

URALCHEM

**CONDENSED COMBINED FINANCIAL INFORMATION
(UNAUDITED)**

International Financial Reporting Standards

30 JUNE 2007

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GENERAL INFORMATION AND BASIS FOR PREPARATION FOR COMBINED CONDENSED FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2007, YEARS ENDED 31 DECEMBER 2006 AND 2005

All amounts are in thousands of US Dollars unless otherwise stated

Open joint stock company Uralchem ("the Company" or "Uralchem") was established on 30 October 2007. In November 2007 the shareholder of the Company contributed to the share capital of the Company 100.00% ownership in LLC Managing Company Uralchem ("LLC MC Uralchem"), which owned 77.70% of Open Joint Stock Company Azot ("OJSC Azot"). In November-December 2007 44.59% of Open Joint Stock Company Kirovo-Chepetsk Chemical Works ("OJSC KCCW") was contributed by the shareholder to the share capital of the Company. In December 2007 the Company acquired another 32.71% of OJSC KCCW from its shareholder. In November 2007 the shareholder contributed 100% ownership in Uralchem Freight Ltd. to the share capital of the Company. The Company, OJSC Azot, OJSC KCCW, LLC MC Uralchem and Uralchem Freight Ltd. are referred together later to as "the Group".

In November-December 2007 the Group acquired an additional 0.14% ownership in OJSC Azot from third parties. As a result of reorganization, as of 31 December 2007 the Group owned 77.84% in OJSC Azot, 77.30% in OJSC KCCW and 100.00% in LLC MC Uralchem.

The Company is registered and located at Krasnopresnenskaya emb., 18, 123317, Moscow, Russian Federation.

This condensed combined financial information of Uralchem has been prepared to present financial results of the Group as if the Group had been formed on 1 January 2005 and included the same subsidiaries. Financial results of OJSC Azot and OJSC KCCW presented in this condensed combined financial information constitute more than 95% of the Group's financial results as if the Group had been formed on 1 January 2005 and included the same subsidiaries.

This unaudited condensed combined financial information of Uralchem has been prepared in accordance with International Financial Reporting Standards ("IFRS") for the six months ended 30 June 2007 and years ended 31 December 2006 and 2005 for OJSC Azot and its subsidiaries and OJSC KCCW and its subsidiaries as if a spin-off of Limited Liability Company Zavod Polimerov, one of the subsidiaries of OJSC KCCW, from OJSC KCCW to its parent and all the respective settlements had taken place on 1 January 2005.

In preparation of this unaudited condensed combined financial information the following information was used:

- unaudited condensed consolidated interim financial statements of OJSC Azot and its subsidiaries prepared in accordance with IFRS for the six months ended 30 June 2007;
- unaudited condensed consolidated interim financial statements of OJSC KCCW and its subsidiaries prepared in accordance with IFRS for the six months ended 30 June 2007;
- audited annual consolidated financial statement of OJSC Azot and its subsidiaries prepared in accordance with IFRS for the year ended 31 December 2006;
- audited annual consolidated financial statement of OJSC KCCW and its subsidiaries prepared in accordance with IFRS for the year ended 31 December 2006.

The accounting policies adopted and management estimates and assumptions applied in this unaudited condensed combined financial information are consistent with those of the above mentioned audited annual financial statements for the year ended 31 December 2006.

The principal activity of the Group is production of mineral fertilizers. The main products of the Group are nitrogen fertilizers, including: ammonia, ammonium nitrate, urea, nitric acid and compound fertilizers.

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**COMBINED CONDENSED BALANCE SHEET INFORMATION (UNAUDITED)
AS OF 30 JUNE 2007, 31 DECEMBER 2006 AND 2005**

All amounts are in thousands of US Dollars unless otherwise stated

	<u>30 June 2007</u>	<u>31 December 2006</u>	<u>31 December 2005</u>
ASSETS			
Non-current assets			
Property, plant and equipment	314,536	320,740	302,116
Catalytic agents	19,209	21,877	18,141
Deferred tax assets	10,447	9,272	8,849
Advances issued to suppliers for capital construction	3,656	1,012	54
Long-term available for sale financial assets	87	8,796	3,822
Long-term letters of credit	5,738	6,278	389
Other non-current assets	3,330	2,052	1,575
	<u>357,003</u>	<u>370,027</u>	<u>334,946</u>
Current assets			
Inventories	48,477	37,521	28,200
Accounts receivable, advances issued and prepayments	88,649	67,746	55,695
Taxes receivable	31,061	31,428	34,435
Bank deposits	9,332	52,206	10,875
Other current assets	1,071	619	625
Cash and cash equivalents	13,635	6,996	5,635
	<u>192,225</u>	<u>196,516</u>	<u>135,465</u>
Total assets	<u>549,228</u>	<u>566,543</u>	<u>470,411</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	6,713	6,713	6,713
Share premium	2,333	2,333	2,333
Financial assets revaluation reserve	-	3,748	1,432
Retained earnings	294,803	338,072	303,094
Translation reserve	25,243	19,012	(10,414)
	<u>329,092</u>	<u>369,878</u>	<u>303,158</u>
Non-current liabilities			
Long-term borrowings	5,881	286	-
Employee benefits obligations	3,438	3,413	2,898
Other non-current liabilities	2,322	1,336	2,430
Deferred tax liabilities	36,839	40,070	43,750
	<u>48,480</u>	<u>45,105</u>	<u>49,078</u>
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	112,216	102,814	68,480
Accounts payable and accrued charges	36,291	38,189	36,061
Dividends payable	12,604	382	350
Taxes payable	7,777	7,534	10,721
Other current liabilities	2,768	2,641	2,563
	<u>171,656</u>	<u>151,560</u>	<u>118,175</u>
Total equity and liabilities	<u>549,228</u>	<u>566,543</u>	<u>470,411</u>

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**COMBINED CONDENSED INCOME AND EXPENSE INFORMATION (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2007, YEARS ENDED 31 DECEMBER 2006 AND 2005**

All amounts are in thousands of US Dollars unless otherwise stated

	6 months ended 30 June 2007	Year ended 31 December 2006	Year ended 31 December 2005
Sales	297,395	403,923	284,956
Other revenues	15,302	37,806	65,509
Cost of sales	<u>(172,341)</u>	<u>(305,652)</u>	<u>(274,758)</u>
Gross profit	140,356	136,077	75,707
Distribution expenses	(53,529)	(44,740)	(23,211)
General and administrative expenses	(17,507)	(33,099)	(34,280)
Other operating expenses, net	<u>124</u>	<u>(11,527)</u>	<u>(9,072)</u>
Operating profit	69,444	46,711	9,144
Finance income	2,071	2,783	782
Finance expenses	(6,466)	(11,282)	(12,147)
Foreign exchange gain/ (loss), net	<u>1,434</u>	<u>5,509</u>	<u>(941)</u>
Profit/ (loss) before income tax	66,483	43,721	(3,162)
Income tax charge	<u>(14,881)</u>	<u>(8,743)</u>	<u>(7,337)</u>
Profit/ (loss) for the period	<u>51,602</u>	<u>34,978</u>	<u>(10,499)</u>
Combined EBITDA reconciliation:			
Profit/ (loss) for the period	51,602	34,978	(10,499)
Add:			
Depreciation and amortization	17,222	32,247	30,549
Interest expense, net	4,395	8,499	11,365
Income tax	<u>14,881</u>	<u>8,743</u>	<u>7,337</u>
Combined EBITDA	<u>88,100</u>	<u>84,467</u>	<u>38,752</u>

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**COMBINED CONDENSED CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2007, YEARS ENDED 31 DECEMBER 2006 AND 2005**

All amounts are in thousands of US Dollars unless otherwise stated

	6 months ended 30 June 2007	Year ended 31 December 2006	Year ended 31 December 2005
Operating activities			
Profit/ (loss) before income tax	66,483	43,721	(3,162)
Adjustments for:			
Depreciation and amortisation	17,222	32,247	30,549
Loss from disposal of property, plant and equipment, net	7,503	4,692	6,920
(Gain)/ loss from disposal of other assets	(2,996)	355	(1,174)
Gain from disposal of available for sale investments	(4,894)	-	-
Change in provision for unused vacation	(84)	170	422
Change in provision for obsolete and slow-moving inventories	15	569	1,148
Change in provision for bad debt	264	(3)	755
Interest income	(2,071)	(2,783)	(782)
Interest expense	6,466	11,282	12,147
Dividend income	(467)	(86)	(13)
Foreign exchange (gain)/ loss, net	(781)	(2,052)	889
Other non-monetary expense/ (income), net	220	56	(891)
Operating cash flows before working capital changes	86,880	88,168	46,808
Increase in accounts receivable, advances issued and prepayments	(23,087)	(7,725)	(25,780)
(Increase)/ decrease in inventory	(3,979)	(9,391)	1,463
Increase/ (decrease) in accounts payable and accrued charges	(1,860)	(2,530)	(6,799)
Change in tax balances	3,409	5,969	2,040
Cash generated from operations	61,363	74,491	17,732
Income tax paid	(18,669)	(14,738)	(15,027)
Interest paid	(4,996)	(9,638)	(7,737)
Interest received	2,351	2,120	763
Net cash provided by/ (used in) operating activities	40,049	52,235	(4,269)
Investing activities			
Purchase of property, plant and equipment	(18,217)	(42,814)	(10,214)
Purchase of intangible assets	(8)	(35)	(930)
Proceeds from disposal of financial assets	8,704	-	-
Proceeds from sale of property, plant and equipment	2,062	2,849	32
Placement of cash in bank deposits	(32,847)	(69,763)	(11,065)
Receipt of cash from bank deposits	75,353	30,965	-
Loans issued	(4,646)	(44,915)	-
Repayment of loans issued	6,221	42,326	-
Dividends received	467	86	13
Investments in shares	-	(1,626)	(7)
Purchase of promissory notes	-	-	(255)
Proceeds from disposal and redemption of promissory notes	-	-	414
Net cash provided by/ (used in) investing activities	37,089	(82,927)	(22,012)
Financing activities			
Proceeds from borrowings	122,854	270,744	106,157
Repayment of borrowings	(110,719)	(239,243)	(85,521)
Dividends paid	(82,906)	-	-
Proceeds from issuance of shares	-	-	2,376
Net cash (used in)/ provided by financing activities	(70,771)	31,501	23,012
Net increase/ (decrease) in cash and cash equivalents	6,367	809	(3,269)
Cash and cash equivalents at the beginning of the year	6,996	5,635	9,177
Effect of translation to presentation currency for the period	272	552	(273)
Cash and cash equivalents at the end of the period	13,635	6,996	5,635