not assign or transfer, in whole or in part, any of its rights (other than Reserved Rights as defined in the Trust Deed) and benefits or obligations under this Agreement except to the Trustee by granting the Security.

Prescription

15.6 Subject to the Lender having received the principal amount thereof or interest thereon from the Borrower, the Lender shall forthwith repay to the Borrower the principal amount or the interest amount thereon, respectively, of any Notes upon such Notes becoming void pursuant to Condition 11 (*Prescription*) of the Notes.

Contracts (Rights of Third Parties) Act 1999

15.7 Other than the Trustee in respect of Clause 9.2, Clause 9.3 and Clause 13 (*Substitution*), a Person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

Governing Law

15.8 This Agreement and any non-contractual obligations arising out of or in relation to this Agreement are governed by and shall be construed in accordance with, English law.

Arbitration

15.9 (a) The parties irrevocably agree that any dispute, claim or difference of whatever nature arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement or a dispute relating to non-contractual obligations arising out of or in connection with this Agreement) (a ***Dispute***) shall be referred to and finally resolved by arbitration under the rules of the LCIA (the ***Rules***), which Rules are deemed incorporated by reference into this Agreement, as amended herein.

(b) The arbitral tribunal shall consist of three arbitrators. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator. Failing such nomination within 15 days of receiving notice of the nomination of an arbitrator by the other side, that arbitrator shall be appointed by the LCIA as soon as possible. The third arbitrator, who shall serve as Chairman, shall be nominated by agreement of the two party-nominated arbitrators. Failing such agreement within 30 days of the confirmation of the appointment of the second arbitrator, the third arbitrator shall be appointed by the LCIA as soon as possible. For the avoidance of doubt, the parties to this Agreement agree for the purpose of Article 8.1 of the Rules, that the claimant(s), irrespective of number, and the respondent(s), irrespective of number, shall constitute two separate sides for the formation of the arbitral tribunal.

(c) In the event that both the claimant(s) and the respondent(s) fail to nominate an arbitrator within 30 days of the date of the Request for Arbitration, all 3 arbitrators shall be appointed by the LCIA as soon as possible, preferably within 15 days of such failure, and such arbitrators shall then designate one amongst them as Chairman.

(d) The seat of arbitration shall be London, England and the language of the arbitration shall be English.

(e) If more than one arbitration is commenced under this Agreement or any other of the Transaction Documents and any party contends that two or more such arbitrations are so closely connected that it is expedient for them to be resolved in one set of proceedings, the arbitral tribunal appointed in the first filed of such proceedings (the ***First Tribunal***) shall have the power to determine, provided no date for the hearing on the merits of the Dispute in any such arbitrations has been fixed, that the proceedings shall be consolidated.

(f) The tribunal in such consolidated proceedings shall be selected as follows: (a) the parties to the consolidated proceedings shall agree on the composition of the tribunal; and (b) failing such agreement within 30 days of consolidation being ordered by the First Tribunal, the LCIA shall appoint all members of the tribunal within 30 days of a written request by any of the parties to the consolidated proceedings.

(g) The parties hereby exclude the jurisdiction of the English courts under Sections 45 and Section 69 of the Arbitration Act 1996.

Fees

15.10 Fees of the arbitration (excluding each party's preparation, travel, attorneys' fees and similar costs) shall be borne in accordance with the decision of the arbitrators. The decision of the arbitrators shall be final, binding and enforceable upon the parties and judgment upon any award rendered by the arbitrators may be entered in any court having jurisdiction thereof. In the event that the failure of a party to comply with the decision of the arbitrators requires any other party to apply to any court for enforcement of such award, the non-complying party shall be liable to the other for all costs of such litigation, including reasonable attorneys' fees.

Process Agents

15.11 (a) Lender's Process Agent: The Lender agrees that the process by which any proceedings related to a Dispute (***Proceedings***) and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Aquila International Services Limited, 2nd Floor, Berkeley Square House, Berkeley Square, London W1J 6BD. If such Person is not or ceases to be effectively appointed to accept service of process on the Lender's behalf, the Lender shall, on the written demand of the Borrower, appoint a further Person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Borrower shall be entitled to appoint such a Person by written notice addressed to the Lender and delivered to the Lender. Nothing in this Clause 15.11(a) shall affect the right of the Borrower to serve process in any other manner permitted by law. This Clause 15.11(a) applies to Proceedings in England and to Proceedings elsewhere.

(b) Borrower's Process Agent: The Borrower agrees that the process by which any Proceedings and ay other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at 5th Floor, 100 Wood Street, London EC2V 7EX. If such Person is not or ceases to be effectively appointed to accept service of process on the Borrower's behalf, the Borrower shall, on the written demand of the Lender, appoint a further Person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Lender shall be entitled to appoint such a Person by written notice addressed to the Borrower and delivered to the Borrower. Nothing in this Clause 15.11(b) shall affect the right of the Lender to serve process in any other manner permitted by law. This Clause 15.11(b) applies to Proceedings in England and to Proceedings elsewhere.

Counterparts

15.12 This Agreement may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same agreement.

Language

15.13 The language which governs the interpretation of this Agreement is the English language.

Amendments

15.14 Except as otherwise provided by its terms, this Agreement may not be varied except by an agreement in writing signed by the parties.

Partial Invalidity

15.15 The illegality, invalidity or unenforceability to any extent of any provision of this Agreement under the law of any jurisdiction shall affect its legality, validity or enforceability in such jurisdiction to such extent only and shall not affect its legality, validity or enforceability under the law of any other jurisdiction, nor the legality, validity or enforceability of any other provision.

Limited Recourse and Non Petition

15.16 Neither the Borrower, the Guarantor nor any other Person acting on its behalf shall be entitled at any time to institute against the Lender, or join in any institution against the Lender of, any bankruptcy, administration, moratorium, reorganisation, controlled management, arrangement, insolvency, examinership, winding-up or liquidation proceedings or similar insolvency proceedings under any applicable bankruptcy or similar law in connection with any obligation of the Lender under this Agreement, save for lodging a claim in the liquidation of the Lender which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Lender.

Each of the Borrower and the Guarantor hereby agrees that it shall have recourse in respect of any claim against the Lender only to sums in respect of principal, interest or other amounts (if any), as the case may be, received and retained by or for the account of the Lender pursuant to this Agreement (the ***Lender Assets***), subject always to: (i) the Security Interests (as defined in the Trust Deed); and (ii) the fact that any claims of the Joint Lead Managers pursuant to the Subscription Agreement shall rank in priority to any claims of the Borrower or the Guarantor hereunder, and that any such claim by any and all such Joint Lead Managers, the Borrower or the Guarantor shall be reduced *pro rata* so that the total of all such claims does not exceed the aggregate value of the Lender Assets after meeting claims secured on them. After realisation of the security and application of the proceeds in accordance with the Trust Deed, neither the Borrower, the Guarantor nor any Person acting on its behalf shall be entitled to take any further steps against the Lender to recover any further sums and no debt shall be owed by the Lender to such Person in respect of any such further sum. In particular, neither the Borrower, the Guarantor nor any Person acting on its behalf, shall not be entitled at any time to institute against the Lender, or join with any other Persons in bringing, instituting or joining, insolvency proceedings (whether court based or otherwise) in relation to the Lender.

Neither the Borrower nor the Guarantor shall have recourse against any director, shareholder, or officer of the Lender in respect of any obligations, covenants or agreement entered into or made by the Lender in respect of this Agreement, except to the extent that any such Person acts in bad faith or is negligent in the context of its obligations.

The provisions of this Clause 15.6 shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the date first written above.

Signed by a duly authorised attorney of
EUROCHEM GLOBAL INVESTMENTS LIMITED
as Lender

By: _____

Title: _____

OPEN JOINT STOCK COMPANY "MINERAL AND CHEMICAL COMPANY "EUROCHEM"
as Borrower

By: _____

Title: _____

Chief Accountant

By: _____

Title: _____

General Director

SCHEDULE 1

FORM OF ACCESSION DEED

THIS ACCESSION DEED is made on [●]

BETWEEN:

(1) [***PARENT***](registered number [●]) with its registered office at [●] (the ***Guarantor***);

(2) **OPEN JOINT STOCK COMPANY "MINERAL AND CHEMICAL COMPANY "EUROCHEM"**(the ***Borrower***); and

(3) **EUROCHEM GLOBAL INVESTMENTS LIMITED** (the ***Lender***).

WHEREAS:

(A) The Guarantor is duly incorporated in [Cyprus]/[the Netherlands]/[Luxembourg]/[Switzerland] and controls the Borrower and each Material Subsidiary of the Borrower.

(B) The Lender and the Borrower have entered into a loan agreement dated 7 December 2012 (the ***Loan Agreement***).

(C) The Guarantor has agreed to enter into this Accession Deed and to become the Guarantor under the Loan Agreement.

(D) It is intended that this document takes effect as a deed notwithstanding the fact that a party may only execute this document under hand.

IT IS AGREED as follows:

1. INTERPRETATION

Terms defined in the Loan Agreement have the same meaning in this Accession Deed unless given a different meaning in this Accession Deed. This Accession Deed is a Transaction Document.

2. ACCESSION

With effect from the date of this Accession Deed, but subject to the conditions set out in Clause 9.2 of the Loan Agreement, the Guarantor:

(a) will become a party to the Loan Agreement as the Guarantor;

(b) will guarantee the due payment of all sums by the Borrower under the Loan Agreement in accordance with the Guarantee set out in Clause 9 (*Guarantee*) of the Loan Agreement; and

(c) will be bound by all the terms of the Loan Agreement which are expressed to be binding on the Guarantor, including for the avoidance of doubt, the covenants relating to the Guarantor, as set out in Clause 11 (*Covenants*)of the Loan Agreement.

3. GUARANTOR'S REPRESENTATIONS, WARRANTIES AND CONFIRMATION

3.1 The Guarantor represents and warrants to the Lender and the Trustee as follows, with the intent that such shall form the basis of this Accession Deed and shall remain in full force and effect at the date hereof:

(a) the Guarantor is duly organised and incorporated and validly existing under the laws of its jurisdiction of incorporation, is not in liquidation or receivership and has the power and legal right to own its property, to conduct its business as currently conducted and to enter into and to perform its obligations under this Accession Deed and to guarantee the Loan; the Guarantor has taken all necessary corporate, legal and other action required to authorise the guaranteeing of the Loan on the terms and subject to the conditions of this Accession Deed and to authorise the execution and delivery of this Accession Deed and all other documents to be executed and delivered by it in connection with this Accession Deed, and the performance of its obligations under this Accession Deed;

(b) this Accession Deed has been duly executed and delivered by the Guarantor and constitutes a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium and similar laws affecting creditors'

rights generally, and subject, as to enforceability[: (a)] to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law)[; and (b) to the fact that the gross-up provisions contained in Clause 6.2 (No Set-off, Counterclaim or Withholding; Gross-up) or 6.3 (Withholding of the Notes) of the Loan Agreement may not be enforceable under the law of [Cyprus]/[the Netherlands]/[Luxembourg]/[Switzerland]];

(c) the execution, delivery and performance of this Accession Deed by the Guarantor does not conflict with or result in any breach or violation of or default under: (i) any law or regulation or any order of any governmental, judicial, arbitral or public body or authority in [Cyprus]/[the Netherlands]/[Luxembourg]/[Switzerland]; (ii) the constitutive documents, rules and regulations of the Guarantor; or (iii) any agreement or other undertaking or instrument to which the Guarantor is a party or which is binding upon the Guarantor or any of its assets;

(d) all consents, licences, notifications, authorisations or approvals of, or filings with, any governmental, judicial and public bodies and authorities of [Cyprus]/[the Netherlands]/[Luxembourg]/[Switzerland], if any, required by the Guarantor in connection with the execution, delivery, performance, legality, validity, enforceability, and admissibility in evidence of this Accession Deed have been obtained or effected and are in full force and effect where a failure to do so has or could have a Material Adverse Effect;

(e) there are no judicial, arbitral or administrative actions, proceedings or claims (including, without limitation, with respect to Taxes or Environmental Claims) which have been commenced or are pending or, to the knowledge of the Guarantor, threatened, against the Guarantor, the adverse determination of which could singly or in the aggregate: (i) prohibit the execution and delivery of this Accession Deed by the Guarantor; or (ii) have a Material Adverse Effect;

(f) the execution, delivery and enforceability of this Accession Deed is not subject to any tax, duty, fee or other charge, including, without limitation, any registration or transfer tax, stamp duty or similar levy, imposed by or within [Cyprus]/[the Netherlands]/[Luxembourg]/[Switzerland] or any constituent part or political subdivision or a taxing authority thereof or therein;

(g) neither the Guarantor nor its property has any right of immunity from suit, execution, attachment or other legal process on the grounds of sovereignty or otherwise in respect of any action or proceeding relating in any way to this Accession Deed;

(h) the Guarantor is in compliance with all applicable provisions of law except where failure to be so in compliance would not have a Material Adverse Effect;

(i) the Guarantor has not taken any corporate action nor have any other steps been taken or legal proceedings been started or threatened in writing against the Guarantor for its bankruptcy, winding-up, dissolution, external administration or reorganisation (whether by voluntary arrangement, scheme of arrangement or otherwise) or for the appointment of a receiver, administrator, administrative receiver, conservator, custodian, trustee or similar officer of its or of any or all of its assets or revenues;

(j) in any proceedings taken in [Cyprus]/[the Netherlands]/[Luxembourg]/[Switzerland] in relation to this Accession Deed, the choice of English law as the governing law of this Accession Deed and any arbitration award obtained in England pursuant to Clause 7 (Governing Law and Arbitration) in relation to this Accession Deed will be recognised and enforced in [Cyprus]/[the Netherlands]/[Luxembourg]/[Switzerland] after compliance with the applicable procedural rules and all other legal requirements in [Cyprus]/[the Netherlands]/[Luxembourg]/[Switzerland]; and

(k) the Guarantor is subject to civil and commercial law with respect to its obligations under this Accession Deed, and its execution of this Accession Deed constitutes, and its exercise of rights and performances of its obligations hereunder will constitute, private and commercial acts done and performance for private and commercial purposes.

3.2 The Guarantor confirms that it has not received any fee for giving this Guarantee.

4. NOTICE DETAILS

The Guarantor's administrative details for the purposes of the Loan Agreement are as follows:

Address: [●]

Fax No.: [●]

Attention: [●]

5. PROCESS AGENT

The Guarantor agrees that the documents which start any proceedings relating to a Dispute (***Proceedings***) and any other documents required to be served in relation to those Proceedings, may be served on it by being delivered to [●]. If such Person is not or ceases to be effectively appointed to accept service of process on the Guarantor's behalf, the Guarantor shall, on the written demand of the Lender, appoint a further Person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Lender shall be entitled to appoint such a Person by written notice addressed to the Guarantor and delivered to the Guarantor. Nothing in this Clause 5 shall affect the right of the Lender to serve process in any other manner permitted by law. This Clause 5 applies to Proceedings in England and to Proceedings elsewhere.

6. MISCELLANEOUS

With effect from the date of this Accession Deed:

(a) the Loan Agreement will be read and construed for all purposes as if the Guarantor had been an original party in the capacity of a Guarantor; and

(b) any reference in the Loan Agreement to "this Agreement" and similar phrases will include this Accession Deed.

7. GOVERNING LAW AND ARBITRATION

This Accession Deed and any non-contractual obligation arising out of or in connection with this Accession Deed shall be governed by, and construed in accordance with, English law.

The provisions of Clauses 15.9 to 15.11 of the Loan Agreement shall apply as if set out in full herein, except that references to the Borrower in Clause 15.11(a) shall be references to the Borrower and the Guarantor.

This Accession Deed may be executed in any number of counterparts and all those counterparts taken together shall be deemed to constitute one and the same instrument.

IN WITNESS whereof this Accession Deed has been duly executed and delivered as a deed on the day and year first above written.

SIGNATORIES TO THE ACCESSION DEED

The Guarantor

EXECUTED and **DELIVERED** as a **DEED**
by [***PARENT***]
acting by:

Director

Director/Secretary

The Borrower

EXECUTED and **DELIVERED** as a **DEED**
by **OPEN JOINT STOCKCOMPANY**
"**MINERAL AND CHEMICAL**
COMPANY "EUROCHEM"
acting by:

Director

Director/Secretary

The Lender

EXECUTEDand**DELIVERED** as a **DEED**
by a duly authorised attorney of
EUROCHEM GLOBAL INVESTMENTS
LIMITED
in the presence of:

_____
Signature of witness

_____
Name of witness

_____

_____
Address of witness

SCHEDULE 2

FORM OF DEED OF NOVATION

THIS DEED OF NOVATION is made on [●]

BETWEEN:

(1) **OPEN JOINT STOCK COMPANY "MINERAL AND CHEMICAL COMPANY "EUROCHEM"**, a company organised as an open joint stock company under the laws of the Russian Federation, whose registered address is 53 Dubiniskaya Street, bldg. 6, Moscow 115054, Russian Federation, as transferor (the ***Transferor***);

(2) **[*PARENT*]**, (the ***Transferee***); and

(3) **EUROCHEM GLOBAL INVESTMENTS LIMITED**, a company incorporated under the laws of Ireland (registered number 519757), having its registered office at 31 Fitzwilliam Square, Dublin 2, Ireland, as lender (the ***Lender***).

WHEREAS

(A) The Transferor and the Lender have entered into the Loan Agreement (as defined below).

(B) In accordance with Clause 13 (*Substitution*) of the Loan Agreement, the Transferee has agreed to enter into this Deed of Novation and to become the Borrower under the Loan Agreement in accordance with Clause 2 (*Novation*). Accordingly, the Transferor shall become the Guarantor under the Loan Agreement in accordance with Clause 9 (*Guarantee*) of the Loan Agreement.

(C) It is intended that this document takes effect as a deed notwithstanding the fact that a party may only execute this document under hand.

THIS DEED WITNESSES:

1. DEFINITIONS AND INTERPRETATION

Definitions

Unless otherwise expressly defined in this Deed, words and expressions defined in the Loan Agreement shall have the same meaning in this Deed.

Loan Agreement means the loan agreement dated 7 December 2012 entered into by the Transferor and the Lender as amended form time to time.

Party means a party to this Deed.

Working Hours means 9:30am to 5:30pm in the relevant location on a Business Day.

Interpretation

In this Deed, unless the context otherwise requires:

(a) references to this Deed or any document include references to this Deed or such other document as varied, supplemented, novated and/or replaced in any manner from time to time;

(b) the ***headings*** are inserted for convenience only and shall not affect the construction of this Deed;

(c) references to a ***Clause*** are to a clause of this Deed;

(d) references to one ***gender*** include all genders; and

(e) references to the ***singular*** include the ***plural*** and vice versa.

2. NOVATION

On the date of this Deed, but subject to the conditions set out in Clause 13.1 of the Loan Agreement:

(a) the Transferor novates and transfers to the Transferee all its rights and benefits under the Loan Agreement;

(b) the Transferee assumes and shall be obliged and undertakes to perform and discharge all of the Transferor's obligations, duties and liabilities under the Loan Agreement in place of the Transferor, with any consequential or other amendments to the Loan Agreement which the Lender may deem appropriate;

(c) the Transferee shall have all the rights and benefits, and shall bear all the obligations, duties and liabilities, of a Borrower under the Loan Agreement and such amendments to the Loan Agreement as the Lender may reasonably require shall have been made;

(d) the Transferor is released from all of its obligations, duties and liabilities under the and Loan Agreement; and

(e) the Lender consents and agrees:

(i) to the terms of this Deed and the novation effected by it;

(ii) to be bound by the Loan Agreement in every way as if the Transferee were expressly named as the Borrower under the Loan Agreement; and

(iii) to discharge the Transferor from all claims, liabilities and demands by the Lender under the Loan Agreement.

3. NOTICE AND ACKNOWLEDGEMENT

(a) The Transferor notifies each of the other Parties of the novation referred to in Clause 2.

(b) Each of the other Parties consents to the novation referred to in Clause 2 and acknowledges receipt and sufficiency of the notification given by the Transferor in Clause 3(a).

4. VARIATION

(a) No variation of this Deed shall be valid unless it is in writing and signed by or on behalf of each of the Parties. The expression ''variation'' shall include without limitation any supplement, deletion, novation or replacement howsoever effected.

(b) Unless expressly agreed, no variation shall constitute a general waiver of any provisions of this Deed, nor shall it affect any rights, obligations or liabilities under or pursuant to this Deed which have already accrued up to the date of variation, and the rights and obligations of the parties under or pursuant to this Deed shall remain in full force and effect, except and only to the extent that they are so varied.

5. FURTHER ASSURANCE

Each Party agrees to perform all further acts and things, and execute and deliver such further documents, as may be required by law or as may be necessary or reasonably desirable to implement and/or give effect to this Deed.

6. ASSIGNMENTS AND TRANSFER

No Party may assign any of its respective rights or transfer any of its respective rights or obligations under this Deed.

7. PARTIAL INVALIDITY

If any provision of this Deed is or becomes invalid, illegal or unenforceable in any jurisdiction, that shall not affect the legality, validity or enforceability of the remaining provisions in that jurisdiction or of that provision in any other jurisdiction.

8. WAIVER OR VARIATION

No failure or delay by any Party in exercising any right or remedy relating to this Deed shall affect or operate as a waiver or variation of that right or remedy or preclude its exercise at any subsequent time. No single or partial exercise of any such right or remedy shall preclude any further exercise of it or the exercise of any other remedy.

9. NOTICES

(a) Any notice in connection with this Deed shall be in writing in English and delivered by hand, fax, registered post or courier using an internationally recognised courier company. A notice

shall be effective upon receipt and shall be deemed to have been received (i) at the time of delivery, if delivered by hand, registered post or courier or (ii) at the time of transmission if delivered by fax, provided that in either case, where delivery occurs outside Working Hours of the recipient, notice shall be deemed to have been received at the start of Working Hours of the recipient on the next Business Day.

(b) The address, fax number and designated recipient, if any, of each party for the purpose of Clause 9(a) shall be those set out in Clause 15.4 (*Notices*) of the Loan Agreement or as designated as such by it to each other Party from time to time.

10. GOVERNING LAW AND ARBITRATION

Governing Law

10.1 This Deed and any non-contractual obligation arising out of or in connection with this Deed shall be governed by, and construed in accordance with, English law.

Arbitration

10.2 The provisions of Clauses 15.9 to 15.11 of the Loan Agreement shall apply as if set out in full herein, except that references to the Borrower in Clause 15.11(a) shall be references to the Borrower and the Parent.

Process agent

10.3 The Parent agrees that the process by which any proceedings in England are begun may be served on it by being delivered to [●]. If such Person is not or ceases to be effectively appointed to accept serve of process on the Parent's behalf, the Parent shall, on the written demand of the Lender, appoint a further Person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Lender shall be entitled to appoint such a Person by written notice to the Parent. Nothing in this paragraph 10.3 shall affect the right of the Lender to serve process in any other manner permitted by law.

Service

10.4 Each party hereby irrevocably and unconditionally:

(a) agrees that failure by any process agent to give notice of process served to it shall not impair the validity of such service or of any judgment based on that service; and

(b) agrees that nothing in this Deed shall affect the right to serve process in any other manner permitted by law.

11. THIRD PARTIES

The terms of this Deed may be enforced only by a party to it and the operation of the Contracts (Rights of Third Parties) Act 1999 is excluded.

12. COUNTERPARTS

This Deed may be executed in any number of counterparts and all those counterparts taken together shall be deemed to constitute one and the same instrument.

13. LIMITED RECOURSE AND NON PETITION

The provisions of Clause 15.16 of the Loan Agreement shall apply *mutatis mutandis* as if fully set out herein.

IN WITNESS whereof this Deed has been duly executed and delivered as a deed on the day and year first above written.

The Transferor

EXECUTED AND DELIVERED as a **DEED**
by OPEN JOINT STOCK COMPANY
"MINERAL AND CHEMICAL
COMPANY "EUROCHEM"
acting by:

Director:

Director/Secretary:

The Transferee

EXECUTED AND DELIVERED as a **DEED**
by [*PARENT*]
acting by:

Director:

Director/Secretary:

The Lender

EXECUTED and **DELIVERED** as a **DEED**
by a duly authorised attorney of
EUROCHEM GLOBAL INVESTMENTS
LIMITED
in the presence of:

_____

Signature of witness

_____

Name of witness

_____

_____

Address of witness

SCHEDULE 3

FORM OF GUARANTEE OFFICER CERTIFICATE

[registered name of Parent]

[address and registration details]

([the ***Parent***])

Date: [●]

To: EuroChem Global Investments Limited (as ***Lender***)
Citibank, N.A., London Branch (as ***Trustee***)
in respect of the Notes and the Loan Agreement

Reference is made to the U.S.$750,000,000 5.125 per cent. Loan Participation Notes due 2017 (the ***Notes***) issued by, but with limited recourse to, EuroChem Global Investments Limited (as the Issuer) for the sole purpose of financing a loan to Open Joint Stock Company ''Mineral and Chemical Company ''EuroChem'' (as the Borrower) (***EuroChem***), as may be guaranteed from time to time, and the Loan Agreement dated 7 December 2012 between EuroChem Global Investments Limited as the Lender and EuroChem pursuant to which the Lender has made available to EuroChem the Loan in the principal amount of U.S.$750,000,000.

Terms defined in the Loan Agreement shall (save as otherwise provided herein or unless the context otherwise requires) have the same meanings herein.

This certificate is issued pursuant to Clause 9.3(e) (*Guarantee*) of the Loan Agreement in connection with [*the Parent's*] accession as Guarantor under the Loan Agreement.

The undersigned, [●], duly appointed Officer of [*the Parent*], hereby certifies that:

1. [*the Parent*] is duly incorporated in and organised under the laws of [*Applicable Jurisdiction*];
2. [*the Parent*] controls EuroChem;
3. each of the documents listed below and attached hereto, is a true and up-to-date copy of:
   (a) [constitutional documents of the Parent to be listed], attached hereto as Appendix 1;
   (b) [corporate approvals of the Parent or of the committee of the Parent to be listed], attached hereto as Appendix 2; [and]
   (c) [[corporate approval of the Parent to establish committee, if applicable], attached hereto as Appendix [3]; and]
   (d) [copy of the list of specimen signatures for the authorised signatories dated [●]], attached hereto as Appendix [3/4]; [and]
4. borrowing or guaranteeing or securing, as appropriate, the due payment of all sums expressed to be payable by the Borrower under this Agreement would not cause any borrowing, guarantee, security or similar limit binding on it to be exceeded; [and]
5. [the Parent] will not exercise its right to prepay the Loan in whole pursuant to Clause 5.2 (*Special Repayment*) of the Loan Agreement unless and until there has been a change in or introduction of any tax, law, regulation, regulatory requirement or official directive (whether or not having the force of law but, if not having the force of law, the observance of which is in accordance with the generally accepted financial practice of financial institutions in the country concerned) following the date of the Accession Deed.]

IN WITNESS WHEREOF, the undersigned has hereunto signed his name:

By:

_____

Name: [●]

APPENDIX 1

[CONSTITUTIONAL DOCUMENTS OF PARENT]

APPENDIX 2

[RESOLUTION OF THE BOARD OF DIRECTORS/COMMITTEE OF PARENT]

APPENDIX 3

[RESOLUTION OF THE BOARD OF DIRECTORS OF PARENT ESTABLISHING COMMITTEE]

APPENDIX 4
[APPENDIX [3/4]]

[SPECIMEN SIGNATURES OF AUTHORISED SIGNATORIES]

SCHEDULE 4

FORM OF SUBSTITUTION OFFICER CERTIFICATE

[*registered name of Parent*]

[*address and registration details*]

([*the* ***Parent***])

Date: [●]

To: EuroChem Global Investments Limited (as ***Lender***)
Citibank, N.A., London Branch (as ***Trustee***)
in respect of the Notes and the Loan Agreement

Reference is made to the U.S.$750,000,000 5.125 per cent. Loan Participation Notes due 2017 (the ***Notes***) issued by, but with limited recourse to, EuroChem Global Investments Limited (as the Issuer) for the sole purpose of financing a loan to Open Joint Stock Company ''Mineral and Chemical Company ''EuroChem'' (as the Borrower) (***EuroChem***), as may be guaranteed from time to time, and the Loan Agreement dated 7 December 2012 between EuroChem Global Investments Limited (as the Lender) and EuroChem pursuant to which the Lender has made available to EuroChem the Loan in the principal amount of U.S.$750,000,000.

Terms defined in the Loan Agreement shall (save as otherwise provided herein or unless the context otherwise requires) have the same meanings herein.

This certificate is issued pursuant to Clause 13.1(b) (*Substitution*) of the Loan Agreement in connection with EuroChem's request that [*the Parent*] (as Guarantor under the Loan Agreement) substitutes EuroChem as borrower under the Loan Agreement, and as party to the Agency Agreement, dated 7 December 2012 in relation to the Notes.

The undersigned, [●], duly appointed Officer of [*the Parent*], hereby certifies that:

1. [*the Parent*] is duly incorporated in and organised under the laws of [*Applicable Jurisdiction*].
2. [*the Parent*] controls EuroChem;
3. within 90 Business Days of the date of the Substitution, at least 70 per cent. of EuroChem's outstanding Financial Indebtedness as calculated by reference to the Group's consolidated financial statements for the most recent IFRS Fiscal Period (which shall, for the avoidance of doubt, include the outstanding principal amount of the Loan at such time) shall be assigned or transferred to [*the Parent*];
4. the due payment of all sums expressed to be payable by EuroChem under this Agreement would not cause any borrowing, guarantee, security or similar limit binding on [*the Parent*] to be exceeded;
5. [*the Parent*] is solvent at the time at which the said substitution is proposed to be effected; and
6. [*the Parent*] has obtained all governmental and regulatory approvals and consents necessary for it to assume the payment obligations and liabilities of EuroChem as the borrower under the Loan Agreement and such approvals and consents are, as at the date of this certificate, in full force and effect.

IN WITNESS WHEREOF, the undersigned has hereunto signed his name:

By:

_____

Name: [●]

TERMS AND CONDITIONS OF THE NOTES

The U.S.$750,000,000 5.125 per cent. Loan Participation Notes due 2017 (the "**Notes**" which expression includes, unless the context requires otherwise, any further notes issued pursuant to Condition 16 (*Further Issues*) and forming a single series with the then outstanding Notes) of EuroChem Global Investments Limited (the "**Issuer**", which expression shall include (unless the context requires otherwise) any entity substituted for the Issuer pursuant to Condition 10(C) (*Substitution*)) are constituted by, are subject to, and have the benefit of, a trust deed (such trust deed as modified and/or restated and/or supplemented from time to time, the "**Trust Deed**") dated on or about 12 December 2012 (the "**Closing Date**") and made between the Issuer and Citibank, N.A., London Branch (the "**Trustee**", which expression shall include any trustees or trustee for the time being under the Trust Deed) as trustee for itself and for the Noteholders (as defined below).

The Issuer has authorised the creation, issue and sale of the Notes for the sole purpose of financing a loan in an aggregate amount of U.S.$750,000,000 (as may be guaranteed from time to time, the "**Loan**") to Open Joint Stock Company, "Mineral and Chemical Company "EuroChem" ("**EuroChem**" or the "**Borrower**", which expression, where the context so admits, includes any successor Borrower pursuant to the terms of the Loan Agreement (as defined below)). The Issuer and EuroChem have recorded the terms of the Loan in an agreement (as amended, supplemented or novated from time to time, the "**Loan Agreement**") dated on or about 7 December 2012 between the Issuer and EuroChem.

In each case where amounts of principal, interest and additional amounts (if any) are stated herein or in the Trust Deed to be payable in respect of the Notes, the obligation of the Issuer to make any such payment shall constitute an obligation only to account to the Noteholders on each date upon which such amounts of principal, interest and additional amounts (if any) are due in respect of the Notes, for an amount equivalent to sums of principal, interest and additional amounts (if any) actually received and retained (net of tax) by or for the account of the Issuer pursuant to the Loan Agreement (less any amounts in respect of the Reserved Rights (as defined in the Trust Deed)). Noteholders must therefore rely solely and exclusively on the covenant to pay under the Loan Agreement, the credit and financial standing of the Borrower and their entitlement to be paid amounts in respect of the security as described below. Noteholders shall have no recourse (direct or indirect) to any other assets of the Issuer.

The Issuer has charged by way of first fixed charge in favour of the Trustee for itself and on behalf of the Noteholders certain of its rights and interests as lender under the Loan Agreement as security for its payment obligations in respect of the Notes and under the Trust Deed (the "**Charge**") and has assigned absolutely certain other rights under the Loan Agreement to the Trustee (the "**Assigned Rights**" and, together with the Charge, the "**Security Interests**") in each case excluding the Reserved Rights (as defined in the Trust Deed).

In certain circumstances, the Trustee can (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) be required by Noteholders holding at least one quarter of the principal amount of the Notes outstanding (as defined in the Trust Deed) or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders to exercise certain of its powers under the Trust Deed (including those arising under the Security Interests).

In accordance with Clause 9 (*Guarantee*) of the Loan Agreement, an entity may, from time to time, accede to guarantee the due payment of all sums expressed to be payable by the Borrower thereunder.

Payments in respect of the Notes will be made (subject to the receipt of the relevant funds from the Borrower) pursuant to an agency agreement (the "**Agency Agreement**") dated on or about 7 December 2012 and made between the Borrower, the Issuer, Citigroup Global Markets Deutschland AG, as the registrar (the "**Registrar**", which expressions shall include any successors appointed from time to time in connection with the Notes), Citibank, N.A., London Branch, as the principal paying agent and the transfer agent (the "**Principal Paying Agent**" and the "**Transfer Agent**", which expressions shall include any successors appointed from time to time in connection with the Notes), and the other paying agents appointed thereunder (together with the Principal Paying Agent, the "**Paying Agents**" and each a "**Paying Agent**", which expressions shall include any successors appointed from time to time in connection with the Notes) and the Trustee.

Copies of the Trust Deed, the Loan Agreement and the Agency Agreement are available for inspection by Noteholders during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the principal office of the Trustee being, at the date hereof, 13th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, at the Specified Office (as defined in the Agency

Agreement) of each Paying Agent and the Transfer Agent and the registered office of the Issuer, 31 Fitzwilliam Square, Dublin 2, Ireland. References herein to the "**Agents**" are to the Registrar, the Principal Paying Agent, the Transfer Agent and the Paying Agents and any reference to an "**Agent**" is to any one of them.

Certain provisions of these terms and conditions (the "**Conditions**") are summaries or restatements of, and are subject to, the detailed provisions of the Trust Deed, the Loan Agreement (the form of which is scheduled to and incorporated in the Trust Deed) and the Agency Agreement. Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions thereof. Terms defined in the Trust Deed and the Loan Agreement (including the schedules thereto) shall have the same meaning when used herein, except as otherwise provided.

1. STATUS

(A) Status

The sole purpose of the issue of the Notes is to provide the funds for the Issuer to finance the Loan. The Notes constitute the secured, limited recourse obligation of the Issuer to apply the proceeds from the issue of the Notes solely for financing the Loan and to account to the Noteholders for an amount equivalent to sums of principal, interest and additional amounts (if any) actually received and retained (net of tax) by or for the account of the Issuer pursuant to the Loan Agreement, less any amount in respect of Reserved Rights (as defined in the Trust Deed).

The obligations of the Issuer in respect of the Notes rank *pari passu* and rateably without preference amongst themselves

The Trust Deed provides that payments in respect of the Notes equivalent to the sums actually received and retained (net of tax) by or for the account of the Issuer by way of principal, interest or additional amounts (if any) pursuant to the Loan Agreement, less any amount in respect of the Reserved Rights and subject to Condition 8 (*Taxation*), will be made *pro rata* among all Noteholders, on the date of, and in the currency of, and subject to the conditions attaching to, the equivalent payment pursuant to the Loan Agreement. The Issuer shall not be liable to make any payment in respect of the Notes other than as expressly provided herein and in the Trust Deed.

Noteholders are deemed to have notice of, and to have accepted and are bound by, these Conditions and the contents of the Trust Deed, the Agency Agreement and the Loan Agreement. It is hereby expressly provided that, and Noteholders are deemed to have accepted that:

(a) neither the Issuer nor the Trustee makes any representation or warranty in respect of, or shall at any time have any responsibility for, or, save as otherwise expressly provided in the Trust Deed or in paragraph (f) below, liability or obligation in respect of the performance and observance by the Borrower or, as the case may be, the Guarantor (as defined below), of their respective obligations under the Loan Agreement or the recoverability of any sum of principal or interest or any additional amounts (if any) due or to become due from the Borrower or, as the case may be, the Guarantor, under the Loan Agreement;

(b) neither the Issuer nor the Trustee shall at any time have any responsibility for, or obligation or liability in respect of, the condition (financial or otherwise), creditworthiness, affairs, status, nature or prospects of the Borrower or, as the case may be, the Guarantor;

(c) neither the Issuer nor the Trustee shall at any time be liable for any representation or warranty or any act, default or omission of the Borrower or, as the case may be, the Guarantor, under or in respect of the Loan Agreement;

(d) the Trustee shall not at any time have any responsibility for, or liability or obligation in respect of, the performance and observance by the Principal Paying Agent, the Paying Agents, the Registrar or the Transfer Agents of their respective obligations under the Agency Agreement;

(e) the financial servicing and performance of the terms of the Notes depends solely and exclusively upon performance by the Borrower or, as the case may be, the Guarantor, of their respective obligations under the Loan Agreement, their covenant to make payments under the Loan Agreement and their credit and financial standing (as applicable). EuroChem has represented and warranted to the Issuer in the Loan Agreement and, the Guarantor will be obligated to represent and warrant to the Issuer in an accession deed (the form of which is appended to the Loan Agreement) to the Loan Agreement, that the Loan Agreement

constitutes a legal, valid and binding obligation of EuroChem or, as the case may be, the Guarantor;

(f) the Issuer and the Trustee shall be entitled to rely on certificates of the Borrower and the Guarantor (and, where applicable, certification by third parties) as a means of determining whether the Borrower or, as the case may be, the Guarantor is complying with its obligations under the Loan Agreement and shall not otherwise be responsible for investigating any aspect of the Borrower's or, as the case may be, the Guarantor's performance in relation thereto and, subject as further provided in the Trust Deed, the Trustee will not be liable for any failure to make the usual or any investigations which might be made by a lender or a security holder (as applicable) in relation to the property which is the subject of the Trust Deed and held by way of security for the Notes, and shall not be bound to enquire into or be liable for any defect or failure in the right or title of the Issuer to the property which is subject to the Security Interests whether such defect or failure was known to the Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will it have any liability for the enforceability of the security created by the Security Interests whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such security and the Trustee has no responsibility for the value of such security; and

(g) neither the Issuer nor the Trustee shall at any time be required to expend or risk its own funds or otherwise incur any financial liability in the performance of its obligations or duties or the exercise of any right, power, authority or discretion pursuant to these Conditions until it has received and retained (net of tax) from the Borrower or, as the case may be, the Guarantor, the funds that are necessary in the Issuer's or, as the case may be, the Trustee's sole discretion to cover the costs and expenses in connection with such performance or exercise, or has been (in the Issuer's or, as the case may be, the Trustee's sole discretion) sufficiently assured that it will receive such funds.

Under the Trust Deed, the obligations of the Issuer in respect of the Notes rank *pari passu* and rateably without any preference among themselves.

In the event that the payments under the Loan Agreement are made by the Borrower or, as the case may be, the Guarantor, or to the order of, the Trustee or (subject to the provisions of the Trust Deed) the Principal Paying Agent, they will *pro tanto* satisfy the obligations of the Issuer in respect of the Notes.

Save as otherwise expressly provided herein and in the Trust Deed, no proprietary or other direct interest in the Issuer's rights under or in respect of the Loan Agreement or the Loan exists for the benefit of the Noteholders. Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce the Loan Agreement or direct recourse to the Borrower or the Guarantor, except its rights against the Lender through action by the Trustee pursuant to the Charge and the assignment of the Assigned Rights granted to the Trustee in the Trust Deed. The Trustee shall not be required to take proceedings to enforce payment under the Trust Deed or, following the enforcement of the Security Interests created in the Trust Deed, the Loan Agreement unless it has been indemnified and/or secured and/or prefunded by the Noteholders to its satisfaction.

Notwithstanding any other provisions of these Conditions and the provisions in the Trust Deed, the Trustee and the Noteholders shall have recourse only to the Security Interests in accordance with the provisions of the Trust Deed. After realisation of the security which has become enforceable and application of the proceeds in accordance with Clause 7 of the Trust Deed, the obligations of the Issuer with respect to the Trustee and the Noteholders in respect of the Notes shall be satisfied and none of the foregoing parties may take any further steps against the Issuer to recover any further sums in respect thereof and the right to receive any such sums shall be extinguished.

Without prejudice to the Trustee's rights to appoint a Receiver or enforce the security created by the Trust Deed pursuant to Clause 4 of the Trust Deed, none of the Noteholders or other creditors (nor any other person acting on behalf of them) shall be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, administration, moratorium, reorganisation, controlled management, arrangement, insolvency, examinership, winding-up or liquidation proceedings or similar insolvency proceedings under any applicable bankruptcy or similar law in connection with any obligation of the Issuer relating to the Notes or otherwise owed to the creditors, save for lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgement as to the obligations of the Issuer.

No Noteholder or other creditors (nor any other person acting on behalf of them) shall have any recourse against any director, shareholder, or officer of the Issuer in respect of any obligations, covenants or agreements entered into or made by the Issuer in respect of the Notes.

(B) Substitution of EuroChem; Guarantee

Under the terms of the Loan Agreement, pursuant to the Reorganisation (as defined below), the Issuer and the Trustee are obliged, upon the request in writing of EuroChem which shall be accompanied by an Officer's Certificate of EuroChem certifying that no Event of Default has occurred and is continuing, to agree to the substitution (hereinafter, the "**Substitution**"), in place of EuroChem as the Borrower under the Loan Agreement and as a party to the Agency Agreement, of the Parent (as defined below), subject to EuroChem and the Parent having complied with the requirements set out in Clause 13 (*Substitution*) of the Loan Agreement. Not later than 14 days after compliance with the aforementioned requirements, notice thereof shall be given by the Issuer to the Noteholders in accordance with Condition 14 (*Notices*).

The Loan Agreement also provides that following the Substitution, EuroChem will guarantee the due payment of all sums expressed to be payable by the Borrower under the Loan Agreement in accordance with the terms thereof. In addition, prior to the Commencement of the Reorganisation (as defined below), the Parent will be required to accede to the Loan Agreement in order to guarantee the due payment of all sums expressed to be payable by EuroChem under the Loan in accordance with the terms set out in Clause 9 (*Guarantee*) of the Loan Agreement (hereinafter, the "**Guarantor**", and any entity acceding to guarantee the due payment of all sums expressed to be payable by the Borrower under the Loan Agreement and, EuroChem, following the Substitution, the "**Guarantor**").

Noteholders are deemed to acknowledge and accept the foregoing arrangements and shall be bound by any such Substitution and guarantee arrangements.

The Trustee shall not be responsible or liable to any person for any loss occasioned by it concurring in and agreeing such Substitution and any related transactions and/or documents.

In this Condition 1:

"**control**" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing;

"**Commencement of the Reorganisation**" means the date of commencement of the first transfer of assets and liabilities pursuant to the Reorganisation;

"**Parent**" means a duly incorporated entity which is the holding company of the Group, controlling EuroChem and each Material Subsidiary of EuroChem;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, joint-stock company, trust, unincorporated organisation, government, or any agency or political subdivision thereof or any other entity; and

"**Reorganisation**" means the transfer to the Parent of certain of the Group's assets (including certain of EuroChem's non-Russian Subsidiaries) and certain of the Group's outstanding Financial Indebtedness (which may, for the avoidance of doubt, include the outstanding principal amount of the Loan).

2. FORM AND DENOMINATION

The Notes are issued in registered form in the denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each a "**Specified Denomination**").

3. REGISTER, TITLE AND TRANSFERS

(A) Register

The Registrar will maintain a register (the "**Register**") outside of the United Kingdom in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions the "**holder**" or "**Noteholder**" of a Note means the person in whose name such Note is for the time

being registered in the Register (or, in the case of a joint holding, the first named thereof). A definitive certificate (each a "**Definitive Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Definitive Certificate will be serially numbered with an identifying number which will be recorded in the Register.

(B) Title

The holder of each Note as recorded in the Register, shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Definitive Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Definitive Certificate) and no person shall be liable for so treating such holder.

(C) Transfers

Subject to paragraphs (F) and (G) below, a Note may be transferred, subject to the transfer being duly recorded in the Register and upon surrender of the relevant Definitive Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or a Transfer Agent, together with such evidence as the Registrar or the relevant Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer provided, however, that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of Notes not transferred each amounts to a Specified Denomination. Where not all the Notes represented by the surrendered Definitive Certificate are the subject of the transfer, a new Definitive Certificate in respect of the balance of the Notes will be issued to the transferor.

(D) Registration and Delivery of Definitive Certificates

Within five business days of the surrender of a Definitive Certificate in accordance with paragraph (C) above, the Registrar will register the transfer in question and deliver a new Definitive Certificate of a like principal amount to the Notes transferred to each relevant holder for collection at its Specified Office or, as the case may be, the Specified Office of any Transfer Agent or (at the request and risk of such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this paragraph, "**business day**" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(E) No Charge

The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or the relevant Transfer Agent but against such indemnity as the Registrar or (as the case may be) the relevant Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(F) Closed Periods

The Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(G) Regulations Concerning Transfers and Registration

All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

4. RESTRICTIVE COVENANT

As provided in the Trust Deed, so long as any of the Notes remain outstanding (as defined in the Trust Deed), the Issuer will not, without the prior written consent of the Trustee or an Extraordinary Resolution or Written Resolution (as defined in the Trust Deed), agree to any

amendments to or any modification of, or waiver of, or authorise any breach or proposed breach of, the terms of the Loan Agreement and will act at all times in accordance with any instructions of the Trustee from time to time with respect to the Loan Agreement, except as otherwise expressly provided in the Trust Deed or the Loan Agreement. Any such amendment, modification, waiver or authorisation made with the consent of the Trustee shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such amendment or modification shall be notified by the Issuer to the Noteholders in accordance with Condition 14 (*Notices*).

Save as provided above, so long as any Note remains outstanding, the Issuer, without the prior written consent of the Trustee, shall not, *inter alia*, incur any other indebtedness for borrowed moneys other than the issue of loan participation notes on a secured limited recourse basis (provided that the proceeds of such issue are used by the Issuer for the sole purpose of making additional loans to the Borrower), engage in any other business (other than acquiring and holding the Security Interests in respect of the Notes or any other issue of notes, making the Loan to the Borrower pursuant to the Loan Agreement or any such additional loans and performing any act incidental to or necessary in connection with the foregoing), declare any dividends, have any subsidiaries or employees, purchase, own, lease or otherwise acquire any real property (including office premises or like facilities), consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entity to any person (otherwise than as contemplated in these Conditions, the Trust Deed and the Loan Agreement), issue any shares (other than those necessary to convert the Issuer's status to that of a public limited company or in issue on the date that this Note is issued), give any guarantee or assume any other liability, or, subject to the laws of Ireland, petition for any winding-up or bankruptcy.

5. INTEREST

On 12 June and 12 December of each year, commencing on 12 June 2013 and ending on 12 December 2017 (each an "**Interest Payment Date**"), or as soon thereafter as the same is received, the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest actually received by or for the account of the Issuer pursuant to the Loan Agreement which interest under the Loan Agreement is equal to 5.125 per cent. per annum as set out in Clause 4 (*Interest*) of the Loan Agreement.

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder and (b) the day which is seven days after the Principal Paying and Transfer Agent or the Trustee has notified the holders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable per Calculation Amount (as defined below) on each Interest Payment Date shall be U.S.$25.625. If interest is to be calculated in respect of any Calculation Period which is shorter or longer than an Interest Period (as defined below) (or in respect of an Interest Period which is longer or shorter than 6 months), it will be calculated on the basis of the number of days in the relevant Calculation Period, from and including the date from which interest begins to accrue to, but excluding, the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last)/the number of days elapsed in the relevant Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days).

In this Condition 5:

"**Calculation Amount**" means U.S.$1,000 in principal amount of the Notes;

"**Calculation Period**" means any period for which interest is to be calculated, whether or not constituting an Interest Period; and

"**Interest Period**" means each period beginning on (and including) (i) the Closing Date or (ii) any Interest Payment Date and ending on (but excluding) the next Interest Payment Date.

6. REDEMPTION

(A) Scheduled Redemption

Unless previously prepaid or repaid pursuant to Clauses 5.2 (*Special Prepayment*), 5.3 (*Illegality*) or 12 (*Events of Default*) of the Loan Agreement, the Borrower will be required to repay the Loan on the day which is one Business Day (as defined in the Loan Agreement) prior to 12 December 2017 (the "**Repayment Date**") and all Notes then outstanding will, on the Repayment Date or as soon thereafter as such repayment of the Loan is actually received, be redeemed or repaid by the Issuer at 100 per cent. of the principal amount thereof.

(B) Early Redemption

If the Loan becomes repayable (and is repaid) pursuant to the Loan Agreement prior to the Repayment Date, as set forth in the Loan Agreement, all Notes then remaining outstanding will thereupon become due and redeemable or repayable at (i) 100 per cent. of the principal amount thereof or (ii) in the case of prepayment of the Loan under sub-Clause 5.2(c) (*Special Prepayment*) of the Loan Agreement, the higher of 100 per cent. of the principal amount thereof and the Trading Price of the Notes for the previous 60 Business Days, and, in each case, together with interest accrued to the date of redemption and (subject to the Loan being repaid together with accrued interest) shall be redeemed or repaid by the Issuer and the Issuer will endeavour to give not less than 25 nor more than 60 days' notice thereof to the Trustee and the Noteholders in accordance with Condition 14 (*Notices*).

Under the Loan Agreement:

(a) the Borrower may prepay the Loan in whole (but not in part) in the circumstances set out in Clause 5.2 (*Special Prepayment*) of the Loan Agreement; and

(b) the Issuer may require the Borrower to prepay the Loan in whole (but not in part) in the circumstances set out in Clause 5.3 (*Illegality*) of the Loan Agreement.

To the extent that the Issuer receives amounts of principal, interest or other amounts (other than amounts in respect of the Reserved Rights (as defined in the Trust Deed)) from the Borrower or, as the case may be, the Guarantor following acceleration of the Loan, the Issuer shall pay to the Noteholders an amount equal to such amounts on the business day (as defined in Condition 7 (*Payments*)) following receipt of such amounts, subject as provided in Condition 7 (*Payments*).

The Issuer may compel any beneficial owner of Rule 144A Definitive Certificates (as defined in the Trust Deed) to sell its interest in such Notes, or may sell such interest on behalf of such holder, if such holder is not a qualified institutional buyer (as defined in Rule 144A under the Securities Act of 1933, as amended (the "**Securities Act**")) and a qualified purchaser (as defined in Section 29a)(51) of the Investment Company Act of 1940, as amended) at a price equal to the lowest of (x) the purchaser price therefore paid by the beneficial owner, (y) 100 per cent. of the principal amount thereof or (z) the fair market value thereof.

(C) Purchase

The Loan Agreement provides that the Borrower, as the case may be, the Guarantor or any of their respective subsidiaries may at any time purchase the Notes in the open market or otherwise and at any price. Such Notes may be held, reissued, resold or delivered to the Issuer for surrender and cancellation whereupon the Issuer shall instruct the Registrar to cancel such Notes. Upon such cancellation by or on behalf of the Registrar, the Loan shall be deemed to have been prepaid in an amount corresponding to the aggregate principal amount of the Notes surrendered for cancellation, together with accrued interest (if any) thereon, and no further payment shall be made or required to be made by the Issuer in respect of such Notes. Notes held by the Issuer, the Borrower, as the case may be, the Guarantor and their respective subsidiaries will cease to carry the right to attend and vote at meetings of Noteholders and will not be taken into account, *inter alia*, for the purposes of Conditions 9 (*Enforcement*) and 10 (*Meetings of Noteholders; Modification; Waiver; Substitution of the Lender*).

(D) Cancellation

All Notes purchased by the Borrower, as the case may be, the Guarantor or any of their respective subsidiaries and surrendered to the Issuer pursuant to Clause 5.4 (*Reduction of Loan Upon Redemption and Cancellation of Notes*) of the Loan Agreement shall be cancelled.

In this Condition 6:

"**Independent Financial Adviser**" means an independent investment bank, financial institution or accounting firm of international repute appointed by EuroChem and approved in writing by the Trustee or, if EuroChem fails to make such appointment and such failure continues for a reasonable period (as determined by the Trustee in its sole discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such adviser and otherwise in connection with such appointment, the Trustee may (but shall not be obliged to) appoint such an adviser on behalf of EuroChem (which adviser shall be deemed to be an agent of EuroChem) (without any liability on the part of the Trustee for doing so) following notification to EuroChem; and

"**Trading Price**" for a Note on a particular dealing day means the average of the Note prices quoted by three leading dealers of international repute selected by the Parent; provided that (a) if only two of the selected dealers provides such quotation, the Trading Price shall be the average of the Note prices quoted by such two dealers and (b) if only one of the selected dealers provides such quotation, the Trading Price shall be such quotation and provided that if none of the selected dealers provides such quotation, the Trading Price shall be determined by an Independent Financial Adviser. The Trading Price of each dealer so selected shall be such dealer's closing price.

7. PAYMENTS

(A) Principal

Payments of principal shall be made by U.S. dollar cheque drawn on, or, upon application by a holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City upon surrender (or, in the case of part payment only, endorsement) of the relevant Definitive Certificates at the Specified Office of any Paying Agent.

(B) Interest

Payments of interest shall be made by U.S. dollar cheque drawn on, or upon application by a holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Definitive Certificates at the Specified Office of any Paying Agent.

(C) Payments Subject to Fiscal Laws

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*), no commissions or expenses shall be charged to the Noteholders in respect of such payments.

(D) Payments on Business Days

Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value on the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by U.S. dollar cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Definitive Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 7 (*Payments*) arriving after the due date for payment or being lost in the mail. In this Condition, "**business day**" means, in relation to any place, a day on which

commercial banks and foreign exchange markets in New York City, London and Moscow settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place.

(E) Record Date

Each payment in respect of a Note will be made to the person shown as the holder in the Register at the opening of business (in the place of the Registrar's Specified Office) on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the holder in the Register at the opening of business on the relevant Record Date.

(F) Accrued Interest

In addition, if the due date for redemption or repayment of a Note is not an Interest Payment Date, interest accrued from the preceding Interest Payment Date or, as the case may be, from the date of issuance of the Notes, shall be payable only as and when actually received by or for the account of the Issuer pursuant to the Loan Agreement.

(G) Payments by the Borrower

Save as directed by the Trustee at any time after the security created in the Trust Deed becomes enforceable, the Issuer will require the Borrower, failing which, if applicable, the Guarantor, to make all payments of principal, interest and any additional amounts to be made pursuant to the Loan Agreement to the Principal Paying Agent to an account in the name of the Issuer. Pursuant to the Charge, the Issuer with full title guarantee will charge by way of first fixed charge all its rights, title and interest in and to all sums of money then or in the future deposited in such account in favour of the Trustee for the benefit of the Noteholders.

(H) Currency Other Than U.S. Dollars

In respect of the Issuer's obligations under Conditions 5 (*Interest*), 6 (*Redemption*) and 8 (*Taxation*), and subject to the following sentence, if the Issuer receives and retains any amount under the Loan Agreement in a currency other than U.S. dollars, the Issuer's obligation under the relevant Condition shall be fully satisfied by paying such sum (after deducting any costs of exchange) as the Issuer receives and retains upon conversion of such sum into U.S. dollars in accordance with customary banking practice in the spot market on the business day immediately following the day on which such sum is received by the Issuer. If the Issuer receives and retains any payment from the Borrower pursuant to Clause 14.3 (*Currency Indemnity*) of the Loan Agreement with respect to amounts due under the Notes, the Issuer shall pay such sum to the Noteholders in accordance with this Condition 7 (*Payments*).

8. TAXATION

All payments in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (hereinafter, "**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of Ireland or any political subdivision or any authority thereof or therein having the power to tax, unless the deduction or withholding of such Taxes is required by law.

In such event, the Issuer shall make such additional payments as shall result in the receipt by the Noteholders of such amount as would have been received by them if no such withholding or deduction had been required. However, the Issuer shall only make such additional payments to the extent and at such time as it shall receive and retain (net of tax) equivalent sums from the Borrower or, as the case may be, the Guarantor under the Loan Agreement. To the extent that the Issuer does not receive and retain (net of tax) any such equivalent sum, the Issuer shall account to the relevant Noteholder for an additional amount equivalent to a *pro rata* proportion of such additional amount (if any) as is actually received and retained (net of tax) by, or for the account of, the Issuer pursuant to the provisions of the Loan Agreement on the date of, in the currency of, and subject to any conditions attaching to the payment of such additional amount to the Issuer; provided that no such additional amount will be payable:

(a) to a Noteholder who (i) is able to avoid such deduction or withholding by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant tax authority; or (ii) is liable for such Taxes by reason of his having some connection with Ireland other than the mere holding of such Notes or the receipt of payments in respect thereof;

(b) in respect of a Definitive Certificate presented for payment of principal more than 30 days after the Relevant Date (as defined below) except to the extent that such additional payment would have been payable if such Definitive Certificate had been presented for payment on such thirtieth day;

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) in respect of a Note held by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another Paying Agent in a Member State of the European Union.

As used herein, "**Relevant Date**" means (i) the date on which the equivalent payment under the Loan Agreement first becomes due but (ii) if the full amount payable by the Borrower has not been received and retained (net of tax) by, or for the account of, the Issuer pursuant to the Loan Agreement on or prior to such date, means the date on which such full amount shall have been so received and retained and notice to that effect shall have been duly given to the Noteholders by or on behalf of the Issuer in accordance with Condition 14 (*Notices*).

Any reference herein or in the Trust Deed to payments in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable in accordance with the Trust Deed and this Condition 8 or any undertaking given in addition thereto or in substitution therefor pursuant to the Loan Agreement or the Trust Deed.

If the Issuer becomes subject at any time to any taxing jurisdiction other than Ireland, references in these Conditions to Ireland shall be construed as references to Ireland and/or such other jurisdiction.

9. ENFORCEMENT

Subject to the non-petition covenant in Condition 1 (*Status*), the Trust Deed provides that only the Trustee may pursue the remedies under the general law, the Trust Deed or the Notes to enforce the rights of the Noteholders and no Noteholder will be entitled to pursue such remedies unless the Trustee (having become bound to do so in accordance with the terms of the Trust Deed) fails or neglects to do so within a reasonable period and such failure or neglect is continuing.

At any time after an Event of Default (as defined in the Loan Agreement) or a Relevant Event (as defined in the Trust Deed) shall have occurred, the Trustee may, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

(a) it has been so requested in writing by the holders of at least one-quarter in principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(b) it has been indemnified and/or prefunded and/or provided with security to its satisfaction against all liabilities, proceedings, claims and demands to which it may thereby become liable and all costs, charges and expenses which may be incurred by it in connection therewith.

In the case of an Event of Default or a Relevant Event which shall have occurred, the Trustee may, and shall if requested to do so by Noteholders holding at least one-quarter in principal amount of the Notes outstanding or if directed to do so by an Extraordinary Resolution and, in either case, subject to it being secured and/or indemnified and/or prefunded to its satisfaction:

(a) (in the case of an Event of Default) declare all amounts payable under the Loan Agreement by the Borrower to be due and payable or procure that such a declaration is made; or

(b) (in the case of a Relevant Event) exercise any rights in respect of the Security Interests created in the Trust Deed in favour of the Trustee (including, for the avoidance of doubt, enforcing such Security Interests in accordance with their terms and the terms of the Trust Deed).

Upon the repayment of the Loan or the receipt in full of all principal and interest accrued under the Loan pursuant to a winding-up or liquidation of the Borrower following an Event of Default and a declaration as provided herein, the Notes will be redeemed or repaid at their principal amount together with interest accrued to the date fixed for redemption and thereupon shall cease to be outstanding.

10. MEETINGS OF NOTEHOLDERS; MODIFICATION; WAIVER; SUBSTITUTION OF THE LENDER

(A) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the modification or abrogation by Extraordinary Resolution of any provision of the Loan Agreement, these Conditions or the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee, subject to its being indemnified and/or secured and/or prefunded to its satisfaction, upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be at least two persons present holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, at least two persons present being or representing Noteholders whatever the outstanding principal amount of the Notes held or represented; provided, however, that Reserved Matters (as defined in the Trust Deed) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which at least two persons present holding or representing not less than three-quarters or, at any adjourned meeting, one-quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(B) Modification and Waiver

The Trustee may agree, without the consent of the Noteholders, to any modification of the Notes, these Conditions and the Trust Deed or the Loan Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or which is not materially prejudicial to the interests of the Noteholders (other than, in each case, in respect of the Reserved Matters) or which is made to correct a manifest error. The Trustee without the consent of the Noteholders may also waive or authorise or agree to the waiving or authorising of any breach or proposed breach by the Issuer of the Conditions or the Trust Deed or by the Borrower or, the Guarantor, of the terms of the Loan Agreement, or determine that any event which would or might otherwise give rise to a right of acceleration under the Loan Agreement shall not be treated as such, if in the sole opinion of the Trustee, to do so would not be materially prejudicial to the interests of the Noteholders (other than, in each case, in respect of the Reserved Matters) and provided always that the Trustee may not exercise such power of waiver in contravention of a request given by the holders of one quarter in aggregate principal amount of the Notes then outstanding or of any express direction by an Extraordinary Resolution or written Resolution of the Noteholders. Any such modification, waiver or authorisation shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 14 (*Notices*).

(C) Substitution

The Trust Deed and the Loan Agreement contain provisions to the effect that the Issuer may, having obtained the consent of the Borrower, if applicable, the Guarantor, and the Trustee (which latter consent may be given without the consent of the Noteholders) and subject to having complied

with certain requirements as set out therein including the substitute obligor's rights under the Loan Agreement being charged and assigned, respectively, to the Trustee as security for the payment obligations of the substitute obligor under the Trust Deed and the Notes and its rights as Lender under the Loan Agreement, substitute any entity in place of the Issuer as creditor under the Loan Agreement, as issuer and obligor in respect of the Notes and as obligor under the Trust Deed. Not later than 14 days after compliance with the aforementioned requirements, notice thereof shall be given by the Issuer to the Noteholders in accordance with Condition 14 (*Notices*) or the Issuer shall use its best endeavours to ensure that the substitute obligor does so and so long as the Notes are admitted to trading on the Irish Stock Exchange Limited (the "**Irish Stock Exchange**") and the Irish Stock Exchange so requires, a supplement to the prospectus dated 7 December 2012 in respect of the Notes will be prepared and submitted to the Irish Stock Exchange or any other document required by the Irish Stock Exchange.

(D) Exercise of Powers

In connection with the exercise of any of its powers, trusts, authorities or discretions, the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, shall not have regard to the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. No Noteholder is entitled to claim from the Issuer, the Borrower, as the case may be, the Guarantor or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

11. PRESCRIPTION

Notes will become void unless presented for payment within ten years (in the case of principal) or five years (in the case of interest) from the Relevant Date in respect thereof.

12. TRUSTEE AND AGENTS

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances, including provisions relieving it from taking proceedings to enforce payment unless indemnified and/or secured and/or prefunded to its satisfaction, and to be paid its costs and expenses in priority to the claims of Noteholders. In addition, the Trustee is entitled (i) to enter into business transactions with the Issuer, the Borrower, the Guarantor (as the case may be) and any entity relating to the Issuer, the Borrower and the Guarantor (as the case may be), and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Borrower and/or the Guarantor (as the case may be) and/or any subsidiary of the Borrower and the Guarantor (as the case may be), (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee's responsibilities are solely those of trustee for the Noteholders on the terms of the Trust Deed. Accordingly, the Trustee makes no representations and assumes no responsibility for the validity or enforceability of the Loan Agreement or for the performance by the Issuer of its obligations under or in respect of the Notes and the Trust Deed or the security created in respect thereof or for the performance by the Borrower or, as the case may be, the Guarantor, in respect of the Loan Agreement.

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed in the Agency Agreement. The Issuer reserves the right (with the prior written approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or registrar and additional or successor paying agents and transfer agents; provided, however, that the Issuer shall at all times maintain (a) a principal paying agent and a registrar, (b) for so long as the Notes are admitted to trading on the Irish Stock Exchange, a Paying Agent having a Specified Office in such place (if any) as may be required in accordance with the rules of such exchange, and (c) a Paying Agent in a member state of the European Union that will not be obliged to withhold or deduct tax

pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such Directive.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 14 (*Notices*).

13. REPLACEMENT OF DEFINITIVE CERTIFICATES

If a Definitive Certificate shall become mutilated, defaced, lost, stolen or destroyed it may, subject to all applicable laws and regulations and requirements of the Irish Stock Exchange, be replaced at the Specified Office of the Registrar or the Transfer Agent on payment of such costs, expenses, taxes and duties as may be incurred in connection therewith and on such terms as to evidence, security and indemnity and otherwise as may reasonably be required by or on behalf of the Issuer or the Trustee. Mutilated or defaced Definitive Certificates must be surrendered before replacements will be issued.

14. NOTICES

All notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. Notices will be valid if, so long as the Notes are listed on the Irish Stock Exchange and the guidelines of that exchange so require, they are filed with the Companies Announcements Office of the Irish Stock Exchange. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or the relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve.

In case by reason of any other cause it shall be impracticable to publish any notice to holders of Notes as provided above, then such notification to such holders as shall be given with the approval of the Trustee in accordance with the rules of the Irish Stock Exchange shall constitute sufficient notice to such holders for every purpose hereunder.

15. PROVISIONS OF INFORMATION

The Issuer and the Borrower shall, during any period in which they are not subject to or in compliance with the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934 (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3 2(b) under the Exchange Act, duly provide to any holder of a Note which is a "restricted security" within the meaning of Rule 144(a)(3) under the Securities Act or to any prospective purchaser of such securities designated by such Noteholder, upon the written request of such Noteholder or (as the case may be) prospective Noteholder addressed to the Issuer, or the Borrower, as the case may be, and delivered to the Issuer or the Borrower, as the case may be, or to the Specified Office of the Registrar, the information specified in Rule 144A(d)(4) under the Securities Act.

16. FURTHER ISSUES

The Issuer may from time to time, with the consent of the Borrower but without the consent of the Noteholders, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. In relation to any further issue which is to form a single series with the Notes (i) the Issuer will enter into a loan agreement with the Borrower on the same terms as the Loan Agreement (or on the same terms except for the first payment of interest) subject to any modifications which, in the sole opinion of the Trustee, only relate to the Reserved Rights and would not materially prejudice the interests of the Noteholders and (ii) the Security Interests granted in respect of the Notes will be amended or supplemented so as to secure amounts due in respect of such further notes also and/or new security will be granted over any further loan agreement or the Loan Agreement as so amended or supplemented to secure amounts due on the

Notes and such further notes and the Trustee is entitled to assume without enquiry that this arrangement as regards security for the Notes will not be materially prejudicial to the interests of the Noteholders. Such further notes shall be issued under a deed supplemental to the Trust Deed.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. GOVERNING LAW

The Notes and the Trust Deed and all matters including any non-contractual obligations arising out of or in connection with the Notes and the Trust Deed are governed by and shall be construed in accordance with, English law. The Issuer has submitted in the Trust Deed to the exclusive jurisdiction of the courts of England and has appointed an agent for the service of process in England. The Issuer has also, in the Trust Deed, waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee and the Noteholders may take any suit, action or proceeding arising out of or in connection with the Trust Deed or the Notes respectively (together referred to as ''**Proceedings**'') against the Issuer in any other court of competent jurisdiction and, to the extent allowed by applicable law, concurrent Proceedings in any number of jurisdictions.

SUMMARY OF THE PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The following is a summary of the provisions to be contained in the Trust Deed to constitute the Notes and in the Global Certificates which will apply to, and in some cases modify, the Terms and Conditions of the Notes while the Notes are represented by the Global Certificates.

The Notes will be evidenced on issue either (i) in the case of Regulation S Notes, by a Regulation S Global Certificate deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg; or (ii) in the case of Rule 144A Notes, by a Rule 144A Global Certificate deposited with a custodian for, and registered in the name of Cede & Co, as nominee of DTC.

Beneficial interests in the Regulation S Global Certificate may be held only through Euroclear or Clearstream, Luxembourg at any time. See *Book-Entry Procedures for the Global Certificates*. On acquisition of a beneficial interest in a Regulation S Note, as represented by a Regulation S Global Certificate, the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. person (as defined in Regulation S) and that, prior to the expiration of 40 day distribution compliance period (as defined in Regulation S), it will not offer, sell, pledge or otherwise transfer such interest except to a person whom the seller reasonably believes (i) to be a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; or (ii) to be a person who is eligible to take delivery in the form of an interest in the Rule 144A Global Certificate. See *Transfer Restrictions*.

Beneficial interests in the Rule 144A Global Certificate may only be held through DTC at any time. See *Book-Entry Procedures for the Global Certificates*. By acquisition of a beneficial interest in a Rule 144A Global Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB that is also a QP and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Agency Agreement. See *Transfer Restrictions*.

Beneficial interests in a Global Certificate will be subject to certain restrictions on transfer set forth in such Global Certificate and in the Agency Agreement, and with respect to the Rule 144A Global Certificate, as set forth in Rule 144A. The Rule 144A Global Certificate will bear the legends regarding such restrictions set forth under *Transfer Restrictions*. A beneficial interest in the Regulation S Global Certificate may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Certificate, in denominations greater than or equal to the minimum denominations applicable to interests in the Rule 144A Global Certificate, and only upon receipt by the Registrar of a written certification (in the form provided in the Agency Agreement) to the effect that the transferor reasonably believes that the transferee is a QIB that is also a QP and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Beneficial interests in the Rule 144A Global Certificate may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Certificate only upon receipt by the Registrar of a written certification (in the form provided in the Agency Agreement) from the transferor to the effect that the transfer is being made to a non-U.S. person and in accordance with Regulation S.

Any beneficial interest in the Regulation S Global Certificate that is transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Certificate will, upon transfer, cease to be an interest in the Regulation S Global Certificate and become an interest in the Rule 144A Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Rule 144A Global Certificate for as long as it remains such an interest. Any beneficial interest in the Rule 144A Global Certificate that is transferred to a person who takes delivery in the form of an interest in the Regulation S Global Certificate will, upon transfer, cease to be an interest in the Rule 144A Global Certificate and become an interest in the Regulation S Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Certificate for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Amendments to the Terms and Conditions

In addition, the Global Certificates will contain a provision which modifies the Terms and Conditions of the Notes as they apply to the Notes evidenced by the Global Certificates.

Notices

Notwithstanding Condition 14 (*Notices*) of the Notes, so long as the Global Certificates are held by or on behalf of DTC, Euroclear, Clearstream, Luxembourg or any other clearing system, provided such other clearing system is regarded as a recognised clearing system by Irish Revenue Commissioners (an "**Alternative Clearing System**"), notices to Noteholders represented by the Global Certificates may be given by delivery of the relevant notice to DTC, Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System, *provided* that, for so long as the Notes are listed on the Irish Stock Exchange, and the guidelines of the Irish Stock Exchange so require, notice shall also be given in accordance with the guidelines published by the Irish Stock Exchange. Notices will be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to the relevant clearing system.

Payments

Payments of principal and interest in respect of Notes evidenced by a Global Certificate will be made to the person who appears on the register of the Noteholders as holder of the Notes represented by a Global Certificate on the Clearing System Business Day immediately prior to the date of the relevant payment against presentation and, if no further payment falls to be made in respect of the relevant Notes, surrender of such Global Certificate to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the relevant Noteholders for such purpose. Upon any payment of principal or interest on a Global Certificate, the amount so paid shall be endorsed by or on behalf of the Principal Paying Agent on behalf of the Issuer in the appropriate schedule to the relevant Global Certificate, which endorsement will be *prima facie* evidence that such payment has been made in respect of the relevant Notes. As used in this paragraph, "**Clearing System Business Day**" means Monday to Friday inclusive, except 25 December and 1 January.

Meetings

The holder of the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of holders of the Notes.

In considering the interests of Noteholders while a Global Certificate is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Certificate and may consider such interests as if such accountholders were the holders of such Global Certificate.

Cancellation

All payments in respect of the Global Certificate will be made to the common depositary and will be effective to satisfy and discharge the corresponding liabilities of the Borrower in respect of the Notes.

Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled will be effected by reduction in the principal amount of the applicable Global Certificate.

Prescription

Claims against the Issuer in respect of principal and interest on the Notes while the Notes are represented by Global Certificates will become void unless it is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 7 of the Notes).

Exchange for Definitive Certificates

Exchange

Each Global Certificate will be exchangeable, free of charge to the holder, in whole but not in part, for Definitive Certificates if: (i) interests in the relevant Global Certificate are held by or on behalf of (A) DTC, and DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Global Certificate or ceases to be a "clearing agency" registered under the Exchange Act or if at any time it is no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC; or (B) Euroclear or Clearstream, Luxembourg, as the case may be, is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by the holder

giving notice to the Registrar or any Transfer Agent; or (ii) if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) which would not be suffered were the Notes evidenced by Definitive Certificates and a notice to such effect signed by two directors of the Issuer is delivered to the Trustee, by the Issuer giving notice to the Registrar or any Transfer Agent and the Noteholders, of its intention to exchange the relevant Global Certificate for Definitive Certificates on or after the date specified in the notice.

The holder of the relevant Global Certificate may surrender such Global Certificate to or to the order of the Registrar or any Transfer Agent. In exchange for the relevant Global Certificate, as provided in the Agency Agreement, the Registrar will deliver, or procure the delivery of, an equal aggregate amount of duly executed and authenticated Definitive Certificates in or substantially in the form set out in the relevant schedule to the Trust Deed.

The Registrar will not register the transfer of, or exchange of interests in, a Global Certificate for interests evidenced by Definitive Certificates for a period of 15 calendar days ending on the date for any payment of principal or interest in respect of the Notes.

If only one of the Global Certificates (the "**Exchange Global Certificate**") becomes exchangeable for Definitive Certificates in accordance with the above paragraphs, transfers of Notes may not take place between, on the one hand, persons holding Definitive Certificates issued in exchange for beneficial interests in the Exchange Global Certificate and, on the other hand, persons wishing to purchase beneficial interests in the other Global Certificate.

Delivery

After the circumstances set out above have occurred, the relevant Global Certificate shall be exchanged in full for Definitive Certificates and the Issuer will, at the cost of the Borrower (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Certificate must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes; and (b) in the case of the Rule 144A Global Certificate, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a purchaser that the transferor reasonably believes to be a QIB that is also a QP. Definitive Certificates issued in exchange for a beneficial interest in the Rule 144A Global Certificate shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under *Transfer Restrictions*.

Legends

The holder of a Definitive Certificate may transfer the Notes evidenced thereby in whole or in part (subject to the applicable minimum denomination) by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Definitive Note representing a Rule 144A Note (the "**Rule 144A Definitive Certificate**") bearing the legend referred to under *Transfer Restrictions*, or upon specific request for removal of the legend on a Rule 144A Definitive Certificate, the Issuer will deliver only Rule 144A Definitive Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act.

TAXATION

The following is a general description of certain United States federal, Russian and Irish tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of the Notes should consult their own advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Also, investors should note that an appointment by an investor in the Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

Certain U.S. Federal Income Tax Considerations

This disclosure is limited to the U.S. federal tax issues addressed herein. Additional issues may exist that are not addressed in this disclosure and that could affect the U.S. federal tax treatment of the Notes. This tax disclosure was written in connection with the promotion or marketing of the Notes, and it cannot be used by any holder for the purpose of avoiding penalties that may be asserted against the holder under the Internal Revenue Code of 1986, as amended (the "Code"). Persons considering acquiring the Notes should seek their own advice based on their particular circumstances from an independent tax adviser.

The following is a general description of certain U.S. federal tax consequences of the ownership and disposition of the Notes to U.S. holders (as defined below). This discussion applies only to Notes that meet both of the following conditions:

- they are purchased by initial holders who purchase Notes at their "issue price", which will equal the first price to investors (not including bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Notes is sold for money; and
- they are held as capital assets.

This discussion does not describe all of the tax consequences that may be relevant to holders in light of their particular circumstances or to U.S. holders subject to special rules, such as:

- certain financial institutions;
- insurance companies;
- dealers or certain traders in securities or foreign currencies;
- persons holding Notes as part of a hedge, straddle, wash sale, conversion transaction or other integrated transaction or persons entering into a constructive sale with respect to the Notes;
- U.S. holders whose functional currency is not the U.S. dollar;
- tax exempt entities; or
- persons subject to the alternative minimum tax.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding Notes and partners therein should consult their tax advisers as to the particular U.S. federal income tax consequences of acquiring, owning and disposing of the Notes.

No authority directly addresses the U.S. federal income tax characterisation of securities like the Notes and the Issuer has not and will not seek a ruling from the U.S. Internal Revenue Service ("**IRS**") as to their characterisation for such purposes. To the extent relevant for U.S. federal income tax purposes, the Issuer intends to treat the Notes as indebtedness for such purposes and this discussion assumes that treatment is correct. No assurance can be given that the IRS will not assert, or a court would not sustain, a position regarding the characterisation of the Notes that is contrary to this discussion. Alternative characterisations include treatment of the Notes as beneficial ownership of the Loan or as equity in the

Issuer, which is a passive foreign investment company. Prospective investors should seek advice from their own tax advisers as to the consequences to them of alternative characterisations of the Notes for U.S. federal income tax purposes.

This summary is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, changes to any of which subsequent to the date of this Prospectus may affect the tax consequences described herein. Persons considering the purchase of Notes are urged to consult their tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under other federal tax laws or the laws of any state, local or foreign taxing jurisdiction. This summary does not address the Medicare surtax consequences to a U.S. holder.

As used herein, the term ''U.S. holder'' means a beneficial owner of a Note that is for U.S. federal income tax purposes:

- a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organised in or under the laws of the United States, any state thereof or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Payments of Interest

It is expected, and therefore this discussion assumes, that the Notes will be issued without original issue discount (''**OID**'') for U.S. federal income tax purposes. Accordingly, interest paid on a Note (including any additional amounts paid in respect of taxes required to be deducted or withheld) will be taxable to a U.S. holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. holder's method of accounting for federal income tax purposes. If, however, the Notes' principal amount exceeds the issue price by more than a de minimis amount, as determined under applicable Treasury regulations, a U.S. holder will be required to include such excess in income as original issue discount, as it accrues, in accordance with a constant-yield method based on a compounding of interest before the receipt of cash payments attributable to this income.

Interest income with respect to a Note will constitute foreign source income for U.S. federal income tax purposes, which may be relevant in calculating a U.S. holder's foreign tax credit limitation. The limitation on foreign taxes eligible for credit is calculated separately with respect to two specific classes of income. For this purpose, interest income on the Notes will constitute ''passive category income'' for most U.S. holders. The rules governing foreign tax credits are complex and U.S. holders should consult their own tax advisers regarding the availability of foreign tax credits in their particular circumstances.

Sale, Exchange or Retirement of the Notes

Upon the sale, exchange or retirement of a Note, a U.S. holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the U.S. holder's adjusted tax basis in the Note. For these purposes, the amount realised does not include any amount attributable to accrued interest which is treated as interest as described above under ''*—Payments of Interest*''. A U.S. holder's adjusted tax basis in a Note will generally equal the cost of such Note to the U.S. holder. Gain or loss, if any, realised on the sale, exchange or retirement of a Note will generally be capital gain or loss and will be long term capital gain or loss if at the time of sale, exchange or retirement the Note has been held for more than one year. The deductibility of capital losses is subject to limitations.

Substitution of EuroChem

In accordance with the terms of Clause 13 (*Substitution*) of the Loan Agreement, EuroChem may substitute the New Parent in place of EuroChem as the Borrower under the Loan Agreement.

The treatment of the Notes as indebtedness of the Issuer for U.S. federal income tax purposes is not free from doubt. If the Notes were recharacterised as beneficial ownership interests in the Loan, then the substitution of EuroChem as the Borrower in respect of the Loan Agreement could result in adverse U.S. federal income tax consequences for U.S. holders of the Notes. In general, the substitution of the original borrower for a new borrower can, in certain circumstances, cause lenders to be deemed to have exchanged their debt instrument issued by the original borrower for a new debt instrument issued by the

new borrower for U.S. federal income tax purposes. This deemed exchange may result in recognition of taxable gain or loss by the lender (as well as potentially other adverse tax consequences). Therefore, if the Notes were recharacterised as beneficial ownership of the Loan, the assumption of the Loan by the New Parent could result in adverse U.S. federal income tax consequences for U.S. holders. Similar treatment and adverse consequences may apply to holders subject to tax in other jurisdictions. Each holder should consult its own tax advisers regarding the consequences to it of an investment in the Notes.

Backup Withholding and Information Reporting

Information returns may be filed with the IRS in connection with payments on the Notes and the proceeds from a sale or other disposition of the Notes. A U.S. holder may be subject to U.S. backup withholding on these payments if the U.S. holder fails to provide its taxpayer identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. holder will be allowed as a credit against the U.S. holder's U.S. federal income tax liability and may entitle the U.S. holder to a refund, provided that the required information is timely furnished to the IRS.

Foreign Asset Reporting

Certain U.S. holders are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by U.S. financial institutions), by attaching a completed IRS Form 8938, statement of Specified Foreign Financial Assets, with their tax return for each year in which they had an interest in the Notes. U.S. holders are urged to consult their tax advisers regarding information reporting requirements relating to their ownership and disposition of the Notes.

Russian Taxation

Taxation of the Notes

General

The following is an overview of certain Russian tax considerations relevant to the purchase, ownership and disposal of the Notes, as well as the taxation of interest income on the Loan. The overview is based on the laws of the Russian Federation in effect on the date of this Prospectus, which are subject to potential change (possibly with retroactive effect). The overview does not seek to address the applicability of, and procedures in relation to, taxes levied by regions, municipalities or other non-federal authorities of the Russian Federation. Nor does the overview seek to address the availability of double tax treaty relief in respect of the Notes, and it should be noted that there may be practical difficulties, including satisfying certain documentation requirements, involved in claiming double tax treaty relief. Prospective investors should consult their own advisers regarding the tax consequences of investing in the Notes. No representations with respect to the Russian tax consequences of investing, owning or disposing of the Notes to any particular Noteholder is made hereby.

The provisions of the Russian Tax Code applicable to Noteholders and transactions involving the Notes are ambiguous and lack interpretive guidance. Both the substantive provisions of the Russian Tax Code applicable to financial instruments and the interpretation and application of those provisions by the Russian tax authorities may be more inconsistent and subject to more rapid and unpredictable change than in jurisdictions with more developed capital markets or more developed taxation systems. In particular, the interpretation and application of such provisions will in practice rest substantially with local tax inspectorates.

In practice, interpretation by different tax inspectorates may be inconsistent or contradictory and may constitute the imposition of conditions, requirements or restrictions not provided for by the existing legislation. Similarly, in the absence of binding precedents court rulings on tax or related matters by different Russian courts relating to the same or similar circumstances may also be inconsistent or contradictory.

According to the Russian Tax Code, a tax resident is an individual who spent in Russia not less than 183 days within 12 consecutive months (days of medical treatment and education outside of the Russian Federation are also counted as Russian days if the individual departed from the Russian Federation for these purposes for less than six months).

The interpretation of this definition by the Ministry of Finance of the Russian Federation states that for tax withholding purposes an individual's tax residence status should be determined on the date of income

payment (based on the number of Russian days in the 12-month period preceding the date of payment). The individual's final tax liability in the Russian Federation for the reporting calendar year should be determined based on his/her tax residence status for such calendar year, i.e. based on the number of Russian days in the 12- months period as of the end of such calendar year.

For the purposes of this overview, a ''non-resident Noteholder'' means (i) an individual Noteholder who has not established a Russian tax residence status for the reporting calendar year as discussed above; or (ii) a legal entity or organisation in each case not organised under Russian law that holds and disposes of the Notes otherwise than through a permanent establishment in Russia.

For the purposes of this overview, a ''Russian resident Noteholder'' means (i) an individual Noteholder who has established a Russian tax residence status for the reporting calendar year as discussed above; or (ii) a legal entity or organisation which is a Noteholder but is not a non-resident Noteholder defined in the previous paragraph.

The Russian tax treatment of interest payments made by EuroChem to the Issuer under the Loan Agreement may affect the holders of the Notes. See ''—*Taxation of Interest Income on the Loan*'' below.

Non-Resident Holders

A non-resident Noteholder should not be subject to any Russian taxes on receipt from the Issuer of amounts payable in respect of principal, premium or interest on the Notes, subject to what is stated in ''—*Taxation of Interest Income on the Loan*'' below.

A non-resident Noteholder generally should not be subject to any Russian taxes in respect of any gain or other income realised on a redemption, sale or other disposal of the Notes outside the Russian Federation, provided that the proceeds of such sale, redemption, or other disposal of the Notes are not received from a source within the Russian Federation.

In the event that proceeds from sales, a redemption or disposal of Notes are received from a source within the Russian Federation, a non-resident Noteholder that is a legal entity or organisation should not be subject to Russian tax in respect of such proceeds, provided that no portion thereof is attributable to accrued interest. Any portion of such sales proceeds attributable to accrued interest may be subject to Russian withholding tax on income at the rate of 20 per cent. subject to any available double tax treaty relief, even if the disposal itself results in a capital loss. In order to enjoy the benefits of an applicable double tax treaty, documentary evidence is required prior to payment being made to confirm the applicability of the double tax treaty under which benefits are claimed. Non-resident Noteholders that are legal entities or organisations should consult their own tax advisers with respect to the possibility of obtaining double tax treaty relief.

If proceeds from sales, a redemption or other disposal of the Notes are received from a Russian source, a non-resident Noteholder who is an individual will generally be subject to tax at a rate of 30 per cent. subject to any available double tax treaty relief as discussed below, in respect of gross proceeds from such disposal less any available cost deduction (which includes the purchase price of the Notes). Any portion of the above proceeds from sales, a redemption or other disposal of the Notes attributable to accrued interest income under the Notes which is received by a non-resident Noteholder from the Russian sources may be subject to tax at a rate of 30 per cent. subject to any available double tax treaty relief as discussed below. In this regard, if the Notes are disposed of in the Russian Federation, for Russian personal income tax purposes, the proceeds of such disposal (including any portion of such proceeds attributable to accrued interest income under the Notes) are likely to be regarded as received from a Russian source. In certain circumstances, if the disposal proceeds (including the interest income portion) are payable by a Russian legal entity, individual entrepreneur or a Russian permanent establishment of a foreign organisation, the payer may be required to withhold this tax. Unless the tax is withheld by the payer, the non-resident individual Noteholder would be liable to pay the tax to the Russian budget.

In such a situation, there is a risk that the taxable base may be affected by fluctuations in the exchange rates between the currency of acquisition of the Notes, the currency of sale of the Notes and Roubles. Non-resident Noteholders who are individuals should consult their own tax advisers with respect to the tax consequences of the receipt of proceeds from a source within the Russian Federation in respect of a disposal of the Notes.

Resident Holders

A Russian resident Noteholder is subject to all applicable Russian taxes and responsible for complying with any documentation requirements that may be established by law or practice in respect of gains from a disposal of the Notes and interest income received on the Notes.

A Russian resident Noteholder that is a legal entity or organisation should, *prima facie*, be subject to Russian income tax at the rate of 20 per cent. on interest (coupon) income on the Notes as well as on the capital gains from sales, a redemption or other disposal of the Notes. Generally, Russian resident Noteholders that are Russian legal entities are required to submit Russian income tax returns, assess and pay tax on capital gains and interest (coupon) income.

A Russian resident Noteholder who is an individual should generally be subject to personal income tax at a rate of 13 per cent. on deemed income resulting from an acquisition of the Notes at a price below their market value, on interest (coupon) income on the Notes and capital gains from sales, a redemption or other disposal of the Notes. Russian resident Noteholders who are individuals are required to submit annual personal income tax returns, assess and personally pay tax unless the above mentioned income is received via a Russian asset manager, broker or another entity which acts as the Noteholder's agent based on a contractual arrangement and this entity withholds and pays in full Russian income tax on behalf of the Noteholder.

Resident Noteholders should consult their own tax advisers with respect to their tax position regarding the Notes.

Tax Treaty Relief

Advance Treaty Relief

Where proceeds from the disposal of the Notes are received from a Russian source, in order for the non-resident Noteholders, whether an individual, legal entity or organisation, to receive the benefits of an applicable double tax treaty, documentary evidence is required to confirm the applicability of the double tax treaty for which benefits are claimed.

Currently, a non-resident Noteholder legal entity or organisation should present to the payer of income an apostilled or legalised confirmation of its tax residence, attaching a notarised translation in Russian. The confirmation should be presented before any payment is made and should be certified by the competent authority of the country of the Noteholder's tax residence. Such confirmation is valid for the calendar year in which it is issued. Non-resident Noteholders that are legal entities or organisations should consult their own tax advisers with respect to the possibilities to benefit from any double tax treaty relief and the relevant Russian procedures.

For non-resident individual Noteholders, procedures for advance treaty clearance are not provided for by current Russian legislation. Therefore, technically, for non-resident individual Noteholders a reduction of the Russian withholding income tax either exemption from such tax provided by a respective double tax treaty between Russia and the country of the tax residence of such non-resident individual Noteholder could practically not be obtained. Non-resident individual Noteholders should consult their own tax advisers with respect to the possibilities to enjoy any double tax treaty relief or tax refund and the relevant Russian procedures.

Refund of Tax Withheld

For a non-resident Noteholder which is not an individual and for which double tax treaty relief is available, if Russian withholding tax on income was withheld by the source of payment, a refund of such tax is possible within three years from the end of the tax period in which the tax was withheld. In order to obtain a refund, the tax documentation confirming the right of the non-resident recipient of the income to double tax treaty relief is required.

If non-resident individual Noteholders do not obtain double tax treaty relief at the time the proceeds from a disposal of the Notes are paid to such non-resident individual Noteholders and income tax is withheld by a Russian payer of the income, such non-resident individual Noteholders may apply for a refund within one year from the end of the tax period in which the tax was withheld. The documentation requirements to obtain such a refund would include a confirmation of the income received and the taxes paid in the country of tax residence of the relevant non-resident individual Noteholder as confirmed by the relevant tax authorities of such country. However, there can be no assurance that the refund of any

taxes withheld or double tax treaty relief (as described above) will be available for such non-resident individual Noteholders.

The Russian tax authorities may, in practice, require a wide variety of documentation confirming the right to benefits under a double tax treaty. Such documentation, in practice, may not be explicitly required by the Russian Tax Code.

Obtaining a refund of Russian tax withheld may be a time consuming process and can involve considerable practical difficulties, including the possibility that a tax refund may be denied for various reasons.

Taxation of Interest Income on the Loan

In general, interest payments on borrowed funds made by a Russian legal entity to a non-resident legal entity or organisation are subject to Russian withholding income tax at a rate of 20 per cent. (or 30 per cent. in respect of non-resident individuals), subject to reduction or elimination pursuant to the terms of an applicable double tax treaty.

There is a risk that under the Russian thin capitalisation rules in certain circumstances where parties related to EuroChem (i.e. the Related Parties as defined above) hold Notes part or all of the interest to be paid by EuroChem under the Loan could be reclassified as dividends for Russian tax purposes. This would occur if the overall amount of the ''controlled debt'' of EuroChem calculated on an individual Related Party basis exceeded the capital of EuroChem, calculated in accordance with the requirements of the Russian Tax Code, 3 times. Interest on the amount of such excess would be reclassified as dividends for Russian tax purposes. Under the Russian Tax Code, there is a risk that the ''controlled debt'' of EuroChem may include all or part of the Loan to the extent that certain Related Party acquires any portion of the Notes.

Such reclassification of all or a portion of the interest as dividends could potentially lead to the imposition of Russian withholding tax on such reclassified interest at the rate of 15 per cent., subject to possible exemption under the double tax treaty between the Russian Federation and Ireland, and the non-deductibility of such interest for Russian profits tax purposes by EuroChem.

Based on the assumption that the amount of EuroChem's ''controlled debt'' calculated in accordance with the requirements of Article 269 of the Russian Tax Code will not exceed 3 times the amount of EuroChem's ''own capital'' (''собственный капитал'') of EuroChem calculated on an individual Related Party basis, the Russian thin capitalisation rules should not apply currently to the interest on the Loan. However, changes in these assumptions could result in all or a portion of such interest being subject to the thin capitalisation rules in the future so as to treat ''excess interest'' related to the Loan as a dividend under the double tax treaty between the Russian Federation and Ireland subject to 15 per cent. withholding tax applicable to dividends (subject to possible tax treaty relief, if any) rather than zero withholding tax applicable to interest.

The amendments to the Russian Tax Code should nevertheless allow the interest on the loan not to be subject to withholding. In particular, these amendments introduce into the Russian Tax Code an exemption from the obligation to withhold tax from interest paid under transactions similar to the transactions described herein. These amendments to the Russian Tax Code have recently been approved by the Russian State Duma, the Russian Council of the Federation and the President of the Russian Federation and have entered into force starting from 1 July 2012.

According to these amendments, in respect of bonds issued prior to 1 January 2014 Russian borrowers are exempted from the obligation to withhold Russian withholding tax from interest payments made to foreign companies on debt obligations arising in connection with placement by these foreign companies of quoted bonds, provided that (1) there is a double tax treaty between the Russian Federation and the jurisdiction of tax residence of the issuer, and (2) the issuer duly confirms its tax residence. Federal Law #97-FZ of 29 June 2012 introducing the above amendments (hereafter – ''Law # 97-FZ'') does not provide a tax exemption for the holders of Eurobonds from Russian tax on interest payments, although at present there is no mechanism or requirement for non-residents to self-assess and pay the tax.

For the purpose of the above amendments to the Russian Tax Code introduced by Law #97-FZ, ''quoted bonds'' mean bonds and other debt obligations which passed the listing procedure and/or were accepted to listing on one or more foreign stock exchanges and/or rights to which are recorded by a foreign depositary clearing organisation, provided such foreign stock exchanges and depositary clearing organisations are specified in the list approved by the FSFM in consultation with the Ministry of

Finance of the Russian Federation. Until such list is adopted, bonds and other debt obligations which passed the listing procedure and/or were accepted to listing on one or more foreign stock exchanges and/ or rights to which are recorded by any foreign depositary clearing organisation should be recognized as ''quoted bonds''. From publicly available information, the draft of this list has been released, but not officially adopted and enforced so far.

The amendments to the Russian Tax Code introduced by Law #97-FZ should apply retrospectively to interest payments made after 1 January 2007, which, given the general three year limitation for tax audits, should mean that tax agents in the above situation should not be challenged for not having withheld tax in prior periods.

According to the amendments to the Russian Tax Code introduced by Law #97-FZ, the above exemption established for interest payments is also applicable to (i) income payable by a Russian legal entity in connection with a guarantee, surety or other security granted by such Russian organisation with respect to a debt obligation to a foreign organisation and/ or with respect to quoted bonds and (ii) to other income payable by a Russian organisation provided payment of such income is established by the provisions of the respective debt obligation or such income is paid due to a change in the terms and conditions of the respective quoted bonds and/or debt obligations including the case of their early repurchase or redemption.

The above amendments to the Tax Code introduced by Law #97-FZ address the Russian withholding tax treatment of interest payments or the other payments set out above to be made to foreign companies on debt obligations arising in connection with the issuance by these foreign companies of bonds before 1 January 2014. These amendments do not address the Russian tax treatment of such payments on or after 1 January 2014.

If the payments under the Loan are subject to any withholding taxes for any reason (as a result of which the Issuer would reduce payments under the Notes in the amount of such withholding taxes), EuroChem is required to increase payments as may be necessary so that the Issuer receives the net amount equal to the full amount it would have received in the absence of such withholding. It should be noted, however, that tax gross-up provisions in contracts may not be enforceable in the Russian Federation. In the event that EuroChem fails to increase the payments, such failure would constitute an Event of Default. If EuroChem is obliged to increase payments, it may prepay the Loan in full. In such case, all outstanding Notes would be redeemable at par with accrued interest.

Russian VAT is not applied to the rendering of financial services involving the provision of a loan in monetary form. Therefore, no VAT will be payable in the Russian Federation on any payment of interest or principal in respect of the Loan.

Ireland

The following is a summary of the principal Irish tax consequences for individuals and companies of ownership of the Notes based on the laws and practice of the Irish Revenue Commissioners currently in force in Ireland and may be subject to change. It deals with Noteholders who beneficially own their Notes as an investment. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, such as dealers in securities, trusts *etc*. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

Withholding Tax

In general, tax at the standard rate of income tax (currently 20 per cent.) is required to be withheld from payments of Irish source interest which should include interest payable on the Notes. The Issuer will not be obliged to make a withholding or deduction for or on account of Irish income tax from a payment of interest on a Note where:

(a) the Notes are Quoted Eurobonds, *i.e*. securities which are issued by a company (such as the Issuer), which are listed on a recognised stock exchange (such as the Irish, London or Luxembourg Stock Exchanges) and which carry a right to interest; and

(b) the person by or through whom the payment is made is not in Ireland, or if such person is in Ireland, either:

(i) the Notes are held in a clearing system recognised by the Irish Revenue Commissioners; (DTC, Euroclear and Clearstream, Luxembourg are, amongst others, so recognised); or

(ii) the Noteholder is not resident in Ireland and has made a declaration to a relevant person (such as a paying agent located in Ireland) in the prescribed form; and

(c) one of the following conditions is satisfied:

(i) the Noteholder is resident for tax purposes in Ireland; or

(ii) the Noteholder is a pension fund, government body or other person (other than a person described in paragraph (c)(iv) below), who is resident in a Relevant Territory (as defined below) and who, under the laws of that territory is exempted from tax that generally applies to profits, income or gains in that territory; or

(iii) the Noteholder is subject, without any reduction computed by reference to the amount of such interest or other distribution, to a tax in a Relevant Territory which generally applies to profits, income or gains received in that territory, by persons, from sources outside that territory; or

(iv) the Noteholder is not a company which, directly or indirectly, controls the Issuer, is controlled by the Issuer, or is controlled by a third company which also directly or indirectly controls the Issuer, and neither the Noteholder, nor any person connected with the Noteholder, is a person or persons:

(A) from whom the Issuer has acquired assets;

(B) to whom the Issuer has made loans or advances; or

(C) with whom the Issuer has entered into a Swap Agreement,

where the aggregate value of such assets, loans, advances or Swap Agreements represents not less than 75 per cent. of the assets of the Issuer, or

(v) the Issuer is not aware at the time of the issue of any Notes that any Noteholder of those Notes is (i) a person of the type described in (c)(iv) above AND (ii) is not subject, without any reduction computed by reference to the amount of such interest or other distribution, to a tax in a Relevant Territory which generally applies to profits, income or gains received in that territory, by persons, from sources outside that territory,

where for these purposes, the term

"**Relevant Territory**" means a member state of the European Union (other than Ireland) or a country with which Ireland has signed a double tax treaty; and

"**Swap Agreement**" means any agreement, arrangement or understanding that—

(i) provides for the exchange, on a fixed or contingent basis, of one or more payments based on the value, rate or amount of one or more interest rates, currencies, commodities, securities, instruments of indebtedness, indices, quantitative measures, or other financial or economic interests or property of any kind, or any interest therein or based on the value thereof, and

(ii) transfers to a person who is a party to the agreement, arrangement or undertaking, or to a person connected with that person, in whole or in part, the financial risk associated with a future change in any such value, rate or amount without also conveying a current or future direct or indirect ownership interest in the asset (including any enterprise or investment pool) or liability that incorporates the financial risk so transferred.

Thus, so long as the Notes continue to be quoted on the Irish Stock Exchange are held in a clearing system recognised by the Irish Revenue Commissioners; (DTC, Euroclear and Clearstream, Luxembourg are, amongst others, so recognised), and one of the conditions set out in paragraph (c) above is met, interest on the Notes can be paid by any Paying Agent acting on behalf of the Issuer free of any withholding or deduction for or on account of Irish income tax. If the Notes continue to be quoted but cease to be held in a recognised clearing system, interest on the Notes may be paid without any withholding or deduction for or on account of Irish income tax provided such payment is made through a Paying Agent outside Ireland, and one of the conditions set out in paragraph (c) above is met.

Encashment Tax

Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from interest on any Note, where such interest is collected or realised by a bank or encashment agent in Ireland on behalf of any Noteholder. There is an exemption from encashment tax where the beneficial owner of the interest is not resident in Ireland and has made a declaration to this effect in the prescribed form to the encashment agent or bank.

Income Tax, PRSI and Universal Social Charge

Notwithstanding that a Noteholder may receive interest on the Notes free of withholding tax, the Noteholder may still be liable to pay Irish tax with respect to such interest. Noteholders resident or ordinarily resident in Ireland who are individuals may be liable to pay Irish income tax, social insurance (PRSI) contributions and the universal social charge in respect of interest they receive on the Notes.

Interest paid on the Notes may have an Irish source and therefore may be within the charge to Irish income tax. In the case of Noteholders who are non-resident individuals such Noteholders may also be liable to pay the universal social charge in respect of interest they receive on the Notes.

Ireland operates a self-assessment system in respect of tax and any person, including a person who is neither resident nor ordinarily resident in Ireland, with Irish source income comes within its scope.

There are a number of exemptions from Irish income tax available to certain non-residents. Firstly, interest payments made by the Issuer are exempt from income tax so long as the Issuer is a qualifying company for the purposes of Section 110 of the Taxes Consolidation Act, 1997 (''**TCA**''), the recipient is not resident in Ireland and is resident in a Relevant Territory and, the interest is paid out of the assets of the Issuer. Secondly, interest payments made by the Issuer in the ordinary course of its business are exempt from income tax provided the recipient is not resident in Ireland and is a company which is either resident in a Relevant Territory which imposes a tax that generally applies to interest receivable in that Relevant Territory by companies from sources outside that Relevant Territory or, in respect of the interest is exempted from the charge to Irish income tax under the terms of a double tax agreement which is either in force or which is not yet in force but which will come into force once all ratification procedures have been completed. Thirdly, interest paid by the Issuer free of withholding tax under the quoted Eurobond exemption is exempt from income tax, where the recipient is a person not resident in Ireland and resident in a Relevant Territory. The Finance Act 2012 extends the foregoing exemption to companies which are under the control, whether directly or indirectly, of person(s) who by virtue of the law of a Relevant Territory are resident for the purpose of tax in a Relevant Territory and are not under the control of person(s) who are not so resident, and to 75 per cent. subsidiary companies of a company or companies the principal class of shares in which is substantially and regularly traded on a recognised stock exchange. For these purposes, residence is determined under the terms of the relevant double taxation agreement or in any other case, the law of the country in which the recipient claims to be resident. Interest falling within the above exemptions is also exempt from the universal social charge.

Notwithstanding these exemptions from income tax, a corporate recipient that carries on a trade in Ireland through a branch or agency in respect of which the Notes are held or attributed, may have a liability to Irish corporation tax on the interest.

Relief from Irish income tax may also be available under the specific provisions of a double tax treaty between Ireland and the country of residence of the recipient.

Interest on the Notes which does not fall within the above exemptions is within the charge to income tax, and, in the case of Noteholders who are individuals, is subject to the universal social charge. In the past the Irish Revenue Commissioners have not pursued liability to tax in respect of persons who are not regarded as being resident in Ireland except where such persons have a taxable presence of some sort in Ireland or seek to claim any relief or repayment in respect of Irish tax. However, there can be no assurance that the Irish Revenue Commissioners will apply this treatment in the case of any Noteholder.

Capital Gains Tax

A Noteholder will not be subject to Irish tax on capital gains on a disposal of Notes unless such holder is either resident or ordinarily resident in Ireland or carries on a trade or business in Ireland through a branch or agency in respect of which the Notes were used or held.

Capital Acquisitions Tax

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions tax (which subject to available exemptions and reliefs, will be levied at 30 per cent. if either (i) the disponer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponer is domiciled in Ireland irrespective of his residence or that of the donee/successor) on the relevant date or (ii) if the Notes are regarded as property situate in Ireland (i.e. if the Notes are physically located in Ireland or if the register of the Notes is maintained in Ireland)).

Stamp Duty

No stamp duty or similar tax is imposed in Ireland (on the basis of an exemption provided for in Section 85(2)(c) of the Irish Stamp Duties Consolidation Act, 1999 so long as the Issuer is a qualifying company for the purposes of Section 110 of the TCA and the proceeds of the Notes are used in the course of the Issuer's business), on the issue, transfer or redemption of the Notes.

EU Directive on Taxation of Savings Income

Ireland has implemented the EC Council Directive 2003/48/EC on the taxation of savings income into national law. Accordingly, any Irish paying agent making an interest payment on behalf of the Issuer to an individual or certain residual entities resident in another Member State of the European Union or certain associated and dependent territories of a Member State will have to provide details of the payment and certain details relating to the Noteholder (including the Noteholder's name and address) to the Irish Revenue Commissioners who in turn are obliged to provide such information to the competent authorities of the state or territory of residence of the individual or residual entity concerned. The Issuer shall be entitled to require Noteholders to provide any information regarding their tax status, identity or residency in order to satisfy the disclosure requirements in Directive 2003/48/EC and Noteholders will be deemed by their subscription for Notes to have authorised the automatic disclosure of such information by the Issuer or any other person to the relevant tax authorities.

SUBSCRIPTION AND SALE

Summary of Subscription Agreement

Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited and SIB (Cyprus) Limited (collectively the "**Joint Lead Managers**"), have, pursuant to the terms and conditions set forth in a subscription agreement dated 7 December 2012 (the "**Subscription Agreement**"), severally (and not jointly nor jointly and severally) agreed with the Issuer, subject to the satisfaction of certain conditions set forth therein, to subscribe and pay for the Notes at the issue price of 100 per cent. of the principal amount of the Notes in the amounts set out below:

	Purchase commitment
	(U.S.$)
Joint Lead Manager	
Barclays Bank PLC	187,500,000
BNP Paribas	187,500,000
Citigroup Global Markets Limited	187,500,000
SIB (Cyprus) Limited	187,500,000
	750,000,000

EuroChem has agreed to pay certain commissions, fees, costs, expenses and taxes of the Issuer in connection with the Loan and the offering of the Notes and to reimburse the Joint Lead Managers, the Issuer and the Trustee for certain of their expenses in connection with the offering of the Notes. The Joint Lead Managers are entitled to be released and discharged from their obligations under the Subscription Agreement in certain circumstances prior to payment being made to the Issuer. For investors in the Notes, the yield to maturity is 5.125 per cent. per annum. This calculation is based on the coupon rate, length of time to maturity and market price. It assumes that the interest paid over the life of the Notes is reinvested at the same rate.

Selling Restrictions

United States

The Securities have not been and will not be registered under the Securities Act, or the securities laws of any State or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to the registration requirements of the Securities Act and, in each case, in circumstances that will not require the Issuer to register under the Investment Company Act.

Each Joint Lead Manager has severally (and not jointly nor jointly and severally) agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (the "**Distribution Compliance Period**"), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes (other than pursuant to Rule 144A) during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Terms used in this section have the meanings given to them by Regulation S.

Notes offered and sold outside the United States to non-U.S. persons may be sold in reliance on Regulation S. The Subscription Agreement provides that the Joint Lead Managers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes only to persons whom they reasonably believe are QIBs and QPs who can represent that: (a) they are QPs who are QIBs within the meaning of Rule 144A; (b) they are not broker-dealers who own and invest on a discretionary basis less than U.S.$25 million in securities of unaffiliated issuers; (c) they are not

participant-directed employee plans, such as a 401(k) plan; (d) they are acting for their own account, or the account of one or more QIBs each of which is also a QP; (e) they are not formed for the purpose of investing in the Issuer of the Notes; (f) each account for which they are purchasing will hold and transfer at least US$200,000 in principal amount of Notes at any time; (g) they understand that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositaries; and (h) they will provide notice of the transfer restrictions set forth in this Prospectus to any subsequent transferees.

The Issuer, EuroChem and the Joint Lead Managers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason.

United Kingdom

Each Joint Lead Manager has severally (and not jointly nor jointly and severally) represented, warranted and agreed that:

(i) **Financial promotion**: it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(ii) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Russian Federation

Each Joint Lead Manager severally (and not jointly nor jointly and severally) represents, warrants and agrees that no Russian prospectus has been registered or is intended to be registered with respect to the Notes and the Notes have not been and are not intended to be registered in the Russian Federation. Consequently, each Joint Lead Manager represents, warrants and agrees with the Issuer, EuroChem and each of the other Joint Lead Managers that it and its affiliates have not offered or sold or otherwise transferred, and will not offer or sell or otherwise transfer as part of their initial distribution or at any time thereafter, any Notes to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation unless and to the extent otherwise permitted under Russian law. Information provided in this Prospectus is not an offer, or invitation to make offers, to sell, exchange or otherwise transfer the Notes in the Russian Federation or to or for the benefit of any Russian persons or entities unless and to the extent otherwise permitted by Russian law.

Since no Russian prospectus has been registered or is intended to be registered with the Federal Service for Financial Markets of the Russian Federation with respect to the Notes, no person should at any time carry out any activities in breach of the restrictions set out above and applicable Russian law.

Ireland

Each Joint Lead Manager has severally (and not jointly nor joint and severally) represented, warranted and agreed that:

(a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended), including, without limitation, Regulations 7 and 152 thereof, or any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998;

(b) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Companies Acts 1963 – 2012 (as amended), the Central Bank Acts 1942 – 2011 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;

(c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the Central Bank; and

(d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/ EC) Regulations 2005 (as amended) and any rules issued under Section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank.

General

Each Joint Lead Manager has severally (and not jointly nor jointly and severally) undertaken that it has, to the best of its knowledge and belief, complied and will comply in all material respects with applicable laws and regulations in each jurisdiction in which it offers, sells or delivers Notes or distributes this Prospectus (and any amendments thereof and supplements thereto) or any other offering or publicity material relating to the Notes, the Issuer or EuroChem.

Certain of the Joint Lead Managers have, directly or indirectly through affiliates, provided investment and commercial banking, financial advisory and other services to the Issuer, the Borrower and their affiliates from time to time, for which they have received monetary compensation. Certain of the Joint Lead Managers may from time to time also enter into swap and other derivative transactions with the Issuer, the Borrower and their affiliates. In addition, certain of the Joint Lead Managers and their affiliates may in the future engage in investment banking, commercial banking, financial or other advisory transactions with the Issuer, the Borrower or their affiliates.

EuroChem is a party to the Subscription Agreement and has given certain representations and warranties, covenants and indemnities to the Joint Lead Managers and the Issuer therein.

Other than the approval of the Prospectus by the Central Bank, no action has been or will be taken in any jurisdiction by the Issuer, EuroChem or any Joint Lead Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by EuroChem, the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale or other transfer offered hereby because of the following restrictions.

Rule 144A Notes

Each purchaser of Rule 144A Notes within the United States, by accepting delivery of this Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

(1) it is (a) a QIB that is also a QP; (b) not a broker-dealer which owns and invests on a discretionary basis less than U.S.$25 million in securities of unaffiliated issuers; (c) not a participant-directed employee plan, such as a 401(k) plan; (d) acquiring such Note for its own account, or for the account of a QIB that is also a QP; (e) not formed for the purpose of investing in the Notes or the Issuer; and (f) aware, and each beneficial owner of such Notes has been advised, that the seller of such Notes may be relying on the exemption from the provision of section 5 of the Securities Act provided by Rule 144A, and the Issuer is relying on an exemption from the Investment Company Act provided by section 3(c)(7) thereof;

(2) it will (a) along with each account for which it is purchasing, hold and transfer beneficial interests in the Rule 144A Notes in a principal amount that is not less than U.S.$200,000; and (b) provide notice of these transfer restrictions to any subsequent transferees. In addition, it understands that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositaries;

(3) it understands that the Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it or any person acting on its behalf reasonably believes is a QIB that is also a QP purchasing for its own account or for the account of one or more QIBs, each of which is also a QP; or (b) in an offshore transaction to non U.S. persons in accordance with Rule 903 or 904 of Regulation S, in each case in accordance with any applicable securities laws of any state or another jurisdiction of the United States;

(4) it understands that the Issuer has the power under the Trust Deed to compel any beneficial owner of Rule 144A Notes that is within the United States or is a U.S. person and is not a QIB and also a QP to sell its interest in the Rule 144A Notes, or may sell such interest on behalf of such owner. The Issuer has the right to refuse to honour the transfer of an interest in the Rule 144A Notes to a U.S. person who is not a QIB and also a QP;

(5) it understands that the Rule 144A Notes, unless otherwise agreed between the Issuer and the Trustee in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE, THE LOAN IN RESPECT THEREOF AND ANY GUARANTEE OF THE LOAN FROM TIME TO TIME HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "**QIB**") THAT IS ALSO A QUALIFIED PURCHASER (A "**QP**") WITHIN THE MEANING OF SECTION 2(A)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**") PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE MORE QIBs, EACH OF WHICH IS A QP WHO THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, AND IN AN AMOUNT FOR EACH ACCOUNT OF NOT LESS THAN U.S.$200,000 PRINCIPAL AMOUNT OF NOTES AND THAT CAN REPRESENT, IN EACH CASE, THAT IT: (A) IS A QIB THAT IS ALSO A QP; (B) IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25 MILLION IN SECURITIES OF UNAFFILIATED ISSUERS; (C) IS NOT A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401(K) PLAN; (D) WAS NOT FORMED FOR THE PURPOSE OF

INVESTING IN THE ISSUER OR THIS NOTE; (E) IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB THAT IS ALSO A QP, IN A PRINCIPAL AMOUNT THAT IS NOT LESS THAN U.S.$200,000 IN RELIANCE ON RULE 144A; (F) UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITARIES; AND (G) WILL PROVIDE NOTICE OF THE FOREGOING TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREE; OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") TO OR FOR THE ACCOUNT OR BENEFIT OF A PERSON KNOWN TO THE TRANSFEROR NOT TO BE A U.S. PERSON (AS DEFINED IN REGULATION S), BY PRE-ARRANGEMENT OR OTHERWISE, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE NOTES IN RESPECT HEREOF OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER OF THIS NOTE, THE TRUSTEE OR ANY INTERMEDIARY. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

THE BENEFICIAL OWNER HEREOF HEREBY ACKNOWLEDGES THAT IF AT ANY TIME WHILE IT HOLDS AN INTEREST IN THIS NOTE IT IS A U.S. PERSON WITHIN THE MEANING OF REGULATION S THAT IS NOT BOTH A QIB AND A QP, THE ISSUER MAY (1) COMPEL IT TO SELL ITS INTEREST IN THIS NOTE TO A PERSON WHO IS (A) A U.S. PERSON WHO IS A QIB AND ALSO A QP AND THAT IS, IN EACH CASE, OTHERWISE QUALIFIED TO PURCHASE THIS NOTE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OR (B) OUTSIDE THE UNITED STATES AND IS NOT A U.S. PERSON WITHIN THE MEANING OF REGULATION S OR (2) COMPEL THE BENEFICIAL OWNER TO SELL ITS INTEREST IN THIS NOTE TO THE BORROWER, THE ISSUER OR AN AFFILIATE OF EITHER OR TRANSFER ITS INTEREST IN THIS NOTE TO A PERSON DESIGNATED BY OR ACCEPTABLE TO THE ISSUER, IN ANY CASE, AT A PRICE EQUAL TO THE LESSER OF (X) THE PURCHASE PRICE THEREFOR PAID BY THE BENEFICIAL OWNER, (Y) 100 PER CENT. OF THE PRINCIPAL AMOUNT THEREOF OR (Z) THE FAIR MARKET VALUE THEREOF. THE ISSUER HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF AN INTEREST IN THIS NOTE TO A U.S. PERSON WHO IS NOT A QIB AND ALSO A QP. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT.

EACH BENEFICIAL OWNER HEREOF REPRESENTS AND WARRANTS THAT FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN: (1) IT IS NOT, AND IT IS NOT USING THE ASSETS OF, A BENEFIT PLAN INVESTOR AS DEFINED IN SECTION 3(42) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"); (2) IT IS NOT AND IS NOT USING THE ASSETS OF A GOVERNMENTAL PLAN (AS DEFINED IN SECTION 3(32) OF ERISA), CHURCH PLAN (AS DEFINED IN SECTION 3(33) OF ERISA), OR NON-U.S. PLAN (AS DESCRIBED IN SECTION 4(B)(4) OF ERISA) SUBJECT TO LAWS WHICH ARE SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF ERISA OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, UNLESS THE PURCHASE AND HOLDING OF THIS NOTE WILL NOT VIOLATE SUCH SIMILAR LAW; AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY NOTE OR INTEREST THEREIN TO ANY PERSON UNLESS THE SAME FOREGOING REPRESENTATIONS, WARRANTIES AND COVENANTS ARE DEEMED TO APPLY TO THAT PERSON;

(6) it understands and acknowledges that its purchase and holding of such Rule 144A Notes constitutes a representation and agreement by it that at the time of its purchase and throughout the period in which it holds such Rule 144A Notes or any interest therein: (a) it is not a benefit plan investor as

defined in Section 3(42) of ERISA, as amended; (b) it is not and is not using the assets of a governmental plan (as defined in Section 3(32) of ERISA), church plan (as defined in Section 3(33) of ERISA), or non-U.S. plan (as described in Section 4(b)(4) of ERISA) subject to laws which are substantially similar to the prohibited transaction provisions of ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended, unless the purchase and holding of such Rule 144A Notes will not violate such similar law; and (c) it will not sell or otherwise transfer any such Rule 144A Note or interest to any person unless the same foregoing representations and warranties are deemed to apply from that person;

(7) it acknowledges that the Issuer, the Borrower, the Guarantor, the Registrar, the Joint Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Rule 144A Notes is no longer accurate, it shall promptly notify the Issuer, the Borrower, the Guarantor and the Joint Lead Managers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account;

(8) it understands that the Rule 144A Notes will be evidenced by the Rule 144A Global Certificate. Before any interest in the Rule 144A Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with the foregoing acknowledgements, representations and agreements and applicable securities laws; and

(9) it is relying on the information contained in this Prospectus in making its investment decision with respect to the Rule 144A Notes. It acknowledges that none of the Issuer, EuroChem or the Joint Lead Managers has made any representation to it with respect to the Issuer or EuroChem or the offering or sale of the Rule 144A Notes, other than the information contained in this Prospectus which has been delivered to it and upon which it is relying in making its investment decision with respect to the Rule 144A Notes. It has had access to such financial and other information concerning the Issuer and EuroChem and the Rule 144A Notes as it has deemed necessary in connection with its decision to purchase the Rule 144A Notes, including an opportunity to ask questions of and request information from the Issuer, EuroChem and the Joint Lead Managers.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Regulation S Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Regulation S Notes in resales prior to the expiration of the Distribution Compliance Period, by accepting delivery of this Prospectus and the Regulation S Notes, will be deemed to have represented, agreed and acknowledged that:

(1) it is, or at the time Regulation S Notes are purchased will be, the beneficial owner of such Regulation S Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S); and (b) it is not an affiliate of the Issuer, EuroChem or a person acting on behalf of such an affiliate;

(2) it understands that such Regulation S Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Regulation S Notes except: (a) in accordance with Rule 144A to a person that it or any person acting on its behalf reasonably believes is a QIB that is also a QP purchasing for its own account or the account of a QIB that is also a QP; or (b) to a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States;

(3) the Issuer, EuroChem, the Registrar, the Joint Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agree that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes is no longer accurate, it shall promptly notify the Issuer, EuroChem and the Joint Lead Managers. If it is acquiring any Notes as a fiduciary

or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the above acknowledgements, representations and agreements on behalf of each account;

(4) it understands that the Regulation S Notes offered in reliance on Regulation S will be represented by the Regulation S Global Certificate. Prior to the expiration of the Distribution Compliance Period, before any interest in the Regulation S Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws;

(5) it understands that the Regulation S Notes, unless otherwise agreed between the Issuer and the Trustee in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE, THE LOAN IN RESPECT THEREOF AND ANY GUARANTEE OF THE LOAN FROM TIME TO TIME HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.

EACH BENEFICIAL OWNER HEREOF REPRESENTS AND WARRANTS THAT FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN (1) IT IS NOT, AND IT IS NOT USING THE ASSETS OF, A BENEFIT PLAN INVESTOR AS DEFINED IN SECTION 3(42) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"); (2) IT IS NOT AND IS NOT USING THE ASSETS OF A GOVERNMENTAL PLAN (AS DEFINED IN SECTION 3(32) OF ERISA), CHURCH PLAN (AS DEFINED IN SECTION 3(33) OF ERISA), OR NON-U.S. PLAN (AS DESCRIBED IN SECTION 4(B)(4) OF ERISA) SUBJECT TO LAWS WHICH ARE SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF ERISA OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, UNLESS THE PURCHASE AND HOLDING OF THIS NOTE WILL NOT VIOLATE SUCH SIMILAR LAW; AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY NOTE OR INTEREST THEREIN TO ANY PERSON WITHOUT FIRST OBTAINING THE SAME FOREGOING REPRESENTATIONS, WARRANTIES AND COVENANTS FROM THAT PERSON;

(6) it understands and acknowledges that its purchase and holding of such Regulation S Notes constitutes a representation and agreement by it that at the time of its purchase and throughout the period in which it holds such Regulation S Notes or any interest therein (a) it is not a benefit plan investor as defined in Section 3(42) of ERISA, as amended; (b) it is not and is not using the assets of a governmental plan (as defined in Section 3(32) of ERISA), church plan (as defined in Section 3(33) of ERISA), or non-U.S. plan (as described in Section 4(b)(4) of ERISA) subject to laws which are substantially similar to the prohibited transaction provisions of ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended, unless the purchase and holding of such Regulation S Notes will not violate such similar law; and (c) it will not sell or otherwise transfer any such Regulation S Note or interest to any person unless the same foregoing representations and warranties are deemed to apply to that person; and

(7) it understands that the Issuer may receive a list of participants holding positions in the Issuer's securities from one or more book-entry depositories.

Book-Entry Procedures for the Global Certificates

Custodial and depository links are to be established between DTC, Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross market transfers of the Notes associated with secondary market trading. See *Book-Entry Ownership* and *Settlement and Transfer of Notes* below.

Investors may hold their interests in the Global Certificates directly through DTC, Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

DTC

DTC is a limited purpose trust company organised under the laws of the State of New York, a ''banking organisation'' under the laws of the State of New York, a member of the U.S. Federal Reserve System, a ''clearing corporation'' within the meaning of the New York Uniform Commercial code and a ''clearing agency'' registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and to facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, which clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in the Rule 144A Global Certificate directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the Rule 144A Global Certificate as to which such Participant or Participants has or have given such direction. However, in the circumstances described under *Summary of Provisions Relating to the Notes while in Global Form*, DTC will surrender the Rule 144A Global Certificate for exchange for Definitive Notes (which Definitive Notes will bear the legend applicable to transfers pursuant to Rule 144A).

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

The Regulation S Global Certificate representing the Regulation S Notes will have an ISIN, a Common Code and a CFI Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg. The address of Euroclear is 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855, Luxembourg.

DTC

The Rule 144A Global Certificate representing the Rule 144A Notes will have an ISIN, a Common Code, and a CUSIP number and will be deposited with a custodian (the ''**DTC Custodian**'') for, and registered in the name of Cede & Co. as nominee of, DTC. The DTC Custodian and DTC will electronically record the principal amount of the Notes held within the DTC system. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of DTC, Euroclear, Clearstream, Luxembourg as the holder of a Note evidenced by a Global Certificate must look solely to DTC, Euroclear or Clearstream, Luxembourg (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Certificate and in relation to all other rights arising under such Global Certificate, subject to and in accordance with the respective rules and procedures of DTC, Euroclear or Clearstream, Luxembourg

(as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Certificate, the common depositary by whom such Certificate is held, or the nominee in whose name it is registered, will immediately credit the relevant Participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Certificate as shown on the records of the relevant common depositary or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Certificate held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Certificate, and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Certificate in respect of each amount so paid. None of the Issuer, the Trustee or any Agent (as defined in the *Terms and Conditions of the Notes*) will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Certificate held within a clearing system are exchanged for Definitive Notes.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system, and its records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Certificate to such persons may be limited. As DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in the Rule 144A Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC Participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's same-day funds settlement system in same-day funds, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where

payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC Participants.

Trading between DTC seller and Euroclear/Clearstream, Luxembourg purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC Participant holding a beneficial interest in the Rule 144A Global Certificate to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Regulation S Global Certificate (subject to the certification procedures provided in the Agency Agreement), the DTC Participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg Participant. On the settlement date, the DTC Custodian of the Rule 144A Global Certificate will instruct the Registrar to: (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Certificate of the relevant class; and (ii) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Certificate. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading between Euroclear/Clearstream, Luxembourg seller and DTC purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC Participant wishing to purchase a beneficial interest in the Rule 144A Global Certificate (subject to the certification procedures provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg Participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7.45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC Participant on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will: (a) transmit appropriate instructions to the DTC Custodian of the Rule 144A Global Certificate who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC Participant; and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Certificate; and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Certificate.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in Global Certificates among Participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedure, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any agent will have the responsibility for the performance by DTC, Euroclear, Clearstream, Luxembourg or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Pre-issue Trades Settlement

It is expected that delivery of the Notes will be made against payment therefor on the Closing Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise.

Accordingly, purchasers who wish to trade the Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the Closing Date will be required, by virtue of the fact the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary.

Purchasers of the Notes may be affected by such local settlement practices, and purchasers of the Notes between the relevant date of pricing and the Closing Date should consult their own advisers.

CERTAIN ERISA CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended (''**ERISA**''), imposes fiduciary standards and certain other requirements on employee benefit plans subject thereto (collectively, ''**ERISA Plans**''), including collective investment funds, separate accounts, and other entities or accounts whose underlying assets are treated as assets of such plans pursuant to the U.S. Department of Labour ''plan assets'' regulation, 29 CFR Section 2510.3-101, as modified by Section 3(42) of ERISA (the ''Plan Assets Regulation''), and on those persons who are fiduciaries with respect to ERISA Plans.

Under a ''look-through rule'' set forth in the Plan Assets Regulation, if an ERISA Plan or a plan that is not subject to ERISA but that is subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the ''**Code**'') (collectively, ''**Plans**''), invests in an ''equity interest'' of an entity that is neither a ''publicly offered security'' nor a security issued by an investment company registered under the Investment Company Act, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless an exception applies. Under one such exception to this look-through rule, the underlying assets of an entity in which a Plan makes an equity investment will not be considered ''plan assets'' if benefit plan investors own less than 25 per cent. of the value of each class of equity interest in the entity. For purposes of this 25 per cent. determination, the value of equity interests held by persons (other than benefit plan investors) that have discretionary authority or control with respect to the assets of the entity or that provide investment advice for a fee (direct or indirect) with respect to such assets (or any affiliate of such a person) is disregarded. An equity interest does not include debt (as determined by applicable local law) which does not have substantial equity features. The term ''**benefit plan investor**'' is defined in Section 3(42) of ERISA as: (a) an employee benefit plan (as defined in Section 3(3) of ERISA) that is subject to part 4 of subtitle B of Title I of ERISA, (b) a plan to which Section 4975 of the Code applies, or (c) any entity whose underlying assets include ''plan assets'' by reason of any such plan's investment in the entity. Where the value of an equity interest in an entity relates solely to identified property of the entity, that property is treated as the sole property of a separate entity.

Because the Notes do not represent an interest in any property of the Issuer other than the Loan, they may be regarded for ERISA purposes as equity interests in a separate entity whose sole asset is the Loan. Further, neither the Issuer nor the Trustee will be able to monitor the Noteholders' possible status as benefit plan investors. Accordingly, the Notes are not permitted to be acquired by any benefit plan investor.

Governmental plans, certain church plans and certain non U.S. plans, while not subject to the prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to federal, state, local, non U.S. or other laws or regulations (such as the prohibited transaction rules of Section 503 of the Code) that are substantially similar to the foregoing provisions of ERISA or the Code (''**Similar Laws**''). Fiduciaries of such plans should consult with their counsel before purchasing any of the Notes or any interest therein.

By its purchase and holding of the Notes or any interest therein, the purchaser thereof will be deemed to have represented and agreed that at the time of its purchase and throughout the period in which it holds such Notes or any interest therein: (a) it is not a benefit plan investor as defined in Section 3(42) of ERISA; (b) it is not and is not using the assets of a governmental plan, church plan or non-U.S. plan subject to Similar Laws unless the purchase and holding of such Notes will not violate any such Similar Laws; and (c) it will not sell or otherwise transfer any such Notes or interest to any person unless the same foregoing representations and warranties are deemed to apply from that person.

The foregoing discussion should not be construed as legal advice. Any potential purchaser of Notes should consult its legal counsel with respect to issues arising under ERISA, Section 4975 of the Code and any Similar Laws and make its own independent decisions.

GENERAL INFORMATION

1. Application has been made to list the Notes on the Irish Stock Exchange, through the Listing Agent, Arthur Cox Listing Services Limited ("**ACLSL**"). ACLSL is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission to the Official List or to trading on the Main Securities Market. It is expected that the listing of the Notes will be granted on or before 12 December 2012. Transactions will normally be effected for delivery on the third working day after the day of the transaction, subject only to the issue of the Global Certificates.

2. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and DTC. The International Securities Identification Number ("**ISIN**") of the Regulation S Global Certificate is XS0863583281, the Common Code of the Regulation S Global Certificate is 086358328 and the CFI Code of the Regulation S Global Certificate is DYFXXR. The CUSIP number of the Rule 144A Global Certificate is 29872P AA6, the ISIN of the Rule 144A Global Certificate is US29872PAA66 and the Common Code of the Rule 144A Global Certificate is 086397331.

3. The Issuer estimates the amount of expenses related to the admission of the Notes to trading on the Irish Stock Exchange to be approximately EUR 5,000.

4. No consents, approvals or orders of any regulatory authorities are required by the Issuer under the laws of the Ireland for the maintenance of and performance of its obligations under the Loan and for the issue of and performance of its obligations under the Notes.

5. The making of the Loan was approved by a resolution of the Board of Directors of EuroChem on 27 November 2012, and the issue of the Notes and the making of the Loan were approved by a resolution of the Board of Directors of the Issuer on 6 December 2012. EuroChem and the Issuer will obtain all necessary consents, approvals and authorisations in Russia and Ireland, respectively, in connection with the Loan and the issue and performance of the obligations under the Notes.

6. There has been no significant change in the financial or trading position of EuroChem or the Group since 30 September 2012 and no material adverse change in the prospects of EuroChem or the Group since 31 December 2011.

7. There are no, and have not been, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which EuroChem is aware) which may have or have had during the 12 months prior to the date of this Prospectus a significant effect on the financial position or profitability of EuroChem or the Group.

8. Since its incorporation, there has been no material adverse change in the financial position or prospects of the Issuer. As of the date of this Prospectus, no financial statements of the Issuer have been produced.

9. There are no, and have not been, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had since its incorporation, a significant effect on the financial position or profitability of the Issuer.

10. Neither EuroChem nor the Issuer has entered into any material contracts outside the ordinary course of business which could result in EuroChem, the Issuer or any member of the Group becoming subject to an obligation or entitlement that would be material to the Issuer's ability to meet its obligations to Noteholders in respect of the Notes or EuroChem's ability to meet its obligations under the Loan Agreement.

11. Until the maturity date or earlier repayment of the Notes, copies (and certified English translations where documents at issue are not in English, unless indicated otherwise below) of the following documents may be inspected at and are available in physical form at the registered office of the Issuer and the specified offices of the Trustee and the Principal Paying Agent in London during usual business hours on any business day (Saturdays, Sundays and public holidays excepted):

    (a) a copy of this Prospectus along with any supplement to this Prospectus;

    (b) the Memorandum and Articles of Association of the Issuer;

    (c) the charter of EuroChem (an English copy which is available for information purposes only and has not been certified);

(d) the Annual Consolidated Financial Statements, including the related independent auditor's reports in respect thereof, and the Interim Consolidated Financial Information, including the review report in respect thereof;

(e) the Loan Agreement; and

(f) the Trust Deed and the Agency Agreement.

12. Citigroup Global Markets Deutschland AG will act as Registrar in relation to the Notes.

13. The loan to value ratio is 100 per cent.

14. There are no potential conflicts of interest between any duties of the Board of Directors of EuroChem to EuroChem, and their private interests and/or other duties.

15. The following table sets forth information about the Group's significant subsidiaries:

	Country	**Group holding (per cent.)**
Kovdorskiy Mining-and-Processing Integrated Works, OJSC	Russia	100
Nevinnomysskiy Azot, OJSC	Russia	100
Novomoskovskiy Azot, OJSC	Russia	100
EuroChem-Belorechenskiy Minudobrenia, LLC	Russia	100
Phosphorit Industrial Group, LLC	Russia	100
Lifosa AB	Lithuania	100
EuroChem-VolgaKaliy, LLC	Russia	100
EuroChem-Usolskiy potash complex	Russia	100
EuroChem Antwerpen	Belgium	100

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EUROCHEM GROUP

INTERNATIONAL ACCOUNTING STANDARD No. 34

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

30 SEPTEMBER 2012

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Auditor's Report on the Review of the Consolidated Condensed Interim Financial Information for the Nine months ended 30 September 2012

To the Shareholders and Board of Directors of EuroChem Group:

Introduction

We have reviewed the accompanying consolidated condensed statement of financial position of Open Joint Stock Company Mineral Chemical Company "EuroChem" and its subsidiaries (together, the "Group") as at 30 September 2012 and the related consolidated condensed statements of comprehensive income for the three and nine month period then ended, cash flows and changes in equity for the nine month period then ended. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information (hereinafter, the "interim financial information") in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

14 November 2012
Moscow, Russian Federation

ZAO PricewaterhouseCoopers Audit
White Square Office Center 10 Butyrsky Val Moscow, Russia, 125047
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	Note	30 September 2012	31 December 2011
ASSETS			
Non-current assets:			
Property, plant and equipment	6	120,664,779	100,752,901
Mineral rights	7	15,365,357	14,271,178
Goodwill	8	11,302,861	295,275
Intangible assets	9	7,503,976	610,463
Restricted cash	15	43,715	7,980
Available-for-sale investments	10	2,172,004	11,044,815
Available-for-sale investments pledged as collateral	10	896,272	11,423,184
Derivative financial assets	18	690,845	124,353
Deferred income tax assets		4,133,457	1,806,374
Other non-current assets		148,138	167,920
Total non-current assets		**162,921,404**	**140,504,443**
Current assets:			
Inventories	11	20,162,521	14,957,399
Trade receivables	12	11,806,092	3,435,913
Prepayments, other receivables and other current assets	12	9,625,299	10,190,762
Prepayments for treasury shares	13	4,260,184	-
Originated loans	14	-	6,301,867
Derivative financial assets	18	35,426	-
Restricted cash	15	324,297	77,238
Fixed-term deposits	15	6,427,572	20,865,910
Cash and cash equivalents	15	18,862,119	8,506,949
Total current assets		**71,503,510**	**64,336,038**
Assets classified as held for sale		938,668	-
TOTAL ASSETS		**235,363,582**	**204,840,481**
LIABILITIES AND EQUITY			
Equity attributable to owners of the parent:			
Share capital		6,800,000	6,800,000
Treasury shares		(29,679,427)	(29,679,427)
Retained earnings and other reserves		130,856,712	106,265,011
		107,977,285	**83,385,584**
Non-controlling interests		179,022	6,985,154
Total equity		**108,156,307**	**90,370,738**
Non-current liabilities:			
Bank borrowings	16	70,849,906	73,228,199
Bonds issued	17	9,968,601	9,964,656
Derivative financial liabilities	18	161,575	493,739
Deferred income tax liabilities		5,821,441	4,681,605
Other non-current liabilities and deferred credits	19	7,163,135	894,977
Total non-current liabilities		**93,964,658**	**89,263,176**
Current liabilities:			
Bank borrowings	16	12,761,546	4,167,140
Bonds issued	17	-	9,332,241
Derivative financial liabilities	18	842	167,050
Trade payables		11,563,084	3,061,104
Other accounts payable and accrued expenses		6,455,542	6,378,011
Income tax payable		1,439,512	1,436,216
Other taxes payable		1,022,091	664,805
Total current liabilities		**33,242,617**	**25,206,567**
Total liabilities		**127,207,275**	**114,469,743**
TOTAL LIABILITIES AND EQUITY		**235,363,582**	**204,840,481**

Approved on behalf of the Board of Directors
14 November 2012

Dmitry Strezhnev
Chief Executive Officer

Andrey Ilyin
Chief Financial Officer

The accompanying notes on pages 5 to 29 are an integral part of this consolidated condensed interim financial information.

	Note	Three months ended 30 September 2012	Three months ended 30 September 2011	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Sales	20	47,101,519	36,184,623	124,778,901	98,269,877
Cost of sales	21	(29,557,937)	(16,854,024)	(71,819,283)	(47,545,276)
Gross profit		**17,543,582**	**19,330,599**	**52,959,618**	**50,724,601**
Distribution costs	22	(6,237,215)	(5,923,991)	(17,086,328)	(13,791,655)
General and administrative expenses	23	(1,317,098)	(1,245,368)	(3,843,838)	(3,450,793)
Other operating income/(expenses) – net	24	(679,020)	275,935	378,062	(455,226)
Operating profit		**9,310,249**	**12,437,175**	**32,407,514**	**33,026,927**
Write-off of portion of assets at the Gremyachinskoe potash deposit	6	(3,116,000)	-	(3,611,387)	-
Dividend income	10	-	-	101,676	613,927
Gain on disposal of available-for-sale investments	10	-	-	568,382	914,434
Financial foreign exchange gain/(loss) – net		3,449,204	(5,970,051)	3,100,404	(3,382,505)
Interest income		96,066	48,519	565,556	101,617
Interest expense		(1,042,279)	(844,760)	(3,168,159)	(2,018,663)
Other financial gain/(loss) – net	25	1,409,277	(792,417)	999,821	937,914
Profit before taxation		**10,106,517**	**4,878,466**	**30,963,807**	**30,193,651**
Income tax expense	26	(2,200,286)	(1,488,227)	(6,370,215)	(5,920,480)
Net profit for the period		**7,906,231**	**3,390,239**	**24,593,592**	**24,273,171**
Other comprehensive income/(loss)					
Currency translation differences, net of tax		(1,519,694)	1,120,746	(513,739)	1,135,708
Revaluation of available-for-sale investments	10	84,936	(6,528,445)	956,311	(8,635,847)
Disposal of available-for-sale investments – reclassification of revaluation to profit and loss	10	-	-	(568,382)	(914,434)
Total other comprehensive loss for the period		**(1,434,758)**	**(5,407,699)**	**(125,810)**	**(8,414,573)**
Total comprehensive income/(loss) for the period		**6,471,473**	**(2,017,460)**	**24,467,782**	**15,858,598**
Net profit/(loss) for the period attributable to:					
Owners of the parent		7,907,261	3,390,985	24,597,395	24,275,471
Non-controlling interests		(1,030)	(746)	(3,803)	(2,300)
		7,906,231	**3,390,239**	**24,593,592**	**24,273,171**
Total comprehensive income/(loss) attributable to:					
Owners of the parent		6,484,309	(2,047,589)	24,481,870	15,845,764
Non-controlling interests		(12,836)	30,129	(14,088)	12,834
		6,471,473	**(2,017,460)**	**24,467,782**	**15,858,598**
Earnings per share – basic and diluted (in RR)	27	127.98	51.96	398.13	363.73

The accompanying notes on pages 5 to 29 are an integral part of this consolidated condensed interim financial information.

	Note	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Operating profit		**32,407,514**	**33,026,927**
Income tax paid		(5,690,619)	(5,054,746)
Operating profit less income tax paid		**26,716,895**	**27,972,181**
Depreciation and amortisation	23	5,661,375	3,265,923
Net loss on disposals and write-off of property, plant and equipment		222,079	101,948
Impairment of receivables and change of provision for obsolete and damaged inventories		104,314	53,141
Other non-cash (income)/expenses – net		(591,688)	539,015
Gross cash flow		**32,112,975**	**31,932,208**
Changes in operating assets and liabilities:			
Trade receivables		658,630	(855,451)
Advances to suppliers		404,802	121,784
Other receivables		122,526	(909,320)
Inventories		1,072,231	(2,454,034)
Trade payables		1,579,150	1,228,315
Advances from customers		(1,248,302)	(498,028)
Other payables		(737,329)	488,404
Restricted cash, other assets and liabilities		(282,794)	(1,170,933)
Net cash – operating activities		**33,681,889**	**27,882,945**
Cash flows from investing activities			
Capital expenditure on property, plant and equipment and intangible assets		(18,940,781)	(16,469,727)
Purchase of mineral rights		(166,053)	-
Prepayment for mineral rights		(48,500)	-
Prepayment for other non-current assets		(42,388)	(88,249)
Loan provided to the acquired subsidiary before acquisition		(116,229)	-
Acquisition of subsidiaries, net of cash acquired	29	(31,806,681)	(145,966)
Acquisition of available-for-sale investments	10, 28	(59,607)	-
Proceeds from sale of property, plant and equipment		83,639	35,622
Proceeds from sale of available-for-sale investments	10, 28	20,415,641	2,706,075
Cash proceeds/(payments) on derivatives – net	18	(63,873)	1,317,410
Dividends received and refunded withholding tax on dividends received	10	144,828	452,004
Net change in fixed-term deposits		13,805,272	-
Originated loans	14, 28	(1,927,340)	(3,097,000)
Repayment of originated loans	14	8,221,872	-
Interest received		942,854	103,023
Net cash – investing activities		**(9,557,346)**	**(15,186,808)**
Free cash inflow		**24,124,543**	**12,696,137**
Cash flows from financing activities			
Proceeds from bank borrowings	16	12,166,618	52,442,966
Repayment of bank borrowings	16	(3,295,374)	(31,234,477)
Repayment of bonds	17	(8,513,762)	-
Prepaid and additional transaction costs		(10,972)	(12,739)
Interest paid		(3,012,251)	(1,594,290)
Cash proceeds/(payments) on derivatives - net	18	108,048	-
Acquisition of non-controlling interest in oil and gas subsidiary	30	(6,619,999)	-
Acquisition of additional interest in other subsidiaries		(44)	(38,572)
Purchase of own shares	28	-	(29,671,667)
Prepayments for treasury shares	13, 28	(4,260,184)	-
Net cash – financing activities		**(13,437,920)**	**(10,108,779)**
Effect of exchange rate changes on cash and cash equivalents		(331,453)	243,486
Net increase in cash and cash equivalents		**10,355,170**	**2,830,844**
Cash and cash equivalents at the beginning of the period	15	**8,506,949**	**8,896,623**
Cash and cash equivalents at the end of the period	15	**18,862,119**	**11,727,467**

The accompanying notes on pages 5 to 29 are an integral part of this consolidated condensed interim financial information.

		Attributable to owners of the parent							
	Note	Share capital	Treasury shares	Cumulative currency translation differences	Revaluation of available-for-sale investments	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2011		**6,800,000**	**(7,760)**	**1,239,879**	**13,330,264**	**72,818,239**	**94,180,622**	**323,896**	**94,504,518**
Comprehensive income/(loss)									
Profit/(loss) for the period		-	-	-	-	24,275,471	24,275,471	(2,300)	24,273,171
Other comprehensive income/(loss)									
Currency translation differences		-	-	1,120,574	-	-	1,120,574	15,134	1,135,708
Revaluation of available-for-sale investments	10	-	-	-	(8,635,847)	-	(8,635,847)	-	(8,635,847)
Disposal of available-for-sale investments	10	-	-	-	(914,434)	-	(914,434)	-	(914,434)
Total other comprehensive income/(loss)		-	-	1,120,574	(9,550,281)	-	(8,429,707)	15,134	(8,414,573)
Total comprehensive income/(loss)		**-**	**-**	**1,120,574**	**(9,550,281)**	**24,275,471**	**15,845,764**	**12,834**	**15,858,598**
Transactions with owners									
Repurchase of own shares		-	(29,671,667)	-	-	-	(29,671,667)	-	(29,671,667)
Acquisition of subsidiaries		-	-	-	-	-	-	33,464	33,464
Acquisition of additional interest in subsidiaries		-	-	-	-	8,503	8,503	(47,075)	(38,572)
Total transactions with owners		**-**	**(29,671,667)**	**-**	**-**	**8,503**	**(29,663,164)**	**(13,611)**	**(29,676,775)**
Balance at 30 September 2011		**6,800,000**	**(29,679,427)**	**2,360,453**	**3,779,983**	**97,102,213**	**80,363,222**	**323,119**	**80,686,341**
Balance at 1 January 2012		**6,800,000**	**(29,679,427)**	**1,724,223**	**(273,427)**	**104,814,215**	**83,385,584**	**6,985,154**	**90,370,738**
Comprehensive income/(loss)									
Profit/(loss) for the period		-	-	-	-	24,597,395	24,597,395	(3,803)	24,593,592
Other comprehensive income/(loss)									
Currency translation differences		-	-	(503,454)	-	-	(503,454)	(10,285)	(513,739)
Revaluation of available-for-sale investments	10	-	-	-	956,311	-	956,311		956,311
Disposal of available-for-sale investments	10	-	-	-	(568,382)	-	(568,382)	-	(568,382)
Total other comprehensive income/(loss)		-	-	(503,454)	387,929	-	(115,525)	(10,285)	(125,810)
Total comprehensive income/(loss)		**-**	**-**	**(503,454)**	**387,929**	**24,597,395**	**24,481,870**	**(14,088)**	**24,467,782**
Transactions with owners									
Acquisition of non-controlling interests in oil and gas subsidiary	30	-	-	-	-	109,832	109,832	(6,792,001)	(6,682,169)
Acquisition of additional interest in other subsidiaries		-	-	-	-	(1)	(1)	(43)	(44)
Total transactions with owners		**-**	**-**	**-**	**-**	**109,831**	**109,831**	**(6,792,044)**	**(6,682,213)**
Balance at 30 September 2012		**6,800,000**	**(29,679,427)**	**1,220,769**	**114,502**	**129,521,441**	**107,977,285**	**179,022**	**108,156,307**

1 The EuroChem Group and its operations

EuroChem Group comprises the parent entity, Open Joint Stock Company Mineral Chemical Company "EuroChem" (the "Company"), and its subsidiaries (collectively the "Group" or "EuroChem Group").

The Group's principal activities include mineral extraction (iron-ore, apatite, baddeleyite and hydrocarbons), fertiliser production and distribution. The Group manufactures a large number of products, the most significant of which is a wide range of mineral fertilisers (nitrogen and phosphate groups).

A company that holds business interests beneficially for Mr. Andrey Melnichenko owns 100% of Linea Limited registered in Bermuda, which in turn owns 92.2% (31 December 2011: 92.2%) of EuroChem Group S.E. 7.8% of EuroChem Group S.E. (31 December 2011: 7.8%) is held indirectly by Mr. Dmitry Strezhnev, CEO of the Group. EuroChem Group S.E. owns 90.86% of the Company (31 December 2011: 90.86%). The remaining 9.14% is held by EuroChem Capital Management Ltd, the Group's wholly-owned subsidiary, and presented as treasury shares in the consolidated statement of financial position.

The Group's manufacturing facilities are primarily based in the Russian Federation with the exception of two entities: Lifosa AB, located in Lithuania and EuroChem Antwerpen NV acquired on 31 March 2012, located in Belgium (Note 29).

The Company was incorporated and domiciled in the Russian Federation on 27 August 2001 as a closed joint stock company. On 3 April 2006 the Company changed its legal form to an open joint stock company. The Company has its registered office at:

Dubininskaya St. 53, bld. 6,
Moscow, Russian Federation.

2 Basis of presentation

Basis of preparation of financial information. This consolidated condensed interim financial information for the nine months ended 30 September 2012 has been prepared in accordance with IAS 34, "Interim Financial Reporting". It should be read in conjunction with the consolidated financial statements for the year ended 31 December 2011 which have been prepared in accordance with International Financial Reporting Standards.

Functional currency. The functional currency for the Group's subsidiaries located in Russia is the national currency of the Russian Federation, the Russian Rouble ("RR"). The Group has significant subsidiaries located in Lithuania, where the functional currency is the Lithuanian Lita ("LTL") and companies acquired during 2012 in Europe, where the functional currency is the Euro. Financial information of these subsidiaries has been translated into Russian Roubles, the presentation currency, at the applicable exchange rates as required by IAS 21 "The Effects of Changes in Foreign Exchange Rates" for inclusion in these consolidated condensed interim financial information.

At 30 September 2012 the official exchange rates established by the Central Bank of Russia ("CBR") were: Euro 1 = RR 39.9786 (31 December 2011: Euro 1 = RR 41.6714), LTL 1 = RR 11.5781 (31 December 2011: LTL 1 = RR 12.0684). Average rates for the nine months ended 30 September 2012 were: Euro 1 = RR 39.8329 (nine months ended 30 September 2011: Euro 1 = RR 40.4739), LTL 1 = RR 11.5367 (nine months ended 30 September 2011: LTL 1 = RR 11.7214).

3 Accounting policies and critical accounting judgements and estimates

The accounting policies and significant judgements and estimates applied are consistent with those of the consolidated financial statements for the year ended 31 December 2011, except for the policies which were changed to comply with the new or amended standards and interpretations that are in force for the year beginning on 1 January 2012 (Note 4).

Income taxes. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

4 Adoption of new or revised standards and interpretations

The following new standards, amendments to standards and interpretations became effective for the Group from 1 January 2012:

- Recovery of Underlying Assets – Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012);
- Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011);
- Amendments to IFRS 1 "First-time adoption of IFRS", relating to severe hyperinflation and eliminating references to fixed dates for certain exceptions and exemptions.

A number of new standards, amendments to standards and interpretations are not yet effective as at 30 September 2012, and have not been early adopted:

- IFRS 9, Financial Instruments Part 1: Classification and Measurement (issued in November 2009, effective for annual periods beginning on or after 1 January 2015, with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial information;
- IFRS 10, Consolidated financial statements (issued in May 2011, effective for annual periods beginning on or after 1 January 2013 with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial information;
- IFRS 11, Joint arrangements (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted);
- IFRS 12, Disclosure of interests in other entities (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted);
- IFRS 13, Fair Value Measurement (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial information;
- Amendments to IAS 1, Presentation of financial statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012). The Group is currently assessing the impact of the amendments on its consolidated financial information;
- Amended IAS 19, Employee benefits (issued June 2011, effective for periods beginning on or after 1 January 2013). The Group is currently assessing the impact of the amended standard on its consolidated financial information;
- IAS 27, Separate Financial Statements (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013);
- IAS 28, Investments in Associates and Joint Ventures (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013);
- Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The Group is currently assessing the impact of the amended standard on its consolidated financial information;
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The Group is currently assessing the impact of the amended standard on its consolidated financial information;

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

- Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23, Borrowing costs, retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to the chief operating decision maker and there has been a material change in those measures since the last annual financial statements;
- Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards − Government loans (issued in March 2012 and effective for periods beginning on or after 1 January 2013);
- Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 June 2012 and effective for annual periods beginning on or after 1 January 2013). The Group is currently assessing the impact of the amended standard on its consolidated financial information;
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014);
- Other revised standards and interpretations: The amendment to IAS 12 “Income taxes”, which introduces a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale, will not have any impact on this consolidated condensed interim financial information. IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, considers when and how to account for the benefits arising from the stripping activity in mining industry. The Group is currently assessing the impact of the interpretation on its consolidated financial information.

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

5 Segment information

The Group is a vertically integrated business with activities spanning mining and natural gas extraction, fertiliser manufacturing, organic synthesis products, sales and distribution. The Group produces a large number of products, the most significant of which are a wide range of mineral fertilisers (nitrogen and phosphate groups). On a monthly basis the Management Board reviews the financial reports of the Group, evaluates the operating results and allocates resources between the operating segments. Budgets and financial reports are prepared in a standard format according to the IFRS accounting policy adopted by the Group. Sales between segments are carried out on an arm’s length basis. The Management Board assesses the performance of the operating segments based on, among other factors, a measure of profit before taxation adjusted by interest expense, depreciation and amortisation, financial foreign exchange gain or loss, other non-cash and extraordinary items, excluding net profit for the period attributed to non-controlling interests (EBITDA). Since this term is not a standard IFRS measure EuroChem Group’s definition of EBITDA may differ from that of other companies.

5 Segment information

The development and approval of strategies, market and risk analysis, the investment focus, technological process changes, and the setting of goals and priorities of the Group are undertaken in line with the segment structure of the Group:

- Nitrogen – the production and sale of nitrogen mineral fertilisers and organic synthesis products; starting from 2012 this also comprises hydrocarbon extraction and production. Starting from 31 March 2012, this segment includes the assets and liabilities, and the financial results of EuroChem Antwerpen NV;
- Phosphates – the production and sale of phosphate mineral fertilisers and the extraction of ores to produce and subsequently sell baddeleyite and iron-ore concentrates;
- Potash – the development of several deposits of potassium salts ("potash") under the licences acquired by the Group with a view to starting production and marketing of potassium fertilisers. No sales have been recorded to date in this segment;
- Distribution – retail sales of mineral fertilisers (including those not produced by the Group), seeds, crop protection items etc. via a number of retailers located within Russia and the CIS;
- All other – certain logistics and service activities, central management, investment income and other items.

The segmental results for the nine months ended 30 September 2012 were:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	57,415,228	8,689,753	66,104,981	22,563,485
Phosphates	45,571,861	3,585,806	49,157,667	14,005,659
Potash	-	-	-	(397,888)
Distribution	13,152,610	11,579	13,164,189	723,091
Other	8,639,202	14,227,216	22,866,418	2,161,648
Elimination	-	(26,514,354)	(26,514,354)	(176,632)
Total	**124,778,901**	**-**	**124,778,901**	**38,879,363**

The segmental results for the nine months ended 30 September 2011 were:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	38,888,195	7,247,374	46,135,569	18,449,194
Phosphates	46,145,043	2,908,282	49,053,325	18,996,566
Potash	-	-	-	(470,347)
Distribution	10,910,815	695	10,911,510	676,213
Other	2,325,824	10,334,082	12,659,906	(269,518)
Elimination	-	(20,490,433)	(20,490,433)	(315,849)
Total	**98,269,877**	**-**	**98,269,877**	**37,066,259**

A reconciliation of total profit before taxation is provided below:

		Nine months ended	
	Note	30 September 2012	30 September 2011
EBITDA		**38,879,363**	**37,066,259**
Depreciation and amortisation	23	(5,661,375)	(3,265,923)
Idle property, plant and equipment write-off	6	(139,439)	(55,565)
Write-off of portion of assets at the Gremyachinskoe potash deposit	6	(3,611,387)	-
Gain on disposal of available-for sale investments	10	568,382	914,434
Financial foreign exchange gain/(loss) − net		3,100,404	(3,382,505)
Interest expense		(3,168,159)	(2,018,663)
Other financial gain/(loss) − net	25	999,821	937,914
Non-controlling interest		(3,803)	(2,300)
Profit before taxation		**30,963,807**	**30,193,651**

5 Segment information (continued)

The analysis of Group sales by region was:

	Nine months ended	
	30 September 2012	30 September 2011
Russia	26,578,563	23,453,357
CIS	10,806,788	12,871,017
Asia	19,655,272	18,685,409
Europe	30,274,799	15,072,070
Latin America	19,445,821	17,340,131
North America	13,741,849	8,242,836
Africa	3,079,754	2,077,075
Australasia	1,196,055	527,982
Total sales	**124,778,901**	**98,269,877**

The sales are allocated by regions based on the destination country. There were no sales in excess of 10% to any one country, except for Russia, during the nine months ended 30 September 2012 and 30 September 2011.

The Group had sales in excess of 10% to one customer during the nine months ended 30 September 2012 and 30 September 2011. Revenues from this customer represented 12% of total Group revenues for the nine months ended 30 September 2012 (nine months ended 30 September 2011: 11%) and were allocated to the Nitrogen, Phosphates and Other segments (nine months ended 30 September 2011: Nitrogen and Phosphates segments).

6 Property, plant and equipment

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

	Note	2012	2011
Carrying amount at 1 January		**100,752,901**	**73,121,566**
Including advances given to construction companies and suppliers of property, plant and equipment		*6,156,538*	*5,312,790*
Additions		20,013,817	16,842,469
Including change in advances given		*(1,116,486)*	*824,428*
Acquisitions through business combination	29	9,581,491	111,000
Disposals		(166,279)	(82,005)
Depreciation charge for the period		(5,748,280)	(3,426,264)
Write-off of portion of assets at the Gremyachinskoe potash deposit			
Write-off of grouting technology costs incurred on cage shaft construction		(3,116,000)	-
Write-off of advances given to construction company		(495,387)	-
Idle property, plant and equipment write-off	21, 24	(139,439)	(55,565)
Currency translation differences		(18,045)	342,721
Carrying amount at 30 September		**120,664,779**	**86,853,922**
Including advances given to construction companies and suppliers of property, plant and equipment		*4,544,665*	*6,137,218*

The analysis of the Group's assets under construction is:

	30 September 2012	31 December 2011
Construction in progress	40,898,619	39,622,027
Exploration expenses	183,127	75,891
Advances given to construction companies and suppliers of property, plant and equipment	4,544,665	6,156,538
Total assets under construction	**45,626,411**	**45,854,456**

6 Property, plant and equipment (continued)

Write-off of a portion of the assets at the Gremyachinskoe potash deposit

Following an earlier termination of the construction contract, in October 2012 the Group filed a claim against Shaft Sinkers (Pty) Ltd. (Shaft Sinkers), seeking US$ 800 million compensation for the direct costs and substantial lost profits arising from the delay in commencing potash production. This was a result of the inability of Shaft Sinkers to fulfill its contractual obligations and complete the construction of the Gremyachinskoe cage shaft, primarily due to problems with the grouting technology.

In October 2012 Shaft Sinkers presented an interim claim letter to the Group claiming compensation of US$ 45 million in costs incurred by them up to and inclusive of 30 September 2012 in connection with the termination of the construction contract. Management believes that this claim is without merit.

The above disputes are subject to arbitration as specified in the contract.

An outstanding advance given to Shaft Sinkers of RR 495,387 thousand was written off during the nine months ended 30 September 2012 (nine months ended 30 September 2011: nil).

Due to the failure of the grouting technology employed in the cage shaft construction, expenses previously capitalised, amounting to RR 3,116,000 thousand, were written-off during the nine months ended 30 September 2012 (nine months ended 30 September 2011: nil).

Idle property, plant and equipment write-off

During the nine months ended 30 September 2012 the Group decided to mothball certain production equipment with a net book value of RR 139,439 thousand (nine months ended 30 September 2011: net book value of RR 55,565 thousand) and recognised a loss of RR 139,439 thousand in this consolidated condensed interim financial information (nine months ended 30 September 2011: RR 55,565 thousand) (Note 21, 24).

Evaluation expenses at the Darganovsky and Ravninny potash fields

At 30 September 2012 the Group has capitalised expenses relating to the evaluation stage of the Darganovsky and Ravninny potash fields of RR 183,127 thousand which were recognised in assets under construction (31 December 2011: RR 75,891 thousand). The capitalisation of these expenses started from 1 March 2011 when the Group received official confirmation of the estimated resources covered by the licences for the exploration and evaluation of the Darganovsky and Ravninny potash fields. In most cases such expenses are paid in the period when the services are provided.

Borrowing costs capitalised

During the nine months ended 30 September 2012 borrowing costs totalling RR 143,165 thousand (nine months ended 30 September 2011: RR 83,802 thousand) were capitalised in property, plant and equipment at an average interest rate of 4.75% p.a. (nine months ended 30 September 2011: 5.65% p.a.).

Payables to suppliers of property, plant and equipment

Trade payables include payables to suppliers of property, plant and equipment which amount to RR 1,169,300 thousand at 30 September 2012 (31 December 2011: RR 765,158 thousand).

7 Mineral rights

	30 September 2012	31 December 2011
Rights for exploration and production:		
Verkhnekamskoe potash deposit	4,087,166	4,087,166
Gremyachinskoe potash deposit	3,017,781	3,017,781
Kok-Jon and Gimmelfarbskoe phosphate deposits	1,118,255	-
Kovdorsky apatite deposits	166,549	166,549
Rights for exploration, evaluation and extraction:		
Yuzhny hydrocarbon deposit	24,495	24,495
Perelyubsko-Rubezhinskiy hydrocarbon deposit	22,116	22,116
Rights for proven and unproven mineral resources:		
Zapadno-Yaroyakhinsky hydrocarbon deposits	6,880,495	6,953,071
Prepayments for licences in Vostochno-Perelyubskiy and Zapadno-Perelyubskiy potash deposits	48,500	-
Total mineral rights	**15,365,357**	**14,271,178**

During the nine months ended 30 September 2012 the Group signed a contract with the authorities of the Republic of Kazakhstan for the extraction of phosphate rock at the Kok-Jon and Gimmelfarbskoe deposits in Kazakhstan's Zhambyl region.

8 Goodwill

Movements in goodwill arising from the acquisition of subsidiaries are:

	Note	2012	2011
Carrying amount at 1 January		**295,275**	**204,866**
Acquisition of subsidiaries	29	10,822,521	90,409
Currency translation differences		185,065	-
Carrying amount at 30 September		**11,302,861**	**295,275**

9 Intangible assets

Movements in the carrying amount of intangible assets were:

	Note	2012	2011
Carrying amount at 1 January		**610,463**	**814,523**
Additions		120,837	354
Acquisitions through business combinations	29	8,208,751	538
Reclassification to assets held for sale	29	(938,668)	-
Amortisation charge for the period		(487,085)	(154,323)
Currency translation differences		(10,322)	2,405
Carrying amount at 30 September		**7,503,976**	**663,497**

As at 30 September 2012 an intangible asset, which had been recognised as part of a business combination and amounting to RR 938,668 thousand was reclassified as held for sale following the decision of the Group's management to sell this asset. The transaction is expected to close before the end of 2012.

10 Available-for-sale investments, including shares pledged as collateral

At 30 September 2012 available-for-sale investments comprised the shares of K+S Group, a German manufacturer of potassium-based fertilisers and salt.

	30 September 2012	31 December 2011
K+S Group ordinary shares	2,172,004	11,044,815
K+S Group ordinary shares pledged as collateral	896,272	11,423,184
Total available-for-sale investments	**3,068,276**	**22,467,999**

10 Available-for-sale investments, including shares pledged as collateral (continued)

Movements in the carrying amount of available-for-sale investments, including shares pledged as collateral, were:

	2012	2011
Carrying amount at 1 January	**22,467,999**	**37,863,331**
Acquisition of available-for-sale investments	59,607	-
Revaluation of available-for-sale investments	956,311	(8,635,847)
Disposal of available-for-sale investments, including:		
- available-for-sale investments at cost	(19,847,259)	(1,791,641)
- reclassification of revaluation to profit and loss	(568,382)	(914,434)
Carrying amount at 30 September	**3,068,276**	**26,521,409**

K+S Group shares, including shares pledged as collateral

At 30 September 2012 the Group held 2,005,434 shares, or 1.048% of the issued share capital (31 December 2011: 15,440,170 shares, or 8.067% of the issued share capital) of K+S Group with a fair value of RR 3,068,276 thousand (31 December 2011: RR 22,467,999 thousand) with reference to the share price quoted on the Xetra trading system of Euro 38.27 per share (31 December 2011: Euro 34.92 per share). The accumulated increase from the historical cost to the fair value of the investment of RR 114,502 thousand was recognised in equity at 30 September 2012 (31 December 2011: a negative reserve of RR 273,427 thousand).

During the nine months ended 30 September 2012 the Group sold 13,475,191 ordinary shares of K+S Group to EuroChem Group S.E., the parent company of the Group, for RR 20,415,641 thousand (Note 28) and recognised a gain of RR 568,382 thousand in the profit and loss.

During the second quarter of 2012 the Group acquired 40,455 ordinary shares of K+S Group from a related party for RR 59,607 thousand paid in cash (Note 28).

Dividends and withholding tax

In May 2012 the Group received dividend income from K+S Group of RR 101,676 thousand (nine months ended 30 September 2011: RR 613,927 thousand) before withholding tax of RR 26,817 thousand (nine months ended 30 September 2011: RR 161,923 thousand).

In January 2012 the Group received a refund of withholding tax on dividends paid during 2011. The refund totalled RR 69,969 thousand.

K+S Group shares pledged as collateral

At 30 September 2012 the Group had 585,806 K+S Group shares pledged as collateral for a bank loan with a fair value of RR 896,272 thousand (31 December 2011: 6,350,094 K+S Group shares with a fair value of RR 9,240,436 thousand) with reference to the share price quoted on the Xetra trading system (Note 16).

At 30 September 2012 the Group did not have any outstanding derivative contracts secured by K+S Group ordinary shares as collateral (31 December 2011: 2,858,000 K+S Group ordinary shares with a fair value of RR 4,158,861 thousand were pledged as collateral to secure outstanding European call options) (Note 18).

Therefore, as at 30 September 2012 the total number of K+S Group shares pledged as collateral was 585,806 with a fair value of RR 896,272 thousand (31 December 2011: 7,850,094 shares with a fair value of RR 11,423,184 thousand, as agreed with the lender, 1,358,000 shares with a fair value of RR 1,976,113 thousand simultaneously represented collateral for a bank loan and collateral under the call options). Pledged shares have been reclassified to a separate line named “Available-for-sale investments pledged as collateral” in the consolidated condensed statement of financial position, as the mortgagee has the right to use and dispose of these shares. The Group holds economic exposure in relation to the encumbered and/or used shares. The mortgagee is obliged to replace the original financial collateral by transferring equivalent securities upon the performance of the obligations of the mortgagor.

11 Inventories

	30 September 2012	31 December 2011
Materials	6,730,887	5,821,720
Work in progress	1,330,463	1,180,983
Finished goods	9,613,793	6,445,567
Catalysts	2,774,492	1,784,203
Less: provision for obsolete and damaged inventories	(287,114)	(275,074)
Total inventories	**20,162,521**	**14,957,399**

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

	30 September 2012	31 December 2011
Trade receivables		
Trade receivables denominated in RR	1,704,393	1,074,277
Trade receivables denominated in US$	3,576,212	2,306,373
Trade receivables denominated in Euro	6,385,926	119,195
Trade receivables denominated in other currencies	416,309	182,696
Less: impairment provision	(276,748)	(246,628)
Total trade receivables – financial assets	**11,806,092**	**3,435,913**
Prepayments, other receivables and other current assets		
Advances to suppliers	3,332,767	3,737,569
VAT recoverable and receivable	5,305,671	5,040,882
Income tax receivable	94,947	198,767
Other taxes receivable	19,023	43,513
Other receivables	970,764	891,306
Less: impairment provision	(152,579)	(161,311)
Subtotal non-financial assets	**9,570,593**	**9,750,726**
Interest receivable	54,706	440,036
Subtotal financial assets	**54,706**	**440,036**
Total prepayments, other receivables and other current assets	**9,625,299**	**10,190,762**
Total trade receivables, prepayments, other receivables and other current assets	**21,431,391**	**13,626,675**
including:		
Financial assets	11,860,798	3,875,949
Non-financial assets	9,570,593	9,750,726

13 Prepayments for treasury shares

During the third quarter of 2012 the Group paid to EuroChem Group S.E., the parent company of the Group, RR 4,260,184 thousand (Note 28) in order to buy back 718,085 of its own shares, which represented 1.056% of the issued share capital. According to shares sale and purchase agreement the title passed to the Group when the transaction was recorded in the Registrar's account. The transfer of the title of these shares was recorded in October 2012. Additionally, on 25 October 2012 the Group bought back 132,978 of its own shares from EuroChem Group S.E., the parent company of the Group (Note 32).

14 Originated loans

	Note	2012	2011
Balance as at 1 January		6,301,867	-
Originated loans to related parties	28	1,927,340	3,097,000
Repayment of loans acquired in a business combination transaction by a third party		(6,301,867)	-
Repayment of originated loans by related parties	28	(1,920,005)	-
Foreign exchange loss		(7,335)	-
Balance as at 30 September		**-**	**3,097,000**

15 Cash and cash equivalents and fixed-term deposits

	30 September 2012	31 December 2011
Cash on hand and bank balances denominated in RR	1,426,777	1,491,231
Bank balances denominated in US$	4,261,298	1,849,003
Bank balances denominated in Euro	10,612,234	1,278,936
Balances denominated in other currencies	286,448	250,026
Term deposits denominated in RR	939,092	1,633,327
Term deposits denominated in US$	497,457	1,320,939
Term deposits denominated in Euro	433,046	445,277
Term deposits denominated in other currencies	405,767	238,210
Total cash and cash equivalents	**18,862,119**	**8,506,949**
Fixed-term deposits in RR	946,342	13,550,300
Fixed-term deposits in US$	5,379,540	7,283,471
Fixed-term deposits in Euro	101,690	32,139
Total fixed-term deposits	**6,427,572**	**20,865,910**
Current restricted cash	324,297	77,238
Non-current restricted cash	43,715	7,980
Total restricted cash	**368,012**	**85,218**

Term deposits at 30 September 2012 and 31 December 2011 are held to meet short term cash needs and have various original maturities but can be withdrawn on request without any restrictions.

Fixed-term deposits have various original maturities and can be withdrawn with early notification and/or with penalty accrued or interest income forfeited.

At 30 September 2012 current restricted cash totalling RR 324,297 thousand held at banks consisted of RR 293,825 thousand to meet the next principal and interest payments on bank borrowings and of RR 30,472 thousand (31 December 2011: RR 77,238 thousand) to comply with statutory regulations.

At 30 September 2012 RR 43,715 thousand of non-current restricted cash (31 December 2011: RR 7,980 thousand) was held in bank accounts as security deposits for third parties.

16 Bank borrowings

	2012	2011
Balance as at 1 January	**77,395,339**	**24,054,601**
Bank loans received, denominated in US$	12,041,505	47,580,319
Bank loans received, denominated in Euro	125,113	4,862,647
Bank loans repaid, denominated in US$	-	(31,234,477)
Bank loans repaid, denominated in Euro	(3,295,374)	-
Capitalisation and amortisation of transaction costs - net	177,275	403,186
Foreign exchange (gain)/loss - net	(2,832,406)	2,918,080
Balance as at 30 September	**83,611,452**	**48,584,356**

	30 September 2012	31 December 2011
Current bank borrowings		
Short-term bank loans, denominated in Euro	599,679	4,167,140
Short-term bank loans, denominated in US$	9,120,486	-
Current portion of long-term bank loans in US$	3,211,534	-
Current portion of long-term bank loans in Euro	71,794	
Less: short-term portion of transaction costs	(241,947)	-
Total current bank borrowings	**12,761,546**	**4,167,140**
Non-current bank borrowings		
Long-term bank loans, denominated in RR	20,000,000	20,000,000
Long-term bank loans, denominated in US$	50,671,394	53,430,421
Long-term bank loans, denominated in Euro	1,364,086	1,365,495
Less: long-term portion of transaction costs	(1,185,574)	(1,567,717)
Total non-current bank borrowings	**70,849,906**	**73,228,199**
Total bank borrowings	**83,611,452**	**77,395,339**

16 Bank borrowings (continued)

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

Under the terms of loan agreements, the Group is required to comply with a number of covenants and restrictions, including the maintenance of certain financial ratios and financial indebtedness and cross-default provisions.

Interest rates and outstanding amounts

A 5-year club loan facility which was obtained in August 2011 for US$ 1.3 billion bears a floating interest rate of 1-month Libor +1.8%. At 30 September 2012 the outstanding amount totalled US$ 1.3 billion (31 December 2011: US$ 1.3 billion).

In September 2011 the Group signed a RR 20 billion 5-year non-revolving fixed-interest rate loan facility with a leading Russian bank. As at 30 September 2012 the outstanding amount was RR 20 billion (31 December 2011: RR 20 billion).

In March 2010 the Group signed a US$ 261 million, 10-year export credit agency-backed loan facility with a floating interest rate based on 6-month Libor for financing the construction of the cage shaft at the Gremyachinskoe potash deposit. In April 2012 due to the termination of the construction contract the unutilised part of the facility was cancelled and at 30 September 2012 the outstanding amount was US$ 109.5 million (31 December 2011: US$ 109.5 million).

In August 2010 the Group signed a US$ 250 million 5-year credit line agreement bearing a floating interest rate based on 1-month Libor with a European commercial bank. At 30 September 2012 the outstanding amount was US$ 250 million (31 December 2011: US$ 250 million).

In May 2012 the Group signed a US$ 100 million framework agreement for a 2-year revolving facility bearing a floating interest rate based on Libor. As at 30 September 2012 the facility is fully utilised.

In March 2012 the Group signed a US$ 83.3 million credit line agreement with a European commercial bank, bearing a floating interest rate based on 1-month Libor and maturity in August 2015. As at 30 September 2012 the facility is fully utilised.

In August 2010 the Group signed a Euro 36.7 million, 13-year export credit agency-backed loan facility with a floating interest rate based on 6-month Euribor for financing the acquisition of permanent hoisting equipment for the cage and skip shafts of the Gremyachinskoe potash deposit development project from a Czech engineering company. At 30 September 2012 Euro 35.9 million of the facility has been utilised (31 December 2011: Euro 32.8 million).

In September 2009 the Group signed a loan agreement for Euro 85 million at a floating interest rate based on 1-month Euribor, which was converted into a revolving committed facility in 2010. In 2011 the credit limit was increased to Euro 140 million and by 31 December 2011 Euro 100 million of the facility was utilised. During the nine months ended 30 September 2012 Euro 85 million of the facility was repaid and the credit limit reduced to Euro 30 million with an extended maturity of March 2013. At 30 September 2012 the outstanding amount was Euro 15 million.

In May 2012 the Group signed a US$ 75 million framework agreement for a 2-year revolving facility bearing a floating interest rate based on Libor. As at 30 September 2012 the facility is fully utilised.

In September 2012 the Group signed a US$ 120 million 1-year credit line agreement bearing a floating interest rate based on 3-month Libor. As at 30 September 2012 the facility is fully utilised.

16 Bank borrowings (continued)

Collaterals and pledges

At 30 September 2012 collaterals comprised cash balances of RR 293,825 thousand restricted by banks to secure the next principal and interest payments (31 December 2011: nil) (Note 15).

A bank loan of RR 40,191,969 thousand and RR 41,854,930 thousand at 30 September 2012 and 31 December 2011, respectively, was collateralised by future export proceeds of the Group under sales contracts with certain customers. A bank loan of RR 599,679 thousand at 30 September 2012 (31 December 2011: RR 4,167,140 thousand) was secured by K+S Group shares as collateral represented by 585,806 shares with a fair value of RR 896,272 thousand (31 December 2011: 6,350,094 shares with a fair value of RR 9,240,436 thousand). Fair value was determined by reference to the share price quoted on the Xetra trading system (Note 10).

The Group's bank borrowings mature:

	30 September 2012	31 December 2011
- within 1 year	12,761,546	4,167,140
- between 1 and 2 years	18,292,285	7,325,334
- between 2 and 5 years	50,778,861	63,826,082
- more than 5 years	1,778,760	2,076,783
Total bank borrowings	**83,611,452**	**77,395,339**

17 Bonds issued

	30 September 2012	31 December 2011
Current bonds		
7.875% US$-denominated bonds due March 2012	-	9,336,869
Less: transaction costs	-	(4,628)
Total current bonds	-	**9,332,241**
Non-current bonds		
7.875% US$-denominated bonds due March 2012	-	9,336,869
Less: current portion of long-term bonds issued in US$	-	(9,336,869)
8.9% RR-denominated bonds due June 2018/ callable by investors in July 2015	5,000,000	5,000,000
8.25% RR-denominated bonds due November 2018/ callable by investors in November 2015	5,000,000	5,000,000
Less: transaction costs	(31,399)	(35,344)
Total non-current bonds	**9,968,601**	**9,964,656**
Total bonds issued	**9,968,601**	**19,296,897**

In March 2012 the US$ denominated bonds with a face value of US$ 290 million were redeemed and the Group paid a settlement amount of RR 8,513,762 thousand.

18 Derivative financial assets and liabilities

At 30 September 2012 the non-current derivative financial assets were represented by RR/US$ non-deliverable forward contracts accounted for at a fair value of RR 690,845 thousand (31 December 2011: RR 124,353 thousand). At 30 September 2012 the current derivative financial assets were represented by EUR/US$ deliverable forward contracts accounted for at a fair value of RR 35,426 thousand (a nominal amount of US$ 37,215 thousand).

At 30 September 2012 the non-current derivative financial liabilities were represented by a cross currency interest rate swap and RR/US$ non-deliverable forward contracts accounted for at a fair value of RR 139,411 thousand and RR 22,164 thousand, respectively (31 December 2011: RR 324,493 thousand and RR 169,246 thousand, respectively). At 30 September 2012 the current derivative financial liabilities were represented by EUR/US$ deliverable forward contracts accounted for at a fair value of RR 842 thousand (a nominal amount of US$ 1,245 thousand).

18 Derivative financial assets and liabilities (continued)

At 31 December 2011 the current derivative financial liabilities were represented by EUR/US$ non-deliverable forward contracts accounted for at a fair value of 167,044 thousand and European call options over K+S Group ordinary shares accounted for at a fair value of RR 6 thousand.

At 30 September 2012 the derivative financial assets and liabilities were:

	Assets		Liabilities	
	non-current	current	non-current	current
RR/US$ non-deliverable forward contracts	690,845	-	22,164	-
EUR/US$ deliverable forward contracts		35,426		842
Cross currency interest rate swap	-	-	139,411	-
Total	**690,845**	**35,426**	**161,575**	**842**

At 31 December 2011 the derivative financial assets and liabilities were:

	Assets		Liabilities	
	non-current	current	non-current	current
RR/US$ non-deliverable forward contracts	124,353	-	169,246	-
EUR/US$ non-deliverable forward contracts	-	-	-	167,044
Cross currency interest rate swap	-	-	324,493	-
Option contracts over K+S Group ordinary shares	-	-	-	6
Total	**124,353**	**-**	**493,739**	**167,050**

Movements in the carrying amount of derivative financial assets/(liabilities) were:

	1 January 2012	Derivatives acquired as result of business combination	Changes in the fair value	Cash payments/ (proceeds) on derivatives – net	30 September 2012
Operating activities					
Foreign exchange deliverable forward contracts – net	-	(55,546)	30,720	59,410	34,584
Total derivatives in operating activities	-	**(55,546)**	**30,720**	**59,410**	**34,584**
Investing activities					
Foreign exchange non-deliverable forward contracts – net	(187,265)	-	186,144	63,873	62,752
Option contracts over K+S Group ordinary shares	(6)	-	6	-	-
Total derivatives in investing activities	**(187,271)**	**-**	**186,150**	**63,873**	**62,752**
Financing activities					
Cross currency interest rate swap	(324,493)	-	293,130	(108,048)	(139,411)
Foreign exchange non-deliverable forward contracts – net	(24,672)		630,601	-	605,929
Total derivatives in financing activities	**(349,165)**	**-**	**923,731**	**(108,048)**	**466,518**
Total derivative financial assets and liabilities – net	**(536,436)**	**(55,546)**	**1,140,601**	**15,235**	**563,854**

Changes in fair value of derivative financial assets and liabilities in investing and financing activities amounted to RR 1,109,881 thousand and were recognised within other financial gain/(loss) (Note 25). Changes in fair value of other derivatives related to operating activities of the Group amounted to RR 30,720 thousand and were recognised within other operating income and expenses.

Derivatives in operating activities

As a result of the acquisition of the EuroChem Agro companies (Note 29) the Group acquired deliverable EUR/US$, US$/EUR, and EUR/TRY forward contracts which represented current liabilities and were accounted for at fair value of RR 55,546 thousand (a nominal amount of US$ 165,066 thousand, EUR 17,130 thousand and TRY 1,615 thousand, respectively).

During the period between the acquisition date and 30 September 2012, part of the deliverable forward contracts for RR 56,401 thousand (a nominal amount of US$ 126,606 thousand), RR 3,127 thousand (a nominal amount of EUR 17,130 thousand) and RR 118 thousand (a nominal amount of TRY 1,615 thousand) matured.

The purpose of these transactions is to reduce risks arising from foreign currency volatility on operating activity.

Derivatives in investing and financing activities

Cross currency interest rate swap. As at 30 September 2012 the Group has recognised a net gain of RR 185,082 thousand (Note 25), comprising of a gain from revaluation of the cross currency interest rate swap amounting to RR 293,130 thousand and net interest income of RR 108,048 thousand.

Call options over K+S Group ordinary shares. At 31 December 2011 the Group had outstanding European call options giving counterparties the right to buy 2,858,000 K+S Group ordinary shares with a fair value of RR 4,158,861 thousand (Note 10), which matured in January and February 2012. These call options were not exercised.

At 30 September 2012 the Group did not have outstanding call options over K+S Group ordinary shares (Note 10).

Foreign exchange non-deliverable forward contracts. At 31 December 2011 the Group had RR/US$ and EUR/US$ non-deliverable forward contracts to buy a nominal amount of RR 11,500 million and Euro 400 million, respectively.

During the nine months ended 30 September 2012 the Group had conducted the following transactions in non-deliverable forward contracts:

- entered into EUR/US$ and RR/EUR non-deliverable forward contracts to buy a nominal amount of Euro 100 million and Euro 709.8 million, respectively;
- entered into two types of RR/US$ non-deliverable forward contracts to buy a nominal amount of US$ 100 million and RR 14,100 million;
- settled EUR/US$ non-deliverable forward contracts for Euro 500 million against opposite non-deliverable forward contracts and received proceeds of RR 113,082 thousand;
- paid a settlement amount of RR 202,569 thousand for matured RR/US$ and RR/EUR non-deliverable forward contracts of US$ 100 million and Euro 530.3 million, respectively;
- received proceeds of RR 25,614 thousand for matured RR/EUR non-deliverable forward contracts of Euro 179.5 million.

At 30 September 2012 the Group had RR/US$ non-deliverable forward contracts for a nominal amount of RR 25,600 million with contractual settlement dates varying from September 2014 to September 2016.

19 Other non-current liabilities and deferred credits

	30 September 2012	31 December 2011
Deferred payable related to business combination	5,233,409	-
Deferred payable related to mineral rights acquisition	824,522	-
Provisions for age premium, retirement benefits, pensions and similar obligations	664,008	448,928
Provision for land restoration liability	301,540	283,400
Deferred income − Investment grant received	139,656	162,649
Total other non-current liabilities and deferred credits	**7,163,135**	**894,977**

20 Sales

The components of external sales were:

	Three months ended		Nine months ended	
	30 September 2012	30 September 2011	30 September 2012	30 September 2011
Nitrogen				
Nitrogen fertilisers	13,668,763	11,139,160	37,744,404	29,620,454
Organic synthesis products	1,669,061	2,104,524	5,496,234	5,677,757
Complex fertilisers group	5,827,346	1,269,866	10,779,948	3,056,166
Hydrocarbons	400,859	-	1,341,903	-
Phosphates	514,579	-	628,082	-
Other goods	330,571	130,535	947,075	346,873
Other services	126,888	63,097	477,582	186,945
	22,538,067	**14,707,182**	**57,415,228**	**38,888,195**
Phosphates				
Phosphates	7,851,814	8,525,487	25,710,732	24,241,331
Iron ore concentrate	3,543,336	6,496,513	13,867,299	16,585,008
Feed phosphates group	986,704	914,402	3,312,596	2,923,483
Apatite concentrate	357,743	310,640	987,401	824,338
Baddeleyite concentrate	205,422	329,486	751,190	790,369
Complex fertilisers group	-	887	738	887
Other goods	237,971	189,522	633,134	427,192
Other services	64,058	83,263	308,771	352,435
	13,247,048	**16,850,200**	**45,571,861**	**46,145,043**
Distribution				
Nitrogen fertilisers	1,529,054	590,233	6,578,078	4,379,170
Phosphates	1,513,648	1,067,363	2,828,605	2,281,374
Complex fertilisers group	1,313,009	1,276,527	2,336,528	2,989,787
Feed phosphates group	77,299	66,057	205,352	141,340
Organic synthesis products	852	2,400	7,397	9,542
Other goods	284,964	284,971	1,194,311	1,104,605
Other services	122	993	2,339	4,997
	4,718,948	**3,288,544**	**13,152,610**	**10,910,815**
Others				
Nitrogen fertilisers	5,816,994	833,980	6,758,836	1,054,240
Organic synthesis products	-	61,509	-	61,509
Phosphates	-	-	45,581	-
Complex fertilisers group	6,358	-	6,358	27,342
Logistic services	161,082	81,085	474,842	182,337
Other goods	439,846	206,194	945,904	638,886
Other services	173,176	155,929	407,681	361,510
	6,597,456	**1,338,697**	**8,639,202**	**2,325,824**
Total sales	**47,101,519**	**36,184,623**	**124,778,901**	**98,269,877**

21 Cost of sales

The components of cost of sales were:

		Three months ended		Nine months ended	
	Note	30 September 2012	30 September 2011	30 September 2012	30 September 2011
Materials and components used or resold		20,493,503	10,657,088	45, 661,484	29,285,513
Energy		1,732,102	1,461,588	5,053,217	4,925,365
Utilities and fuel		889,283	723,758	3,142,679	2,598,681
Labour, including contributions to social funds		2,289,658	1,806,972	7,112,266	5,780,239
Depreciation and amortisation		1,796,563	932,380	4,556,342	2,681,300
Repairs and maintenance		790,563	301,997	1,532,238	679,144
Production overheads		534,778	554,441	1,635,795	1,260,156
Property tax, rent payments for land and related taxes		417,963	213,551	1,212,043	787,717
Idle property, plant and equipment write-off	6	23,162	37,449	103,314	55,565
Provision/(reversal of provision) for obsolete and damaged inventories	11	20,299	10,261	12,040	(19,046)
Changes in work in progress and finished goods		468,709	86,332	1,469,043	(678,208)
Other costs		101,354	68,207	328,822	188,850
Total cost of sales		**29,557,937**	**16,854,024**	**71,819,283**	**47,545,276**

22 Distribution costs

Distribution costs comprised:

	Three months ended		Nine months ended	
	30 September 2012	30 September 2011	30 September 2012	30 September 2011
Transportation	4,773,705	4,950,474	13,691,104	11,583,448
Export duties, other fees and commissions	39,661	122,825	154,706	171,761
Labour, including contributions to social funds	512,708	270,260	1,207,535	795,706
Depreciation and amortisation	322,290	140,238	784,997	324,292
Repairs and maintenance	182,125	173,994	421,881	412,014
Provision/(reversal of provision) for impairment of receivables	(730)	(9,226)	867	(6,835)
Other costs	407,456	275,426	825,238	511,269
Total distribution costs	**6,237,215**	**5,923,991**	**17,086,328**	**13,791,655**

23 General and administrative expenses

General and administrative expenses comprised:

	Three months ended		Nine months ended	
	30 September 2012	30 September 2011	30 September 2012	30 September 2011
Labour, including contributions to social funds	574,617	617,580	1,953,429	1,818,418
Depreciation and amortisation	125,116	43,317	320,036	260,331
Audit, consulting and legal services	115,796	89,654	447,116	194,099
Rent	33,380	27,310	93,931	82,497
Bank charges	25,151	27,965	77,616	82,641
Social expenditure	51,073	83,363	96,595	116,326
Repairs and maintenance	19,876	10,507	52,063	56,874
Provision/(reversal of provision) for impairment of receivables	50,648	76,016	(5,168)	79,022
Other expenses	321,441	269,656	808,220	760,585
Total general and administrative expenses	**1,317,098**	**1,245,368**	**3,843,838**	**3,450,793**

23 General and administrative expenses (continued)

The total depreciation and amortisation expenses included in all captions of the consolidated condensed statement of comprehensive income amounted to RR 5,661,375 thousand (nine months ended 30 September 2011: RR 3,265,923 thousand). The total staff costs (including social expenses) amounted to RR 10,273,230 thousand (nine months ended 30 September 2011: RR 8,394,363 thousand).

24 Other operating income and expenses

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

		Three months ended		Nine months ended	
	Note	30 September 2012	30 September 2011	30 September 2012	30 September 2011
Gain on disposal of property, plant and equipment		(42,785)	(41)	(59,887)	(68,383)
Sponsorship		144,153	103,428	370,233	352,817
Foreign exchange (gain)/loss – net		786,702	(247,850)	64,177	472,741
Idle property, plant and equipment write-off	6	(11,277)	-	36,125	-
Gain on sales and purchases of foreign currencies		(93,637)	(142,886)	(292,615)	(233,763)
Other operating (income)/expense − net		(104,136)	11,414	(496,095)	(68,186)
Total other operating (income)/expenses − net		**679,020**	**(275,935)**	**(378,062)**	**455,226**

25 Other financial gain/(loss)

The components of other financial gain/(loss) were:

	Three months ended		Nine months ended	
	30 September 2012	30 September 2011	30 September 2012	30 September 2011
Changes in the fair value of call options	-	303,092	6	499,979
Changes in the fair value of foreign exchange non-deliverable forward contracts	1,091,563	7,402	816,745	793,003
Changes in the fair value of cross currency interest rate swap	376,584	(1,096,418)	293,130	(336,108)
Unwinding of discount on land restoration obligation and deferred payables	(58,870)	(6,493)	(110,060)	(18,960)
Total other financial gain/(loss) – net	**1,409,277**	**(792,417)**	**999,821**	**937,914**

26 Income tax

	Three months ended		Nine months ended	
	30 September 2012	30 September 2011	30 September 2012	30 September 2011
Income tax expense – current	1,686,838	2,139,102	5,583,530	5,812,184
Deferred income tax – (origination)/reversal of temporary differences	513,448	(618,169)	970,617	141,002
Effect of assets transfer between subsidiaries with different tax rates	-	-	(183,932)	-
Effect of the change in the tax rate	-	(32,706)	-	(32,706)
Income tax expense	**2,200,286**	**1,488,227**	**6,370,215**	**5,920,480**

The most of the Group companies located in the Russian Federation were subject to a tax rate of 20% on taxable profits during the nine months ended 30 September 2012 (nine months ended 30 September 2011: 20%).

26 Income tax (continued)

In 2011 the income tax rates of two subsidiaries operating in the Russian Federation were reduced to 18.3% for OJSC Novomoskovskiy Azot and to 15.5% for LLC PG Phosphorit in accordance with the regional tax law and an agreement with a regional authority, respectively. As at 30 September 2012 and 31 December 2011 deferred tax assets and liabilities of these subsidiaries were calculated at the reduced income tax rates which are expected to apply during the period covered by the agreement and any subsequent extension.

For the subsidiaries located outside the Russian Federation tax rates on taxable profit range from 10% to 37.8%, including two major manufacturing entities Lifosa AB, located in Lithuania, and EuroChem Antwerpen NV, acquired on 31 March 2012 and located in Belgium, which apply tax rates of 15% and 33.99% on taxable profits, respectively (nine months ended 30 September 2011: Lifosa AB is subject to a tax rate of 15% on taxable profit).

During the nine months ended 30 September 2012 the Group offset VAT and other tax receivables against income tax payables of RR 108,361 thousand under the statutory rules (nine months ended 30 September 2011: RR 23,487 thousand).

27 Earnings per share

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

	Three months ended		Nine months ended	
	30 September 2012	30 September 2011	30 September 2012	30 September 2011
Net profit for the period attributable to owners of the parent	7,907,261	3,390,985	24,597,395	24,275,471
Weighted average number of ordinary shares in issue (expressed in thousands)	61,783	65,257	61,783	66,741
Basic and diluted earnings per share (expressed in RR per share)	**127.98**	**51.96**	**398.13**	**363.73**

28 Balances and transactions with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 “Related Party Disclosures”. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The relationships with those related parties with whom the Group entered into significant transactions or had significant balances outstanding are detailed below:

Financial statements caption	Nature of relationship	30 September 2012	31 December 2011
Statement of financial position caption			
Advances given to construction companies and suppliers of property, plant and equipment	Other related parties	-	153
Trade receivables	Other related parties	16,647	17,518
less: impairment provision on trade receivables	Other related parties*	(16,594)	(17,518)
Prepayments, other receivables and other current assets	Other related parties	834	62,248
less: impairment provision on other receivables	Other related parties*	-	(53,484)
Prepayments for treasury shares (Note 13)	Parent company	4,260,184	
Bonds issued	Other related parties	-	24,147
Trade payables	Other related parties	2,678	2,463

* Impaired trade and other receivables from an affiliated Ukraine-based company.

28 Balances and transactions with related parties (continued)

Financial statements caption	Nature of relationship	Three months ended 30 September 2012	Three months ended 30 September 2011	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Statement of comprehensive income caption					
Sales	Other related parties	71,330	169	71,918	45,914
Purchases of goods and services	Other related parties	33	(9)	(70)	(2,554)
Distribution costs	Other related parties	(3,232)	(44,189)	(21,807)	(88,726)
Interest income	Other related parties	11,902	9,333	11,902	9,333

Financial statements caption	Nature of relationship	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Statement of cash flows caption			
(Increase)/decrease in trade receivables	Other related parties	871	(1,554)
(Increase)/decrease in other receivables	Other related parties	61,414	(13,040)
Decrease in trade payables	Other related parties	(15)	(82)
Decrease in advances from customers	Other related parties	-	(1,380)
Capital expenditure on property, plant and equipment and other intangible assets	Other related parties	(3,798)	(27,768)
Acquisition of available-for-sale investment (Note 10)	Other related parties	(59,607)	-
Originated loans (Note 14)	Other related parties*	(1,927,340)	(3,097,000)
Repayment of originated loans (Note 14)	Other related parties*	1,920,005	-
Repayment of bonds	Other related parties	(22,018)	-
Interest received	Other related parties	12,247	-
Proceeds from sale of available-for-sale investments (Note 10)	Parent company	20,415,641	2,649,247
Prepayment for own shares (Note 13)	Parent company	(4,260,184)	-
Purchase of own shares	Parent company	-	(29,671,667)

* Related parties represented by the companies under common control with the Group during nine months ended 30 September 2012.

In the first quarter of 2012 the Group exchanged US$ 246,920 thousand for Euro 185,000 thousand with a related party at the Euro / US$ exchange rate prevailing in the market at the date of the transaction.

The total key management personnel compensation included in the profit and loss was RR 249,784 thousand and RR 277,034 thousand for the nine months ended 30 September 2012 and 30 September 2011, respectively. This compensation is paid to six individuals who are members of the Management Board, for their services in full time positions. Compensation is made up of an annual fixed remuneration plus a performance bonus accrual.

29 Business combinations

Acquisition of EuroChem Antwerpen NV

On 31 March 2012 the Group completed the acquisition of a company (now named EuroChem Antwerpen NV) owning BASF fertiliser production and logistics assets located in Antwerp, Belgium. This acquisition supports the Group's strategy of increasing its proximity to customers in its core fertiliser markets. The assets acquired comprise production and related logistics facilities for nitric acid, complex (NPK) and nitrogen (CAN, AN) fertilisers.

The total final purchase consideration for 100% of the charter capital of the company acquired comprised Euro 893,140 thousand to be paid in cash, including a deferred payment of Euro 142,240 thousand payable over the period from 2013 to 2016. The fair value of the deferred payment amounts to Euro 129,600 thousand. Therefore, the fair value of the total purchase consideration amounted to Euro 880,500 thousand.

29 Business combinations (continued)

The details of the purchase price consideration for the acquisition are:

	Cash payments in thousands Euro	Amounts in thousands RR
Price for the acquisition agreed on 26 September 2011 and paid on 30 March 2012	670,000	26,156,934
Other compensation for potential benefits, arising from the change to the initial transaction structure	174,640	6,836,542
- including: deferred portion payable over 2013-2016	*142,240*	*5,571,640*
Net working capital adjustment, paid in the second quarter 2012	48,500	1,899,779
Total purchase consideration	**893,140**	**34,893,255**
Less: adjustment of the deferred portion to present value	(12,640)	(495,118)
Total fair value of purchase consideration	**880,500**	**34,398,137**
Cash paid during nine months ended 30 September 2012	750,900	29,400,172
Less: cash and cash equivalents of subsidiary acquired	(289)	(11,314)
Outflow of cash and cash equivalents during nine months ended 30 September 2012	**750,611**	**29,388,858**

The provisional purchase price allocation for the acquisition was:

	Attributed fair value in thousands Euro	Attributed fair value in thousands RR
Cash and cash equivalents	289	11,314
Trade and other receivables	150,945	5,912,626
Inventories	71,496	2,800,555
Property, plant and equipment	241,130	9,445,221
Intangible assets	122,340	4,792,152
Trade payables	(23,428)	(917,672)
Other accounts payable and accrued expenses	(6,826)	(267,409)
Loan payable to the Group	(3,000)	(117,512)
Deferred income tax assets	69,599	2,726,244
Fair value of net assets of subsidiary	**622,545**	**24,385,519**
Goodwill arising from the acquisition	257,955	10,104,281
Currency translation difference recognised in other comprehensive income	-	(91,663)
Total fair value of purchase consideration	**880,500**	**34,398,137**

This transaction included a contract with K+S Group to supply K+S Nitrogen with complex and nitrogen fertilisers and a related profit and loss sharing agreement (PLSA) which was negotiated separately but is viewed as an integral part of this business combination. Therefore, the amount paid for the PLSA was included in the total purchase consideration. The rights acquired under the PLSA were considered along with the provisions of the agreement between K+S Nitrogen and BASF and were not recognised as a separate intangible asset.

The fair values of assets and liabilities recognised on acquisition were provisionally determined by an internationally recognised firm of independent appraisers. The Group intends to finalise the purchase price allocation for property, plant and equipment and intangible assets within 12 months of the acquisition date. Based on the appraisal report the following intangible assets with definite useful lives were recognised:

	Fair value in thousands Euro	Fair value in thousands RR
Core process technology	69,701	2,730,237
Distribution agreement for other BASF fertiliser products	22,284	872,880
Software	18,020	705,856
Land use rights	12,191	477,530
Other	144	5,649
Total intangible assets	**122,340**	**4,792,152**

The Group has recognised goodwill of Euro 257,955 thousand which is primarily attributable to the beneficial location of the production facilities, the production expertise, an experienced work force and other factors which are expected to result in higher profitability of the acquired assets than was assumed in determining the fair values of assets and liabilities acquired.

29 Business combinations (continued)

Part of the goodwill recognised amounting to Euro 109,518 thousand is expected to be deductible for income tax purposes.

Transaction costs for acquisition-related services provided by third parties amounted to approximately RR 44 million and RR 132 million for the year ended 31 December 2011 and for the nine months ended 30 September 2012, respectively, and were charged to general and administrative expenses.

For the period from the date of acquisition to 30 September 2012 EuroChem Antwerpen NV contributed to the Group revenue an amount of RR 12,324,968 thousand (including intragroup sales of RR 6,698,511 thousand), EBITDA an amount of RR 1,646,835 thousand and net profit an amount of RR 346,229 thousand. If the acquisition had occurred on 1 January 2012, the Group's consolidated revenue, EBITDA and net profit would not have changed significantly as fertiliser production assets were transferred into this newly incorporated legal entity at the end of March 2012.

Acquisition of K+S Nitrogen

On 2 July 2012 the Group completed the acquisition of 100% of the K+S Nitrogen business after the relevant antitrust authority gave the approval on 25 June 2012. After the acquisition, the business was renamed to Eurochem Agro, operating as a trading company specialising in nitrogen fertilisers in Germany, France, Spain, Italy, Greece, Turkey, Mexico, Singapore and China. The acquisition supports the Group's strategy of increasing its proximity to customers in its core fertiliser markets, while further bolstering the company's product offering.

The total purchase consideration for 100% of the shares of the business acquired amounted to Euro 195,655 thousand paid in cash. Additionally, the Group made a prepayment of Euro 50 thousand for a subsidiary located in China. At the moment this legal entity is in the process of incorporation.

The provisional purchase price allocation for the acquisition was:

	Attributed fair value in thousands Euro	Attributed fair value in thousands RR
Cash and cash equivalents	137,145	5,667,247
Trade receivables	242,271	10,011,363
Inventories	84,428	3,488,838
Property, plant and equipment	3,298	136,270
Intangible assets	82,680	3,416,599
Other receivables and other current assets	14,223	587,744
Trade payables	(301,670)	(12,465,927)
Other accounts payables and accrued expenses	(49,259)	(2,035,547)
Tax payable	(9,470)	(391,308)
Provision for age premium, pensions and similar obligations	(3,776)	(156,055)
Derivative financial assets/(liabilities) − net	(1,344)	(55,546)
Deferred tax assets	1,689	69,810
Deferred tax liability	(21,941)	(906,658)
Fair value of net assets of subsidiaries	**178,274**	**7,366,830**
Goodwill arising from the acquisition	17,381	718,240
Total purchase consideration	**195,655**	**8,085,070**
Less: Cash and cash equivalents of subsidiaries acquired	137,145	5,667,247
Outflow of cash and cash equivalents on acquisition	**58,510**	**2,417,823**

The fair values of assets and liabilities recognised upon acquisition were provisionally determined by an internationally recognised firm of independent appraisers. The Group intends to finalise the purchase price allocation for intangible assets within 12 months of the acquisition date.

29 Business combinations (continued)

Based on the appraisal report the following intangible assets with definite useful lives were recognised:

	Fair value in thousands Euro	Fair value in thousands RR
Customer relationships	41,344	1,708,463
Supplier and Manufacturer Relationships	24,597	1,016,435
Technology – patented & unpatented	10,538	435,454
Trademarks	4,538	187,534
Other intangible assets	1,663	68,713
Total intangible assets	**82,680**	**3,416,599**

As at 30 September 2012 an intangible asset recognised on supplier and manufacturer relationships was reclassified as an asset held for sale (Note 9).

The Group has recognised goodwill of Euro 17,381 thousand which is primarily attributable to the efficient distribution structure, an experienced work force and other factors which are expected to result in higher profitability of the acquired business than was assumed in determining the fair values of assets and liabilities acquired.

During the nine months ended 30 September 2012 transaction costs for acquisition-related services provided by third parties amounted to approximately RR 77 million and were charged to general and administrative expenses.

EuroChem Agro contributed revenue, EBITDA and net profit to the Group an amount of RR 12,226,091 thousand, RR 257,606 thousand and RR 97,898 thousand, respectively, for the period from the date of acquisition to 30 September 2012. If the acquisition had occurred on 1 January 2012, the Group's consolidated revenue, EBITDA and net profit for nine months ended 30 September 2012 would have increased by approximately RR 26,143 million, RR 1,896 million and RR 1,264 million, respectively.

30 Acquisition of non-controlling interest in oil and gas subsidiary

In the fourth quarter of 2011 the Group obtained control of LLC Severneft-Urengoy by means of agreements under the terms of which the former owners of the participating interests in LLC Severneft-Urengoy transferred decision-making rights over all significant financial and operational policies of LLC Severneft-Urengoy to the Group. As at 31 December 2011 the Group recorded the participating interests in this company as a non-controlling interest.

In January 2012 the Group acquired 100% of the charter capital of LLC Severneft-Urengoy for a consideration of RR 6,682,169 thousand paid in cash. The payments were made in December 2011 and January 2012 amounting to RR 62,170 thousand and RR 6,619,999 thousand, respectively. The Group derecognised the non-controlling interest of RR 6,792,001 thousand and recorded an increase in equity attributable to the owners of the Group of RR 109,832 thousand.

31 Contingencies, commitments and operating risks

i Capital expenditure commitments

As at 30 September 2012 the Group had contractual commitments for capital expenditures of RR 14,573,174 thousand (31 December 2011: RR 21,603,857 thousand), including amounts denominated in Euro and US$ (RR 4,825,591 thousand and RR 614,045 thousand, respectively). Management estimates that, out of these, approximately RR 6.7 billion will represent cash outflows in 2012.

31 Contingencies, commitments and operating risks (continued)

i Capital expenditure commitments (continued)

RR 5,246,688 thousand and RR 4,331,118 thousand out of the total amount relate to the development of potassium salt deposits and the construction of mining facilities at the Gremyachinskoe and Verkhnekamskoe potash licence areas, respectively (31 December 2011: RR 10,463,842 thousand and RR 4,982,570 thousand, respectively).

ii Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged in the future by the relevant regional and federal authorities.

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Amended Russian transfer pricing legislation is effective from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm's length basis. Management has implemented internal controls to be in compliance with the new transfer pricing legislation.

The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2011, also provided the possibility for tax authorities to make transfer pricing adjustments and to impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%. Controllable transactions included transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differed by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. Significant difficulties exist in interpreting and applying that transfer pricing legislation in practice.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Russian tax legislation does not provide definitive guidance in certain areas, specifically in extraction tax. From time to time, the Group adopts interpretations of such uncertain areas that may be challenged by the tax authorities, the impact of which cannot be reliably estimated; however, it may be significant to the financial condition or the overall operations of the Group.

As at 30 September 2012 management believes that its interpretation of the relevant legislation is generally appropriate and the Group's tax, currency and customs positions will be sustained. Where management believes that it is probable that certain tax positions taken by the Group may not be sustained if challenged by the tax authorities, the Group has recorded provisions for related taxes, interest and penalties. There were no such provisions recorded by the Group at 30 September 2012 and 31 December 2011.

At 31 December 2011 in addition to the above matters, management estimated that the Group had other possible obligations from exposure to other than remote tax risks of RR 154,073 thousand primarily relating to management services and other fees charged by the holding company to the Group subsidiaries.

31 Contingencies, commitments and operating risks (continued)

iii Insurance policies

The Group obtains risk insurance cover as mandated by statutory requirements. The Group also holds voluntary insurance policies covering directors' and officers' liability (D&O insurance), physical property and business interruption insurance at nitrogen production plants, as well as insurance policies related to trade operations, including export shipments and credit insurance of trade debtors relating to the European distribution of fertilisers.

The Group also carries voluntary life and accident insurance for employees. Additionally, as part of the potash project the Group has voluntarily insured construction risks for the cage and skip mine shafts at the Gremyachinskoe deposit for RR 16.7 billion. The insurance covers a substantial part of the risks related to sinking of the two shafts for the period from June 2011 to June 2013.

iv Environmental matters

Environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations and an immediate response is formulated as required. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

v Legal proceedings

During the reporting period, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding which could have a material effect on the results of operations or the financial position of the Group.

In October 2012 the Group filed a claim against Shaft Sinkers, the contractor involved in the construction of the mining shafts at the Gremaychinskoe potash deposit, due to the inability of that construction company to fulfill its contractual obligations. In October 2012 Shaft Sinkers presented a demand letter to the Group claiming compensation of US$ 45 million for the termination of the construction contract (Note 6).

vi Operating environment of the Group

The Group operates in the fertilisers industry primarily in the Russian Federation and European countries. The highly competitive nature of the market makes prices of the key Group products relatively volatile.

The Russian Federation continues to display certain characteristics of an emerging market, including relatively high inflation and interest rates, as well as periodic volatility in the RR exchange rate. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation. The future economic development is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment.

The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the financial and corporate sectors. Deteriorating economic conditions for customers may have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets.

31 Contingencies, commitments and operating risks (continued)

vi Operating environment of the Group (continued)

Debtors of the Group may also become adversely affected by the financial and economic environment, which could in turn impact their ability to repay the amounts owed or fulfil the obligations undertaken.

Management is unable to predict all developments which could have an impact on the industry and the wider economy and consequently what effect, if any, they could have on the future financial position of the Group. It believes it is taking all necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

The Group holds, among other licences, valid licences for the exploration and development of potash, apatite and hydrocarbon deposits issued by the relevant government authorities of the Russian Federation. Under the terms of these licences, the Group is required to comply with a number of conditions, including preparation of design documentation, commencement of construction of mining facilities and commencement of extraction of mineral resources by certain dates. If the Group fails to materially comply with the terms of the licence agreements there are circumstances whereby the licences can be revoked. The management of the Group believes that the Group faces no material regulatory risks in relation to the validity and operation of any of its licences.

32 Subsequent events

On 25 October 2012 the Group signed a sale and purchase agreement with EuroChem Group S.E, the parent company of the Group, to buy back 132,978 of its own shares, which represented 0.1956% of the issued share capital, for RR 781,243 thousand (Note 13).

EUROCHEM GROUP

INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2011

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Independent Auditor's Report

To the Shareholders and Board of Directors of EuroChem Group:

We have audited the accompanying consolidated financial statements of open joint stock company Mineral Chemical Company "EuroChem" and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2011 and the consolidated statements of comprehensive income, changes in equity and cash flows 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 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 its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

14 February 2012
Moscow, Russian Federation

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	Note	31 December 2011	31 December 2010
ASSETS			
Non-current assets:			
Property, plant and equipment	7	100,752,901	73,121,566
Mineral rights	10	14,271,178	7,318,107
Goodwill		295,275	204,866
Intangible assets	8	610,463	814,523
Restricted cash	13	7,980	143,898
Available-for-sale investments	9	11,044,815	34,680,888
Available-for-sale investments pledged as collateral	9	11,423,184	3,182,443
Derivative financial assets	17	124,353	-
Deferred tax assets	26	1,806,374	969,064
Other non-current assets		167,920	-
Total non-current assets		**140,504,443**	**120,435,355**
Current assets:			
Inventories	11	14,957,399	9,827,892
Trade receivables	12	3,435,913	2,710,818
Prepayments, other receivables and other current assets	12	10,190,762	7,523,132
Originated loans	29	6,301,867	-
Derivative financial assets	17	-	36,751
Restricted cash	13	77,238	37,461
Fixed-term deposits	13	20,865,910	-
Cash and cash equivalents	13	8,506,949	8,896,623
Total current assets		**64,336,038**	**29,032,677**
TOTAL ASSETS		**204,840,481**	**149,468,032**
LIABILITIES AND EQUITY			
Equity attributable to owners of the parent:			
Share capital	14	6,800,000	6,800,000
Treasury shares	14	(29,679,427)	(7,760)
Retained earnings and other reserves		106,265,011	87,388,382
		83,385,584	**94,180,622**
Non-controlling interests		6,985,154	323,896
Total equity		**90,370,738**	**94,504,518**
Non-current liabilities:			
Bank borrowings	15	73,228,199	11,464,834
Bonds issued	16	9,964,656	18,772,380
Derivative financial liabilities	17	493,739	-
Deferred income tax liabilities	26	4,681,605	1,908,932
Other non-current liabilities and deferred credits		894,977	795,321
Total non-current liabilities		**89,263,176**	**32,941,467**
Current liabilities:			
Bank borrowings	15	4,167,140	12,589,767
Bonds issued	16	9,332,241	-
Derivative financial liabilities	17	167,050	127,981
Trade payables	19	3,061,104	2,182,951
Other accounts payable and accrued expenses	19	6,378,011	5,860,875
Income tax payable		1,436,216	682,050
Other taxes payable		664,805	578,423
Total current liabilities		**25,206,567**	**22,022,047**
Total liabilities		**114,469,743**	**54,963,514**
TOTAL LIABILITIES AND EQUITY		**204,840,481**	**149,468,032**

Approved on behalf of the Board of Directors
14 February 2012

Dmitry Strezhnev
Chief Executive Officer

Andrey Ilyin
Chief Financial Officer

The accompanying notes on pages 5 to 45 are an integral part of these consolidated financial statements.

		2011	2010
Sales	20	131,298,080	97,787,533
Cost of sales	21	(63,641,275)	(50,205,529)
Gross profit		**67,656,805**	**47,582,004**
Distribution costs	22	(18,952,488)	(17,784,897)
General and administrative expenses	23	(4,653,188)	(3,754,449)
Other operating income/(expenses)	24	(190,858)	(16,695)
Operating profit		**43,860,271**	**26,025,963**
Dividend income	9	613,927	147,946
Loss on disposal of non-current assets held for sale		-	(429,598)
Gain on disposal of available-for-sale investments	9	914,434	1,407,261
Financial foreign exchange gain/(loss) – net		(3,803,986)	(389,660)
Interest income		644,524	180,444
Interest expense		(3,122,871)	(2,066,011)
Other financial gain/(loss) – net	25	993,863	134,831
Profit before taxation		**40,100,162**	**25,011,176**
Income tax expense	26	(8,068,769)	(4,958,699)
Net profit for the period		**32,031,393**	**20,052,477**
Other comprehensive income/(loss)			
Currency translation differences, net of tax		495,249	(695,283)
Revaluation of available-for-sale investments	9	(12,689,257)	9,642,508
Disposal of available-for-sale investments – reclassification of revaluation to profit and loss	9	(914,434)	(1,407,261)
Total other comprehensive income/(loss) for the period		**(13,108,442)**	**7,539,964**
Total comprehensive income for the period		**18,922,951**	**27,592,441**
Net profit for the period attributable to:			
Owners of the parent		32,028,279	19,997,844
Non-controlling interests		3,114	54,633
		32,031,393	**20,052,477**
Total comprehensive income attributable to:			
Owners of the parent		18,908,932	27,588,209
Non-controlling interests		14,019	4,232
		18,922,951	**27,592,441**
Earnings per share – basic and diluted (in RR)	27	489.05	294.38

		2011	2010
Operating profit		**43,860,271**	**26,025,963**
Income tax paid		(7,099,060)	(3,736,157)
Operating profit less income tax paid		**36,761,211**	**22,289,806**
Depreciation and amortisation	23	4,483,328	3,465,963
Net loss on disposals and write-off of property, plant and equipment		135,294	370,788
Impairment/(reversal of impairment) of receivables and change of provision for obsolete and damaged inventories		59,921	(32,578)
Other non-cash (income)/expenses		328,434	(1,147,301)
Gross cash flow	**5**	**41,768,188**	**24,946,678**
Changes in operating assets and liabilities:			
Trade receivables		(797,594)	(111,650)
Advances to suppliers		(340,301)	(424,551)
Other receivables		(661,151)	(5,443)
Inventories		(5,057,047)	(1,534,620)
Trade payables		926,166	244,784
Advances from customers		(112,931)	761,765
Other payables		209,285	1,768,154
Restricted cash, other assets and liabilities		96,141	548,842
Net cash – operating activities		**36,030,756**	**26,193,959**
Cash flows from investing activities			
Capital expenditure on property, plant and equipment and intangible assets		(23,805,400)	(20,417,298)
Investment grants received		-	146,764
Purchase of mineral rights		-	(46,611)
Prepayments for other non-current assets		(105,750)	-
Cash flow relating to the acquisition of the oil and gas subsidiary	29	60,572	-
Loan provided to the acquired subsidiary before acquisition	28, 29	(13,714,173)	-
Acquisition of construction subsidiaries, net of cash acquired	29	(145,966)	-
Proceeds from sale of property, plant and equipment		52,333	48,306
Proceeds from sale of available-for-sale investments	9	2,706,075	5,398,834
Cash proceeds from derivatives	17	1,464,701	226,061
Dividends received, net of tax	9	452,004	140,549
Net change in fixed-term deposits	13	(20,865,910)	-
Interest received		198,637	172,059
Net cash – investing activities		**(53,702,877)**	**(14,331,336)**
Free cash inflow/(outflow)	**5**	**(17,672,121)**	**11,862,623**
Cash flows from financing activities			
Proceeds from bank borrowings	15	80,670,680	10,424,846
Repayment of bank borrowings	15	(31,234,477)	(25,751,901)
Proceeds from bonds, net of transaction costs		-	9,955,112
Prepaid and additional transaction costs		(5,234)	(15,239)
Interest paid		(2,708,618)	(1,672,262)
Acquisition of additional interest in subsidiaries	30	(210,529)	(448,983)
Dividends paid	14	-	(5,834,000)
Purchase of own shares	14	(29,671,667)	-
Net cash – financing activities		**16,840,155**	**(13,342,427)**
Effect of exchange rate changes on cash and cash equivalents		442,292	(300,345)
Net decrease in cash and cash equivalents		**(389,674)**	**(1,780,149)**
Cash and cash equivalents at the beginning of the period	13	**8,896,623**	**10,676,772**
Cash and cash equivalents at the end of the period	13	**8,506,949**	**8,896,623**

The accompanying notes on pages 5 to 45 are an integral part of these consolidated financial statements.

		Attributable to owners of the parent							
	Note	Share capital	Treasury shares (Note 14)	Cumulative currency translation differences	Revaluation of available-for-sale investments	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2010		**6,800,000**	**(7,760)**	**1,884,761**	**5,095,017**	**58,664,359**	**72,436,377**	**758,683**	**73,195,060**
Comprehensive income/(loss)									
Profit for the period		-	-	-	-	19,997,844	19,997,844	54,633	20,052,477
Other comprehensive income/(loss)									
Currency translation differences		-	-	(644,882)	-	-	(644,882)	(50,401)	(695,283)
Revaluation of available-for-sale investments	9	-	-	-	9,642,508	-	9,642,508	-	9,642,508
Disposal of available-for-sale investments	9	-	-	-	(1,407,261)	-	(1,407,261)	-	(1,407,261)
Total other comprehensive income/(loss)		-	-	(644,882)	8,235,247	-	7,590,365	(50,401)	7,539,964
Total comprehensive income/(loss)		**-**	**-**	**(644,882)**	**8,235,247**	**19,997,844**	**27,588,209**	**4,232**	**27,592,441**
Transactions with owners									
Dividends	14	-	-	-	-	(5,834,000)	(5,834,000)	-	(5,834,000)
Acquisition of additional interest in subsidiaries		-	-	-	-	(9,964)	(9,964)	(439,019)	(448,983)
Total transactions with owners		**-**	**-**	**-**	**-**	**(5,843,964)**	**(5,843,964)**	**(439,019)**	**(6,282,983)**
Balance at 31 December 2010		**6,800,000**	**(7,760)**	**1,239,879**	**13,330,264**	**72,818,239**	**94,180,622**	**323,896**	**94,504,518**
Balance at 1 January 2011		**6,800,000**	**(7,760)**	**1,239,879**	**13,330,264**	**72,818,239**	**94,180,622**	**323,896**	**94,504,518**
Comprehensive income/(loss)									
Profit for the period		-	-	-	-	32,028,279	32,028,279	3,114	32,031,393
Other comprehensive income/(loss)									
Currency translation differences		-	-	484,344	-	-	484,344	10,905	495,249
Revaluation of available-for-sale investments	9	-	-	-	(12,689,257)	-	(12,689,257)	-	(12,689,257)
Disposal of available-for-sale investments	9	-	-	-	(914,434)	-	(914,434)	-	(914,434)
Total other comprehensive income/(loss)		-	-	484,344	(13,603,691)	-	(13,119,347)	10,905	(13,108,442)
Total comprehensive income/(loss)		-	-	**484,344**	**(13,603,691)**	**32,028,279**	**18,908,932**	**14,019**	**18,922,951**
Transactions with owners									
Repurchase of own shares	14	-	(29,671,667)	-	-	-	(29,671,667)	-	(29,671,667)
Acquisition of subsidiaries	29	-	-	-	-	-	-	6,825,465	6,825,465
Acquisition of additional interest in subsidiaries	30	-	-	-	-	(32,303)	(32,303)	(178,226)	(210,529)
Total transactions with owners		-	**(29,671,667)**	**-**	**-**	**(32,303)**	**(29,703,970)**	**6,647,239**	**(23,056,731)**
Balance at 31 December 2011		**6,800,000**	**(29,679,427)**	**1,724,223**	**(273,427)**	**104,814,215**	**83,385,584**	**6,985,154**	**90,370,738**

The accompanying notes on pages 5 to 45 are an integral part of these consolidated financial statements.

1 The EuroChem Group and its operations

EuroChem Group comprises the parent entity, Open Joint Stock Company Mineral Chemical Company "EuroChem" (the "Company"), and its subsidiaries (collectively the "Group" or "EuroChem Group").

The Group's principal activities include extracting minerals (iron-ore, apatite and baddeleyite), producing fertilisers and their distribution in domestic and foreign markets. The Group manufactures a large number of products, the most significant of which is a wide range of mineral fertilizers (nitrogen and phosphate groups).

A company that holds the business interests beneficially of Mr. Andrey Melnichenko owns 100% of Linea Limited registered in Bermuda, which in turn owns 92.2% (31 December 2010: 95.0%) of EuroChem Group S.E. The remaining 7.8% (31 December 2010: 5.0%) is held by Mr. Dmitry Strezhnev, CEO of the Group. EuroChem Group S.E. owns 90.86% of the Company (31 December 2010: 99.9%).

During the year ended 31 December 2011 the ownership structure changed:

- In the second quarter of 2011 a company representing the interests of Mr. Dmitry Strezhnev, increased its shareholding in EuroChem Group S.E. from 5.0% to 7.8% by acquiring 2.8% from Linea Limited (Bermuda), whose shareholding in EuroChem Group S.E. decreased from 95.0% to 92.2%.
- In the second and third quarters of 2011 the Group bought back from EuroChem Group S.E. 6,148,651 of its own ordinary shares which represent 9.04% of the issued share capital (Note 14).

The Group's manufacturing facilities are primarily based in the Russian Federation with the exception of one entity, Lifosa AB, located in Lithuania.

The Company was incorporated and domiciled in the Russian Federation on 27 August 2001 as a closed joint stock company. On 3 April 2006 the Company changed its legal form to an open joint stock company. The Company has its registered office at:

Dubininskaya St. 53, bld. 6
Moscow, Russian Federation

2 Basis of presentation and significant accounting policies

Basis of presentation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by available-for-sale investments, which are accounted for at fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated (Note 4).

Functional currency. The functional currency for the Group's subsidiaries located in Russia is the national currency of the Russian Federation, the Russian Rouble ("RR"). The Group has a subsidiary located in Lithuania, where the functional currency is the Lithuanian Lita, which is the currency of measurement in Lifosa AB's financial statements. These have been translated into Russian Roubles, the presentation currency, at the applicable exchange rates as required by IAS 21 "The Effects of Changes in Foreign Exchange Rates" ("IAS 21") for inclusion in these consolidated financial statements.

Translation from functional to presentation currency. These consolidated financial statements have been presented in Russian Roubles ("RR"), which management believes is the most useful currency to adopt for users of these consolidated financial statements. The results and financial position of each group entity are translated into the presentation currency using the official exchange rate of the Central Bank of the Russian Federation (hereinafter "CBRF") as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

2 Basis of presentation and significant accounting policies (continued)

(ii) income and expenses for the statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as currency translation differences in other comprehensive income.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the CBRF at the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in profit and loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit and loss are recognised in profit and loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are recognised in other comprehensive income.

Foreign exchange gains and losses that relate to borrowings and deposits are presented in the consolidated statement of comprehensive income in a separate line "Financial foreign exchange gain/(loss) – net". All other foreign exchange gains and losses are presented in the profit and loss within "Other operating income/(expenses)".

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

In addition to RR, the Group enters into transactions in other currencies, such as the United States Dollar ("US$") and the Euro.

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has the power to govern the financial and operating policies so as to obtain economic benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The Group measures non-controlling interest on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

2 Basis of presentation and significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the consolidated statement of changes in equity.

Property, plant and equipment. Property, plant and equipment are stated at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003, less accumulated depreciation and a provision for impairment, where required.

At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the profit and loss. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell. Minor repair and maintenance costs are expensed when incurred. The cost of replacing major parts or components of property, plant and equipment items is capitalised and the replaced part is retired.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in the profit and loss.

Depreciation. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings and land improvements	15 to 80
Transfer devices	25 to 30
Machinery and equipment	2 to 30
Transport	5 to 25
Other items	1 to 8

The residual value of an asset is the estimated amount that the Group would currently obtain from disposing of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Remaining useful life of property, plant and equipment. Management assesses the remaining useful life of property, plant and equipment in accordance with the current technical conditions of assets and the estimated period during which these assets will bring economic benefit to the Group.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit and loss on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

2 Basis of presentation and significant accounting policies (continued)

Goodwill. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

Mineral resources. Mineral resources are recognised as assets when acquired as part of a business combination and then depleted using the unit-of-production method based on total proved mineral reserves. Estimated proven and probable mineral reserves reflect the economically recoverable quantities which can be legally recovered in the future from known mineral deposits and are determined by independent professional appraisers.

Other intangible assets. The Group's other intangible assets have definite and indefinite useful lives and primarily include acquired land lease agreements and capitalized computer software costs.

Acquired computer software licenses, beneficial land and equipment lease agreements are capitalised on the basis of the costs incurred to acquire and bring them to use.

Intangible assets with definite useful lives are amortised using the straight-line method over their useful lives:

	Useful lives in years
Land lease agreements	45
Equipment lease agreements	5
Software licences	5

Intangible assets with an indefinite useful life are not amortised. The Group tests such intangible assets for impairment at least annually and whenever there are indications that intangible assets may be impaired.

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less cost to sell.

Exploration assets. Exploration and evaluation costs related to an area of interest are written off as incurred except they are carried forward as an asset in the consolidated statement of financial position where the rights of tenure of an area are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area of interest. Capitalised costs include costs directly related to exploration and evaluation activities in the relevant area of interest. In accordance with IFRS 6, Exploration for and Evaluation of Mineral Resources, exploration assets are measured applying the cost model described in IAS 16, Property, plant and equipment after initial recognition. Depreciation and amortisation are not calculated for exploration assets because the economic benefits that the assets represent are not consumed until the production phase. Capitalised exploration and evaluation expenditure is written off where the above conditions are no longer satisfied.

All capitalised exploration and evaluation expenditure is assessed for impairment if facts and circumstances indicate that an impairment may exist. Exploration and evaluation assets are also tested for impairment once commercial reserves are found, before the assets are transferred to development properties.

Development expenditure. Development expenditure incurred by the Group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises cost directly attributable to the construction of a mine and the related infrastructure. Once a development decision has been taken, the expenditure in respect of the area of interest is classified in the assets under construction category.

2 Basis of presentation and significant accounting policies (continued)

Classification of financial assets. The Group classifies its financial assets into the following measurement categories: a) loans and receivables; b) available-for-sale financial assets; c) financial assets held to maturity and d) financial assets at fair value through profit and loss. Financial assets at fair value through profit and loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

Financial assets held for trading are classified in this category if acquired principally for the purpose of selling in the short term. Trading investments are not reclassified out of this category even when the Group's intentions subsequently change.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in the current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current assets.

The "Held-to-maturity" classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at each balance sheet date. At 31 December 2011 and 31 December 2010 the Group did not have "held to maturity" investments.

All other financial assets are included in the available-for-sale category.

Initial recognition of financial instruments. Trading investments and derivatives are initially recorded at their fair value. All other financial assets and liabilities are initially recorded at their fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and the transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at their trade date, which is the date that the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

De-recognition of financial assets. The Group de-recognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Available-for-sale investments. Available-for-sale investments are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit and loss. Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payment is established. All other elements of changes in the fair value are recognised in other comprehensive income and accumulated in equity until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from equity to profit and loss.

Impairment losses are recognised in profit and loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any revaluation loss on that asset previously recognised in other comprehensive income – is reclassed from equity and recognised in profit and loss. Impairment losses on equity instruments are not reversed through profit and loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit and loss, the impairment loss is reversed through the current period's profit and loss.

2 Basis of presentation and significant accounting policies (continued)

Derivative financial instruments. As part of trading activities the Group is also party to derivative financial instruments including forward, options and swap contracts in foreign exchange and securities. The Group's policy is to measure these instruments at fair value, with resultant gains or losses being reported within the profit and loss. The fair value of derivative financial instruments is determined using actual market data information and valuation techniques based on prevailing market interest rate for similar instruments as appropriate.

The Group has no derivatives accounted for as hedges.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with tax legislation enacted or substantively enacted by the reporting date for each country where the Group subsidiaries are registered. The income tax charge comprises current tax and deferred tax and is recognised in the profit and loss unless it relates to transactions that are recognised, in the same or a different period, in other comprehensive income or directly in equity. The most significant Group subsidiaries are registered in Russia, where the corporate income tax rate can range from 15.5% to 20%, depending on applicable rates set by regional authorities (2010: from 15.5% to 20%).

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not be reversed through dividends or otherwise in the foreseeable future.

Inventories. Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Trade and other receivables. Trade and other receivables are carried at amortised cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade and other receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss. When a receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the profit and loss.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, term deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Term deposits for longer than three months that can be redeemed, subject to the interest income being forfeited, may be classified as cash equivalents if the deposit is held to meet short term cash needs and there is no significant risk of a change in value as a result of an early withdrawal.

2 Basis of presentation and significant accounting policies (continued)

The longer the deposit's term, the less likely it becomes that the instrument is being held to meet short term cash needs and is subject to insignificant changes in value. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flows. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date are included in non-current assets.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented in the consolidated statement of changes in equity as a share premium.

Treasury shares. Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Dividends. Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

Value added tax. Output value added tax ("VAT") related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as a current asset and liability. Where provision has been made for impairment of receivables, an impairment loss is recorded for the gross amount of the debtor, including VAT.

Borrowings. Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently stated at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Capitalisation of borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009. The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

Trade and other payables. Trade payables are accrued when the counterparty performed its obligations under the contract and are carried at amortised cost using the effective interest method.

2 Basis of presentation and significant accounting policies (continued)

Investment grants. Investment grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Investment grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the profit and loss on a straight-line basis over the expected lives of the related assets.

Provisions for liabilities and charges. Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Asset retirement obligations. The estimated costs of dismantling and removing an item of property, plant and equipment (asset retirement obligations) are added to the cost of an item of property, plant and equipment when incurred either when an item is acquired or as the item is used during a particular period for purposes other than to produce inventories during that period.

Changes in the measurement of an existing asset retirement obligation that result from changes in the estimated timing or amount of the outflows, or from changes in the discount rate adjust the cost of the related asset in the current period.

Revenue recognition. Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point.

Revenues from the rendering of services are recognised in the period the services are provided. Sales are shown net of VAT and discounts. Revenues are measured at the fair value of the consideration received or receivable. Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services, etc.) are accrued in the year in which the associated services are rendered by the employees of the Group.

Earnings per share. Earnings per share is determined by dividing the profit and loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the reporting year.

Segment reporting. A segment is a distinguishable component of the Group that is engaged either in providing products or services (operating segment). Segments whose sales or result are ten percent or more of all the segments are reported separately. Segment reporting is prepared in a manner consistent with the internal reporting provided to the chief operating decision-maker.

3 Critical accounting estimates, and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

3 Critical accounting estimates, and judgements in applying accounting policies (continued)

Taxation. Judgments are required in determining current income tax liabilities (Note 26). The Group recognises liabilities for taxes based on estimates of whether additional taxes will be due. Where the final outcome of various tax matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred taxes provision in the period in which such determination is made.

Deferred income tax recognition. The net deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the consolidated statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgements and estimates based on the last three years' taxable profits and expectations of future income that are believed to be reasonable under the circumstances (Note 26).

Land. Certain industrial premises of the Group's subsidiary OJSC Baltyiskie Generalnie Gruzy are located on land occupied under a short-term lease. The management believes that no losses will be sustained by the Group due to the short-term nature of the land lease since it will be able to either purchase the land or to secure its use via a long-term lease agreement in due course.

Related party transactions. The Group enters into transactions with its related parties in the normal course of business. These transactions are priced predominantly at market rates. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining whether transactions are priced at market or non-market interest rates where there is no active market for such transactions. Judgements are made by comparing prices for similar types of transactions with unrelated parties and performing effective interest rate analyses.

Fair value of LLC Severneft-Urengoy net assets. The Group applied a number of estimates to define the provisional fair value of LLC Severneft-Urengoy's net assets. In estimating the fair values of mineral rights over proven reserves acquired the Group applied the residual method which is based on a discounted cash flow analysis of the estimated future economic benefits attributable to the rights, net of the attributable other assets. Estimates used in discounted cash flow analysis represent management's best estimates based on currently available information. The fair value of mineral rights over unproven reserves was estimated applying the market approach, based on comparable deals in mineral rights.

4 Adoption of new or revised standards and interpretations

The following new standards, amendments to standards and interpretations became effective for the Group from 1 January 2011:

- Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. This amendment does not have a material effect on the Group's consolidated financial statements;
- Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. This amendment is not relevant to the Group;
- Classification of Rights Issues – Amendment to IAS 32, Financial Instruments: Presentation (issued in October 2009 and effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. This amendment does not have a material effect on the Group's consolidated financial statements;

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

- Improvements to International Financial Reporting Standards (issued in May 2010 and effective for the Group from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow the previous GAAP carrying value to be used as the deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as the deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on the acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of the revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose the carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose the fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 1 was amended to clarify the requirements for the presentation and content of the statement of changes in equity; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in the classification of financial assets or changes in the business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify the measurement of the fair value of award credits. These amendments do not have a material effect on the Group's consolidated financial statements;
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in profit or loss based on the fair value of the equity instruments compared to the carrying amount of the debt. The amendment is not currently applicable to the Group;

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2011, and have not been early adopted:

- IFRS 9, Financial Instruments Part 1: Classification and Measurement (issued in November 2009, effective for annual periods beginning on or after 1 January 2015, with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial statements;
- Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011);
- Recovery of Underlying Assets – Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012);
- IFRS 10, Consolidated financial statements (issued in May 2011, effective for annual periods beginning on or after 1 January 2013 with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial statements;

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

- IFRS 11, Joint arrangements (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial statements;
- IFRS 12, Disclosure of interests in other entities (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial statements;
- IFRS 13, Fair Value Measurement (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial statements;
- Amendments to IAS 1, Presentation of financial statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012). The Group is currently assessing the impact of the amendments on its consolidated financial statements;
- Amended IAS 19, Employee benefits (issued June 2011, effective for periods beginning on or after 1 January 2013). The Group is currently assessing the impact of the amended standard on its consolidated financial statements;
- IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The Group is currently assessing the impact of the amended standard on its consolidated financial statements;
- IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013);
- Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The Group is currently assessing the impact of the amended standard on its consolidated financial statements;
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The Group is currently assessing the impact of the amended standard on its consolidated financial statements;
- Other revised standards and interpretations: The amendments to IFRS 1 “First-time adoption of IFRS”, relating to severe hyperinflation and eliminating references to fixed dates for certain exceptions and exemptions, amendment to IAS 12 “Income taxes”, which introduces a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale, will not have any impact on these financial statements. IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, considers when and how to account for the benefits arising from the stripping activity in mining industry. The Group is currently assessing the impact of the interpretation on its consolidated financial statements.

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

5 Statement of cash flows

In managing the business, management focuses on a number of cash flow measures including “gross cash flow” and “free cash flow”. Gross cash flow refers to the operating profit after taxes and adjusted for items which are not of a cash nature, which have been charged or credited to the profit and loss. The gross cash flow is available to finance movements in operating assets and liabilities, investing and financing activities. The gross cash flow for the year ended 31 December 2011 was RR 41,768,188 thousand (2010: RR 24,946,678 thousand).

Free cash flows are the cash flows available to providers of finance of the business, be this debt or equity. The free cash outflow for the year ended 31 December 2011 was RR 17,672,121 thousand (2010: inflow of RR 11,862,623 thousand).

Since these terms are not standard IFRS measures EuroChem Group’s definition of gross cash flow and free cash flow may differ from that of other companies.

6 Segment information

The Group is a vertically integrated business with operations spanning mining, fertilizer manufacturing, organic synthesis products, sales and distribution. The Group produces a large number of products, the most significant of which is a wide range of mineral fertilizers (nitrogen and phosphate groups). On a monthly basis the Management Board reviews the financial reports of the Group, evaluates the operating results and allocates resources between the operating segments. Budgets and financial reports are prepared in a standard format according to the IFRS accounting policy adopted by the Group. Sales between segments are carried out on an arm's length basis. The Management Board assesses the performance of the operating segments based on, among others, a measure of profit before taxation adjusted by interest expense, depreciation and amortization, financial foreign exchange gain or loss, other non-cash and extraordinary items, excluding net profit for the period attributed to non-controlling interests (EBITDA). Since this term is not a standard IFRS measure EuroChem Group's definition of EBITDA may differ from that of other companies.

The development and approval of strategies, market situation analysis, the risk assessment, investment focus, technological process changes, goals and priorities are set and assessed in line with the segment structure of the Group:

- Nitrogen – the production and sale of nitrogen mineral fertilizers and organic synthesis products;
- Phosphates – the production and sale of phosphate mineral fertilizers and the extraction of ores to produce and subsequently sell baddeleyite and iron-ore concentrates;
- Potash – the development of several deposits of potassium salts ("potash") under the licenses acquired by the Group with a view to start production and marketing of potassium fertilizers. No sales have been recorded to date in this segment;
- Distribution – retail sales of mineral fertilizers (including those not produced by the Group), seeds, crop protection items etc. via a number of retailers located within Russia and the CIS;
- All other – certain logistics and service activities, central management, investment income and other items.

The segmental results for the year ended 31 December 2011 were as follows:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	53,086,640	10,021,192	63,107,832	25,549,392
Phosphates	60,347,654	3,577,106	63,924,760	23,988,466
Potash	-	-	-	(599,306)
Distribution	13,963,802	10,542	13,974,344	853,242
Other	3,899,984	14,461,705	18,361,689	207,683
Elimination	-	(28,070,545)	(28,070,545)	(343,516)
Total	**131,298,080**	-	**131,298,080**	**49,655,961**

The segmental results for the year ended 31 December 2010 were as follows:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	40,315,242	6,906,632	47,221,874	13,568,863
Phosphates	46,475,125	2,027,108	48,502,233	16,791,934
Potash	-	-	-	(420,652)
Distribution	8,542,966	649	8,543,615	489,870
Other	2,454,200	17,500,796	19,954,996	(225,390)
Elimination	-	(26,435,185)	(26,435,185)	(267,572)
Total	**97,787,533**	**-**	**97,787,533**	**29,937,053**

6 Segment information (continued)

A reconciliation of total profit before taxation is provided as follows:

	Note	2011	2010
EBITDA		**49,655,961**	**29,937,053**
Depreciation and amortisation	23	(4,483,328)	(3,465,963)
Idle property, plant and equipment write-off	7, 21	(57,025)	(171,370)
Loss on disposal of non-current assets held for sale		-	(429,598)
Gain on disposal of available-for-sale investments	9	914,434	1,407,261
Financial foreign exchange gain/(loss) – net		(3,803,986)	(389,660)
Interest expense		(3,122,871)	(2,066,011)
Other financial gain/(loss) – net	25	993,863	134,831
Non-controlling interest		3,114	54,633
Profit before taxation		**40,100,162**	**25,011,176**

Substantially all of the Group's operating assets are located in the Russian Federation. Operating assets located in foreign countries are mainly represented by assets of the Group's production subsidiary Lifosa AB, located in Lithuania.

The analysis of non-current assets other than financial instruments and deferred tax assets by geographical locations was:

	2011	2010
Non-current assets, located in Russia	110,269,252	76,355,779
Non-current assets, located in foreign countries	5,660,565	5,103,283
Total	**115,929,817**	**81,459,062**

The analysis of Group sales by geographical area was:

	2011	2010
Export	100,205,625	74,759,773
Domestic	31,092,455	23,027,760
Total sales	**131,298,080**	**97,787,533**

The analysis of Group sales by region was:

	2011	2010
Russia	31,092,455	23,027,760
CIS	15,935,617	12,566,964
Asia	30,250,071	18,634,080
Europe	18,609,096	18,371,193
Latin America	19,169,024	14,185,236
North America	11,074,561	8,402,679
Africa	4,119,944	2,305,478
Australasia	1,047,312	294,143
Total sales	**131,298,080**	**97,787,533**

The sales are allocated by regions based on the destination country. There were no sales in excess of 10% to any one country, except for Russia, during the year ended 31 December 2011 and 31 December 2010.

The Group had sales in excess of 10% to one customer during the year ended 31 December 2011 and 31 December 2010. Revenues from this customer represented 11% of total Group revenues for the year ended 31 December 2011 (2010: 11%) and were allocated to the Nitrogen, Phosphates, and Other segments.

7 Property, plant and equipment

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

	Buildings	Land and Land Improvements	Transfer devices	Machinery and equipment	Transport	Other	Assets under construction	Total
Gross carrying value								
Balance at 1 January 2011	**9,776,542**	**6,299,009**	**5,220,003**	**31,249,434**	**8,010,112**	**1,859,231**	**37,104,517**	**99,518,848**
Additions and transfers from assets under construction	2,718,312	2,916,200	1,071,894	6,055,154	2,589,195	595,195	8,355,393	24,301,343
Acquisitions through business combinations (Note 29)	637,156	4,532,068	1,785,627	637,999	27,812	9,645	440,992	8,071,299
Disposals	(20,405)	(43,278)	(9,613)	(396,078)	(90,288)	(46,942)	(40,819)	(647,423)
Idle property, plant and equipment write-off	(49,425)	(1,012)	(1,151)	(28,719)	(25)	(4,137)	(11,196)	(95,665)
Currency translation difference (Note 2)	60,116	56,867	27,994	115,943	11,231	9,533	5,569	287,253
Balance at 31 December 2011	**13,122,296**	**13,759,854**	**8,094,754**	**37,633,733**	**10,548,037**	**2,422,525**	**45,854,456**	**131,435,655**
Accumulated Depreciation and Impairment								
Balance at 1 January 2011	**(2,710,905)**	**(1,763,793)**	**(2,548,389)**	**(15,209,332)**	**(3,262,248)**	**(902,615)**	**-**	**(26,397,282)**
Charge for the year	(475,886)	(400,671)	(392,912)	(2,494,801)	(628,031)	(306,931)	-	(4,699,232)
Disposals	15,605	16,474	9,543	345,663	73,372	29,726	-	490,383
Idle property, plant and equipment write-off	18,385	781	544	15,948	8	2,974	-	38,640
Currency translation difference (Note 2)	(12,735)	(18,696)	(9,423)	(61,283)	(5,727)	(7,399)	-	(115,263)
Balance at 31 December 2011	**(3,165,536)**	**(2,165,905)**	**(2,940,637)**	**(17,403,805)**	**(3,822,626)**	**(1,184,245)**	**-**	**(30,682,754)**
Net Carrying Value								
Balance at 1 January 2011	**7,065,637**	**4,535,216**	**2,671,614**	**16,040,102**	**4,747,864**	**956,616**	**37,104,517**	**73,121,566**
Balance at 31 December 2011	**9,956,760**	**11,593,949**	**5,154,117**	**20,229,928**	**6,725,411**	**1,238,280**	**45,854,456**	**100,752,901**

7 Property, plant and equipment (continued)

	Buildings	Land and Land Improvements	Transfer devices	Machinery and equipment	Transport	Other	Assets under construction	Total
Gross carrying value								
Balance at 1 January 2010	**7,389,446**	**4,373,517**	**4,113,852**	**23,837,874**	**7,258,905**	**1,310,536**	**31,778,459**	**80,062,589**
Additions and transfers from assets under construction	2,590,702	1,989,524	1,154,673	8,130,286	822,698	586,316	5,452,776	20,726,975
Disposals	(10,116)	(4,153)	(5,599)	(396,225)	(64,679)	(29,297)	(8,389)	(518,458)
Idle property, plant and equipment write-off	(95,972)	(5,575)	(5,670)	(132,548)	(1,042)	(410)	(103,120)	(344,337)
Currency translation difference (Note 2)	(97,518)	(54,304)	(37,253)	(189,953)	(5,770)	(7,914)	(15,209)	(407,921)
Balance at 31 December 2010	**9,776,542**	**6,299,009**	**5,220,003**	**31,249,434**	**8,010,112**	**1,859,231**	**37,104,517**	**99,518,848**
Accumulated Depreciation and Impairment								
Balance at 1 January 2010	**(2,438,128)**	**(1,560,251)**	**(2,313,315)**	**(13,880,982)**	**(2,740,503)**	**(746,993)**	**-**	**(23,680,172)**
Charge for the year	(348,185)	(244,324)	(261,536)	(1,867,825)	(583,109)	(187,535)	-	(3,492,514)
Disposals	9,565	4,009	5,467	318,328	58,063	24,231	-	419,663
Idle property, plant and equipment write-off	45,433	4,372	5,662	116,323	829	348	-	172,967
Currency translation difference (Note 2)	20,410	32,401	15,333	104,824	2,472	7,334	-	182,774
Balance at 31 December 2010	**(2,710,905)**	**(1,763,793)**	**(2,548,389)**	**(15,209,332)**	**(3,262,248)**	**(902,615)**	**-**	**(26,397,282)**
Net Carrying Value								
Balance at 1 January 2010	**4,951,318**	**2,813,266**	**1,800,537**	**9,956,892**	**4,518,402**	**563,543**	**31,778,459**	**56,382,417**
Balance at 31 December 2010	**7,065,637**	**4,535,216**	**2,671,614**	**16,040,102**	**4,747,864**	**956,616**	**37,104,517**	**73,121,566**

7 Property, plant and equipment (continued)

The analysis of the Group's assets under construction is as follows:

	2011	2010
Construction in progress	39,622,027	31,791,727
Exploration expenses	75,891	-
Advances given to construction companies and suppliers of property, plant and equipment	6,156,538	5,312,790
Total assets under construction	**45,854,456**	**37,104,517**

As at 31 December 2011 borrowing costs totaling RR 129,809 thousand (2010: nil) were capitalised in property, plant and equipment at an average interest rate of 5.43% (2010: nil).

In 2009 the Group obtained licenses for the exploration and evaluation of the Darganovsky and Ravninny potash fields. On 1 March 2011 the Group received official confirmation of the estimated resources covered by these licenses. From this date the Group has capitalised expenses related to the evaluation stage of these fields and as at 31 December 2011 recognised RR 75,891 thousand in assets under construction (31 December 2010: nil). Expenses incurred before 1 March 2011 relating to the exploration of these fields and amounting to RR 7,302 thousand were recognised in profit and loss (2010: RR 144,833 thousand). Generally, such expenses are paid in the period the services are provided.

During the year ended 31 December 2011 the Group decided to mothball certain production equipment with a gross carrying value and accumulated depreciation of RR 95,665 thousand and RR 38,640 thousand, respectively, at 31 December 2011 (2010: gross carrying value of RR 344,337 thousand and accumulated depreciation of RR 172,967 thousand) and recognised a loss of RR 57,025 thousand in these consolidated financial statements (2010: RR 171,370 thousand) (Note 21).

As at 31 December 2011 all of the Group's major Russian-based subsidiaries had acquired the land on which their main production facilities are located. Other subsidiaries continue to occupy the land plots under lease agreements. For these land plots the future minimum lease payments under non-cancellable operating leases are as follows:

	2011	2010
Shorter than 1 year	170,284	151,398
Between 1 and 5 years	667,601	594,938
Longer than 5 years	4,131,399	3,934,046
Total	**4,969,284**	**4,680,382**

8 Intangible assets

	Note	Acquired software and licenses	Other	Total
Cost at 1 January 2010		**406,096**	**201,571**	**607,667**
Accumulated amortisation		**(178,955)**	**(1,255)**	**(180,210)**
Carrying amount at 1 January 2010		**227,141**	**200,316**	**427,457**
Additions		6,733	611,831	618,564
Disposals cost and write-offs		-	(149,082)	(149,082)
Accumulated amortisation on disposals		-	153	153
Amortisation charge		(79,950)	(3,230)	(83,180)
Currency translation difference		8	603	611
Cost at 31 December 2010		**412,837**	**664,923**	**1,077,760**
Accumulated amortisation		**(258,905)**	**(4,332)**	**(263,237)**
Carrying amount at 31 December 2010		**153,932**	**660,591**	**814,523**
Additions		-	361	361
Acquired through business combinations	29	-	538	538
Disposals cost and write-offs		-	(9)	(9)
Accumulated amortisation on disposals		-	9	9
Amortisation charge		(83,258)	(123,994)	(207,252)
Currency translation difference		197	2,096	2,293
Cost at 31 December 2011		**413,034**	**667,909**	**1,080,943**
Accumulated amortisation		**(342,163)**	**(128,317)**	**(470,480)**
Carrying amount at 31 December 2011		**70,871**	**539,592**	**610,463**

8 Intangible assets (continued)

Other intangible assets mainly comprise the right to construct a sea port terminal located in Ust-Luga, Russian Federation, which was acquired in December 2010. This asset is amortised on a straight line basis over an estimated average useful life of 5 years.

In 2010 the Group wrote-off the exclusive lease agreement for the berth in the sea port located in Murmansk previously recognized as an intangible asset with an indefinite useful life and with a carrying value of RR 148,974 thousand, as the key terms of the agreement were adversely amended to bring them in line with market conditions.

As at 31 December 2011 the Group did not hold any intangible assets with an indefinite useful life.

No impairment was recognised for the intangible assets at 31 December 2011 and 31 December 2010.

9 Available-for-sale investments, including shares pledged as collateral

At 31 December 2011 and 31 December 2010 available-for-sale investments comprised the shares of K+S Group, a German manufacturer and vendor of potassium-based fertilizers.

	2011	2010
K+S Group ordinary shares	11,044,815	34,680,888
K+S Group ordinary shares pledged as collateral	11,423,184	3,182,443
Total available-for-sale investments	**22,467,999**	**37,863,331**

Movements in the carrying amount of available-for-sale investments, including shares pledged as collateral, were:

	2011	2010
Carrying amount at 1 January	**37,863,331**	**33,619,657**
Revaluation of available-for-sale investments	(12,689,257)	9,642,508
Disposal of available-for-sale investments, including:		
- available-for-sale investments at cost	(1,791,641)	(3,991,573)
- reclassification of revaluation to profit and loss	(914,434)	(1,407,261)
Carrying amount at 31 December	**22,467,999**	**37,863,331**

K+S Group shares, including shares pledged as collateral

At 31 December 2011 the Group held 15,440,170 shares, or 8.067% of the issued share capital (31 December 2010: 16,656,595 shares, or 8.7% of the issued share capital) of K+S Group with a fair value of RR 22,467,999 thousand (31 December 2010: RR 37,863,331 thousand) with reference to the share price quoted on the Xetra trading system of Euro 34.92 per share (31 December 2010: Euro 56.36 per share). A negative reserve was recognised in equity due to a decrease in the fair value of the investment below its historical cost of RR 273,427 thousand at 31 December 2011 (31 December 2010: accumulated increase RR 13,330,264 thousand).

During the year ended 31 December 2011 the Group sold 1,191,425 ordinary shares of K+S Group to EuroChem Group S.E., the parent company of the Group, for RR 2,649,247 thousand (Note 28) and 25,000 K+S Group shares on the open market for RR 56,828 thousand and recognised a gain of RR 914,434 thousand in the profit and loss.

In May 2011 the Group received dividend income from K+S Group of RR 613,927 thousand (2010: RR 147,946 thousand) before withholding tax of RR 161,923 thousand (2010: RR 7,397 thousand).

K+S Group shares pledged as collateral

At 31 December 2011 the Group had outstanding European call options giving counterparties the right to buy 2,858,000 K+S Group ordinary shares secured by these shares as collateral (31 December 2010: European call options over 1,400,000 K+S Group ordinary shares) with a fair value of RR 4,158,861 thousand (31 December 2010: RR 3,182,443 thousand) with reference to the share price quoted on the Xetra trading system (Note 17).

9 Available-for-sale investments, including shares pledged as collateral (continued)

K+S Group shares pledged as collateral (continued)

At 31 December 2011 the Group had 6,350,094 K+S Group shares pledged as collateral for a bank loan with a fair value of RR 9,240,436 thousand (31 December 2010: nil) with reference to the share price quoted on the Xetra trading system (Note 15). As agreed with the lender, out of these, 1,358,000 shares with a fair value of RR 1,976,113 thousand simultaneously represent collateral under the call options described above.

Therefore, as at 31 December 2011 the total number of K+S Group shares pledged as collateral was 7,850,094 with a fair value of RR 11,423,184 thousand (31 December 2010: 1,400,000 shares with a fair value of RR 3,182,443 thousand). Pledged shares have been reclassified to a separate line named "Available-for-sale investments pledged as collateral" in the consolidated statement of financial position, as the mortgagee had the right to use and dispose of the collateral. The Group holds economic exposure in relation to the encumbered shares. The mortgagee is obliged to replace the original financial collateral by transferring equivalent financial collateral on the due date for the performance of the relevant financial obligations covered by the arrangement; failing this the mortgagor has a right against the mortgagee for the delivery of equivalent securities upon the performance of the obligations of the mortgagor.

Certain reclassifications have been made to prior year amounts in the consolidated statement of financial position and related notes to conform to the current period presentation. The reclassifications relate to K+S Group shares pledged as collateral to the value of RR 2,273,174 thousand which were reclassified to the line "Available-for-sale investments pledged as collateral" from the line "Available-for-sale investments".

10 Mineral rights

	Note	2011	2010
Rights for exploration and production:			
Verkhnekamskoe potash deposit		4,087,166	4,087,166
Gremyachinskoe potash deposit		3,017,781	3,017,781
Kovdorsky apatite deposits		166,549	166,549
Rights for exploration, evaluation and extraction:			
Yuzhny hydrocarbon deposit		24,495	24,495
Perelyubsko-Rubezhinskiy hydrocarbon deposit		22,116	22,116
Rights for proven and unproven mineral resources:			
Zapadno-Yaroyakhinsky hydrocarbon deposits	29	6,953,071	-
Total mineral rights		**14,271,178**	**7,318,107**

In accordance with the conditions of the licence agreements for developing the potash deposits, the Group has the following major commitments:

- to commence extraction of potash salt at the Gremyachinskoe potash deposit by 1 November 2014;
- to commence construction of an exploration complex at the Verkhnekamskoe potash deposit by 15 April 2012;
- to commence extraction of potash salt at the Verkhnekamskoe potash deposit by 15 April 2014.

The Group has started construction of the mining facilities at both sites. The management believes that either each stage of the process will be completed according to the schedule or the license terms in respect of the timing of these stages will be renegotiated. As of 31 December 2011 and 31 December 2010 the Verkhnekamskoe and Gremyachinskoe potash deposits were in the development phase.

As of 31 December 2011 licenses for the exploration, evaluation and extraction of crude hydrocarbons at the Yuzhny and Perelyubsko-Rubezhinskiy deposits were in the exploration phase.

10 Mineral rights (continued)

Under the terms of valid licenses for the exploration and development of potash and apatite deposits, the Group is required to comply with a number of conditions, including preparation of design documentation, commencement of the construction of mining facilities and commencement of the extraction of mineral resources by certain dates. If the Group fails to materially comply with the terms of the license agreements there are circumstances whereby the licenses can be revoked. The management of the Group believes that the Group faces no material regulatory risks in relation to the validity and operation of any of its licenses.

11 Inventories

	2011	2010
Materials	5,821,720	3,872,290
Work in progress	1,180,983	832,876
Finished goods	6,445,567	3,891,113
Catalysts	1,784,203	1,558,325
Less: provision for obsolete and damaged inventories	(275,074)	(326,712)
Total inventories	**14,957,399**	**9,827,892**

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

	2011	2010
Trade receivables		
Trade receivables denominated in RR	1,074,277	1,142,115
Trade receivables denominated in US$	2,306,373	1,519,960
Trade receivables denominated in Euro	119,195	119,862
Trade receivables denominated in other currencies	182,696	94,520
Less: impairment provision	(246,628)	(165,639)
Total trade receivables – financial assets	**3,435,913**	**2,710,818**
Prepayments, other receivables and other current assets		
Advances to suppliers	3,737,569	3,347,157
VAT recoverable and receivable	5,040,882	3,737,607
Income tax receivable	198,767	18,416
Other taxes receivable	43,513	32,076
Other receivables	891,306	511,926
Less: impairment provision	(161,311)	(151,607)
Subtotal non-financial assets	**9,750,726**	**7,495,575**
Interest receivable	440,036	27,557
Subtotal financial assets	**440,036**	**27,557**
Total prepayments, other receivables and other current assets	**10,190,762**	**7,523,132**
Total trade receivables, prepayments, other receivables and other current assets	**13,626,675**	**10,233,950**
including		
Financial assets	3,875,949	2,738,375
Non-financial assets	9,750,726	7,495,575

Management believes that the fair value of accounts receivable does not differ significantly from their carrying amounts.

As of 31 December 2011, accounts receivable, prepayments and other current assets of RR 407,939 thousand (31 December 2010: RR 317,246 thousand) were individually impaired and an impairment provision was recognised. The individually impaired receivables mainly relate to counterparties which are facing significant financial difficulties. The ageing of these receivables is as follows:

	2011	2010
Less than 3 months	6,064	-
From 3 to 12 months	20,837	12,689
Over 12 months	381,038	304,557
Total gross amount of impaired trade receivables, prepayments, other receivables and other current assets	**407,939**	**317,246**

12 Trade receivables, prepayments, other receivables and other current assets (continued)

As of 31 December 2011, trade receivables of RR 298,277 thousand (31 December 2010: RR 289,456 thousand) were past due but not impaired. The ageing analysis of these trade receivables from past due date is:

	2011	2010
Less than 3 months	252,291	175,959
From 3 to 12 months	23,189	97,316
Over 12 months	22,797	16,181
Trade accounts receivable past due not impaired	**298,277**	**289,456**

The movements in the provision for impairment of accounts receivable are:

		2011		2010	
	Note	Trade receivables	Other receivables	Trade receivables	Other receivables
As of 1 January		**165,639**	**151,607**	**224,784**	**124,615**
Provision charged	22, 23	107,798	24,252	39,026	61,318
Provision used		(21,573)	(6,386)	(36,390)	(13,550)
Provision reversed	22, 23	(7,662)	(12,829)	(58,464)	(21,400)
Foreign exchange difference		2,426	4,667	(3,317)	624
Total provision for impairment of accounts receivable		**246,628**	**161,311**	**165,639**	**151,607**

13 Cash and cash equivalents and fixed-term deposits

	2011	2010
Cash on hand and bank balances denominated in RR	1,491,231	868,314
Bank balances denominated in US$	1,849,003	1,378,554
Bank balances denominated in Euro	1,278,936	489,559
Balances denominated in other currencies	250,026	88,065
Term deposits denominated in RR	1,633,327	2,437,055
Term deposits denominated in US$	1,320,939	3,255,216
Term deposits denominated in Euro	445,277	82,760
Term deposits denominated in other currencies	238,210	297,100
Total cash and cash equivalents	**8,506,949**	**8,896,623**
Fixed-term deposits in RR	13,550,300	-
Fixed-term deposits in US$	7,283,471	-
Fixed-term deposits in Euro	32,139	-
Total fixed-term deposits	**20,865,910**	**-**
Current restricted cash	77,238	37,461
Non-current restricted cash	7,980	143,898
Total restricted cash	**85,218**	**181,359**

Term deposits at 31 December 2011 and 31 December 2010 are held to meet short term cash needs and have various original maturities but can be withdrawn on request without any restrictions.

Fixed-term deposits have various original maturities and can be withdrawn with early notification and/or with penalty accrued or interest income forfeited.

No bank balances, term and fixed-term deposits are past due or impaired. Analysis of the credit quality of bank balances, term and fixed-term deposits is as follows:

	2011	2010
A to AAA rated**	4,880,724	6,033,888
BB- to BBB+ rated**	24,011,552	2,607,990
B- to B+ rated**	505,694	59,493
Unrated	53,763	375,126
Total*	**29,451,733**	**9,076,497**

* The rest of the balance sheet item 'cash and cash equivalents' is cash on hand.

** Based on the credit ratings of independent rating agencies Standard & Poor's and Fitch Ratings as at 14 January 2012.

At 31 December 2011 current restricted cash of RR 77,238 thousand was held in bank accounts in compliance with statutory regulations (31 December 2010: RR 37,461 thousand).

13 Cash and cash equivalents and fixed-term deposits (continued)

At 31 December 2011 RR 7,980 thousand of non-current restricted cash was held in bank accounts as security deposits for third parties. At 31 December 2010 non-current restricted cash totalling RR 143,898 thousand consisted of RR 103,434 thousand of cash held in an escrow account as a collateral for a squeeze-out in Lifosa AB and RR 40,464 thousand was represented by deposits against possible environmental obligations as required under statutory Lithuanian rules and letters of credit for equipment procurement.

The fair value of cash and cash equivalents is equal to their carrying amount.

14 Equity

The nominal registered amount of the Company's issued share capital at 31 December 2011 is RR 6.8 billion (31 December 2010: RR 6.8 billion). The total authorised number of ordinary shares is 68 million shares (31 December 2010: 68 million shares) with a par value of RR 100 per share. All authorised shares have been issued and fully paid.

	Number of ordinary shares	Share capital RR thousand	Number of treasury shares	Treasury shares at acquisition cost RR thousand
At 31 December 2010	68,000,000	6,800,000	68,000	(7,760)
At 31 December 2011	68,000,000	6,800,000	6,216,651	(29,679,427)

Treasury shares

During the year ended 31 December 2011 the Group bought back from EuroChem Group S.E., the parent company of the Group, 6,148,651 of its own ordinary shares which represent 9.04% of the issued share capital for RR 29,671,667 thousand paid in cash (Note 28). The valuation of EuroChem's shares was performed by a reputable international firm of appraisers.

The treasury shares were transferred from LLC PG Phosphorit to the Group's wholly-owned subsidiary EuroChem Capital Management Ltd.

At 31 December 2011 EuroChem Capital Management Ltd. held 6,216,651 ordinary shares of the Company (31 December 2010: LLC PG Phosphorit held 68,000 ordinary shares). These shares represent 9.14% (31 December 2010: 0.1%) of the Company's share capital and carry voting rights in the same proportion as other ordinary shares. The voting rights of ordinary shares of the Company held by the entities within the Group are effectively controlled by the management of the Group.

Profit distribution. In accordance with Russian legislation, the Company distributes profits as dividends or transfers them to reserves (fund accounts) on the basis of financial statements prepared in accordance with Russian Accounting Rules. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Russian legislation identifies the net statutory profit as the basis for distribution. For the year ended 31 December 2011, the net statutory profit of the Company as reported in the published annual statutory accounting report was RR 13,979,113 thousand (2010: RR 8,442,616 thousand) and the closing balance of the accumulated profit including the net statutory profit totalled RR 69,924,828 thousand (31 December 2010: RR 56,292,392 thousand). However, this legislation and other statutory laws and regulations are open to legal interpretation in relation to the depletion of distributable reserves. Accordingly management believes that, at present, it would not be appropriate to disclose an amount for the distributable reserves in these consolidated financial statements.

Other reserves. As at 31 December 2011 other reserves in the consolidated statement of changes in equity comprised an accumulated net gain from currency translation differences of RR 1,724,223 thousand (31 December 2010: RR 1,239,879 thousand) and a negative reserve related to the decrease in the fair value of the investments in the shares of K+S Group below their historical cost of RR 273,427 (31 December 2010: accumulated increase RR 13,330,264 thousand) (Note 9).

14 Equity (continued)

Dividends. During 2011 the Group did not declare and pay dividends. In 2010 the shareholders approved an interim dividend of RR 1,598,440 thousand (RR 23.53 per share) for the first half 2010 and RR 4,235,560 thousand (RR 62.35 per share) for the third quarter 2010. The total amount of dividends attributable to treasury shares has been eliminated. All dividends were declared and paid in Russian Roubles.

15 Bank borrowings

	2011	2010
Balance as at 1 January	**24,054,601**	**39,047,758**
Bank loans received, denominated in RR	19,920,000	4,376,000
Bank loans received, denominated in US$	55,713,268	5,882,093
Bank loans received, denominated in Euro	5,037,412	166,753
Bank loans repaid, denominated in RR	-	(4,376,000)
Bank loans repaid, denominated in US$	(31,234,477)	(18,031,409)
Bank loans repaid, denominated in Euro	-	(3,344,492)
Capitalisation and amortisation of transaction costs, net	463,404	291,491
Foreign exchange loss	3,441,131	42,407
Balance as at 31 December	**77,395,339**	**24,054,601**

	2011	2010
Current bank borrowings		
Current portion of long-term bank loans in US$	-	12,757,772
Short-term bank loans, denominated in Euro	4,167,140	-
Less: short-term portion of transaction costs	-	(168,005)
Total current bank borrowings	**4,167,140**	**12,589,767**
Non-current bank borrowings		
Long-term bank loans, denominated in RR	20,000,000	-
Long-term bank loans, denominated in US$	53,430,421	25,259,687
Long-term bank loans, denominated in Euro	1,365,495	341,543
Less: current portion of long-term bank loans in US$	-	(12,757,772)
Less: long-term portion of transaction costs	(1,567,717)	(1,378,624)
Total non-current bank borrowings	**73,228,199**	**11,464,834**
Total bank borrowings	**77,395,339**	**24,054,601**

At 31 December 2011 and 31 December 2010 the fair value of borrowings was not materially different from their carrying amounts.

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

Under the terms of loan agreements, the Group is required to comply with a number of covenants and restrictions, including the maintenance of certain financial ratios and financial indebtedness and cross-default provisions.

Interest rates and outstanding amounts

A syndicated loan facility obtained in October 2008 for US$ 1.5 billion was fully repaid in August 2011 (31 December 2010: US$ 767,442 thousand).

A US$ 1.3 billion 5-year club loan facility was obtained in August 2011, bearing a floating interest rate of 1-month Libor +1.8%. At 31 December 2011 the outstanding amount totalled US$ 1.3 billion (31 December 2010: nil).

In September 2011 the Group signed a RR 20 billion 5-year non revolving loan facility with a leading Russian bank. In October 2011 the facility was fully utilised and as at 31 December 2011 the outstanding amount was RR 20 billion (31 December 2010: nil).

In September 2009 the Group signed a loan agreement for Euro 85 million. In 2010 it was converted into a revolving committed facility. In 2011 an amendment was signed which increased the limit up to Euro 140 million, with a floating interest rate based on 1-month Euribor and maturity in March 2012. At 31 December 2011 the outstanding amount was Euro 100 million (31 December 2010: nil).

15 Bank borrowings (continued)

Interest rates and outstanding amounts (continued)

In March 2010 the Group signed a US$ 261 million, 10-year export credit agency-backed loan facility for financing the on-going construction of the cage shaft at the Gremyachinskoe potash deposit by a South African-based company. At 31 December 2011 US$ 109.5 million (31 December 2010: US$ 61.4 million) of the facility had been utilised.

In August 2010 the Group signed a US$ 250 million 5-year credit line agreement with a European commercial bank. During the year ended 31 December 2011, the facility was utilised and repaid several times. At the end of the year it was fully utilised and as at 31 December 2011 the outstanding amount was US$ 250 million (31 December 2010: nil).

In August 2010 the Group signed a Euro 36.7 million, 13-year export credit agency-backed loan facility for financing the acquisition of permanent hoisting equipment for the cage and skip shafts of the Gremyachinskoe potash deposit development project from a Czech engineering company. At 31 December 2011 Euro 32.8 million of the facility had been utilized (31 December 2010: Euro 8.5 million).

In March 2011 the Group signed an agreement for a 12-month revolving uncommitted facility, amounting to US$ 100 million, which is available in US$ with a floating interest rate of 1-month Libor +1.5% and in other currencies with an interest rate which will be determined by mutual agreement. In April 2011 the facility was fully utilised and the disbursed amount was fully repaid in July 2011.

Collaterals and pledges

A bank loan of RR 41,854,930 thousand and RR 23,389,249 thousand at 31 December 2011 and 31 December 2010, respectively, was collateralized by future export proceeds of the Group under sales contracts with certain customers. A bank loan of RR 4,167,140 thousand at 31 December 2011 was secured with K+S Group shares as collateral represented by 6,350,094 shares with a fair value of RR 9,240,436 thousand (Note 9) with reference to the share price quoted on the Xetra trading system.

The Group's bank borrowings mature as follows:

	2011	2010
- within 1 year	4,167,140	12,589,767
- between 1 and 2 years	7,325,334	10,336,604
- between 2 and 5 years	63,826,082	344,285
- more than 5 years	2,076,783	783,945
Total bank borrowings	**77,395,339**	**24,054,601**

16 Bonds issued

	2011	2010
Current bonds		
7.875% US$-denominated bonds due March 2012	9,336,869	-
Less: transaction costs	(4,628)	-
Total current bonds	**9,332,241**	**-**
Non-current bonds		
7.875% US$-denominated bonds due March 2012	9,336,869	8,838,300
Less: current portion of long-term bonds issued in US$	(9,336,869)	-
8.9% RR-denominated bonds due June 2018 / callable by investors in July 2015	5,000,000	5,000,000
8.25% RR-denominated bonds due November 2018 / callable by investors in November 2015	5,000,000	5,000,000
Less: transaction costs	(35,344)	(65,920)
Total non-current bonds	**9,964,656**	**18,772,380**
Total bonds issued	**19,296,897**	**18,772,380**

16 Bonds issued (continued)

On 21 March 2007 the Group placed through an offering to the public under an open subscription US$ denominated 7.875% bonds with a face value of US$ 300 million to be redeemed on 21 March 2012. The outstanding balance of the bonds was US$ 290 million at 31 December 2011 (31 December 2010: US$ 290 million), and the fair value was RR 9,418,473 thousand (31 December 2010: RR 9,197,136 thousand) with reference to Irish Stock Exchange quotations.

In July 2010 the Group issued RR-denominated bonds at a nominal value of RR 5 billion bearing a coupon of 8.9% p.a. maturing in June 2018. The bonds give investors the ability to demand from the borrower redemption at par value of the bonds in July 2015. The fair value of the outstanding bonds balance at 31 December 2011 was RR 5.06 billion (31 December 2010: RR 5.15 billion) with reference to MICEX Stock Exchange quotations.

In November 2010 the Group issued RR-denominated bonds at a nominal value of RR 5 billion bearing a coupon of 8.25% p.a. maturing in November 2018. The bonds give investors the ability to demand from the borrower redemption at par value of the bonds in November 2015. The fair value of the outstanding bonds balance at 31 December 2011 was RR 4.756 billion (31 December 2010: RR 5.005 billion) with reference to MICEX Stock Exchange quotations.

17 Derivative financial assets and liabilities

At 31 December 2011 the Group did not hold any current derivative financial assets (31 December 2010: current financial assets comprised RR/US$ non-deliverable forward contracts accounted for at a fair value of RR 35,251 thousand and cross currency interest rate swap accounted for at a fair value of RR 1,500 thousand). The non-current derivative financial assets comprised RR/US$ non-deliverable forward contracts accounted for at a fair value of RR 124,353 thousand.

The non-current derivative financial liabilities were represented by a cross currency interest rate swap and RR/US$ non-deliverable forward contracts accounted for at a fair value of RR 324,493 thousand and RR 169,246 thousand, respectively.

The current derivative financial liabilities were represented by EUR/US$ non-deliverable forward contracts and European call options over K+S Group ordinary shares accounted for at a fair value of RR 167,044 thousand and RR 6 thousand, respectively (31 December 2010: European call options over K+S Group ordinary shares accounted for at a fair value of RR 127,981 thousand).

At 31 December 2011 the derivative financial assets and liabilities were:

	Assets		Liabilities	
	non-current	current	non-current	current
RR/US$ non-deliverable forward contracts	124,353	-	169,246	-
EUR/US$ non-deliverable forward contracts	-	-	-	167,044
Cross currency interest rate swap	-	-	324,493	-
Option contracts over K+S Group ordinary shares	-	-	-	6
Total	**124,353**	**-**	**493,739**	**167,050**

At 31 December 2010 the derivative financial assets and liabilities were:

	Assets		Liabilities	
	non-current	current	non-current	current
RR/US$ non-deliverable forward contracts	-	35,251	-	-
Cross currency interest rate swap	-	1,500	-	-
Option contracts over K+S Group ordinary shares	-	-	-	127,981
Total	**-**	**36,751**	**-**	**127,981**

Cross currency interest rate swap

In 2010 the Group transacted a RR/US$ cross currency interest rate swap in connection with its issue of a RR-denominated bond due November 2018 and callable by investors in November 2015 (Note 16), as a result of which the Group pays US$ fixed 3.85% and receives RR fixed 8.25% interest the latter being the coupon rate under the subject rouble bond. The swap will mature on 16 November 2015.

17 Derivative financial assets and liabilities (continued)

Cross currency interest rate swap (continued)

As at 31 December 2011 the Group recognised a net loss of RR 104,002 thousand (Note 25) comprised of a loss from revaluation of the cross currency interest rate swap amounting to RR 325,993 thousand offset by net interest income of RR 221,991 thousand.

Call options over K+S Group ordinary shares

At 31 December 2010 the Group had outstanding European call options giving counterparties the right to buy over 1,400,000 K+S Group ordinary shares, which matured in March and June 2011. These call options were not exercised.

During the year ended 31 December 2011, the Group sold European call options over 16,958,000 K+S Group ordinary shares for a total premium of RR 421,858 thousand. Out of these, 14,100,000 call options over K+S Group ordinary shares matured in the second half of 2011 without being exercised.

At 31 December 2011 the Group had outstanding European call options giving counterparties the right to buy over 2,858,000 K+S Group ordinary shares secured by these shares as collateral with a fair value of RR 4,158,861 thousand with reference to the share price quoted on the Xetra trading system (Note 9). Out of these, 1,108,000 K+S Group ordinary shares call options matured on 20 January 2012 without being exercised and 1,750,000 K+S Group ordinary shares call options expire on 17 February 2012.

Foreign exchange non-deliverable forward contracts

At 31 December 2010 the Group had RR/US$ non-deliverable forward contracts to sell the nominal amount of US$ 300 million, which matured in March and June 2011. During the second half of 2011, the Group entered into RR/US$ non-deliverable forward contracts and EUR/US$ non-deliverable forward contracts to buy the nominal amount of RR 11,500 million and EUR 400 million, respectively. The contractual settlement dates for EUR/US$ non-deliverable forward contracts are 28 March 2012 and for RR/US$ non-deliverable forward contracts vary from 18 December 2014 to 20 September 2016. As at 31 December 2011 the Group recognised a gain of RR 573,664 thousand from the revaluation of forward contracts in profit and loss (Note 25), and proceeds of RR 820,852 thousand from forward contracts which reached their maturity dates.

Movements in the carrying amount of derivative financial assets and liabilities were as follows:

	1 January 2011	Changes in the fair value (Note 25)	Cash proceeds from derivatives	31 December 2011
Derivative financial assets/(liabilities)				
Cross currency interest rate swap contract	1,500	(104,002)	(221,991)	(324,493)
Foreign exchange non-deliverable forward contracts - net	35,251	573,664	(820,852)	(211,937)
Option contracts over K+S Group ordinary shares	(127,981)	549,833	(421,858)	(6)
Derivative financial assets and liabilities – net	**(91,230)**	**1,019,495**	**(1,464,701)**	**(536,436)**

18 Provision for land restoration

In accordance with Russian legislation, the Group has an obligation to restore land disturbed as a result of mining operations after the expiration of the licenses.

At 31 December 2011 a provision of RR 283,400 thousand (31 December 2010: RR 222,887 thousand) for future costs of land recultivation was included in other non-current liabilities. The net present value of the future cash outflows was calculated using a 8.9% discount rate determined by reference to the market yields on Russian government bonds.

19 Trade payables, other accounts payable and accrued expenses

	2011	2010
Trade payables		
Trade payables denominated in RR	1,602,671	1,355,864
Trade payables denominated in US$	1,072,805	327,972
Trade payables denominated in Euro	253,945	358,028
Trade payables denominated in other currencies	131,683	141,087
Total trade payables – financial liabilities	**3,061,104**	**2,182,951**
Other accounts payable and accrued expenses		
Advances received	2,182,581	2,202,860
Payroll and social tax	333,653	292,364
Accrued liabilities and other creditors	3,510,193	3,088,472
Subtotal non-financial liabilities	**6,026,427**	**5,583,696**
Interest payable	351,584	277,179
Subtotal financial liabilities	**351,584**	**277,179**
Total other payables	**6,378,011**	**5,860,875**
Total trade payables, other accounts payable and accrued expenses	**9,439,115**	**8,043,826**
including		
Financial liabilities	3,412,688	2,460,130
Non-financial liabilities	6,026,427	5,583,696

Trade payables include payables to suppliers of property, plant and equipment which amount to RR 765,158 thousand (31 December 2010: RR 694,911 thousand).

20 Sales

The components of external sales were as follows:

	2011	2010
Nitrogen		
Nitrogen fertilizers	40,214,474	29,579,048
Organic synthesis products	7,770,645	6,425,351
Complex fertilizers group	4,016,908	3,505,056
Other goods	822,115	453,919
Other services	262,498	351,868
	53,086,640	**40,315,242**
Phosphates		
Phosphates	31,430,171	25,071,344
Iron ore concentrate	21,953,124	15,703,907
Feed phosphates group	3,785,681	3,018,490
Apatite concentrate	1,130,327	998,536
Baddeleyite concentrate	1,027,264	605,341
Complex fertilizers group	2,673	126,079
Other goods	523,482	449,539
Other services	494,932	501,889
	60,347,654	**46,475,125**
Distribution		
Nitrogen fertilizers	6,226,928	3,650,659
Phosphates	2,758,595	1,341,643
Complex fertilizers group	3,434,925	2,485,672
Feed phosphates group	221,119	51,784
Organic synthesis products	12,423	-
Other goods	1,279,416	1,000,123
Other services	30,396	13,085
	13,963,802	**8,542,966**
Others		
Nitrogen fertilizers	2,243,139	970,324
Organic synthesis products	-	40,334
Complex fertilizers group	27,342	70,280
Logistic services	258,284	354,634
Other goods	868,140	466,831
Other services	503,079	551,797
	3,899,984	**2,454,200**
Total sales	**131,298,080**	**97,787,533**

21 Cost of sales

The components of cost of sales were as follows:

	Note	2011	2010
Materials and components used or resold		40,601,129	28,351,341
Energy		6,694,025	5,625,211
Utilities and fuel		3,617,517	3,001,341
Labour, including contributions to social funds		8,063,718	7,269,164
Depreciation and amortisation		3,656,398	2,837,043
Repairs and maintenance		1,041,923	620,044
Production overheads		1,487,996	1,515,867
Property tax, rent payments for land and related taxes		1,061,219	1,027,339
Transportation expenses for logistics services		188,706	312,733
Idle property, plant and equipment written-off	7	57,025	171,370
Reversal of provision for obsolete and damaged inventories		(51,638)	(53,058)
Changes in work in progress and finished goods		(2,849,658)	(584,576)
Other costs		72,915	111,710
Total cost of sales		**63,641,275**	**50,205,529**

22 Distribution costs

Distribution costs comprised:

	Note	2011	2010
Transportation		15,838,489	15,405,937
Export duties, other fees and commissions		267,559	192,903
Labour, including contributions to social funds		1,077,580	800,696
Depreciation and amortisation		471,659	311,999
Repairs and maintenance		614,611	571,727
Provision/(reversal of provision) for impairment of receivables	12	27,893	(12,470)
Other costs		654,697	514,105
Total distribution costs		**18,952,488**	**17,784,897**

23 General and administrative expenses

General and administrative expenses comprised:

	Note	2011	2010
Labour, including contributions to social funds		2,435,684	2,093,426
Depreciation and amortisation		355,271	316,921
Audit, consulting and legal services		257,898	194,035
Rent		114,210	117,342
Bank charges		111,978	138,339
Social expenditure		148,430	66,295
Repairs and maintenance		73,059	38,659
Provision for impairment of receivables	12	83,666	32,950
Other expenses		1,072,992	756,482
Total general and administrative expenses		**4,653,188**	**3,754,449**

The total depreciation and amortisation expenses included in all captions of the consolidated statement of comprehensive income amounted to RR 4,483,328 thousand (2010: RR 3,465,963 thousand). The total staff costs (including social expenses) amounted to RR 11,576,982 thousand (2010: RR 10,163,286 thousand).

The fees for the audit of the consolidated and statutory financial statements for the year ended 31 December 2011 amounted to RR 72,367 thousand (2010: RR 65,259 thousand). The auditors also provided the Group with consulting and training services amounting to RR 20,560 thousand (2010: RR 5,773 thousand).

24 Other operating income and expenses

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

	2011	2010
Gain on disposal of property, plant and equipment	(90,739)	(38,973)
Sponsorship	447,246	417,697
Foreign exchange (gain)/loss – net	199,896	(208,168)
Other operating income	(365,545)	(153,861)
Total other operating (income)/expenses	**190,858**	**16,695**

25 Other financial gain/(loss)

The components of other financial gain/(loss) were as follows:

	2011	2010
Changes in the fair value of call options	549,833	49,372
Changes in the fair value of foreign exchange non-deliverable forward contracts	573,664	83,959
Changes in the fair value of cross currency interest rate swap	(104,002)	1,500
Unwinding of discount on land restoration obligation	(25,632)	-
Total other financial gain/(loss) – net	**993,863**	**134,831**

26 Income tax

	2011	2010
Income tax expense – current	8,322,851	4,699,114
Prior periods adjustments recognised in the current period for income tax	(471,373)	-
Deferred income tax – (recognition)/reversal of temporary differences	211,392	259,585
Effect of the change in the tax rate	5,899	-
Income tax expense	**8,068,769**	**4,958,699**

During the year ended 31 December 2011 the Group offset VAT and other tax receivables against income tax payables of RR 35,861 thousand (2010: RR 187,607 thousand).

The profit before taxation for financial reporting purposes is reconciled to the tax expense as follows:

	2011	2010
Profit before taxation	**40,100,162**	**25,011,176**
Theoretical tax charge at statutory rate of 20% (2010 – 20%)	(8,020,032)	(5,002,235)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non deductible expenses	(344,662)	(372,333)
- Effects of tax rates different to 20%	111,949	667,420
- Unrecognized tax loss carry forward for the year	(135,483)	(251,551)
- Effect of the change in the tax rate	(5,899)	-
- Reassessment of deferred tax assets / liabilities	(146,015)	-
Prior periods adjustments recognised in the current period for income tax	471,373	-
Consolidated tax charge	**(8,068,769)**	**(4,958,699)**

The majority of the Group companies were subject to a tax rate of 20% on taxable profits in the Russian Federation during the year ended 31 December 2011 (2010: 20%).

The tax rates of two subsidiaries operating in the Russian Federation were reduced:

- effective from 1 January 2011, the tax rate applying to OJSC Novomoskovskiy Azot was reduced to 18.3% (2010: 20%) according to the regional tax law;
- effective from 1 September 2011, the tax rate applying to LLC PG Phosphorit was reduced to 15.5% (2010: 20%) according to an agreement with a regional authority signed in August 2011.

26 Income tax (continued)

As at 31 December 2011 deferred tax assets and liabilities of these subsidiaries were calculated at the reduced income tax rates which are expected to apply during the period covered by the agreement and any subsequent extension.

At 31 December 2011 the Group had RR 1,871,768 thousand (31 December 2010: RR 820,634 thousand) of accumulated tax losses carried forward and recognised deferred tax assets of RR 1,425,721 thousand (31 December 2010: RR 510,070 thousand). The Group did not recognise deferred tax assets of RR 446,047 thousand (31 December 2010: RR 310,564 thousand) because it is not probable that future taxable profit will be available against which the Group can utilize such benefits.

The Group has not recognised a deferred tax liability in respect of temporary differences associated with investments in subsidiaries of RR 62,961,581 thousand (31 December 2010: RR 57,325,555 thousand). The Group controls the timing of the reversal of these temporary differences and does not expect to reverse them in the foreseeable future.

The movement in deferred tax (assets) and liabilities during 2011 and 2010 was as follows:

	1 January 2011	Differences recognition and reversals	Business combina-tions	Currency translation difference (Note 2)	Effect of change in income tax rate	31 December 2011
Tax effects of (deductible)/ taxable temporary differences:						
Property, plant and equipment and Intangible assets	2,278,677	1,191,339	1,777,537	4,562	(5,216)	5,246,899
Accounts receivable	(32,383)	(122,628)	-	(202)	3,505	(151,708)
Accounts payable	(489,729)	246,665	-	328	9,837	(232,899)
Inventories	(279,619)	(190,826)	-	484	(446)	(470,407)
Other	(27,008)	(62,247)	-	143	(1,821)	(90,933)
Tax losses carried-forward	(820,634)	(986,394)	(63,442)	(1,338)	40	(1,871,768)
Unrecognized deferred tax assets	310,564	135,483	-	-	-	446,047
Net deferred tax liability	**939,868**	**211,392**	**1,714,095**	**3,977**	**5,899**	**2,875,231**
Recognised deferred tax assets	(969,064)	(853,501)	15,945	(618)	864	(1,806,374)
Recognised deferred tax liabilities	1,908,932	1,064,893	1,698,150	4,595	5,035	4,681,605
Net deferred tax liability	**939,868**	**211,392**	**1,714,095**	**3,977**	**5,899**	**2,875,231**

	1 January 2010	Differences recognition and reversals	Business combina-tions	Currency translation difference (Note 2)	Effect of change in income tax rate	31 December 2010
Tax effects of (deductible)/ taxable temporary differences:						
Property, plant and equipment and Intangible assets	2,201,245	76,042	-	1,390	-	2,278,677
Accounts receivable	(27,059)	(5,570)	-	246	-	(32,383)
Accounts payable	(171,600)	(318,437)	-	308	-	(489,729)
Inventories	(1,243)	(277,569)	-	(807)	-	(279,619)
Other	(133,467)	95,827	-	10,632	-	(27,008)
Tax losses carried-forward	(1,282,955)	437,741	-	24,580	-	(820,634)
Unrecognized deferred tax assets	59,013	251,551	-	-	-	310,564
Net deferred tax liability	**643,934**	**259,585**	-	**36,349**	-	**939,868**
Recognised deferred tax assets	(1,328,848)	327,711	-	32,073	-	(969,064)
Recognised deferred tax liabilities	1,972,782	(68,126)	-	4,276	-	1,908,932
Net deferred tax liability	**643,934**	**259,585**	-	**36,349**	-	**939,868**

The amounts shown in the consolidated statement of financial position include the following:

	2011	2010
Deferred tax assets expected to be recovered after more than 12 months	(1,016,349)	(265,180)
Deferred tax liabilities expected to be settled after more than 12 months	4,696,634	1,943,371

The total amount of the deferred tax charge is recognised in profit and loss.

27 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding treasury shares (Note 14). The Company has no dilutive potential ordinary shares, therefore, the diluted earnings per share equals the basic earnings per share.

	2011	2010
Net profit for the period attributable to owners of the parent	32,028,279	19,997,844
Weighted average number of ordinary shares in issue (expressed in thousands)	65,491	67,932
Basic and diluted earnings per share (expressed in RR per share)	**489.05**	**294.38**

28 Balances and transactions with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The relationships with those related parties with whom the Group entered into significant transactions or had significant balances outstanding are detailed below:

Financial statements caption	Nature of relationship	2011	2010
Statement of financial position caption			
Advances given to construction companies and suppliers of property, plant and equipment	Other related parties	153	13,375
Trade receivables	Other related parties	17,518	15,861
less: impairment provision on trade receivables	Other related parties*	(17,518)	(15,861)
Prepayments, other receivables and other current assets	Other related parties	62,248	52,437
less: impairment provision on other receivables	Other related parties*	(53,484)	(50,628)
Bonds issued	Other related parties	24,147	22,858
Trade payables	Other related parties	2,463	8,128
Other accounts payable and accrued expenses	Other related parties	-	1,380

*impaired trade and other receivables from an affiliated Ukraine-based company.

Financial statements caption	Nature of relationship	2011	2010
Statement of comprehensive income caption			
Sales	Other related parties	46,850	200,068
Purchases of materials and components	Other related parties	(2,606)	(61,894)
Distribution costs	Other related parties	(130,495)	(81,621)
Interest income	Other related parties	215,104	-

Financial statements caption	Nature of relationship	2011	2010
Statement of cash flows caption			
(Increase)/decrease in trade receivables	Other related parties	(1,657)	243
Increase in other receivables	Other related parties	(9,811)	(2,196)
Decrease in trade payables	Other related parties	(6,712)	(5,389)
Increase/(decrease) in advances from customers	Other related parties	(1,380)	1,380
Capital expenditure on property, plant and equipment and other intangible assets	Other related parties	(37,131)	(13,375)
Loan provided to the acquired subsidiary before acquisition (Note 29)	Other related parties	(13,714,173)	-
Interest received	Other related parties	27,799	-
Proceeds from sale of available-for-sale investments (Note 9)	Parent company	2,649,247	-
Dividends paid	Parent company	-	(5,834,000)
Purchase of own shares (Note 14)	Parent company	(29,671,667)	-

The total key management personnel compensation included in the profit and loss was RR 357,534 thousand (2010: RR 325,772 thousand). This compensation is paid to six individuals who are members of the Management Board, for their services in full time positions. Compensation is made up of an annual fixed remuneration plus a performance bonus.

29 Business combinations

Acquisition of LLC Severneft – Urengoy. In the fourth quarter of 2011 the Group obtained control over LLC Severneft-Urengoy oil and gas company. This company which is registered in the Russian Federation has a license for the exploration, evaluation and extraction of crude hydrocarbons at the Zapadno-Yaroyakhinsky hydrocarbon deposits. The main purpose of this acquisition is to provide some control over raw materials such as natural gas to the nitrogen segment of the Group and to hedge the risks of gas price volatility.

The Group obtained control by means of agreements with the owners of the participating interests in LLC Severneft-Urengoy. Under the terms of the agreements, the owners transferred decision-making rights over all significant financial and operational policies of LLC Severneft-Urengoy to the Group until the date when the Group officially acquired its participating interest from the owners. Therefore, the business combination was achieved by contract alone and the Group attributed to the owners of the participating interests the amount of LLC Severneft-Urengoy's net assets recognised in these consolidated financial statements and recorded the participating interests in LLC Severneft-Urengoy as held by parties other than the Group as a non-controlling interest.

According to the conditions of the purchase agreement control was transferred to the Group from the date of the upfront payments, which were made on 28 December 2011 and totalled RR 62,170 thousand; they were recognised in Other non-current assets.

The acquisition of LLC Severneft-Urengoy was finalised in January 2012 after the purchase consideration was paid and legal title over 100% of the charter capital was transferred from the previous owners to the Group. The purchase consideration for 100% of the charter capital comprised RR 6,682,169 thousand paid in cash. This transaction will be recorded as an acquisition of a non-controlling interest in LLC Severneft-Urengoy (Note 34).

The fair values of all assets and liabilities recognised on acquisition were provisionally determined by an internationally recognised firm of independent appraisers. The Group will finalise the purchase price allocation within 12 months from the acquisition date.

The assets acquired included mineral reserves comprising proven and unproven petroleum reserves in the Zapadno-Yaroyakhinsky hydrocarbon deposits of RR 3,856,585 thousand and RR 3,096,486 thousand, respectively. These amounts are included in Mineral rights in the consolidated statement of financial position.

In the second half of 2011, prior to the acquisition of LLC Severneft-Urengoy, the Group granted a loan of RR 13,714,173 thousand to this company, which is presented in the consolidated statement of cash flows as a loan provided to the acquired subsidiary before acquisition. This loan was effectively settled upon the acquisition of this company, as it became an intercompany loan and is eliminated in the Group's consolidated financial statements.

Among other assets the Group acquired and recognised RR-denominated unsecured originated loans to a third party of RR 6,301,867 thousand. The fair value of the loans was confirmed by an independent appraiser. The loans were fully repaid to LLC Severneft-Urengoy in January 2012, which has applied the proceeds towards the partial redemption of the intercompany loan mentioned above.

The provisional purchase price allocation for the acquisition was as follows:

	Carrying value	Attributed fair value
Cash and cash equivalents	122,742	122,742
Originated loans	6,301,867	6,301,867
Accounts receivable and other assets	1,275,913	1,275,913
Inventories	20,822	20,822
Property, plant and equipment	6,044,272	7,960,299
Mineral rights	-	6,953,071
Loan payable to the Group	(13,714,173)	(13,714,173)
Trade and other accounts payable	(369,072)	(369,072)
Other non-current liabilities	-	(61,318)
Deferred income tax asset/(liability) – net	63,442	(1,698,150)
Fair value of net assets of subsidiary		6,792,001
Non-controlling interest		**6,792,001**

29 Business combinations (continued)

If the control over LLC Severneft-Urengoy was obtained on 16 May 2011, the date of the company incorporation, the Group's consolidated revenue and profit for the year ended 31 December 2011 would not have significant changes.

In the year 2011 the cash movement relating to the acquisition was as follows:

	2011
Upfront payments for acquisition of subsidiary	(62,170)
Cash and cash equivalents of subsidiary	122,742
Total cash flow relating to the acquisition of the oil and gas subsidiary	**60,572**

Acquisition of OJSC Montazhnik and CJSC Spetsprommontazh. In June 2011 the Group acquired 76.6% of the share capital of OJSC Montazhnik and 100% of the share capital of CJSC Spetsprommontazh to improve the Group's construction capabilities. These two construction companies are registered in the Russian Federation.

Management considers these entities as a single business combination, since together the two companies comprise an integrated set of activities and assets. The purchase consideration comprised RR 146,321 thousand, paid in cash. The fair value of net assets acquired was RR 89,376 thousand. The Group has recognised goodwill of RR 90,409 thousand, primarily attributable to the anticipated synergies and cost savings expected to arise. Non-controlling interest represents the share in the net assets of the acquired entity attributable to the owners of the non-controlling interest.

If the acquisition had occurred on 1 January 2011, the Group's consolidated revenue and profit for the year ended 31 December 2011 would not have changed significantly. Revenue and net profit included in the consolidated statement of comprehensive income since acquisition are not material.

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

	Carrying value	Attributed fair value
Cash and cash equivalents	355	355
Accounts receivable and other assets	3,286	3,129
Inventories	11,879	11,879
Property, plant and equipment	30,491	111,000
Intangible assets	538	538
Trade and other accounts payable	(21,580)	(21,580)
Deferred income tax liability	-	(15,945)
Fair value of net assets of subsidiary		89,376
Less: non-controlling interests		**33,464**
Fair value of acquired interest in net assets of subsidiary		55,912
Goodwill arising from the acquisition		90,409
Total purchase consideration		146,321
Less: cash and cash equivalents of subsidiary acquired		355
Outflow of cash and cash equivalents on acquisition		**145,966**

30 Acquisition of non-controlling interests in subsidiaries

During 2011 Group transactions with non-controlling interests were mainly represented by a squeeze-out in Lifosa AB. As at 31 December 2011 the Group increased its shareholding in Lifosa AB from 99.1% to 100% (2010: from 94.8% to 99.1%).The total purchase consideration for this acquisition during the year ended 31 December 2011 comprised RR 176,715 thousand (2010: RR 448,983 thousand) paid in cash. The balance of the amount of RR 33,814 thousand shown in the statement of cash flows was paid for the acquisition of an additional interest in a construction subsidiary.

31 Contingencies, commitments and operating risks

i Business acquisition commitments

On 26 September 2011, Eurochem International Holding B.V. ("Eurochem Holding"), the Group's wholly-owned subsidiary, signed a sale and purchase agreement (SPA) with BASF Antwerpen NV for the acquisition of 100% of the share capital of a company that was newly incorporated by BASF Antwerpen NV and that will own the fertilizer assets of BASF located in Antwerp, Belgium ("Newco") up to the closing of the SPA. The price for the acquisition of 100% of the share capital of Newco is estimated to be approximately Euro 670 million, which is subject to final adjustments at the closing of the transaction. The closing of the transaction, including payment for the shares by Eurochem Holding and the transfer of the acquired shares to Eurochem Holding is expected to take place in the first quarter of 2012. The transaction is subject to customary terms and conditions, including merger clearance from the relevant anti-trust authorities.

ii Capital expenditure commitments

As at 31 December 2011 the Group had contractual commitments for capital expenditures of RR 21,603,857 thousand (31 December 2010: RR 18,225,826 thousand), including amounts denominated in US$ and Euro (RR 5,913,736 thousand and RR 7,173,654 thousand, respectively). Management estimates that, out of these, approximately RR 12.7 billion will represent cash outflows in 2012.

RR 10,463,842 thousand and RR 4,982,570 thousand out of the total amount relate to the development of potassium salt deposits and the construction of mining facilities at the Gremyachinskoe and Verkhnekamskoe potash license areas, respectively (31 December 2010: RR 10,272,954 thousand and RR 4,417,588 thousand, respectively).

iii Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged in the future by the relevant regional and federal authorities.

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation enacted during the current period is effective for new transactions from 1 January 2012. It introduces significant reporting and documentation requirements. The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2011 also allows the tax authorities to make transfer pricing adjustments and to impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%. Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. Significant difficulties exist in interpreting and applying transfer pricing legislation in practice. Any prior existing court decisions may provide guidance, but are not legally binding for decisions by other, or higher level, courts in the future.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

Russian tax legislation does not provide definitive guidance in certain areas, specifically in extraction tax. From time to time, the Group adopts interpretations of such uncertain areas that may be challenged by the tax authorities, the impact of which cannot be reliably estimated; however, it may be significant to the financial condition or the overall operations of the Group.

31 Contingencies, commitments and operating risks (continued)

iii Tax legislation (continued)

As at 31 December 2011 management believes that its interpretation of the relevant legislation is generally appropriate and the Group's tax, currency and customs positions will be sustained. Where management believes that it is probable that certain tax positions taken by the Group may not be sustained if challenged by the tax authorities, the Group has recorded provisions for related taxes, interest and penalties. There were no such provisions recorded by the Group at 31 December 2011 and 31 December 2010.

In addition to the above matters, management estimates that the Group has other possible obligations from exposure to other than remote tax risks of RR 154,073 thousand (31 December 2010: RR 1,081,589 thousand primarily relates to management services and other fees charged by the holding company to the Group subsidiaries).

iv Insurance policies

The Group exercises risk insurance as mandated by statutory requirements. The Group also holds voluntary insurance policies covering directors' and officers' liability (D&O insurance), physical property and business interruption insurance at nitrogen production plants, as well as insurances related to trade operations, including export shipments and credit insurance of trade debtors relating to the European distribution of fertilizers. The Group also carries voluntary life and accident insurance for employees. Additionally, as part of the potash project the Group voluntarily has insured construction risks for the cage and skip mine shafts at the Gremyachinskoe deposit for RR 16.7 billion. The insurance period covers all construction work until June 2013.

v Environmental matters

Environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations and an immediate response is formulated as required. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

vi Legal proceedings

During the reporting period, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding which could have a material effect on the results of operations or the financial position of the Group.

vii Operating environment of the Group

The Russian Federation continues to display certain characteristics of an emerging market, including relatively high inflation and interest rates, as well as periodic volatility in the RR exchange rate.

In 2010 and at the beginning of 2011 the Russian economy experienced a moderate recovery of economic growth.

Starting from the second half of 2011 the volatility in the currency, equity and commodities markets has increased following the uncertainties in the financial markets. Market quotations may be outdated or reflect distress sales transactions and therefore not represent fair values of financial instruments.

Debtors of the Group may also become adversely affected by the financial and economic environment, which could in turn impact their ability to repay the amounts owed or fulfil the obligations undertaken.

Deteriorating economic conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets.

31 Contingencies, commitments and operating risks (continued)

vii Operating environment of the Group (continued)

Management is unable to predict all developments which could have an impact on the industry and the wider economy and consequently what effect, if any, they could have on the future financial position of the Group. It believes it is taking all necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

32 Financial and capital risk management

32.1 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group.

(a) Market risk

(i) Foreign currency risk

The Group's revenues, expenses, capital expenditure, investments and borrowings are denominated in foreign currencies as well as Russian Roubles. The Group is exposed to foreign exchange risk to the extent that its future cash inflows and outflows over a certain period of time are denominated in different currencies.

The objective of the Group's foreign exchange risk management is to minimize the volatility of the Group's cash flows arising from fluctuations in foreign exchange rates. Management focuses on assessing the Group's future cash flows in foreign currencies and managing the gaps arising between inflows and outflows.

Translation gains and losses arising from the revaluation of its monetary assets and liabilities are therefore not viewed as an indicator of the total impact of foreign exchange fluctuations on its future cash flows since such gains or losses do not capture the impact on cash flows of foreign exchange-denominated revenues, costs, future capital expenditure, investment and financing activities.

The table below summarises the Group's financial assets and liabilities which are subject to foreign currency risk at the reporting date:

31 December 2011	US$	Euro	Other foreign currency
ASSETS			
Non-current financial assets:			
Restricted cash	-	1,701	6,278
RR/US$ non-deliverable forwards	124,353	-	-
Total non-current financial assets	**124,353**	**1,701**	**6,278**
Current financial assets:			
Trade receivables	2,306,374	44,173	48
Interest receivable	50,362	-	-
Fixed-term deposits	7,283,471	32,139	-
Cash and cash equivalents	3,169,942	1,678,260	20,124
Total current financial assets	**12,810,149**	**1,754,572**	**20,172**
Total financial assets	**12,934,502**	**1,756,273**	**26,450**
LIABILITIES			
Non-current liabilities:			
Bank borrowings	53,430,421	1,365,495	-
RR/US$ cross currency swap (gross amount)	5,121,874	-	-
RR/US$ non-deliverable forwards	169,246	-	-
Total non-current financial liabilities	**58,721,541**	**1,365,495**	**-**
Current liabilities:			
Bank borrowings	-	4,167,140	-
Bonds issued	9,336,869	-	-
Euro/US$ non-deliverable forwards	-	167,044	-
Trade payables	1,072,806	251,192	38,177
Interest payable	271,445	19,166	-
Total current financial liabilities	**10,681,120**	**4,604,542**	**38,177**
Total financial liabilities	**69,402,661**	**5,970,037**	**38,177**

32 Financial and capital risk management (continued)

32.1 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign currency risk (continued)

31 December 2010	US$	Euro	Other foreign currency
ASSETS			
Non-current financial assets:			
Restricted cash	-	6,092	107,476
Total non-current financial assets	**-**	**6,092**	**107,476**
Current financial assets:			
Trade receivables	1,519,960	49,633	-
RR/US$ non-deliverable forward contracts	35,251	-	-
Restricted cash	-	-	92
Cash and cash equivalents	4,633,770	531,135	22,880
Total current financial assets	**6,188,981**	**580,768**	**22,972**
Total financial assets	**6,188,981**	**586,860**	**130,448**
LIABILITIES			
Non-current liabilities:			
Bank borrowings	12,501,915	341,543	-
Bonds issued	8,838,300	-	-
RR/US$ cross currency swap (gross amount)	4,848,377	-	-
Total non-current financial liabilities	**26,188,592**	**341,543**	**-**
Current liabilities:			
Bank borrowings	12,757,772	-	-
Trade payables	327,972	349,335	41,636
Interest payable	233,892	1,486	-
Total current financial liabilities	**13,319,636**	**350,821**	**41,636**
Total financial liabilities	**39,508,228**	**692,364**	**41,636**

The Group believes that it has significant positive foreign exchange exposure towards the RR/US$ exchange rate given that the expected US$ denominated revenues exceed the planned outflows in US$, mostly related to servicing of debt and capital expenditure. Hence any depreciation of the RR against the US$ has a positive effect, while appreciation of the RR against the US$ has a negative effect on the Group's future cash flows.

The Group's sales for the years ended 31 December 2011 and 31 December 2010 are presented in the table below:

	US$	Euro	RR	Other foreign currency	Total
2011	84,419,804	6,074,033	31,936,618	8,867,625	131,298,080
	64%	5%	24%	7%	100%
2010	64,686,216	3,898,355	23,936,703	5,266,259	97,787,533
	66%	4%	25%	5%	100%

At 31 December 2011, if the RR exchange rate against the US$ had been higher/lower by 1%, all other things being equal, after tax profit for the year would have been RR 451,745 thousand (2010: RR 267,134 thousand) lower/higher, purely as a result of foreign exchange gains/losses on translation of US$-denominated assets and liabilities and with no regard to the impact of this appreciation/depreciation on sales.

The Group is disclosing the impact of such a 1% shift in the manner set out above to ease the calculation for the users of these consolidated financial statements of the impact on the after tax profit resulting from subsequent future exchange rate changes.

During 2010-2011 the Group entered into foreign exchange non-deliverable forward contracts to partially offset the volatility of its cash flows from any potential appreciation of the RR against the US$ (Note 17).

32 Financial and capital risk management (continued)

32.1 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's principal interest rate risk arises from long-term and short-term borrowings.

The Group is exposed to risk from floating interest rates due to the fact that it has RR 53,430,421 thousand of US$ denominated loans outstanding at 31 December 2011 (2010: RR 25,259,687 thousand) bearing floating interest rates varying from 1-month Libor +1.5% to 1 month Libor +3% and 6 month Libor +2.5% (2010: 1 month Libor +1.8% and 6-month Libor +2.5%) and RR 5,532,635 thousand of Euro denominated loans outstanding at 31 December 2011 (2010: RR 341,543 thousand) bearing a floating interest rate of 1-month Euribor +1.75% and 6-month Euribor +1.95% (2010: 6-month Euribor +1.95%). The Group's profit after tax for the year ended 31 December 2011 would have been RR 24,358 thousand, or 0.08% lower/higher (2010: RR 25,706 thousand, or 0.13% lower/higher) if the US$ Libor interest rate was 10 bps higher/lower than its actual level during the year. The Group's profit after tax for the year ended 31 December 2011 would have been RR 3,076 thousand, or 0.01% lower/higher (2010: RR 770 thousand or 0.004% lower/higher) if the Euribor interest rate was 10 bps higher/lower than its actual level during the year. During 2011 and 2010 the Group did not hedge this exposure using financial instruments.

The Group does not have a formal policy of determining how much exposure the Group should have to fixed or variable rates for as long as the impact of changes in interest rates on the Group's cash flows remains immaterial. However, the Group performs a periodic analysis of the current interest rate environment and depending on this analysis at the time of raising new debt management makes decisions on whether obtaining finance on a fixed-rate or a variable-rate basis would be more beneficial to the Group over the expected period until maturity.

(iii) Financial investments risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as available-for-sale. At 31 December 2011 the Group held 15,440,170 shares, or 8.067% of the issued share capital (2010: 16,656,595 shares, or 8.7% of the issued share capital) of K+S Group with a fair value of RR 22,467,999 thousand (2010: RR 37,863,331 thousand) (Note 9). The fair value of the shares is determined based on the closing price of Euro 34.92 as of the reporting date in the Xetra trading system. The Group's other comprehensive income/loss for 2011 would have been RR 643,414 thousand (2010: RR 671,812 thousand) if the share price were 1 Euro higher/lower than its actual level as at the reporting date. At 10 February 2012 the share price was Euro 39.42. During 2011 the Group did not hedge this exposure using financial instruments.

The Group is principally exposed to market price risks in relation to the investment in the shares of K+S Group. Management reviews reports on the performance of K+S Group on a quarterly basis and provides recommendations to the Board of Directors on the advisability of further investments or divestments.

The Group does not enter into any transactions with financial instruments whose value is exposed to the value of any commodities traded on a public market.

(b) Credit risk

Credit risk arises from the possibility that counterparties to transactions may default on their obligations, causing financial losses for the Group. Financial assets, which potentially subject Group entities to credit risk, consist principally of trade receivables, cash and bank deposits. The objective of managing credit risk is to prevent losses of liquid funds deposited with or invested in financial institutions or the loss in value of receivables.

32 Financial and capital risk management (continued)

32.1 Financial risk management (continued)

(b) Credit risk (continued)

The maximum exposure to credit risk resulting from financial assets is equal to the carrying amount of the Group's financial assets, which at 31 December 2011 amounted to RR 39,805,161 thousand (2010: RR 11,816,357 thousand). The Group has no other significant concentrations of credit risk.

Cash and cash equivalents and fixed-term deposits. Cash and short-term deposits are mainly placed in major multinational and Russian banks with independent credit ratings. No bank balances and term deposits are past due or impaired. See the analysis by credit quality of bank balances, term and fixed-term deposits in Note 13.

Trade receivables. Trade receivables are subject to a policy of active credit risk management which focuses on an assessment of ongoing credit evaluation and account monitoring procedures. The objective of the management of trade receivables is to sustain the growth and profitability of the Group by optimising asset utilisation whilst maintaining risk at an acceptable level.

The monitoring and controlling of credit risk is performed by the corporate treasury function of the Group. The credit policy requires the performance of credit evaluations and ratings of customers. The credit quality of each new customer is analyzed before the Group provides it with the standard terms of delivery and payment. The Group gives preference to customers with an independent credit rating. New customers without an independent credit rating are evaluated on a sample basis by an appointed rating agency. The credit quality of other customers is assessed taking into account their financial position, past experience and other factors. Customers that do not meet the credit quality requirements are supplied on a prepayment basis only.

Although the collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision already recorded (Note 12).

The major part of trade receivables that are neither past due nor impaired relates to wholesale distributors and steel producers for which the credit exposures and related ratings are presented below:

Wholesale customers	Credit agency	Credit rating/Other	2011	2010
Wholesale customers and steel producers	-	Letter of credit	1,049,627	687,516
Wholesale customers and steel producers	Standard & Poor's Moody's Investor's Service	2011: BBB- to BB 2010: Ba3 to Baa3	1,021,819	973,928
Wholesale customers	Credit Reform*	Good	554,357	167,763
Wholesale customers	Dun & Bradstreet Credibility Corp.*	Good	168,408	231,137
Wholesale customers	-	Credit Insurance	30,669	-
Total			**2,824,880**	**2,060,344**

* Independent credit agencies used by the Group for evaluation of customers' credit quality.

The rest of trade receivables is analysed by management who believes that the balance of the receivables is of good quality due to strong business relationships with these customers. The credit risk of every individual customer is monitored.

(c) Liquidity risk

Liquidity risk results from the Group's potential inability to meet its financial liabilities, such as settlements of financial debt and payments to suppliers. The Group's approach to liquidity risk management is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time.

In order to take advantage of financing opportunities in the international capital markets the Group has obtained credit ratings from Fitch and Standard & Poor's. As of 31 December 2011 these institutions have rated the Group as BB with stable outlook (2010: BB with stable outlook).

32 Financial and capital risk management (continued)

32.1 Financial risk management (continued)

(c) Liquidity risk (continued)

Cash flow forecasting is performed throughout the Group. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 15) at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

The table below analyses the Group's financial liabilities into the relevant maturity groupings based on the time remaining from the balance sheet date to the contractual maturity date.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
As of 31 December 2011					
Trade payables	3,061,104	-	-	-	**3,061,104**
*Gross-settled swap:***					
- inflows	(411,370)	(411,370)	(5,822,740)	-	**(6,645,480)**
- outflows	199,383	199,383	5,520,640	-	**5,919,406**
Derivative financial liabilities	167,050	-	169,246	-	**336,296**
Bank borrowings*	7,400,521	10,413,316	70,416,119	2,314,327	**90,544,283**
Bonds issued*	10,355,464	1,077,100	11,488,500	-	**22,921,064**
As of 31 December 2010					
Trade payables	2,182,951	-	-	-	**2,182,951**
*Gross-settled swap:***					
- inflows	(398,938)	(411,370)	(6,234,110)	-	**(7,044,418)**
- outflows	183,033	188,737	5,414,587	-	**5,786,357**
Derivative financial liabilities	127,981	-	-	-	**127,981**
Bank borrowings*	13,564,674	10,873,071	999,495	1,490,726	**26,927,966**
Bonds issued*	1,551,231	9,867,505	12,565,600	-	**23,984,336**

* The table above shows undiscounted cash outflows for financial liabilities (including interest together with the borrowings) based on conditions existing as of 31 December 2011 and 31 December 2010, respectively.

** Payments in respect of the gross settled swap will be accompanied by related cash inflows.

The Group controls the minimum required level of cash balances available for short-term payments in accordance with the financial policy of the Group adopted in alignment with economic realities on 29 April 2009 by the Board of Directors. Such cash balances are represented by current cash balances on bank accounts, bank deposits, short-term investments, cash and other financial instruments, which may be classified as cash equivalents in accordance with IFRS.

The Group assesses liquidity on a weekly basis using a twelve-month cash flow rolling forecast.

32.2 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders, to have available the necessary financial resources for investing activities and to maintain an optimal capital structure in order to reduce the cost of capital. The Group considers total capital under management to be equity as shown in the IFRS consolidated statement of financial position. This is considered more appropriate than alternatives, such as the value of equity shown in the Company's statutory financial (accounting) reports.

The Group monitors capital on the basis of the gearing ratio. Additionally, the Group monitors the adequacy of its debt levels using the net debt to EBITDA ratio.

32 Financial and capital risk management (continued)

32.2 Capital risk management (continued)

Gearing ratio

The gearing ratio is determined as net debt to net debt plus shareholders' equity.

The gearing ratio as of 31 December 2011 and 31 December 2010 is shown in the table below:

	2011	2010
Total debt	96,692,236	42,826,981
Less: cash and cash equivalents and fixed-terms deposits	29,450,097	8,934,084
Net debt	**67,242,139**	**33,892,897**
Equity attributable to the holders of the Company	**83,385,584**	**94,180,622**
Net debt and shareholders' equity	**150,627,723**	**128,073,519**
Gearing ratio, %	**45%**	**26%**

Net Debt/EBITDA

The Group has established a policy that the ratio of the Group's net debt to its 12 months' rolling EBITDA should not exceed two and a half times. For this purpose net debt is determined as the sum of short-term borrowings, long-term borrowings and bonds balance outstanding, less cash and cash equivalents.

The ratio of net debt to EBITDA as of 31 December 2011 and 31 December 2010 is shown in the table below:

	Note	2011	2010
EBITDA	6	**49,655,961**	**29,937,053**
Net debt		67,242,139	33,892,897
Net debt/EBITDA		**1.35**	**1.13**

Since EBITDA is not a standard IFRS measure, EuroChem Group's definition of EBITDA may differ from that of other companies.

33 Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. Management has used all available market information in estimating the fair value of financial instruments.

Financial instruments carried at fair value. Trading and available-for-sale investments are carried on the consolidated statement of financial position at their fair value.

Effective from 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the consolidated statement of financial position at fair value. This requires disclosure of fair value measurements by three levels, depending on fair value measurements. Fair values of trading and available-for-sale investments were determined based on quoted market prices and were included in level 1. Fair values of derivatives financial assets and liabilities were determined based on derived of quoted market prices and were included in level 2.

Cash and cash equivalents are carried at amortised cost which approximates current fair value.

33 Fair value of financial instruments (continued)

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The discount rates used depend on the credit risk of the counterparty. The carrying amounts of trade receivables approximate their fair values.

Liabilities carried at amortised cost. The fair value is based on quoted market prices, if available. The estimated fair values of fixed interest rate instruments with a stated maturity, for which quoted market prices were not available, were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. At 31 December 2011 and 31 December 2010 the fair value of the current and non-current borrowings is not materially different from their carrying amounts. The fair value of the issued bonds is disclosed in Note 16.

34 Subsequent events

On 20 January 2012 the Group finalised the acquisition of LLC Severneft-Urengoy (Note 29).

EUROCHEM GROUP

INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2010

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Independent Auditor's Report

To the Shareholders and Board of Directors of EuroChem Group:

We have audited the accompanying consolidated financial statements of open joint stock company Mineral Chemical Company "EuroChem" (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as of 31 December 2010 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

28 February 2011
Moscow, Russian Federation

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	Note	31 December 2010	31 December 2009
ASSETS			
Non-current assets:			
Property, plant and equipment	7	73,121,566	56,382,417
Mineral rights	11	7,318,107	7,271,496
Goodwill	8	204,866	204,866
Intangible assets	9	814,523	427,457
Restricted cash	14	143,898	179,115
Available-for-sale investments	10	36,954,062	33,619,657
Available-for-sale investments pledged as collateral	10	909,269	-
Deferred income tax assets	28	969,064	1,328,848
Other non-current assets		-	247,893
Total non-current assets		**120,435,355**	**99,661,749**
Current assets:			
Inventories	12	9,827,892	8,105,067
Trade receivables	13	2,710,818	2,151,240
Prepayments, other receivables and other current assets	13	7,523,132	7,630,102
Derivative financial assets	18	36,751	-
Restricted cash	14	37,461	551,086
Cash and cash equivalents	14	8,896,623	10,676,772
Total current assets		**29,032,677**	**29,114,267**
TOTAL ASSETS		**149,468,032**	**128,776,016**
LIABILITIES AND EQUITY			
Equity:			
Capital and reserves attributable to owners of the parent:			
Share capital	15	6,800,000	6,800,000
Treasury shares	15	(7,760)	(7,760)
Retained earnings and other reserves		87,388,382	65,644,137
		94,180,622	**72,436,377**
Non-controlling interests		323,896	758,683
Total equity		**94,504,518**	**73,195,060**
Non-current liabilities:			
Bank borrowings	16	11,464,834	26,556,324
Bonds issued	17	18,772,380	8,724,895
Deferred income tax liabilities	28	1,908,932	1,972,782
Other non-current liabilities and deferred credits		795,321	430,393
Total non-current liabilities		**32,941,467**	**37,684,394**
Current liabilities:			
Bank borrowings	16	12,589,767	12,491,434
Derivative financial liabilities	18	127,981	-
Trade payables	20	2,182,951	1,373,488
Other accounts payable and accrued expenses	20	5,860,875	3,574,522
Income tax payable		682,050	108,465
Other taxes payable		578,423	348,653
Total current liabilities		**22,022,047**	**17,896,562**
Total liabilities		**54,963,514**	**55,580,956**
TOTAL LIABILITIES AND EQUITY		**149,468,032**	**128,776,016**

Approved on behalf of the Board of Directors
28 February 2011

D.S. Strezhnev
Chief Executive Officer

A.A. Ilyin
Chief Financial Officer

The accompanying notes on pages 5 to 37 are an integral part of these consolidated financial statements.

	Note	2010	2009
Sales	21	97,787,533	73,577,249
Cost of sales	22	(50,205,529)	(42,884,070)
Gross profit		**47,582,004**	**30,693,179**
Distribution costs	23	(17,784,897)	(16,944,421)
General and administrative expenses	24	(3,754,449)	(3,261,398)
Other operating income/(expenses)	25	(16,695)	225,029
Operating profit		**26,025,963**	**10,712,389**
Dividend income	10	147,946	2,168,715
Gain/(loss) on disposal of non-current assets held for sale	26	(429,598)	358,878
Fair value gain on trading investments		-	139,584
Gain on disposal of available-for-sale investments	10	1,407,261	966,640
Financial foreign exchange gain/(loss) – net		(389,660)	748,903
Interest income		180,444	399,724
Interest expense		(2,066,011)	(1,983,587)
Other financial income	27	134,831	193,458
Profit before taxation		**25,011,176**	**13,704,704**
Income tax expense	28	(4,958,699)	(2,629,256)
Net profit for the period		**20,052,477**	**11,075,448**
Other comprehensive income/(loss)			
Currency translation differences, net of tax		(695,283)	364,188
Revaluation of available-for-sale investments	10	9,642,508	1,689,667
Disposal of available-for-sale investments – reclassification of revaluation to profit and loss	10	(1,407,261)	(966,640)
Total other comprehensive income for the period		**7,539,964**	**1,087,215**
Total comprehensive income for the period		**27,592,441**	**12,162,663**
Net profit for the period attributable to:			
Owners of the parent		19,997,844	11,111,048
Non-controlling interests		54,633	(35,600)
		20,052,477	**11,075,448**
Total comprehensive income/(loss) attributable to:			
Owners of the parent		27,588,209	12,189,656
Non-controlling interests		4,232	(26,993)
		27,592,441	**12,162,663**
Earnings per share – basic and diluted (in RR)	29	294.38	163.56

The accompanying notes on pages 5 to 37 are an integral part of these consolidated financial statements.

	Note	2010	2009
Operating profit		**26,025,963**	**10,712,389**
Income tax paid		(3,736,157)	(1,767,696)
Operating profit less income tax paid		**22,289,806**	**8,944,693**
Depreciation and amortisation	24	3,465,963	2,976,353
Net loss on disposals and write-off of property, plant and equipment and other intangible assets		370,788	262,098
Impairment of receivables and provision for obsolete and damaged inventories		(32,578)	192,265
Other non-cash (income)/expenses		(1,147,301)	540,363
Gross cash flow	**5**	**24,946,678**	**12,915,772**
Changes in operating assets and liabilities:			
Trade receivables		(111,650)	896,167
Advances to suppliers		(424,551)	20,612
Other receivables		(5,443)	2,023,335
Inventories		(1,534,620)	2,969,179
Trade payables		244,784	(251,884)
Advances from customers		761,765	735,336
Other payables		1,768,154	(1,280,751)
Other assets and liabilities		548,842	(489,073)
Net cash – operating activities		**26,193,959**	**17,538,693**
Cash flows from investing activities			
Capital expenditure on property, plant and equipment and other intangible assets		(20,417,298)	(18,593,560)
Investment grants received	7	146,764	-
Purchase of mineral rights	11	(46,611)	(108,220)
Acquisition of subsidiary, net of cash acquired		-	(149,913)
Acquisition of available-for-sale investments		-	(25,405,127)
Proceeds from sale of property, plant and equipment		48,306	78,937
Proceeds from disposal of non-current assets held for sale		-	68,069
Proceeds from disposal of trading investments		-	311,855
Proceeds from sale of available-for-sale investments	10	5,398,834	7,374,575
Proceeds from sale of derivatives		226,061	193,458
Dividends received, net of tax		140,549	2,060,279
Repayment of originated loans		-	6,568,110
Interest received		172,059	560,572
Net cash – investing activities		**(14,331,336)**	**(27,040,965)**
Free cash inflow/(outflow)	**5**	**11,862,623**	**(9,502,272)**
Cash flows from financing activities			
Proceeds from bank borrowings	16	10,424,846	9,843,054
Repayment of bank borrowings	16	(25,751,901)	(15,800,009)
Proceeds from bonds, net of transaction costs		9,955,112	-
Prepaid and additional transaction costs		(15,239)	(140,343)
Interest paid		(1,672,262)	(1,778,824)
Acquisition of interest in subsidiaries	31	(448,983)	(4,255)
Dividends paid	15	(5,834,000)	-
Net cash – financing activities		**(13,342,427)**	**(7,880,377)**
Effect of exchange rate changes on cash and cash equivalents		(300,345)	1,834,071
Net decrease in cash and cash equivalents		**(1,780,149)**	**(15,548,578)**
Cash and cash equivalents at the beginning of the period	**14**	**10,676,772**	**26,225,350**
Cash and cash equivalents at the end of the period	**14**	**8,896,623**	**10,676,772**

	Note	Attributable to owners of the parent						Non-controlling interests	Total equity
		Share capital	Treasury shares	Cumulative currency translation differences	Revaluation of investments available-for-sale	Retained earnings	Total		
Balance at 1 January 2009		**6,800,000**	**(7,760)**	**1,529,180**	**4,371,990**	**47,533,368**	**60,226,778**	**809,874**	**61,036,652**
Comprehensive income									
Profit/(loss) for the period		-	-	-	-	11,111,048	11,111,048	(35,600)	11,075,448
Other comprehensive income									
Currency translation differences		-	-	355,581	-	-	355,581	8,607	364,188
Revaluation of investments available-for-sale		-	-	-	1,689,667	-	1,689,667	-	1,689,667
Disposal of investments available-for-sale		-	-	-	(966,640)	-	(966,640)	-	(966,640)
Total other comprehensive income		-	-	355,581	723,027	-	1,078,608	8,607	1,087,215
Total comprehensive income		**-**	**-**	**355,581**	**723,027**	**11,111,048**	**12,189,656**	**(26,993)**	**12,162,663**
Transactions with owners									
Acquisitions of additional interest in subsidiaries		-	-	-	-	19,943	19,943	(24,198)	(4,255)
Total transactions with owners		**-**	**-**	**-**	**-**	**19,943**	**19,943**	**(24,198)**	**(4,255)**
Balance at 31 December 2009		**6,800,000**	**(7,760)**	**1,884,761**	**5,095,017**	**58,664,359**	**72,436,377**	**758,683**	**73,195,060**
Balance at 1 January 2010		**6,800,000**	**(7,760)**	**1,884,761**	**5,095,017**	**58,664,359**	**72,436,377**	**758,683**	**73,195,060**
Comprehensive income									
Profit for the period		-	-	-	-	19,997,844	19,997,844	54,633	20,052,477
Other comprehensive income									
Currency translation differences		-	-	(644,882)	-	-	(644,882)	(50,401)	(695,283)
Revaluation of investments available-for-sale		-	-	-	9,642,508	-	9,642,508	-	9,642,508
Disposal of investments available-for-sale		-	-	-	(1,407,261)	-	(1,407,261)	-	(1,407,261)
Total other comprehensive income		-	-	(644,882)	8,235,247	-	7,590,365	(50,401)	7,539,964
Total comprehensive income		**-**	**-**	**(644,882)**	**8,235,247**	**19,997,844**	**27,588,209**	**4,232**	**27,592,441**
Transactions with owners									
Dividends	15	-	-	-		(5,834,000)	(5,834,000)	-	(5,834,000)
Acquisitions of additional interest in subsidiaries	31	-	-	-	-	(9,964)	(9,964)	(439,019)	(448,983)
Total transactions with owners		**-**	**-**	**-**	**-**	**(5,843,964)**	**(5,843,964)**	**(439,019)**	**(6,282,983)**
Balance at 31 December 2010		**6,800,000**	**(7,760)**	**1,239,879**	**13,330,264**	**72,818,239**	**94,180,622**	**323,896**	**94,504,518**

The accompanying notes on pages 5 to 37 are an integral part of these consolidated financial statements.

1 The EuroChem Group and its operations

EuroChem Group comprises the parent entity, Open Joint Stock Company Mineral Chemical Company "EuroChem" (the "Company"), and its subsidiaries (collectively the "Group" or "EuroChem Group").

The Group's principal activities include extracting minerals (iron-ore, apatite and baddeleyite), producing fertilisers and their distribution in domestic and foreign markets. The Group manufactures a large number of products, the most significant of which is a wide range of mineral fertilizers (nitrogen and phosphate group).

A company that holds the business interests beneficially of Mr. Andrey Melnichenko owns 100% of Linea Limited registered in Bermuda, which in turn owns 95% of EuroChem Group S.E. (formerly MCC Holding Public Company Limited (Cyprus)). The remaining 5% is held by Mr. Dmitry Strezhnev, CEO of the Group. EuroChem Group S.E. owns 99.9% of EuroChem. In September 2010, MCC Holding Public Company Limited (Cyprus) changed its legal form to S.E. (Societas Europea) and its name to "EuroChem Group S.E.". As of the date of these consolidated financial statements, the company continued to be registered in Cyprus.

The Group's manufacturing facilities are primarily based in the Russian Federation with the exception of one entity, Lifosa AB, located in Lithuania.

The Company was incorporated and domiciled in the Russian Federation on 27 August 2001 as a closed joint stock company. On 3 April 2006 the Company changed its legal form to an open joint stock company. The Company has its registered office at:

Dubininskaya St. 53, bld. 6
Moscow, Russian Federation

2 Basis of presentation and significant accounting policies

Basis of presentation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by available-for-sale investments, which are accounted for at fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated (Note 4).

Reclassifications. Certain reclassifications have been made to prior year amounts in the consolidated statement of comprehensive income and related notes to conform to the current period presentation. The reclassifications relate to the expenses of RR 1,444,271 thousand were reclassified to the line "Cost of sales – Materials and components used or resold" from line "Distribution costs – Transportation".

Functional currency. The functional currency for the Group's subsidiaries located in Russia is the national currency of the Russian Federation, the Russian Rouble ("RR"). The Group has a subsidiary located in Lithuania, where the functional currency is the Lithuanian Lita, which is the currency of measurement in Lifosa AB's financial statements. These have been translated into Russian Roubles, the presentation currency, at the applicable exchange rates as required by IAS 21 "The Effects of Changes in Foreign Exchange Rates" ("IAS 21") for inclusion in these consolidated financial statements.

Translation from functional to presentation currency. These consolidated financial statements have been presented in Russian Roubles ("RR"), which management believes is the most useful currency to adopt for users of these consolidated financial statements. The results and financial position of each group entity are translated into the presentation currency using the official exchange rate of the Central Bank of the Russian Federation (hereinafter "CBRF") as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for the statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as currency translation differences in other comprehensive income.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the CBRF at the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in profit and loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit and loss are recognised in profit and loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are recognised in other comprehensive income.

2 Basis of presentation and significant accounting policies (continued)

Foreign exchange gains and losses that relate to borrowings and deposits are presented in the consolidated statement of comprehensive income in a separate line "Financial foreign exchange gain/(loss) – net". All other foreign exchange gains and losses are presented in the profit and loss within "Other operating income/(expenses)".

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. When a subsidiary is disposed of through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity, the exchange differences recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit and loss.

In addition to RR, the Group enters into transactions in other currencies, such as the United States Dollar ("US$") and the Euro.

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has the power to govern the financial and operating policies so as to obtain economic benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit and loss.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Transactions and non-controlling interest. The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Property, plant and equipment. Property, plant and equipment are stated at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003, less accumulated depreciation and a provision for impairment, where required.

At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the profit and loss. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell. Minor repair and maintenance costs are expensed when incurred. The cost of replacing major parts or components of property, plant and equipment items is capitalised and the replaced part is retired.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in the profit and loss.

Depreciation. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings and land improvements	15 to 80
Transfer devices	25 to 30
Machinery and equipment	2 to 30
Transport	5 to 25
Other items	1 to 8

2 Basis of presentation and significant accounting policies (continued)

The residual value of an asset is the estimated amount that the Group would currently obtain from disposing of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Remaining useful life of property, plant and equipment. Management assesses the remaining useful life of property, plant and equipment in accordance with the current technical conditions of assets and the estimated period during which these assets will bring economic benefit to the Group.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit and loss on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

Goodwill. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the acquirer's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination.

Such units or group of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained. Goodwill on acquisitions of associates is included in the investment in associates.

Other intangible assets. The Group's other intangible assets have definite and indefinite useful lives and primarily include acquired land lease agreements and capitalized computer software costs.

Acquired computer software licenses, beneficial land and equipment lease agreements are capitalised on the basis of the costs incurred to acquire and bring them to use.

Intangible assets with definite useful lives are amortised using the straight-line method over their useful lives:

	Useful lives in years
Land lease agreements	45
Equipment lease agreements	5
Software licences	5

Intangible assets with an indefinite useful life are not amortised. The Group tests such intangible assets for impairment at least annually and whenever there are indications that intangible assets may be impaired.

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less cost to sell.

Exploration assets. Expenditures incurred in exploration activities (acquisition of rights to explore; topographical, geological, geochemical and geophysical studies; exploratory drilling; trenching; sampling; and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource) are expensed unless they meet the definition of an asset. The Group recognises an asset when it is probable that economic benefits will flow to the Group as a result of the expenditure. In accordance with IFRS 6, *Exploration for and Evaluation of Mineral Resources,* exploration assets are measured applying the cost model described in IAS 16, *Property, plant and equipment* after initial recognition. Depreciation and amortisation are not calculated for exploration assets because the economic benefits that the assets represent are not consumed until the production phase. Exploration assets are tested for impairment when there are facts and circumstances that suggest that the carrying value of the asset may not be recoverable.

Development expenditure. Development expenditure incurred by the Group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises cost directly attributable to the construction of a mine and the related infrastructure. Once a development decision has been taken, the expenditure in respect of the area of interest is classified in the assets under construction category.

2 Basis of presentation and significant accounting policies (continued)

Classification of financial assets. The Group classifies its financial assets into the following measurement categories: a) loans and receivables; b) available-for-sale financial assets; c) financial assets held to maturity and d) financial assets at fair value through profit and loss. Financial assets at fair value through profit and loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

Financial assets held for trading are classified in this category if acquired principally for the purpose of selling in the short term. Trading investments are not reclassified out of this category even when the Group's intentions subsequently change.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in the current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current assets.

The "Held-to-maturity" classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at each balance sheet date. At 31 December 2010 and 2009 the Group did not have "held to maturity" investments.

All other financial assets are included in the available-for-sale category.

Initial recognition of financial instruments. Trading investments and derivatives are initially recorded at their fair value. All other financial assets and liabilities are initially recorded at their fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and the transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at their trade date, which is the date that the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

De-recognition of financial assets. The Group de-recognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Available-for-sale investments. Available-for-sale investments are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit and loss. Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payment is established. All other elements of changes in the fair value are recognised in other comprehensive income and accumulated in equity until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from equity to profit and loss.

Impairment losses are recognised in profit and loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any revaluation loss on that asset previously recognised in other comprehensive income – is reclassed from equity and recognised in profit and loss. Impairment losses on equity instruments are not reversed through profit and loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit and loss, the impairment loss is reversed through the current period's profit and loss.

Derivative financial instruments. As part of trading activities the Group is also party to derivative financial instruments including forward, options and swap contracts in foreign exchange and securities. The Group's policy is to measure these instruments at fair value, with resultant gains or losses being reported within the profit and loss. The fair value of derivatives financial instruments is determined using actual market data information and valuation techniques based on prevailing market interest rate for similar instruments as appropriate. The Group has no derivatives accounted for as hedges.

2 Basis of presentation and significant accounting policies (continued)

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with tax legislation enacted or substantively enacted by the reporting date for each country where the Group subsidiaries are registered. The income tax charge comprises current tax and deferred tax and is recognised in the profit and loss unless it relates to transactions that are recognised, in the same or a different period, in other comprehensive income or directly in equity. The most significant Group subsidiaries are registered in Russia, where the corporate income tax rate can range from 15.5% to 20%, depending on applicable rates set by regional authorities (2009: from 15.5% to 20%).

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not be reversed through dividends or otherwise in the foreseeable future.

Inventories. Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Trade and other receivables. Trade and other receivables are carried at amortised cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade and other receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss. When a receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the profit and loss.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, term deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Term deposits for longer than three months that can be redeemed, subject to the interest income being forfeited, may be classified as cash equivalents if the deposit is held to meet short term cash needs and there is no significant risk of a change in value as a result of an early withdrawal. The longer the deposit's term, the less likely it becomes that the instrument is being held to meet short term cash needs and is subject to insignificant changes in value. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flows. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date are included in non-current assets.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented in the consolidated statement of changes in equity as a share premium.

Treasury shares. Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Dividends. Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

2 Basis of presentation and significant accounting policies (continued)

Value added tax. Output value added tax ("VAT") related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as a current asset and liability. Where provision has been made for impairment of receivables, an impairment loss is recorded for the gross amount of the debtor, including VAT.

Borrowings. Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently stated at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Trade and other payables. Trade payables are accrued when the counterparty performed its obligations under the contract and are carried at amortised cost using the effective interest method.

Investment grants. Investment grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Investment grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the profit and loss on a straight-line basis over the expected lives of the related assets.

Provisions for liabilities and charges. Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Asset retirement obligations. The estimated costs of dismantling and removing an item of property, plant and equipment (asset retirement obligations) are added to the cost of an item of property, plant and equipment when incurred either when an item is acquired or as the item is used during a particular period for purposes other than to produce inventories during that period. Changes in the measurement of an existing asset retirement obligation that result from changes in the estimated timing or amount of the outflows, or from changes in the discount rate adjust the cost of the related asset in the current period.

Revenue recognition. Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point.

Revenues from the rendering of services are recognised in the period the services are provided. Sales are shown net of VAT and discounts. Revenues are measured at the fair value of the consideration received or receivable. Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services, etc.) are accrued in the year in which the associated services are rendered by the employees of the Group.

Earnings per share. Earnings per share is determined by dividing the profit and loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the reporting year.

Segment reporting. A segment is a distinguishable component of the Group that is engaged either in providing products or services (operating segment). Segments whose sales or result are ten percent or more of all the segments are reported separately. Segment reporting is prepared in a manner consistent with the internal reporting provided to the chief operating decision-maker.

3 Critical accounting estimates, and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Taxation. Judgments are required in determining current income tax liabilities (Note 28). The Group recognises liabilities for taxes based on estimates of whether additional taxes will be due. Where the final outcome of various tax matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred taxes provision in the period in which such determination is made.

3 Critical accounting estimates, and judgements in applying accounting policies (continued)

Deferred income tax recognition. The net deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the consolidated statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgements and estimates based on the last three years' taxable profits and expectations of future income that are believed to be reasonable under the circumstances (Note 28).

The Group has not recognised a deferred tax liability in respect of temporary differences associated with investments in subsidiaries to the amount of RR 172,657 thousand (2009: RR 667,166 thousand) as the Group controls the timing of the reversal of those temporary differences and does not expect to reverse them in the foreseeable future.

Land. Certain industrial premises of the Group's subsidiary OJSC Baltyiskie Generalnie Gruzy are located on land occupied under a short-term lease. The management believes that no losses will be sustained by the Group due to the short-term nature of the land lease since it will be able to either purchase the land or to secure its use via a long-term lease agreement in due course.

Related party transactions. The Group enters into transactions with its related parties in the normal course of business. These transactions are priced predominantly at market rates. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining whether transactions are priced at market or non-market interest rates where there is no active market for such transactions. Judgements are made by comparing prices for similar types of transactions with unrelated parties and performing effective interest rate analyses.

4 Adoption of new or revised standards and interpretations

The following new standards, amendments to standards and interpretations became effective for the Group from 1 January 2010:

- IFRS 1, First-time Adoption of International Financial Reporting Standards (following an amendment in December 2008, effective for the first IFRS financial statements for periods 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 consolidated financial statements;
- 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 requires 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 has to be measured at its fair value. The effect on the consolidated financial statements as at 31 December 2010 was not material;
- 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 allows 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 has 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 are accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer has to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date are 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 effect on the consolidated financial statements as at 31 December 2010 was not material;
- 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 is recognised in profit or loss when the entity settles the dividend payable. IFRIC 17 is currently not relevant to the Group's operations because it does not distribute non-cash assets to owners;

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

- 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). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment currently does not have any impact on the Group's consolidated financial statements as the Group does not apply hedge accounting;
- 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 does not impact the Group's consolidated financial statements;
- Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IAS 1, IAS 7, IFRS 8, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. In addition, the amendments clarifying classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary published as part of the Annual Improvements to International Financial Reporting Standards, which were issued in May 2008, are effective for annual periods beginning on or after 1 July 2009. The improvements do not have a material effect on the Group's consolidated financial statements;
- Group Cash-settled Share-based payment Transactions – Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010). In addition to incorporating IFRIC 8 and IFRIC 11, the amendments expand on the guidance in IFRIC 11 to address the classifications of group arrangements that were not covered by that interpretation. These amendments are not relevant to the Group;
- Additional Exemptions for First-time Adopters – Amendments to IFRS 1, First-time Adoption of IFRS (effective for annual periods beginning on or after 1 January 2010). The amendments do not have any impact on the Group's consolidated financial statements;
- The International Financial Reporting Standard for Small and Medium-sized Entities (issued in July 2009). The Group does not intend to adopt the IFRS for SMEs.

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2010, and have not been early adopted:

- Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011);
- IFRS 9, Financial Instruments Part 1: Classification and Measurement (issued in November 2009, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). The Group is currently assessing the impact of the amended standard on its consolidated financial statements;
- Improvements to International Financial Reporting Standards (issued in May 2010 and effective for the Group from 1 January 2011). The Group is currently assessing the impact of the amended standards on its consolidated financial statements;
- Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011);

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

- Classification of Rights Issues – Amendment to IAS 32, Financial Instruments: Presentation (issued in October 2009 and effective for annual periods beginning on or after 1 February 2010);
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010);
- Limited exemption from comparative IFRS 7 disclosures for first-time adopters - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010);
- Recovery of Underlying Assets – Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012);
- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Amendments to IFRS 1 (issued in December 2010 and effective for annual periods beginning on or after 1 July 2011);
- Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011).

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

5 Statement of cash flows

In managing the business, management focuses on a number of cash flow measures including "gross cash flow" and "free cash flow". Gross cash flow refers to the operating profit after taxes and adjusted for items which are not of a cash nature, which have been charged or credited to the profit and loss. The gross cash flow is available to finance movements in operating assets and liabilities, investing and financing activities. The gross cash flow for the year ended 31 December 2010 was RR 24,946,678 thousand (2009: RR 12,915,772 thousand).

Free cash flows are the cash flows available to providers of finance of the business, be this debt or equity. The free cash inflow for the year ended 31 December 2010 was RR 11,862,623 thousand (2009: outflow of RR 9,502,272 thousand).

Since these terms are not standard IFRS measures EuroChem Group's definition of gross cash flow and free cash flow may differ from that of other companies.

6 Segment information

The Group is a vertically integrated business with operations spanning mining, fertilizer manufacturing, organic synthesis products, sales and distribution. The Group's core business is fertilizers, with a wide product range including nitrogen and phosphate. On a monthly basis the Management Board reviews the financial reports of the Group, evaluates the operating results and allocates resources between the operating segments. Budgets and financial reports are prepared in a standard format according to the IFRS accounting policy adopted by the Group. Sales between segments are carried out on an arm's length basis. The Management Board assesses the performance of the operating segments based on, among others, a measure of profit before taxation adjusted by interest expense, depreciation and amortization, financial foreign exchange gain or loss, other non-cash and extraordinary items, excluding net profit for the period attributed to non-controlling interests (EBITDA). Since this term is not a standard IFRS measure EuroChem Group's definition of EBITDA may differ from that of other companies.

The development and approval of strategies, market situation analysis, the risk assessment, investment focus, technological process changes, goals and priorities are set and assessed in line with the segment structure of the Group:

- Nitrogen – the production and sale of nitrogen mineral fertilizers and organic synthesis products;
- Phosphates – the production and sale of phosphate mineral fertilizers and the extraction of ores to produce and subsequently sell baddeleyite and iron-ore concentrates;
- Potash – the development of several deposits of potassium salts ("potash") under the licenses acquired by the Group with a view to start production and marketing of potassium fertilizers. No sales have been recorded to date in this segment;
- Distribution – retail sales of mineral fertilizers (including those not produced by the Group), seeds, crop protection items etc via a number of retailers located within Russia and the CIS;
- All other – certain logistics and service activities, central management, investment income and other items.

6 Segment information (continued)

The segmental results for the year ended 31 December 2010 were as follows:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	40,315,242	6,906,632	47,221,874	13,568,863
Phosphates	46,475,125	2,027,108	48,502,233	16,791,934
Potash	-	-	-	(420,652)
Distribution	8,542,966	649	8,543,615	489,870
Other	2,454,200	17,500,796	19,954,996	(225,390)
Elimination	-	(26,435,185)	(26,435,185)	(267,572)
Total	**97,787,533**	**-**	**97,787,533**	**29,937,053**

The segmental results for the year ended 31 December 2009 were as follows:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	35,441,252	4,135,932	39,577,184	9,314,223
Phosphates	29,601,687	1,522,511	31,124,198	4,427,044
Potash	-	-	-	(246,796)
Distribution	5,389,809	5,127	5,394,936	22,400
Other	3,144,501	11,944,242	15,088,743	2,798,944
Elimination	-	(17,607,812)	(17,607,812)	200,422
Total	**73,577,249**	**-**	**73,577,249**	**16,516,237**

A reconciliation of total profit before taxation is provided as follows:

	Note	2010	2009
EBITDA		29,937,053	16,516,237
Depreciation and amortisation	24	(3,465,963)	(2,976,353)
Idle property, plant and equipment write-off		(171,370)	(83,872)
Gain/(loss) on disposal of non-current assets held for sale		(429,598)	358,878
Gain/(loss) on disposal of available-for-sale investments		1,407,261	966,640
Financial foreign exchange gain/(loss) – net		(389,660)	748,903
Interest expense		(2,066,011)	(1,983,587)
Other financial income/(loss) – net		134,831	193,458
Non-controlling interest		54,633	(35,600)
Profit before taxation		**25,011,176**	**13,704,704**

Substantially all of the Group's operating assets are located in the Russian Federation. Operating assets, located in foreign countries are mainly represented by assets of the Group's production subsidiary Lifosa AB, located in Lithuania.

The analysis of non-current assets other than financial instruments and deferred tax assets by geographical locations was as follows:

	2010	2009
Non-current assets, located in Russia	76,355,779	59,649,410
Non-current assets, located in foreign countries	5,103,283	4,636,826
Total	**81,459,062**	**64,286,236**

The analysis of Group sales by geographical area was:

	2010	2009
Export	74,759,773	58,979,433
Domestic	23,027,760	14,597,816
Total sales	**97,787,533**	**73,577,249**

The analysis of Group sales by region was:

	2010	2009
Russia	23,027,760	14,597,816
CIS	12,566,964	9,031,643
Asia	18,634,080	17,761,986
Europe	18,371,193	15,285,533
Latin America	14,185,236	9,113,780
North America	8,402,679	3,729,779
Africa	2,305,478	3,539,876
Australasia	294,143	516,836
Total sales	**97,787,533**	**73,577,249**

The sales are allocated by regions based on the destination country. There were no sales in excess of 10% to any one country, except for Russia, during the year ended 31 December 2010 and 31 December 2009.

In 2010 and 2009 the Group had no external customers representing 10% or more of the Group's revenue.

7 Property, plant and equipment

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

	Buildings	Land and Land Improvements	Transfer devices	Machinery and equipment	Transport	Other	Assets under construction	Total
Gross carrying value								
Balance at 1 January 2010	**7,389,446**	**4,373,517**	**4,113,852**	**23,837,874**	**7,258,905**	**1,310,536**	**31,778,459**	**80,062,589**
Additions and transfers from assets under construction	2,590,702	1,989,524	1,154,673	8,130,286	822,698	586,316	5,452,776	20,726,975
Disposals	(10,116)	(4,153)	(5,599)	(396,225)	(64,679)	(29,297)	(8,389)	(518,458)
Idle property, plant and equipment write-off	(95,972)	(5,575)	(5,670)	(132,548)	(1,042)	(410)	(103,120)	(344,337)
Currency translation difference (Note 2)	(97,518)	(54,304)	(37,253)	(189,953)	(5,770)	(7,914)	(15,209)	(407,921)
Balance at 31 December 2010	**9,776,542**	**6,299,009**	**5,220,003**	**31,249,434**	**8,010,112**	**1,859,231**	**37,104,517**	**99,518,848**
Accumulated Depreciation and Impairment								
Balance at 1 January 2010	**(2,438,128)**	**(1,560,251)**	**(2,313,315)**	**(13,880,982)**	**(2,740,503)**	**(746,993)**	**-**	**(23,680,172)**
Charge for the year	(348,185)	(244,324)	(261,536)	(1,867,825)	(583,109)	(187,535)	-	(3,492,514)
Disposals	9,565	4,009	5,467	318,328	58,063	24,231	-	419,663
Idle property, plant and equipment write-off	45,433	4,372	5,662	116,323	829	348	-	172,967
Currency translation difference (Note 2)	20,410	32,401	15,333	104,824	2,472	7,334	-	182,774
Balance at 31 December 2010	**(2,710,905)**	**(1,763,793)**	**(2,548,389)**	**(15,209,332)**	**(3,262,248)**	**(902,615)**	**-**	**(26,397,282)**
Net Carrying Value								
Balance at 1 January 2010	**4,951,318**	**2,813,266**	**1,800,537**	**9,956,892**	**4,518,402**	**563,543**	**31,778,459**	**56,382,417**
Balance at 31 December 2010	**7,065,637**	**4,535,216**	**2,671,614**	**16,040,102**	**4,747,864**	**956,616**	**37,104,517**	**73,121,566**

7 Property, plant and equipment (continued)

	Buildings	Land and Land Improvements	Transfer devices	Machinery and equipment	Transport	Other	Assets under construction	Total
Gross carrying value								
Balance at 1 January 2009	**6,880,694**	**3,844,224**	**3,743,631**	**21,635,860**	**6,617,319**	**1,212,101**	**18,348,561**	**62,282,390**
Additions and transfers from assets under construction	418,404	620,614	399,282	2,348,081	717,543	137,262	13,440,670	18,081,856
Acquisitions through business combinations	160,048	-	-	15,567	-	-	-	175,615
Disposals	(13,215)	(5,806)	(40,156)	(154,770)	(79,760)	(41,361)	(1,676)	(336,744)
Idle property, plant and equipment (write-off)/reversal of write-off	(100,581)	(41,816)	(11,399)	(73,602)	(219)	(593)	3,520	(224,690)
Currency translation difference (Note 2)	44,096	(43,699)	22,494	66,738	4,022	3,127	(12,616)	84,162
Balance at 31 December 2009	**7,389,446**	**4,373,517**	**4,113,852**	**23,837,874**	**7,258,905**	**1,310,536**	**31,778,459**	**80,062,589**
Accumulated Depreciation and Impairment								
Balance at 1 January 2009	**(2,186,047)**	**(1,380,358)**	**(2,155,364)**	**(12,448,751)**	**(2,307,609)**	**(606,462)**	**-**	**(21,084,591)**
Charge for the year	(309,759)	(182,160)	(199,554)	(1,559,430)	(506,979)	(163,092)	-	(2,920,974)
Disposals	1,685	590	38,104	114,319	75,457	24,879	-	255,034
Idle property, plant and equipment write-off	62,034	16,085	10,739	51,308	124	528	-	140,818
Currency translation difference (Note 2)	(6,041)	(14,408)	(7,240)	(38,428)	(1,496)	(2,846)	-	(70,459)
Balance at 31 December 2009	**(2,438,128)**	**(1,560,251)**	**(2,313,315)**	**(13,880,982)**	**(2,740,503)**	**(746,993)**	**-**	**(23,680,172)**
Net Carrying Value								
Balance at 1 January 2009	**4,694,647**	**2,463,866**	**1,588,267**	**9,187,109**	**4,309,710**	**605,639**	**18,348,561**	**41,197,799**
Balance at 31 December 2009	**4,951,318**	**2,813,266**	**1,800,537**	**9,956,892**	**4,518,402**	**563,543**	**31,778,459**	**56,382,417**

7 Property, plant and equipment (continued)

The analysis of the Group's assets under construction is as follows:

	2010	2009
Construction in progress	31,791,727	26,335,154
Advances given to construction companies and suppliers of property, plant and equipment	5,312,790	5,443,305
Total assets under construction	**37,104,517**	**31,778,459**

During the year ended 31 December 2010 the Group's subsidiary Lifosa AB received a European Union Structural Assistance Grant to finance an increase in production capacity. The amount of the grant is equivalent to RR 146,764 thousand.

During the year ended 31 December 2010 the Group decided to mothball certain production equipment with a gross carrying value and accumulated depreciation of RR 344,337 thousand and RR 172,967 thousand, respectively, at 31 December 2010 (2009: gross carrying value of RR 224,690 thousand and accumulated depreciation of RR 140,818 thousand) and recognised a loss of RR 171,370 thousand in these consolidated financial statements (2009: RR 83,872 thousand) (Note 22).

The assets transferred to the Group upon privatisation did not include the land on which a number of the Group's factories and buildings, comprising the Group's principal manufacturing facilities, are situated. In 2001 all companies located in the Russian Federation were granted the option to purchase this land upon application to the state registration body or to continue occupying this land under a rental agreement. The purchase price of the land is calculated by reference to the cadastral value applied for property taxes and certain coefficients which are determined by local state authorities. This purchase price may significantly differ from its market value. According to the legislation the expiry date to exercise this option is 1 January 2012.

As at 31 December 2010 all of the Group's major Russian-based subsidiaries had acquired the land on which their main production facilities are located. Other subsidiaries which have not exercised the right of acquisition continue to occupy the land plots under lease agreements. For these land plots the future minimum lease payments under non-cancellable operating leases are as follows:

	2010	2009
Shorter than 1 year	151,398	137,827
Between 1 and 5 years	594,938	547,326
Longer than 5 years	3,934,046	3,765,733
Total	**4,680,382**	**4,450,886**

8 Goodwill

There were no movements in goodwill during the years ended 31 December 2010 and 31 December 2009.

Goodwill Impairment Test

Goodwill is allocated to cash-generating units (CGUs) which represent the lowest level within the Group at which the goodwill is monitored by management and which are not larger than a segment.

The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period.

The 11.5% discount rate used is pre-tax and reflects risks relating to the relevant CGUs (2009: 14.0%).

The Group did not recognize any goodwill impairment at 31 December 2010 and 31 December 2009.

9 Intangible assets

	Acquired software and licenses	Other	Total
Cost at 1 January 2009	**409,728**	**224,208**	**633,936**
Accumulated amortisation	**(95,502)**	**(866)**	**(96,368)**
Carrying amount at 1 January 2009	**314,226**	**223,342**	**537,568**
Disposals cost	(3,632)	(14,458)	(18,090)
Accumulated amortisation on disposals	-	511	511
Amortisation charge	(83,453)	(900)	(84,353)
Currency translation difference	-	(8,179)	(8,179)
Cost at 31 December 2009	**406,096**	**201,571**	**607,667**
Accumulated amortisation	**(178,955)**	**(1,255)**	**(180,210)**
Carrying amount at 31 December 2009	**227,141**	**200,316**	**427,457**
Additions	6,733	611,831	618,564
Disposals cost and write-offs	-	(149,082)	(149,082)
Accumulated amortisation on disposals	-	153	153
Amortisation charge	(79,950)	(3,230)	(83,180)
Currency translation difference	8	603	611
Cost at 31 December 2010	**412,837**	**664,923**	**1,077,760**
Accumulated amortisation	**(258,905)**	**(4,332)**	**(263,237)**
Carrying amount at 31 December 2010	**153,932**	**660,591**	**814,523**

The Group wrote-off the exclusive land lease agreement for the bulk-handling cargo dock in Murmansk previously recognized as an intangible asset with an indefinite useful life and with a carrying value of RR 148,974 thousand, as the key terms of the agreement were adversely amended to bring them in line with market conditions.

In December 2010 the Group acquired 100% of the share capital of OJSC Baltyiskie Generalnie Gruzy, a company located in Ust-Luga, Russian Federation. The purchase consideration comprised RR 586,804 thousand settled in cash. As of the acquisition date the acquired company had no significant assets or liabilities except for the right to construct a sea terminal. The Group considered this transaction an acquisition of an asset rather than a business and recognised an intangible asset with a carrying value RR 586,804 thousand.

No impairment was recognised for these assets at 31 December 2010 and 31 December 2009.

10 Available-for-sale investments, including shares pledged as collateral

At 31 December 2010 available-for-sale investments comprised the shares of K+S Group, a German manufacturer of potassium-based fertilizers (2009: shares of K+S Group and OJSC Sberbank).

Movements in the carrying amount of available-for-sale investments, including shares pledged as collateral, were:

	2010	2009
At 1 January	**33,619,657**	**13,899,438**
Acquisition of available-for-sale investments	-	25,405,127
Revaluation of available-for-sale investments	9,642,508	1,689,667
Disposal of available-for-sale investments, including:		
- available-for-sale investments at cost	(3,991,573)	(6,407,935)
- reclassification of revaluation to profit and loss	(1,407,261)	(966,640)
At 31 December	**37,863,331**	**33,619,657**

Available-for-sale investments:

	2010	2009
K+S Group ordinary shares	36,954,062	33,602,943
K+S Group ordinary shares pledged as collateral	909,269	-
Sberbank ordinary shares	-	16,714
Total available-for-sale investments	**37,863,331**	**33,619,657**

10 Available-for-sale investments, including shares pledged as collateral (continued)

K+S Group shares, including shares pledged as collateral

At 31 December 2010 the Group held 16,656,595 shares, or 8.7% of the issued share capital (2009: 19,366,595 shares, or 10.12% of the issued share capital) of K+S Group with a fair value of RR 37,863,331 thousand (2009: RR 33,602,943 thousand) with reference to the share price quoted on the Xetra trading system of Euro 56.36 per share. The accumulated increase in the fair value of the investment of RR 13,330,264 thousand was recognised in equity at 31 December 2010 (2009: RR 5,078,388 thousand).

During the year ended 31 December 2010 the Group sold 2,710,000 ordinary shares of K+S Group on the open market for RR 5,382,667 thousand and recognised a gain of RR 1,391,179 thousand in the profit and loss.

In May 2010 the Group received dividend income from K+S Group of RR 147,946 thousand (2009: RR 2,168,715 thousand) before withholding tax of RR 7,397 thousand (2009; RR 108,436 thousand).

K+S Group shares pledged as collateral

In October and December 2010 the Group sold European call options over 1,400,000 K+S Group ordinary shares secured by these shares as collateral with a fair value of RR 3,182,443 thousand with reference to the share price quoted on the Xetra trading system (Note 18).

Out of these, 400,000 pledged shares with a fair value of RR 909,269 thousand have been reclassified to a separate line named “Available-for-sale investments pledged as collateral” in the consolidated statement of financial position, as the mortgagee has the right to use and dispose of the collateral and the Group holds economic exposure in relation to the encumbered shares. If the right of use is exercised, it is obliged to replace the original financial collateral by transferring equivalent financial collateral on or before the due date for the performance of the relevant financial obligations covered by the arrangement.

Sberbank shares

In June 2010 the Group sold 202,000 ordinary shares of OJSC Sberbank to a third party for RR 16,167 thousand and recognised a gain of RR 16,082 thousand in the profit and loss.

11 Mineral rights

	2010	2009
Rights for exploration and production:		
Verkhnekamskoe potash deposit	4,087,166	4,087,166
Gremyachinskoe potash deposit	3,017,781	3,017,781
Kovdorsky apatite deposits	166,549	166,549
Rights for exploration, evaluation and extraction:		
Yuzhny hydrocarbon deposit	24,495	-
Perelyubsko-Rubezhinskiy hydrocarbon deposit	22,116	-
Total mineral rights	**7,318,107**	**7,271,496**

In November 2010 the Group acquired licenses for the exploration, evaluation and extraction of crude hydrocarbons at the Perelyubsko-Rubezhinskiy and Yuzhny deposits located in the Russian Federation. The total consideration amounted to RR 46,611 thousand. As of 31 December 2010 both these licenses were in the exploration phase.

The Group also obtained licenses for exploration and evaluation of the Darganovsky and Ravninny potash fields. Expenses related to the exploration of these fields amounting to RR 144,833 thousand at 31 December 2010 (2009: nil) were recognised in profit and loss. Generally, these expenses are paid in the period the services are provided.

In accordance with the conditions of the licence agreements for developing the potash deposits, the Group has the following major commitments:

- to commence extraction of potash salt at the Gremyachinskoe potash deposit by 1 November 2014;
- to commence construction of an exploration complex at the Verkhnekamskoe potash deposit by 15 April 2012;
- to commence extraction of potash salt at the Verkhnekamskoe potash deposit by 15 April 2014.

The Group has started construction of the mining facilities. The management believes that each stage of the process will be completed according to the schedule. As of 31 December 2010 and 31 December 2009 Verkhnekamskoe and Gremyachinskoe potash deposits were in the development phase.

11 Mineral rights (continued)

Under the terms of these licenses, the Group is required to comply with a number of conditions, including preparation of design documentation, commencement of the construction of mining facilities and commencement of the extraction of mineral resources by certain dates. If the Group fails to materially comply with the terms of the license agreements there are circumstances whereby the licences can be revoked. The management of the Group believes that the Group faces no material regulatory risks in relation to the validity and operation of any of its licenses.

12 Inventories

	2010	2009
Materials	3,872,290	3,050,401
Work in progress	832,876	813,971
Finished goods	3,891,113	3,207,001
Catalysts	1,558,325	1,413,464
Less: provision for obsolete and damaged inventories	(326,712)	(379,770)
Total inventories	**9,827,892**	**8,105,067**

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

	2010	2009
Trade receivables		
Trade receivables denominated in RR	1,142,115	1,009,891
Trade receivables denominated in US$	1,519,960	941,536
Trade receivables denominated in Euro	119,862	199,432
Trade receivables denominated in other currencies	94,520	225,165
Less: impairment provision	(165,639)	(224,784)
Total trade receivables – financial assets	**2,710,818**	**2,151,240**
Prepayments, other receivables and other current assets		
Advances to suppliers	3,347,157	2,914,765
VAT recoverable and receivable	3,737,607	3,894,625
Income tax receivable	18,416	212,608
Other taxes receivable	32,076	25,847
Other receivables	511,926	541,407
Less: impairment provision	(151,607)	(124,615)
Subtotal non-financial assets	**7,495,575**	**7,464,637**
Interest receivable	27,557	10,531
Other receivables	-	154,934
Subtotal financial assets	**27,557**	**165,465**
Total prepayments, other receivables and other current assets	**7,523,132**	**7,630,102**
Total trade receivables, prepayments, other receivables and other current assets	**10,233,950**	**9,781,342**
including		
Financial assets	2,738,375	2,316,705
Non-financial assets	7,495,575	7,464,637

Management believes that the fair value of accounts receivable does not differ significantly from their carrying amounts.

As of 31 December 2010, accounts receivable, prepayments and other current assets of RR 317,246 thousand (2009: RR 349,399 thousand) were individually impaired and an impairment provision was recognised. The individually impaired receivables mainly relate to counterparties which are facing significant financial difficulties. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2010	2009
Less than 3 months	-	25,388
From 3 to 12 months	12,689	19,047
Over 12 months	304,557	304,964
Total gross amount of impaired trade receivables, prepayments, other receivables and other current assets	**317,246**	**349,399**

As of 31 December 2010, trade receivables of RR 289,456 thousand (2009: RR 599,795 thousand) were past due but not impaired. The ageing analysis of these trade receivables from past due date is:

	2010	2009
Less than 3 months	175,959	407,396
From 3 to 12 months	97,316	152,406
Over 12 months	16,181	39,993
Trade accounts receivable past due not impaired	**289,456**	**599,795**

13 Trade receivables, prepayments, other receivables and other current assets (continued)

The movements in the provision for impairment of accounts receivable are:

		2010		2009	
	Note	Trade receivables	Other receivables	Trade receivables	Other receivables
As of 1 January		**224,784**	**124,615**	**120,295**	**44,212**
Provision charged	23, 24	39,026	61,318	200,086	112,917
Provision used		(36,390)	(13,550)	(11,318)	(812)
Provision reversed	23, 24	(58,464)	(21,400)	(84,229)	(30,216)
Foreign exchange difference		(3,317)	624	(50)	(1,486)
Total provision for impairment of accounts receivable		**165,639**	**151,607**	**224,784**	**124,615**

14 Cash and cash equivalents

	2010	2009
Cash on hand and bank balances denominated in RR	868,314	1,072,146
Bank balances denominated in US$	1,378,554	1,993,965
Bank balances denominated in Euro	489,559	880,578
Balances denominated in other currencies	88,065	18,486
Term deposits denominated in RR	2,437,055	1,727,614
Term deposits denominated in US$	3,255,216	2,594,479
Term deposits denominated in Euro	82,760	2,088,686
Term deposits denominated in other currencies	297,100	300,818
Total cash and cash equivalents	**8,896,623**	**10,676,772**
Current restricted cash	37,461	551,086
Non-current restricted cash	143,898	179,115
Total restricted cash	**181,359**	**730,201**

Term deposits at 31 December 2010 and 31 December 2009 have various original maturities but could be withdrawn on request without any restrictions.

No bank balances and term deposits are past due or impaired. Analysis of the credit quality of bank balances and term deposits is as follows:

	2010	2009
A to AAA rated**	6,033,888	7,523,781
BB- to BBB+ rated**	2,607,990	3,539,708
B- to B+ rated**	59,493	3,906
Unrated	375,126	337,584
Total*	**9,076,497**	**11,404,979**

* The rest of the balance sheet item 'cash and cash equivalents' is cash on hand.

** Based on the credit ratings of independent rating agencies Standard & Poor's and Fitch Ratings as at 25 January 2011.

At 31 December 2010 RR 37,461 thousand of current restricted cash was held at bank in compliance with the statutory regulations (2009: RR 551,086 thousand cash was held at banks to meet the next principal and interest payments on bank borrowings).

At 31 December 2010 non-current restricted cash totalling RR 143,898 thousand (2009: RR 179,115 thousand) consisted of RR 103,434 thousand (2009: nil) of cash held in an escrow account as a collateral for Lifosa AB shares squeeze-out and RR 40,464 thousand (2009: RR 179,115 thousand) was represented by letters of credit for equipment procurement and a deposit against possible environmental obligations as required under statutory Lithuanian rules.

The fair value of cash and cash equivalents is equal to their carrying amount.

15 Equity

The nominal registered amount of the Company's issued share capital at 31 December 2010 is RR 6.8 billion (2009: RR 6.8 billion). The total authorised number of ordinary shares is 68 million shares (2008: 68 million) with a par value of RR 100 per share. All authorised shares have been issued and fully paid.

	Number of ordinary shares	Share capital	Treasury shares	Total
At 31 December 2008	**68,000,000**	**6,800,000**	**(7,760)**	**6,792,240**
At 31 December 2009	**68,000,000**	**6,800,000**	**(7,760)**	**6,792,240**
At 31 December 2010	**68,000,000**	**6,800,000**	**(7,760)**	**6,792,240**

Treasury shares. LLC PG Phosphorit, a 100% subsidiary of the Group, held 68,000 ordinary shares of the Company at 31 December 2010 (2009: 68,000 shares). These shares represent 0.1% of the Company's share capital and carry voting rights in the same proportion as other ordinary shares. The voting rights of ordinary shares of the Company held by the entities within the Group are effectively controlled by the management of the Group.

Profit distribution. In accordance with Russian legislation, the Company distributes profits as dividends or transfers them to reserves (fund accounts) on the basis of financial statements prepared in accordance with Russian Accounting Rules. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Russian legislation identifies the net statutory profit as the basis for distribution. For the year ended 31 December 2010, the net statutory profit of the Company as reported in the published annual statutory accounting report was RR 8,442,616 thousand (2009: RR 30,234,442 thousand) and the closing balance of the accumulated profit including the net statutory profit totalled RR 56,292,392 thousand (2009: RR 53,709,147 thousand). However, this legislation and other statutory laws and regulations are open to legal interpretation in relation to the depletion of distributable reserves. Accordingly management believes that, at present, it would not be appropriate to disclose an amount for the distributable reserves in these consolidated financial statements.

Other reserves. As at 31 December 2010 other reserves in the consolidated statement of changes in equity comprised an accumulated net gain from currency translation differences of RR 1,239,879 thousand (2009: RR 1,884,761 thousand) and an accumulated increase in the fair value of investments in the shares of K+S Group of RR 13,330,264 thousand (2009: accumulated increase in the fair value of K+S Group shares of RR 5,078,388 thousand and an accumulated increase in the fair value of the shares of OJSC Sberbank of RR 16,629 thousand) (Note 10).

Dividends. Dividends declared and paid during the year were as follows:

	2010	2009
Dividends payable at 1 January	-	-
Dividends declared during the year	5,834,000	-
Dividends paid during the year	(5,834,000)	-
Dividends payable at 31 December	-	-
Dividends per share declared during the year	-	-

In September 2010 the shareholders approved an interim dividend of RR 1,598,440 thousand (RR 23.53 per share) for the first half 2010.

In November 2010 the shareholders approved an interim dividend of RR 4,235,560 thousand (RR 62.35 per share) for the third quarter 2010.

The total amount of dividends attributable to treasury shares have been eliminated. All dividends are declared and paid in Russian Roubles.

16 Bank borrowings

	2010	2009
Balance as at 1 January	**39,047,758**	**43,511,956**
Bank loans received, denominated in US$	5,882,093	-
Bank loans received, denominated in Euro	166,753	9,811,419
Bank loans received, denominated in RR	4,376,000	31,635
Bank loans repaid, denominated in US$	(18,031,409)	(9,755,831)
Bank loans repaid, denominated in Euro	(3,344,492)	(5,993,656)
Bank loans repaid, denominated in RR	(4,376,000)	(50,522)
Capitalisation and amortisation of transaction costs, net	291,491	66,255
Foreign exchange loss	42,407	1,426,502
Balance as at 31 December	**24,054,601**	**39,047,758**

	2010	2009
Current bank borrowings		
Current portion of long-term bank loans in US$	12,757,772	12,660,364
Less: short-term portion of transaction costs	(168,005)	(168,930)
Total current bank borrowings	**12,589,767**	**12,491,434**
Non-current bank borrowings		
Long-term bank loans, denominated in US$	25,259,687	35,871,029
Long-term bank loans, denominated in Euro	341,543	3,688,006
Less: current portion of long-term bank loans in US$	(12,757,772)	(12,660,364)
Less: long-term portion of transaction costs	(1,378,624)	(342,347)
Total non-current bank borrowings	**11,464,834**	**26,556,324**
Total bank borrowings	**24,054,601**	**39,047,758**

At 31 December 2010 and 31 December 2009 the fair value of borrowings was not materially different from their carrying amounts.

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

Under the terms of loan agreements, the Group is required to comply with a number of covenants and restrictions, including the maintenance of certain financial ratios, financial indebtedness and cross-default provisions.

Interest rates and outstanding amount

A syndicated loan facility, which was obtained in October 2008 for US$ 1.5 billion, bears a floating interest rate of 1 month Libor +1.8%. The outstanding amount at 31 December 2010 totalled US$ 767,442 thousand (2009: US$ 1,186,047 thousand).

A loan obtained in September 2009 for Euro 85 million, bearing a floating interest rate of 3 month Euribor +2.0%, was fully repaid in April 2010. This credit line was converted into a revolving committed facility with a credit limit of Euro 130 million, which expires in March 2011.

In March 2010 the Group signed a US$ 261 million, 10-year export credit agency-backed loan facility for financing the ongoing construction of the cage shaft at the Gremyachinskoe potash deposit by a South Africa-based company. At 31 December 2010 the facility has been utilised to the amount of US$ 61.4 million.

In April 2010 the Group signed an agreement for a 6 month unsecured loan facility in connection with a RR-denominated bond placement, amounting to US$ 100 million, which was available in US$ and Euro with an interest rate of 1 month Libor +3.25% and in RR with an interest rate of 1 month Mosprime +3.25%. The facility was utilised to RR 450 million and US$ 65 million. In July 2010 the loan was fully refinanced by bond proceeds in accordance with the loan agreement conditions.

In August 2010 the Group signed a US$ 250 million 5-year credit line agreement with a European commercial bank. The disbursed amount has been fully repaid in December 2010.

In August 2010 the Group obtained a loan for RR 3.9 billion from a Russian commercial bank. The loan was fully repaid in August 2010.

In August 2010 the Group signed a Euro 36.7 million, 13-year export credit agency-backed loan facility for financing the acquisition of permanent hoisting equipment for the cage and skip shafts of the Gremyachinskoe potash deposit development project from a Czech engineering company. At 31 December 2010 the facility has been utilised to Euro 8.5 million.

16 Bank borrowings (continued)

Collaterals and pledges

At 31 December 2010 the Group did not hold any cash collaterals restricted by banks to secure the next principal and interest payments (2009: RR 551,086 thousand) (Note 14).

A bank loan of RR 23,389,249 thousand and RR 35,871,029 thousand at 31 December 2010 and 31 December 2009, respectively, was collateralized by future export proceeds of the Group under sales contracts with certain customers.

The Group's bank borrowings mature as follows:

	2010	2009
- within 1 year	12,589,767	12,491,434
- between 1 and 2 years	10,336,604	16,148,572
- between 2 and 5 years	344,285	10,407,752
- more than 5 years	783,945	-
Total bank borrowings	**24,054,601**	**39,047,758**

17 Bonds issued

	2010	2009
7.875% US$-denominated bonds due March 2012	8,838,300	8,770,818
8.9% RR-denominated bonds due July 2018 / callable by investors in July 2015	5,000,000	-
8.25 % RR-denominated bonds due November 2018 / callable by investors in November 2015	5,000,000	-
Less: transaction costs	(65,920)	(45,923)
Total bonds	**18,772,380**	**8,724,895**

On 21 March 2007 the Group placed through an offering to the public under an open subscription US$ denominated 7.875% bonds with a face value of US$ 300 million to be redeemed on 21 March 2012. The outstanding balance of the bonds was US$ 290 million at 31 December 2010 (2009: US$ 290 million), and the fair value was RR 9,197,136 thousand (2009: RR 8,836,599 thousand) with reference to Irish Stock Exchange quotations.

In July 2010 the Group issued RR-denominated bonds at a nominal value of RR 5 billion bearing a coupon of 8.9% p.a. maturing in June 2018. The bonds give investors the ability to demand from the borrower redemption at par value of the bonds in July 2015. The fair value of the outstanding bonds balance at 31 December 2010 was RR 5.15 billion with reference to MICEX Stock Exchange quotations.

In November 2010 the Group issued RR-denominated bonds at a nominal value of RR 5 billion bearing a coupon of 8.25 % p.a. maturing in November 2018. The bonds give investors the ability to demand from the borrower redemption at par value of the bonds in November 2015. The fair value of the outstanding bonds balance at 31 December 2010 was RR 5.005 billion with reference to MICEX Stock Exchange quotations.

18 Derivative financial assets and liabilities

In January and February 2010, the Group sold European call options over 1,200,000 K+S Group ordinary shares for a total premium of RR 106,750 thousand. The strike price was Euro 50.0 and the expiry dates for the options were 18 June 2010 and 17 September 2010. The options were not exercised and the Group recognised a gain of RR 106,750 thousand in the profit and loss.

In May 2010, the Group entered into US$/RR non-deliverable forward contracts for a nominal amount of US$ 450 million. In October 2010 the Group settled the forward contract for US$ 150 million against an opposite forward contract and recognised a gain of RR 48,708 thousand in the profit and loss. The contractual settlement dates of the remaining contracts are 31 March 2011 and 30 June 2011.

In October and December 2010 the Group sold European call options over 1,400,000 K+S Group ordinary shares for a total premium of RR 70,602 thousand. The expiry dates are 18 March 2011 for 200,000 and 17 June 2011 for 1,200,000 K+S Group ordinary shares call options. The options are secured by K+S Group shares as collateral represented by 1,400,000 shares with a fair value of RR 3,182,443 thousand with reference to the share price quoted on the Xetra trading system (Note 10).

18 Derivative financial assets and liabilities (continued)

In December 2010 the Group transacted a US$/RR cross currency swap in connection with its issue of a RR-denominated bond due November 2018 and callable by investors in November 2015 (Note 17), as a result of which the Group pays US$ fixed 3.85% and receives RR fixed 8.25% interest the latter being the coupon rate under the subject rouble bond. The swap will mature on 16 November 2015.

At 31 December 2010 the derivative financial assets were represented by assets arising on non-deliverable forward contracts accounted for at a fair value of RR 35,251 thousand and a cross currency swap accounted for at a fair value of RR 1,500 thousand. At 31 December 2010 the derivative financial liabilities were represented by call options accounted for at a fair value of RR 127,981 thousand.

19 Provision for land restoration

In accordance with the Russian legislation, the Group has an obligation to restore land disturbed as a result of mining operations after the expiration of the licenses.

The Group recorded a provision for these future expenses for RR 222,887 thousand which is included in other non-current liabilities and deferred credits with a corresponding increase in property, plant and equipment. The 11.5% discount rate used to calculate the net present value of the future cash outflows relating to the land recultivation at 31 December 2010 represents the pre-tax weighted average cost of capital for the Group and is considered appropriate to the Group in the economic environment in the Russian Federation at the end of the year.

20 Trade payables, other accounts payable and accrued expenses

	2010	2009
Trade payables		
Trade payables denominated in RR	1,355,864	1,007,316
Trade payables denominated in US$	327,972	141,685
Trade payables denominated in Euro	358,028	39,164
Trade payables denominated in other currencies	141,087	185,323
Total trade payables – financial liabilities	**2,182,951**	**1,373,488**
Other accounts payable and accrued expenses		
Advances received	2,202,860	1,441,095
Payroll and social tax	292,364	262,643
Accrued liabilities and other creditors	3,088,472	1,648,544
Subtotal non-financial liabilities	**5,583,696**	**3,352,282**
Interest payable	277,179	222,240
Subtotal financial liabilities	**277,179**	**222,240**
Total other payables	**5,860,875**	**3,574,522**
Total trade payables, other accounts payable and accrued expenses	**8,043,826**	**4,948,010**
including		
Financial liabilities	2,460,130	1,595,728
Non-financial liabilities	5,583,696	3,352,282

Trade payables include payables to suppliers of property, plant and equipment which amount to RR 694,911 thousand (2009: RR 324,073 thousand).

21 Sales

The components of external sales were as follows:

		2010	2009
Nitrogen			
	Nitrogen fertilizers	29,579,048	26,274,056
	Organic synthesis products	6,425,351	5,041,872
	Complex fertilizers group	3,505,056	3,259,941
	Other goods	453,919	538,815
	Other services	351,868	326,568
		40,315,242	**35,441,252**
Phosphates			
	Phosphates	25,071,344	17,153,958
	Iron ore concentrate	15,703,907	7,956,948
	Feed phosphates group	3,018,490	2,288,958
	Apatite concentrate	998,536	948,465
	Baddeleyite concentrate	605,341	439,118
	Complex fertilizers group	126,079	50,963
	Other goods	449,539	238,771
	Other services	501,889	524,506
		46,475,125	**29,601,687**
Distribution			
	Nitrogen fertilizers	3,650,659	1,984,185
	Phosphates	1,341,643	1,199,879
	Complex fertilizers group	2,485,672	1,398,459
	Feed phosphates group	51,784	-
	Other goods	1,000,123	796,934
	Other services	13,085	10,352
		8,542,966	**5,389,809**
Others			
	Nitrogen fertilizers	970,324	1,562,992
	Organic synthesis products	40,334	120,436
	Complex fertilizers group	70,280	-
	Logistic services	354,634	394,805
	Other goods	466,831	462,283
	Other services	551,797	603,985
		2,454,200	**3,144,501**
Total sales		**97,787,533**	**73,577,249**

22 Cost of sales

The components of cost of sales were as follows:

	Note	2010	2009
Materials and components used or resold		28,351,341	21,888,921
Energy		5,625,211	4,619,546
Utilities and fuel		3,001,341	2,062,700
Labour, including contributions to social funds		7,269,164	6,362,041
Depreciation and amortisation		2,837,043	2,363,127
Repairs and maintenance		620,044	531,614
Production overheads		1,515,867	1,237,323
Property tax, rent payments for land and related taxes		1,027,339	750,048
Transportation expenses for logistics services		312,733	716,116
Idle property, plant and equipment written-off	7	171,370	83,872
Reversal of provision for obsolete and damaged inventory and finished goods		(53,058)	(6,293)
Changes in work in progress and finished goods		(584,576)	2,064,961
Other costs		111,710	210,094
Total cost of sales		**50,205,529**	**42,884,070**

23 Distribution costs

Distribution costs comprised:

	Note	2010	2009
Transportation		15,405,937	14,218,317
Export duties,other fees and commissions		192,903	336,900
Labour, including contributions to social funds		800,696	710,094
Depreciation and amortisation		311,999	339,519
Repairs and maintenance		571,727	726,506
Provision/(reversal of provision) for impairment of receivables	13	(12,470)	111,549
Other costs		514,105	501,536
Total distribution costs		**17,784,897**	**16,944,421**

24 General and administrative expenses

General and administrative expenses comprised:

	Note	2010	2009
Labour, including contributions to social funds		2,093,426	1,594,409
Depreciation and amortisation		316,921	273,707
Audit, consulting and legal services		194,035	205,611
Rent		117,342	131,156
Bank charges		138,339	110,141
Social expenditure		66,295	79,011
Repairs and maintenance		38,659	40,276
Provision for impairment of receivables	13	32,950	87,009
Other expenses		756,482	740,078
Total general and administrative expenses		**3,754,449**	**3,261,398**

The total depreciation and amortisation expenses included in all captions of the consolidated statement of comprehensive income amounted to RR 3,465,963 thousand (2009: RR 2,976,353 thousand). The total staff costs (including social expenses) amounted to RR 10,163,286 thousand (2009: RR 8,666,544 thousand).

The fees for the audit of the consolidated and statutory financial statements for the year ended 31 December 2010 amounted to RR 65,259 thousand (2009: RR 60,973 thousand). The auditors also provided the Group with consulting services amounting to RR 5,773 thousand (2009: RR 3,520 thousand).

25 Other operating income and expenses

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

	2010	2009
(Gain)/loss on disposal of property, plant and equipment	(38,973)	181,076
Sponsorship	417,697	202,847
Foreign exchange gain	(208,168)	(679,113)
Other operating (income)/expenses	(153,861)	70,161
Total other operating (income)/expenses	**16,695**	**(225,029)**

26 Disposal of non-current assets held for sale

In July 2010 the Group terminated the contract for the sale of its 100% subsidiary LLC Novomoskovsky Chlor which was concluded in June 2009, and recognized a loss of RR 429,598 thousand in the profit and loss as a result of this contract termination.

27 Other financial income

The components of other financial income were as follows:

	2010	2009
Changes in the fair value of call options	49,372	-
Changes in the fair value of put options	-	193,458
Changes in the fair value of US$/RR non-deliverable forward contracts	83,959	-
Changes in the fair value of cross currency interest rate swap	1,500	-
Total other financial income	**134,831**	**193,458**

28 Income tax

	2010	2009
Income tax expense – current	4,699,114	2,437,953
Deferred income tax – reversal of temporary differences	259,585	40,195
Effect of the change in the tax rate	-	151,108
Income tax expense	**4,958,699**	**2,629,256**

During the year ended 31 December 2010 the Group offset VAT and other taxes against income tax of RR 187,607 thousand (2009: RR 220,142 thousand).

The profit before taxation for financial reporting purposes is reconciled to the tax expense as follows:

	2010	2009
Profit before taxation	**25,011,176**	**13,704,704**
Theoretical tax charge at statutory rate of 20% (2009 – 20%)	(5,002,235)	(2,740,941)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non deductible expenses	(372,333)	(447,168)
- Effects of different tax rates in other countries	667,420	768,974
- Unrecognized tax loss carry forward for the year	(251,551)	(59,013)
- Effect of the change in the tax rate	-	(151,108)
Consolidated tax charge	**(4,958,699)**	**(2,629,256)**

Most companies of the Group were subject to a tax rate of 20% on taxable profits in the Russian Federation for 2010 (2009: 20%). Their deferred tax asset/liabilities are measured at the rate of 20% as at 31 December 2010 and 31 December 2009. Effective from 1 January 2010, the rate of profit tax payable by the company in Lithuania is 15% (2009: 20%). The respective deferred tax asset/liabilities are measured at the rate of 15% as at 31 December 2010 and 31 December 2009.

In the context of the Group's current structure, tax losses and current tax assets of the different companies may not be offset against current tax liabilities and taxable profits of other companies and, accordingly, taxes may accrue even where there is a net consolidated tax loss. Therefore, deferred tax assets of one company of the Group are not offset against any deferred tax liabilities of another company.

At 31 December 2010 the Group had RR 820,634 thousand (2009: RR 1,282,955 thousand) of accumulated tax losses carried forward and recognised a deferred tax asset of RR 510,070 thousand (2009: RR 1,223,942 thousand). The Group did not recognise deferred tax assets of RR 310,564 thousand (2009: RR 59,013 thousand) because it is not probable that future taxable profit will be available against which the Group can utilize benefits therefrom.

The Group has not recognised a deferred tax liability in respect of temporary differences associated with investments in subsidiaries of RR 172,567 thousand (2009: RR 667,166 thousand). The Group controls the timing of the reversal of these temporary differences and does not expect to reverse them in the foreseeable future.

The movement in deferred tax (assets) and liabilities during 2010 and 2009 was as follows:

	1 January 2010	Differences recognition and reversals	Currency translation difference (Note 2)	31 December 2010
Tax effects of (deductible)/ taxable temporary differences:				
Property, plant and equipment and Intangible assets	2,201,245	76,042	1,390	2,278,677
Accounts receivable	(27,059)	(5,570)	246	(32,383)
Accounts payable	(171,600)	(318,437)	308	(489,729)
Inventories	(1,243)	(277,569)	(807)	(279,619)
Other	(133,467)	95,827	10,632	(27,008)
Tax losses carried-forward	(1,282,955)	437,741	24,580	(820,634)
Unrecognized deferred tax assets	59,013	251,551	-	310,564
Net deferred tax liability	**643,934**	**259,585**	**36,349**	**939,868**
Recognised deferred tax assets	(1,328,848)	327,711	32,073	(969,064)
Recognised deferred tax liabilities	1,972,782	(68,126)	4,276	1,908,932
Net deferred tax liability	**643,934**	**259,585**	**36,349**	**939,868**

28 Income tax (continued)

	1 January 2009	Differences recognition and reversals	Business combinations	Currency translation difference (Note 2)	Effect of change in income tax rate	31 December 2009
Tax effects of (deductible)/ taxable temporary differences:						
Property, plant and equipment and Intangible assets	2,248,558	(64,412)	26,124	(9,365)	340	2,201,245
Accounts receivable	(43,684)	4,778	-	1,642	10,205	(27,059)
Accounts payable	(516,403)	337,807	-	1,417	5,579	(171,600)
Inventories	(776,872)	801,842	-	(26,532)	319	(1,243)
Other	(34,505)	(97,791)	-	(1,552)	381	(133,467)
Tax losses carried-forward	(415,085)	(1,001,042)	-	(1,112)	134,284	(1,282,955)
Unrecognized deferred tax assets	-	59,013	-	-	-	59,013
Net deferred tax liability	**462,009**	**40,195**	**26,124**	**(35,502)**	**151,108**	**643,934**
Recognised deferred tax assets	(1,380,972)	(77,536)	-	(21,448)	151,108	(1,328,848)
Recognised deferred tax liabilities	1,842,981	117,731	26,124	(14,054)	-	1,972,782
Net deferred tax liability	**462,009**	**40,195**	**26,124**	**(35,502)**	**151,108**	**643,934**

The amounts shown in the consolidated statement of financial position include the following:

	2010	2009
Deferred tax assets expected to be recovered after more than 12 months	(265,180)	(657,265)
Deferred tax liabilities expected to be settled after more than 12 months	1,943,371	1,880,528

The total amount of the deferred tax charge is recognised in profit and loss.

29 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares (Note 15). The Company has no dilutive potential ordinary shares, therefore, the diluted earnings per share equals the basic earnings per share.

	2010	2009
Net profit	19,997,844	11,111,048
Weighted average number of ordinary shares in issue (expressed in thousands)	67,932	67,932
Basic and diluted earnings per share (expressed in RR per share)	**294.38**	**163.56**

30 Balances and transactions with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 “Related Party Disclosures”. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties are represented by entities controlled by the common ultimate shareholders with the Group. The relationships with those related parties with whom the Group entered into significant transactions or had significant balances outstanding are detailed below:

Financial statements caption	Nature of relationship	2010	2009
Statement of financial position caption			
Advances given to construction companies and suppliers of property, plant and equipment	Other related parties	13,375	-
Trade receivables	Other related parties	15,861	16,104
less: impairment provision on trade receivables	Other related parties*	(15,861)	(16,104)
Prepayments, other receivables and other current assets	Other related parties	52,437	50,241
less: impairment provision on other receivables	Other related parties*	(50,628)	(50,241)
Trade payables	Other related parties	8,128	13,517
Other accounts payable and accrued expenses	Other related parties	1,380	-

*impaired trade and other receivables from an affiliated Ukraine-based company

30 Balances and transactions with related parties (continued)

Financial statements caption	Nature of relationship	2010	2009
Statement of comprehensive income caption			
Sales	Other related parties	200,068	145,830
Purchases of materials and components	Other related parties	(61,894)	(60,008)
General and administrative expenses	Other related parties	-	(117,190)
Distribution costs	Other related parties	(81,621)	(16,104)
Interest income	Parent company	-	59,376

Financial statements caption	Nature of relationship	Note	2010	2009
Statement of cash flows caption				
Decrease in trade receivables	Other related parties		243	40,745
Increase in other receivables	Other related parties		(2,196)	(24,959)
Decrease in trade payables	Other related parties		(5,389)	-
Increase in advances from customers	Other related parties		1,380	-
Capital expenditure on property, plant and equipment and other intangible assets	Other related parties		(13,375)	-
Acquisition of available-for-sale investments	Parent company		-	(19,605,626)
Proceeds from sale of available-for-sale investments	Parent company		-	4,529,819
Repayment of originated loan	Parent company		-	6,568,110
Interest received	Parent company		-	121,199
Dividends paid	Parent company	15	(5,834,000)	-

The total key management personnel compensation included in the profit and loss was RR 325,772 thousand and RR 177,338 thousand for the years ended 31 December 2010 and 2009, respectively. This compensation is paid to six individuals who are members of the Management Board, for their services in full time positions. Compensation is made up of an annual fixed remuneration plus a performance bonus accrual.

31 Acquisition of non-controlling interest

The Group increased its shareholding in Lifosa AB from 94.8% to 99.1%. The total purchase consideration comprised RR 448,983 thousand paid in cash.

32 Contingencies, commitments and operating risks

i Capital expenditure commitments

As at 31 December 2010 the Group had contractual commitments for capital expenditures of RR 18,225,826 thousand (2009: RR 9,388,416 thousand), mostly denominated in US$ and Euro (RR 6,897,536 thousand and RR 3,916,782 thousand, respectively). The management estimates that, out of these, approximately RR 9.6 billion will represent cash outflows in 2011.

RR 10,272,954 thousand and RR 4,417,588 thousand out of the total amount relate to the development of potassium salt deposits and the construction of mining facilities at the Gremyachinskoe and Verkhnekamskoe potash license areas, respectively (2009: RR 5,700,730 thousand and RR 269,444 thousand, respectively).

ii Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged in the future by the relevant regional and federal authorities.

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

32 Contingencies, commitments and operating risks (continued)

ii Tax legislation (continued)

Under Russian transfer pricing legislation it is possible for the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions if the transaction price differs from the market price by more than 20%. Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. The arbitration court practice in this respect is contradictory.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could potentially be challenged in the future. Given the nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant.

Russian tax legislation does not provide definitive guidance in certain areas, specifically in extraction tax. From time to time, the Group adopts interpretations of such uncertain areas that may be challenged by the tax authorities, the impact of which cannot be reliably estimated; however, it may be significant to the financial condition or the overall operations of the Group.

As at 31 December 2010 management believes that its interpretation of the relevant legislation is generally appropriate and the Group's tax, currency and customs positions will be sustained. Where management believes that it is probable that certain tax positions taken by the Group may not be sustained if challenged by the tax authorities, the Group has recorded provisions for related taxes, interest and penalties. There were no such provisions recorded by the Group at 31 December 2010 and 31 December 2009.

In addition to the above matters, management estimates that the Group has other possible obligations from exposure to other than remote tax risks of RR 1,081,589 thousand (2009: RR 1,433,262 thousand). These exposures primarily relate to management services and other fees charged by the holding company to the Group subsidiaries.

iii Insurance policies

The Group generally carries insurance as mandated by statutory requirements. The Group holds insurance policies covering directors' and officers' liabilities and trade operations, including export shipments. Insurance strategies covering the Group's assets are under review.

iv Environmental matters

The environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations and an immediate response is formulated as required. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

v Legal proceedings

During the reporting period, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding which could have a material effect on the results of operations or the financial position of the Group.

vi Operating environment of the Group

The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and interest rates, as well as periodic volatility in the RR exchange rate.

In 2010, the Russian economy experienced a moderate recovery of economic growth. The recovery was accompanied by a gradual increase in household incomes, lower refinancing rates, stabilisation of the exchange rate of the Russian Rouble against major foreign currencies, and increased liquidity levels in the banking sector.

Management is unable to predict all developments in the economic environment which could have an impact on the Group's operations and consequently what effect, if any, they could have on the future financial position of the Group.

33 Financial and capital risk management

33.1 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The overall risk management programme seeks to minimize potential adverse effects on the financial performance of the Group.

(a) Market risk

(i) Foreign currency risk

The Group's revenues, expenses, capital expenditure, investments and borrowings are denominated in foreign currencies as well as Russian Roubles. The Group is exposed to foreign exchange risk to the extent that its future cash inflows and outflows over a certain period of time are denominated in different currencies.

The objective of the Group's foreign exchange risk management is to minimize the volatility of the Group's cash flows arising from fluctuations in foreign exchange rates. Management focuses on assessing the Group's future cash flows in foreign currencies and managing the gaps arising between inflows and outflows.

Translation gains and losses arising from the revaluation of its monetary assets and liabilities are therefore not viewed as an indicator of the total impact of foreign exchange fluctuations on its future cash flows since such gains or losses do not capture the impact on cash flows of foreign exchange-denominated revenues, costs, future capital expenditure, investment and financing activities.

The table below summarises the Group's financial assets and liabilities which are subject to foreign currency risk at the reporting date:

31 December 2010	US$	Euro	Other foreign currency
ASSETS			
Non-current financial assets:			
Restricted cash	-	6,092	107,476
Total non-current financial assets	**-**	**6,092**	**107,476**
Current financial assets:			
Trade receivables	1,519,960	49,633	-
Restricted cash	-	-	92
Cash and cash equivalents	4,633,770	531,135	22,880
Total current financial assets	**6,153,730**	**580,768**	**22,972**
Total financial assets	**6,153,730**	**586,860**	**130,448**
LIABILITIES			
Non-current liabilities:			
Bank borrowings	12,501,915	341,543	-
Bonds issued	8,838,300	-	-
US$/RR cross currency swap (gross amount)	4,848,377	-	-
US$/RR non-deliverable forward contracts (gross amount)	9,143,070	-	-
Total non-current financial liabilities	**35,331,662**	**341,543**	**-**
Current liabilities:			
Bank borrowings	12,757,772	-	-
Trade payables	327,972	349,335	41,636
Other accounts payable and accrued expenses	233,892	1,486	-
Total current financial liabilities	**13,319,636**	**350,821**	**41,636**
Total financial liabilities	**48,651,298**	**692,364**	**41,636**

33 Financial and capital risk management (continued)

33.1 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign currency risk (continued)

31 December 2009	US$	Euro	Other foreign currency
ASSETS			
Non-current financial assets:			
Restricted cash	2,651	145,425	-
Total non-current financial assets	**2,651**	**145,425**	**-**
Current financial assets:			
Trade receivables	911,441	169,124	3,206
Restricted cash	548,357	-	2,729
Cash and cash equivalents	4,588,444	2,867,709	7,325
Total current financial assets	**6,048,242**	**3,036,833**	**13,260**
Total financial assets	**6,050,893**	**3,182,258**	**13,260**
LIABILITIES			
Non-current liabilities:			
Bank borrowings	23,210,665	3,688,006	-
Bonds issued	8,770,818	-	-
Total non-current financial liabilities	**31,981,483**	**3,688,006**	**-**
Current liabilities:			
Bank borrowings	12,660,364	-	-
Trade payables	141,685	34,783	-
Other accounts payable and accrued expenses	222,240	-	-
Total current financial liabilities	**13,024,289**	**34,783**	**-**
Total financial liabilities	**45,005,772**	**3,722,789**	**-**

The Group believes that it has significant positive foreign exchange exposure towards the US$/RR exchange rate given that its expected US$ denominated revenues exceed its planned outflows in US$, mostly related to servicing of debt and capital expenditure. Hence any depreciation of the RR against the US$ has a positive effect, while appreciation of the RR against the US$ has a negative effect on the Group's future cash flows.

The Group's sales for the years ended 31 December 2010 and 31 December 2009 are presented in the table below:

	US$	Euro	RR	Other foreign currency	Total
2010	64,686,216	3,898,355	23,936,703	5,266,259	97,787,533
	66%	4%	25%	5%	100%
2009	50,977,211	3,642,965	15,892,608	3,064,465	73,577,249
	69%	5%	22%	4%	100%

At 31 December 2010, if the RR exchange rate against the US$ had been higher/lower by 10%, all other things being equal, after tax profit for the year would have been RR 3,407,203 thousand (2009: RR 3,148,136 thousand) lower/higher, purely as a result of foreign exchange gains/losses on translation of US$-denominated assets and liabilities and with no regard to the impact of this appreciation/depreciation on sales.

The Group is disclosing the impact of such a 10% shift in the manner set out above to ease the calculation for the users of these consolidated financial statements of the impact on the after tax profit resulting from subsequent future exchange rate changes.

During 2009 the Group did not hedge this exposure using financial instruments. In 2010 the Group entered into US$/RR non-deliverable forward contracts for a nominal amount of US$ 450 million to partially offset volatility of its cash flows from potential appreciation of the RR against the US$ in 2010-2011 (Note 18).

33 Financial and capital risk management (continued)

33.1 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's principal interest rate risk arises from long-term and short-term borrowings.

The Group is exposed to risk from floating interest rates due to the fact that it has RR 25,259,687 thousand of US$ denominated loans outstanding at 31 December 2010 (2009: RR 35,871,029 thousand) bearing floating interest rates of 1 month Libor +1.8% and 6 month Libor +2.5% (2009: 1 month Libor +1.8%) and RR 341,543 thousand of Euro denominated loans outstanding at 31 December 2010 (2009: RR 3,688,006 thousand) bearing a floating interest rate of 6 months Euribor +1.95% (2009: 3 months Libor +2%). The Group's profit after tax for the year ended 31 December 2010 would have been RR 25,706 thousand, or 0.13% lower/higher (2009: RR 33,569 thousand, or 0.30% lower/higher) if the US$ Libor interest rate was 10 bps higher/lower than its actual level during the year. The Group's profit after tax for the year ended 31 December 2010 would have been RR 770 thousand, or 0.004% lower/higher (2009: RR 1,441 thousand or 0.01% lower/higher) if the Euribor interest rate was 10 bps higher/lower than its actual level during the year. During 2009 and 2010 the Group did not hedge this exposure using financial instruments.

The Group does not have a formal policy of determining how much exposure the Group should have to fixed or variable rates for as long as the impact of changes in interest rates on the Group's cash flows remains immaterial. However, the Group performs a periodic analysis of the current interest rate environment and depending on this analysis at the time of raising new debt management makes decisions on whether obtaining finance on a fixed-rate or a variable-rate basis would be more beneficial to the Group over the expected period until maturity.

(iii) Financial investments risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as available-for-sale. At 31 December 2010 the Group held 16,656,595 shares, or 8.7% of the issued share capital (2009: 19,366,595 shares, or 10.12% of the issued share capital) of K+S Group with a fair value of RR 37,863,331 thousand (2009: RR 33,602,943 thousand) (Note 10). The fair value of the shares is determined based on the closing price of Euro 56.36 as of the reporting date in the Xetra trading system. The Group's other comprehensive income/loss for 2010 would have been RR 671,812 thousand (2009: RR 840,284 thousand) if the share price were 1 Euro higher/lower than its actual level as at reporting date. At 25 February 2010 the share price was Euro 55.48. During 2010 the Group did not hedge this exposure using financial instruments.

The Group is principally exposed to market price risks in relation to the investment in shares of K+S Group. Management reviews reports on the performance of K+S Group on a quarterly basis and provides recommendations to the Board of Directors on the advisability of further investments. The subscribed investment commitments in this respect are approved by the Board of Directors.

The Group does not enter into any transactions in financial instruments whose value is exposed to the value of any commodities traded on a public market.

(b) Credit risk

Credit risk arises from the possibility that counterparties to transactions may default on their obligations, causing financial losses for the Group. Financial assets, which potentially subject Group entities to credit risk, consist principally of trade receivables, cash and bank deposits. The objective of managing credit risk is to prevent losses of liquid funds deposited with or invested in financial institutions or the loss in value of receivables.

The maximum exposure to credit risk resulting from financial assets is equal to the carrying amount of the Group's financial assets, which at 31 December 2010 amounted to RR 11,816,357 thousand (2009: RR 13,971,571 thousand). The Group has no other significant concentrations of credit risk.

Cash and cash equivalents. Cash and short-term deposits are mainly placed in major multinational and Russian banks with independent credit ratings. No bank balances and term deposits are past due or impaired. See the analysis by credit quality of bank balances and term deposits in Note 14.

Trade receivables. Trade receivables are subject to a policy of active credit risk management which focuses on an assessment of ongoing credit evaluation and account monitoring procedures. The objective of the management of trade receivables is to sustain the growth and profitability of the Group by optimising asset utilisation whilst maintaining risk at an acceptable level.

33 Financial and capital risk management (continued)

33.1 Financial risk management (continued)

(b) Credit risk (continued)

The monitoring and controlling of credit risk is performed by the corporate treasury function of the Group. The credit policy requires the performance of credit evaluations and ratings of customers. The credit quality of each new customer is analyzed before the Group provides it with the standard terms of delivery and payment. The Group gives preference to customers with an independent credit rating. New customers without an independent credit rating are evaluated on a sample basis by an appointed rating agency. The credit quality of other customers is assessed taking into account their financial position, past experience and other factors. Customers that do not meet the credit quality requirements are supplied on a prepayment basis only.

Although the collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision already recorded (Note 13).

The major part of trade receivables that are neither past due nor impaired relates to wholesale distributors and steel producers for which the credit exposures and related ratings are presented below:

Wholesale customers	Credit agency	Credit rating/Other	2010	2009
Wholesale customers	Credit Reform*	Good	167,763	533,776
Wholesale customers	Dun & Bradstreet Credibility Corp.*	Good	231,137	-
Wholesale customers and steel producers	-	Letter of credit	687,516	296,317
Wholesale customers and steel producers	Moody's Investor's Service	2010: Ba3 to Baa3 2009: Aa2 to Ba2	973,928	331,434
Total			**2,060,344**	**1,161,527**

* Independent credit agencies used by the Group for evaluation of customers' credit quality.

The rest of trade receivables is analysed by management who believes that the balance of the receivables is of good quality due to strong business relationships with these customers. The credit risk of every single customer is monitored.

(c) Liquidity risk

Liquidity risk results from the Group's potential inability to meet its financial liabilities, such as settlements of financial debt and payments to suppliers. The Group's approach to liquidity risk management is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time.

In order to take advantage of financing opportunities in the international capital markets the Group has obtained credit ratings from Fitch and Standard & Poor's. As of 31 December 2010 these institutions have rated the Group as BB with stable outlook (2009: BB with stable and negative outlooks, respectively).

Cash flow forecasting is performed throughout the Group. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 16) at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

The table below analyses the Group's financial liabilities into the relevant maturity groupings based on the time remaining from the balance sheet date to the contractual maturity date.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
As of 31 December 2010					
Trade payables	2,182,951	-	-	-	**2,182,951**
*Gross-settled swap:***					
- inflows	(398,938)	(411,370)	(6,234,110)	-	**(7,044,418)**
- outflows	183,033	188,737	5,414,587	-	**5,786,357**
Derivative financial liabilities	127,981	-	-	-	**127,981**
Bank borrowings*	13,564,674	10,873,071	999,495	1,490,726	**26,927,966**
Bonds issued*	1,551,231	9,867,505	12,565,600	-	**23,984,336**
As of 31 December 2009					
Trade payables	1,373,488	-	-	-	**1,373,488**
Bank borrowings*	13,604,955	17,295,880	10,863,770	-	**41,764,605**
Bonds issued*	690,702	690,702	8,926,226	-	**10,307,630**

* The table above shows undiscounted cash outflows for financial liabilities (including interest together with the borrowings) based on conditions existing as of 31 December 2010 and 31 December 2009, respectively.

** Payments in respect of the gross settled swap will be accompanied by related cash inflows.

33 Financial and capital risk management (continued)

33.1 Financial risk management (continued)

(c) Liquidity risk (continued)

The Group controls the minimum required level of cash balances available for short-term payments in accordance with the financial policy of the Group adopted in alignment with economic realities on 29 April 2009 by the Board of Directors. Such cash balances are represented by current cash balances on bank accounts, bank deposits, short-term investments, cash and other financial instruments, which may be classified as cash equivalents in accordance with IFRS.

The Group assesses liquidity on a weekly basis using a twelve-month cash flow rolling forecast.

33.2 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders, to have available the necessary financial resources for investing activities and to maintain an optimal capital structure in order to reduce the cost of capital. The Group considers total capital under management to be equity as shown in the IFRS consolidated statement of financial position. This is considered more appropriate than alternatives, such as the value of equity shown in the Company's statutory financial (accounting) reports.

The Group monitors capital on the basis of the gearing ratio. Additionally, the Group monitors the adequacy of its debt levels using the net debt to EBITDA ratio.

Gearing ratio

The gearing ratio is determined as net debt to net debt plus shareholders' equity.

The gearing ratio as of 31 December 2010 and 31 December 2009 is shown in the table below:

	2010	2009
Total debt	42,826,981	47,772,653
Less: cash and cash equivalents	8,934,084	11,227,858
Net debt	**33,892,897**	**36,544,795**
Equity attributable to the holders of the Company	**94,180,622**	**72,436,377**
Net debt and shareholders' equity	**128,073,519**	**108,981,172**
Gearing ratio %	**26%**	**34%**

Net Debt/EBITDA

The Group has established a policy that the ratio of the Group's net debt to its 12 months' rolling EBITDA should not exceed two and a half times. For this purpose net debt is determined as the sum of short-term borrowings, long-term borrowings and bonds balance outstanding, less cash and cash equivalents.

The ratio of net debt to EBITDA as of 31 December 2010 and 31 December 2009 is shown in the table below:

	Note	2010	2009
EBITDA	6	**29,937,053**	**16,516,237**
Net debt		33,892,897	36,544,795
Net debt/EBITDA		**1.13**	**2.21**

Since EBITDA is not a standard IFRS measure, EuroChem Group's definition of EBITDA may differ from that of other companies.

34 Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. Management has used all available market information in estimating the fair value of financial instruments.

Financial instruments carried at fair value. Trading and available-for-sale investments are carried on the consolidated statement of financial position at their fair value.

Effective from 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the consolidated statement of financial position at fair value. This requires disclosure of fair value measurements by three levels, depending on fair value measurements. Fair values of trading and available-for-sale investments were determined based on quoted market prices and were included in level 1. Fair values of derivatives financial assets and liabilities were determined based on derived of quoted market prices and were included in level 2.

Cash and cash equivalents are carried at amortised cost which approximates current fair value.

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The discount rates used depend on the credit risk of the counterparty. The carrying amounts of trade receivables approximate their fair values.

Liabilities carried at amortised cost. The fair value is based on quoted market prices, if available. The estimated fair values of fixed interest rate instruments with a stated maturity, for which quoted market prices were not available, were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. At 31 December 2010 and 2009 the fair value of the current and non-current borrowings is not materially different from their carrying amounts. The fair value of the issued bonds is disclosed in Note 17.

EUROCHEM GROUP

INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2009

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of EuroChem Group

1 We have audited the accompanying consolidated financial statements of open joint stock company Mineral Chemical Company "EuroChem" (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2009 and the 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 notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

3 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 whether the financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

6 In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
19 March 2010

	Note	31 December 2009	31 December 2008
ASSETS			
Non-current assets:			
Property, plant and equipment	7	56,382,417	41,197,799
Exploration rights	11	7,271,496	7,163,276
Goodwill	8	204,866	204,866
Intangible assets	9	427,457	537,568
Restricted cash	15	179,115	30,053
Available-for-sale investments	10	33,619,657	13,899,438
Other non-current assets	29	247,893	-
Deferred tax assets	26	1,328,848	1,380,972
Total non-current assets		**99,661,749**	**64,413,972**
Current assets:			
Inventories	13	8,105,067	11,182,594
Trade receivables	14	2,151,240	3,184,371
Prepayments, other receivables and other current assets	14	7,630,102	10,612,755
Originated loans	12, 28	-	5,729,178
Trading investments	16	-	172,271
Restricted cash	15	551,086	481,912
Cash and cash equivalents	15	10,676,772	26,225,350
Total current assets		**29,114,267**	**57,588,431**
Assets of disposal group classified as held for sale		-	273,071
TOTAL ASSETS		**128,776,016**	**122,275,474**
LIABILITIES AND EQUITY			
Equity:			
Capital and reserves attributable to owners of the parent:			
Share capital	17	6,800,000	6,800,000
Treasury shares	17	(7,760)	(7,760)
Retained earnings and other reserves		65,644,137	53,434,538
		72,436,377	**60,226,778**
Non-controlling interests		758,683	809,874
Total equity		**73,195,060**	**61,036,652**
Non-current liabilities:			
Bank borrowings	18	26,556,324	34,418,679
Bonds issued	19	8,724,895	8,453,611
Other non-trade payables		430,393	305,101
Deferred income tax liabilities	26	1,972,782	1,842,981
Total non-current liabilities		**37,684,394**	**45,020,372**
Current liabilities:			
Bank borrowings	18	12,491,434	9,093,277
Trade payables	20	1,373,488	1,793,635
Other accounts payable and accrued expenses	20	3,574,522	3,960,747
Income tax payable		108,465	720,690
Other taxes payable		348,653	618,990
Total current liabilities		**17,896,562**	**16,187,339**
Liabilities of disposal group classified as held for sale		-	31,111
Total liabilities		**55,580,956**	**61,238,822**
TOTAL LIABILITIES AND EQUITY		**128,776,016**	**122,275,474**

Approved on behalf of the Board of Directors
19 March 2010

D.S. Strezhnev
Chief Executive Officer

A.A. Ilyin
Chief Financial Officer

The accompanying notes on pages 5 to 38 are an integral part of these consolidated financial statements.

	Note	2009	2008
Sales	21	73,577,249	112,173,573
Cost of sales	22	(41,439,799)	(44,466,467)
Gross profit		**32,137,450**	**67,707,106**
Distribution costs	23	(18,388,692)	(23,282,491)
General and administrative expenses	24	(3,261,398)	(3,208,718)
Other operating income/(expenses)	25	225,029	(325,410)
Operating profit		**10,712,389**	**40,890,487**
Dividend income	10	2,168,715	-
Gain on disposal of non-current assets held for sale	29	358,878	310,493
Fair value gain/(loss) on trading investments	16	139,584	(395,160)
Gain on disposal of available-for-sale investments	10	966,640	209,723
Financial foreign exchange gain/(loss) – net		748,903	(3,765,712)
Interest income		399,724	653,967
Interest expense		(1,983,587)	(1,258,828)
Other financial income		193,458	135,141
Profit before taxation		**13,704,704**	**36,780,111**
Income tax expense	26	(2,629,256)	(8,891,388)
Net profit for the period		**11,075,448**	**27,888,723**
Other comprehensive income/(loss)			
Currency translation differences, net of tax		364,188	1,390,347
Revaluation of available-for-sale investments	10	1,689,667	4,560,747
Disposal of available-for-sale investments – reclassification of revaluation to profit and loss	10	(966,640)	(209,723)
Total other comprehensive income/(loss) for the period		**1,087,215**	**5,741,371**
Total comprehensive income for the period		**12,162,663**	**33,630,094**
Net profit for the period attributable to:			
Owners of the parent		11,111,048	27,385,406
Non-controlling interests		(35,600)	503,317
		11,075,448	**27,888,723**
Total comprehensive income/(loss) attributable to:			
Owners of the parent		12,189,656	33,042,804
Non-controlling interests		(26,993)	587,290
		12,162,663	**33,630,094**
Earnings per share – basic and diluted (in RR)	27	163.56	403.13

	Note	2009	2008
Operating profit		**10,712,389**	**40,890,487**
Income tax paid		(1,767,696)	(9,726,888)
Operating profit less income tax paid		**8,944,693**	**31,163,599**
Depreciation and amortisation	24	2,976,353	2,942,655
Net loss on disposals and write-off of property, plant and equipment		262,098	393,009
Impairment of receivables and provision for obsolete and damaged inventories		192,265	(566,964)
Other non-cash (income)/expenses		540,363	(367,356)
Gross cash flow	5	**12,915,772**	**33,564,943**
Changes in operating assets and liabilities:			
Trade receivables		896,167	574,167
Advances to suppliers		20,612	(434,039)
Other receivables		2,023,335	(2,544,418)
Inventories		2,969,179	(5,447,656)
Trade payables		(251,884)	634,897
Advances from customers		735,336	(375,165)
Other payables		(1,280,751)	898,097
Other assets and liabilities		(489,073)	(115,360)
Net cash – operating activities		**17,538,693**	**26,755,466**
Cash flows from investing activities			
Capital expenditure on property, plant and equipment and other intangible assets		(18,593,560)	(14,730,809)
Purchase of exploration rights	11	(108,220)	(4,087,166)
Acquisition of interest in subsidiaries		(4,255)	(2,488,678)
Acquisition of subsidiary, net of cash acquired		(149,913)	(416,862)
Acquisition of available-for-sale investment	10	(25,405,127)	(10,101,141)
Proceeds from sale of property, plant and equipment		78,937	45,410
Proceeds from disposal of non-current assets held for sale		68,069	-
Prepayment for non-current assets held for sale		-	37,500
Proceeds from disposal of trading investments	16	311,855	-
Proceeds from sale of available-for-sale investment	10	7,374,575	783,501
Proceeds from sale of derivatives		193,458	-
Dividends received net of tax		2,060,279	-
Repayment of originated loans	12	6,568,110	-
Originated loans	12	-	(5,118,848)
Interest received		560,572	533,896
Net cash – investing activities		**(27,045,220)**	**(35,543,197)**
Free cash outflow	5	**(9,506,527)**	**(8,787,731)**
Cash flows from financing activities			
Proceeds from bank borrowings	18	9,843,054	47,399,732
Repayment of bank borrowings	18	(15,800,009)	(13,995,282)
Syndication fees paid		(140,343)	(1,106,969)
Interest paid		(1,778,824)	-
Repayment of bonds buy back		-	(142,439)
Dividends paid	17	-	(14,124,419)
Net cash – financing activities		**(7,876,122)**	**18,030,623**
Effect of exchange rate changes on cash and cash equivalents		1,834,071	1,913,968
Net increase/(decrease) in cash and cash equivalents		**(15,548,578)**	**11,156,860**
Cash and cash equivalents at the beginning of the period	**15**	**26,225,350**	**15,068,490**
Cash and cash equivalents at the end of the period	**15**	**10,676,772**	**26,225,350**

	Attributable to owners of the parent							
	Share capital	Treasury shares	Cumulative currency translation differences	Revaluation of investments available-for-sale	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2008	**6,800,000**	**(7,760)**	**222,806**	**20,966**	**30,996,691**	**38,032,703**	**2,067,192**	**40,099,895**
Comprehensive income								
Profit for the period	-	-	-	-	27,385,406	27,385,406	503,317	27,888,723
Other comprehensive income								
Currency translation differences	-	-	1,306,374	-	-	1,306,374	83,973	1,390,347
Revaluation of investments available-for-sale	-	-	-	4,560,747	-	4,560,747	-	4,560,747
Disposal of investments available-for-sale	-	-	-	(209,723)	-	**(209,723)**	-	(209,723)
Total other comprehensive income	-	-	1,306,374	4,351,024	-	5,657,398	83,973	5,741,371
Total comprehensive income	**-**	**-**	**1,306,374**	**4,351,024**	**27,385,406**	**33,042,804**	**587,290**	**33,630,094**
Transactions with owners								
Dividends	-	-	-	-	(10,456,091)	(10,456,091)	-	(10,456,091)
Acquisitions of subsidiaries	-	-	-	-	-	-	251,432	251,432
Acquisitions of additional interest in subsidiaries	-	-	-	-	(392,638)	(392,638)	(2,096,040)	(2,488,678)
Total transactions with owners	-	-	-	-	**(10,848,729)**	**(10,848,729)**	**(1,844,608)**	**(12,693,337)**
Balance at 31 December 2008	**6,800,000**	**(7,760)**	**1,529,180**	**4,371,990**	**47,533,368**	**60,226,778**	**809,874**	**61,036,652**
Balance at 1 January 2009	**6,800,000**	**(7,760)**	**1,529,180**	**4,371,990**	**47,533,368**	**60,226,778**	**809,874**	**61,036,652**
Comprehensive income								
Profit for the period	-	-	-	-	11,111,048	11,111,048	(35,600)	11,075,448
Other comprehensive income								
Currency translation differences	-	-	355,581	-	-	355,581	8,607	364,188
Revaluation of investments available-for-sale	-	-	-	1,689,667	-	1,689,667	-	1,689,667
Disposal of investments available-for-sale	-	-	-	(966,640)	-	**(966,640)**	-	(966,640)
Total other comprehensive income	-	-	355,581	723,027	-	1,078,608	8,607	1,087,215
Total comprehensive income	**-**	**-**	**355,581**	**723,027**	**11,111,048**	**12,189,656**	**(26,993)**	**12,162,663**
Transactions with owners								
Acquisitions of additional interest in subsidiaries	-	-	-	-	19,943	19,943	(24,198)	(4,255)
Total transactions with owners	**-**	**-**	**-**	**-**	**19,943**	**19,943**	**(24,198)**	**(4,255)**
Balance at 31 December 2009	**6,800,000**	**(7,760)**	**1,884,761**	**5,095,017**	**58,664,359**	**72,436,377**	**758,683**	**73,195,060**

1 The EuroChem Group and its operations

EuroChem Group comprises the parent entity, Open Joint Stock Company Mineral Chemical Company "EuroChem" (the "Company"), and its subsidiaries (collectively the "Group" or "EuroChem Group").

The Group's principal activities include extracting minerals (iron-ore, apatite and baddeleyite), producing fertilisers and their distribution in domestic and foreign markets. The Group manufactures a large number of products, the most significant of which is a wide range of mineral fertilizers (nitrogen and phosphate group).

A company that holds the business interests of Mr. Andrey Melnichenko owns 100% of Linea Limited registered in Bermuda, which in turn owns 95% of MCC Holding Public Company Limited (Cyprus). The remaining 5% is held by Mr. Dmitry Strezhnev, CEO of the Group. MCC Holding Public Company Limited (Cyprus) owns 99.9% of EuroChem.

The Group's manufacturing facilities are primarily based in the Russian Federation with the exception of one entity, Lifosa AB, located in Lithuania.

The Company was incorporated and domiciled in the Russian Federation on 27 August 2001 as a closed joint stock company. On 3 April 2006 the Company changed its legal form to an open joint stock company. The Company has its registered office at:

Dubininskaya St. 53, bld. 6
Moscow, Russian Federation

2 Basis of presentation and significant accounting policies

Basis of presentation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by available-for-sale and trading investments, which are accounted for at fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated (Note 4).

The Company and its subsidiaries, registered on the territory of the Russian Federation, maintain their accounting records in Russian Roubles ("RR") and prepare their statutory financial statements in accordance with the Federal Law on Accounting and Regulations on Accounting and Reporting adopted by the decree of the Ministry of Finance of the Russian Federation dated 29 July 1998. These consolidated financial statements are based on the statutory records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with IFRS.

Functional currency. The functional currency for the Group's subsidiaries located in Russia is the national currency of the Russian Federation, the Russian Rouble ("RR"). The Group has a subsidiary located in Lithuania, where the functional currency is the Lithuanian Lita, which is the currency of measurement in Lifosa AB's financial statements. These have been translated into Russian Roubles, the presentation currency, at the applicable exchange rates as required by IAS 21 "The Effects of Changes in Foreign Exchange Rates" ("IAS 21") for inclusion in these consolidated financial statements.

Translation from functional to presentation currency. These consolidated financial statements have been presented in Russian Roubles ("RR"), which management believes is the most useful currency to adopt for users of these consolidated financial statements. The results and financial position of each group entity are translated into the presentation currency using the official exchange rate of the Central Bank of the Russian Federation (hereinafter "CBRF") as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for the statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as currency translation differences in other comprehensive income.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the CBRF at the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in profit and loss.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit and loss are recognised in profit and loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are recognised in other comprehensive income.

2 Basis of presentation and significant accounting policies (continued)

Foreign exchange gains and losses that relate to borrowings and deposits are presented in the statement of comprehensive income in a separate line "Financial foreign exchange gain/(loss) – net". All other foreign exchange gains and losses are presented in the statement of comprehensive income within other operating income/(expenses).

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. When a subsidiary is disposed of through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity, the exchange differences recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit and loss.

In addition to RR, the Group enters into transactions in other currencies, such as the United States Dollar ("US$") and the Euro.

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise governs the financial and operating policies so as to obtain economic benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The date of exchange is the acquisition date where a business combination is achieved in a single transaction, and is the date of each share purchase where a business combination is achieved in stages by successive share purchases.

The excess of the cost of acquisition over the fair value of the net identifiable assets of the acquiree at each exchange transaction represents goodwill. The excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired over cost ("negative goodwill") is recognised immediately in profit and loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the net assets of a subsidiary, including the fair value adjustments, which is attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

Purchases of subsidiaries from parties under common control. Purchases of subsidiaries from parties under common control are accounted for using the pooling of interest method. Under this method the financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in these financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration paid is accounted for in these consolidated financial statements as an adjustment to equity.

Purchases of non-controlling interests. The difference, if any, between the carrying amount of a non-controlling interest and the amount paid to acquire it is recorded in equity.

Property, plant and equipment. Property, plant and equipment are stated at cost, restated to the equivalent purchasing power of the Russian Rouble at 31 December 2002 for assets acquired prior to 1 January 2003, less accumulated depreciation and a provision for impairment, where required.

At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the profit and loss. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

2 Basis of presentation and significant accounting policies (continued)

Minor repair and maintenance costs are expensed when incurred. The cost of replacing major parts or components of property, plant and equipment items is capitalised and the replaced part is retired.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in the profit and loss.

Depreciation. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings and land improvements	15 to 80
Transfer devices	25 to 30
Machinery and equipment	6 to 30
Transport	5 to 25
Other items	3 to 8

The residual value of an asset is the estimated amount that the Group would currently obtain from disposing of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Remaining useful life of property, plant and equipment. Management assesses the remaining useful life of property, plant and equipment in accordance with the current technical conditions of assets and estimated period during which these assets will bring economic benefit to the Group.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit and loss on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

Goodwill. Goodwill represents the excess of the cost of an acquisition over the fair value of the acquirer's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the date of exchange. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the acquirer's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination.

Such units or group of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained. Goodwill on acquisitions of associates is included in the investment in associates.

Other intangible assets. The Group's other intangible assets have definite and indefinite useful lives and primarily include acquired land lease agreements and capitalized computer software costs.

Acquired computer software licenses, beneficial land and equipment lease agreements are capitalised on the basis of the costs incurred to acquire and bring them to use.

Intangible assets with definite useful lives are amortised using the straight-line method over their useful lives:

	Useful lives in years
Land lease agreement	45
Equipment lease agreement	5
Software licences	5

Intangible assets with an indefinite useful life are not amortised. The Group tests such intangible assets for impairment at least annually and whenever there are indications that intangible assets may be impaired.

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less cost to sell.

2 Basis of presentation and significant accounting policies (continued)

Exploration assets. Expenditures incurred in exploration activities (acquisition of rights to explore; topographical, geological, geochemical and geophysical studies; exploratory drilling; trenching; sampling; and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource) are expensed unless they meet the definition of an asset. The Group recognises an asset when it is probable that economic benefits will flow to the Group as a result of the expenditure. In accordance with IFRS 6, *Exploration for and Evaluation of Mineral Resources,* exploration assets are measured applying the cost model described in IAS 16, *Property, plant and equipment* after initial recognition. Depreciation and amortisation are not calculated for exploration assets because the economic benefits that the assets represent are not consumed until the production phase. Exploration assets are tested for impairment when there are facts and circumstances that suggest that the carrying value of the asset may not be recoverable.

Classification of financial assets. The Group classifies its financial assets into the following measurement categories: a) loans and receivables; b) available-for-sale financial assets; c) financial assets held to maturity and d) financial assets at fair value through profit and loss. Financial assets at fair value through profit and loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

Financial assets held for trading are classified in this category if acquired principally for the purpose of selling in the short term. Trading investments are not reclassified out of this category even when the Group's intentions subsequently change.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in the current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

"Held-to-maturity" classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at each balance sheet date. At 31 December 2009 and 2008 the Group did not have "held to maturity" investments.

All other financial assets are included in the available-for-sale category.

Initial recognition of financial instruments. Trading investments and derivatives are initially recorded at their fair value. All other financial assets and liabilities are initially recorded at their fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and the transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at their trade date, which is the date that the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets. The Group derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Available-for-sale investments. Available-for-sale investments are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit and loss. Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payment is established. All other elements of changes in the fair value are recognised in other comprehensive income and accumulated in equity until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from equity to profit and loss.

Impairment losses are recognised in profit and loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in other comprehensive income – is reclassed from equity and recognised in profit and loss. Impairment losses on equity instruments are not reversed through profit and loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit and loss, the impairment loss is reversed through the current period's profit and loss.

2 Basis of presentation and significant accounting policies (continued)

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with tax legislation enacted or substantively enacted by the balance sheet date for each country where the Group subsidiaries are registered. The income tax charge comprises current tax and deferred tax and is recognised in the profit and loss unless it relates to transactions that are recognised, in the same or a different period, in other comprehensive income or directly in equity. The most significant Group subsidiaries are registered in Russia, where the corporate profit tax rate can range from 15.5% to 20%, depending on applicable rates set by regional authorities (2008: 24%).

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not be reversed through dividends or otherwise in the foreseeable future.

Inventories. Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Trade and other receivables. Trade and other receivables are carried at amortised cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade and other receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss. When a receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the profit and loss.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, term deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the statement of cash flows. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date are included in non-current assets.

Non-current assets classified as held for sale. Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the statement of financial position as "Non-current assets held for sale" if their carrying amount will be recovered principally through a sale transaction within twelve months after the balance sheet date. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management has approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected to occur within one year and (d) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or represented in the comparative statement of financial position to reflect the classification at the end of the current period.

A disposal group is assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the balance sheet date. If reclassification is required, both the current and non-current portions of an asset are reclassified.

2 Basis of presentation and significant accounting policies (continued)

Held for sale assets or disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale property, plant and equipment are not depreciated. Reclassified non-current financial instruments and deferred taxes are not subject to the write down to the lower of their carrying amount and fair value less costs to sell.

Liabilities directly associated with the disposal group that will be transferred in the disposal transaction are reclassified and presented separately in the statement of financial position.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented in the notes as a share premium.

Treasury shares. Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Dividends. Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue.

Value added tax. Output value added tax ("VAT") related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the balance sheet on a gross basis and disclosed separately as a current asset and liability, except for VAT related to certain assets under construction included within non-current assets. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Borrowings. Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently stated at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional obligation to settle the liability for more than 12 months after the balance sheet date.

Trade and other payables. Trade payables are accrued when the counterparty performed its obligations under the contract and are carried at amortised cost using the effective interest method.

Provisions for liabilities and charges. Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Asset retirement obligations. The estimated costs of dismantling and removing an item of property, plant and equipment (asset retirement obligations) are added to the cost of an item of property plant and equipment when incurred either when an item is acquired or as the item is used during a particular period for purposes other than to produce inventories during that period. Changes in the measurement of an existing asset retirement obligation that result from changes in the estimated timing or amount of the outflows, or from changes in the discount rate adjust the cost of the related asset in the current period.

Revenue recognition. Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point.

Revenues from the rendering of services are recognised in the period the services are provided. Sales are shown net of VAT and discounts. Revenues are measured at the fair value of the consideration received or receivable. Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services, etc.) are accrued in the year in which the associated services are rendered by the employees of the Group.

2 Basis of presentation and significant accounting policies (continued)

Earnings per share. Earnings per share is determined by dividing the profit and loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the reporting year.

Segment reporting. A segment is a distinguishable component of the Group that is engaged either in providing products or services (operating segment). Segments whose sales or result are ten percent or more of all the segments are reported separately. Segment reporting is prepared in a manner consistent with the internal reporting provided to the chief operating decision-maker.

3 Critical accounting estimates, and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Taxation. Judgments are required in determining current income tax liabilities (Note 26). The Group recognises liabilities for taxes based on estimates of whether additional taxes will be due. Where the final outcome of various tax matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred taxes provision in the period in which such determination is made.

Deferred income tax recognition. The net deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgements and estimates based on the last three years' taxable profits and expectations of future income that are believed to be reasonable under the circumstances (Note 26).

The Group has not recognised a deferred tax liability in respect of temporary differences associated with investments in subsidiaries to the amount of RR 667,166 thousand (2008: RR 113,164 thousand) as the Group controls the timing of the reversal of those temporary differences and does not expect to reverse them in the foreseeable future.

Related party transactions. The Group enters into transactions with its related parties in the normal course of business. These transactions are priced predominantly at market rates. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining whether transactions are priced at market or non-market interest rates where there is no active market for such transactions. Judgements are made by comparing prices for similar types of transactions with unrelated parties and performing effective interest rate analyses.

Export duties. Effective from 1 February 2009, the Government of the Russian Federation cancelled the duties on exports of nitrogen and complex fertilizers to countries outside the CIS Customs Union. Effective from 1 May 2009, the Government of the Russian Federation also cancelled the duties on exports of apatite to countries outside the CIS Customs Union. The duties, introduced in April 2008, were equal to 8.5% and 6.5% of the declared customs value of nitrogen and complex fertilizers and apatite, respectively. For the periods during which the duties applied, export sales were shown gross of the duties described above, which amounted to RR 222,493 thousand (2008: RR 2,870,983 thousand). In making this judgment the Group considered that these export duties in substance represented a cost for the Group, rather than a sales tax collected on behalf of government authorities.

Impairment test of property, plant and equipment. At 31 December 2009 the Group performed an impairment test of property, plant and equipment. The recoverable amount of each cash-generating unit (CGU) was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period and the expected market prices for key fertilizers for the same period according to the leading industry publications. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates. The 14.0% discount rate (2008: 16.3%) used is pre-tax and reflects specific risks relating to the relevant CGUs.

4 Adoption of new or revised standards and interpretations

The following new standards, amendments to standards and interpretations became effective for the Group from 1 January 2009:

- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). IFRS 8 requires an entity to report financial and descriptive information about its operating segments. Segment information is presented on a similar basis to that used for internal reporting purposes in a manner consistent with the internal reporting provided to the chief operating decision-maker, who for the Group has been identified as the Management Board. The Group decided to early-adopt improvements to IFRS 8 issued in April 2009, which allow the Group not to disclose information about segment assets and liabilities in the financial statements, because such information is not regularly provided to the Management Board;
- IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009). The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The effect on the Group's consolidated financial statements was not material;
- IAS 1, Presentation of Financial Statements (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which also includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Group has elected to present a statement of comprehensive income. These consolidated financial statements have been prepared under the revised requirements;
- Improvements to International Financial Reporting Standards (issued in May 2008). In 2007, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; the possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; the clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through the profit and loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over the manner of determining the fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The improvements do not have a material effect on the Group's consolidated financial 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. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share;
- Puttable Financial Instruments and Obligations Arising on Liquidation – IAS 32 and IAS 1 Amendment (effective for annual periods beginning on or after 1 January 2009). This amendment is not currently applicable to the Group as it has no such financial instruments;
- Vesting Conditions and Cancellations – Amendment to IFRS 2, Share-based Payment (issued in January 2008; effective for annual periods beginning on or after 1 January 2009). Amendment to IFRS 2, Share-based Payment is not currently applicable to the Group as it has no such payments;
- IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009). IFRIC 15 is not relevant to the Group's operations because it does not have any agreements for the construction of real estate;
- Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate – IFRS 1 and IAS 27 Amendment (issued in May 2008; effective for annual periods beginning on or after 1 January 2009). This amendment does not impact the Group's consolidated financial statements;

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

- IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 is not relevant to the Group;
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008). IFRIC 16 is not relevant to the Group.

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2009, and have not been early adopted:

- IFRS 1, First-time Adoption of International Financial Reporting Standards (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009);
- IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The Group is currently assessing the impact of the amended standard on its consolidated financial statements;
- IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The Group is currently assessing the impact of the amended standard on its consolidated financial statements;
- IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009);
- Embedded Derivatives – Amendments to IFRIC 9 and IAS 39 (effective for annual periods ending on or after 30 June 2009);
- Eligible Hedged Items – Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009);
- IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009);
- The International Financial Reporting Standard for Small and Medium-sized Entities (issued in July 2009);
- Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The Group is currently assessing the impact of these improvements on its consolidated financial statements;
- Group Cash-settled Share-based payment Transactions – Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010);
- Additional Exemptions for First-time Adopters – Amendments to IFRS 1, First-time Adoption of IFRS (effective for annual periods beginning on or after 1 January 2010);
- Classification of Rights Issues – Amendment to IAS 32, Financial Instruments: Presentation (effective for annual periods beginning on or after 1 February 2010);
- IAS 24, Related Party Disclosures (amended November 2009, effective for annual periods beginning on or after 1 January 2011);
- IFRS 9, Financial Instruments (issued in November 2009, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). The Group is currently assessing the impact of the amended standard on its consolidated financial statements;
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010);
- Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011);
- Limited exemption from comparative IFRS 7 disclosures for first-time adopters – Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010).

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

5 Statement of cash flows

In managing the business, management focuses on a number of cash flow measures including 'gross cash flow' and 'free cash flow'. Gross cash flow refers to the operating profit after taxes and adjusted for items which are not of a cash nature, which have been charged or credited to the profit and loss. The gross cash flow is available to finance movements in operating assets and liabilities, investing and financing activities. The gross cash flow for the year ended 31 December 2009 was RR 12,915,772 thousand (2008: RR 33,564,943 thousand).

Free cash flows are the cash flows available to providers of finance of the business, be this debt or equity. The free cash outflow for the year ended 31 December 2009 was RR 9,506,527 thousand (2008: RR 8,787,731 thousand).

Since these terms are not standard IFRS measures EuroChem Group's definition of gross cash flow and free cash flow may differ from that of other companies.

6 Segment information

The Group is a vertically integrated company with operations spanning mining, fertilizer manufacturing, organic synthesis products, sales and distribution. The Group's core business is fertilizers, with a wide product range including nitrogen and phosphate. On a monthly basis the Management Board reviews the financial reports of the Group, evaluates the operating results and allocates resources between the operating segments. Budgets and financial reports are prepared in a standard format according to the IFRS accounting policy adopted by the Group. Sales between segments are carried out on an arm's length basis. The Management Board assesses the performance of the operating segments based on, among others, a measure of profit before taxation adjusted by interest expense, depreciation and amortization, financial foreign exchange gain or loss, other non-cash and extraordinary items, excluding net profit for the period attributed to non-controlling interests (EBITDA). Since this term is not a standard IFRS measure EuroChem Group's definition of EBITDA may differ from that of other companies.

The development and approval of strategies, market situation analysis, the risk assessment, investment focus, technological process changes, goals and priorities are set and assessed in line with the segment structure of the Group:

- Nitrogen – the production and sale of nitrogen mineral fertilisers and organic synthesis products;
- Phosphates – the production and sale of phosphate mineral fertilisers and the extraction of ores to produce and subsequently sell baddeleyite and iron-ore concentrates;
- Potash – the development of several deposits of potassium salts ("potash") under the licenses acquired by the Group with a view to start production and marketing of potassium fertilizers. No sales have been recorded to date in this segment;
- Distribution – retail sales of mineral fertilizers (including those not produced by the Group), seeds, crop protection items etc via a number of retailers located within Russia and the CIS;
- All other – certain logistics and service activities, central management, investment income and other items.

The segmental results for the year ended 31 December 2009 were as follows:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	35,441,252	4,135,932	39,577,184	9,314,223
Phosphates	29,601,687	1,522,511	31,124,198	4,427,044
Potash	-	-	-	(246,796)
Distribution	5,389,809	5,127	5,394,936	22,400
Other	3,144,501	11,944,242	15,088,743	2,798,944
Elimination	-	(17,607,812)	(17,607,812)	200,422
Total	**73,577,249**	**-**	**73,577,249**	**16,516,237**

The segmental results for the year ended 31 December 2008 were as follows:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	51,786,016	4,133,957	55,919,973	23,874,930
Phosphates	49,376,221	2,639,942	52,016,163	20,147,952
Potash	-	-	-	(175,766)
Distribution	5,276,464	3,329	5,279,793	54,773
Other	5,734,872	17,814,579	23,549,451	824,169
Elimination	-	(24,591,807)	(24,591,807)	(429,135)
Total	**112,173,573**	**-**	**112,173,573**	**44,296,923**

6 Segment information (continued)

A reconciliation of net income is provided as follows:

	Note	2009	2008
EBITDA		16,516,237	44,296,923
Depreciation and amortisation	24	(2,976,353)	(2,942,655)
Idle property, plant and equipment write-off		(83,872)	(313,131)
Gain on disposal of non-current assets held for sale		358,878	310,493
Fair value gain/(loss) on trading investments		-	(395,160)
Gain on disposal of available-for-sale investments		966,640	209,723
Financial foreign exchange gain/(loss) – net		748,903	(3,765,712)
Interest expense		(1,983,587)	(1,258,828)
Other financial income		193,458	135,141
Non-controlling interest		(35,600)	503,317
Profit before taxation		**13,704,704**	**36,780,111**

Substantially all of the Group's operating assets are located in the Russian Federation. Operating assets, located in foreign countries are mainly represented by assets of the Group's production subsidiary Lifosa AB, located in Lithuania.

The analysis of non-current assets other than financial instruments and deferred tax assets by geographical locations was as follows:

	2009	2008
Non-current assets, located in Russia	59,649,410	44,649,577
Non-current assets, located in foreign countries	4,636,826	4,453,932
Total	**64,286,236**	**49,103,509**

The analysis of Group sales by geographical area was:

	2009	2008
Export	58,979,433	93,082,697
Domestic	14,597,816	19,090,876
Total sales	**73,577,249**	**112,173,573**

The analysis of Group sales by region was:

	2009	2008
Russia	14,597,816	19,090,876
CIS	9,031,643	9,283,909
Asia	17,761,986	28,934,266
Europe	15,285,533	25,067,773
Latin America	9,113,780	14,639,029
North America	3,729,779	11,223,182
Africa	3,539,876	2,906,228
Australasia	516,836	1,028,310
Total sales	**73,577,249**	**112,173,573**

The sales are allocated by regions based on the destination country. There were no individually material sales to countries, except for Russia in 2009 and 2008.

In 2009 and 2008 the Group had no external customers representing 10.0% or more of the Group's revenue.

7 Property, plant and equipment

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

	Buildings	Land and Land Improvements	Transfer devices	Machinery and equipment	Transport	Other	Assets under construction	Total
Gross carrying value								
Balance at 1 January 2009	**6,880,694**	**3,844,224**	**3,743,631**	**21,635,860**	**6,617,319**	**1,212,101**	**18,348,561**	**62,282,390**
Additions and transfers from assets under construction	418,404	620,614	399,282	2,348,081	717,543	137,262	13,440,670	18,081,856
Acquisitions through business combinations	160,048	-	-	15,567	-	-	-	175,615
Disposals	(13,215)	(5,806)	(40,156)	(154,770)	(79,760)	(41,361)	(1,676)	(336,744)
Idle property, plant and equipment (write-off)/reversal of write-off	(100,581)	(41,816)	(11,399)	(73,602)	(219)	(593)	3,520	(224,690)
Currency translation difference (Note 2)	44,096	(43,699)	22,494	66,738	4,022	3,127	(12,616)	84,162
Balance at 31 December 2009	**7,389,446**	**4,373,517**	**4,113,852**	**23,837,874**	**7,258,905**	**1,310,536**	**31,778,459**	**80,062,589**
Accumulated Depreciation and Impairment								
Balance at 1 January 2009	**(2,186,047)**	**(1,380,358)**	**(2,155,364)**	**(12,448,751)**	**(2,307,609)**	**(606,462)**	**-**	**(21,084,591)**
Charge for the year	(309,759)	(182,160)	(199,554)	(1,559,430)	(506,979)	(163,092)	-	(2,920,974)
Disposals	1,685	590	38,104	114,319	75,457	24,879	-	255,034
Idle property, plant and equipment write-off	62,034	16,085	10,739	51,308	124	528	-	140,818
Currency translation difference (Note 2)	(6,041)	(14,408)	(7,240)	(38,428)	(1,496)	(2,846)	-	(70,459)
Balance at 31 December 2009	**(2,438,128)**	**(1,560,251)**	**(2,313,315)**	**(13,880,982)**	**(2,740,503)**	**(746,993)**	**-**	**(23,680,172)**
Net Carrying Value								
Balance at 1 January 2009	**4,694,647**	**2,463,866**	**1,588,267**	**9,187,109**	**4,309,710**	**605,639**	**18,348,561**	**41,197,799**
Balance at 31 December 2009	**4,951,318**	**2,813,266**	**1,800,537**	**9,956,892**	**4,518,402**	**563,543**	**31,778,459**	**56,382,417**

7 Property, plant and equipment (continued)

	Buildings	Land and Land Improvements	Transfer devices	Machinery and equipment	Transport	Other	Assets under construction	Total
Gross carrying value								
Balance at 1 January 2008	**6,181,150**	**3,107,161**	**3,615,980**	**20,056,160**	**5,470,011**	**864,776**	**7,634,622**	**46,929,860**
Additions and transfers from assets under construction	352,238	525,431	81,629	1,531,080	1,131,409	363,182	10,748,107	14,733,076
Acquisitions through business combinations	347,481	177,575	44,697	63,428	1,539	14,451	575	649,746
Disposals	(13,634)	(6,236)	(26,601)	(85,641)	(7,189)	(41,117)	(2,156)	(182,574)
Reclassification to non-current assets held for disposal	(77,346)	(52,855)	(37,714)	(149,435)	(1,730)	(4,242)	(82,641)	(405,963)
Idle property, plant and equipment write-off	(112,787)	(43,238)	(26,367)	(136,820)	(1,609)	(5,564)	(20,563)	(346,948)
Currency translation difference (Note 2)	203,592	136,386	92,007	357,088	24,888	20,615	70,617	905,193
Balance at 31 December 2008	**6,880,694**	**3,844,224**	**3,743,631**	**21,635,860**	**6,617,319**	**1,212,101**	**18,348,561**	**62,282,390**
Accumulated Depreciation and Impairment								
Balance at 1 January 2008	**(1,963,363)**	**(1,015,240)**	**(2,054,680)**	**(10,895,306)**	**(1,840,914)**	**(438,013)**	**-**	**(18,207,516)**
Charge for the year	(236,635)	(321,472)	(152,742)	(1,545,331)	(457,789)	(181,628)	-	(2,895,597)
Disposals	880	2,239	22,002	49,286	2,639	25,650	-	102,696
Reclassification to non-current assets held for disposal	48,348	19,049	37,706	133,166	524	2,010	-	240,803
Idle property, plant and equipment write-off	380	908	23,886	6,972	83	1,588	-	33,817
Currency translation difference (Note 2)	(35,657)	(65,842)	(31,536)	(197,538)	(12,152)	(16,069)	-	(358,794)
Balance at 31 December 2008	**(2,186,047)**	**(1,380,358)**	**(2,155,364)**	**(12,448,751)**	**(2,307,609)**	**(606,462)**	**-**	**(21,084,591)**
Net Carrying Value								
Balance at 1 January 2008	**4,217,787**	**2,091,921**	**1,561,300**	**9,160,854**	**3,629,097**	**426,763**	**7,634,622**	**28,722,344**
Balance at 31 December 2008	**4,694,647**	**2,463,866**	**1,588,267**	**9,187,109**	**4,309,710**	**605,639**	**18,348,561**	**41,197,799**

7 Property, plant and equipment (continued)

The analysis of the Group's assets under construction is as follows:

	2009	2008
Construction in progress	24,725,923	12,806,213
Mining development expenses	1,609,231	1,219,114
Advances given to construction companies and suppliers of property, plant and equipment	5,443,305	4,323,234
Total assets under construction	**31,778,459**	**18,348,561**

At 31 December 2009 the Group had no bank borrowings secured on property, plant and equipment (2008: net book value of RR 10,546 thousand and pledge value of RR 30,659 thousand).

The Group decided to mothball certain production equipment with a gross carrying value and accumulated depreciation of RR 224,690 thousand and RR 140,818 thousand, respectively, at 31 December 2009 (2008: gross carrying value of RR 346,948 thousand and accumulated depreciation of RR 33,817 thousand) and recognised a loss of RR 83,872 thousand in these consolidated financial statements (2008: RR 313,131 thousand) (Note 22).

At 31 December 2009 the Group incurred expenses of RR 1,609,231 thousand (2008: RR 1,219,114 thousand) directly related to the development of the Gremyachinskoe, Verkhnekamskoe, and Kovdorsky deposits. These expenses were capitalised in the statement of financial position in accordance with the Group accounting policy and included in the property, plant and equipment balance. There were no impairments and disposals of capitalised development ,exploration and evaluation expenses during the year ended 31 December 2009. Generally, these expenses are paid in the period the services are provided.

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

The assets transferred to the Group upon privatisation did not include the land on which a number of the Group's factories and buildings, comprising the Group's principal manufacturing facilities, are situated. In 2001 all companies located in the Russian Federation were granted the option to purchase this land upon application to the state registration body or to continue occupying this land under a rental agreement. The purchase price of the land is calculated by reference to the cadastral value applied for property taxes and certain coefficients which are determined by local state authorities. This purchase price may significantly differ from its market value. In accordance with Russian legislation the expiry date to exercise this option is 1 January 2012. As at 31 December 2009 all but one of the Group's major Russia-based subsidiaries acquired the land on which their main production facilities are located.

8 Goodwill

Movements in goodwill arising on the acquisition of subsidiaries are:

	2009	2008
Carrying amount at 1 January	**204,866**	**157,396**
Acquisition of subsidiary	-	47,470
Disposals	-	-
Carrying amount at 31 December	**204,866**	**204,866**

Goodwill Impairment Test. Goodwill is allocated to cash-generating units (CGUs) which represent the lowest level within the Group at which the goodwill is monitored by management and which are not larger than a segment, as follows:

	2009	2008
Murmansk Bulk Terminal	116,498	116,498
Agrokhimik	47,470	47,470
Tankchem	7,004	7,004
Other	33,894	33,894
Total carrying amount of goodwill	**204,866**	**204,866**

8 Goodwill (continued)

The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period.

The 14.0% discount rate used is pre-tax and reflects risks relating to the relevant CGUs (2008: 16.3%).

The Group did not recognize any goodwill impairment at 31 December 2009 and 31 December 2008.

9 Intangible assets

	Acquired Software, Licences	Other	Total
Cost at 1 January 2008	**373,793**	**172,475**	**546,268**
Accumulated amortisation	**(41,004)**	**-**	**(41,004)**
Carrying amount at 1 January 2008	**332,789**	**172,475**	**505,264**
Additions	35,935	1,127	37,062
Acquired through business combination	-	47,772	47,772
Amortisation charge	(54,498)	(866)	(55,364)
Currency translation difference	-	2,834	2,834
Cost at 31 December 2008	**409,728**	**224,208**	**633,936**
Accumulated amortisation	**(95,502)**	**(866)**	**(96,368)**
Carrying amount at 31 December 2008	**314,226**	**223,342**	**537,568**
Disposals cost	(3,632)	(14,458)	(18,090)
Accumulated amortisation on disposals	-	511	511
Amortisation charge	(83,453)	(900)	(84,353)
Currency translation difference	-	(8,179)	(8,179)
Cost at 31 December 2009	**406,096**	**201,571**	**607,667**
Accumulated amortisation	**(178,955)**	**(1,255)**	**(180,210)**
Carrying amount at 31 December 2009	**227,141**	**200,316**	**427,457**

The Group's other intangible assets include different intangible assets which have definite and indefinite useful lives.

The Group's intangible assets with indefinite useful lives mainly comprise an exclusive land lease agreement for the bulk-handling cargo dock in Murmansk with a carrying value of RR 148,974 thousand at 31 December 2009 (2008: RR 148,974 thousand).

The Group's intangible assets with definite useful lives mainly comprise an exclusive land lease agreement for a plot of land in Kazakhstan with a carrying value of RR 42,474 thousand at 31 December 2009 (2008: RR 47,772 thousand), which will be amortised over the residual period not exceeding 41 years.

No impairment was recognised for these assets at 31 December 2009 and 31 December 2008.

10 Available-for-sale investments

At 31 December 2009 available-for-sale investments comprised the shares of K+S Group, a German manufacturer of potassium-based fertilizers, and OJSC Sberbank.

Between January and April 2009 the Group acquired 10,752,292 ordinary shares of K+S Group from MCC Holding Public Company Limited (Cyprus) for RR 19,605,626 thousand paid in cash (Note 28) and 1,499,297 ordinary shares of K+S Group on the open market for RR 2,290,044 thousand. In December 2009 the Group acquired 2,982,252 ordinary shares of K+S Group through a rights issue for RR 3,509,457 thousand paid in cash.

Between September and December 2009 the Group sold 2,701,291 K+S Group shares to MCC Holding Public Company Limited (Cyprus) for RR 4,529,819 thousand (Note 28) and 1,554,731 K+S Group shares on the open market for RR 2,844,756 thousand and recognised a gain of RR 966,640 thousand in the profit and loss.

10 Available-for-sale investments (continued)

At 31 December 2009 the Group owned 19,366,595 shares, or 10.12% of the issued share capital (2008: 8,388,776 shares, or 5.08% of the issued share capital) of K+S Group with a fair value of RR 33,602,943 thousand (2008: RR 13,895,175 thousand) with reference to the share price quoted on the Xetra trading system. The accumulated increase in the fair value of the investment of RR 5,078,388 thousand was recognised in equity at 31 December 2009 (2008: RR 4,367,812 thousand).

In May 2009 the Group received dividend income from K+S Group of RR 2,168,715 thousand including withholding tax of RR 108,436 thousand.

At 31 December 2009 the shares of OJSC Sberbank were accounted for at a fair value of RR 16,714 thousand (2008: RR 4,263 thousand) with reference to the share price quoted on the Russian Trade System ("RTS"). There was an unrealised gain of RR 16,629 thousand relating to these investments recognised in equity at 31 December 2009 (2008: RR 4,178 thousand).

Movements in the carrying amount of available-for-sale investments were:

	2009	2008
At 1 January	**13,899,438**	**21,051**
Acquisition of available-for-sale investments	25,405,127	10,101,141
Revaluation of available-for-sale investments	1,689,667	4,560,747
Disposal of available-for-sale investments, including:		
- available-for-sale investments at cost	(6,407,935)	(573,778)
- reclassification of revaluation to profit and loss	(966,640)	(209,723)
At 31 December	**33,619,657**	**13,899,438**

Available-for-sale investments:

	2009	2008
K+S Group ordinary shares	33,602,943	13,895,175
Sberbank ordinary shares	16,714	4,263
Total available-for-sale investments	**33,619,657**	**13,899,438**

11 Exploration rights

At 31 December 2009 the exploration rights balance of RR 7,271,496 thousand (31 December 2008: RR 7,163,276 thousand) comprised the rights for exploration and production at the Gremyachinskoe potash deposit acquired in December 2005 and accounted for at a cost of RR 3,017,781 thousand, the Verhnekamskoe potash deposit acquired in March 2008 and accounted for at a cost of RR 4,087,166 thousand and the Kovdorsky apatite deposits acquired in April 2007 and March 2009 and accounted for at a cost of RR 58,329 thousand and RR 108,220 thousand, respectively.

The Group also obtained licenses for exploration and evaluation of the Darganovsky and Ravninny fields.

The Group holds, among other licenses, valid licenses for the exploration and development of potash and apatite deposits issued by the relevant government authorities of the Russian Federation. Under the terms of these licenses, the Group is required to comply with a number of conditions, including preparation of design documentation, commencement of construction of mining facilities and commencement of extraction of mineral resources by certain dates. If the Company fails to materially comply with the terms of the license agreements there are circumstances whereby the licences can be revoked. The management of the Group believes that the Group faces no material regulatory risks in relation to the validity and operation of any of its licenses.

In accordance with the conditions of the licence agreements for developing the potash deposits, the Group has the following major commitments:

- to commence extraction of potash salt at the Gremyachinskoe potash deposit by 1 November 2014;
- to commence construction of an exploration complex at the Verkhnekamskoe potash deposit by 15 April 2012;
- to commence extraction of potash salt at the Verkhnekamskoe potash deposit by 15 April 2014.

The Group has launched all necessary actions to carry forward the construction of the mining facilities. The management believes that each stage of the process will be completed according to the schedule.

12 Originated loans

	Note	2009	2008
Balance as at 1 January		**5,729,178**	**-**
Origination of loan	28	-	5,118,848
Repayment of loan	28	(6,568,110)	-
Foreign exchange gain		838,932	610,330
Balance as at 31 December		**-**	**5,729,178**

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

13 Inventories

	Note	2009	2008
Materials		3,050,401	4,050,120
Work in progress		813,971	1,065,593
Finished goods		3,207,001	4,987,935
Catalysts		1,413,464	1,465,009
Less: provision for obsolete and damaged inventories	22	(379,770)	(386,063)
Total inventories		**8,105,067**	**11,182,594**

The Group wrote-off materials to their net realisable value and recognised a loss of RR 54,616 thousand (2008: RR 325,416 thousand) in the profit and loss.

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

	Note	2009	2008
Trade receivables			
Trade receivables denominated in RR		1,009,891	867,040
Trade receivables denominated in US$		941,536	1,955,166
Trade receivables denominated in Euro		199,432	186,081
Trade receivables denominated in other currencies		225,165	296,379
Less: impairment provision		(224,784)	(120,295)
Total trade receivables – financial assets		**2,151,240**	**3,184,371**
Prepayments, other receivables and other current assets			
Advances to suppliers		2,914,765	2,932,711
VAT recoverable and receivable		4,114,920	5,922,485
Income tax receivable		212,608	1,192,047
Other taxes receivable		25,847	64,134
Other receivables		321,112	379,698
Less: impairment provision		(124,615)	(44,212)
Subtotal non-financial assets		**7,464,637**	**10,446,863**
Interest receivable		10,531	165,892
Other receivables	29	154,934	-
Subtotal financial assets		**165,465**	**165,892**
Total prepayments, other receivables and other current assets		**7,630,102**	**10,612,755**
Total trade receivables, prepayments, other receivables and other current assets		**9,781,342**	**13,797,126**
including			
Financial assets		2,316,705	3,350,263
Non-financial assets		7,464,637	10,446,863

Management believes that the fair value of accounts receivable does not differ significantly from their carrying amounts.

As of 31 December 2009, accounts receivable, prepayments and other current assets of RR 349,399 thousand (2008: RR 164,507 thousand) were individually impaired and an impairment provision was recognised. The individually impaired receivables mainly relate to customers who started to experience financial difficulties due to the sharp worsening of the economic environment.

The ageing of these receivables is:

	2009	2008
Less than 3 months	25,388	7,208
From 3 to 12 months	19,047	32,879
Over 12 months	304,964	124,420
Total gross amount of impaired trade receivables, prepayments, other receivables and other current assets	**349,399**	**164,507**

14 Trade receivables, prepayments, other receivables and other current assets (continued)

As of 31 December 2009, trade receivables of RR 599,795 thousand (2008: RR 971,128 thousand) were past due but not impaired. The ageing analysis of these trade receivables from past due date is:

	2009	2008
Less than 3 months	407,396	562,103
From 3 to 12 months	152,406	394,513
Over 12 months	39,993	14,512
Trade accounts receivable past due not impaired	**599,795**	**971,128**

The movements in the provision for impairment of accounts receivable are:

		2009		2008	
	Note	Trade receivables	Other receivables	Trade receivables	Other receivables
As of 1 January		**120,295**	**44,212**	**845,805**	**58,296**
Provision charged	23, 24	200,086	112,917	37,409	2,032
Provision used		(11,318)	(812)	(690,702)	(14,870)
Provision reversed	23, 24	(84,229)	(30,216)	(164,088)	(1,246)
Foreign exchange difference		(50)	(1,486)	91,871	-
Total gross amount of impaired trade receivables, prepayments, other receivables and other current assets		**224,784**	**124,615**	**120,295**	**44,212**

15 Cash and cash equivalents

	2009	2008
Cash on hand and bank balances denominated in RR	1,072,146	1,094,542
Bank balances denominated in US$	1,993,965	1,859,365
Bank balances denominated in Euro	880,578	833,523
Balances denominated in other currencies	18,486	42,438
Term deposits denominated in RR	1,727,614	835,118
Term deposits denominated in US$	2,594,479	20,048,393
Term deposits denominated in Euro	2,088,686	1,343,150
Term deposits denominated in other currencies	300,818	168,821
Total cash and cash equivalents	**10,676,772**	**26,225,350**
Current restricted cash	551,086	481,912
Non-current restricted cash	179,115	30,053
Total restricted cash	**730,201**	**511,965**

Term deposits at 31 December 2009 and 31 December 2008 have various original maturities but could be withdrawn on request without any restrictions.

All bank balances and term deposits are neither past due nor impaired. Analysis of the credit quality of bank balances and term deposits is as follows:

	2009	2008
A to AAA rated**	7,523,781	17,027,631
BB- to BBB+ rated**	3,539,708	9,523,043
B- to B+ rated**	3,906	44,276
Unrated	337,584	139,416
Total*	**11,404,979**	**26,734,366**

* The rest of the balance sheet item 'cash and cash equivalents' is cash on hand.

** Based on the credit ratings of independent rating agencies Standard & Poor's, Fitch Ratings and Moody's Investors Services as at 27 January 2010.

At 31 December 2009 RR 551,086 (2008: RR 326,122 thousand) of the current restricted cash consists of cash held at banks to meet the next principal and interest payments. There were no letters of credit issued by the Group to its suppliers at 31 December 2009 (2008: RR 155,790 thousand).

At 31 December 2009 and 31 December 2008 non-current restricted cash of RR 179,115 thousand and RR 30,053 thousand, respectively, primarily consists of letters of credit for equipment procurement and a deposit against possible environmental obligations as required under statutory Lithuanian rules.

The fair value of cash and cash equivalents is equal to their carrying amount.

16 Trading investments

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

17 Equity

The nominal registered amount of the Company's issued share capital at 31 December 2009 is RR 6.8 billion (2008: RR 6.8 billion). The total authorised number of ordinary shares is 68 million shares (2008: 68 million) with a par value of RR 100 per share. All authorised shares have been issued and fully paid.

	Number of ordinary shares	Share capital	Treasury shares	Total
At 31 December 2007	**68,000,000**	**6,800,000**	**(7,760)**	**6,792,240**
At 31 December 2008	**68,000,000**	**6,800,000**	**(7,760)**	**6,792,240**
At 31 December 2009	**68,000,000**	**6,800,000**	**(7,760)**	**6,792,240**

Treasury shares. LLC PG Phosphorit, a 100% subsidiary of the Group, held 68,000 ordinary shares of the Company at 31 December 2009 (2008: 68,000 shares). These shares represent 0.1% of the Company's share capital and carry voting rights in the same proportion as other ordinary shares. The voting rights of ordinary shares of the Company held by the entities within the Group are effectively controlled by the management of the Group.

Profit distribution. In accordance with Russian legislation, the Company distributes profits as dividends or transfers them to reserves (fund accounts) on the basis of financial statements prepared in accordance with Russian Accounting Rules. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Russian legislation identifies the net statutory profit as the basis for distribution. For the year ended 31 December 2009, the net statutory profit of the Company as reported in the published annual statutory accounting report was RR 30,234,442 thousand (2008: RR 18,462,526 thousand) and the closing balance of the accumulated profit including the net statutory profit totalled RR 53,709,147 thousand (2008: RR 22,971,954 thousand). However, this legislation and other statutory laws and regulations are open to legal interpretation in relation to the depletion of distributable reserves. Accordingly management believes that, at present, it would not be appropriate to disclose an amount for the distributable reserves in these consolidated financial statements.

Other reserves. As at 31 December 2009 other reserves in the statement of changes in equity comprised an accumulated net gain from currency translation differences of RR 1,884,761 thousand (2008: RR 1,529,180 thousand), an accumulated increase in the fair value of investments in the shares of K+S Group of RR 5,078,388 thousand (2008: RR 4,367,812 thousand) and an accumulated increase in the fair value of investments in the shares of OJSC Sberbank of RR 16,629 thousand (2008: RR 4,178 thousand) (Note 10).

Dividends. Dividends declared and paid during the year were as follows:

	2009	2008
Dividends payable at 1 January	**-**	**3,668,328**
Dividends declared during the year	-	10,456,091
Dividends paid during the year	-	(14,124,419)
Dividends payable at 31 December	**-**	**-**
Dividends per share declared during the year	**-**	**RR 153.92**

The total amount of dividends attributable to treasury shares have been eliminated. All dividends are declared and paid in Russian Roubles.

18 Bank borrowings

	2009	2008
Balance as at 1 January	**43,511,956**	**5,633,712**
Bank loans received, denominated in US$	-	47,348,079
Bank loans received, denominated in Euro	9,811,419	-
Bank loans received, denominated in RR	31,635	51,653
Bank loans repaid, denominated in US$	(9,755,831)	(13,807,859)
Bank loans repaid, denominated in Euro	(5,993,656)	(154,657)
Bank loans repaid, denominated in RR	(50,522)	(32,766)
Capitalisation and amortisation of bank borrowings syndication fees	66,255	(529,869)
Foreign exchange loss	1,426,502	5,003,663
Balance as at 31 December	**39,047,758**	**43,511,956**

	2009	2008
Current bank borrowings		
Current portion of long-term bank loans in US$	12,491,434	9,074,390
Bank loans, denominated in RR	-	18,887
Total current bank borrowings	**12,491,434**	**9,093,277**
Non-current bank borrowings		
Long-term bank loans, denominated in US$	35,390,620	43,493,069
Long-term bank loans, denominated in Euro	3,657,138	-
Less: current portion of long-term bank loans in US$	(12,491,434)	(9,074,390)
Total non-current bank borrowings	**26,556,324**	**34,418,679**
Total bank borrowings	**39,047,758**	**43,511,956**

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

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

Under the terms of loan agreements, the Group is required to comply with a number of covenants and restrictions, including the maintenance of certain financial ratios, financial indebtedness and cross-default provisions.

Interest rates

A syndicated loan facility, which was obtained in October 2008 in the amount of US$ 1.5 billion, bears a floating interest rate of 1 month Libor +1.8%. The outstanding amount at 31 December 2009 totalled US$ 1,186,047 thousand (2008: US$ 1,500,000 thousand). A loan denominated in Euros bears a floating interest rate of 3 month Euribor +2.0%.

Collaterals and pledges

At 31 December 2009 collaterals comprised cash balances of RR 551,086 thousand (2008: RR 326,122 thousand) restricted by banks to secure the next principal and interest payments (Note 15).

A bank loan of RR 35,390,620 thousand and RR 43,493,069 thousand at 31 December 2009 and 31 December 2008, respectively, was collateralized by future export proceeds of the Group under sales contracts with certain customers, and a bank loan of RR 3,657,138 at 31 December 2009 was secured with K+S Group shares as collateral represented by 5,316,627 shares with a fair value of RR 9,224,869 thousand with reference to the share price quoted on the Xetra trading system.

The Group's bank borrowings mature as follows:

	31 December 2009	31 December 2008
- within 1 year	12,491,434	9,093,277
- between 1 and 2 years	16,148,572	12,149,084
- between 2 and 5 years	10,407,752	22,269,595
Total bank borrowings	**39,047,758**	**43,511,956**

At 31 December 2009 the Group had a number of undrawn loan facilities.

In September 2008 the Group signed a loan agreement for up to US$ 50 million. The credit line had not been utilised. The expiry date for the loan was 4 March 2010.

18 Bank borrowings (continued)

Collaterals and pledges (continued)

In March 2009 the Group signed a loan agreement for up to RR 2.9 billion. The credit line had not been utilised. The expiry date for the facility was 12 March 2010.

In September 2009 the Group signed a loan agreement for up to Euro 130 million. The credit line has been utilised to the extent of Euro 85 million. The expiry date for the facility is 24 March 2011.

19 Bonds issued

On 21 March 2007 the Group placed through an offering to the public under an open subscription US$ denominated 7.875% notes with a face value of US$ 300 million to be redeemed on 21 March 2012. These notes have been admitted to the official list and are trading on the regulated market of the Irish Stock Exchange. On 11 December 2008 the Group bought back and cancelled bonds to the value of US$ 10 million.

The outstanding balance of the notes was RR 8,724,895 thousand and RR 8,453,611 thousand at 31 December 2009 and 31 December 2008, respectively, applying the exchange rate at those dates net of syndication fees.

The fair value of the outstanding notes balance at 31 December 2009 and 31 December 2008 was RR 8,836,599 thousand and RR 4,303,400 thousand with reference to Irish Stock Exchange quotations as of those dates.

20 Trade payables, other accounts payable and accrued expenses

	2009	2008
Trade payables		
Trade payables denominated in RR	1,007,316	1,015,564
Trade payables denominated in US$	141,685	304,100
Trade payables denominated in Euro	39,164	145,095
Trade payables denominated in other currencies	185,323	328,876
Total trade payables – financial liabilities	**1,373,488**	**1,793,635**
Other accounts payable and accrued expenses		
Advances received	1,441,095	705,796
Payroll and social tax	262,643	261,153
Accrued liabilities and other creditors	1,648,544	2,754,494
Subtotal non-financial liabilities	**3,352,282**	**3,721,443**
Interest payable	222,240	239,304
Subtotal financial liabilities	**222,240**	**239,304**
Total other payables	**3,574,522**	**3,960,747**
Total trade payables, other accounts payable and accrued expenses	**4,948,010**	**5,754,382**
including		
Financial liabilities	1,595,728	2,032,939
Non-financial liabilities	3,352,282	3,721,443

Trade payables include payables to suppliers of property, plant and equipment which amount to RR 324,073 thousand (2008: RR 410,010 thousand).

21 Sales

The components of sales were as follows:

		2009	2008
Nitrogen			
	Nitrogen fertilizers	26,274,056	39,225,066
	Organic synthesis products	5,041,872	7,204,293
	Complex fertilizers group	3,259,941	3,715,240
	Other goods	538,815	1,346,218
	Other services	326,568	295,199
		35,441,252	**51,786,016**
Phosphates			
	Phosphates	17,153,958	30,726,501
	Iron ore concentrate	7,956,948	11,008,535
	Feed phosphates group	2,288,958	4,152,095
	Apatite concentrate	948,465	2,023,247
	Baddeleyite concentrate	439,118	426,233
	Complex fertilizers group	50,963	255,470
	Other goods	238,771	367,796
	Other services	524,506	416,344
		29,601,687	**49,376,221**
Distribution			
	Nitrogen fertilizers	1,984,185	891,556
	Phosphates	1,199,879	1,453,578
	Complex fertilizers group	1,398,459	2,456,713
	Other goods	796,934	446,223
	Other services	10,352	28,394
		5,389,809	**5,276,464**
Others			
	Nitrogen fertilizers	1,562,992	3,938,070
	Organic synthesis products	120,436	108,091
	Logistic services	394,805	951,460
	Other goods	462,283	336,385
	Other services	603,985	400,866
		3,144,501	**5,734,872**
Total sales		**73,577,249**	**112,173,573**

22 Cost of sales

The components of cost of sales were as follows:

	Note	2009	2008
Materials and components used or resold		20,444,650	27,077,695
Energy		4,619,546	4,077,890
Utilities and fuel		2,062,700	2,559,172
Labour, including contributions to social funds		6,362,041	6,445,568
Depreciation		2,363,127	2,381,348
Repairs and maintenance		531,614	1,386,177
Production overheads		1,237,323	1,023,635
Property tax, rent payments for land and related taxes		750,048	939,101
Transportation expenses for logistics services		716,116	1,143,211
Idle property, plant and equipment written-off	7	83,872	313,131
Reversal of provision for obsolete and damaged inventory and finished goods		(6,293)	(22,381)
Changes in work in progress and finished goods		2,064,961	(3,089,813)
Other costs		210,094	231,733
Total cost of sales		**41,439,799**	**44,466,467**

In 2009 the Group introduced a new line “Changes in work in progress and finished goods”. All components of cost of sales in the comparative period are shown in compliance with this style of presentation.

23 Distribution costs

Distribution costs comprised:

	Note	2009	2008
Transportation		15,662,588	17,838,778
Export duties,other fees and commissions		336,900	3,027,912
Labour, including contributions to social funds		710,094	888,143
Depreciation		339,519	367,955
Repairs and maintenance		726,506	652,556
Provision for impairment of receivables	14	111,549	4,133
Other		501,536	503,014
Total distribution costs		**18,388,692**	**23,282,491**

24 General and administrative expenses

General and administrative expenses comprised:

	Note	2009	2008
Labour, including contributions to social funds		1,594,409	1,713,592
Depreciation and amortisation		273,707	193,352
Audit, consulting and legal services		205,611	275,753
Rent		131,156	138,930
Bank charges		110,141	131,056
Social expenditure		79,011	90,760
Repairs and maintenance		40,276	94,810
Provision/(reversal of provision) for impairment of receivables	14	87,009	(130,026)
Other expenses		740,078	700,491
Total general and administrative expenses		**3,261,398**	**3,208,718**

The total depreciation and amortisation expenses included in all captions of the statement of comprehensive income amounted to RR 2,976,353 thousand (2008: RR 2,942,655 thousand). The total staff costs (including social expenses) included in all captions of the statement of comprehensive income amounted to RR 8,666,544 thousand (2008: RR 9,047,303 thousand).

The fees for the audit of the consolidated and statutory financial statements for the year ended 31 December 2009 amounted to RR 60,973 thousand (2008: RR 48,027 thousand). The auditors also provided the Group with consulting services amounting to RR 3,520 thousand (2008: RR 2,245 thousand).

25 Other operating income and expenses

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

	2009	2008
Reversal of provision for taxes	-	(418,689)
Loss on disposal of property, plant and equipment	181,076	94,006
Sponsorship	202,847	444,201
Foreign exchange gain	(679,113)	(26,531)
Other operating expenses	70,161	232,423
Total other operating (income)/expenses	**(225,029)**	**325,410**

26 Income tax

	2009	2008
Income tax expense – current	2,437,953	9,295,501
Deferred income tax – reversal of temporary differences	40,195	37,840
Effect of the change in the tax rate	151,108	(441,953)
Income tax expense	**2,629,256**	**8,891,388**

26 Income tax (continued)

The profit before taxation for financial reporting purposes is reconciled to the tax expense as follows:

	2009	2008
Profit before taxation	13,704,704	36,780,111
Theoretical tax charge at statutory rate of 20% (2008 – 24%)	(2,740,941)	(8,827,226)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non deductible expenses	(447,168)	(387,889)
- Effects of different tax rates in other countries	768,974	(143,086)
- Recognized tax loss carry forward for the year	-	24,860
- Unrecognized tax loss carry forward for the year	(59,013)	-
- Effect of the change in the tax rate	(151,108)	441,953
Consolidated tax charge	**(2,629,256)**	**(8,891,388)**

Most companies of the Group were subject to a tax rate of 20% on taxable profits in the Russian Federation for 2009 (2008: 24%). Their deferred tax asset/liabilities are measured at the rate of 20% as at 31 December 2009 and 31 December 2008.

Effective from 1 January 2010, the rate of profit tax payable by the company in Lithuania is 15% (2009: 20%). The respective deferred tax asset/liabilities are measured at the rate of 15% and 20% as at 31 December 2009 and 31 December 2008, respectively.

In the context of the Group's current structure, tax losses and current tax assets of the different companies may not be offset against current tax liabilities and taxable profits of other companies and, accordingly, taxes may accrue even where there is a net consolidated tax loss. Therefore, deferred tax assets of one company of the Group are not offset against any deferred tax liabilities of another company.

At 31 December 2009 the Group had RR 1,164,929 thousand of accumulated tax losses carried forward and recognised as a deferred tax asset (2008: RR 415,085 thousand).

The Group has not recognised a deferred tax liability in respect of temporary differences associated with investments in subsidiaries of RR 667,166 thousand (2008: RR 113,164 thousand). The Group controls the timing of the reversal of these temporary differences and does not expect to reverse them in the foreseeable future.

The movement in deferred tax assets and liabilities during 2009 and 2008 was as follows:

	31 December 2008	Differences (recognition and reversals)	Business combinations	Currency translation difference (Note 2)	Effect of change in income tax rate	31 December 2009
Tax effects of (deductible)/taxable temporary differences:						
Property, plant and equipment and Intangible assets	2,248,558	(64,412)	26,124	(9,365)	340	2,201,245
Accounts receivable	(43,684)	4,778	-	1,642	10,205	(27,059)
Accounts payable	(516,403)	337,807	-	1,417	5,579	(171,600)
Inventories	(776,872)	801,842	-	(26,532)	319	(1,243)
Other	(34,505)	(97,791)	-	(1,552)	381	(133,467)
Tax losses carried-forward	(415,085)	(883,016)	-	(1,112)	134,284	(1,164,929)
Non-recognised deferred tax assets	-	(59,013)	-	-	-	(59,013)
Net deferred tax liability	**462,009**	**40,195**	**26,124**	**(35,502)**	**151,108**	**643,934**
Recognised deferred tax assets	(1,380,972)	(77,536)	-	(21,448)	151,108	(1,328,848)
Recognised deferred tax liabilities	1,842,981	117,731	26,124	(14,054)	-	1,972,782
Net deferred tax liability	**462,009**	**40,195**	**26,124**	**(35,502)**	**151,108**	**643,934**

26 Income tax (continued)

The total amount of deferred tax charge is recognised in profit and loss.

	31 December 2007	Differences (recognition and reversals)	Business combinations	Currency translation difference (Note 2)	Effect of change in income tax rate	31 December 2008
Tax effects of (deductible)/taxable temporary differences:						
Property, plant and equipment and Intangible assets	1,485,355	1,128,220	72,862	2,269	(440,148)	2,248,558
Accounts receivable	(29,104)	(31,611)	-	3,150	13,881	(43,684)
Accounts payable	(440,542)	(153,477)	-	5,294	72,322	(516,403)
Inventories	(127,659)	(444,406)	-	(78,527)	(126,280)	(776,872)
Other	77,043	(115,233)	-	690	2,995	(34,505)
Tax losses carried-forward	(129,569)	(320,793)	-	-	35,277	(415,085)
Non-recognised deferred tax assets	24,860	(24,860)	-	-	-	-
Net deferred tax liability	**860,384**	**37,840**	**72,862**	**(67,124)**	**(441,953)**	**462,009**
Recognised deferred tax assets	(481,733)	(780,474)	-	(54,211)	(64,554)	(1,380,972)
Recognised deferred tax liabilities	1,342,117	818,314	72,862	(12,913)	(377,399)	1,842,981
Net deferred tax liability	**860,384**	**37,840**	**72,862**	**(67,124)**	**(441,953)**	**462,009**

The amounts shown in the statement of financial position include the following:

	2009	2008
Deferred tax assets expected to be recovered after more than 12 months	(657,265)	(349,296)
Deferred tax liabilities expected to be settled after more than 12 months	1,880,528	2,155,634

27 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares (Note 17). The Company has no dilutive potential ordinary shares, therefore, the diluted earnings per share equals the basic earnings per share.

	2009	2008
Net profit	11,111,048	27,385,406
Weighted average number of ordinary shares in issue (expressed in thousands)	67,932	67,932
Basic and diluted earnings per share (expressed in RR per share)	**163.56**	**403.13**

28 Balances and transactions with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties are represented by entities controlled by the common ultimate shareholders with the Group. The relationships with those related parties with whom the Group entered into significant transactions or had significant balances outstanding are detailed below:

Financial statements caption	Nature of relationship	Note	31 December 2009	31 December 2008
Statement of financial position caption				
Originated loans	Parent company	12	-	5,729,178
Trade receivables	Other related parties		16,104	56,849
Less: impairment provision	Other related parties		(16,104)	-
Prepayments, other receivables and other current assets	Other related parties		50,241	25,282
Less: impairment provision	Other related parties		(50,241)	-
Interest receivable	Parent company		-	53,158
Trade payables	Other related parties		13,517	-

Financial statements caption	Nature of relationship	2009	2008
Statement of comprehensive income caption			
Sales	Other related parties	145,830	454,354
Purchases of materials and components	Other related parties	(60,008)	(144,858)
General and administrative expenses	Other related parties	(117,190)	-
Distribution costs	Other related parties	(16,104)	(67,057)
Other operating income/(expenses)	Other related parties	-	(137,707)
Interest income	Parent company	59,376	53,158

Financial statements caption	Nature of relationship	Note	2009	2008
Statement of cash flows caption				
Decrease in trade receivables	Other related parties		40,745	-
Increase in other receivables	Other related parties		(24,959)	-
Acquisition of available-for-sale investments	Parent company	10	(19,605,626)	(5,449,233)
Proceeds from sale of available-for-sale investments	Parent company	10	4,529,819	-
Originated loans	Parent company		-	(5,118,848)
Repayment of originated loan	Parent company	12	6,568,110	-
Interest received	Parent company		121,199	-
Dividends paid	Parent company		-	(14,124,421)

The total key management personnel compensation included in the profit and loss was RR 177,338 thousand and RR 346,027 thousand for the years ended 31 December 2009 and 2008, respectively. This compensation is paid to six individuals who are members of the Management Board, for their services in full time positions. Compensation is made up of an annual fixed remuneration plus a performance bonus accrual.

29 Non-current assets held for sale

Disposal of LLC Novomoskovsky Chlor. In December 2008 the Group signed a preliminary agreement with a third party for the disposal of LLC Novomoskovsky Chlor. At 31 December 2008 assets and liabilities of this subsidiary were presented as a disposal group held for sale. In June 2009 the Group sold its 100% stake in LLC Novomoskovsky Chlor to a third party for RR 508,396 thousand, which will be paid on a quarterly basis until 31 December 2012, bearing on interest rate of CBR rate +2.5%. At 31 December 2009 the outstanding amount was RR 402,827 thousand, which is included in other non-current assets (RR 247,893 thousand) and in other receivables (RR 154,934 thousand).

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

29 Non-current assets held for sale (continued)

The major classes of assets of LLC Novomoskovsky Chlor at the date of disposal included:

Property, plant and equipment	183,105
Inventories	111,064
Trade and other receivables	55,231
Cash and cash equivalents	693
Total assets	**350,093**

Major classes of liabilities directly associated with LLC Novomoskovsky Chlor at the date of disposal included:

Trade and other payables	200,575
Total liabilities	**200,575**
Net assets	**149,518**

30 Contingencies, commitments and operating risks

i Capital expenditure commitments

As at 31 December 2009 the Group had contractual commitments for capital expenditures of RR 9,388,416 thousand (2008: RR 22,494,066 thousand), mostly denominated in Euro and US$ (RR 1,652,759 thousand and RR 5,217,095 thousand, respectively). The management estimates that, out of these, approximately RR 8,762,405 thousand will represent cash outflows in 2010.

RR 5,700,730 thousand out of the total amount relates to the development of the Gremyachinskoe deposit and the construction of a potassium salt mining facility (2008: RR 15,207,869 thousand).

ii Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged in the future by the relevant regional and federal authorities.

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation provides the possibility for the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions if the transaction price differs from the market price by more than 20%. Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. The arbitration court practice in this respect is contradictory.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could potentially be challenged in the future. Given the nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant.

Russian tax legislation does not provide definitive guidance in certain areas, specifically in extraction tax. From time to time, the Group adopts interpretations of such uncertain areas that may be challenged by the tax authorities, the impact of which cannot be reliably estimated; however, it may be significant to the financial condition or the overall operations of the Group.

30 Contingencies, commitments and operating risks (continued)

ii Tax legislation (continued)

As at 31 December 2009 management believes that its interpretation of the relevant legislation is generally appropriate and the Group's tax, currency and customs positions will be sustained. Where management believes that it is probable that certain tax positions taken by the Group may not be sustained if challenged by the tax authorities, the Group has recorded provisions for related taxes, interest and penalties. There were no such provisions recorded by the Group at 31 December 2009 and 31 December 2008.

In addition to the above matters, management estimates that the Group has other possible obligations from exposure to other than remote tax risks of RR 1,433,262 thousand (2008: RR 2,682,920 thousand). These exposures primarily relate to management services and other fees charged by the holding company to the Group subsidiaries.

iii Insurance policies

The Group generally carries insurance as mandated by statutory requirements. The Group holds insurance policies covering directors' and officers' liabilities and trade operations, including export shipments. Insurance strategies covering the Group's assets are under review.

iv Environmental matters

The environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations and an immediate response is formulated as required. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

v Legal proceedings

During the reporting period, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding which could have a material effect on the result of operations or the financial position of the Group.

vi Operating environment of the Group

Following a sharp deterioration in the global economic environment in the fourth quarter of 2008, prices for nitrogen and phosphate fertilizers, as predominantly manufactured and sold by the Group, have declined significantly from the peak levels of 2008 and average levels for 2008, while remaining broadly in line with 2007 average prices, and mostly above 2006 average prices. For nitrogen fertilizers, average prices during 2009 ranged from 26% to 33% of the maximum 2008 price, 44% to 52% of the 2008 average price, 68% to 86% of the 2007 average price, and 95% to 116% of the 2006 average price. For phosphate and complex fertilizers, prices ranged from 27% to 41% of the maximum 2008 price, 35% to 51% of the 2008 average price, 80% to 114% of the 2007 average price, and 133% to 155% of the 2006 average price.

The debtors of the Group may also be affected by the tighter liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for customers may also have an impact on the ability of management to forecast cash flows and assess any impairment of financial and non-financial assets. To the extent that information is available, management has reflected revised estimates of expected future cash flows in its impairment assessments.

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

- the rise in Russian and emerging market risk premiums resulted in a steep increase in financing costs;
- the official US$ exchange rate of the Central Bank of the Russian Federation increased from RR 25.37 at 1 October 2008 to RR 29.38 at 31 December 2008 and RR 30.24 at 31 December 2009. At the date of issuance of these financial statements the US$ exchange rate was RR 29.22.

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

31 Financial and capital risk management

31.1 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The overall risk management programme seeks to minimize potential adverse effects on the financial performance of the Group.

(a) Market risk

(i) Foreign currency risk

The Group's revenues, expenses, capital expenditure, investments and borrowings are denominated in foreign currencies as well as Russian Roubles. The Group is exposed to foreign exchange risk to the extent that its future cash inflows and outflows over a certain period of time are denominated in different currencies.

The objective of the Group's foreign exchange risk management is to minimize the volatility of the Group's cash flows arising from fluctuations in foreign exchange rates. Management focuses on assessing the Group's future cash flows in foreign currencies and managing the gaps arising between inflows and outflows. Translation gains and losses arising from the revaluation of its monetary assets and liabilities are therefore not viewed as an indicator of the total impact of foreign exchange fluctuations on its future cash flows since such gains or losses do not capture the impact on cash flows of foreign exchange-denominated revenues, costs, future capital expenditure, investment and financing activities.

The table below summarises the Group's financial assets and liabilities which are subject to foreign currency risk at the balance sheet date:

31 December 2009	US$	Euro	Other foreign currency
ASSETS			
Non-current financial assets:			
Restricted cash	2,651	145,425	-
Total non-current financial assets	**2,651**	**145,425**	**-**
Current financial assets:			
Trade receivables	911,441	169,124	3,206
Restricted cash	548,357	-	2,729
Cash and cash equivalents	4,588,444	2,867,709	7,325
Total current financial assets	**6,048,242**	**3,036,833**	**13,260**
Total financial assets	**6,050,893**	**3,182,258**	**13,260**
LIABILITIES			
Non-current liabilities:			
Bank borrowings	22,899,186	3,657,138	-
Bonds issued	8,724,895	-	-
Total non-current financial liabilities	**31,624,081**	**3,657,138**	**-**
Current liabilities:			
Bank borrowings	12,491,434	-	-
Trade payables	141,685	34,783	-
Total current financial liabilities	**12,633,119**	**34,783**	**-**
Total financial liabilities	**44,257,200**	**3,691,921**	**-**

31 Financial and capital risk management (continued)

31.1 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign currency risk (continued)

31 December 2008	US$	Euro	Other foreign currency
ASSETS			
Current assets:			
Trade receivables	1,955,166	101,379	-
Originated loans	5,729,178	-	-
Restricted cash	341,986	139,926	-
Cash and cash equivalents	21,907,758	2,070,821	19,353
Total financial assets	**29,934,088**	**2,312,126**	**19,353**
LIABILITIES			
Non-current liabilities:			
Bank borrowings	34,418,679	-	-
Bonds issued	8,453,611	-	-
Total non-current financial liabilities	**42,872,290**	**-**	**-**
Current liabilities:			
Bank borrowings	9,074,390	-	-
Trade payables	304,100	145,095	-
Total current financial liabilities	**9,378,490**	**145,095**	**-**
Total financial liabilities	**52,250,780**	**145,095**	**-**

The Group believes that it has significant positive foreign exchange exposure towards the US$/RR exchange rate given that its expected US$ denominated revenues significantly exceed its planned outflows in US$, mostly related to servicing of debt and capital expenditure. Hence any depreciation of the RR against the US$ has a positive effect on the Group's future cash flows.

The Group's sales for the years ended 31 December 2009 and 31 December 2008 are presented in the table below:

	US$	Euro	RR	Other foreign currency	Total
2009	50,977,211	3,642,965	15,892,608	3,064,465	73,577,249
	69%	5%	22%	4%	100%
2008	83,574,310	4,937,069	19,090,876	4,571,318	112,173,573
	75%	4%	17%	4%	100%

At 31 December 2009, if the RR exchange rate against the US$ had been higher/lower by 10%, all other things being equal, after tax profit for the year would have been RR 3,056,505 thousand (2008: RR 1,696,069 thousand) higher/lower, purely as a result of foreign exchange gains/losses on translation of US$-denominated assets and liabilities and with no regard to the impact of this appreciation/depreciation on sales. Profit is more sensitive to movements in RR/US$ exchange rates in 2009 than it was in 2008 because of the increased amount of US$-denominated net debt.

The Group is disclosing the impact of such a 10% shift in the manner set out above to ease the calculation for the users of these consolidated financial statements of the impact on the after tax profit resulting from subsequent future exchange rate changes.

During 2008 and 2009 the Group did not hedge this exposure using financial instruments.

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's principal interest rate risk arises from long-term and short-term borrowings.

The Group is exposed to risk from floating interest rates due to the fact that it has RR 35,871,028 thousand of US$ denominated loans outstanding at 31 December 2009 bearing a floating interest rate of 1 month Libor +1.8% (2008: 1 month Libor +1.8%) and RR 3,688,006 thousand of Euro denominated loans outstanding at 31 December 2009 bearing a floating interest rate of 3 months Libor +2% (2008: nil). The Group's profit after tax for the year ended 31 December 2009 would have been RR 210,757 thousand, or 1,90% lower/higher (2008: 89,534 thousand, or 0.32% lower/higher) if the US$ 1 month Libor interest rate was 0,61 percentage point higher/lower than its actual level during the year. The Group's profit after tax for the year ended 31 December 2009 would have been RR 7,018 thousand, or 0,06% lower/higher (2008: nil) if the Euribor interest rate was 0,63 percentage point higher/lower than its actual level during the year. During 2008 and 2009 the Group did not hedge this exposure using financial instruments.

31 Financial and capital risk management (continued)

31.1 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The Group does not have a formal policy of determining how much exposure the Group should have to fixed or variable rates. However, the Group performs a periodic analysis of the current interest rate environment and depending on this analysis at the time of raising new debt management makes decisions on whether obtaining finance on a fixed-rate or a variable-rate basis would be more beneficial to the Group over the expected period until maturity.

(iii) Financial investments risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as available-for-sale. At 31 December 2009 the Group owned 19,366,595 shares of K+S Group (10.12% of its share capital) with a fair value of RR 33,602,943 thousand (Note 10). The fair value of the shares is determined based on the closing price of Euro 39.99 as of the reporting date in the Xetra trading system. The Group's other comprehensive income/loss for 2009 would have been RR 840,284 thousand if the share price were 1 Euro higher/lower than its actual level as at 31 December 2009. At 18 March 2010 the share price was Euro 45.55. During 2009 the Group did not hedge this exposure using financial instruments.

The Group is principally exposed to market price risks in relation to the investment in shares of K+S. Management reviews reports on the performance of K+S on a quarterly basis and provides recommendations to the Board of Directors on the advisability of further investments. The subscribed investment commitments in this respect are approved by the Board of Directors.

The Group does not enter into any transactions in financial instruments whose value is exposed to the value of any commodities traded on a public market.

(b) Credit risk

Credit risk arises from the possibility that counterparties to transactions may default on their obligations, causing financial losses for the Group. Financial assets, which potentially subject Group entities to credit risk, consist principally of trade receivables, cash and bank deposits. The objective of managing credit risk is to prevent losses of liquid funds deposited with or invested in financial institutions or the loss in value of receivables. Management believes that no credit risk arises from loans to the parent company (Note 12).

The maximum exposure to credit risk resulting from financial assets is equal to the carrying amount of the Group's financial assets RR 13,971,571 thousand (2008: RR 35,816,756 thousand). The Group has no other significant concentrations of credit risk.

Cash and cash equivalents. Cash and short-term deposits are mainly placed in major multinational and Russian banks with independent credit ratings. No bank balances and term deposits are past due or impaired. See the analysis by credit quality of bank balances and term deposits in Note 15.

Trade receivables. Trade receivables are subject to a policy of active credit risk management which focuses on an assessment of ongoing credit evaluation and account monitoring procedures. The objective of the management of trade receivables is to sustain the growth and profitability of the Group by optimising asset utilisation whilst maintaining risk at an acceptable level.

The monitoring and controlling of credit risk is performed by the corporate treasury function of the Group. The credit policy requires the performance of credit evaluations and ratings of customers. The credit quality of each new customer is analyzed before the Group provides it with the standard terms of delivery and payment. The Group gives preference to customers with an independent credit rating. New customers without an independent credit rating are evaluated on a sample basis by an appointed rating agency. The credit quality of other customers is assessed taking into account their financial position, past experience and other factors. Customers that do not meet the credit quality requirements are supplied on a prepayment basis only.

Although the collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision already recorded (Note 14).

31 Financial and capital risk management (continued)

31.1 Financial risk management (continued)

(b) Credit risk (continued)

The major part of trade receivables that are neither due nor impaired relates to wholesale distributors and steel producers for which the credit exposures and related ratings are presented below:

Wholesale customers	Credit agency	Credit rating/Other	2009	2008
Wholesale customers	Credit Reform*	Good	533,776	457,629
Wholesale customers and steel producers	-	Letter of credit	296,317	1,365,378
Wholesale customers and steel producers	Moody's Investor's Service	Aa2 to Ba2	331,434	-
Total			**1,161,527**	**1,823,007**

* Independent credit agency used by the Group for evaluation of customers' credit quality.

The rest of trade receivables is analysed by management who believes that the balance of the receivables is of good quality due to strong business relationships with these customers. The credit risk of every single customer is monitored.

(c) Liquidity risk

Liquidity risk results from the Group's potential inability to meet its financial liabilities, such as settlements of financial debt and payments to suppliers. The Group's approach to liquidity risk management is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time.

In order to take advantage of financing opportunities in the international capital markets the Group has obtained credit ratings from Fitch and Standard & Poor's. As of 31 December 2009 these institutions have rated the Group as BB with stable and negative outlooks, respectively (2008: BB with stable outlook by both agencies).

Cash flow forecasting is performed throughout the Group. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 18) at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

The table below analyses the Group's financial liabilities into the relevant maturity groupings based on the time remaining from the balance sheet date to the contractual maturity date.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
As of 31 December 2008				
Trade payables	1,793,635	-	-	**1,793,635**
Bank borrowings*	10,635,088	13,642,436	24,081,939	**48,359,463**
Bonds issued*	670,975	670,975	9,359,035	**10,700,985**
As of 31 December 2009				
Trade payables	1,373,488	-	-	**1,373,488**
Bank borrowings*	13,604,955	17,295,880	10,863,770	**41,764,605**
Bonds issued*	690,702	690,702	8,926,226	**10,307,630**

* The table above shows undiscounted cash outflows for financial liabilities (including interest together with the borrowings) based on conditions existing as of 31 December 2009 and 31 December 2008, respectively.

The Group controls the minimum required level of cash balances available for short-term payments in accordance with the financial policy of the Group adopted in alignment with economic realities on 29 April 2009 by the Board of Directors. Such cash balances are represented by current cash balances on bank accounts, bank deposits, short-term investments, cash and other financial instruments, which may be classified as cash equivalents in accordance with IFRS.

The Group assesses liquidity on a weekly basis using a twelve-month cash flow rolling forecast.

31 Financial and capital risk management (continued)

31.2 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders, to have available the necessary financial resources for investing activities and to maintain an optimal capital structure in order to reduce the cost of capital. The Group considers total capital under management to be equity as shown in the IFRS consolidated statement of financial position. This is considered more appropriate than alternatives, such as the value of equity shown in the Company's statutory financial (accounting) reports.

The Group monitors capital on the basis of the gearing ratio and the net debt to EBITDA ratio.

Gearing ratio

The gearing ratio is determined as net debt to net debt plus shareholders' equity.

The gearing ratio as of 31 December 2009 and 31 December 2008 is shown in the table below:

	2009	2008
Total debt	47,772,653	51,965,567
Less: cash and cash equivalents	11,227,858	26,707,262
Net debt	**36,544,795**	**25,258,305**
Equity attributable to the holders of the Company	**72,436,377**	**60,226,778**
Net debt and shareholders' equity	**108,981,172**	**85,485,083**
Gearing ratio, %	**34%**	**30%**

Net Debt/EBITDA

The Group has established a policy that the ratio of the Group's net debt to its 12 months' rolling EBITDA should not exceed two and a half times. For this purpose net debt is determined as the sum of short-term borrowings, long-term borrowings and bonds balance outstanding, less cash and cash equivalents.

The ratio of net debt to EBITDA as of 31 December 2009 and 31 December 2008 is shown in the table below:

	Note	2009	2008
EBITDA	**6**	**16,516,237**	**44,296,923**
Net debt		36,544,795	25,258,305
Net debt/EBITDA		**2.21**	**0.57**

Since EBITDA is not a standard IFRS measure, EuroChem Group's definition of EBITDA may differ from that of other companies.

32 Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. Management has used all available market information in estimating the fair value of financial instruments.

Financial instruments carried at fair value. Trading and available-for-sale investments are carried on the consolidated statement of financial position at their fair value.

Effective from 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the consolidated statement of financial position at fair value. This requires disclosure of fair value measurements by three levels, depending on fair value measurements. Fair values of trading and available-for-sale investments were determined based on quoted market prices and were included in level 1.

Cash and cash equivalents are carried at amortised cost which approximates current fair value.

32 Fair value of financial instruments (continued)

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The discount rates used depend on the credit risk of the counterparty. The carrying amounts of trade receivables approximate their fair values.

Liabilities carried at amortised cost. The fair value is based on quoted market prices, if available. The estimated fair values of fixed interest rate instruments with a stated maturity, for which quoted market prices were not available, were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. At 31 December 2009 and 2008 the fair value of the current and non-current borrowings is not materially different from their carrying amounts. The fair value of the issued bonds is disclosed in Note 19.

33 Subsequent events

In February 2010, the Group acquired a 1.08% additional stake in Lifosa AB, a production subsidiary located in Lithuania, for a total consideration of RR 18,021 thousand paid in cash.

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