



открытое акционерное общество

«ОБЪЕДИНЁННАЯ ХИМИЧЕСКАЯ КОМПАНИЯ «УРАЛХИМ»

Краснопресненская наб., д. 18, блок «Б», Москва, 123317, тел.: +7 (495) 721 89 89, факс: +7 (495) 721 85 85,
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ОАО «ОХК «УРАЛХИМ» ОБЪЯВЛЯЕТ НЕАУДИРОВАННЫЕ ФИНАНСОВЫЕ РЕЗУЛЬТАТЫ ПО МСФО ЗА 9 МЕСЯЦЕВ 2008 ГОДА

- Выручка увеличилась до US\$ 1 621 миллиона -
- Операционная прибыль увеличилась до US\$ 588 миллионов -
- Чистая прибыль выросла до US\$ 363 миллионов -

Москва, Россия – 12 февраля 2009 года – Открытое акционерное общество «Объединенная химическая компания «УРАЛХИМ» (ОАО «ОХК «УРАЛХИМ»)), один из крупнейших производителей азотных и фосфорных удобрений в Российской Федерации и странах СНГ, объявило неаудированные финансовые результаты по МСФО за 9 месяцев, завершившихся 30 сентября 2008 года.

Ключевые финансовые показатели ОАО «ОХК «УРАЛХИМ» за 9 месяцев 2008-2007 гг. (тыс. долл. США)

| | 9 месяцев 2008 г. ¹ | 2007 г. ¹ | 9 месяцев 2007 г. ² | (I-II)/II |
|------------------------|--------------------------------|----------------------|--------------------------------|-----------|
| | I | II | III | IV |
| Выручка | 1 620 799 | 963 480 | 305 494 | 68% |
| Валовая прибыль | 901 771 | 306 306 | 113 481 | 194% |
| Валовая прибыль, маржа | 56% | 32% | 37% | |
| Операционная прибыль | 587 915 | 87 703 | 34 794 | 570% |
| Операционная маржа | 36% | 9% | 11% | |
| Чистая прибыль | 363 324 | 2 760 | 18 495 | 13064% |
| Чистая прибыль, маржа | 22% | 0,3% | 6% | |
| ЕБИТДА ³ | 643 260 | 208 818 | 62 724 | 208% |
| ЕБИТДА, маржа | 40% | 22% | 21% | |

Говоря о последних событиях в деятельности компании, Дмитрий Осипов отметил: «С момента наступления мирового финансового кризиса компания сократила свою инвестиционную программу, однако не остановила своего развития. В результате реализации ряда антикризисных мер нам удалось снизить издержки и поддержать рентабельность производства, а также оперативно переориентироваться на производство востребованных видов продукции.

Необходимо отметить, что решение Правительства РФ об отмене с 1 февраля 2009 года экспортных пошлин на азотные и комплексные удобрения позволит компании повысить доходность экспортных продаж, что, в свою очередь, даст дополнительные инвестиционные возможности для дальнейшего развития наших производственных активов, что особенно актуально в кризисных условиях.

Кроме того, в конце 2008 – начале 2009 года «УРАЛХИМ» пополнил свою линейку уникальных серосодержащих удобрений новыми перспективными продуктами, которые позволят усилить конкурентные преимущества компании в долгосрочной перспективе. В январе 2009 года начал свою деятельность Торговый дом «УРАЛХИМ», который будет обеспечивать отечественных сельхозтоваропроизводителей производимыми удобрениями. В январе также началась реализация нашей продукции через биржевую площадку МФБ».



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Финансовые результаты^{1,2}

Выручка за 9 месяцев 2008 года выросла до US\$ 1 621 миллиона по сравнению с US\$ 305 миллионами за 9 месяцев 2007 года. Операционная прибыль составила US\$ 588 миллионов, или 36% от выручки, по сравнению с операционной прибылью в US\$ 35 миллионов, или 11% от выручки за 9 месяцев 2007 года.

За 9 месяцев 2008 года чистая прибыль составила US\$ 363 миллиона по сравнению с чистой прибылью в US\$ 18 миллионов за этот же период 2007 года.

За 9 месяцев 2008 года показатель EBITDA вырос до US\$ 643 миллионов по сравнению с US\$ 63 миллионами за аналогичный период 2007 года. Маржа EBITDA достигла за 9 месяцев 2008 года 40% по сравнению с 21% за 9 месяцев 2007 года.

Рынки^{1,2}

По итогам 9 месяцев 2008 года объем экспортных продаж составил US\$ 1 146 миллионов по сравнению с объемом экспортных продаж в US\$ 209 миллионов за 9 месяцев 2007 года. За 9 месяцев 2008 года доля выручки от экспортных продаж составила более 70% от общего объема выручки.

Продажи и производство

По итогам 9 месяцев 2008 года объем продаж основной товарной продукции ОАО «ОХК «УРАЛХИМ» составил 3 509 317 тонн, что на 7% больше, чем за аналогичный период 2007 года. Валовое производство аммиака выросло на 12% и составило 1 574 733 тонны. Валовое производство азотной кислоты выросло на 4% и составило 1 539 129 тонн.

Продажи основной товарной продукции ОАО «ОХК «УРАЛХИМ» за 9 месяцев 2008-2007 гг. (тонны)

| Наименование продукции | 9 месяцев 2008 г. (с учетом ОАО «Воскресенские минеральные удобрения») | 9 месяцев 2007 г. | 9 месяцев 2007 г. (с учетом ОАО «Азот» и ОАО «Воскресенские минеральные удобрения») | (I-III)/III |
|------------------------------------|--|-------------------|---|-------------|
| | | | | IV |
| | I | II | III | IV |
| Аммиачная селитра и ее производные | 1 699 945 | 863 227 | 1 575 978 | 8% |
| Аммиак | 378 954 | 179 761 | 361 769 | 5% |
| Карбамид | 344 590 | - | 249 928 | 38% |
| Сложные удобрения | 357 762 | 293 672 | 293 672 | 22% |
| Диаммонийфосфат | 154 211 | - | 170 832 | (10%) |
| Аммофос | 216 138 | - | 250 424 | (14%) |
| Другие минеральные удобрения | 53 585 | 16 162 | 41 085 | 30% |
| Фосфорная кислота | 14 996 | - | 40 199 | (63%) |
| Серная кислота | 144 397 | - | 115 299 | 25% |
| Другие химические продукты | 144 739 | 545 | 169 691 | (15%) |
| Всего | 3 509 317 | 1 353 367 | 3 268 877 | 7% |



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Дмитрий Осипов обозначил последние тенденции в развитии рынка минеральных удобрений: «Начало 2009 года отмечено оживлением мирового спроса на многие виды минеральных удобрений. Особенно заметно возросли продажи аммиачной селитры, известково-аммиачной селитры и карбамида, что позволило нашей компании полностью загрузить соответствующие мощности на предприятиях. Кроме того, в январе «УРАЛХИМ» начал поставки инновационных серосодержащих продуктов на европейские рынки.

На внутреннем рынке значительно оживились продажи аммиачной селитры, вслед за ними начался подъем спроса на рынке сложных удобрений, который обусловлен не только сезонным фактором, но и тем, что производители сельхозпродукции стремятся восполнить дефицит удобрений, недовнесенных осенью».

Финансовое положение²

Денежные средства, полученные от операционной деятельности за 9 месяцев 2008 года, составили US\$ 257 миллионов по сравнению с US\$ 5 миллионами, направленными на операционную деятельность за 9 месяцев 2007 года.

Денежные средства, направленные на инвестиционную деятельность за 9 месяцев 2008 года, составили US\$ 951 миллион по сравнению с US\$ 230 миллионами за аналогичный период 2007 года.

Денежные средства, полученные от финансовой деятельности за 9 месяцев 2008 года, составили US\$ 736 миллионов по сравнению с US\$ 243 миллионами, полученными от финансовой деятельности за 9 месяцев 2007 года. На 30 сентября 2008 года общий долг компании составил US\$ 1 189 миллиона. Денежные средства и их эквиваленты на конец сентября 2008 года составили US\$ 72 миллиона. Чистый долг составил US\$ 1 111 миллионов.⁴

Последние события

- По состоянию на ноябрь 2008 года ОАО «ОХК «УРАЛХИМ» консолидировало 100% голосующих акций Открытого акционерного общества «Кирово-Чепецкий химический комбинат имени Б.П. Константинова» (ОАО КЧХК) и 100% акций Открытого акционерного общества «Азот» (ОАО «Азот»). Консолидация обыкновенных именных акций ОАО КЧХК и ОАО «Азот» была осуществлена ОАО «ОХК «УРАЛХИМ» в порядке, предусмотренном статьей 84.8. Федерального закона РФ от 26.12.1995г. №208-ФЗ «Об акционерных обществах».

Для дальнейшей информации, пожалуйста, обращайтесь на веб-сайт компании www.uralchem.com или по следующим контактам:

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ОАО «ОХК «УРАЛХИМ» — одна из крупнейших компаний на рынке азотных и фосфорных удобрений в Российской Федерации и СНГ, располагающая мощностями по производству более 2,7 миллионов тонн аммиачной селитры, 2,2 миллионов тонн аммиака, 0,8 миллиона тонн моно- и диаммонийфосфата, 0,8 миллиона тонн сложных удобрений, 0,45 миллионов тонн карбамида в год. ОАО «ОХК «УРАЛХИМ» занимает второе место в мире и первое в России по производству аммиачной селитры. В составе основных активов ОАО «ОХК «УРАЛХИМ» — ОАО «Кирово-Чепецкий химический комбинат имени Б.П. Константинова», г. Кирово-Чепецк, Кировская область; ОАО «Азот», г. Березники, Пермский край; ОАО «Воскресенские минеральные удобрения», г. Воскресенск, Московская область; ООО «УРАЛХИМ-ТРАНС», «URALCHEM FREIGHT LIMITED». Выручка ОАО «ОХК «УРАЛХИМ» по проформе МСФО отчетности по итогам 9 месяцев 2008 года составила более US\$ 1 620 миллионов, EBITDA – более US\$ 640 миллионов, чистая прибыль – более US\$ 360 миллионов.

Некоторые заявления в данном пресс-релизе могут содержать информацию в отношении предстоящих событий или будущих финансовых показателей ОАО «ОХК «УРАЛХИМ». Мы бы хотели предупредить Вас, что эти заявления являются только предположениями. Мы не намерены пересматривать или обновлять эти заявления, и реальные результаты могут существенно отличаться от наших предположений или прогнозов, включая, помимо прочего, достижение предполагавшегося уровня рентабельности, роста, затрат и эффективности наших последних приобретений, воздействие конкурентного ценообразования, возможность получения необходимых регуляторных разрешений и лицензий, состояние российской экономики, политическую и законодательную среду, управление финансовым риском и влияние общего положения бизнеса и глобальные экономические условия.

¹ Здесь и далее по тексту финансовая информация за 9 месяцев 2008 года и 2007 год основана на данных неаудированной проформы сокращенной консолидированной финансовой отчетности Группы «УРАЛХИМ» за 9 месяцев 2008 года и 2007 год, подготовленной на основе МСФО. Проформа сокращенной консолидированной финансовой отчетности Группы подготовлена, как если бы приобретение ОАО «Азот» и ОАО «Воскресенские минеральные удобрения» и привлечение связанного с этим финансирования состоялись 1 января 2007 года. См. Приложение В.

² Здесь и далее по тексту финансовая отчетность за 9 месяцев 2008 и 2007 годов основана на данных неаудированной сокращенной консолидированной промежуточной финансовой отчетности Группы «УРАЛХИМ» за 9 месяцев 2008 года, подготовленной в соответствии с МСФО. См. Приложение С.

³ См. Приложение А.

⁴ Чистый долг определяется как общий долг компании за вычетом денежных средств и их эквивалентов.



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Приложения к пресс-релизу о неаудированных финансовых результатах за 9 месяцев 2008 года

Приложение А

EBITDA RECONCILIATION

страница 5

Приложение В

UNAUDITED CONDENSED CONSOLIDATED PRO FORMA INCOME STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008 AND FOR THE YEAR ENDED 31
DECEMBER 2007

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Приложение С

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

страница 8

Приложение А

Доход до вычета процентов, налога на прибыль, износа и амортизации (ЕВITDA). Показатель ЕВITDA представляет собой доход до вычета расходов по уплате процентов, налога на прибыль, износа и амортизации. Используемый нами показатель ЕВITDA может не совпадать с показателями ЕВITDA, используемыми другими компаниями; он не является показателем, используемым в рамках стандартов МСФО, и должен рассматриваться в дополнение к информации, содержащейся в нашем консолидированном отчете о прибылях и убытках, а не вместо нее. Мы считаем, что показатель ЕВITDA дает полезную информацию для инвесторов, поскольку является показателем устойчивости и эффективности нашей предпринимательской деятельности, включая нашу способность финансировать дискреционные расходы, такие как расходы на капитальные вложения, приобретения и прочие инвестиции, а также показателем нашей способности брать и погашать долги. Хотя расходы по выплате процентов, износу и амортизации считаются операционными издержками в рамках МСФО, эти расходы представляют собой, в основном, неденежные затраты текущего периода, связанные с долгосрочными активами, приобретенными или созданными в предыдущие периоды. Ниже приведен детальный расчет показателя ЕВITDA за 9 месяцев 2008 и 2007 годов.

Расчет показателя ЕВITDA (тыс. долл. США)

| | 9 месяцев 2008 г. ¹ | 2007 г. ¹ | 9 месяцев 2007 г. ² |
|-------------------------|--------------------------------|----------------------|--------------------------------|
| Чистая прибыль | 363 324 | 2 760 | 18 495 |
| Добавить: | | | |
| Амортизационные расходы | 88 466 | 108 465 | 25 201 |
| Процентные расходы | 73 930 | 90 275 | 16 402 |
| Налог на прибыль | 117 540 | 7 318 | 2 626 |
| ЕВITDA | 643 260 | 208 818 | 62 724 |

UNAUDITED CONDENSED CONSOLIDATED PRO FORMA INCOME STATEMENTS

We have prepared the unaudited condensed consolidated pro forma income statements by applying the pro forma adjustments, which are expected to have a continuing impact on the Group, to our consolidated income statement for the year ended 31 December 2007 and the unaudited consolidated income statement for the nine months ended 30 September 2008.

The unaudited condensed consolidated pro forma income statements give effect to the acquisitions of Azot and VMF and disposal of polymers and fluoroplastics segment, which were completed in August 2007, June 2008 and October 2007, respectively, and the additional interest expense related to debt incurred by the Group to effect the acquisitions. The unaudited condensed consolidated pro forma income statements give effect to these transactions, to the extent they are not already reflected in our consolidated financial statements, as if they had occurred on 1 January 2007.

The unaudited condensed consolidated pro forma income statements do not reflect any non-recurring items associated with the purchase accounting for Azot and VMF and disposal of polymers and fluoroplastics segment. The unaudited pro forma condensed consolidated income statements are for informational purposes only and should not be considered indicative of actual results that would have been achieved if Azot and VMF had been acquired, polymers and fluoroplastics segment had been disposed and the other transactions had been completed on the date or for the periods presented, and does not purport to indicate consolidated income statement data as of any future date or for any future period.

OPEN JOINT STOCK COMPANY URALCHEM

UNAUDITED CONDENSED CONSOLIDATED PRO FORMA INCOME STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008 AND FOR THE YEAR ENDED 31 DECEMBER 2007

All amounts are in thousands of US Dollars unless otherwise stated

| | Nine months ended 30 September 2008 | Year ended 31 December 2007 |
|--|--|--------------------------------|
| Revenue | | |
| Sales of goods | 1,540,818 | 901,881 |
| Other sales | 79,981 | 61,599 |
| Total revenue | 1,620,799 | 963,480 |
| Cost of sales | (719,028) | (657,174) |
| Gross profit | 901,771 | 306,306 |
| Selling and distribution expenses | (213,350) | (122,591) |
| General and administrative expenses | (98,154) | (69,989) |
| Loss on revaluation of forward exchange contracts | (10,892) | - |
| Other operating income | 11,483 | 16,426 |
| Other operating expenses | (2,943) | (42,449) |
| Operating profit | 587,915 | 87,703 |
| Interest income | 9,987 | 7,380 |
| Interest expense | (73,930) | (90,275) |
| Foreign exchange (loss)/gain from financing activities | (43,108) | 5,270 |
| Profit before tax | 480,864 | 10,078 |
| Income tax expense | (117,540) | (7,318) |
| Profit for the period | 363,324 | 2,760 |
| Attributable to: | | |
| Shareholders of the parent | 288,478 | (7,018) |
| Minority interest | 74,846 | 9,778 |
| | 363,324 | 2,760 |
| EBITDA reconciliation: | | |
| Profit for the period | 363,324 | 2,760 |
| Add: | | |
| Depreciation and amortisation | 88,466 | 108,465 |
| Interest expense | 73,930 | 90,275 |
| Income tax | 117,540 | 7,318 |
| EBITDA | 643,260 | 208,818 |
| Amortisation of fair value adjustments on inventory arising from purchase price allocation | 1,197 | 25,683 |
| Pro forma adjusted EBITDA | 644,457 | 234,501 |

**Open Joint Stock Company
URALCHEM**

**Condensed consolidated interim
financial statements
for the nine months ended 30 September 2008
(unaudited)**

OPEN JOINT STOCK COMPANY URALCHEM

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OPEN JOINT STOCK COMPANY URALCHEM

UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

All amounts are in thousands of US Dollars unless otherwise stated

| | Notes | Nine months ended 30 September 2008 | Nine months ended 30 September 2007 |
|---|-------|--|--|
| <i>Continuing operations</i> | | | |
| Revenue | | | |
| Sales of goods | 6 | 1,331,942 | 271,360 |
| Other sales | 7 | 65,385 | 34,134 |
| Total revenue | | 1,397,327 | 305,494 |
| Cost of sales | 8 | (559,612) | (192,013) |
| Gross profit | | 837,715 | 113,481 |
| Selling and distribution expenses | 9 | (206,228) | (59,112) |
| General and administrative expenses | 10 | (77,546) | (18,149) |
| Loss on revaluation of forward exchange contracts | | (10,892) | - |
| Other operating income | | 8,556 | 2,939 |
| Other operating expenses | | (3,758) | (4,365) |
| Operating profit | | 547,847 | 34,794 |
| Interest income | 11 | 9,916 | 223 |
| Interest expense | 12 | (54,991) | (13,780) |
| Foreign exchange (loss)/gain from financing activities | | (43,598) | 4,926 |
| Profit before tax | | 459,174 | 26,163 |
| Income tax expense | | (110,054) | (3,538) |
| Profit for the period from continuing operations | | 349,120 | 22,625 |
| <i>Discontinued operations</i> | | | |
| Loss for the period from discontinued operations | 13 | - | (4,130) |
| Profit for the period | | 349,120 | 18,495 |
| Attributable to: | | | |
| Shareholders of the parent | | 293,921 | 10,795 |
| Minority interest | | 55,199 | 7,700 |
| | | 349,120 | 18,495 |
| Earnings per share | | | |
| Weighted average number of ordinary shares in issue during the period | 19 | 100,000,000 | 100,000,000 |
| Basic and diluted earnings per share from continuing and discontinued operations (US dollars per share) | | 2.94 | 0.11 |
| Basic and diluted earnings per share from continuing operations (US dollars per share) | | 2.94 | 0.15 |

The notes on pages 6 to 24 are an integral part of these unaudited condensed consolidated interim financial statements.

OPEN JOINT STOCK COMPANY URALCHEM

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT 30 SEPTEMBER 2008

All amounts are in thousands of US Dollars unless otherwise stated

| | Notes | 30 September 2008 | 31 December 2007 |
|--|-------|-------------------|------------------|
| ASSETS | | | |
| <i>Non-current assets</i> | | | |
| Property, plant and equipment | 14 | 858,956 | 473,104 |
| Goodwill | 4 | 243,501 | 113,844 |
| Intangible assets | | 2,701 | 1,499 |
| Investments in associates | 15 | 5,378 | - |
| Inventories | 16 | 37,016 | 35,791 |
| Other financial assets | 17 | 328,079 | 2,199 |
| Deferred tax assets | | 20,716 | 1,915 |
| | | 1,496,347 | 628,352 |
| <i>Current assets</i> | | | |
| Inventories | 16 | 156,398 | 53,837 |
| Trade and other receivables | | 63,923 | 20,025 |
| Deferred sales proceeds on disposal of subsidiaries | 13 | - | 56,533 |
| Advances paid and prepaid expenses | | 109,211 | 55,206 |
| Income tax receivable | | 3,335 | 255 |
| Other taxes receivable | | 111,315 | 38,332 |
| Other financial assets | 17 | 49,490 | 27,326 |
| Cash and cash equivalents | 18 | 72,372 | 28,847 |
| | | 566,044 | 280,361 |
| TOTAL ASSETS | | 2,062,391 | 908,713 |
| EQUITY AND LIABILITIES | | | |
| <i>Capital and reserves</i> | | | |
| Share capital | | 80,485 | 80,485 |
| Additional paid-in capital | | 24,466 | 24,176 |
| Foreign currency translation reserve | | (3,778) | 12,628 |
| Retained earnings | | 286,613 | 26,906 |
| Equity attributable to shareholders of the parent | | 387,786 | 144,195 |
| Minority interest | | 126,435 | 106,897 |
| | | 514,221 | 251,092 |
| <i>Non-current liabilities</i> | | | |
| Loans and borrowings | 20 | 809,614 | 311,924 |
| Obligations under financial leases | 21 | 59,936 | 300 |
| Retirement benefit obligations | | 11,335 | 8,385 |
| Deferred tax liabilities | | 127,110 | 66,257 |
| | | 1,007,995 | 386,866 |
| <i>Current liabilities</i> | | | |
| Loans and borrowings | 20 | 373,237 | 148,818 |
| Other finance liabilities | 22 | 8,413 | - |
| Obligations under financial leases | 21 | 2,119 | 713 |
| Trade and other payables | | 49,934 | 37,053 |
| Minority interest liability | 4 | 14,275 | - |
| Advances received | | 48,289 | 70,583 |
| Income tax payable | | 33,415 | 7,531 |
| Other taxes payable | | 10,493 | 6,057 |
| | | 540,175 | 270,755 |
| Total liabilities | | 1,548,170 | 657,621 |
| TOTAL EQUITY AND LIABILITIES | | 2,062,391 | 908,713 |

The notes on pages 6 to 24 are an integral part of these unaudited condensed consolidated interim financial statements.

OPEN JOINT STOCK COMPANY URALCHEM

UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

All amounts are in thousands of US Dollars unless otherwise stated

| | Nine months ended 30 September 2008 | Nine months ended 30 September 2007 |
|--|--|--|
| Operating activities | | |
| Profit before tax from continuing operations | 459,174 | 26,163 |
| Loss before tax from discontinued operations | - | (5,042) |
| Profit before income tax | 459,174 | 21,121 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 64,880 | 24,802 |
| Amortisation of intangible assets | 437 | 399 |
| Loss on revaluation of forward exchange contracts | 10,892 | - |
| Loss/(gain) on disposal of property, plant and equipment | 137 | (677) |
| Foreign exchange loss/(gain), net | 43,103 | (3,678) |
| Interest income | (9,916) | (725) |
| Interest expense | 54,991 | 16,402 |
| Operating cash flows before working capital changes | 623,698 | 57,644 |
| (Increase)/ decrease in inventories | (68,020) | 749 |
| Increase in trade and other receivables | (27,444) | (42,222) |
| Increase in advances paid and prepaid expenses | (34,223) | (11,164) |
| Increase in other taxes receivable | (44,278) | (1,916) |
| Decrease in retirement benefit obligations | (223) | (3) |
| Increase in trade and other payables | 3,835 | 9,945 |
| Decrease in advances received | (25,781) | (348) |
| Increase/(decrease) in other taxes payable | 1,622 | (1,344) |
| Cash generated from operations | 429,186 | 11,341 |
| Interest paid | (52,447) | (10,986) |
| Income tax paid | (119,841) | (5,752) |
| Net cash generated from/(used in) operations | 256,899 | (5,397) |
| Investing activities | | |
| Acquisition of subsidiaries, net of cash acquired, and increase of ownership in subsidiaries | (503,116) | (181,127) |
| Acquisition of available-for-sale investments | (213,861) | (19) |
| Acquisition of investments in associates | (5,840) | - |
| Proceeds from disposal of subsidiaries | 5,275 | - |
| Purchase of intangible assets | (1,535) | (654) |
| Purchase of property, plant and equipment | (101,090) | (50,163) |
| Proceeds from sale of property, plant and equipment | 9,797 | 5,301 |
| Loans issued | (201,164) | (7,879) |
| Proceeds from repayment of loans issued | 58,218 | 3,987 |
| Increase of cash on bank deposits | (553) | - |
| Interest received | 3,303 | 602 |
| Net cash used in investing activities | (950,566) | (229,952) |
| Financing activities | | |
| Proceeds from short-term loans and borrowings | 893,677 | 248,251 |
| Proceeds from long-term loans and borrowings | 645,330 | 210,497 |
| Repayment of short-term loans and borrowings | (747,994) | (215,557) |
| Repayment of long-term loans and borrowings | (49,417) | - |
| Repayment of principle amounts of finance leases | (5,140) | (229) |
| Net cash generated from financing activities | 736,456 | 242,962 |
| Net increase in cash and cash equivalents | 42,789 | 7,613 |
| Cash and cash equivalents at beginning of the period | 28,847 | 768 |
| Effect of translation to presentation currency and exchange rate changes on the balance of cash held in foreign currencies | 736 | 336 |
| Cash and cash equivalents at end of the period | 72,372 | 8,717 |

The notes on pages 6 to 24 are an integral part of these unaudited condensed consolidated interim financial statements.

OPEN JOINT STOCK COMPANY URALCHEM

UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008 (CONTINUED)

All amounts are in thousands of US Dollars unless otherwise stated

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

| | <u>Nine months ended</u> <u>30 September 2008</u> | <u>Nine months ended</u> <u>30 September 2007</u> |
|---|--|--|
| Settlement of deferred sales proceeds on disposal of subsidiaries against promissory notes held by related parties and offset against payables to related parties | (57,989) | - |
| Property, plant and equipment acquired under finance leases | <u>(69,273)</u> | <u>(12,379)</u> |
| | <u>(127,262)</u> | <u>(12,379)</u> |

The notes on pages 6 to 24 are an integral part of these unaudited condensed consolidated interim financial statements.

OPEN JOINT STOCK COMPANY URALCHEM

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

All amounts are in thousands of US Dollars unless otherwise stated

| | | Attributable to shareholders of the parent | | | | | | |
|--|-------|--|----------------------------|--------------------------------------|-------------------|-----------------|-------------------|------------------|
| | Notes | Share capital | Additional paid-in capital | Foreign currency translation reserve | Retained earnings | Total | Minority interest | Total |
| Balance at 1 January 2007 | | 80,485 | 19,438 | - | - | 99,923 | 79,056 | 178,979 |
| Effect of translation to presentation currency recognised directly in equity | | - | - | 7,160 | - | 7,160 | 5,993 | 13,153 |
| Profit for the period | | - | - | - | 10,795 | 10,795 | 7,700 | 18,495 |
| Total recognised income and expense | | - | - | 7,160 | 10,795 | 17,955 | 13,693 | 31,648 |
| Cash contribution from shareholders | | - | 812 | - | - | 812 | - | 812 |
| Increase of ownership in subsidiary transferred from shareholders | | - | 278 | - | - | 278 | (297) | (19) |
| Non-cash contribution from shareholders | | - | 85,000 | - | - | 85,000 | 53,678 | 138,678 |
| Balance at 30 September 2007 | | 80,485 | 105,528 | 7,160 | 10,795 | 203,968 | 146,130 | 350,098 |
| Balance at 1 January 2008 | | 80,485 | 24,176 | 12,628 | 26,906 | 144,195 | 106,897 | 251,092 |
| Effect of translation to presentation currency recognised directly in equity | | - | - | (16,406) | - | (16,406) | (5,808) | (22,214) |
| Profit for the period | | - | - | - | 293,921 | 293,921 | 55,199 | 349,120 |
| Total recognised income and expense | | - | - | (16,406) | 293,921 | 277,515 | 49,391 | 326,906 |
| Minority interest arising on business combinations | 4 | - | - | - | - | - | 101,213 | 101,213 |
| Increase of ownership in subsidiaries | 4 | - | 290 | - | (34,268) | (33,978) | (114,016) | (147,994) |
| Minority interest liability | 4 | - | - | - | 2,509 | 2,509 | (16,784) | (14,275) |
| Loss on disposal of subsidiaries distributed to shareholders | | - | - | - | (2,455) | (2,455) | (266) | (2,721) |
| Balance at 30 September 2008 | | 80,485 | 24,466 | (3,778) | 286,613 | 387,786 | 126,435 | 514,221 |

The notes on pages 6 to 24 are an integral part of these unaudited condensed consolidated interim financial statements.

OPEN JOINT STOCK COMPANY URALCHEM

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

1. GENERAL INFORMATION

Open Joint Stock Company Uralchem (the “Company”) was incorporated in Moscow, Russian Federation, on 22 October 2007. At 30 September 2008 the Company was 99.0% owned by ACF – Agrochem Finance Limited, Cyprus, a 99.0% subsidiary of CI – Chemical Invest Limited. The remaining 1.0% of the Company’s shares was held by CI – Chemical Invest Limited. All these entities are ultimately owned and controlled by Mr. Dmitry A. Mazepin.

On 6 June 2008, the Company acquired 437,115,724 or 71.7% of the total outstanding ordinary shares of Voskresensk Mineral Fertilisers (“VMF”). VMF produces and sells phosphate mineral fertilisers, sulphuric and phosphoric acids and other chemical products.

At 1 August 2008, the Group sold 100.0% of Remontno-Mekhanichesky Zavod to ACF-Agrochem Finance Limited for a cash consideration USD 1,468 thousand, net of cash acquired. As this was transaction with the shareholder of the Group, the difference between the consideration received and the carrying amount of the net assets disposed of in the amount of USD 2,455 thousand was recognised in the statement of changes in equity as distribution to the shareholders of the Group.

Prior to 31 October 2007, the Company owned subsidiaries that produced and sold polymers and fluoroplastics. These businesses are reflected as a discontinued operation in these unaudited condensed consolidated interim financial statements.

The Company’s main office is located at Block B 18, Krasnopresnenskaya Naberezhnaya Moscow, Russian Federation.

The major operational facilities of the Company and its subsidiaries (the “Group”), except for Uralchem Freight Limited registered in Cyprus, are located in the Moscow, Perm and Kirov regions of the Russian Federation.

2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements of the Group are prepared based on the accounting policies applied in the annual consolidated financial statements of the Group for the year ended 31 December 2007. These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board. The 31 December 2007 balance sheet was derived from the annual financial statements of the Group but does not include all of the disclosures required by International Financial Reporting Standards (“IFRS”). However, management of the Group believes that the disclosures are adequate to make the information presented not misleading.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Group’s consolidated financial statements for the year ended 31 December 2007.

Exchange rates used in the preparation of the unaudited condensed consolidated interim financial statements, as quoted by the Central Bank of the Russian Federation, were as follows (RUR to 1 US Dollar):

| | <u>30 September 2008</u> | <u>31 December 2007</u> | <u>30 September 2007</u> |
|------------------------------|--------------------------|-------------------------|--------------------------|
| Period-end rates | 25.25 | 24.55 | 24.95 |
| Average for the period ended | 24.05 | n/a | 25.89 |

3. SIGNIFICANT ACCOUNTING POLICIES

The critical accounting judgements, estimates and assumptions made by management of the Group and applied in the accompanying unaudited condensed consolidated interim financial statements for the nine months ended 30 September 2008 are consistent with those applied in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2007. During the period the Group entered into new contracts for which it did not previously disclose its accounting policies, these include the following:

Investments in associates

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

OPEN JOINT STOCK COMPANY URALCHEM

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

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

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

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

Financial assets

Available-for-sale ("AFS") financial assets and their impairment

Listed and unlisted shares and redeemable notes held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. Fair value of AFS is determined as follows:

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

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

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

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in the income statement, and other changes are recognised in equity.

4. BUSINESS COMBINATIONS

Acquisition of controlling interest of VMF

On 6 June 2008, the Company entered into an agreement to acquire 437,115,724 or 71.7% of the total outstanding ordinary shares of VMF for an aggregate purchase price of USD 380,537 thousand.

VMF produces and sells phosphate mineral fertilisers, sulphuric and phosphoric acids and other chemical products. VMF's output is intended both for the domestic and external markets. The main products (monoammonium phosphate and diammonium phosphate) are primarily sold in external markets. Other phosphate fertilisers and chemical products are primarily sold in the domestic market.

OPEN JOINT STOCK COMPANY URALCHEM

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

All amounts are in thousands of US Dollars unless otherwise stated

The Group has completed an initial purchase price allocation that will be finalised in future periods. Provisional values of VMF's assets, liabilities and contingent liabilities as at 6 June 2008, were as follows:

| | Provisional value at the date of acquisition |
|---|---|
| ASSETS | |
| Property, plant and equipment | 329,443 |
| Intangible assets | 355 |
| Inventories | 48,536 |
| Other financial assets | 2,516 |
| Trade and other receivables | 17,463 |
| Advances paid and prepaid expenses | 25,369 |
| Other taxes receivable | 33,801 |
| Cash and cash equivalents | 26,010 |
| Total assets | 483,493 |
| LIABILITIES | |
| Loans and borrowings | 29,412 |
| Retirement benefit obligations | 3,845 |
| Deferred tax liabilities | 71,599 |
| Trade and other payables | 18,923 |
| Advances received | 5,014 |
| Income tax payable | 9,772 |
| Other taxes payable | 3,585 |
| Total liabilities | 142,150 |
| Net assets at the date of acquisition | 341,343 |
| Less: Share of net assets attributable to minority shareholders | (101,213) |
| Group's share of net assets acquired | 240,130 |
| Add: Goodwill arising on acquisition | 140,407 |
| Total consideration | 380,537 |
| Net cash flow arising on acquisition: | |
| Cash consideration | (380,537) |
| Cash and cash equivalents acquired | 26,010 |
| Net cash outflow on acquisition of subsidiary | (354,527) |

OPEN JOINT STOCK COMPANY URALCHEM

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

All amounts are in thousands of US Dollars unless otherwise stated

VMF's consolidated financial statements in accordance with IFRS as at the date of acquisition were not available at the date of approval of these unaudited condensed consolidated interim financial statements. Thus, it was not practicable to determine the carrying amounts of the acquired assets, liabilities and contingent liabilities in accordance with IFRS immediately before the acquisition, and they were not presented in these unaudited condensed consolidated interim financial statements.

VMF and its subsidiaries contributed USD 180,756 thousand of revenue and USD 11,745 thousand of profit for the period from 6 June 2008 to 30 September 2008.

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

Acquisition of controlling interest of Russian Phosphorite

On 13 August 2008 the Group acquired 100.0% share in Russian Phosphorite from CI-Chemical Invest Limited for a cash consideration USD 596 thousand. Russian Phosphorite is located in the Kirov region of the Russian Federation and owns land in Portugal through its 100.0% subsidiary NGCR-Tecnologias Quimicas e Inovacoes, located in Portugal. The consolidated net assets of Russian Phosphorite and its subsidiary as of the date of acquisition were negative and comprised USD 802 thousand.

Pro-forma condensed consolidated income statement data

The potential effect of the acquisition of VMF on the results of the Group's operations, as if this subsidiary was acquired at the beginning of respective reporting period, is analysed as follows:

| | <u>Nine months ended 30 September 2008</u> |
|-----------------------|---|
| Revenue | 1,620,799 |
| Profit for the period | 363,324 |

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

In determining the pro-forma revenue and profit for the period of the Group had VMF been acquired at the beginning of the respective reporting period, the Group has calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising from the initial accounting for the business combinations rather than the carrying amounts recognised in the financial statements of the acquired businesses.

Increase of ownership in subsidiaries during the nine months ended 30 September 2008

KCCW

During the nine months ended 30 September 2008, the Group acquired, through a number of transactions with minority shareholders, an additional 15.3% of KCCW's shares for a total cash consideration of USD 80,978 thousand, increasing its ownership in the company to 92.7%. The carrying value of KCCW's net assets as at the dates when the shares were acquired ranged from USD 217,961 thousand to USD 403,628 thousand. As a result of these transactions, the Group recognised a decrease in net assets attributable to minority interest in the amount of USD 51,701 thousand. The excess of the consideration paid over the Group's share in net assets acquired of USD 29,278 thousand was recognised directly in the statement of changes in equity as a decrease of retained earnings.

OPEN JOINT STOCK COMPANY URALCHEM

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

All amounts are in thousands of US Dollars unless otherwise stated

Azot

During the nine months ended 30 September 2008, the Group acquired, through a number of transactions with minority shareholders, an additional 17.4% of Azot's shares for a cash consideration of USD 67,015 thousand, increasing its ownership in the company to 96.1%. The carrying value of Azot's net assets as at the dates when the shares were acquired ranged from USD 281,264 thousand to USD 429,078 thousand. As a result of these transactions, the Group recognised a decrease in net assets attributable to minority interest in the amount of USD 62,315 thousand. The excess of the consideration paid over the Group's share in net assets acquired of USD 4,990 thousand was recognised directly in the statement of changes in equity as a decrease of retained earnings and the excess of the Group's share in the net assets acquired over the consideration paid of USD 290 thousand was recognised directly in the statement of changes in equity as additional paid-in capital.

Minority interest liability

In accordance with the Russian Joint Stock Company Law, minority shareholders may require the Group to purchase their voting shares and securities convertible into voting shares (put option), or the Group may require the remaining minority shareholders to sell such securities to the Group (minority squeeze-out) following the acquisition of more than 95% of the voting shares of a company during the period.

During 2008, the Group increased its ownership in KCCW and Azot to greater than 95% of the voting shares. In accordance with IFRS, the Group derecognised minority interest and recognised a liability for the unavoidable cash obligation. The Group recognised a liability equal to the fair value of the ultimate cash obligation. The difference between the carrying value of the minority interest derecognised in the statement of changes in equity and the fair value of the put option was recognised in equity.

The remaining minority interest relating to voting shares of 3.9% in Azot as at 30 September 2008 is reflected as a current liability in the amount of USD 14,275 thousand.

As of 30 September 2008 the Group owned 100.0% of the voting shares in KCCW.

5. SEGMENT INFORMATION

The Group is organised into two primary operating divisions – nitrogen fertilisers and phosphate fertilisers. These divisions are the basis on which the Group reports its primary segment information. All other operations including transportation, construction, repairs and maintenance, electricity services are reported as other segment.

Prior to the acquisition of phosphate fertiliser manufacturer and seller, VMF, on 6 June 2008, the Group was organised and reported as a single operating segment.

| Nine months ended 30 September 2008 | Nitrogen fertilisers | Phosphate fertilisers | Other | Adjustments and eliminations | Total |
|--|---------------------------------|----------------------------------|----------------|---|------------------|
| Segment revenue | | | | | |
| Third parties | 1,160,731 | 171,211 | 65,385 | - | 1,397,327 |
| Inter-segments | - | - | 264,030 | (264,030) | - |
| Total revenue | 1,160,731 | 171,211 | 329,415 | (264,030) | 1,397,327 |
| Segment results | | | | | |
| Operating profit/(loss) | 487,772 | 16,897 | 44,012 | (834) | 547,847 |
| Profit/(loss) before tax | 490,528 | 15,003 | (45,523) | (834) | 459,174 |
| Other segment information | | | | | |
| Depreciation and amortisation | 38,813 | 18,665 | 7,830 | 10 | 65,318 |
| Capital expenditures | 72,146 | 7,062 | 94,272 | - | 173,480 |

OPEN JOINT STOCK COMPANY URALCHEM

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

All amounts are in thousands of US Dollars unless otherwise stated

| Nine months ended 30 September 2007 | Nitrogen fertilisers | Phosphate fertilisers | Other | Adjustments and eliminations | Total |
|--|-------------------------|--------------------------|------------------|------------------------------------|------------------|
| Segment revenue | | | | | |
| Third parties | 271,360 | - | 34,134 | - | 305,494 |
| Inter-segments | - | - | 28,872 | (28,872) | - |
| Total revenue | 271,360 | - | 63,006 | (28,872) | 305,494 |
| Segment results | | | | | |
| Operating profit/(loss) | 40,954 | - | (3,859) | (2,301) | 34,794 |
| Profit/(loss) before tax | 35,309 | - | (6,845) | (2,301) | 26,163 |
| Other segment information | | | | | |
| Depreciation and amortisation | 15,937 | - | 2,839 | (136) | 18,640 |
| Capital expenditures | 45,496 | - | 517 | - | 46,013 |
| As at 30 September 2008 | | | | | |
| Segment assets | | | | | |
| Inter-segment assets | 528,987 | 2,465 | 9,429 | (540,881) | - |
| Other segment assets | 868,804 | 582,678 | 586,858 | - | 2,038,340 |
| Total assets | 1,397,791 | 585,143 | 596,287 | (540,881) | 2,038,340 |
| Segment liabilities | | | | | |
| Inter-segment liabilities | 5,012 | 1,716 | 534,153 | (540,881) | - |
| Other segment liabilities | 376,566 | 65,725 | 945,354 | - | 1,387,645 |
| Total liabilities | 381,578 | 67,441 | 1,479,507 | (540,881) | 1,387,645 |
| As at 31 December 2007 | | | | | |
| Segment assets | | | | | |
| Inter-segment assets | 187,012 | - | 4,797 | (191,809) | - |
| Other segment assets | 841,125 | - | 65,418 | - | 906,543 |
| Total assets | 1,028,137 | - | 70,215 | (191,809) | 906,543 |
| Segment liabilities | | | | | |
| Inter-segment liabilities | 3,683 | - | 188,126 | (191,809) | - |
| Other segment liabilities | 375,953 | - | 207,880 | - | 583,833 |
| Total liabilities | 379,636 | - | 396,006 | (191,809) | 583,833 |

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6. SALES OF GOODS

| Nine months ended 30 September 2008 | Total | Export | Russian Federation | Other CIS countries |
|--------------------------------------|------------------|----------------|--------------------|---------------------|
| Nitrogen fertilisers | | | | |
| Ammonium nitrate and its derivatives | 565,797 | 357,373 | 158,984 | 49,440 |
| Compound fertilisers | 191,397 | 177,847 | 12,957 | 593 |
| Ammonia | 190,736 | 181,421 | 4,336 | 4,979 |
| Urea | 167,127 | 158,482 | 8,645 | - |
| Binary NP | 18,578 | 17,731 | 847 | - |
| Phosphate fertilisers | | | | |
| Monoammonium phosphate | 74,723 | 60,062 | 1,333 | 13,328 |
| Diammonium phosphate | 53,888 | 24,144 | 38 | 29,706 |
| Other phosphate fertilisers | 1,854 | - | 361 | 1,493 |
| Chemical products | 67,842 | 749 | 65,370 | 1,723 |
| Total | 1,331,942 | 977,809 | 252,871 | 101,262 |
| Nine months ended 30 September 2007 | Total | Export | Russian Federation | Other CIS countries |
| Nitrogen fertilisers | | | | |
| Ammonium nitrate and its derivatives | 157,866 | 114,595 | 35,760 | 7,511 |
| Compound fertilisers | 55,392 | 44,027 | 11,365 | - |
| Ammonia | 43,686 | 42,620 | 769 | 297 |
| Urea | 8,418 | 7,374 | 1,026 | 18 |
| Chemical products | 5,998 | 106 | 5,640 | 252 |
| Total | 271,360 | 208,722 | 54,560 | 8,078 |

7. OTHER SALES

| | Nine months ended 30 September 2008 | Nine months ended 30 September 2007 |
|--|--|--|
| Electricity and heat energy | 35,724 | 22,852 |
| Transportation | 6,948 | 4,079 |
| Sales of silica sands | 5,767 | - |
| Construction, repairs and maintenance services | 5,053 | 2,481 |
| Processing of waste water | 2,636 | 1,298 |
| Processing of amines | 2,287 | 552 |
| Other | 6,970 | 2,872 |
| Total | 65,385 | 34,134 |

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8. COST OF SALES

| | <u>Nine months ended 30 September 2008</u> | <u>Nine months ended 30 September 2007</u> |
|---|--|--|
| Raw materials, including: | | |
| Natural gas | 172,206 | 63,577 |
| Apatite | 98,496 | 8,298 |
| Potassium chloride | 10,821 | 5,409 |
| Other raw materials | 101,540 | 18,040 |
| Energy and utilities | 83,147 | 43,314 |
| Depreciation | 53,211 | 14,230 |
| Wages and salaries | 50,857 | 22,828 |
| Unified social tax | 12,674 | 5,350 |
| Repairs and maintenance | 9,613 | 1,075 |
| Taxes, other than income tax | 5,721 | 2,134 |
| Change in inventory balance of work in-progress and finished goods | (48,968) | 681 |
| Other | 10,294 | 7,077 |
| Total | <u>559,612</u> | <u>192,013</u> |

During the nine months ended 30 September 2008, energy and utilities included USD 28,150 thousand which related to the cost of electricity and heat energy sales (for the nine months ended 30 September 2007: USD 18,860 thousand).

9. SELLING AND DISTRIBUTION EXPENSES

| | <u>Nine months ended 30 September 2008</u> | <u>Nine months ended 30 September 2007</u> |
|----------------------------|--|--|
| Transportation, including: | | |
| Freight and transshipment | 91,079 | - |
| Railway tariff | 79,050 | 43,592 |
| Rail cars rent expenses | 16,379 | 10,421 |
| Customs clearance charges | 5,492 | 820 |
| Wages and salaries | 5,270 | 1,034 |
| Depreciation | 4,093 | - |
| Unified social tax | 1,246 | 244 |
| Other | 3,619 | 3,001 |
| Total | <u>206,228</u> | <u>59,112</u> |

10. GENERAL AND ADMINISTRATIVE EXPENSES

| | <u>Nine months ended 30 September 2008</u> | <u>Nine months ended 30 September 2007</u> |
|--------------------------------------|--|--|
| Wages and salaries | 39,281 | 5,545 |
| Depreciation | 7,576 | 4,013 |
| Audit, legal and consulting services | 5,519 | 1,990 |
| Unified social tax | 5,427 | 958 |
| Rent | 3,081 | 503 |
| Taxes, other than income tax | 2,794 | 347 |
| Security | 2,475 | 598 |
| Other | 11,393 | 4,195 |
| Total | <u>77,546</u> | <u>18,149</u> |

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11. INTEREST INCOME

| | <u>Nine months ended 30 September 2008</u> | <u>Nine months ended 30 September 2007</u> |
|---|--|--|
| Interest on loans issued | 7,299 | 223 |
| Unwinding of discount on deferred sales proceeds on disposal of subsidiaries | 2,617 | - |
| Total | <u>9,916</u> | <u>223</u> |

12. INTEREST EXPENSE

| | <u>Nine months ended 30 September 2008</u> | <u>Nine months ended 30 September 2007</u> |
|--|--|--|
| Interest on loans and borrowings | 53,216 | 13,749 |
| Interest on obligations under finance leases | 1,775 | 31 |
| Total | <u>54,991</u> | <u>13,780</u> |

13. DISCONTINUED OPERATIONS

On 31 March 2007, shareholders of the Group approved a plan to dispose of its investments in Zavod Polymerov and Transportno-Logisticheskaya Kompaniya which represented the polymers and fluoroplastics segment of CI – Chemical Invest Limited.

At 31 October 2007, the Group sold 100.0% of Zavod Polymerov and 100.0% of Transportno-Logisticheskaya Kompaniya to CI – Chemical Invest Limited. The disposal of the Group's polymers and fluoroplastics operations is consistent with the Group's policy to focus its activities primarily on the fertilisers market.

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

| | <u>Nine months ended 30 September 2007</u> |
|--|--|
| Net cash flows used in operating activities | (785) |
| Net cash flows used in investing activities | (2,434) |
| Net cash flows generated from financing activities | 3,200 |
| Net cash outflow | <u>(19)</u> |

During the nine months ended 30 September 2007, the Group spent USD 8,808 thousand for acquisition of property, plant and equipment attributable to discontinued operations.

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The results of the discontinued operations included in the unaudited condensed consolidated interim income statement were as follows:

| | Nine months ended 30 September 2007 |
|---|--|
| Revenue | |
| Sales of goods | 77,860 |
| Other sales | 19,640 |
| Total revenue | 97,500 |
| Cost of sales | (91,441) |
| Gross profit | 6,059 |
| Selling and distribution expenses | (2,159) |
| General and administrative expenses | (8,931) |
| Other operating income | 1,516 |
| Other operating expenses | (646) |
| Operating loss | (4,161) |
| Interest income | 502 |
| Interest expense | (2,622) |
| Foreign exchange gain from financing activities | 1,239 |
| Loss before tax | (5,042) |
| Income tax benefit | 912 |
| Loss for the period from discontinued operations | (4,130) |

Deferred sales proceeds on disposal of subsidiaries

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

| | 30 September 2008 | 31 December 2007 |
|--|--------------------------|-------------------------|
| Balance at the beginning of the period | 56,533 | - |
| Unwinding of discount on deferred sales proceeds on disposal of subsidiaries | 2,617 | 936 |
| Recognised on disposal of subsidiaries | - | 55,290 |
| Settlement of deferred sales proceeds | (61,796) | |
| Effect of translation to presentation currency | 2,646 | 307 |
| Balance at the end of the period | - | 56,533 |

The repayment of deferred sales proceeds during the period was received in cash of USD 3,807 thousand, an offset of USD 43,424 thousand against promissory notes held by the purchaser and promissory notes issued by the related parties in the amount of USD 8,012 thousand and an offset of payables to the purchaser in the amount of USD 6,553 thousand.

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

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14. PROPERTY, PLANT AND EQUIPMENT

Cost

| | |
|--|-----------------|
| Balance at 1 January 2007 | 244,020 |
| Additions | 65,683 |
| Acquisitions through business combinations | 250,445 |
| Disposals | (4,802) |
| Effect of translation to presentation currency | 21,790 |
| Balance at 30 September 2007 | 577,136 |
| Balance at 1 January 2008 | 505,380 |
| Additions | 171,945 |
| Acquisitions through business combinations | 329,443 |
| Disposals | (11,134) |
| Disposal of subsidiary | (4,603) |
| Effect of translation to presentation currency | (39,383) |
| Balance at 30 September 2008 | 951,648 |
| Accumulated Depreciation | |
| Balance at 1 January 2007 | - |
| Charge for the period | (24,802) |
| Disposals | 178 |
| Effect of translation to presentation currency | (930) |
| Balance at 30 September 2007 | (25,554) |
| Balance at 1 January 2008 | (32,276) |
| Charge for the period | (64,880) |
| Disposals | 1,200 |
| Effect of translation to presentation currency | 3,264 |
| Balance at 30 September 2008 | (92,692) |
| Carrying value | |
| Balance at 1 January 2007 | 244,020 |
| Balance at 1 January 2008 | 473,104 |
| Balance at 30 September 2007 | 551,582 |
| Balance at 30 September 2008 | 858,956 |

As at 30 September 2008, property, plant and equipment included advances paid for acquisition of the property, plant and equipment in the amount of USD 32,622 thousand (31 December 2007: USD 6,622 thousand).

The Group leases certain items of machinery, equipment and transport under a number of finance lease agreements with third parties.

As at 30 September 2008, the net book value of leased machinery, equipment and transport was USD 64,813 thousand (31 December 2007: USD 1,685 thousand).

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Assets pledged as collateral

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

| | <u>30 September 2008</u> | <u>31 December 2007</u> |
|------------------------------------|--------------------------|-------------------------|
| Machinery, equipment and transport | 94,463 | 72,599 |
| Buildings and structures | 7,551 | 76,182 |
| Other | 292 | 37 |
| Total | <u>102,307</u> | <u>148,818</u> |

15. INVESTMENTS IN ASSOCIATES

During the nine months ended 30 September 2008, the Group acquired a 50.0% interest in ZhDTsekh for a cash consideration of USD 5,840 thousand. ZhDTsekh is a private entity that is not listed on any public stock exchange and its principal business activity is to provide transportation services.

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

| | <u>30 September 2008</u> | <u>31 December 2007</u> |
|--|--------------------------|-------------------------|
| Balance at beginning of the period | - | - |
| Acquired on business combination | 5,840 | - |
| Share of post-acquisition profit | 83 | - |
| Effect of translation to presentation currency | (545) | - |
| Balance at end of the period | <u>5,378</u> | <u>-</u> |

16. INVENTORIES

| | <u>30 September 2008</u> | <u>31 December 2007</u> |
|---|--------------------------|-------------------------|
| Inventories expected to be recovered after twelve months | | |
| Catalytic agents | 33,564 | 32,949 |
| Other inventories | 3,452 | 2,842 |
| | <u>37,016</u> | <u>35,791</u> |
| Inventories expected to be recovered in the next twelve months | | |
| Finished goods | 89,163 | 24,223 |
| Raw materials, net of allowance for obsolescence | 62,535 | 24,304 |
| Work in-progress | 4,387 | 5,073 |
| Goods for resale | 313 | 237 |
| | <u>156,398</u> | <u>53,837</u> |
| Total | <u>193,414</u> | <u>89,628</u> |

As at 30 September 2008, raw materials were presented net of allowance for obsolescence of USD 7,981 thousand (31 December 2007: USD 8,155 thousand).

As at 30 September 2008, inventories with a carrying value of USD 20,998 thousand were pledged to secure bank loans and borrowings granted to the Group (31 December 2007: USD 27,583 thousand).

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17. OTHER FINANCIAL ASSETS

| | <u>30 September 2008</u> | <u>31 December 2007</u> |
|--|--------------------------|-------------------------|
| Non-current | | |
| AFS investments, at cost | 203,739 | 106 |
| Loans issued, at amortised cost | 124,340 | - |
| Promissory notes of related parties, at amortised cost | - | 988 |
| Foreign currency forward contracts, at FVTPL | - | 862 |
| Other financial assets | - | 243 |
| | <u>328,079</u> | <u>2,199</u> |
| Current | | |
| Loans issued, at amortised cost | 40,693 | 26,156 |
| Promissory notes of related parties, at amortised cost | 8,079 | - |
| Promissory notes, at amortised cost | 151 | - |
| Foreign currency forward contracts, at FVTPL | - | 1,155 |
| Other financial assets | 567 | 15 |
| | <u>49,490</u> | <u>27,326</u> |
| Total | <u>377,569</u> | <u>29,525</u> |

Available-for-sale investments represent mainly investment in Togliattiazot in the amount of USD 202,169 thousand (9.4% of the total outstanding shares).

As at 30 September 2008, interest rates on loans issued varied from 10.5% to 12.0% (31 December 2007: varied from 10.4% to 11.5%). The majority of loans issued were unsecured, USD - denominated and receivable from related parties.

Promissory notes are interest free and are expected to be settled in the forth quarter of 2008.

18. CASH AND CASH EQUIVALENTS

| | <u>30 September 2008</u> | <u>31 December 2007</u> |
|---------------------------------|--------------------------|-------------------------|
| Current accounts, including: | | |
| RUR-denominated | 9,526 | 14,991 |
| EURO-denominated | 8,905 | - |
| USD-denominated | 5,495 | 3,435 |
| Bank deposits, including: | | |
| RUR-denominated | 42,069 | - |
| EURO-denominated | 6,195 | - |
| USD-denominated | - | 10,407 |
| Other cash and cash equivalents | 182 | 14 |
| Total | <u>72,372</u> | <u>28,847</u> |

As at 30 September 2008, interest rates on deposits denominated in RUR varied from 6.0% to 10.6%, on deposits denominated in EURO was 2.0% (31 December 2007: varied from 3.0% to 4.0%).

19. EARNINGS PER SHARE

Earnings per share were calculated by dividing net profit attributable to shareholders of the parent by the weighted average number of ordinary shares in issue during the reporting period. The weighted average number of shares in issue during the nine months ended 30 September 2007 was calculated based on the assumption that the number of shares issued on 22 October 2007 was outstanding during the period.

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20. LOANS AND BORROWINGS

| | <u>30 September 2008</u> | <u>31 December 2007</u> |
|--|--------------------------|-------------------------|
| Loans denominated in USD | 941,143 | 235,381 |
| Loans denominated in RUR | 231,544 | 182,622 |
| Loans denominated in EURO | - | 881 |
| Unconvertible bonds | 10,104 | - |
| Promissory notes | 60 | 41,858 |
| Total | <u>1,182,851</u> | <u>460,742</u> |
| Less: current portion repayable within twelve months and shown under current liabilities | <u>(373,237)</u> | <u>(148,818)</u> |
| Long-term portion of loans and borrowings | <u>809,614</u> | <u>311,924</u> |

Loans denominated in USD

Loans denominated in USD consist of various borrowings with a variety of lenders. During the nine months ended 30 September 2008, the Group entered into a new loan agreement to fund its acquisition of VMF and available-for-sale investments in Togliattiazot. The USD loans, including the new borrowings, had a weighted average interest rate of 9.4% during the nine months ended 30 September 2008 (nine months ended 30 September 2007: 10.0%). The loans include borrowings of USD 730,137 thousand that bear interest at a fixed rate varying from 3.6% to 12.0% per annum and USD 211,006 thousand of loans that bear interest at floating rates varying from Libor + 3.25% to Libor + 6.0%. The loans are repayable in equal instalments with maturities due in 2009 to 2012. The majority of loans are secured by 92.6% of Azot's shares and 87.4% of KCCW's shares held by the Group and certain fixed assets and inventories.

Loans denominated in RUR

Loans denominated in RUR consist of USD 198,391 thousand of a loan that bears interest at a fixed rate of 12.0% and is repayable quarterly starting from 20 March 2009 with the final instalment due on 26 July 2012 and other loans of USD 33,153 thousand that bear interest at fixed rates varying from 9.0% to 12.0%. The loans are secured by 77.7% of Azot's shares held by the Group.

Bonds

In connection with the purchase of VMF (refer to note 4), the Group assumed VMF's outstanding bonds. The bonds bear interest at a rate of 11.0% which is payable semi-annually. The bonds are repayable on 22 December 2009, however the Group has the right to modify the interest rate each year end and at that point the bondholders have the right to redeem the bonds at their par amount or may accept the Group's new interest rate, causing the maturity to be extended for another year.

Promissory notes

During the nine months ended 30 September 2008 a majority of these notes were forgiven as an offset to the deferred sales proceeds associated with the sale of the discontinued operations (refer to note 13).

Non-current loans and borrowings are repayable as follows:

| | <u>30 September 2008</u> |
|--|--------------------------|
| Due in the second year | 103,065 |
| Due in the third year | 248,996 |
| Due in the fourth year | 257,007 |
| Due in the fifth year | <u>200,546</u> |
| Total long-term portion of loans and borrowings | <u>809,614</u> |

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As at 30 September 2008 and 31 December 2007, the carrying value of loans approximated their fair values due to the fact that the interest rates on such instruments approximate the current market rates for similar instruments.

The Group's borrowings are subject to various restrictive covenants.

21. OBLIGATIONS UNDER FINANCIAL LEASES

The Group leases certain items of machinery, equipment and transport under a number of financial lease agreements (refer to note 14). The average lease term is 92 months. For the nine months ended 30 September 2008 the weighted average effective annual interest rate was 10.3% (for the nine months ended 30 September 2007: 10.3%). All leases are on a fixed repayment basis and denominated in RUR and USD.

| | <u>Minimum lease payments</u> | | <u>Present value of minimum lease payments</u> | |
|---|-------------------------------|-------------------------|--|-------------------------|
| | <u>30 September 2008</u> | <u>31 December 2007</u> | <u>30 September 2008</u> | <u>31 December 2007</u> |
| Due within one year | 9,604 | 785 | 2,119 | 713 |
| Due from two to five years | 48,333 | 339 | 27,727 | 295 |
| Due thereafter | 41,124 | 5 | 32,209 | 5 |
| | <u>99,061</u> | <u>1,129</u> | <u>62,055</u> | <u>1,013</u> |
| Less: Future finance charges | (37,006) | (116) | - | - |
| Present value of lease obligations | <u>62,055</u> | <u>1,013</u> | <u>62,055</u> | <u>1,013</u> |
| Less: amount due for settlement within one year and shown under current liabilities | | | (2,119) | (713) |
| Total | | | <u>59,936</u> | <u>300</u> |

22. OTHER FINANCIAL LIABILITIES

In 2008 the Group entered into a zero cost collar. As at 30 September 2008, the fair value of the zero cost collar amounted to USD 8,413 thousand and were included in the other financial liabilities.

23. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

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

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As at 30 September 2008 and 31 December 2007, the Group had the following outstanding balances with related parties:

| | <u>30 September 2008</u> | <u>31 December 2007</u> |
|---|--------------------------|-------------------------|
| Shareholders of the Group | | |
| Loans issued, at amortised cost | 152,908 | 20,286 |
| Entities under common ownership and control with the Group | | |
| Deferred sales proceeds on disposal of subsidiaries | - | 56,533 |
| Promissory notes of related parties, at amortised cost | 8,079 | - |
| Trade and other receivables | 8,668 | 11,864 |
| Loans issued, at amortised cost | 3,351 | 6,327 |
| Other financial assets | - | 988 |
| Trade and other payables | (18,194) | (9,814) |
| Loans and borrowings | - | (41,544) |

During the nine months ended 30 September 2008 and 2007, the Group entered into the following transactions with related parties:

| | <u>Nine months ended 30 September 2008</u> | <u>Nine months ended 30 September 2007</u> |
|---|--|--|
| Shareholders of the Group | | |
| Interest income on loans issued | 4,835 | - |
| Loans issued, at amortised cost | 166,433 | - |
| Proceeds from repayment of loans issued | (25,508) | - |
| Entities under common ownership and control with the Group | | |
| Sales of goods and services | 44,431 | 30,676 |
| Purchases of goods and services | (17,583) | (17,838) |
| Interest income/(expense) on loans and borrowings | 4,578 | (2,314) |
| Loans issued, at amortised cost | 6,696 | 7,789 |
| Proceeds from repayment of loans issued | (11,322) | (3,244) |

The amounts outstanding were unsecured and are expected to be settled in cash. No expense has been recognised during the nine months ended 30 September 2008 and 2007 for bad or doubtful debts in respect of amounts owed by related parties.

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

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

As at 30 September 2008, loans to related parties included borrowings of USD 152,908 thousand denominated in USD and USD 3,351 thousand denominated in RUR that bear interest at fixed rates varying from 10.0% to 12.0% (31 December 2007: varying from 9.0% to 12.0%).

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Compensation of key management personnel

The remuneration of key management personnel of the Group for the nine months ended 30 September 2008 comprised salaries and bonuses in the amount of USD 11,641 thousand, including unified social tax in amount of USD 1,399 thousand (for the nine months ended 30 September 2007: USD 3,311 thousand, including unified social tax in amount of USD 398 thousand).

24. COMMITMENTS AND CONTINGENCIES

Purchase of natural gas

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

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

| | <u>30 September 2008</u> | <u>31 December 2007</u> |
|----------------------------|--------------------------|-------------------------|
| Due in one year | 198,409 | 163,253 |
| Due from one to five years | 642,123 | 760,378 |
| Total | <u>840,532</u> | <u>923,631</u> |

Capital commitments

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

| | <u>30 September 2008</u> | <u>31 December 2007</u> |
|--|--------------------------|-------------------------|
| Acquisition of property, plant and equipment | 39,152 | 6,295 |
| Fulfilment of finance lease agreements | 1,305 | 2,176 |
| Total | <u>40,457</u> | <u>8,471</u> |

During the nine months ended 30 September 2008, the Group entered into certain agreements for the acquisition of machinery and equipment for mining operations. The majority of the agreements will be settled in 2008.

Operating leases: Group as a lessee

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

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

| | <u>30 September 2008</u> | <u>31 December 2007</u> |
|----------------------------|--------------------------|-------------------------|
| Due in one year | 20,212 | 381 |
| Due from one to five years | 40,758 | 115 |
| Total | <u>60,970</u> | <u>496</u> |

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

All amounts are in thousands of US Dollars unless otherwise stated

Guarantees issued

As at 30 September 2008 and 31 December 2007, the Group issued financial guarantees in respect of loans obtained by related and third parties. The total amounts of outstanding guarantees issued by the Group were as follows:

| | <u>30 September 2008</u> | <u>31 December 2007</u> |
|-----------------|--------------------------|-------------------------|
| Related parties | 28,283 | 52,528 |
| Third parties | 66 | 28 |
| Total | <u>28,349</u> | <u>52,556</u> |

Litigation

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

Taxation contingencies in the Russian Federation

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

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

Environmental matters

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

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

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

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

OPEN JOINT STOCK COMPANY URALCHEM

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

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Russian Federation risk

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

25. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Acquisition of available-for-sale investments

Up to the date of approval of these unaudited condensed consolidated interim financial statements, the Company acquired 185,096 ordinary shares or 0.3% of the total outstanding ordinary shares of Togliattiazot for a cash consideration of USD 6,650 thousand, increasing its ownership in this company to 9.7% .

Increase of ownership in subsidiaries

During the period from October to November 2008, the Group acquired through a number of transactions an additional 3.1% interest in the share capital of Voskresensk Mineral Fertilisers for a cash consideration of USD 13,985 thousand, increasing its ownership in this company to 74.8%.

During the period from October to November 2008, the Group acquired through a number of transactions an additional 4.6% interest in the share capital of KCCW for a cash consideration of USD 8,944 thousand, increasing its ownership in this company to 97.3%.

During the period from October to November 2008, the Group acquired through a number of transactions an additional 3.9% interest in the share capital of Azot for a cash consideration of USD 14,255 thousand, increasing its ownership in this company to 100.0%.

Disposal of subsidiaries

On 1 October 2008, the Group sold 100% of Upravleniye Avtomobilnogo Transporta to a related party for a cash consideration of USD 4,151 thousand.

On 1 October 2008, the Group sold 100% of Azotstroyremont to CI-Chemical Invest Limited for a cash consideration of USD 8 thousand.

Loans issued and obtained

Up to the date of approval of these unaudited condensed consolidated interim financial statements, the Company issued loans to one of its shareholders in the total amount of USD 18,290 thousand. The loans bear interest at rates varying from 11.3% to 11.5%. In addition, the Group issued loans to third parties in the total amount of USD 1,501 thousand. The loans bear interest at a fixed rate of 11.0%.

Up to the date of approval of these unaudited condensed consolidated interim financial statements, the Group obtained loans from third parties in the amount of USD 547 thousand.