

## ОАО «ОХК «УРАЛХИМ» ОБЪЯВЛЯЕТ НЕАУДИРОВАННЫЕ ФИНАНСОВЫЕ РЕЗУЛЬТАТЫ ПО МСФО ЗА 1-Й КВАРТАЛ 2008 ГОДА

- Выручка увеличилась до US\$ 376 миллионов -
- Операционная прибыль увеличилась до US\$ 164 миллионов -
- Чистая прибыль выросла до US\$ 126 миллионов -

Москва, Россия – 9 июня 2008 года – Открытое акционерное общество «Объединенная химическая компания «УРАЛХИМ» (ОАО «ОХК «УРАЛХИМ»)), один из крупнейших производителей азотных и фосфорных удобрений в Российской Федерации и странах СНГ, объявило неаудированные финансовые результаты по МСФО за 1-й квартал, завершившийся 31 марта 2008 года.<sup>1</sup>

### Ключевые финансовые показатели ОАО «ОХК «УРАЛХИМ» в 1 –м квартале 2007-2008 гг. (тыс. долл. США)

	1-й квартал 2008 г. <sup>1</sup>	1-й квартал 2007 г.	Изменение к предыдущему периоду
Выручка	376 348	94 847	297%
Валовая прибыль	236 002	33 580	603%
Валовая прибыль, маржа	63%	35%	
Операционная прибыль	163 951	5 738	2757%
Операционная маржа	44%	6%	
Чистая прибыль	125 759	1 205	10336%
Чистая прибыль, маржа	33%	1%	
ЕБИТДА <sup>2</sup>	187 759	11 890	1479%
ЕБИТДА, маржа	50%	13%	
Денежные средства, полученные от (направленные на) операционной деятельности	92 983	(649)	-14427%
<i>Изменения показателей по итогам 1-го квартала 2008 года по сравнению с итогами 1-го квартала 2007 года вызваны, главным образом, приобретением активов, сделанных после 31 марта 2007 года</i>			

Дмитрий Осипов, Генеральный директор ОАО «ОХК «УРАЛХИМ», прокомментировал результаты 1-го квартала 2008 года: «Компания продемонстрировала впечатляющий рост по всем финансовым показателям по сравнению с аналогичным периодом прошлого года. Полученные результаты существенно превысили данные принятого бизнес-плана, вследствие эффекта от приобретения в 2007 году новых активов, в том числе ОАО «Азот» и его дочерних компаний, реализации инвестиционных мероприятий по модернизации существующих мощностей и ценового ралли, продолжающегося на мировых рынках удобрений».

Антон Вишаненко, Финансовый директор ОАО «ОХК «УРАЛХИМ» дополнительно прокомментировал результаты 1-го квартала 2008 года: «Размер чистой прибыли за 1-й квартал 2008 года превысил аналогичный показатель компании за весь 2007 год на 39%, операционная прибыль за 1-й квартал 2008 года превысила прошлогодний годовой показатель на 14%. Маржа ЕБИТДА поднялась до 50%».

### **Финансовые результаты**

Выручка в 1-м квартале 2008 года выросла до US\$ 376 миллионов по сравнению с US\$ 95 миллионами в 1-м квартале 2007 года. Операционная прибыль составила US\$ 164 миллиона, или 44% от выручки, по сравнению с операционной прибылью в US\$ 6 миллионов, или 6% от выручки в 1-м квартале 2007 года.

В 1-м квартале 2008 года чистая прибыль составила US\$ 126 миллионов по сравнению с чистой прибылью в US\$ 1 миллион в 1-м квартале 2007 года.

В 1-м квартале 2008 года показатель EBITDA вырос до US\$ 188 миллионов по сравнению с US\$ 12 миллионами за аналогичный период прошлого года. Маржа EBITDA достигла в 1-м квартале 2008 года 50% по сравнению с 13% в 1-м квартале 2007 года.

### **Рынки**

По итогам 1-го квартала 2008 года объем экспортных продаж составил US\$ 248 миллионов по сравнению с объемом экспортных продаж в US\$ 61 миллион в 1-м квартале 2007 года. В 1-м квартале 2008 года более 65% от объема продаж было реализовано на экспорт.

В 1-м квартале 2008 года на рынках продолжилась тенденция повышения цен на основные виды продукции, производимой предприятиями ОАО «ОХК «УРАЛХИМ». Цена на аммиачную селитру (FOB Балтика) с начала года выросла на 6%, цена на карбамид (FOB Балтика) – на 21%, на кальциево-аммиачную селитру (FOB Балтика) – на 33%, на различные виды сложных удобрений (FOB Балтика) рост составил от 6% до 17%.

### **Продажи и производство**

В 1-м квартале 2008 года объем продаж товарной продукции ОАО «ОХК «УРАЛХИМ» составил 1 миллион 044 тысячи тонн, что на 9% больше по сравнению с 962 тысячами тонн в 1-м квартале 2007 года (с учетом ОАО «Азот»). По итогам 1-го квартала 2008 года валовый объем производства аммиака достиг 520 тысяч тонн, что на 4% больше по сравнению с 499 тысячами тонн в 1-м квартале 2007 года (с учетом ОАО «Азот»).

### **Продажи товарной продукции ОАО «ОХК «УРАЛХИМ» в 1-м квартале 2007-2008 гг. (тонны)**

<b>Наименование продукции</b>	<b>1 кв. 2008 г.</b>	<b>1 кв. 2007 г.</b>	<b>1 кв. 2007 г. (с учетом ОАО «Азот»)</b>	<b>Изменение 1 кв. 2008 г. к 1 кв. 2007 г. (с учетом ОАО «Азот»)</b>
Аммиачная селитра и ее производные, включая кальциево-аммиачную селитру	637 300	299 700	559 400	14%
Аммиак	127 900	85 000	155 600	(22%)
Карбамид	123 000	-	82 400	49%
Сложные удобрения	112 200	111 600	111 600	1%
Другие минеральные удобрения	6 200	11 700	18 000	(191%)
Другие химические продукты	37 500	200	34 500	9%
<b>Всего</b>	<b>1 044 100</b>	<b>508 200</b>	<b>961 500</b>	<b>9%</b>

*Изменения показателей по итогам 1-го квартала 2008 года по сравнению с итогами 1-го квартала 2007 года вызваны, главным образом, приобретением активов, сделанных после 31 марта 2007 года*

Дмитрий Осипов, Генеральный директор ОАО «ОХК «УРАЛХИМ», прокомментировал итоги продаж товарной продукции в 1-м квартале 2008 года: «Объемы продаж основных видов продукции, производимой предприятиями компании, значительно выросли. Так объем продаж карбамида вырос на 49%, аммиачной селитры и ее производных – на 14%. Снижение объема продаж аммиака связано с увеличением объемов продаж высокомаржинальных продуктов, востребованных рынком. «УРАЛХИМ» в рамках реализации своей стратегии переходит на производство продуктов более высокого передела аммиака».

### **Финансовое положение**

Денежные средства, полученные от операционной деятельности в 1 квартале 2008 года, составили US\$ 93 миллиона по сравнению с US\$ 0,6 миллионами, направленными на операционную деятельность в 1-м квартале 2007 года.

Денежные средства, направленные на инвестиционную деятельность в 1-м квартале 2008 года, составили US\$ 37 миллионов по сравнению с US\$ 10 миллионами в 1-м квартале 2007 года.

Денежные средства, направленные на финансовую деятельность в 1-м квартале 2008 года, составили US\$ 5 миллионов по сравнению с US\$ 10 миллионами, полученными от финансовой деятельности в 1-м квартале 2007 года. На 31 марта 2008 года общий долг компании составил US\$ 468 миллионов. Денежные средства и их эквиваленты на конец марта 2008 года составили US\$ 83 миллиона. Чистый долг составил US\$ 385 миллионов.<sup>3</sup>

### **Последние события**

- В ходе 76-й ежегодной международной конференции IFA (International Fertilizer Industry Association) ОАО «ОХК «УРАЛХИМ» представило разработанную специалистами компании уникальную технологию двухслойного гранулирования. Технология применима для производства востребованных рынком азотосульфатных удобрений с дополнительной маржой по сравнению с аналогичными продуктами конкурентов. Внедрение этой технологии позволило ОАО «ОХК «УРАЛХИМ» произвести опытную партию принципиально нового продукта - сухого КАСа (карбамидно-аммиачной смеси) в 3-х слойной грануле. Генеральный директор IFA Люк Ман прокомментировал это событие для издания The National Post: «Сегодня в первый раз я увидел нечто новое. Это то, что мы ищем – увеличивать эффективность продуктов, которые мы производим». Продукт предназначен для премиальных рынков – Франции, Германии и США, используется для выращивания массовых зерновых культур, таких как рис, пшеница, кукуруза – культур, актуальных для производства биоэтанола.
- 6 июня 2008 года ООО «УРАЛХИМ-ТРАНС», входящее в группу ОАО «ОХК «УРАЛХИМ», приобрело на конкурсе за 358,9 миллионов рублей (около US\$ 15 миллионов) имущественный комплекс вагоноремонтного депо Мураши (Кировская обл.). Приобретение имущественного комплекса вагоноремонтного депо позволит компании иметь собственные мощности по ремонту и обслуживанию эксплуатируемого подвижного состава в количестве 3700 единиц, значительно

сократить время выбытия вагонов в ремонт, а также снизить материальные затраты на осуществление ремонта подвижного состава.

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ОАО «ОХК «УРАЛХИМ» — одна из крупнейших компаний на рынке азотных и фосфорных удобрений в Российской Федерации и СНГ, располагающая мощностями по производству более 2,7 миллионов тонн аммиачной селитры, 2,1 миллиона тонн аммиака, 0,8 миллиона тонн моно- и диаммонийфосфата, 0,8 миллиона тонн сложных удобрений, 0,45 миллиона тонн карбамида в год. ОАО «ОХК «УРАЛХИМ» занимает второе место в мире и первое в России по производству аммиачной селитры, является второй компанией в России по объемам производства азотных удобрений. В составе основных активов ОАО «ОХК «УРАЛХИМ» — 95,27% голосующих акций ОАО «Кирово-Чепецкий химический комбинат имени Б.П. Константинова», г. Кирово-Чепецк, Кировская область; 95,53% акций ОАО «Азот», г. Березники, Пермский край; 71,72% голосующих акций ОАО «Воскресенские минеральные удобрения», г. Воскресенск, Московская область; 100% долей ООО «УРАЛХИМ-ТРАНС», 100% акций «URALCHEM FREIGHT LIMITED». В первом квартале 2008 году ОАО «ОХК «УРАЛХИМ» экспортировало более 65% от объема продаж в страны Европы, Латинской Америки, СНГ и на другие экспортные рынки. Выручка ОАО «ОХК «УРАЛХИМ» по МСФО отчетности по итогам 1-го квартала 2008 года составила более US\$ 375 миллионов, EBITDA – более US\$ 185 миллионов, чистая прибыль – более US\$ 125 миллионов.

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

<sup>1</sup> Неаудированная сокращенная консолидированная промежуточная финансовая отчетность Открытого акционерного общества «Объединенная химическая компания «УРАЛХИМ» за три месяца, закончившихся 31 марта 2008 года. См. Приложение В.

<sup>2</sup> См. Приложение А.

<sup>3</sup> Чистый долг определяется как общий долг компании за вычетом денежных средств и их эквивалентов.

**Приложения к пресс-релизу о неаудированных финансовых результатах за 2007 год**

**Приложение А**

EBITDA RECONCILIATION  
FOR THE THREE MONTHS ENDED 31 MARCH 2008,  
EBITDA RECONCILIATION  
FOR THE THREE MONTHS ENDED 31 MARCH 2007

**страница 5**

**Приложение В**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2008 (UNAUDITED)

**страница 6**

**Приложение А**

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

**Расчет показателя ЕБИТДА за 1-й квартал 2008 года и показателя ЕБИТДА за 1-й квартал 2007 года (тыс. долл. США)**

	<b>1-й квартал 2008 г.</b>	<b>1-й квартал 2007 г.</b>
Чистая прибыль	125 759	1 205
<b>Добавить:</b>		
Амортизационные расходы	13 369	7 205
Процентные расходы	11 867	3 107
Налог на прибыль	36 764	373
<b>ЕБИТДА</b>	<b>187 759</b>	<b>11 890</b>

**Open Joint Stock Company  
URALCHEM**

**Condensed consolidated interim financial statements  
for the 3 months ended 31 March 2008 (unaudited)**

**OPEN JOINT STOCK COMPANY URALCHEM**

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# OPEN JOINT STOCK COMPANY URALCHEM

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE 31 MARCH 2008 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	Notes	3 months ended 31 March 2008	3 months ended 31 March 2007
<i>Continuing operations</i>			
<b>Revenue</b>			
Sales of goods	4	357,028	83,610
Other sales	5	19,320	11,237
<b>Total revenue</b>		<b>376,348</b>	<b>94,847</b>
Cost of sales	6	(140,346)	(61,267)
<b>Gross profit</b>		<b>236,002</b>	<b>33,580</b>
Selling and distribution expenses	7	(60,022)	(21,828)
General and administrative expenses	8	(21,074)	(4,934)
Gain on revaluation of forward exchange contracts		9,184	-
Other operating income	9	1,332	250
Other operating expenses	9	(1,471)	(1,330)
<b>Operating profit</b>		<b>163,951</b>	<b>5,738</b>
Interest income		3,030	29
Interest expense	10	(11,867)	(3,107)
Foreign exchange gain from financing activities		7,409	995
<b>Profit before tax</b>		<b>162,523</b>	<b>3,655</b>
Income tax expense	11	(36,764)	(373)
<b>Profit for the period from continuing operations</b>		<b>125,759</b>	<b>3,282</b>
<i>Discontinued operations</i>			
Loss for the period from discontinued operations	12	-	(2,077)
<b>Profit for the period</b>		<b>125,759</b>	<b>1,205</b>
Attributable to:			
Shareholders of the parent		99,782	723
Minority interest		25,977	482
		<b>125,759</b>	<b>1,205</b>
<b>Earnings per share</b>			
Weighted average number of ordinary shares in issue during the period		100,000,000	100,000,000
Basic and diluted earnings per share from continuing and discontinued operations (US dollars per share)		1.00	0.01
Basic and diluted earnings per share from continuing operations (US dollars per share)		1.00	0.03

The notes on pages 5 to 19 are an integral part of these condensed consolidated interim financial statements.



# OPEN JOINT STOCK COMPANY URALCHEM

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS OF 31 MARCH 2008 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	Notes	31 March 2008	31 December 2007
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment	13	494,364	470,686
Goodwill	14	125,096	113,844
Intangible assets		1,708	1,499
Inventories	15	42,376	35,791
Other financial assets	16	2,520	2,199
Deferred tax assets	24	1,773	1,915
		<b>667,837</b>	<b>625,934</b>
<i>Current assets</i>			
Inventories	15	53,212	56,255
Trade and other receivables	17	54,391	20,025
Deferred sales proceeds on disposal of subsidiaries	12	60,459	56,533
Advances paid and prepaid expenses	18	51,946	55,206
Income tax receivable		756	255
Other taxes receivable	19	41,478	38,332
Other financial assets	16	47,778	27,326
Cash and cash equivalents	20	83,092	28,847
		<b>393,112</b>	<b>282,779</b>
<b>TOTAL ASSETS</b>		<b>1,060,949</b>	<b>908,713</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Capital and reserves</i>			
Share capital	21	80,485	80,485
Additional paid-in capital		33,419	33,407
Foreign currency translation reserve		22,971	7,320
Retained earnings		119,852	22,983
<b>Equity attributable to the shareholders of the parent</b>		<b>256,727</b>	<b>144,195</b>
Minority interest		128,590	106,897
		<b>385,317</b>	<b>251,092</b>
<i>Non-current liabilities</i>			
Loans and borrowings	22	331,928	312,224
Retirement benefit obligations	23	8,804	8,385
Deferred tax liabilities	24	67,020	66,257
		<b>407,752</b>	<b>386,866</b>
<i>Current liabilities</i>			
Loans and borrowings	22	135,919	149,531
Trade and other payables	25	48,168	37,053
Advances received		55,132	70,583
Income tax payable		17,499	7,531
Other taxes payable	26	11,162	6,057
		<b>267,880</b>	<b>270,755</b>
<b>Total liabilities</b>		<b>675,632</b>	<b>657,621</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,060,949</b>	<b>908,713</b>

The notes on pages 5 to 19 are an integral part of these condensed consolidated interim financial statements.

# OPEN JOINT STOCK COMPANY URALCHEM

## CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT FOR THE 3 MONTHS ENDED 31 MARCH 2008 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	<b>3 months ended 31 March 2008</b>	<b>3 months ended 31 March 2007</b>
<b>Operating activities</b>		
Profit before tax from continuing operations	162,523	3,655
Loss before tax from discontinued operations	-	(2,517)
<b>Profit before tax</b>	<b>162,523</b>	<b>1,138</b>
Adjustments for:		
Depreciation of property, plant and equipment	13,278	7,125
Amortisation of intangible assets	91	80
Gain on revaluation of forward exchange contracts	(9,184)	-
Loss/(gain) from disposal of property, plant and equipment, net	137	(151)
Foreign exchange gain, net	(8,064)	(985)
Interest income	(3,030)	(111)
Interest expense	11,867	3,838
<b>Operating cash flows before working capital changes</b>	<b>167,618</b>	<b>10,934</b>
Decrease/(increase) in inventories	477	(637)
Increase in trade and other receivables	(32,054)	(25,471)
Decrease/(increase) in advances paid and prepaid expenses	4,509	(3,898)
Increase in other taxes receivable	(1,421)	(1,578)
Increase in retirement benefit obligations	50	474
Increase in trade and other payables	9,940	18,516
(Decrease)/increase in advances received	(17,975)	5,443
Increase in other taxes payable	4,690	404
<b>Cash generated from operations</b>	<b>135,834</b>	<b>4,187</b>
Interest paid	(13,098)	(3,038)
Income tax paid	(29,753)	(1,798)
<b>Net cash generated from/(used in) operating activities</b>	<b>92,983</b>	<b>(649)</b>
<b>Investing activities</b>		
Purchase of intangible assets	(231)	-
Increase of ownership in subsidiaries	(12,413)	-
Purchase of property, plant and equipment	(16,410)	(8,956)
Proceeds from sale of property, plant and equipment	541	805
Loans issued	(11,641)	(4,193)
Proceeds from repayment of loans issued	2,679	2,437
Interest received	676	67
<b>Net cash used in investing activities</b>	<b>(36,799)</b>	<b>(9,840)</b>
<b>Financing activities</b>		
Proceeds from short-term loans and borrowings	475,522	54,799
Proceeds from long-term loans and borrowings	97,510	-
Repayment of short-term loans and borrowings	(528,904)	(44,871)
Repayment of long-term loans and borrowings	(48,980)	-
<b>Net cash (used in)/generated from financing activities</b>	<b>(4,852)</b>	<b>9,928</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>51,332</b>	<b>(561)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>28,847</b>	<b>768</b>
Effect of translation to presentation currency and exchange rate changes on the balance of cash held in foreign currencies	2,913	3
<b>Cash and cash equivalents at the end of the period</b>	<b>83,092</b>	<b>210</b>

The notes on pages 5 to 19 are an integral part of these condensed consolidated interim financial statements.

## OPEN JOINT STOCK COMPANY URALCHEM

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE 3 MONTHS ENDED 31 MARCH 2008 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	Attributable to the shareholders of the parent							Total
	Share capital	Unpaid contribution of shareholder	Additional paid-in capital	Foreign currency translation reserve	Retained earnings	Minority interest		
<b>Balance at 1 January 2007</b>	<b>80,485</b>	<b>(80,485)</b>	-	-	-	-	<b>79,056</b>	<b>79,056</b>
Effect of translation to presentation currency	-	-	-	187	-	187	817	1,004
<b>Net income recognised directly in equity</b>	-	-	-	187	-	187	817	1,004
Profit for the period	-	-	-	-	723	723	482	1,205
<b>Total recognised income and expense</b>	-	-	-	-	723	723	482	1,205
Increase of ownership in subsidiaries	-	-	12,000	-	(3,268)	8,732	(8,732)	-
<b>Balance at 31 March 2007</b>	<b>80,485</b>	<b>(80,485)</b>	<b>12,000</b>	<b>187</b>	<b>(2,545)</b>	<b>9,642</b>	<b>71,623</b>	<b>81,265</b>
<b>Balance at 1 January 2008</b>	<b>80,485</b>	-	<b>33,407</b>	<b>7,320</b>	<b>22,983</b>	<b>144,195</b>	<b>106,897</b>	<b>251,092</b>
Effect of translation to presentation currency	-	-	-	15,651	-	15,651	5,228	20,879
<b>Net income recognised directly in equity</b>	-	-	-	15,651	-	-	5,228	-
Profit for the period	-	-	-	-	99,782	99,782	25,977	125,759
<b>Total recognised income and expense</b>	-	-	-	15,651	99,782	115,433	31,205	146,638
Increase of ownership in subsidiaries	-	-	12	-	(2,913)	(2,901)	(9,512)	(12,413)
<b>Balance at 31 March 2008</b>	<b>80,485</b>	-	<b>33,419</b>	<b>22,971</b>	<b>119,852</b>	<b>256,727</b>	<b>128,590</b>	<b>385,317</b>

The notes on pages 5 to 19 are an integral part of these condensed consolidated interim financial statements.

# OPEN JOINT STOCK COMPANY URALCHEM

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2008 (UNAUDITED)

### 1. GENERAL INFORMATION

Open Joint Stock Company Uralchem (the “Company”) was incorporated in Moscow, Russian Federation, on 22 October 2007. At 31 March 2008 the Company was 99% owned by ACF – Agrochem Finance Limited, Cyprus, a 100% subsidiary of CI – Chemical Invest Limited. The remaining 1% of the Company’s shares were held by CI – Chemical Invest Limited. All these entities are ultimately owned and controlled by Mr. Dmitry A. Mazepin.

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

The major operational facilities of the Company and its subsidiaries (the “Group”), except for Uralchem Freight Limited registered in Cyprus, are located in the Perm and Kirov regions of the Russian Federation. The principle business activities of the Group’s entities and effective ownership of the Group are presented below:

Subsidiaries	Principal activity	Effective ownership, %	
		31 March 2008	31 December 2007
Kirovo-Chepetsk Chemical Works <sup>1</sup>	Holding company	77.6	77.4
Zavod Mineralnykh Udobreniy <sup>1</sup>	Production of mineral fertilisers	77.6	77.4
Remontno-Mekhanichesky Zavod <sup>1</sup>	Construction and repairs	77.6	77.4
Energosnabzhayuschaya Organizatsiya <sup>1</sup>	Electricity and heat distribution	77.6	77.4
Upravleniye Avtomobilnogo Transporta <sup>1</sup>	Transportation and logistics	77.6	77.4
Azot <sup>1</sup>	Production of mineral fertilisers	81.8	78.7
Azotstroyremont <sup>1</sup>	Construction and repairs	81.8	78.7
Uralchem Freight Limited	Transportation and logistics	100.0	100.0
Uralchemtrans	Transportation and logistics	100.0	100.0
Management Company Uralchem	Management activities	100.0	100.0

<sup>1</sup> The Group increased its ownership in the entity during the 3 months ended 31 March 2008 (refer to note 3).

### 2. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements of the Group are prepared in accordance with International Financial Reporting Standards (“IFRS”), IAS 34 Interim Financial Reporting, as issued by International Accounting Standards Board.

The accounting policies adopted in the accompanying condensed consolidated interim financial statements for the 3 months ended 31 March 2008 are consistent with those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2007.

The critical accounting judgements, estimates and assumptions made by management of the Group and applied in the accompanying condensed consolidated interim financial statements for the 3 months ended 31 March 2008 are consistent with those applied in the preparation of annual consolidated financial statements of the Group for the year ended 31 December 2007.

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

	31 March 2008	31 December 2007	31 March 2007
Period-end rates	23.52	24.55	26.01
Average for the period ended	24.26	n/a	26.31

Certain reclassifications have been made to the comparative information for it to conform with the presentation of the condensed consolidated interim financial statements for the 3 months ended 31 March 2008.

# OPEN JOINT STOCK COMPANY URALCHEM

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2008 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

### 3. BUSINESS COMBINATIONS

#### Increase of ownership in subsidiaries during the 3 months ended 31 March 2008

In February and March 2008, the Group acquired, through a number of transactions with minority shareholders, 0.2% of Open Joint Stock Company Kirovo-Chepetsk Chemical Works ("KCCW") shares for a cash consideration of USD 780 thousand, increasing its ownership in the company to 77.6%. The carrying value of KCCW's net assets as at the date when majority of shares were acquired amounted to USD 288,038 thousand. As a result of this transaction, the Group recognised a decrease in net assets attributable to minority interest in the amount of USD 792 thousand. The excess of the Group's share in net assets acquired over the consideration paid of USD 12 thousand was recognised directly in the statement of changes in equity as additional paid-in capital.

During the 3 months ended 31 March 2008, the Group acquired, through a number of transactions with minority shareholders, an additional 3.1% of Open Joint Stock Company Azot, Berezniki ("Azot") shares for a cash consideration of USD 11,633 thousand, increasing its ownership in the company to 81.8%. The carrying value of Azot's net assets as at the date when majority of shares were acquired amounted to USD 281,264 thousand. As a result of this transaction, the Group recognised a decrease in net assets attributable to minority interest in the amount of USD 8,720 thousand. The excess of the consideration paid over the Group's share in net assets acquired of USD 2,913 thousand was recognised directly in the statement of changes in equity as decrease of retained earnings.

### 4. SALES OF GOODS

<b>3 month ended 31 March 2008</b>	<b>Total</b>	<b>Export</b>	<b>Russian Federation</b>	<b>Other CIS countries</b>
Ammonium nitrate and its derivatives	186,419	98,712	70,048	17,659
Ammonia	63,601	62,470	1,131	-
Compound fertilisers	50,774	42,759	8,015	-
Urea	45,650	43,823	1,827	-
Other	10,584	127	10,290	167
<b>Total</b>	<b>357,028</b>	<b>247,891</b>	<b>91,311</b>	<b>17,826</b>

<b>3 month ended 31 March 2007</b>	<b>Total</b>	<b>Export</b>	<b>Russian Federation</b>	<b>Other CIS countries</b>
Ammonium nitrate and its derivatives	44,632	25,870	18,678	84
Ammonia	20,008	19,976	32	-
Compound fertilisers	18,915	15,218	3,697	-
Other	55	46	9	-
<b>Total</b>	<b>83,610</b>	<b>61,110</b>	<b>22,416</b>	<b>84</b>

### 5. OTHER SALES

	<b>3 months ended 31 March 2008</b>	<b>3 months ended 31 March 2007</b>
Electricity and heat energy	12,184	7,810
Construction, repairs and maintenance services	2,105	1,324
Transportation	1,931	1,192
Other	3,100	911
<b>Total</b>	<b>19,320</b>	<b>11,237</b>

## OPEN JOINT STOCK COMPANY URALCHEM

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2008 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

#### 6. COST OF SALES

	<u>3 months ended</u> <u>31 March 2008</u>	<u>3 months ended</u> <u>31 March 2007</u>
Raw materials, including:		
Natural gas	57,793	17,046
Apatite	2,836	2,858
Potassium chloride	2,015	1,735
Other raw materials	15,838	12,741
Energy and utilities	24,036	12,103
Wages and salaries	12,838	7,648
Depreciation	11,916	3,800
Unified social tax	3,613	1,515
Taxes, other than income tax	1,215	582
Repairs and maintenance	744	657
Change in inventory balance of work in-progress and finished goods	5,338	(1,628)
Other	2,164	2,210
<b>Total</b>	<b><u>140,346</u></b>	<b><u>61,267</u></b>

#### 7. SELLING AND DISTRIBUTION EXPENSES

	<u>3 months ended</u> <u>31 March 2008</u>	<u>3 months ended</u> <u>31 March 2007</u>
Transportation, including:		
Rail-way tariff	30,224	15,925
Freight and transshipment	17,043	-
Other transportation expenses	6,191	3,440
Custom clearance charges	2,294	1,199
Wages and salaries	1,621	214
Commissions and agent fees	403	177
Unified social tax	312	39
Other	1,934	834
<b>Total</b>	<b><u>60,022</u></b>	<b><u>21,828</u></b>

# OPEN JOINT STOCK COMPANY URALCHEM

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2008 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

### 8. GENERAL AND ADMINISTRATIVE EXPENSES

	<b>3 months ended 31 March 2008</b>	<b>3 months ended 31 March 2007</b>
Wages and salaries	8,609	1,437
Unified social tax	1,799	226
Rent	1,684	138
Depreciation	1,362	1,090
Bank charges	1,034	183
Audit, legal and consulting services	891	218
Fines and penalties	818	76
Bad debt provision recognised	772	436
Insurance	707	113
Taxes, other than income tax	635	107
Other	2,763	910
<b>Total</b>	<b>21,074</b>	<b>4,934</b>

### 9. OTHER OPERATING INCOME AND EXPENSES

	<b>3 month ended 31 March 2008</b>	<b>3 month ended 31 March 2007</b>
<b>Other operating income</b>		
Foreign currency exchange gain on operating activity, net	655	-
Gain on disposal of property, plant and equipment, net	-	109
Gain on disposal of other assets, net	-	79
Other income	677	62
<b>Total</b>	<b>1,332</b>	<b>250</b>
<b>Other operating expenses</b>		
Loss on disposal of other assets, net	723	-
Charity	611	105
Loss on disposal of property, plant and equipment, net	137	-
Loss on disposal of financial assets, net	-	556
Foreign currency exchange loss on operating activity, net	-	269
Other expenses	-	400
<b>Total</b>	<b>1,471</b>	<b>1,330</b>

### 10. INTEREST EXPENSE

	<b>3 months ended 31 March 2008</b>	<b>3 months ended 31 March 2007</b>
Interest on loans and borrowings	11,848	3,100
Interest on obligations under finance leases	19	7
<b>Total</b>	<b>11,867</b>	<b>3,107</b>

# OPEN JOINT STOCK COMPANY URALCHEM

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2008 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

### 11. INCOME TAX EXPENSE

	<b>3 months ended 31 March 2008</b>	<b>3 months ended 31 March 2007</b>
Current income tax expense	37,999	3,232
Deferred tax benefit	(1,235)	(2,859)
<b>Total</b>	<b>36,764</b>	<b>373</b>

The corporate income tax rates in the Kirov and Perm regions of the Russian Federation, the primary locations of the Group's production entities, were 24% and 20%, respectively. The corporate income tax rate applicable to the Company and Uralchemtrans, a transportation subsidiary of the Group, which are registered in Moscow is 24%. The corporate income tax rate in Cyprus, where another transportation subsidiary of the Group, Uralchem Freight Limited, has a taxable presence, is 10%.

### 12. DISCONTINUED OPERATIONS

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

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

	<b>3 months ended 31 March 2007</b>
<b>Revenue</b>	
Sales of goods	24,119
Other sales	6,586
<b>Total revenue</b>	<b>30,705</b>
Cost of sales	(31,426)
<b>Gross profit</b>	<b>(721)</b>
Selling and distribution expenses	(557)
General and administrative expenses	(993)
Other operating income	409
Other operating expenses	(277)
<b>Operating loss</b>	<b>(2,139)</b>
Interest income	82
Interest expense	(731)
Foreign exchange gain from financing activities	271
<b>Loss before tax</b>	<b>(2,517)</b>
Income tax benefit	440
<b>Loss for the period from discontinued operations</b>	<b>(2,077)</b>



## OPEN JOINT STOCK COMPANY URALCHEM

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2008 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

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

	<b>3 months ended 31 March 2007</b>
Net cash flows generated from operating activities	693
Net cash flows used in investing activities	(1,038)
Net cash flows generated from financing activities	229
<b>Net cash flows</b>	<b>(116)</b>

During the 3 months ended 31 March 2007, the Group spent USD 2,708 thousand for acquisition of property plant and equipment attributable to discontinued operations.

#### Deferred proceeds on disposal of subsidiaries

Management of the Group expects that deferred proceeds on disposal of subsidiaries will be settled before 30 June 2008 as follows: partially offset against promissory notes held by related parties, and the remaining portion will be paid.

In determination of fair value of proceeds on disposal of subsidiaries management of the Group discounted expected future cash flows at the rate of 10% p.a.

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

	<b>31 March 2008</b>
<b>Balance at beginning of the period</b>	<b>56,533</b>
Interest income	1,408
Effect of translation to presentation currency	2,518
<b>Balance at end of the period</b>	<b>60,459</b>

## OPEN JOINT STOCK COMPANY URALCHEM

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2008 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

#### 13. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures	Machinery, equipment and transport	Other	Construction in-progress	Total
<b>Cost</b>					
<b>At 1 January 2008</b>	<b>162,831</b>	<b>314,521</b>	<b>4,441</b>	<b>21,907</b>	<b>503,700</b>
Additions	219	2,157	59	14,451	16,886
Transfers	-	4,433	600	(5,033)	-
Disposals	-	(710)	(3)	(44)	(757)
Effect of translation to presentation currency	7,154	13,972	244	1,257	22,627
<b>At 31 March 2008</b>	<b>170,204</b>	<b>334,373</b>	<b>5,341</b>	<b>32,538</b>	<b>542,456</b>
<b>Accumulated Depreciation</b>					
<b>At 1 January 2008</b>	<b>(9,036)</b>	<b>(23,625)</b>	<b>(353)</b>	<b>-</b>	<b>(33,014)</b>
Charge for the year	(3,176)	(9,913)	(189)	-	(13,278)
Disposals	-	78	1	-	79
Effect of translation to presentation currency	(505)	(1,331)	(43)	-	(1,879)
<b>At 31 March 2008</b>	<b>(12,717)</b>	<b>(34,791)</b>	<b>(584)</b>	<b>-</b>	<b>(48,092)</b>
<b>Carrying value</b>					
<b>At 1 January 2008</b>	<b>153,795</b>	<b>290,896</b>	<b>4,088</b>	<b>21,907</b>	<b>470,686</b>
<b>At 31 March 2008</b>	<b>157,487</b>	<b>299,582</b>	<b>4,757</b>	<b>32,538</b>	<b>494,364</b>

At 31 March 2008, construction in-progress included advances paid for acquisition of the property, plant and equipment in the amount of USD 10,171 thousand (31 December 2007: USD 6,622 thousand).

#### 14. GOODWILL

	<b>31 March 2008</b>
<b>Balance at beginning of the period</b>	<b>113,844</b>
Effect of translation to presentation currency	11,252
<b>Balance at end of the period</b>	<b>125,096</b>

## OPEN JOINT STOCK COMPANY URALCHEM

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2008 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

#### 15. INVENTORIES

	<u>31 March 2008</u>	<u>31 December 2007</u>
<b>Inventories expected to be used in production after twelve months</b>		
Catalytic agents	36,823	32,949
Mercury and other inventories	5,553	2,842
	<u>42,376</u>	<u>35,791</u>
<b>Inventories expected to be used in production in the next twelve months</b>		
Raw materials, net of allowance for obsolescence	27,891	26,722
Finished goods	21,105	24,223
Work in-progress	3,968	5,073
Goods for resale	248	237
	<u>53,212</u>	<u>56,255</u>
<b>Total</b>	<u>95,588</u>	<u>92,046</u>

At 31 March 2008, raw materials were presented net of allowance for obsolescence of USD 8,307 thousand (31 December 2007: USD 8,155 thousand).

#### 16. OTHER FINANCIAL ASSETS

	<u>31 March 2008</u>	<u>31 December 2007</u>
<b>Non-current</b>		
Foreign currency forward contracts, carried at FVTPL	1,397	862
Loans issued, carried at amortised cost	720	-
Promissory notes of related parties, carried at amortised cost	-	988
Other financial assets	403	349
	<u>2,520</u>	<u>2,199</u>
<b>Current</b>		
Loans issued, carried at amortised cost	35,305	26,145
Interest receivable	1,259	11
Foreign currency forward contracts, carried at FVTPL	11,214	1,155
Other financial assets	-	15
	<u>47,778</u>	<u>27,326</u>
<b>Total</b>	<u>50,298</u>	<u>29,525</u>

At 31 March 2008 interest rates on loans issued varied from 10-12% (31 December 2007: 10-11%). The majority of loans issued were unsecured, RUR-denominated and receivable from related parties.

## OPEN JOINT STOCK COMPANY URALCHEM

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2008 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

#### 17. TRADE AND OTHER RECEIVABLES

	<u>31 March 2008</u>	<u>31 December 2007</u>
Trade receivables	47,325	16,729
Other receivables	9,272	3,736
	<b>56,597</b>	<b>20,465</b>
Less: allowance for doubtful receivables	(2,206)	(440)
<b>Total</b>	<b>54,391</b>	<b>20,025</b>

#### 18. ADVANCES PAID AND PREPAID EXPENSES

	<u>31 March 2008</u>	<u>31 December 2007</u>
Advances paid for supply of natural gas	24,570	24,656
Advances paid for transportation services	8,113	16,678
Other advances and prepaid expenses	19,263	13,872
<b>Total</b>	<b>51,946</b>	<b>55,206</b>

#### 19. OTHER TAXES RECEIVABLE

	<u>31 March 2008</u>	<u>31 December 2007</u>
Value added tax reimbursable	40,851	38,095
Other taxes	627	237
<b>Total</b>	<b>41,478</b>	<b>38,332</b>

#### 20. CASH AND CASH EQUIVALENTS

	<u>31 March 2008</u>	<u>31 December 2007</u>
Current accounts, including:		
- RUR-denominated	62,601	14,991
- USD-denominated	8,781	3,435
USD-denominated bank deposits	11,100	10,407
Other cash and cash equivalents	610	14
<b>Total</b>	<b>83,092</b>	<b>28,847</b>

At 31 March 2008, the interest rate on USD-denominated bank deposits at HSBC bank was 3% with maturity in April 2008 (2007: 3-4%).

#### 21. SHARE CAPITAL

##### Authorised, issued and fully paid share capital

At 31 March 2008 and 31 December 2007, the share capital of the Company consisted of 100,000,000 authorised, issued and fully paid ordinary shares with a par value of RUR 20, carrying one vote per share and a right to dividends.

##### Retained earnings and dividends

The statutory financial statements of the Group entities are the basis for the profit distribution and other appropriations. Loss for the 3 months ended 31 March 2008, recorded in the statutory financial statements of the parent company amounted to USD 4,057 thousand.

# OPEN JOINT STOCK COMPANY URALCHEM

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2008 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

### Earnings per share

Earnings per share were calculated by dividing net profit attributable to shareholders of the Company for the 3 months ended 31 March 2008 and 2007 by weighted average number of ordinary shares in issue during the respective periods.

### 22. LOANS AND BORROWINGS

			<u>31 March 2008</u>		<u>31 December 2007</u>
	<u>Currency</u>	<u>Rate</u>	<u>Outstanding balance</u>	<u>Rate</u>	<u>Outstanding balance</u>
<b>Secured bank loans</b>					
Sberbank	RUR	8.0%-10.0%	214,561	8.0-9.5%	212,714
UniCreditBank	USD	6.6%	99,587	-	-
VTB Moscow	USD	6.9%	65,139	8.9%	65,207
VTB North-West	USD	9.0-11.0%	7,677	9.0-9.9%	38,583
VTB North-West	RUR	9.0-10.8%	639	10.0-10.8%	2,613
MDM bank	USD	-	-	12.0%	56,621
Uralsib	USD	-	-	9.8%	1,100
VTB North-West	EURO	-	-	8.5%	881
<b>Unsecured bank loans</b>					
Sberbank	RUR	8.0-9.0%	24,392	8.0-9.0%	20,046
BNP Paribas	USD	4.0%	8,718	-	-
VTB North-West	USD	9.0%-11.0%	2,457	-	-
Rosbank	USD	-	-	11.0-11.4%	17,831
Uralsib	USD	-	-	9.8%	3,200
Other loans	vary	vary	80	vary	88
Promissory notes	USD/RUR	10.0%	43,774	10.0%	41,858
Obligations under finance leases	RUR	vary	823	vary	1,013
<b>Total</b>			<b><u>467,847</u></b>		<b><u>461,755</u></b>
<b>Less: current portion repayable within twelve months and shown under current liabilities</b>			<b><u>(135,919)</u></b>		<b><u>(149,531)</u></b>
<b>Long-term portion of loans and borrowings</b>			<b><u>331,928</u></b>		<b><u>312,224</u></b>

During the period ended 31 March 2008, an amount of USD 35,709 thousand was transferred from the long-term portion of loans and borrowings to the current portion of long-term portion of loans and borrowings and is shown under current liabilities.

Long-term loans and borrowings are repayable as follows:

	<u>31 March 2008</u>	<u>31 December 2007</u>
Due in the second year	224,405	160,590
Due in the third year	52,660	85,897
Due in the fourth year	54,657	54,057
Due in the fifth year	206	11,680
	<b><u>331,928</u></b>	<b><u>312,224</u></b>

# OPEN JOINT STOCK COMPANY URALCHEM

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2008 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

### 23. RETIREMENT BENEFIT OBLIGATIONS

#### Defined contribution plan

For the 3 months ended 31 March 2008 total expenses at amount of USD 4,403 thousand (for the 3 months 2007: USD 1,369 thousand) recognised in the income statement represent contributions payable to the State Pension Fund.

At 31 March 2008, an outstanding contribution to the State Pension Fund amounted to USD 1,197 thousand (31 December 2007: USD 720 thousand).

#### Defined benefit plans

The Group operates an unfunded defined benefit plan for qualifying employees of subsidiaries located in the Russian Federation.

The principle assumptions used for the purposes of the actuarial valuations were consistent with those used in preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2007.

### 24. DEFERRED TAXES

Certain deferred tax assets and liabilities were offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) recorded in the balance sheet:

	<u>31 March 2008</u>	<u>31 December 2007</u>
Deferred tax assets	(1,773)	(1,915)
Deferred tax liabilities	67,020	66,257
	<u>65,247</u>	<u>64,342</u>

### 25. TRADE AND OTHER PAYABLES

	<u>31 March 2008</u>	<u>31 December 2007</u>
Trade and other payables	35,512	25,205
Provision for unused vacations	5,792	2,888
Unpaid salaries	4,485	4,840
Payables for property, plant and equipment	2,146	1,559
Accrued expenses	233	2,561
<b>Total</b>	<u>48,168</u>	<u>37,053</u>

### 26. OTHER TAXES PAYABLE

	<u>31 March 2008</u>	<u>31 December 2007</u>
Value added tax	7,231	1,984
Unified social tax	1,556	1,481
Property tax	984	911
Other taxes	1,391	1,681
<b>Total</b>	<u>11,162</u>	<u>6,057</u>

## OPEN JOINT STOCK COMPANY URALCHEM

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2008 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

#### 27. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Related parties include shareholders and entities under common ownership and control with the Group and members of key management personnel.

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

	<u>31 March 2008</u>	<u>31 December 2007</u>
<b>Shareholders of the Group</b>		
Other financial assets	32,783	20,286
<b>Entities under common ownership and control with the Group</b>		
Deferred sales proceeds on disposal of subsidiaries	60,459	56,533
Other financial assets	1,107	7,315
Trade and other receivables	11,690	11,864
Loans and borrowings	(43,799)	(41,544)
Trade and other payables	(4,790)	(9,814)

During the 3 months ended 31 March 2008 and 2007 the Group entered into the following transactions with related parties:

	<u>3 months ended 31 March 2008</u>	<u>3 months ended 31 March 2007</u>
<b>Shareholders of the Group</b>		
Loans issued	11,136	-
Proceeds from repayment of loans issued	(494)	-
<b>Entities under common ownership and control with the Group</b>		
Sales of goods and services	16,055	10,767
Purchases of goods and services	(19,259)	(5,749)
Interest expense on loans and borrowings	(563)	(803)
Loans issued	-	3,177
Proceeds from repayment of loans issued	(2,183)	(2,037)

#### Compensation of key management personnel

The remuneration of key management personnel of the Group for the 3 months ended 31 March 2008 comprised salaries and bonuses in the amount of USD 1,428 thousand, including unified social tax in amount of USD 371 thousand (3 months ended 31 March 2007: USD 358 thousand, including unified social tax in amount of USD 93 thousand).

## OPEN JOINT STOCK COMPANY URALCHEM

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2008 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

#### 28. COMMITMENTS AND CONTINGENCIES

##### Purchase of natural gas

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

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

	<u>31 March 2008</u>	<u>31 December 2007</u>
Due in one year	127,806	163,253
Due from one to five years	793,702	760,378
<b>Total</b>	<b><u>921,508</u></b>	<b><u>923,631</u></b>

##### Capital commitments

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

	<u>31 March 2008</u>	<u>31 December 2007</u>
Acquisition of property, plant and equipment	7,622	1,074
Fulfilment of finance lease agreements	1,952	2,176
<b>Total</b>	<b><u>9,574</u></b>	<b><u>3,250</u></b>

During the 3 months ended 31 March 2008 the Group entered into certain agreements for acquisition of machinery and equipment for ammonia production. Most of agreements will be settled in 2008.

##### Operating leases: Group as a lessee

The Group leases certain machinery and equipment. The respective lease agreements have an average life of 1 to 5 years with no renewal option at the end of the lease term. Future minimum rental expenses under non-cancellable operating leases didn't change significantly during the 3 months ended 31 March 2008.

##### Guarantees issued

As at 31 March 2008 and 31 December 2007 the Group issued financial guarantees in respect of loans obtained by a number of related and third parties. Total amount of outstanding guarantees issued by the Group were as follows:

	<u>31 March 2008</u>	<u>31 December 2007</u>
Related parties	47,160	52,528
Third parties	8	28
<b>Total</b>	<b><u>47,168</u></b>	<b><u>52,556</u></b>

##### 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.



# OPEN JOINT STOCK COMPANY URALCHEM

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2008 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

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### **Taxation contingencies in the Russian Federation**

The taxation system in the Russian Federation is at a relatively early stage of development, and is characterised by numerous taxes, frequent changes and inconsistent enforcement at federal, regional and local levels.

The government of the Russian Federation has commenced a revision of the Russian tax system and passed certain laws implementing tax reform. The new laws reduce the number of taxes and overall tax burden on businesses and simplify tax litigation. However, these new tax laws continue to rely heavily on the interpretation of local tax officials and fail to address many existing problems. Many issues associated with practical implication of new legislation are unclear and complicate the Group's tax planning and related business decisions.

In terms of Russian tax legislation, authorities have a period of up to three years to re-open tax declarations for further inspection. Changes in the tax system that may be applied retrospectively by authorities could affect the Group's previously submitted and assessed tax declarations.

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

### **Environmental matters**

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

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

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

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

### **Russian Federation risk**

As an emerging market, the Russian Federation does not possess a fully developed business and regulatory infrastructure including stable banking and judicial systems, which would generally exist in a more mature market economy. The economy of the Russian Federation is characterised by a currency that is not freely convertible outside of the country, currency controls, low liquidity levels for debt and equity markets, and continuing inflation. As a result, operations in the Russian Federation involve risks that are not typically associated with those in more developed markets. Stability and success of Russian economy and the Group's business mainly depends on the effectiveness of economic measures undertaken by the government as well as the development of legal and political systems.

## **OPEN JOINT STOCK COMPANY URALCHEM**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 MARCH 2008 (UNAUDITED)**

All amounts are in thousands of US Dollars unless otherwise stated

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#### **29. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of financial assets and liabilities is determined as follows:

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

Management believes that the carrying values of all significant financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximated their fair values.

#### **30. FINANCIAL RISK MANAGEMENT**

Major risks that the Group is exposed to are as follows:

- capital risk;
- foreign currency risk;
- interest rate risk;
- credit risk; and
- liquidity risk.

Policies and procedures applied by the management of the Group to manage the above risks were consistent with those described in the Group's annual consolidated financial statements for the year ended 31 December 2007.

#### **31. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE**

##### **Increase of ownership in subsidiaries**

###### ***KCCW***

During April-May 2008 the Group acquired an additional 11.5% interest in KCCW for USD 60,431 thousand, increasing its ownership in this company to 89.1%. As a result of this transaction the Group became the owner of 95.3% of voting shares of KCCW. In accordance with the Russian legislation the Group has the right to buyout the remaining shares of KCCW from minority shareholders. Management of the Group intends to exercise this right during 2008.

###### ***Azot***

During April-May 2008 the Group acquired an additional 13.7% interest in Azot for a cash consideration of USD 53,327 thousand increasing its ownership in this company to 95.5%. In accordance with the Russian legislation the Group has the right to buyout the remaining shares of Azot from minority shareholders. Management of the Group intends to exercise this right during 2008.