



# OPEN JOINT STOCK COMPANY UNITED CHEMICAL COMPANY URALCHEM

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## URALCHEM REPORTS FULL YEAR 2008 IFRS FINANCIAL RESULTS

- Revenue increased to US\$ 1,918 million -
- Operating profit increased to US\$ 509 million -
- Net profit increased to US\$ 91 million -

Moscow, Russia – 2 June, 2009 – URALCHEM, OJSC, one of the largest producers of nitrogen and phosphate fertilizers in Russia and the CIS, announced its IFRS financial results for the year, ended 31 December, 2008.

### URALCHEM's key financial results for 2008 and 2007 (thousands of US\$)

	12 months of 2008 r. <sup>i</sup>	12 months of 2007 r. <sup>ii</sup>	(I-II)/II
	I	II	III
Revenue	1,918,201	700,018	174%
Gross profit	1,023,671	303,494	237%
Gross profit, margin	53%	43%	
Operating profit	508,813	143,761	254%
Operating profit, margin	27%	21%	
Net profit	91,165	90,672	0.5%
Net profit, margin	5%	13%	
EBITDA <sup>iii</sup>	625,795	189,721	230%
EBITDA, margin	33%	27%	

Dmitriy Osipov, Chief Executive Officer, commented: “For URALCHEM 2008 was at the same time a year of great financial and operational achievements, a time for laying foundation for future growth, as well as a period of considerable challenge in the midst of the world financial and economic crisis.

Despite worsening conditions on the world markets and in the fertilizer industry in the fourth quarter of 2008, URALCHEM still achieved high results for the year as a whole. This will allow the Company to continue to grow in the coming year even in the new financial and economic conditions.

Our key priority at this time will be to reach planned operating capacities for our new, competitive products. This will allow us to fully meet the current demands on the nitrogen and complex fertilizer markets.

Yet another important task for the Company to enhance its financing. So far in 2009 URALCHEM has successfully begun restructuring and optimizing its credit portfolio, reaching agreements with banks on the refinancing of US\$ 333 million debt. These new agreements with the banks demonstrate their confidence in the further sustainable development of the mineral fertilizer industry, reliability of the Company's investment plans, as well as the effectiveness of its anti-crisis programme”.

### Financial Results<sup>i, ii</sup>

In 2008 URALCHEM's revenue increased to US\$ 1.91 billion compared to US\$ 700 million in 2007. The Company's operating profit amounted to US\$ 509 million, or 27% of revenue, compared to an operating profit of US\$ 144 million, or 21% of revenue in 2007.

In 2008 net profit amounted to US\$ 91 million, which was a slight increase over 2007 results.

The Company's EBITDA amounted to US\$ 626 million in 2008 compared to US\$ 190 million in 2007. URALCHEM achieved an EBITDA margin of 33% in 2008, compared to an EBITDA margin of 27% in 2007.

### **Markets<sup>i,ii</sup>**

URALCHEM's export sales amounted to US\$ 1.49 billion in 2008 compared to US\$ 471 million in 2007. In 2008 78% of the Company's sales were export sales.

### **Sales and Production**

URALCHEM sales volumes of commercial products increased to 4,347,854 tonnes in 2008, a 25% increase over 2007 commercial production levels.

#### **Sales of URALCHEM commercial products in 2008-2007 (tonnes)**

Product	12 months of 2008 (including KCCW, OJSC; Azot, OJSC and Voskresensk Mineral Fertilizers, OJSC)	12 months of 2007 (including KCCW, OJSC and Azot, OJSC)	(I-III)/III
	I	II	III
Ammonium nitrate and its derivatives	2,191,835	2,069,638	6%
Ammonia	452,274	444,928	2%
Urea	432,556	336,201	29%
Complex fertilizers	428,790	376,646	14%
DAP	202,833	-	-
MAP	223,739	-	-
Other mineral fertilizers	71,595	126,459	(43)%
Phosphoric acid	15,926	-	-
Sulphuric acid	162,890	-	-
Other chemical products	165,416	132,042	25%
<b>Total</b>	<b>4,347,854</b>	<b>3,485,914</b>	<b>25%</b>

Dmitriy Osipov added: "In the 4<sup>th</sup> quarter of 2008 we faced a sharp decrease in demand and prices for mineral fertilizers. Nevertheless, even under the ongoing conditions of economic crisis, by the end of the first quarter of 2009 all production facilities were running at full capacity, and additionally, URALCHEM was able to return to optimal sales levels on key markets.

One of the key events in the last year has been the expansion of the Company's phosphate fertilizer product line, which was possible thanks to the acquisition of a 74.82% stake in Voskresensk Mineral Fertilizers, OJSC.

In addition, URALCHEM continued to develop its sales network in Russia and the CIS by establishing URALCHEM Trading House. It is the Company's priority to increase domestic sales by developing Trading House regional representative offices and providing a full range of additional services to Russian agrarians".

### **Financial position<sup>iv</sup>**

Cash flow from operating activities in 2008 amounted to US\$ 277 million compared to US\$ 118 million of cash flow from operating activities in 2007.

Cash flow used in investing activities amounted to US\$ 1.05 billion in 2008 compared to US\$ 416 million in 2007.

Cash flow from financing activities amounted to US\$ 882 million in 2008, while the same item amounted to US\$ 325 million in 2007.

As of 31 December, 2008 the Company's total debt amounted to US\$ 1.31 billion. Cash and cash equivalents as of 31 December, 2008 amounted to US\$ 117 million and net debt totaled US\$ 1.2 billion<sup>v</sup>.

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**For further information, please refer to the Company's web-site [www.uralchem.com](http://www.uralchem.com) or use the following contacts:**

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**URALCHEM is one of the largest producers of nitrogen and phosphate fertilizers in Russia and the CIS with production capacities of over 2.7 million tonnes of ammonium nitrate, 2.2 million tonnes of ammonia, 0.8 million tonnes of MAP and DAP, 0.8 million tonnes of complex fertilizers and 0.5 million tonnes of urea. URALCHEM is the second largest ammonium nitrate producer in the world and number one in Russia. URALCHEM's key production assets include Kirovo-Chepetsk Chemical Works, OJSC in Kirovo-Chepetsk, Kirov region; Azot, OJSC in Berezniki, Perm region; Voskresensk Mineral Fertilizers, OJSC in Voskresensk, Moscow region. According to pro forma IFRS condensed income statement of URALCHEM for 2008, the Company's revenue amounted to over US\$ 1,918 million; EBITBA amounted to US\$ 626 million and net profit to over US\$ 91 million.**

*Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of URALCHEM. We wish to caution you that these statements are only predictions. We do not intend to update these statements and our actual results may differ materially from those contained in our projections or forward-looking statements, including, among others, the achievement of anticipated levels of profitability, growth, cost and synergy of our recent acquisitions, the impact of competitive pricing, the ability to obtain necessary regulatory approvals and licenses, the impact of developments in the Russian economic, political and legal environment, financial risk management and the impact of general business and global economic conditions.*

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<sup>i</sup> Financial information for the year 2008 is based on unaudited condensed pro forma income statement of URALCHEM for the year 2008 prepared according to IFRS. The pro forma condensed income statement of the Group was prepared as if the acquisition of Voskresensk Mineral Fertilizers, OJSC and the corresponding financing thereof took place on 1 January, 2008.

<sup>ii</sup> Financial information for the year 2007 is based on unaudited condensed pro forma income statement of URALCHEM for the year 2007 prepared according to IFRS. The pro forma condensed income statement of the Group was prepared as if the acquisition of Azot, OJSC and the corresponding financing thereof took place on 1 January, 2007.

<sup>iii</sup> See Appendix A.

<sup>iv</sup> Financial information for 2008 and 2007 is based on audited consolidated income statement of URALCHEM for 2007 and 2008 prepared according to IFRS.

<sup>v</sup> Net debt is calculated as total debt of the company less cash and cash equivalents.

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## APPENDIX TO PRESS-RELEASE ON ANNOUNCEMENT OF FINANCIAL RESULTS FOR THE YEAR 2008

### Appendix A EBITDA RECONCILIATION

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### Appendix A

Operating Earnings Before Depreciation and Amortization (EBITDA). EBITDA represents Operating earnings of the Company before depreciation and amortization. Our EBITDA may not be similar to EBITDA measures of other companies; is not a measurement under accounting principles of IFRS and should be considered in addition to, but not as a substitute for, the information contained in our consolidated financial statements. We believe that EBITDA provides useful information to investors because it is an indicator of the strength and performance of our ongoing business operations, including our ability to fund discretionary spending such as capital expenditures, acquisitions and other investments and our ability to incur and service debt. While depreciation and amortization are considered operating costs under generally accepted accounting principles, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. EBITDA can be reconciled to our consolidated statements of operations as follows:

### EBITDA reconciliation (thousands of US\$)

	12 months of 2008 г. <sup>i</sup>	12 months of 2007 г. <sup>ii</sup>
Operating profit	508,813	143,761
<b>Add:</b>		
Depreciation and Amortization	116,982	45,960
<b>EBITDA</b>	<b>625,795</b>	<b>189,721</b>