

URALCHEM HOLDING P.L.C.

**Condensed consolidated interim
financial statements
for the nine months ended 30 September 2010
(unaudited)**

URALCHEM HOLDING P.L.C.

TABLE OF CONTENTS

	Page
Statement of management's responsibilities for the preparation and approval of the unaudited condensed consolidated interim financial statements for the nine months ended 30 September 2010	1
Condensed consolidated interim financial statements for the nine months ended 30 September 2010 (unaudited):	
Condensed consolidated interim income statement (unaudited)	2
Condensed consolidated interim statement of comprehensive income (unaudited)	3
Condensed consolidated interim statement of financial position (unaudited)	4
Condensed consolidated interim statement of cash flows (unaudited)	5-6
Condensed consolidated interim statement of changes in equity (unaudited)	7
Notes to the condensed consolidated interim financial statements (unaudited)	8-25

URALCHEM HOLDING P.L.C.

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

The following statement is made with a view to stipulate the responsibilities of management in relation to the unaudited condensed consolidated interim financial statements of UralChem Holding P.L.C. and its subsidiaries (the "Group").

Management is responsible for the preparation of unaudited condensed consolidated interim financial statements that present fairly the financial position of the Group as at 30 September 2010, the results of its operations for the nine and three months ended 30 September 2010, cash flows and changes in equity for the nine months ended 30 September 2010, in accordance with International Accounting Standard 34 Interim Financial Reporting.

In preparing the unaudited condensed consolidated interim financial statements, management is responsible for:

- selecting suitable accounting principles and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- stating whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the condensed consolidated interim financial statements; and
- preparing the condensed consolidated interim financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management, within its competencies, is also responsible for:

- designing, implementing and maintaining an effective system of internal controls, throughout the Group;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- taking steps to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

The unaudited condensed consolidated interim financial statements for the nine months ended 30 September 2010 were approved and signed on 22 December 2010 by:



Victor N. Zorkin
Director



Maksim Kh. Bakov
Chief Financial Officer

Limassol, Cyprus
22 December 2010

URALCHEM HOLDING P.L.C.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2010	2009	2010	2009
Revenue					
Sales of goods	6	928,708	661,364	297,935	216,616
Other sales		51,723	40,715	19,043	13,291
Total revenue		980,431	702,079	316,978	229,907
Cost of sales	7	(536,861)	(423,531)	(176,000)	(150,287)
Gross profit		443,570	278,548	140,978	79,620
Selling and distribution expenses	8	(232,451)	(195,320)	(74,333)	(64,873)
General and administrative expenses	9	(83,242)	(71,052)	(25,268)	(24,487)
Net (loss)/gain from derivative financial instruments		-	(15,305)	-	141
Other operating income		6,868	13,578	3,719	239
Other operating expenses		(9,032)	(12,008)	(1,927)	(1,439)
Operating profit/(loss)		125,713	(1,559)	43,169	(10,799)
Interest income		865	30,066	159	5,946
Interest expense		(114,518)	(117,214)	(35,838)	(39,813)
Share of (loss)/gain of associates	11	(735)	(662)	430	(197)
Foreign exchange (loss)/gain from financing activities		(3,895)	(21,262)	25,928	29,703
Profit/(loss) before tax		7,430	(110,631)	33,848	(15,160)
Income tax		4,196	50,944	(8,741)	11,518
Profit/(loss) for the period		11,626	(59,687)	25,107	(3,642)
Attributable to:					
Shareholders of the parent		17,022	(43,030)	26,524	1,651
Non-controlling interests		(5,396)	(16,657)	(1,417)	(5,293)
		11,626	(59,687)	25,107	(3,642)
Earnings/(loss) per share					
Weighted average number of ordinary shares in issue during the period		175,000,000	10,110	175,000,000	10,110
Basic and diluted earnings/(loss) per share (US dollars per share)		0.1	(4,256.2)	0.2	163.3

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.

URALCHEM HOLDING P.L.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	Nine months ended 30 September		Three months ended 30 September	
	2010	2009	2010	2009
Profit/(loss) for the period	11,626	(59,687)	25,107	(3,642)
Other comprehensive (loss)/income:				
Effect of translation to presentation currency	(1,924)	(6,477)	1,562	13,214
Other comprehensive (loss)/income	(1,924)	(6,477)	1,562	13,214
Total comprehensive income/(loss) for the period	9,702	(66,164)	26,669	9,572
Total comprehensive income/(loss) for the period attributable to:				
Shareholders of the parent	15,414	(46,330)	26,307	12,883
Non-controlling interests	(5,712)	(19,834)	362	(3,311)
	9,702	(66,164)	26,669	9,572

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.

URALCHEM HOLDING P.L.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	Notes	30 September 2010	31 December 2009
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	10	666,910	722,938
Goodwill		168,738	169,624
Intangible assets		9,135	8,158
Investments in associates	11	34,506	35,304
Inventories	12	28,846	29,605
Available-for-sale investments		176,911	177,837
Other financial assets		-	7,359
Deferred tax assets		86,052	55,153
		1,171,098	1,205,978
<i>Current assets</i>			
Inventories	12	120,377	101,502
Trade and other receivables		56,579	40,583
Advances paid and prepaid expenses		25,443	28,948
Income tax receivable		5,691	10,119
Other taxes receivable		50,716	95,306
Other financial assets		44,426	36,973
Cash and cash equivalents		22,189	53,658
		325,421	367,089
		1,496,519	1,573,067
TOTAL ASSETS			
EQUITY AND LIABILITIES			
<i>Capital and reserves</i>			
Share capital	13	1,374	1,374
Additional paid-in capital		152,223	152,223
Foreign currency translation reserve		(68,244)	(66,636)
Accumulated deficit		(240,392)	(259,386)
		(155,039)	(172,425)
Equity attributable to shareholders of the parent			
Non-controlling interests		70,279	73,121
		(84,760)	(99,304)
<i>Non-current liabilities</i>			
Loans and borrowings	14	771,241	887,366
Obligations under finance leases		38,955	43,094
Other payables		9,298	17,628
Retirement benefit obligations		8,146	7,635
Deferred tax liabilities		46,358	53,879
		873,998	1,009,602
<i>Current liabilities</i>			
Loans and borrowings	14	594,199	533,604
Obligations under finance leases		11,083	11,500
Trade and other payables		76,557	69,302
Advances received		12,174	39,705
Income tax payable		5,566	2,018
Other taxes payable		7,702	6,640
		707,281	662,769
		1,581,279	1,672,371
TOTAL EQUITY AND LIABILITIES			
		1,496,519	1,573,067

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.

URALCHEM HOLDING P.L.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	Nine months ended 30 September 2010	Nine months ended 30 September 2009
Operating activities		
Profit/(loss) before tax	7,430	(110,631)
Adjustments for:		
Depreciation of property, plant and equipment	78,280	70,759
Amortisation of intangible assets	1,251	823
Change in fair value of derivative financial instruments	-	(36,986)
Change in provisions and allowances	610	513
Write-down of inventory to net realisable value	1,614	5,941
Impairment of investments in associates	-	3,398
Loss on disposal of property, plant and equipment	1,039	1,942
Foreign exchange loss, net	6,363	11,815
Share of loss of associates	735	662
Interest income	(865)	(30,066)
Interest expense	114,518	117,214
Operating cash flows before working capital changes	210,975	35,384
(Increase)/decrease in inventory	(21,598)	622
Increase in trade and other receivables	(22,717)	(9,473)
Decrease in advances paid and prepaid expenses	3,735	15,885
Decrease in other taxes receivable	35,764	12,602
Increase in retirement benefit obligations	553	502
(Decrease)/increase in trade and other payables	(509)	13,429
Decrease in advances received	(27,840)	(15,228)
Increase in other taxes payable	1,353	132
Cash generated from operations	179,716	53,855
Interest paid	(102,780)	(115,365)
Income tax paid	(17,894)	(7,896)
Net cash generated from/(used in) operating activities	59,042	(69,406)
Investing activities		
Increase of ownership in subsidiaries	(577)	(782)
Acquisition of available-for-sale investments	-	(115)
Proceeds from disposal of subsidiaries	5,419	-
Acquisition of short-term promissory note	(35,000)	-
Payments for property, plant and equipment	(29,278)	(45,465)
Proceeds from sale of property, plant and equipment	5,071	5,008
Payments for intangible assets	(2,290)	(5,801)
Loans issued	(28,870)	(25,872)
Proceeds from repayment of loans issued	48,013	33,331
Interest received	16,040	2,641
Net cash used in investing activities	(21,472)	(37,055)

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.

URALCHEM HOLDING P.L.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (CONTINUED) (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	Nine months ended 30 September 2010	Nine months ended 30 September 2009
Financing activities		
Proceeds from short-term loans and borrowings	133,894	314,885
Proceeds from long-term loans and borrowings	92,992	-
Repayment of short-term loans and borrowings	(291,360)	(302,823)
Repayment of long-term loans and borrowings	-	(2,016)
Repayment of principal amounts of finance leases	(4,443)	(4,759)
Net cash (used in)/generated from financing activities	(68,917)	5,287
Net decrease in cash and cash equivalents	(31,347)	(101,174)
Cash and cash equivalents at the beginning of the period	53,658	118,301
Effect of exchange rate changes on the balance of cash held in foreign currencies	(122)	(1,084)
Cash and cash equivalents at the end of the period	22,189	16,043

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.

URALCHEM HOLDING P.L.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	Notes	Attributable to shareholders of the parent					Non-controlling interests	Total
		Share capital	Additional paid-in capital	Foreign currency translation reserve	Retained earnings/ (accumulated deficit)	Total		
Balance as at 1 January 2009		24	155,204	(49,485)	23,667	129,410	72,867	202,277
Loss for the period		-	-	-	(43,030)	(43,030)	(16,657)	(59,687)
Other comprehensive loss		-	-	(3,300)	-	(3,300)	(3,177)	(6,477)
Total comprehensive loss for the period		-	-	(3,300)	(43,030)	(46,330)	(19,834)	(66,164)
Increase of ownership in subsidiaries		-	-	-	86	86	(872)	(786)
Other transactions with entities under common control		-	(5,898)	-	-	(5,898)	-	(5,898)
Balance as at 30 September 2009		24	149,306	(52,785)	(19,277)	77,268	52,161	129,429
Balance as at 1 January 2010		1,374	152,223	(66,636)	(259,386)	(172,425)	73,121	(99,304)
Profit/(loss) for the period		-	-	-	17,022	17,022	(5,396)	11,626
Other comprehensive loss		-	-	(1,608)	-	(1,608)	(316)	(1,924)
Total comprehensive (loss)/profit for the period		-	-	(1,608)	17,022	15,414	(5,712)	9,702
Increase of ownership in a subsidiary	4	-	-	-	(55)	(55)	(522)	(577)
Disposal of subsidiaries	4	-	-	-	2,027	2,027	3,392	5,419
Balance as at 30 September 2010		1,374	152,223	(68,244)	(240,392)	(155,039)	70,279	(84,760)

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

1. GENERAL INFORMATION

Organisation

UralChem Holding P.L.C. (formerly ACF–Agrochem Finance Limited, the “Company”) is a public limited company which was incorporated in Cyprus on 4 May 2006. As at 30 September 2010, the Company was 95.5% owned by CI-Chemical Invest Limited, incorporated in Cyprus. The remaining 4.5% of the Company’s shares were held by management. The principal beneficial shareholder of the Company is Mr. Dmitry A. Mazepin. The Company’s main office is located at office 249, 28th Oktovriou Street, Lophitis Business Center, 1st floor, Office 101, P.C. Limassol 3035, Cyprus.

Principal business activities

The principal business activities of the Group are the production and distribution of mineral fertilisers. The main products of the Group are nitrogen based, phosphate based and complex fertilisers.

Market conditions

Global economic conditions continued to improve during the nine months of 2010 and positively influenced fertiliser markets. Positive outlook in the fertilizer’s market has been driven by strong fall season for nitrogen and phosphate application in the northern hemisphere and by anticipation of a good spring fertilizer season in 2011. The main market for exports continued to be Latin America, with Brazil and Mexico accounting for the majority of exports to this region. European and Asian markets are the destination for much of the remaining Russian export supplies. Global market prices for ammonia increased on average by 47.3%, for ammonium nitrate by 31.5% and for diammonium phosphate by 40.1% during nine months of 2010 in comparison with the same period of 2009. Urea prices have increased by 3.9% for the same period of 2010.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting, as issued by the International Accounting Standards Board, except for accounting for investments in associates (refer to note 11).

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for mark-to-market valuation of certain financial instruments, in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

These condensed consolidated interim financial statements are prepared based on the accounting policies applied in the annual consolidated financial statements of the Group for the year ended 31 December 2009, except for the impact of the adoption of the Standards and Interpretations described in note 3, and 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 2009.

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

3. ADOPTION OF NEW AND REVISED STANDARDS

Standards and Interpretations effective in the current period

The Group has adopted all revised and new Standards and Interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee that are mandatory for adoption in the annual periods beginning on 1 January 2010.

Standards and Interpretations adopted with no effect on the condensed consolidated interim financial statements

IFRS 2 Share-Based Payment (amendments)
IFRS 3 Business Combinations (revised)
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (amendments)
IFRS 8 Operating Segments (amendments)
IAS 1 Presentation of Financial Statements (amendments)
IAS 7 Statement of Cash Flows (amendments)
IAS 17 Leases (amendments)
IAS 28 Investments in associates (amendments)
IAS 32 Financial Instruments: Presentation (amendments)
IAS 36 Impairment of Assets (amendments)
IAS 38 Intangible Assets (amendments)
IAS 39 Financial Instruments: Recognition and Measurement (amendments)
IFRIC 16 Hedges of a Net Investment in a Foreign Operation
IFRIC 17 Distributions of Non-cash Assets to Owners
IFRIC 18 Transfers of Assets from Customers

Standards and Interpretations in issue but not yet adopted

At the date of authorisation of these condensed consolidated interim financial statements, the following Standards and Interpretations were in issue but not yet effective:

<u>Standards and Interpretations</u>	<u>Effective on or for annual periods beginning on or after</u>
IFRS 3 Business Combinations (amendments)	1 July 2010
IFRS 7 Financial Instruments (amendments)	1 January 2011
IFRS 9 Financial Instruments – Classification and Measurement	1 January 2013
IAS 1 Presentation of Financial Statements (amendments)	1 January 2011
IAS 24 Related Party Disclosures (revised)	1 January 2011
IAS 27 Consolidated and Separate Financial Statements (amendments)	1 July 2010
IAS 34 Interim Financial Reporting (amendments)	1 January 2011
IFRIC 13 Customer Loyalty Programmes (amendments)	
IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2011
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The impact of adoption of these Standards and Interpretations in the preparation of the consolidated financial statements in future periods is currently being assessed by management. Management anticipates that, except for IFRS 9 Financial Instruments - Classification and Measurement (“IFRS 9”), the adoption of these Standards and Interpretations will have no material impact on the consolidated financial statements of the Group in the period of initial adoption.

IFRS 9 introduces new requirements for the classification and measurement of financial assets. All recognised financial assets that are currently in the scope of IAS 39 Financial Instruments: Recognition and Measurement, will be measured at either amortised cost or fair value.

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

4. BUSINESS COMBINATIONS

Increase of ownership interest in Open Joint Stock Company Voskresensk Mineral Fertilisers (“VMF”) during the nine months ended 30 September 2010 by the Group

During the nine months ended 30 September 2010, the Group acquired, through a number of transactions with non-controlling shareholders, an additional 0.2% of VMF’s shares for a total cash consideration of USD 459 thousand, increasing its ownership in the company to 75.0%. The carrying value of VMF’s net assets at the dates when the shares were acquired ranged from USD 265,504 thousand to USD 270,836 thousand. As a result of these transactions, the Group recognised a decrease in net assets attributable to non-controlling shareholders in the amount of USD 443 thousand. The excess of the consideration paid over the Group’s share in net assets acquired of USD 16 thousand was recognised directly in the statement of changes in equity as a decrease in retained earnings.

As a result of the transactions described above, the Company made a mandatory offer of USD 0.21 per ordinary share to acquire the remaining non-controlling shares in VMF. The maximum amount of obligation which the Group could potentially face under this mandatory offer amounted to USD 31,856 thousand. The offer was made in accordance with the Russian Federal Law on Joint Stock Companies and non-controlling shareholders had 70 days from receipt of the mandatory offer documentation within which to accept the offer. The mandatory offer expired on 7 May 2010. As a result of this offer, the Group acquired 5,600 additional ordinary shares or 0.0004% interest in the share capital of VMF for a consideration of USD 1 thousand. VTB bank was acting as a guarantor of the transaction. The short-term promissory note in the amount of USD 35,000 thousand issued by VTB bank, was pledged to secure this guarantee (see note 17).

Increase of ownership interest in KCCW Mineral Fertiliser Plant (“KCCW”) during the nine months ended 30 September 2010 by the Group

During the nine months ended 30 September 2010, the Group acquired, through a number of transactions with non-controlling shareholders, an additional 0.04% of KCCW’s shares for a total cash consideration of USD 118 thousand, increasing its ownership in the company to 98.3%. The carrying value of KCCW’s net assets at the dates when the shares were acquired ranged from USD 166,561 thousand to USD 186,589 thousand. As a result of these transactions, the Group recognised a decrease in net assets attributable to non-controlling shareholders in the amount of USD 79 thousand. The excess of the Group’s share in net assets acquired over the consideration paid of USD 39 thousand was recognised directly in the statement of changes in equity as a decrease in retained earnings.

Decrease of ownership interest in KCCW Mineral Fertiliser Plant (“KCCW”) during the nine months ended 30 September 2010 by the Group

In August 2010, the Group sold, through a number of transactions with third parties, 1.8% KCCW’s shares, or 25,000 ordinary shares for a total cash consideration of USD 5,419 thousand, decreasing its ownership in the company to 96.5%. The carrying value of KCCW’s net assets at the date when the shares were sold equals to USD 186,589 thousand. As a result of these transactions, the Group recognised an increase in net assets attributable to non-controlling shareholders in the amount of USD 3,392 thousand. The excess of the consideration received over the Group’s share in net assets sold of USD 2,027 thousand was recognised directly in the statement of changes in equity as an increase in retained earnings.

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

5. SEGMENT INFORMATION

For management purposes the Group is organised into two segments, Nitrogen Fertilisers and Phosphate Fertilisers. Reports reviewed by the Chief Executive Officer (the “chief operating decision maker”) that are used to assess performance and allocate resources are prepared on the same basis.

- Nitrogen Fertilisers: The nitrogen fertilisers segment comprises subsidiaries engaged in the production of nitrogen based fertilisers, complex fertilisers, ammonia, inorganic acids and other chemical products. The major subsidiaries allocated to the nitrogen fertilisers segment are Open Joint Stock Company Kirovo-Chepetsk Chemical Works (“KCCW”), located in the Kirov region of the Russian Federation, and Open Joint Stock Company Azot (“Azot”), located in the Perm region of the Russian Federation; and
- Phosphate Fertilisers: The phosphate fertilisers segment comprises subsidiaries engaged in the production of phosphate based fertilisers, complex fertilisers, ammonia and inorganic acids. The major subsidiary allocated to the phosphate fertilisers segment is VMF, located in the Moscow region of the Russian Federation.

The chief operating decision maker does not regularly review the operating results of other operations, and these operations are not reported as separate operating segments. These other operations contain smaller subsidiaries which engage in a variety of businesses, for example electricity and heat energy generation, construction, repairs and maintenance and processing of waste water.

The profitability of the two operating segments is primarily measured based on OIBDA, which the Group defines as operating profit adjusted for depreciation and amortisation. Since this term is not a standard IFRS measure, the Group’s definition of OIBDA may differ from that of other companies. Costs and assets of subsidiaries of the Group engaged in transportation, sales and marketing activities are allocated (pro rata volume of services rendered by these companies to the operating segments) to operating segments within management reports reviewed by the chief operating decision maker. Costs and assets of subsidiaries of the Group engaged in other operations are not allocated to operating segments within management reports reviewed by the chief operating decision maker.

Segment information provided to the chief operating decision maker for the reportable segments for the nine months ended 30 September 2010 is as follows:

Nine months ended 30 September 2010	Nitrogen fertilisers	Phosphate fertilisers	Total
Revenue from external customers	723,118	205,590	928,708
Inter-segment revenue	22,335	446	22,781
Total segment revenue	745,453	206,036	951,489
OIBDA	222,476	11,730	234,206

Nine months ended 30 September 2009	Nitrogen fertilisers	Phosphate fertilisers	Total
Revenue from external customers	565,479	95,885	661,364
Inter-segment revenue	1,299	2,258	3,557
Total segment revenue	566,778	98,143	664,921
OIBDA	130,928	(26,399)	104,529

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

The total reportable segment OIBDA is reconciled to consolidated profit/ (loss) before tax as follows:

Nine months ended 30 September 2010	Nitrogen fertilisers	Phosphate fertilisers	Total
Segment OIBDA	222,476	11,730	234,206
Unallocated operating activity			
Depreciation and amortisation			(79,531)
Corporate overheads			(27,507)
Other			(33,107)
Inter-segment operations			31,652
Group operating profit			125,713
Interest income			865
Interest expense			(114,518)
Share of loss of associates			(735)
Foreign exchange loss from financing activities			(3,895)
Group profit before tax			7,430

Nine months ended 30 September 2009	Nitrogen fertilisers	Phosphate fertilisers	Total
Segment OIBDA	130,928	(26,399)	104,529
Unallocated operating activity			
Depreciation and amortisation			(71,582)
Corporate overheads			(30,572)
Other			(24,929)
Inter-segment operations			20,995
Group operating loss			(1,559)
Interest income			30,066
Interest expense			(117,214)
Share of loss of associates			(662)
Foreign exchange loss from financing activities			(21,262)
Group loss before tax			(110,631)

The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the income statement.

Total reportable segment assets are as follows:

Total segment assets as at:	Nitrogen fertilisers	Phosphate fertilisers	Total
30 September 2010	760,016	343,841	1,103,857
31 December 2009	806,213	377,758	1,183,971

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

The amounts provided to the chief operating decision maker with respect to total assets are measured in a manner consistent with that in the financial statements. These assets are allocated based on the operations of the segment.

Investments in shares (classified as available-for-sale financial assets or investments in associates) held by the Group are not considered to be segment assets but are rather managed at the corporate headquarters by the strategic investment function.

Non-current assets other than financial instruments and deferred tax assets are located primarily in the Russian Federation, the location of the Group's major production facilities. The total of these non-current assets located in other countries, including Cyprus, are not significant.

Information about the revenue from sales to external customers attributed to individual countries is not available as the cost to develop it would be excessive. Therefore this information is not disclosed in these condensed consolidated interim financial statements.

6. SALES OF GOODS

Nine months ended 30 Septemebr 2010	Total	Export	Russia	CIS
Mineral fertilisers				
Nitrogen based fertilisers	483,674	316,389	117,545	49,740
Phosphate based fertilisers	154,636	96,404	32,584	25,648
Complex fertilisers	120,286	73,527	30,141	16,618
Ammonia	99,141	97,296	1,845	-
Explosive grade ammonium nitrate	36,331	4,033	28,868	3,430
Inorganic acids	13,583	-	13,583	-
Other chemical products	21,057	1,763	18,746	548
Total	928,708	589,412	243,312	95,984
Nine months ended 30 September 2009				
Mineral fertilisers				
Nitrogen based fertilisers	373,158	279,147	66,362	27,649
Complex fertilisers	126,346	90,162	22,768	13,416
Phosphate based fertilisers	40,453	33,492	6,903	58
Ammonia	58,682	55,168	2,960	554
Explosive grade ammonium nitrate	31,757	9,184	20,115	2,458
Inorganic acids	13,534	-	13,462	72
Other chemical products	17,434	272	16,622	540
Total	661,364	467,425	149,192	44,747

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

Three months ended 30 September 2010	<u>Total</u>	<u>Export</u>	<u>Russia</u>	<u>CIS</u>
Mineral fertilisers				
Nitrogen based fertilisers	143,031	126,807	11,083	5,141
Phosphate based fertilisers	53,144	25,156	18,396	9,592
Complex fertilisers	46,887	26,836	11,363	8,688
Ammonia	27,550	26,895	655	-
Explosive grade ammonium nitrate	14,500	1,934	11,069	1,497
Inorganic acids	5,814	-	5,814	-
Other chemical products	7,009	792	6,031	186
Total	<u>297,935</u>	<u>208,420</u>	<u>64,411</u>	<u>25,104</u>
Three months ended 30 September 2009				
Mineral fertilisers				
Nitrogen based fertilisers	120,156	105,364	7,505	7,287
Complex fertilisers	48,200	29,682	15,954	2,564
Phosphate based fertilisers	3,834	-	3,832	2
Ammonia	24,828	23,492	782	554
Explosive grade ammonium nitrate	8,844	1,099	6,848	897
Inorganic acids	4,378	-	4,346	32
Other chemical products	6,376	199	5,934	243
Total	<u>216,616</u>	<u>159,836</u>	<u>45,201</u>	<u>11,579</u>

7. COST OF SALES

	<u>Nine months ended 30 September</u>		<u>Three months ended 30 September</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Raw materials, including:				
Natural gas	178,024	132,252	52,806	47,347
Apatite	90,939	41,849	29,154	15,173
Potassium chloride	15,006	20,639	5,860	8,114
Sulphur	10,676	3,663	3,391	1,256
Other raw materials	32,946	32,256	8,813	17,264
Energy and utilities	79,295	62,149	26,754	22,667
Payroll and social taxes	62,933	55,700	20,658	19,069
Depreciation	62,460	56,882	19,807	20,391
(Increase)/decrease in inventory balance of work in-progress and finished goods	(11,466)	1,619	1,745	(7,740)
Other	16,048	16,522	7,012	6,746
Total	<u>536,861</u>	<u>423,531</u>	<u>176,000</u>	<u>150,287</u>

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

8. SELLING AND DISTRIBUTION EXPENSES

	<u>Nine months ended 30 September</u>		<u>Three months ended 30 September</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Transportation, including:				
Railway tariff	96,049	77,405	26,322	27,274
Freight and transshipment	71,941	56,077	28,968	22,035
Rail cars rent expenses	13,070	14,854	3,228	4,486
Other transportation expenses	9,052	7,674	2,558	1,430
Payroll and social taxes	11,276	8,537	3,938	3,234
Depreciation	8,835	7,201	3,050	1,142
Advertising and marketing	6,865	10,607	2,178	674
Customs clearance charges	1,966	1,121	643	488
Other	13,397	11,844	3,448	4,110
Total	232,451	195,320	74,333	64,873

9. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>Nine months ended 30 September</u>		<u>Three months ended 30 September</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Payroll and social taxes	41,105	36,204	12,411	11,952
Depreciation	6,985	6,676	1,870	2,416
Audit, legal and consulting services	6,616	4,802	1,770	1,888
Security	2,897	2,631	969	911
Rent	2,726	2,317	929	525
Bank charges	1,384	1,160	451	-
Other	21,529	17,262	6,868	6,795
Total	83,242	71,052	25,268	24,487

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures	Machinery, equipment and transport	Other	Construction- in-progress	Total
Cost					
Balance at 1 January 2009	294,485	478,762	28,721	55,942	857,910
Additions	3,420	4,958	2,097	30,971	41,446
Transfers	227	7,053	722	(8,002)	-
Disposals	(597)	(1,293)	(652)	(5,146)	(7,688)
Effect of translation to presentation currency	(6,690)	(10,477)	(545)	85	(17,627)
Balance at 30 September 2009	290,845	479,003	30,343	73,850	874,041
Balance at 1 January 2010	294,828	486,490	33,885	111,656	926,859
Additions	1,754	6,086	839	22,505	31,184
Transfers	3,054	21,272	942	(25,268)	-
Disposals	(72)	(2,523)	(769)	(3,834)	(7,198)
Effect of translation to presentation currency	(1,563)	(2,664)	(50)	(103)	(4,380)
Balance at 30 September 2010	298,001	508,661	34,847	104,956	946,465
Accumulated Depreciation					
Balance at 1 January 2009	(27,000)	(75,590)	(2,108)	-	(104,698)
Charge for the year	(18,498)	(49,743)	(2,518)	-	(70,759)
Disposals	252	399	87	-	738
Effect of translation to presentation currency	(809)	(2,121)	(192)	-	(3,122)
Balance at 30 September 2009	(46,055)	(127,055)	(4,731)	-	(177,841)
Balance at 1 January 2010	(53,108)	(145,359)	(5,454)	-	(203,921)
Charge for the year	(20,642)	(54,737)	(2,901)	-	(78,280)
Disposals	60	840	81	-	981
Effect of translation to presentation currency	378	1,245	42	-	1,665
Balance at 30 September 2010	(73,312)	(198,011)	(8,232)	-	(279,555)
Carrying value					
At 1 January 2010	241,720	341,131	28,431	111,656	722,938
At 30 September 2010	224,689	310,650	26,615	104,956	666,910

As at 30 September 2010, property, plant and equipment included advances paid for acquisition of the property, plant and equipment in the amount of USD 54,361 thousand (31 December 2009: USD 55,110 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 2010, the net book value of leased machinery, equipment and transport was USD 47,132 thousand (31 December 2009: USD 53,542 thousand).

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

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 (refer to note 14):

	<u>30 September 2010</u>	<u>31 December 2009</u>
Machinery, equipment and transport	131,528	139,889
Buildings and structures	57,402	48,782
Other	1,660	1,388
Total	<u>190,590</u>	<u>190,059</u>

11. INVESTMENTS IN ASSOCIATES

Details of the Group's associates are as follows:

Name of associate	Principal activity	Effective ownership, %	
		<u>30 September 2010</u>	<u>31 December 2009</u>
Perm Mineral Fertilisers	Production of mineral fertilisers	46.5	46.5
NPK Karbon-Shungit	Mining and processing	49.7	49.7
ZhDTsekh	Other services	50.0	50.0

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

	<u>Nine months ended 30 September 2010</u>	<u>Nine months ended 30 September 2009</u>
Investments in associates – equity method		
Balance at the beginning of the period	<u>10,726</u>	<u>15,892</u>
Share of loss of associates	(735)	(662)
Impairment	-	(3,398)
Effect of translation to presentation currency	(38)	(425)
Balance at the end of the period	<u>9,953</u>	<u>11,407</u>
Investments in associates – at cost		
Balance at the beginning of the period	<u>24,578</u>	<u>-</u>
Effect of translation to presentation currency	(25)	-
Balance at the end of the period	<u>24,553</u>	<u>-</u>
Total at the beginning of the period	<u>35,304</u>	<u>15,892</u>
Total at the end of the period	<u>34,506</u>	<u>11,407</u>

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

Investments in associates – equity method

Summarised financial information in respect of the Group's associates accounted for under the equity method:

	<u>30 September 2010</u>	<u>31 December 2009</u>
Total assets	25,517	28,037
Total liabilities	(5,542)	(6,329)
Net assets	19,975	21,708
Group's share of net assets of associates	9,953	10,726
	<u>Nine months ended</u>	<u>Nine months ended</u>
	<u>30 September 2010</u>	<u>30 September 2009</u>
Revenue	5,193	1,777
Loss for the period	(1,445)	(1,325)
Share of loss of associates	(735)	(662)

Investments in associates – at cost

The Group does not have any information related to the financial position of Open Joint Stock Company Perm Mineral Fertilisers ("PMF") as at 30 September 2010 and its financial results for the nine months then ended. Thus, it is impracticable for the Group to account for this investment applying equity method and the Group has continued to account for this investment at cost. PMF is a Russian-based company engaged in the production of mineral fertilisers, whose main operating facilities are located in the Perm region of the Russian Federation.

12. INVENTORIES

	<u>30 September 2010</u>	<u>31 December 2009</u>
Inventories expected to be recovered after twelve months		
Catalytic agents	26,648	25,583
Other inventories	2,198	4,022
	28,846	29,605
Inventories expected to be recovered in the next twelve months		
Raw materials, net of allowance for obsolescence	56,457	48,552
Finished goods	55,529	37,456
Goods for resale	224	5,183
Work in-progress	8,167	10,311
	120,377	101,502
Total	149,223	131,107

During the nine months ended 30 September 2010, the Group recognised a write down of USD 1,614 thousand to reduce the carrying amount of inventories to net realisable value (nine months ended 30 September 2009: USD 5,941 thousand). At 30 September 2010, inventories in the amount of USD 1,880 thousand were stated at net realisable value (31 December 2009: USD 18,784 thousand).

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

At 30 September 2010, raw materials were presented net of allowance for obsolescence of USD 3,847 thousand (31 December 2009: USD 4,902 thousand). During the nine months ended 30 September 2010, the Group recognised USD 37 thousand (nine months ended 30 September 2009: USD 1,636 thousand) and released USD 1,018 thousand (nine months ended 30 September 2009: USD 1,295 thousand) allowance for obsolescence of raw materials.

Certain inventories were pledged to secure bank loans and borrowings granted to the Group, as follows:

	<u>30 September 2010</u>	<u>31 December 2009</u>
Carrying value of pledged inventories (refer to note 14)	44,300	58,492

13. SHARE CAPITAL

	<u>Number of authorised ordinary shares</u>		<u>Number of issued ordinary shares</u>		<u>Share capital</u>
	<u>Class A</u>	<u>Class B</u>	<u>Class A</u>	<u>Class B</u>	
Balance at 30 September 2010	<u>10,110</u>	<u>359,989,890</u>	<u>10,110</u>	<u>174,989,890</u>	<u>1,374</u>

There were no changes in share capital of the Company during the nine months ended 30 September 2010.

Shareholders of Class A and Class B ordinary shares have the same rights, voting powers, preferences and restrictions. Class A ordinary shares have a par value of EUR 1.71 each and Class B ordinary shares have a par value of EUR 0.00515 each.

At 30 September 2010, share capital was fully paid (31 December 2009: USD 18 thousand remained unpaid related to 100 Class A shares and 7,848,751 Class B shares).

Earnings/(loss) per share

Earnings/(loss) per share was calculated by dividing net profit/(loss) attributable to shareholders of the Company for the nine and three months ended 30 September 2010 and 2009 by the weighted average number of ordinary shares in issue during respective period.

14. LOANS AND BORROWINGS

	<u>30 September 2010</u>	<u>31 December 2009</u>
Loans denominated in USD	1,174,068	1,149,585
Loans denominated in RUR	191,372	262,955
Loans denominated in EUR	-	8,165
Promissory notes	-	265
Total	<u>1,365,440</u>	<u>1,420,970</u>
Less: current portion repayable within twelve months and shown under current liabilities	<u>(594,199)</u>	<u>(533,604)</u>
Long-term portion of loans and borrowings	<u>771,241</u>	<u>887,366</u>

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

Loans denominated in USD

In February 2010, the Group reached an agreement with UniCredit Bank to extend the repayment of short-term loans in the amount of USD 200,000 thousand from 2010 to 2011. The average interest rate on the loans increased from 6.1% per annum to 6.3% per annum. The commission for loans restructuring amounted to USD 750 thousand and was included in interest expense in the condensed consolidated interim income statement. The agreements foresaw that if an initial public offering ("IPO") of UralChem Holding P.L.C. occurred before 31 July 2010 the entire outstanding amount should become due on 1 March 2011, otherwise, the Group was required to make installments starting from 31 July 2010 with the final payment due on 1 March 2011. In April 2010, the Group decided to postpone the IPO of UralChem Holding P.L.C. In June 2010 the Group reached a preliminary agreement with UniCredit Bank to postpone the first instalment till November 2010 and the second instalment from September 2010 till December 2010 with the final payment due in March 2011 which was approved by the bank's Credit Committee in August 2010.

In March 2010, the Group reached an agreement with Raiffeisen Bank to extend the repayment of a short-term loan in the amount of USD 60,000 thousand from 2010 to 2011. The commission for loan restructuring amounted to USD 150 thousand and was included in interest expense in the condensed consolidated interim income statement. In June 2010, the Group reached an agreement with Raiffeisen Bank to decrease the interest rate from Libor 1m + 9.0% per annum to Libor 1m + 6.5% per annum.

In May 2010, the Group reached an agreement with VTB bank to extend repayment of a short-term loan in the amount of USD 65,000 thousand originally due in June 2010 to five monthly instalments starting from August 2010 with the final instalment due on December 2010. The interest rate on this loan remained unchanged.

In August 2010, the Group reached an agreement with the Savings Bank of the Russian Federation ("Sberbank") to extend the repayment of USD 27,000 thousand obtained under a credit facility agreement from August 2010 to February 2012. In accordance with the agreement, the bank provided the Group with a new revolving credit facility with a borrowing limit of USD 27,000 thousand. The annual interest rate under this facility is Libor 3m + 6.7% per annum as compared to the annual interest rate of 7.5% per annum under the old credit facility. As at the date of approval of these condensed consolidated interim financial statements, the Group repaid USD 27,000 thousand to Sberbank under the old credit facility and obtained USD 27,000 thousand under the new credit facility. The commission for loan restructuring amounted to 0.6% of the borrowing limit and was included in interest expense in the condensed consolidated interim income statement.

The loans denominated in USD had a weighted average annual interest rate of 9.2% during the nine months ended 30 September 2010 (during the year ended 31 December 2009: 9.7%) and included the following borrowings:

- USD 31,715 thousand (31 December 2009: USD 795,354 thousand) at fixed rates varying from 7.5% to 11.3% (31 December 2009: from 7.0% to 11.5%) per annum;
- USD 1,064,618 thousand (31 December 2009: USD 260,225 thousand) at floating rates linked to Libor varying from 6.2% to 7.9% (31 December 2009: from 5.2% to 9.2%) per annum;
- USD 76,249 thousand (31 December 2009: USD 75,914 thousand) at a fixed REPO rate of 8.0% per annum; and
- USD 1,486 thousand (31 December 2009: USD 18,092 thousand) at the floating BNPP rate (linked to Libor) of 2.8% per annum which were secured by trade receivables.

The loans denominated in USD are due in the years 2010 to 2013. USD-denominated loans in the amount of USD 1,126,487 thousand (31 December 2009: USD 1,048,268 thousand) are secured by 100% (31 December 2009: 100.0%) of Azot's shares, 62.4%(31 December 2009: 62.4%) of KCCW's shares, 74.8% of VMF's shares (31 December 2009: 74.8%), 100% (31 December 2009: 100%) of KCCW MFP's shares and 44.3% (31 December 2009: 44.3%) of PMF's shares held by the Group and certain fixed assets and inventories (refer to notes 10 and 12).

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

Loans denominated in RUR

In March 2010, the Group reached an agreement with Sberbank to extend the repayment of USD 67,959 thousand obtained under a revolving credit facility agreement from 2010 to 2011. In accordance with the agreement, the bank provided the Group with a new multi-currency revolving credit facility with a borrowing limit of USD 67,959 thousand. Annual interest rates under this facility vary from 9.0% to 14.5% depending on the currency in which the financing is drawn as compared to the annual interest rate of 16.0% under the old credit facility. As at 30 September 2010, the Group repaid USD 71,098 thousand of the amount outstanding under the old credit facility and obtained USD 65,873 thousand under the new credit facility. The commission for loan restructuring amounted to 0.5% of the borrowing limit and was included in interest expense in the condensed consolidated interim income statement.

Loans denominated in RUR consist of a loan of USD 158,408 thousand (31 December 2009: USD 159,375 thousand) that bears interest at a fixed rate of 13.0% (31 December 2009: 16.0%) per annum and is repayable in quarterly instalments starting from 24 March 2011 with the final instalment due on 24 June 2013 and other loans of USD 32,964 thousand (31 December 2009: USD 103,580 thousand) that bear interest at fixed rate of 14.5% (31 December 2009: from 14.5% to 16.0%) per annum and are due in 2010 to 2011. The majority of loans are secured by 100% (31 December 2009: 100.0%) of Azot's shares, 62.4% (31 December 2009: 62.4%) of KCCW's shares, 74.8% of VMF's shares (31 December 2009: 74.8%), 100% (31 December 2009: 100.0%) of KCCW MFP's shares and 44.3% (2008: nil; 2007: nil) of PMF's shares held by the Group and certain fixed assets and inventories (refer to notes 10 and 12).

Total loans and borrowings were repayable as follows:

	<u>30 September 2010</u>	<u>31 December 2009</u>
Due within three months	166,847	166,150
Due from three to six months	227,432	190,792
Due from six to twelve months	199,920	176,662
	<u>594,199</u>	<u>533,604</u>
Due in the second year	317,402	199,867
Due in the third year	364,871	317,142
Due in the fourth year	88,968	370,357
	<u>771,241</u>	<u>887,366</u>

The Group's bank loans are subject to the restrictive covenants, including but not limited to:

- set-up limits for the total amount of borrowings of certain Group subsidiaries;
- bank approval for any transfer of pledged property;
- set-up limits for the amount of cash collections of certain Group subsidiaries that have to be transferred to the accounts at defined banks; and
- set-up limits for disposal of assets with a carrying value of more than USD 3,289 thousand for two of the Company's subsidiaries, UralChem OJSC and UralChem Management Company.

All loan agreements have acceleration clauses, allowing the creditors to request early repayment of outstanding amounts in case of non-compliance with these covenants.

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

15. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Related parties include shareholders, entities under common ownership and control with the Group 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 and control.

The Group had the following outstanding balances with related parties:

	<u>30 September 2010</u>	<u>31 December 2009</u>
Parent company of the Group		
Other payables	(36,258)	(47,628)
Loans issued, at amortised cost	-	35,116
Loans and borrowings	(612)	(1,087)
Entities under common ownership and control with the Group		
Trade and other receivables	4,404	4,277
Loans issued, at amortised cost	1,888	1,781
Promissory notes of related parties, at amortised cost	349	351
Trade and other payables	(1,503)	(2,816)

The Group entered into the following transactions with related parties:

	<u>Nine months ended 30 September 2010</u>	<u>Nine months ended 30 September 2009</u>
Parent company of the Group		
Loans issued	-	(18,500)
Proceeds from repayment of loans issued	35,124	24,115
Interest income	74	14,221
Interest expense	(58)	(164)
Entities under common ownership and control with the Group		
Sales of goods and services	30,888	22,526
Purchases of goods and services	(7,009)	(9,363)
Loans issued	-	(5,696)
Proceeds from repayment of loans issued	-	6,908
Interest income	117	381
Interest expense	-	(164)
Other income	503	120

Transactions with related parties

Sales and purchases of goods

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.

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

Purchases from related parties which primarily included purchases of inventories for production of nitrogen fertilisers were made at market prices plus an insignificant premium of 1.0% to 2.0% as reimbursement for operating expenses of those entities.

Loans issued to related parties

The loans issued to related parties are primarily loans issued to the parent company for financing of its investing activities.

During the nine months ended 30 September 2010, the parent company of the Group repaid previously issued loans in the amount of USD 35,124 thousand denominated in USD which were outstanding as at 31 December 2009. These loans bear interest at a rate of 12.0% (31 December 2009: 12.0%) per annum. As at 30 September 2010, loans issued to related parties included an amount of USD 1,888 thousand denominated in RUR (31 December 2009: USD 1,781 thousand). These loans bear interest at a fixed rate of 10.5% (31 December 2009: 10.5%) per annum.

Compensation of key management personnel

The compensation of key management personnel of the Group for the nine months ended 30 September 2010 comprised salaries and cash bonuses in the amount of USD 5,940 thousand (nine months ended 30 September 2009: USD 3,340 thousand), including social taxes in the amount of USD 735 thousand (nine months ended 30 September 2009: USD 294 thousand).

16. 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 were as follows:

	<u>30 September 2010</u>	<u>31 December 2009</u>
Due in one year	272,048	238,856
Due from two to five years	271,536	436,738
Total	<u>543,584</u>	<u>675,594</u>

Capital commitments

As at 30 September 2010 the Group's contractual capital commitments for acquisition of property, plant and equipment amounted to USD 7,408 thousand (31 December 2009: USD 13,250 thousand).

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-cancellable operating leases were as follows:

	<u>30 September 2010</u>	<u>31 December 2009</u>
Due in one year	16,871	18,748
Due from two to five years	41,263	46,840
Total	<u>58,134</u>	<u>65,588</u>

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

Guarantees issued

As at 30 September 2010 and 31 December 2009, the Group issued financial guarantees in respect of loans obtained by related and third parties. The total amount of outstanding guarantees issued by the Group was as follows:

	<u>30 September 2010</u>	<u>31 December 2009</u>
Related parties	197	6,723
Third parties	32	13
Total	<u>229</u>	<u>6,736</u>

The Group's maximum exposure to credit risk in the event of non-performance by parties to these financial guarantees is limited to the contractual amounts disclosed above. At 30 September 2010 and 31 December 2009 management assessed the risk of non-performance by parties to these financial guarantees as remote.

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, social taxes, 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 different 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 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 management's 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.

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

Russian Federation risk

The economy of the Russian Federation, while deemed to be of market status, continue 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.

17. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Loans from Sberbank

In November 2010, the Group reached an agreement with Sberbank to extend the repayment of the following loan instalments:

- repayment of the current portion of a long-term loan in the amount of USD 66,600 thousand was extended from May 2011 till May 2012, and the repayment of the long-term portion of the same loan in the amount of USD 633,333 thousand from 2011 - 2013 till 2012 - 2013. The commission for loan restructuring amounted to USD 6,000 thousand. The annual interest rate on this loan remained unchanged;
- repayment of the current portion of a long-term loan in the amount of USD 50,984 thousand was extended from March - June 2011 till June 2012, and the repayment of the long term portion of the same loan in the amount of USD 105,134 thousand from 2011 - 2013 to 2012 - 2013. The annual interest rate on this loan remained unchanged;
- repurchase of 9,452,559 shares of Togliattiazot, which represent 9.7% of the investee's share capital, for the amount of USD 75,750 thousand under REPO agreement, was extended from November 2010 to November 2011. The interest rate on this repurchase obligation remained unchanged.

Loans from UniCredit bank

In November 2010 the Group reached an agreement with UniCredit Bank to postpone the instalment from November 2010 to February 2011, which was approved by the bank's Credit Committee in November 2010. The annual interest rate on this loan remained unchanged.

Loan from VTB bank

Up to the date of approval of these condensed consolidated interim financial statements, the Group repaid the loan to VTB bank in the amount of USD 31,000 thousand (refer to note 14). The loan bore interest at an annual fixed rate of 11.3%.

Loan from Promsvyazbank

In October 2010, the Group signed a new credit facility agreement with Promsvyazbank ("PSB") with a borrowing limit of USD 65,000 thousand maturing in April 2012, up to the date of approval of these condensed consolidated financial statements the loan was drawn in full. The loan bears interest at an annual fixed rate of 8.5%.

Promissory note issued by VTB bank

In October 2010, the short-term promissory note in the amount of USD 35,000 thousand issued by VTB bank (see note 4), which is included in other current financial assets in these condensed consolidated interim financial statements, was settled by the issuer.

Increase of ownership in subsidiaries

In October-November 2010, the Group acquired 228,852,000 ordinary shares or an additional 14.9% interest in the share capital of VMF for a total cash consideration of USD 58,056 thousand, increasing its ownership in the company to 89.9%.

In November 2010, the Group acquired an additional 0.4% interest or 5,500 preference shares in the share capital of KCCW for a cash consideration of USD 1,206 thousand increasing its ownership in the company to 96.9%.

The notes on pages 8 to 25 are an integral part of these condensed consolidated interim financial statements.