

**OPEN JOINT STOCK COMPANY KIROVO-CHEPETSK CHEMICAL
WORKS AND ITS SUBSIDIARIES**

INTERNATIONAL ACCOUNTING STANDARD NO. 34

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

30 JUNE 2007

Contents

Condensed Consolidated Interim Balance Sheet..... F-12

Condensed Consolidated Interim Income Statement..... F-13

Condensed Consolidated Interim Cash Flow Statement..... F-14

Condensed Consolidated Interim Statement of Changes in Equity..... F-15

Notes to the Condensed Consolidated Interim Financial Statements F-16

OPEN JOINT STOCK COMPANY KIROVO-CHEPETSK CHEMICAL WORKS**CONSOLIDATED INTERIM CONDENSED BALANCE SHEET (UNAUDITED)****AS OF 30 JUNE 2007**

All amounts are in thousands of US Dollars unless otherwise stated

	Notes	<u>30 June 2007</u>	<u>31 December 2006</u>
ASSETS			
Non-current assets			
Property, plant and equipment	5	207,635	199,264
Catalytic agents		10,883	7,778
Deferred tax assets		7,342	6,558
Other non-current assets	6	5,212	1,769
		<u>231,072</u>	<u>215,369</u>
Current assets			
Inventories	7	49,664	44,513
Accounts receivable, advances issued and prepayments	8	91,582	64,182
Income tax receivable		389	357
Other taxes receivable	9	26,503	23,619
Cash and cash equivalents	10	2,908	768
		<u>171,046</u>	<u>133,439</u>
Total assets		<u>402,118</u>	<u>348,808</u>
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	11	980	980
Share premium	11	2,333	2,333
Retained earnings		149,287	133,892
Translation reserve		10,912	7,096
		<u>163,512</u>	<u>144,301</u>
Non-current liabilities			
Long-term borrowings	12	5,881	10,286
Other long-term liabilities		238	315
Deferred tax liabilities		21,761	21,431
		<u>27,880</u>	<u>32,032</u>
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	13	174,879	144,680
Accounts payable and accrued charges	14	28,855	20,751
Income tax payable		1,746	1,753
Other taxes payable		5,246	5,291
		<u>210,726</u>	<u>172,475</u>
Total equity and liabilities		<u>402,118</u>	<u>348,808</u>

Approved for issue and signed on behalf of the Board of Directors on 10 December 2007.

General Director of the managing company
LLC MC "Uralchem", Osipov D.V.

Financial Director of the managing company
LLC MC "Uralchem", Vischanenko A.V.

OPEN JOINT STOCK COMPANY KIROVO-CHEPETSK CHEMICAL WORKS

**CONSOLIDATED INTERIM CONDENSED INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

All amounts are in thousands of US Dollars unless otherwise stated

	Notes	6 months ended 30 June 2007	6 months ended 30 June 2006
Sales	15	214,884	145,630
Cost of sales	16	<u>(132,196)</u>	<u>(122,448)</u>
Gross profit		82,688	23,182
Distribution expenses	17	(41,459)	(6,311)
General and administrative expenses	18	(13,083)	(10,114)
Other operating expenses, net	19	<u>(1,281)</u>	<u>(4,473)</u>
Operating profit		26,865	2,284
Finance income		45	3
Finance expense		(7,165)	(4,318)
Foreign exchange gain, net		<u>2,065</u>	<u>4,017</u>
Profit before income tax		21,810	1,986
Income tax charge	20	<u>(6,415)</u>	<u>(1,055)</u>
Profit for the year attributable to the shareholders of the Company		<u>15,395</u>	<u>931</u>
Weighted average number of ordinary shares in issue during the period		1,025,950	1,025,950
Earnings per ordinary share attributable to the shareholders of the Company (in USD per share)	21	15.01	0.91

OPEN JOINT STOCK COMPANY KIROVO-CHEPETSK CHEMICAL WORKS

**CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

All amounts are in thousands of US Dollars unless otherwise stated

	6 months ended 30 June 2007	6 months ended 30 June 2006
Operating activities		
Profit before income tax	21,810	1,986
Adjustments for:		
Depreciation and amortization	10,963	9,811
Loss from disposal of property, plant and equipment, net	238	1,542
(Gain)/ loss from disposal of other assets	(791)	519
Provision for unused vacation	297	739
Provision for obsolete and slow-moving inventory	(558)	104
Bad debt provision	166	61
Interest income	(45)	(3)
Interest expense	7,165	4,318
Foreign exchange gain, net	(1,403)	(2,713)
Other non-monetary expense/ (income)	487	(99)
Operating cash flows before working capital changes	38,329	16,265
Decrease in tax receivables and prepayments	439	7,400
Increase in accounts receivable, advances issued and prepayments	(25,685)	(12,408)
(Increase)/ decrease in inventory	(5,717)	3,705
Increase/ (decrease) in accounts payable and accrued charges	6,377	(5,867)
Decrease in other taxes payable	(148)	(4,808)
Cash generated from operations	13,595	4,287
Income tax paid	(7,234)	(2,648)
Interest paid	(6,135)	(3,913)
Net cash provided by/ (used in) operating activities	226	(2,274)
Investing activities		
Purchase of property, plant and equipment	(20,904)	(8,225)
Proceeds from sale of property, plant and equipment	66	886
Loans issued	(3,641)	(99)
Proceeds from repayment of loans issued	3,025	-
Proceeds from disposal of financial investment	-	20
Net cash used in investing activities	(21,454)	(7,418)
Financing activities		
Proceeds from borrowings	138,352	133,956
Repayment of borrowings	(115,077)	(122,023)
Net cash provided by financing activities	23,275	11,933
Net increase in cash and cash equivalents	2,047	2,241
Cash and cash equivalents at the beginning of the year	768	2,150
Effect of translation to presentation currency for the period	93	185
Cash and cash equivalents at the end of the period	2,908	4,576

The accompanying notes on pages 5 to 13 are an integral part of these consolidated interim condensed financial statements

OPEN JOINT STOCK COMPANY KIROVO-CHEPETSK CHEMICAL WORKS

**CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

All amounts are in thousands of US Dollars unless otherwise stated

	Attributable to the shareholders of the Company				Total
	Share capital	Share premium	Translation reserve	Retained earnings	
Balance at 1 January 2006	980	2,333	(5,314)	136,058	134,057
Profit for the year	-	-	-	931	931
Foreign exchange difference from translation to presentation currency	-	-	8,454	-	8,454
Balance at 30 June 2006	980	2,333	3,140	136,989	143,442
Balance at 1 January 2007	980	2,333	7,096	133,892	144,301
Profit for the year	-	-	-	15,395	15,395
Foreign exchange difference from translation to presentation currency	-	-	3,816	-	3,816
Balance at 30 June 2007	980	2,333	10,912	149,287	163,512

The accompanying notes on pages 5 to 13 are an integral part of these consolidated interim condensed financial statements

OPEN JOINT STOCK COMPANY KIROVO-CHEPETSK CHEMICAL WORKS

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2007

All amounts are in thousands of US Dollars unless otherwise stated

1. GENERAL INFORMATION

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards for the six months ended 30 June 2007 for Open Joint Stock Company Kirovo-Chepetsk Chemical Works (“the Company” or “OJSC KCCW”) and its subsidiaries (together referred to as “the Group”).

The Company was established as a state owned enterprise in 1946. It was incorporated as an open joint stock company in 1994 as part of the Russian Federation’s privatization program. The Company is registered and located at Pozharniy pereulok, 7, 613040, Kirovo-Chepetsk, Kirov region, Russian Federation.

The principal activities of the Group are the production of mineral fertilizers, polymers and products of inorganic chemistry. The main products of the Group are nitrogen fertilizers, including: ammonia, ammonium nitrate, nitric acid, compound fertilizers and products of inorganic chemistry, including: monomers, polymers, fluoropolymers, fluoroplastics, fluororubber, special gases, freons and others.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2007 have been prepared in accordance with International Accounting Standard (IAS) 34, “Interim Financial Reporting”. These interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2006.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual consolidated financial statements for the year ended 31 December 2006, as described in the annual financial statements for the year ended 31 December 2006.

The management estimates and assumptions applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2006.

At 30 June 2007 the principal rate of exchange used for translating foreign currency balances was USD 1= RR 25.8162 (30 June 2006: USD 1= RR 27.0789).

4. SEGMENT INFORMATION

The Group’s primary format for reporting segment information is business segments and the secondary format is geographical segments.

The Group is organised on a basis of two main business segments:

Mineral fertilizers – representing production and distribution of ammonia, ammonium nitrate, nitric acid, compound and other mineral fertilizers;

Polymers – representing production and distribution of monomers, polymers, fluoropolymers and other inorganic chemistry products.

Transactions between the business segments are carried out on normal commercial terms and conditions. Internal charges between segments have been reflected in the performance of each business segment. Other operations of the Group mainly comprise construction, repair and maintenance, transportation services, electricity and heat supply and other supporting activities, neither of which are of a sufficient size to be reported separately.

Segment information for the main reportable business segments of the Group for the six months ended 30 June 2007 and 2006 is set out below:

OPEN JOINT STOCK COMPANY KIROVO-CHEPETSK CHEMICAL WORKS

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2007

All amounts are in thousands of US Dollars unless otherwise stated

4. SEGMENT INFORMATION (continued)

	<u>Mineral fertilizers</u>	<u>Polymers</u>	<u>Other</u>	<u>Elimination</u>	<u>Total</u>
6 months ended 30 June 2007					
Segment revenues					
External sales	163,995	48,182	2,707		214,884
Inter-segment sales	<u>2,333</u>	<u>3,888</u>	<u>42,827</u>	<u>(49,048)</u>	<u>-</u>
Total revenues	<u>166,328</u>	<u>52,070</u>	<u>45,534</u>	<u>(49,048)</u>	<u>214,884</u>
Operating profit/ (loss)	<u>28,498</u>	<u>(2,887)</u>	<u>(1,715)</u>	<u>2,969</u>	<u>26,865</u>
6 months ended 30 June 2006					
Segment revenues					
External sales	100,611	41,372	3,647		145,630
Inter-segment sales	<u>3,604</u>	<u>3,209</u>	<u>38,862</u>	<u>(45,675)</u>	<u>-</u>
Total revenues	<u>104,215</u>	<u>44,581</u>	<u>42,509</u>	<u>(45,675)</u>	<u>145,630</u>
Operating profit/ (loss)	<u>8,646</u>	<u>(2,517)</u>	<u>(3,520)</u>	<u>(325)</u>	<u>2,284</u>

5. PROPERTY, PLANT AND EQUIPMENT

Movements in the carrying amount of property, plant and equipment were as follows:

	<u>Buildings and structures</u>	<u>Machinery, equipment and transport</u>	<u>Other</u>	<u>Construc- tion in progress</u>	<u>Total</u>
Cost					
At 1 January 2006	110,548	75,080	3,253	10,720	199,601
Additions	296	1,249	415	5,469	7,429
Transfers	-	982	-	(982)	-
Disposals	(1,928)	(916)	(149)	(40)	(3,033)
Effect of translation to presentation currency	<u>6,919</u>	<u>4,778</u>	<u>197</u>	<u>2,239</u>	<u>14,133</u>
At 30 June 2006	<u>115,835</u>	<u>81,173</u>	<u>3,716</u>	<u>17,406</u>	<u>218,130</u>
At 1 January 2007	<u>121,267</u>	<u>98,234</u>	<u>4,134</u>	<u>14,206</u>	<u>237,841</u>
Additions	1,804	2,103	145	10,892	14,944
Transfers	2,458	2,088	89	(4,635)	-
Disposals	(243)	(204)	(64)	(24)	(535)
Effect of translation to presentation currency	<u>2,509</u>	<u>2,041</u>	<u>84</u>	<u>413</u>	<u>5,047</u>
At 30 June 2007	<u>127,795</u>	<u>104,262</u>	<u>4,388</u>	<u>20,852</u>	<u>257,297</u>

OPEN JOINT STOCK COMPANY KIROVO-CHEPETSK CHEMICAL WORKS

**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

All amounts are in thousands of US Dollars unless otherwise stated

5. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings and structures	Machinery, equipment and transport	Other	Construc- tion in progress	Total
Accumulated Depreciation					
At 1 January 2006	(5,657)	(11,577)	(323)	-	(17,557)
Charge for the year	(3,224)	(5,734)	(316)	-	(9,274)
Disposals	86	375	28	-	489
Effect of translation to presentation currency	(427)	(855)	(27)	-	(1,309)
At 30 June 2006	(9,222)	(17,791)	(638)	-	(27,651)
At 1 January 2007	(13,162)	(24,460)	(955)	-	(38,577)
Charge for the year	(3,829)	(6,135)	(302)	-	(10,266)
Disposals	65	89	10	-	164
Effect of translation to presentation currency	(342)	(616)	(25)	-	(983)
At 30 June 2007	(17,268)	(31,122)	(1,272)	-	(49,662)
Net Book Value					
At 30 June 2007	110,527	73,140	3,116	20,852	207,635
At 30 June 2006	106,613	63,382	3,078	17,406	190,479

At 30 June 2007 and 31 December 2006 the property, plant and equipment with a carrying value of USD 74,681 thousand and USD 63,338 thousand, respectively, have been pledged to third parties as a collateral for borrowings. Refer to Note 13.

6. OTHER NON-CURRENT ASSETS

	30 June 2007	31 December 2006
Advances issued to suppliers for capital construction	4,141	714
Intangible assets	789	883
Other non-current assets	282	172
Total	5,212	1,769

7. INVENTORIES

	30 June 2007	31 December 2006
Raw materials	21,456	23,017
Finished goods	8,023	6,306
Work-in-progress	7,453	6,798
Spare parts and other materials and supplies	18,877	14,976
	55,809	51,097
Less: provision for obsolete and slow-moving inventories	(6,145)	(6,584)
Total	49,664	44,513

At 30 June 2007 and 31 December 2006 inventories with a carrying value of USD 29,368 thousand and USD 17,597 thousand, respectively, have been pledged to third parties as a collateral for borrowings. Refer to Note 13.

OPEN JOINT STOCK COMPANY KIROVO-CHEPETSK CHEMICAL WORKS

**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

All amounts are in thousands of US Dollars unless otherwise stated

8. ACCOUNTS RECEIVABLE, ADVANCES ISSUED AND PREPAYMENTS

	<u>30 June 2007</u>	<u>31 December 2006</u>
Trade receivables	82,054	51,386
Advances issued	9,764	9,804
Other receivables	705	4,437
	<u>92,523</u>	<u>65,627</u>
Less: bad debt provision	(941)	(1,445)
Total	<u>91,582</u>	<u>64,182</u>

At 30 June 2007 and 31 December 2006 trade receivables of USD 65,899 thousand and USD 45,238 thousand, respectively, are denominated in foreign currency, mainly in US dollars.

9. OTHER TAXES RECEIVABLE

	<u>30 June 2007</u>	<u>31 December 2006</u>
Value added tax	25,518	23,591
Other taxes	1,374	28
Total	<u>26,892</u>	<u>23,619</u>

10. CASH AND CASH EQUIVALENTS

	<u>30 June 2007</u>	<u>31 December 2006</u>
USD denominated bank balances	2,530	157
RR denominated cash in hand and bank balances	378	611
Total	<u>2,908</u>	<u>768</u>

11. SHARE CAPITAL

Share capital authorised, issued and paid in amounted to USD 980 thousand as of 30 June 2007 and 31 December 2006 and consisted of 1,025,950 ordinary shares and 328,650 preferred shares, each with a par value of 1 rouble. Each ordinary share carries one vote.

12. LONG-TERM BORROWINGS

	<u>30 June 2007</u>	<u>31 December 2006</u>
USD denominated long-term bank borrowings at nominal rate 7-11% p.a.	1,203	10,000
RR denominated long-term loans payable at nominal rate 10-12 % p.a.	4,380	-
Long-term promissory notes issued	298	286
Total	<u>5,881</u>	<u>10,286</u>
Long-term borrowings are repayable as follows:		
Due in second year	5,583	10,000
Due in more than five years	298	286
Total	<u>5,881</u>	<u>10,286</u>

OPEN JOINT STOCK COMPANY KIROVO-CHEPETSK CHEMICAL WORKS

**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

All amounts are in thousands of US Dollars unless otherwise stated

13. SHORT-TERM BORROWINGS AND CURRENT PORTION OF LONG-TERM BORROWINGS

	<u>30 June 2007</u>	<u>31 December 2006</u>
USD denominated bank borrowings at nominal rate 8-11 % p.a.	103,772	88,126
Short-term promissory notes issued at nominal rate 11-12% p.a.	29,501	27,782
RR denominated bank borrowings at nominal rate 11-16 % p.a.	28,481	16,911
USD denominated loan at nominal rate 11-12% p.a.	9,082	8,691
EURO denominated bank borrowings at nominal rate 7-9% p.a.	4,043	3,170
Total	<u>174,879</u>	<u>144,680</u>

At 30 June 2007 and 31 December 2006 total borrowings include secured liabilities of USD 79,410 thousand and USD 111,907 thousand, respectively. Bank borrowings were secured by property, plant and equipment of the Group (Note 5) and inventories (Note 7).

The carrying amounts of both long-term and short-term borrowings approximate their fair value as of 30 June 2007 and 31 December 2006. Effective interest rates approximate nominal interest rates.

14. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	<u>30 June 2007</u>	<u>31 December 2006</u>
Trade payables	17,010	8,964
Advances received	2,449	4,894
Provision for unused vacations	2,321	1,979
Liabilities for property, plant and equipment	1,741	846
Other accounts payable and accrued charges	5,334	4,068
Total	<u>28,855</u>	<u>20,751</u>

As of 30 June 2007 and 31 December 2006 all trade accounts payable and advances received are RR denominated.

15. SALES

	<u>Mineral fertilizers</u>	<u>Polymers</u>	<u>Other revenue</u>	<u>Total</u>
6 months ended 30 June 2007				
By destination				
Russia	28,257	30,562	3,917	62,736
CIS	93	946	-	1,039
Export	134,778	16,331	-	151,109
	<u>163,128</u>	<u>47,839</u>	<u>3,917</u>	<u>214,884</u>
6 months ended 30 June 2006				
By destination				
Russia	30,395	26,960	4,425	61,780
CIS	5,117	1,279	-	6,396
Export	65,013	12,441	-	77,454
	<u>100,525</u>	<u>40,680</u>	<u>4,425</u>	<u>145,630</u>

OPEN JOINT STOCK COMPANY KIROVO-CHEPETSK CHEMICAL WORKS**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

All amounts are in thousands of US Dollars unless otherwise stated

16. COST OF SALES

	6 months ended 30 June 2007	6 months ended 30 June 2006
Raw materials	60,642	58,918
Energy and utilities	27,274	20,189
Payroll and social taxes	26,866	22,302
Depreciation	9,751	8,550
Taxes	1,719	1,428
Transportation expenses	1,103	1,402
Repair and maintenance	760	1,826
Other expenses	4,081	7,833
Total	132,196	122,448

17. DISTRIBUTION EXPENSES

	6 months ended 30 June 2007	6 months ended 30 June 2006
Transportation expenses	31,174	2,910
Operating lease expenses	6,342	577
Customs expenses	2,662	230
Depreciation	114	114
Other	1,167	2,480
Total	41,459	6,311

18. GENERAL AND ADMINISTRATIVE EXPENSES

	6 months ended 30 June 2007	6 months ended 30 June 2006
Payroll and social taxes	5,959	4,488
Depreciation and amortisation	1,098	1,147
Legal and consulting services	1,061	355
Social expenses	918	303
Rental expenses	878	56
Security	745	459
Other	2,424	3,306
Total	13,083	10,114

OPEN JOINT STOCK COMPANY KIROVO-CHEPETSK CHEMICAL WORKS

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2007

All amounts are in thousands of US Dollars unless otherwise stated

19. OTHER OPERATING EXPENSES, NET

	6 months ended 30 June 2007	6 months ended 30 June 2006
Foreign currency exchange loss on non-financial items	662	1,304
Loss/ (gain) on disposal of securities, net	556	(4)
Loss from foreign currency sale and purchase	478	569
Charity and donations	278	461
Loss from disposal of property, plant and equipment, net	238	1,542
(Gain)/ loss from disposal of materials and other assets	(791)	519
Other (income)/ expense, net	(140)	82
Total	1,281	4,473

20. INCOME TAX

	6 months ended 30 June 2007	6 months ended 30 June 2006
Current tax charge	7,170	2,943
Deferred tax credit	(755)	(1,888)
Total	6,415	1,055

21. EARNINGS PER SHARE

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

There were 1,025,950 weighted average shares outstanding for the six months ended 30 June 2007 and 2006.

22. RELATED PARTIES

During the six months ended 30 June 2007 and 2006 the Group entered into transactions with related parties, which are all entities under common control. Significant transactions with related parties or significant balances outstanding at 30 June 2007 and 31 December 2006 are detailed below.

The outstanding balances with related parties were as follows:

	30 June 2007	31 December 2006
Trade receivables	5,466	4,589
Advances issued and other receivables	588	29
Short-term promissory notes issued	(29,501)	(27,782)
Short-term loan payable	(10,054)	(8,691)
Trade payables and other liabilities	(510)	(427)

OPEN JOINT STOCK COMPANY KIROVO-CHEPETSK CHEMICAL WORKS

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2007

All amounts are in thousands of US Dollars unless otherwise stated

22. RELATED PARTIES (continued)

The income and expense items with related parties were as follows:

	<u>6 months ended</u> <u>30 June 2007</u>	<u>6 months ended</u> <u>30 June 2006</u>
Polymers sales	23,994	22,859
Mineral fertilizers sales	1,069	2,635
Other revenues	177	439
Interest income	46	-
Interest expense	(1,719)	(825)
Raw materials purchased	(225)	(15)
Services purchased	(196)	(8)

As of 30 June 2007 and 31 December 2006 the Group had outstanding guarantees issued for the related parties' liabilities for the amount of USD 41,608 thousand and USD 6,397 thousand, respectively.

Management compensation. Compensation paid to the key management personnel for the six months ended 30 June 2007 and 2006 amounted to USD 1,298 thousand and USD 655 thousand, respectively. These amounts represent primarily salary, bonuses and other short-term employee benefits.

23. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

Legal proceedings. During the six months ended 30 June 2007 and 2006, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated financial statements.

24. EVENTS AFTER THE BALANCE SHEET DATE

Guarantees issued. The Group had outstanding guarantees issued for the third parties' liabilities in the amount of USD 95,691 thousand and USD 44,164 thousand as of 30 June 2007 and 31 December 2006, respectively.

Reorganisation. Subsequent to 30 June 2007 LLC Zavod Polimerov ("LLC ZP"), a subsidiary, sold its total ownership interest in LLC Remontno-Mekhanichesky Zavod, LLC Energosnabzhayuschaya Organizatsiya and LLC Upravleniye Avtomobilnogo Transporta to the Company and its subsidiary LLC Zavod Mineralnykh Udobreniy ("LLC ZMU") for USD 11,361 thousand. The amount is due within one year after agreements were signed. The effective ownership of the Company in the above mentioned subsidiaries did not change after this transaction.

In July 2007 CI-Chemical Invest Limited, a Company's parent, contributed USD 47 thousand to the share capital of LLC ZP and obtained 0,1% share in its capital.

In October 2007 the Company sold its total ownership interest in LLC Pashiskiy Karier to LLC ZP for USD 111 thousand. The amount is due within one year after the agreement was signed.

In October 2007 the Company withdrew its interest in LLC ZP. The amount due from LLC ZP is determined based on the net assets value of LLC ZP as of 31 December 2007 per statutory financial statements and is payable within a six months period after the balance sheet date. The net assets of LLC ZP per statutory financial statements as of 30 September 2007 amounted to USD 48,647 thousand.

In November 2007 CI-Chemical Invest Limited purchased 1% in share capital of LLC Transportno-Logisticheskaya Kompaniya ("LLC TLK") for USD 71 thousand from LLC ZMU.

In November 2007 LLC ZMU withdrew its interest in LLC TLK. The amount due from LLC TLK is determined based on the net assets value of LLC TLK as of 31 December 2007 per statutory financial statements and is payable within a six months period after the balance sheet date. The net assets of LLC TLK per statutory financial statements as of 30 September 2007 amounted to USD 6,991 thousand.

OPEN JOINT STOCK COMPANY KIROVO-CHEPETSK CHEMICAL WORKS

**NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

All amounts are in thousands of US Dollars unless otherwise stated

24. EVENTS AFTER THE BALANCE SHEET DATE (continued)

Borrowings. The Group has obtained short-term loans and borrowings after the balance sheet date for the amount of USD 131,114 thousand and repaid the amount of USD 103,364 thousand. The main purpose of new loan agreements was refinancing of the previous short-term loans. After the balance sheet date the Group has obtained and repaid USD 27,385 thousand and USD 4,334 thousand of long-term borrowings, respectively. The majority of these loans are secured by property, plant and equipment and inventories pledges.

Governance. Starting from 1 December 2007 the functions of the General director of the Company were transferred to LLC Managing Company “Uralchem”.