JOINT STOCK COMPANY
“ACRON”

International Accounting Standard No. 34
Consolidated Condensed Interim
Financial Information (six months)

30 June 2011

Contents

Unaudited Consolidated Condensed Interim Statement of Financial Position 1
Unaudited Consolidated Condensed Interim Statement of Comprehensive Income 2
Unaudited Consolidated Condensed Interim Statement of Cash Flows 3
Unaudited Consolidated Condensed Interim Statement of Changes in Equity 4

Notes to the Unaudited Consolidated Condensed Interim Financial Information

1 Acron Group and its Operations 5
2 Basis of Preparation of the Financial Statements 5
3 Summary of Significant Accounting Policies 5
4 Balances and Transactions with Related Parties 13
5 Cash and Cash Equivalents 14
6 Accounts Receivable 15
7 Inventories 15
8 Property, Plant and Equipment 15
9 Exploration and Evaluation Licences and Expenditure 15
10 Available-for-Sale Investments 16
11 Accounts Payable 16
12 Short-Term and Long-Term Borrowings 16
13 Finance Income / (Expenses), net 18
14 Other Operating Income / (Expenses), net 18
15 Earnings per Share 18
16 Income Taxes 18
17 Subsequent Events 18

Joint Stock Company "Acron"
Consolidated Condensed Interim Statement of Financial Position
at 30 June 2011 (unaudited) and 31 December 2010
(in thousands of Russian Roubles)

	Note	30 June 2011	31 December 2010
ASSETS			
Non-current assets			
Property, plant and equipment	8	27,002,913	24,091,097
Exploration and evaluation licences and expenditure	9	23,688,717	23,609,870
Leasehold land		487,874	507,160
Goodwill		1,285,651	1,266,651
Other non-current assets		806,145	832,853
Available-for-sale investments	10	28,120,414	24,398,329
Long-term loans receivable		41,594	41,970
Deferred tax assets		521,816	685,063
Total non-current assets		**81,955,124**	**75,432,993**
Current assets			
Inventories	7	8,651,720	7,164,899
Short-term loans receivable		934,271	955,885
Accounts receivable	6	6,815,489	5,924,806
Dividends receivable		350,244	-
Trading Investments		522,448	726,753
Cash and cash equivalents	5	14,508,378	7,596,926
Other current assets		176,445	275,677
Total current assets		**31,958,995**	**22,644,946**
TOTAL ASSETS		**113,914,119**	**98,077,939**
EQUITY			
Share capital		3,125,018	3,125,018
Treasury shares		(233,837)	(52,444)
Retained earnings		29,709,200	26,200,044
Revaluation reserve		19,350,751	16,364,776
Other reserves		(921,507)	(741,077)
Cumulative currency translation difference		221,852	337,844
Share capital and reserves attributable to the Company's owners		**51,251,477**	**45,234,161**
Non-controlling interest		5,904,907	4,887,351
TOTAL EQUITY		**57,156,384**	**50,121,512**
LIABILITIES			
Non-current liabilities			
Long-term borrowings	12	33,516,644	22,719,147
Finance lease liability		31,065	38,265
Other long-term liabilities		502,487	507,884
Deferred tax liability		6,055,123	5,488,370
Total non-current liabilities		**40,105,319**	**28,753,666**
Current liabilities			
Accounts payable	11	1,966,516	1,672,734
Notes payable		685,102	658,069
Current income tax payable		245,346	266,357
Other taxes payable		291,312	312,232
Short-term borrowings	12	9,117,076	13,134,375
Advances received		3,966,900	2,673,391
Finance lease liability		17,928	19,681
Other current liabilities		362,236	465,922
Total current liabilities		**16,652,416**	**19,202,761**
TOTAL LIABILITIES		**56,757,735**	**47,956,427**
TOTAL LIABILITIES AND EQUITY		**113,914,119**	**98,077,939**

Approved for issue and signed on behalf of the Board of Directors on 26 August 2011.

V.Y. Kunitsky
President

A.V. Milenkov
Finance Director

(in thousands of Russian Roubles, except for per share amounts)

	Note	Six months ended 30 June 2011	Six months ended 30 June 2010
Revenue		29,878,177	21,836,061
Cost of sales		(16,399,547)	(13,354,836)
Gross profit		**13,478,630**	**8,481,225**
Transportation expenses		(2,687,366)	(2,374,558)
Selling, general and administrative expenses		(2,345,885)	(2,228,627)
Gain / (loss) on disposal of property, plant and equipment, net		(31,862)	26,996
Other operating income / (expenses), net	14	(334,982)	(46,488)
Operating profit		**8,078,535**	**3,858,548**
Finance income/(loss), net	13	2,050,718	(343,065)
Results from sale of available-for-sale investments		211,407	-
Interest expense		(1,013,403)	(226,179)
Other non-operating income / (income)		(177,264)	-
Gain / (loss) on changes in fair value of derivatives, net		(4,326)	-
Profit before taxation		**9,145,667**	**3,289,304**
Income tax expense	16	(2,379,182)	(780,304)
Net profit for the period		**6,766,485**	**2,509,000**
Other comprehensive income:			
Available-for-sale investments:			
- Gains less losses arising during the year		3,724,173	(2,701,978)
- Income tax recorded directly in other comprehensive income		(744,835)	540,396
Currency translation differences		(133,628)	12,640
Other comprehensive income for the period		**2,845,710**	**(2,148,942)**
Total comprehensive income for the period		**9,612,195**	**360,058**
Net profit is attributable to:			
Owners of the Company		5,338,120	2,245,188
Non-controlling interest		1,428,365	263,812
Net profit for the period		**6,766,485**	**2,509,000**
Total comprehensive income is attributable to:			
Owners of the Company		8,208,103	(289,596)
Non-controlling interest		1,404,092	649,654
Total comprehensive income for the period		**9,612,195**	**360,058**
Earnings per share, basic and diluted (expressed in RUB per share)	15	**124.4**	**51.56**

(in thousands of Russian Roubles)

	Note	Six months ended 30 June 2011	Six months ended 30 June 2010
Cash flows from operating activities			
Profit before taxation		**9,145,667**	**3,289,304**
Adjustments for:			
Depreciation and amortization	8	712,846	698,973
Provision for impairment of accounts receivable	6	(5,932)	(58,090)
(Reversal)/ impairment of property, plant and equipment, net		-	(1,466)
Loss/ (gain) on disposal of property, plant and equipment		31,862	(26,996)
Interest expense		1,013,403	226,179
Interest income		(251,781)	(84,903)
Dividend income		(407,031)	(35,605)
Foreign exchange effect on non-operating balances		(2,002,308)	144,697
Operating cash flows before working capital changes		**8,236,726**	**4,152,093**
(Increase)/ decrease in gross trade receivables		(1,688,999)	(2,291,299)
(Increase)/ decrease in advances to suppliers		313,117	403,226
(Increase)/ decrease in other receivables		748,741	(252,930)
(Increase)/ decrease in inventories		(1,486,821)	(981,310)
Increase/ (decrease) in trade payables		293,699	767,999
Increase/ (decrease) in other payables		(89,833)	367,676
Increase/ (decrease) in advances from customers		1,293,509	469,694
(Increase)/ decrease in other current assets		99,232	(29,730)
Increase/ (decrease) in other current liabilities		(103,686)	(102,940)
Increase in trading investments		(119,156)	-
Proceeds from sale of trading investments		313,939	-
Net change in other non-current assets and liabilities		(6,642)	278,029
Cash generated from operations		**7,803,824**	**2,780,508**
Income taxes paid		(2,362,718)	(762,567)
Interest paid		(1,239,978)	(1,314,893)
Net cash generated from operating activities		**4,201,128**	**703,048**
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,773,317)	(1,682,290)
Proceeds from sale of property, plant and equipment		5,347	8,488
Loans provided		(50,000)	(398,275)
Proceeds from loans repaid		80,500	341,824
Interest received		40,542	33,064
Dividends received		5,069	870
Purchase of available-for-sale investments		(2,351)	(295,673)
Proceeds from sale of available-for-sale investments		4,439	242,687
Net cash used in investing activities		**(3,689,771)**	**(1,749,305)**
Cash flows from financing activities			
Acquisition of non-controlling interest		(157,718)	-
Dividends paid to shareholders		(1,577,868)	(508,055)
Dividends paid to non-controlling shareholders		(98,460)	(116)
Acquisition of treasury shares		(361,823)	-
Proceeds from borrowings	12	27,471,127	10,854,670
Repayment of borrowings	12	(18,524,497)	(14,162,808)
Net cash provided from financing activities		**6,750,761**	**(3,816,309)**
Effect of exchange rate changes on cash and cash equivalents		(350,666)	50,683
Net increase in cash and cash equivalents		**6,911,452**	**(4,811,883)**
Cash and cash equivalents at the beginning of the period	5	**7,596,926**	**7,706,149**
Cash and cash equivalents at the end of the period	5	**14,508,378**	**2,894,266**

(in thousands of Russian Roubles)

	Capital and reserves attributable to the Company's owners							
	Share capital	**Treasury shares**	**Retained earnings**	**Revaluation reserve**	**Other reserves**	**Cumulative currency translation difference**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2010	**3,125,018**	**(46,326)**	**21,687,510**	**13,712,148**	**(248,466)**	**294,961**	**3,867,909**	**42,392,754**
Comprehensive income								
Profit for the period	-	-	2,245,189	-	-	-	263,811	2,509,000
Other comprehensive income								
Fair value gains on available-for-sale investments	-	-	-	(3,180,224)	-	-	478,246	(2,701,978)
Currency translation differences	-	-	-	-	-	9,394	3,246	12,640
Income tax recorded in other comprehensive income	-	-	-	636,045	-	-	(95,649)	540,396
Total other comprehensive income	-	-	-	(2,544,179)	-	9,394	385,843	(2,148,942)
Total comprehensive income	-	-	2,245,189	(2,544,179)	-	9,394	649,654	360,058
Dividend declared	-	-	(1,110,272)	-	-	-	(8,536)	(1,118,808)
Balance at 30 June 2010	**3,125,018**	**(46,326)**	**22,822,427**	**11,167,969**	**(248,466)**	**304,355**	**4,509,027**	**41,634,004**
Balance at 1 January 2011	**3,125,018**	**(52,444)**	**26,200,044**	**16,364,776**	**(741,077)**	**337,844**	**4,887,351**	**50,121,512**
Comprehensive income								
Profit for the period	-	-	5,338,120	-	-	-	1,428,365	6,766,485
Other comprehensive income								
Fair value gains on available-for-sale investments	-	-	-	3,732,469	-	-	(8,296)	3,724,173
Currency translation differences	-	-	-	-	-	(115,992)	(17,636)	(133,628)
Income tax recorded in other comprehensive income	-	-	-	(746,494)	-	-	1,659	(744,835)
Total other comprehensive income	-	-	-	2,985,975	-	(115,992)	(24,273)	2,845,710
Total comprehensive income	-	-	5,338,120	2,985,975	-	(115,992)	1,404,092	9,612,195
Dividend declared	-	-	(1,851,942)	-	-	-	-	(1,851,942)
Acquisition of treasury shares	-	(181,393)	-	-	(180,430)	-	(343,807)	(705,630)
Acquisition of non-controlling interest	-	-	22,978	-	-	-	(42,729)	(19,751)
Balance at 30 June 2011	**3,125,018**	**(233,837)**	**29,709,200**	**19,350,751**	**(921,507)**	**221,852**	**5,904,907**	**57,156,384**

1 Acron Group and its Operations

These unaudited consolidated condensed interim financial information has been prepared in accordance with International Financial Reporting Standards for the six months ended 30 June 2011 for Joint Stock Company "Acron" (the "Company" or "Acron") and its subsidiaries (together referred to as the "Group" or "Acron Group").

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

The Group's ultimate parent is Subero Associates Inc (British Virgin Islands) (2010: Subero Associates Inc). As at 30 June 2011 and 31 December 2010 the Group was ultimately controlled by Mr. Viatcheslav Kantor.

The Company's registered office is at Novgorod-the-Great, 173012, Russian Federation.

2 Basis of Preparation of the Financial Statements

Basis of preparation. These unaudited consolidated condensed interim financial information for the six months ended 30 June 2010 has been prepared in accordance with IAS 34, Interim Financial Reporting. These unaudited consolidated condensed interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2010.

Presentation currency. All amounts in these unaudited consolidated condensed interim financial information are presented in thousands of Russian Roubles, unless otherwise stated. The unaudited consolidated condensed interim financial information is based on the statutory records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with IFRS.

Accounting for the effect of inflation. Prior to 1 January 2003 the adjustments and reclassifications made to the statutory records in Russia for the purpose of IFRS presentation included the restatement of balances and transactions for the changes in the general purchasing power of the RUB in accordance with IAS 29, Financial Reporting in Hyperinflationary Economies. IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date. As the characteristics of the economic environment of the Russian Federation indicate that hyperinflationary has ceased, effective from 1 January 2003 the Group no longer applies the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current at 31 December 2002 are treated as the basis for the carrying amounts in these consolidated financial statements.

3 Summary of Significant Accounting Policies

3.1 Group accounting

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 power to govern the financial and operating policies so as to obtain 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 except for those acquired as the result of the business combinations under common control.

Up to 1 January 2009 the cost of an acquisition was 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.

3 Summary of Significant Accounting Policies (continued)

The excess of the cost of acquisition over the acquirer's share of the fair value of the net assets of the acquiree at each exchange transaction represented 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") was recognised immediately in profit or loss. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination were measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

From 1 January 2009 the consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. The acquisition date is the date on which the acquirer obtains control of the acquiree. In a business combination achieved in stages, the acquirer shall 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.

As of the acquisition date, the acquirer recognises the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The acquirer recognises goodwill as of the acquisition date measured as the excess of (a) over (b) below:

(a) the aggregate of the consideration transferred measured in accordance with IFRS 3; the amount of any non-controlling interest in the acquiree measured in accordance with IFRS 3; and in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

(b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3.

Should the acquirer make a bargain purchase, which is a business combination in which the amount of share in net assets acquired exceeds the aggregate of the amount of consideration transferred, the acquirer shall recognise the resulting gain in profit or loss on the acquisition date. The gain shall be attributed to the acquirer.

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, 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 non-controlling interests. The Group applies economic entity model to account for transactions with non-controlling shareholders pursuant to early adoption of IAS 27 (Revised). Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as capital transaction directly in equity. Prior to 1 January 2009 the difference, if any, between the carrying amount of a minority interest and the amount paid to acquire it was recorded as goodwill.

Purchases of subsidiaries from parties under common control. Purchases of subsidiaries as the result of business combinations under common control are accounted for using the predecessor values 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 or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. 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.

Investments in associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less

3 Summary of Significant Accounting Policies (continued)

accumulated impairment losses, if any. The Group’s share of the post-acquisition profits or losses of associates is recorded in profit or loss for the year as share of result of associates.

When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

3.2 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Bank overdrafts are shown within borrowings in the current liabilities statement of financial position. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date are included in other non-current assets.

3.3 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. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the original effective rate of interest. The amount of the provision is recognised in the statement of comprehensive income. The primary factors that the Group considers whether a receivable is impaired is its overdue status. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion of the receivable is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

3.4 Value added tax

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of 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 statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

3.5 Inventories

Inventories comprise raw materials, finished goods, work in progress, catalytic agents, spare parts and other materials and supplies. Catalytic agents consumed for the period of more than 12 months are presented within other non-current assets in the amount of RUB 513,093 (31 December 2010: RUB 524,463). Inventories are recorded at the lower of cost and net realisable value. 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.

(in thousands of Russian Roubles)

3 Summary of Significant Accounting Policies (continued)

3.6 Property, plant and equipment

Property, plant and equipment are recorded at cost, restated where applicable 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 provision for impairment, where required.

At each reporting date management assess whether there is any indication of impairment of property, plant and equipment. If any such indication exists, the management estimates the recoverable amount, which is determined as the higher of an asset's fair value less cost to sell and its value in use. The carrying amount is reduced to the recoverable amount and the difference is recognised as an expense (impairment loss) in the statement of comprehensive income. 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 assets recoverable amount. Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in the profit or loss.

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated to allocate cost of property, plant and equipment to their residual values on a straight-line basis. The depreciation periods, which approximate the estimated useful economic lives of the respective assets, are as follows:

	Number of years
Buildings	40 to 50
Plant and machinery	10 to 20
Other equipment and motor vehicles	5 to 20

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal 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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Repair and maintenance expenditure is expensed as incurred. Major renewals and improvements are capitalised and the assets replaced are retired. Gains and losses arising from the retirement or disposal of property, plant and equipment are included in the statement of income as incurred.

Borrowing costs on specific or general funds borrowed to finance the construction of qualifying asset are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

3.7 Leasehold land

Leases of land are classified as operating leases. The pre-paid lease payments are amortised over the lease period of 30 years on a straight-line basis.

3.8 Intangible assets

Goodwill. 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 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.

Other intangible assets. The entire Group's other intangible assets have definite useful lives and primarily include capitalised computer software, patents, acquired trademarks and licences. They are capitalised on the basis of the costs incurred to acquire and bring them to use. Intangible assets are amortised using the straight-line method over their useful lives, but not exceeding 20 years.

3 Summary of Significant Accounting Policies (continued)

3.9 Borrowings

Borrowings are stated at amortised cost using the effective interest method; any difference between fair value of the proceeds (net of transaction costs) and the redemption amount is recognised as interest expense over the period of the borrowings.

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. 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.

3.10 Income taxes

Income taxes have been provided for in the consolidated financial statements in accordance with the legislation of the countries, where most significant subsidiaries of the Group are located, enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in the consolidated statement of comprehensive income except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity. Corporate profit tax rate is 20% (2010: 20%) for Russia, where the most significant Group subsidiaries are registered. With effect from 1 January 2009, the rate of profit tax payable by companies in the Russian Federation can range from 15.5% to 20%, depending on applicable rates set by regional authorities.

Current income 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 reporting 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 reverse through dividends or otherwise in the foreseeable future.

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management’s best estimate of the expenditure required to settle the obligations at the end of the reporting period.

3.11 Foreign currency transactions

Foreign currency translation. Functional currency of each of the Group’s consolidated entities is the currency of the primary economic environment in which the entity operates. The Company’s functional currency and the

3 Summary of Significant Accounting Policies (continued)

Group's presentation currency is the national currency of the Russian Federation, Russian Rouble ("RUB"). The functional currency of the Company's subsidiary Shandong Hongri Acron Chemical Joint Stock Company Limited (China) is Chinese yuan (CNY).

For the Company and its subsidiaries monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the Central Bank at the respective ends of the reporting periods. 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 Central Bank are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

Foreign exchange gains and losses on operating items are presented within other operating expenses, foreign exchange gain and losses on finance items are presented within net finance income.

Translation from functional to presentation currency. The results and financial position of each group entity (functional currency of none of which is a currency of a hyperinflationary economy) are translated into the presentation currency 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 each 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) components of equity are translated at the historic rate; and

(iv) all resulting exchange differences are recognised in other comprehensive income.

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 deferred in equity are reclassified from other comprehensive income to profit or loss.

At 30 June 2011 the principal rate of exchange used for translating foreign currency balances was USD 1 = RUB 28.0758, USD 1 = CNY 6.4716 (31 December 2010: USD 1 = RUB 30.4769 , USD 1 = CNY 6.6227). Exchange restrictions and controls exist relating to converting Russian Roubles into other currencies.

3.12 Provisions for liabilities and charges

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and 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.

Provisions are evaluated and re-estimated annually, and are included in the financial statements at their expected net present values using discount rates appropriate to the Company or its subsidiaries in applicable economic environment at each end of the reporting period.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at every reporting date. Liabilities are recorded for income tax positions that are determined by management as less likely than not to be sustained if challenged by tax authorities, based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

3 Summary of Significant Accounting Policies (continued)

3.13 Shareholders' equity

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 owners 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 owners.

Dividends. Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared and approved before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue.

3.14 Revenue recognition

Revenues from sales of chemical fertilisers and related by-products 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.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Sales are shown net of VAT, custom duties and discounts, and after eliminating sales within the Group. Revenues are measured at the fair value of the consideration received or receivable. When the fair value of consideration received cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

Interest income is recognised on a time-proportion basis using the effective interest method.

3.15 Mutual cancellations

A portion of sales and purchases are settled by mutual settlements or non-cash settlements. These transactions are generally in the form of direct settlements through cancellation of mutual trade receivables and payables balances within the operational contracts. Non-cash settlements include promissory notes or bills of exchange, which are negotiable debt obligations. Sales and purchases that are expected to be settled by mutual settlements or other non-cash settlements are recognised based on the estimate of the fair value to be received or given up in non-cash settlements. The fair value is determined with reference to various market information. Non-cash transactions have been excluded from the cash flow statement, so investing activities, financing activities and the total of operating activities represent actual cash transactions.

The Group also accepts bills of exchange from its customers (both issued by customers and third parties) as a settlement of receivables. A provision for impairment of bills of exchange is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. 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.

3.16 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 and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group and are included within labour costs in operating expenses.

Social costs. The Group incurs significant costs on social activities. These costs include the provision of health services, kindergartens, and the subsidy of worker holidays. These amounts represent an implicit cost of employing principally production workers and other staff and, accordingly, have been charged to operating expenses.

3 Summary of Significant Accounting Policies (continued)

Pension costs. In the normal course of business the Group contributes to state pension schemes on behalf of its employees. Mandatory contributions to the governmental pension scheme are accrued in the year in which the associated services are rendered by the employees of the Group.

3.17 Financial assets and liabilities

Classification of financial assets. Financial assets have the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

Trading investments are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader’s margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Group classifies securities into trading investments if it has an intention to sell them within a short period after purchase, i.e. within 12 months.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. All other financial assets are included in the available-for-sale category, which includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Initial recognition of financial instruments. Financial assets and liabilities are initially recorded at 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 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 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 (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining 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 or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group’s right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is removed from other comprehensive income to profit or loss.

Impairment losses are recognised in profit or 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 profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or 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 or loss, the impairment loss is reversed through current period’s profit or loss.

Derivative financial instruments. As part of its financing activities the Group is also party to derivative financial instruments including foreign currency and interest rate swap contracts. 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

3 Summary of Significant Accounting Policies (continued)

based on prevailing market interest rate for similar instruments as appropriate. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. The Group has no derivatives accounted for as hedges.

3.18 Finance lease liabilities

Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest cost is charged to the statement of comprehensive income over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

3.19 Earnings per share

Earnings per share is determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of participating shares outstanding during the reporting year.

3.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are ten percent or more of all the segments are reported separately unless they meet all qualitative and quantitative aggregation criteria, in which case they are aggregated in a single reporting segment.

3.21 Exploration and evaluation expenditure

Expenditures incurred in exploration and evaluation activities (acquisition of rights to explore; topographical, geological, geochemical and geophysical studies; exploratory drilling; trenching and sampling; and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource) are capitalised. 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. Exploration assets are not depreciated until the production phase. The Group tests exploration assets for impairment when there are facts and circumstances that suggest that the carrying value of the asset may not be recoverable.

3.22 Development expenditure

Development expenditure incurred by or on behalf of 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 assets under construction category. Costs incurred are tested for impairment upon commencement of development phase.

Development expenditure is reclassified as a "mining property'' at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management. No depreciation is recognised in respect of development expenditure until they are reclassified as "mining properties''.

4 Balances and Transactions with Related Parties

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

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 30 June 2011 and 31 December 2010 are detailed below.

(in thousands of Russian Roubles)

4 Balances and Transactions with Related Parties (continued)

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

i Balances with related parties

Statement of financial position caption	Note	Relationship	30 June 2011	31 December 2010
Trade receivables, gross	6	Companies under common control	15,240	19,022
Prepayments	6	Companies under common control	1,062	785
Loans issued		Companies under common control	767,575	830,339
Trade payables	11	Companies under common control	(14,992)	(16,820)

ii Transactions with related parties

		Six months ended	
Statement of comprehensive income caption	Relationship	30 June 2011	30 June 2010
Sales of chemical fertilisers	Companies under common control	225,642	55,629
Purchases of raw materials	Companies under common control	(108,964)	(276,284)

iii Cross shareholding

At 30 June 2011 JSC Dorogobuzh, a 76.53% subsidiary of the Group (31 December 2010: 72.33%), owned 613,885 ordinary shares or 1.29% of the ordinary share capital of the Company (31 December 2010: 4,147,246 ordinary shares or 8.70%). Shares owned by JSC Dorogobuzh are accounted for as treasury shares, but retain their voting rights and dividends.

iv Loans issued

At 30 June 2011 short-term loans to parties under common control totalled RUB 767,575 (31 December 2010: RUB 798,075) at interest rates in the range of 8.8% to 10.5%. The loans were unsecured.

For six months ended 30 June 2011 the Group accrued interest income of RUB 35,010 (for six months ended 30 June 2010: RUB 112,809).

5 Cash and Cash Equivalents

	30 June 2011	31 December 2010
Cash on hand and bank balances denominated in RUB	8,890,908	2,193,839
Bank balances denominated in USD	3,878,684	3,848,133
Bank balances denominated in EUR	438,785	731,743
Bank balances denominated in CAD	145,337	253,245
Bank balances denominated in EEK	-	1,527
Bank balances denominated in CHF	4,727	4,729
Bank balances denominated in CNY	1,149,937	563,710
Total cash and cash equivalents	**14,508,378**	**7,596,926**

(in thousands of Russian Roubles)

6 Accounts Receivable

	30 June 2011	31 December 2010
Trade accounts receivable	3,539,597	1,850,598
Notes receivable	158,366	172,157
Other accounts receivable	273,641	236,360
Less: impairment provision	(187,384)	(193,867)
Total financial assets	**3,784,220**	**2,065,248**
Advances to suppliers	948,366	1,261,483
Value-added tax recoverable	1,991,212	2,466,458
Income tax prepayments	23,408	25,377
Other taxes receivable	75,749	113,155
Less: impairment provision	(7,466)	(6,915)
Total accounts receivable	**6,815,489**	**5,924,806**

Included in notes receivable are notes receivable from Sberbank for RUB 49,855 (31 December 2010: RUB 127,440) and notes receivable from banks in China for RUB 108,511 (31 December 2010: RUB 44,717).

The fair value of accounts receivable does not differ significantly from their carrying amounts.

7 Inventories

	30 June 2011	31 December 2010
Raw materials and spare parts	4,691,497	4,246,033
Work in progress	501,025	343,971
Finished products	3,459,198	2,574,895
	8,651,720	**7,164,899**

8 Property, Plant and Equipment

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

	2011	2010
Carrying amount at 1 January	**24,091,097**	**20,474,634**
Additions	3,773,317	1,682,440
Disposals	(31,862)	(10,789)
Charge for the period	(710,432)	(698,973)
Currency translation difference	(119,207)	49,546
Carrying amount at 30 June	**27,002,913**	**21,496,858**

At 30 June 2011, buildings, machinery and equipment and construction in progress with a net book value of RUB 192,933 (31 December 2010: RUB 586,933) had been pledged as security for long-term loans.

9 Exploration and Evaluation Licences and Expenditure

Exploration and evaluation expenditure comprise of:

	30 June 2011	31 December 2010
Apatite-nepheline deposits	530,843	530,843
Potash deposits	21,836,053	21,757,206
Permits for exploration	1,321,821	1,321,821
	23,688,717	**23,609,870**

(in thousands of Russian Roubles)

10 Available-for-Sale Investments

The Group has investments in the following companies:

Name	Activity	Country of registration	30 June 2011	31 December 2010
JSC Uralkali	Potash mining	Russia	21,181,267	17,435,000
JSC Apatit	Apatite concentrate mining	Russia	6,547,397	6,559,121
Sberbank	Banking	Russia	247,500	257,870
Other			144,250	146,338
			28,120,414	**24,398,329**

In second quarter 2011 JSC Silvinit was reorganized by joining JSC Uralkali. So 634,000 shares of JSC Silvinit held by the Company were converted to 84,589,726 shares of JSC Uralkali.

Fair value of the investments was determined by reference to the current market value at the close of business on 30 June 2011. At 30 June 2011 the share price quoted by RTS and MICEX for JSC Apatit and JSC Uralkali amounted to USD 363 and RUB 250 for 1 share, respectively. At 31 December 2010 the share price quoted by RTS and MICEX for JSC Apatit and JSC Silvinit amounted to USD 335 and USD 902 for 1 share, respectively.

11 Accounts Payable

	30 June 2011	31 December 2010
Trade accounts payable	1,170,044	876,345
Dividends payable	22,196	25,587
Total financial payables	**1,192,240**	**901,932**
Payables to employees	312,470	446,612
Accrued liabilities and other creditors	461,806	324,190
Total accounts payable and accrued expenses	**1,966,516**	**1,672,734**

12 Short-Term and Long-Term Borrowings

Borrowings consist of the following:

	30 June 2011	31 December 2010
Bonds issued	13,280,285	5,780,275
Credit lines	4,236,918	8,884,919
Term loans	25,116,517	21,188,328
	42,633,720	**35,853,522**

The Group's borrowings mature as follows:

	30 June 2011	31 December 2010
Borrowings due:		
- within 1 year	9,117,076	13,134,375
- between 1 and 5 years	33,482,448	22,695,517
- after 5 years	34,196	23,630
	42,633,720	**35,853,522**

The Group's borrowings are denominated in currencies as follows:

	30 June 2011	31 December 2010
Borrowings denominated in:		
- RUB	14,855,769	7,920,138
- EUR	1,597,094	1,635,137
- USD	24,070,270	24,259,612
- CNY	2,110,587	2,038,635
	42,633,720	**35,853,522**

Bank loans denominated in CNY were collateralised by buildings, machinery and equipment with a net book value of RUB 1,231,721 (31 December 2010: RUB 586,933) and land use right with a net book value of RUB 192,886

(in thousands of Russian Roubles)

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

(31 December 2010: RUB 206,834). The loans obtained from banks in China are secured by guarantees issued by third parties totalled RUB 1,245,095 (31 December 2010: RUB 1,196,490).

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

At 30 June 2011 unused credit lines available under the long-term loan facilities were RUB 8,890,623 (31 December 2010: RUB 8,557,944).

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

	30 June 2011	31 December 2010
Short-term borrowings		
RUB		
Loans with fixed interest rates of 8.75% to 10% per annum	27,500	310,000
Bonds with coupon payments of 13.85% to 14.05% per annum	-	2,743,049
EUR		
Loans with floating interest rates of EURIBOR 3m+1.35% per annum	6,840	-
USD		
Loans with fixed interest rate of 4.8% to 6.75% per annum	2,386,443	4,182,284
Loans with floating interest rates of LIBOR 1m +3.75% to LIBOR 1m+ 4.15% per annum	4,585,706	3,860,407
CNY		
Loans with fixed interest rates of 4.62% to 8.5% per annum	2,110,587	2,038,635
Total short-term borrowings	**9,117,076**	**13,134,375**

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

	30 June 2011	31 December 2010
Long-term borrowings		
RUB		
Loans with fixed interest rates of 8.10% to 8.85% per annum	1,547,984	1,829,863
Bonds with coupon payments of 7.95% to 14.05% per annum	13,280,285	3,037,226
EUR		
Loans with floating interest rates of EURIBOR+1.3% to EURIBOR 1m+1.75%	1,590,254	1,635,137
USD		
Loans with fixed interest rates of 5.75% to 6.75% per annum	4,955,378	9,227,552
Loans with floating interest rates of LIBOR 1m+3.75% to LIBOR 1m+ 4.15% per annum	12,142,743	6,989,369
Total long-term borrowings	**33,516,644**	**22,719,147**

The loan agreements for a total of RUB 21,772,161 (31 December 2010: RUB 17,368,926) contain certain covenants including those which require the Group to maintain certain net debt/EBITDA ratio, EBITDA/interest expense ratio. The loan agreements provide for the borrower's obligation to maintain the required level of foreign currency inflows through the accounts opened with the lending banks and stipulate acceleration clauses in case of the borrower's failure to fulfil or appropriately fulfil its obligations to the bank.

The loan agreements for a total of around RUB 7,018,950 (31 December 2010: RUB 3,675,228) contain a covenant, that requires the borrower to maintain a required level of cash flows through the accounts opened with the lending bank. The loan agreement also contains a number of covenants and acceleration clause in case of the borrower's failure to fulfil its obligations under the loan agreements which include restrictions on material transactions with assets. Also, these covenants permit the respective banks to directly debit the accounts opened by the debtors with the banks to ensure repayment of the borrowings.

(in thousands of Russian Roubles)

13 Finance Income / (Expenses), net

	Six months ended	
	30 June 2011	**30 June 2010**
Interest income from loans provided and term deposits	251,781	84,903
Commissions for bank loans	(389,244)	-
Dividend income	407,031	35,605
Other income	29,268	-
Foreign exchange gain	1,755,831	536,133
Foreign exchange loss	(3,949)	(999,706)
	2,050,718	**(343,065)**

14 Other Operating Income / (Expenses), net

	Six months ended	
	30 June 2011	**30 June 2010**
Other income / (expenses)	(54,886)	20,921
Foreign exchange gain	386,202	581,547
Foreign exchange loss	(666,298)	(646,937)
	(334,982)	**(46,488)**

15 Earnings per Share

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

	Six months ended	
	30 June 2011	**30 June 2010**
Weighted average number of shares outstanding	47,687,600	47,687,600
Adjusted for weighted average number of treasury shares	(4,761,485)	(4,147,256)
Weighted average number of shares outstanding	42,926,115	43,540,344
Profit attributable to the equity holders of the Company	**5,338,120**	**2,245,188**
Basic and diluted earnings per share (in Russian roubles) attributable to the equity holders of the Company	**124.4**	**51.56**

16 Income Taxes

	Six months ended	
	30 June 2011	**30 June 2010**
Income tax expense – current	(2,398,385)	(751,728)
Deferred tax credit – origination and reversal of temporary differences	19,203	(28,576)
Income tax charge	**(2,379,182)**	**(780,304)**

17 Subsequent Events

Subsequent to 30 June 2011 and prior to the date of these consolidated financial statements, the Group has obtained additional bank loans of RUB nil and repaid existing loans in the amount of RUB 3,389,904.