

URALCHEM HOLDING P.L.C.

**Condensed consolidated interim
financial statements
for the nine months ended 30 September 2012
(unaudited)**

URALCHEM HOLDING P.L.C.

TABLE OF CONTENTS

	Page
Statement of management’s responsibilities for the preparation and approval of the condensed consolidated interim financial statements for the nine months ended 30 September 2012.....	1
Condensed consolidated interim financial statements for the nine months ended 30 September 2012 (unaudited):	
Condensed consolidated interim income statement	2
Condensed consolidated interim statement of comprehensive income	3
Condensed consolidated interim statement of financial position	4
Condensed consolidated interim statement of cash flows	5-6
Condensed consolidated interim statement of changes in equity	7
Notes to the condensed consolidated interim financial statements	8-23

URALCHEM HOLDING P.L.C.

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

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 condensed consolidated interim financial statements that present fairly the financial position of the Group as at 30 September 2012, and the results of its operations, cash flows and changes in equity for the nine months then ended, in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

In preparing the 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 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 condensed consolidated interim financial statements for the nine months ended 30 September 2012 were approved on 12 November 2012 by:

Victor Zorkin
Director

Charalambos Meivatzis
Director

Limassol, Cyprus
12 November 2012

URALCHEM HOLDING P.L.C.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2012	2011 - as restated	2012	2011 - as restated
Revenue					
Sales of goods	5	1,739,035	1,491,430	520,312	498,114
Other sales		65,456	64,073	23,190	21,913
Total revenue		1,804,491	1,555,503	543,502	520,027
Cost of sales	6	(763,951)	(656,977)	(246,063)	(198,225)
Gross profit		1,040,540	898,526	297,439	321,802
Selling and distribution expenses	7	(366,769)	(331,510)	(113,597)	(102,689)
General and administrative expenses	8	(100,447)	(85,723)	(34,052)	(27,318)
Other operating income		8,366	11,835	482	542
Other operating expenses		(28,980)	(6,010)	(7,254)	6,765
Operating profit		552,710	487,118	143,018	199,102
Interest income		11,990	1,247	563	85
Interest expense		(59,532)	(93,253)	(19,088)	(29,647)
Share of profit of associates	2	395	29,565	585	6,875
Gain from change in fair value of previously held interest	3	153,458	-	-	-
Foreign exchange gain/(loss) from financing activities		40,451	(31,270)	54,035	(115,507)
Profit before tax		699,472	393,407	179,113	60,908
Income tax expense		(99,782)	(75,804)	(23,828)	(9,644)
Profit for the period		599,690	317,603	155,285	51,264
Attributable to:					
Shareholders of the Company		591,409	309,389	155,149	47,107
Non-controlling interests		8,281	8,214	136	4,157
		599,690	317,603	155,285	51,264
Earnings per share					
Weighted average number of ordinary shares in issue during the period		175,397,148	175,000,000	175,397,148	175,000,000
Basic and diluted earnings per share (US dollars per share)		3.4	1.8	0.9	0.3

The notes on pages 8 to 23 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 2012 (UNAUDITED)**

All amounts are in thousands of US Dollars unless otherwise stated

	Nine months ended 30 September		Three months ended 30 September	
	2012	2011 - as restated	2012	2011 - as restated
Profit for the period	599,690	317,603	155,285	51,264
Other comprehensive income/(loss):				
Effect of translation to presentation currency	20,228	(24,870)	46,099	(39,796)
Total comprehensive income for the period	619,918	292,733	201,384	11,468
Total comprehensive income for the period attributable to:				
Shareholders of the Company	610,095	282,867	200,478	8,649
Non-controlling interests	9,823	9,866	906	2,819
	619,918	292,733	201,384	11,468

The notes on pages 8 to 23 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 2012 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	Notes	30 September 2012	31 December 2011
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	9	922,127	619,194
Goodwill	10	414,770	158,852
Intangible assets		9,093	14,216
Investments in associates	3	11,102	87,669
Inventories	11	35,287	30,750
Available-for-sale investments		170,346	167,110
Long-term advances paid	3	-	27,448
Other financial assets		5,815	91
Deferred tax assets		27,340	51,466
		1,595,880	1,156,796
<i>Current assets</i>			
Assets held for sale		-	6,163
Inventories	11	139,981	113,051
Trade and other receivables		73,618	88,804
Advances paid and prepaid expenses		46,362	41,049
Income tax receivable		23,131	6,644
Other taxes receivable		77,577	83,265
Other financial assets		19,225	6,908
Cash and cash equivalents		97,997	252,566
		477,891	598,450
TOTAL ASSETS		2,073,771	1,755,246
EOUITY AND LIABILITIES			
<i>Capital and reserves</i>			
Share capital		1,377	1,373
Additional paid-in capital		165,632	165,632
Foreign currency translation reserve		(86,542)	(105,228)
Retained earnings		747,210	251,363
Equity attributable to shareholders of the Company		827,677	313,140
Non-controlling interests		10,814	10,842
Total equity		838,491	323,982
<i>Non-current liabilities</i>			
Loans and borrowings	12	766,435	791,968
Obligations under finance leases		34,990	40,384
Retirement benefit obligations		13,687	8,374
Deferred tax liabilities		78,919	50,553
		894,031	891,279
<i>Current liabilities</i>			
Loans and borrowings	12	227,910	338,275
Obligations under finance leases		13,375	12,788
Trade and other payables		75,446	117,905
Advances received		14,870	59,243
Income tax payable		1,867	6,714
Other taxes payable		7,781	5,060
		341,249	539,985
Total liabilities		1,235,280	1,431,264
TOTAL EQUITY AND LIABILITIES		2,073,771	1,755,246

The notes on pages 8 to 23 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 2012 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	Nine months ended 30 September 2012	Nine months ended 30 September 2011 - as restated
Operating activities		
Profit before tax	699,472	393,407
Adjustments for:		
Depreciation of property, plant and equipment	77,449	70,809
Amortisation of intangible assets	1,756	2,236
Change in provisions and allowances	9,606	(412)
Write-down of inventory to net realisable value	1,327	1,138
Loss on disposal of property, plant and equipment	4,940	4,099
Foreign exchange (gain)/loss, net	(31,790)	31,101
Share of profit of associates	(395)	(29,565)
Loss/(profit) on disposal of subsidiaries	401	(588)
Gain from change in fair value of previously held interest	(153,458)	-
Interest income	(11,990)	(1,247)
Interest expense	59,532	93,253
Operating cash flows before working capital changes	656,850	564,231
Increase in inventory	(1,326)	(26,865)
Decrease in trade and other receivables	34,348	9,953
(Increase)/decrease in advances paid and prepaid expenses	(1,289)	3,901
Decrease/(increase) in other taxes receivable	17,978	(8,790)
Increase in retirement benefit obligations	679	322
Decrease in trade and other payables	(19,988)	(18,463)
Decrease in advances received	(50,610)	(46,538)
Increase in other taxes payable	1,185	1,036
Cash generated from operations	637,827	478,787
Interest paid	(55,149)	(79,971)
Income tax paid	(111,079)	(69,075)
Net cash generated from operating activities	471,599	329,741

The notes on pages 8 to 23 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 2012 (CONTINUED) (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	Nine months ended 30 September 2012	Nine months ended 30 September 2011 - as restated
Investing activities		
Acquisition of subsidiaries, net of cash acquired	(199,114)	-
Repayment of liability to the parent company for acquisition-related activity	(29,460)	-
Proceeds from disposal of subsidiaries	374	1,076
Payments for property, plant and equipment	(101,547)	(50,777)
Proceeds from sale of property, plant and equipment	4,833	9,963
Payments for intangible assets	(2,103)	(6,373)
Loans issued	(125,729)	(773)
Proceeds from repayment of loans issued	113,116	808
Dividends received	8,792	-
Dividends received from associates	167	-
Interest received	2,737	228
Net cash used in investing activities	(327,934)	(45,848)
Financing activities		
Proceeds from short-term loans and borrowings	63,431	225,623
Proceeds from long-term loans and borrowings	54,171	36,170
Repayment of short-term loans and borrowings	(264,250)	(484,445)
Repayment of long-term loans and borrowings	(868)	-
Repayment of principal amounts of finance leases	(5,300)	(6,267)
Dividends paid to the shareholders	(63,194)	-
Distribution of dividends received from associate to the parent company	(13,174)	(15,778)
Proceeds from issue of shares	4	-
Proceeds from issue of shares by a subsidiary	-	526
Increase of ownership in subsidiaries	(74,726)	(27,350)
Net cash used in financing activities	(303,906)	(271,521)
Net (decrease)/increase in cash and cash equivalents	(160,241)	12,372
Cash and cash equivalents at the beginning of the period	252,566	46,410
Effect of exchange rate changes on the balance of cash held in foreign currencies	5,672	4,475
Cash and cash equivalents at the end of the period	97,997	63,257

The notes on pages 8 to 23 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 2012 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	Notes	Attributable to shareholders of the Company				Total	Non-controlling interests	Total
		Share capital	Additional paid-in capital	Foreign currency translation reserve	Retained earnings/ (Accumulated deficit)			
Balance as at 1 January 2011								
- as previously reported		1,373	152,223	(68,851)	(262,630)	(177,885)	33,639	(144,246)
Restatements		-	-	(1,011)	81,455	80,444	-	80,444
Balance as at 1 January 2011		1,373	152,223	(69,862)	(181,175)	(97,441)	33,639	(63,802)
Profit for the period (as restated)		-	-	-	309,389	309,389	8,214	317,603
Other comprehensive (loss)/income (as restated)		-	-	(26,522)	-	(26,522)	1,652	(24,870)
Total comprehensive (loss)/income for the period		-	-	(26,522)	309,389	282,867	9,866	292,733
Increase of ownership in subsidiaries		-	-	-	7,927	7,927	(30,576)	(22,649)
Non-controlling interest liability		-	-	-	4,953	4,953	(12,976)	(8,023)
Increase in non-controlling interests due to additional share issue by a subsidiary		-	-	-	-	-	519	519
Balance as at 30 September 2011 (as restated)		1,373	152,223	(96,384)	141,094	198,306	472	198,778
Balance as at 1 January 2012		1,373	165,632	(105,228)	251,363	313,140	10,842	323,982
Dividends	13	-	-	-	(63,194)	(63,194)	-	(63,194)
Profit for the period		-	-	-	591,409	591,409	8,281	599,690
Other comprehensive income		-	-	18,686	-	18,686	1,542	20,228
Total comprehensive income for the period		-	-	18,686	591,409	610,095	9,823	619,918
Issue of shares		4	-	-	-	4	-	4
Increase of ownership in subsidiaries	3	-	-	-	(32,368)	(32,368)	(9,851)	(42,219)
Balance as at 30 September 2012		1,377	165,632	(86,542)	747,210	827,677	10,814	838,491

The notes on pages 8 to 23 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 2012 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

1. GENERAL INFORMATION

Organisation

UralChem Holding P.L.C. (“the Company”) is a public limited company which was incorporated in Cyprus on 4 May 2006. As at 30 September 2012, 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 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 Company and its subsidiaries (“the Group”) are the production and distribution of mineral fertilisers. The main products of the Group are nitrogen based, phosphate based and complex fertilisers. The major production facilities of the Group are located in the Moscow, Perm and Kirov regions of the Russian Federation.

Market conditions

During the nine months ended 30 September 2012 prices of mineral fertilisers and semi-products have shown significantly different dynamics. During the first quarter of 2012, ammonia prices fell because of low demand both in the agricultural and industrial sectors coinciding with the commencement of Qafco V. A market recovery was seen only at the end of March. During the second and third quarter ammonia prices have shown a significant rebound because of healthy demand and tight supply.

Through January and the first half of February, the urea market repeated the last years negative trend. However, since the middle of February until the middle of May, there was continued growth in the urea price thanks to an increase in demand in the USA. Since the second half of May, there was a dramatic fall in prices because of a sharp reduction in buyers’ activity. The negative trend on the urea market continued until the end of September 2012.

Prices for ammonium nitrate were stable through the first quarter of 2012 because of low volumes of trade. Then the prices for ammonium nitrate repeated the urea price dynamics with fast growth till the middle of May and a sharp decrease during the second half of the quarter which was caused by low purchase activity. This decrease continued in the third quarter 2012.

Global market prices for ammonia increased on average by 4.6% during the nine months ended 30 September 2012 in comparison with the nine months ended 30 September 2011. Market prices for ammonium nitrate decreased by 2.8%, for diammonium phosphate decreased by 11.3% and for urea decreased by 0.6% during the nine months ended 30 September 2012 in comparison with the nine months ended 30 September 2011.

The global phosphates market was very slow in the first quarter of 2012 with prices slightly reduced, but it has shown a moderate rebound through the second and first half of the third quarter. The signing of Indian contracts allowed the floor price for phosphates to be established and defined the volumes of product available for spot trade. Due to demand from the Latin America, spot prices recovered and now phosphate prices are stable despite Chinese product entering the market. But in September the prices showed the negative trend again.

During the nine months ended 30 September 2012 the Group generated net profit in the amount of USD 599,690 thousand and positive cash flows from operating activities in the amount of USD 471,599 thousand.

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

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.

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 2011, 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 2011.

During the reporting period estimates of the useful life of certain objects of property, plant and equipment at one of the Group’s subsidiaries, Voskresensk Mineral Fertilizers OJSC (“VMF”), were revised and have been accounted for on a prospective basis. The effect on the current period was an increase of the carrying amount of property, plant and equipment as at 30 September 2012 by USD 5,264 thousand and a decrease of the depreciation and increase of tax expense for the nine months ended 30 September 2012 by USD 5,249 thousand and USD 1,050 thousand, respectively.

Subsequent to the issuance of the Group’s consolidated financial statements for the year ended 31 December 2010, the Group obtained control over Mineral Fertilisers OJSC (“PMF”), the former associate of the Group, and management received complete information to apply equity method of accounting in accordance with the requirements of IAS 28, *Investments in Associates*. Prior to acquisition of control, investment in PMF was accounted for at cost. As a result, the condensed consolidated interim financial statements for the nine and three months ended 30 September 2011 were restated.

The impact of the changes on the condensed consolidated interim income statement for the nine months ended 30 September 2011 and the three months ended 30 September 2011 is presented below:

	<u>Nine months ended 30 September 2011</u>	<u>Nine months ended 30 September 2011 - as restated</u>	<u>Restatement and reclassification</u>
CONSOLIDATED INCOME STATEMENT			
Share of profit of associate	969	29,565	28,596
	<u>969</u>	<u>29,565</u>	<u>28,596</u>
Basic and diluted earnings per share (US dollar per share)	1.6	1.8	0.2
	<u>Three months ended 30 September 2011</u>	<u>Three months ended 30 September 2011 - as restated</u>	<u>Restatement and reclassification</u>
CONSOLIDATED INCOME STATEMENT			
Share of profit of associate	637	6,875	6,238
	<u>637</u>	<u>6,875</u>	<u>6,238</u>
Basic and diluted earnings per share (US dollar per share)	0.2	0.3	0.04

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

3. BUSINESS COMBINATIONS

Acquisition of a controlling interest in Mineral Fertilisers OJSC ("PMF") in 2012.

On 19 January 2012, the Group acquired an additional 41.2% of PMF's shares for cash consideration of USD 254,866 thousand, increasing its ownership in PMF to 87.7%.

As at 31 December 2011, the original 46.5% investment in PMF was recorded as an investment in associate in the amount of USD 77,234 thousand.

PMF is an unlisted company, specialising in the production of ammonia and urea with its main production facilities located in Perm, Russian Federation. PMF's output is intended both for the domestic and export markets. Its main products are primarily sold in export markets.

The controlling interest in PMF was acquired so as to continue the expansion of the Group's activities in the nitrogen fertilisers business.

Upon obtaining control over PMF a gain from change in fair value of previously held interest was recognised in the condensed consolidated interim income statement in the amount of USD 153,458 thousand, being the difference between the acquisition date fair value of the previously held equity interest in PMF and the previous carrying amount accounted for under IAS 28, *Investments in Associates*.

Following the acquisition of a controlling interest in PMF, the Group acquired, through a number of transactions with non-controlling shareholders, an additional 12.3% of PMF's shares for a total cash consideration of USD 74,726 thousand, increasing its ownership in the company to 100%. The carrying value of PMF's net assets at the dates when the shares were acquired ranged from USD 270,360 thousand to USD 367,724 thousand. As a result of these transactions, the Group recognised a decrease in net assets attributable to non-controlling interests in the amount of USD 42,358 thousand. The excess of the consideration paid over the Group's share in net assets acquired of USD 32,368 thousand was recognised directly in the statement of changes in equity as a decrease in retained earnings.

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

As at 19 January 2012 PMF's net assets were as follows:

	<u>Fair value at the date of acquisition</u>
ASSETS	
Property, plant and equipment	240,597
Intangible assets	545
Other financial assets	2,025
Available-for-sale investments	4,352
Inventories	21,200
Trade and other receivables	11,562
Other tax receivable	5,451
Advances and prepaid expenses	2,354
Cash and cash equivalents	27,452
Total assets	<u>315,538</u>
LIABILITIES	
Deferred tax liabilities	32,842
Retirement benefit obligation	4,116
Trade and other payables	3,961
Advances received	3,791
Income tax payables	4,616
Other taxes payable	1,340
Total liabilities	<u>50,666</u>
Net assets at the date of acquisition	264,872
Less: Share of net assets attributable to non-controlling interests	(32,507)
Group's share of net assets acquired	<u>232,365</u>
Add: Goodwill arising on acquisition	253,193
Less: Pre-acquisition amount invested in subsidiary	(230,692)
Total PMF net assets transferred	<u>254,866</u>
Consideration paid by the Company for PMF	
Cash consideration	(254,866)
Total	<u>(254,866)</u>
Net cash flow arising on acquisition:	
Cash consideration	(254,866)
Cash and cash equivalents acquired	27,452
Net cash outflow on acquisition of subsidiary	<u>(227,414)</u>

In December 2011, the Group paid an advance for the acquisition of PMF's shares in the amount of USD 28,300 thousand.

Goodwill arose in the acquisition of PMF because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of PMF. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

PMF contributed USD 276,438 thousand of revenue and USD 91,617 thousand of profit for during reporting period.

4. SEGMENT INFORMATION

For management purposes the Group is organised in two segments, Nitrogen Fertilisers and Phosphate Fertilisers. Operating results for these segments are reviewed by the Chief Executive Officer (“the chief operating decision maker”) in order to assess performance and allocate resources.

- 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 and branches allocated to the nitrogen fertilisers segment are KCCW Mineral Fertiliser Plant OJSC (“KCCW MFP”), located in the Kirov region of the Russian Federation, Azot branch of UralChem OJSC (“Azot branch”) and PMF, 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 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 are engaged 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, and net profit for the period. Since the term of OIBDA 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. Net profit for the period is a new indicator used by management to make decisions on payment of cash bonuses. Other income and expenses of the Group not incorporated in calculation of the operating profit are also allocated to operating segments.

Segment information provided to the chief operating decision maker for the reportable segments for the nine months ended 30 September 2012 is as follows:

Nine months ended 30 September 2012	Nitrogen fertilisers	Phosphate fertilisers	Total
Revenue from external customers	1,453,779	285,256	1,739,035
Inter-segment revenue	36,461	1,613	38,074
Total segment revenue	1,490,240	286,869	1,777,109
OIBDA	643,057	33,174	676,231
Profit for the period	516,132	15,547	531,679

Nine months ended 30 September 2011	Nitrogen fertilisers	Phosphate fertilisers	Total
Revenue from external customers	1,162,459	328,971	1,491,430
Inter-segment revenue	25,453	1,065	26,518
Total segment revenue	1,187,912	330,036	1,517,948
OIBDA	514,947	74,861	589,808
Profit for the period	401,765	36,011	437,776

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

The total reportable segment OIBDA and segment profit for the period are reconciled to consolidated profit as follows:

Nine months ended 30 September 2012	Nitrogen fertilisers	Phosphate fertilisers	Total
Segment OIBDA	643,057	33,174	676,231
Segment amortisation and depreciation	(63,791)	(12,120)	(75,911)
Segment income tax expense	(58,729)	(4,820)	(63,549)
Segment expense from financing activities	(4,405)	(687)	(5,092)
Segment profit for the period	516,132	15,547	531,679
Unallocated activities			
Depreciation and amortisation			(3,294)
Corporate overheads			(33,593)
Other expenses			(47,256)
Interest income			9,921
Interest expense			(43,713)
Gain from change in fair value of previously held interest			153,458
Share of profit of associates			395
Foreign exchange gain from financing activities			27,306
Inter-segment operations			41,020
Unallocated income tax expense			(36,233)
Group profit for the period			599,690
Nine months ended 30 September 2011			
	Nitrogen fertilisers	Phosphate fertilisers	Total
Segment OIBDA	514,947	74,861	589,808
Segment amortisation and depreciation	(42,724)	(26,817)	(69,541)
Segment income tax expense	(53,044)	(8,595)	(61,639)
Segment expense from financing activities	(17,414)	(3,438)	(20,852)
Segment profit for the period	401,765	36,011	437,776
Unallocated activities			
Depreciation and amortisation			(3,504)
Corporate overheads			(32,950)
Other expenses			(29,524)
Interest income			373
Interest expense			(72,724)
Share of profit of associates			29,565
Foreign exchange loss from financing activities			(29,691)
Inter-segment operations			32,447
Unallocated income tax expense			(14,165)
Group profit for the period			317,603

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

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

Total reportable segment assets are as follows:

Total segment assets:	Nitrogen fertilisers	Phosphate fertilisers	Total
30 September 2012	1,106,256	327,617	1,433,873
01 January 2012	937,650	329,641	1,267,291

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. Non-current assets located in other countries, including Cyprus, are not significant.

Information about 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.

5. SALES OF GOODS

Nine months ended 30 September 2012	Total	Export	Russian Federation	Other CIS countries
Mineral fertilisers				
Nitrogen based fertilisers	959,848	729,166	182,236	48,446
Complex fertilisers	203,997	133,844	45,114	25,039
Phosphate based fertilisers	197,376	106,924	31,244	59,208
Ammonia	253,316	208,717	40,714	3,885
Explosive grade ammonium nitrate	62,499	6,867	47,617	8,015
Inorganic acids	23,589	-	23,452	137
Other chemical products	38,410	7,867	29,966	577
Total	1,739,035	1,193,385	400,343	145,307
Nine months ended 30 September 2011				
Mineral fertilisers				
Nitrogen based fertilisers	753,117	550,913	147,257	54,947
Phosphate based fertilisers	251,393	180,085	28,704	42,604
Complex fertilisers	219,923	148,902	50,237	20,784
Ammonia	158,085	132,103	22,236	3,746
Explosive grade ammonium nitrate	54,977	4,507	44,171	6,299
Inorganic acids	21,521	139	21,372	10
Other chemical products	32,414	6,390	25,536	488
Total	1,491,430	1,023,039	339,513	128,878

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

Three months ended 30 September 2012	<u>Total</u>	<u>Export</u>	<u>Russian Federation</u>	<u>Other CIS countries</u>
Mineral fertilisers				
Nitrogen based fertilisers	275,044	239,774	29,987	5,283
Complex fertilisers	74,140	41,738	26,120	6,282
Phosphate based fertilisers	38,238	15,914	7,901	14,423
Ammonia	92,637	84,604	8,033	-
Explosive grade ammonium nitrate	19,595	2,606	14,057	2,932
Inorganic acids	8,208	-	8,208	-
Other chemical products	12,450	1,882	10,410	158
Total	<u>520,312</u>	<u>386,518</u>	<u>104,716</u>	<u>29,078</u>

Three months ended 30 September 2011

Mineral fertilisers				
Nitrogen based fertilisers	251,620	233,753	14,852	3,015
Complex fertilisers	80,826	42,876	24,750	13,200
Phosphate based fertilisers	73,593	47,386	12,741	13,466
Ammonia	55,315	44,809	10,506	-
Explosive grade ammonium nitrate	19,030	1,049	15,153	2,828
Inorganic acids	7,565	139	7,422	4
Other chemical products	10,165	2,580	7,532	53
Total	<u>498,114</u>	<u>372,592</u>	<u>92,956</u>	<u>32,566</u>

6. COST OF SALES

	<u>Nine months ended 30 September</u>		<u>Three months ended 30 September</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Raw materials, including:				
Natural gas	257,043	219,400	79,946	68,957
Apatite	111,106	106,553	36,267	32,457
Potassium chloride	35,466	23,189	14,658	9,936
Sulphur	17,533	21,697	5,473	8,040
Other raw materials	48,665	39,320	17,610	16,207
Energy and utilities	106,266	102,373	38,448	30,276
Wages and salaries	66,926	56,929	21,652	19,048
Depreciation	59,418	55,879	20,532	18,113
Social taxes	19,324	18,527	6,010	6,156
Repairs and maintenance	5,795	5,438	2,233	2,940
Decrease/(increase) in inventory balance of work in progress and finished goods	17,864	(7,004)	(3,823)	(18,504)
Other	18,545	14,676	7,057	4,599
Total	<u>763,951</u>	<u>656,977</u>	<u>246,063</u>	<u>198,225</u>

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

7. SELLING AND DISTRIBUTION EXPENSES

	Nine months ended 30 September		Three months ended 30 September	
	2012	2011	2012	2011
Transportation, including:				
Railway tariff	155,363	141,839	43,329	36,806
Freight and transshipment	110,171	101,782	38,022	37,661
Rail cars rent expenses	32,037	28,097	11,148	9,534
Other transportation expenses	10,891	10,656	3,590	2,423
Wages and salaries	16,486	12,960	5,853	3,685
Depreciation	11,340	9,890	3,450	4,189
Advertising and marketing	6,916	5,957	2,493	2,055
Social taxes	4,083	3,538	1,397	1,591
Customs clearance charges	1,572	2,194	160	808
Other	17,910	14,597	4,155	3,937
Total	366,769	331,510	113,597	102,689

8. GENERAL AND ADMINISTRATIVE EXPENSES

	Nine months ended 30 September		Three months ended 30 September	
	2012	2011	2012	2011
Wages and salaries	48,351	43,351	16,262	13,726
Social taxes	8,984	7,516	2,413	2,070
Depreciation	6,691	5,040	2,223	1,516
Audit, legal and consulting services	5,262	4,452	1,054	1,778
Rent	2,743	2,504	1,023	836
Security	2,696	2,279	856	733
Fines and penalties	1,914	1,420	171	173
Bank charges	1,549	1,188	298	413
Other	22,257	17,973	9,752	6,073
Total	100,447	85,723	34,052	27,318

9. PROPERTY, PLANT AND EQUIPMENT

As at 30 September 2012, property, plant and equipment included advances paid for acquisition of the property, plant and equipment in the amount of USD 24,818 thousand (31 December 2011: USD 10,579 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 2012, the net book value of leased machinery, equipment and transport was USD 45,603 thousand (31 December 2011: USD 49,331 thousand).

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	<u>Total</u>
Cost	
Balance at 1 January 2011	<u>938,978</u>
Additions	67,319
Disposals	(17,442)
Effect of translation to presentation currency	<u>(45,196)</u>
Balance at 30 September 2011	<u>943,659</u>
Balance at 1 January 2012	<u>980,644</u>
Additions	110,043
Acquisitions through business combinations	240,597
Disposals	(15,533)
Effect of translation to presentation currency	<u>53,908</u>
Balance at 30 September 2012	<u>1,369,659</u>
Accumulated depreciation and impairment losses	
Balance at 1 January 2011	<u>(300,905)</u>
Charge for the period	(70,809)
Disposals	3,642
Effect of translation to presentation currency	<u>19,143</u>
Balance at 30 September 2011	<u>(348,929)</u>
Balance at 1 January 2012	<u>(361,450)</u>
Charge for the period	(77,449)
Disposals	11,459
Effect of translation to presentation currency	<u>(20,092)</u>
Balance at 30 September 2012	<u>(447,532)</u>
Carrying value	
At 1 January 2012	<u>619,194</u>
At 30 September 2012	<u>922,127</u>

Assets pledged as collateral

As at 30 September 2012, the carrying values of property, plant and equipment pledged to secure loans and borrowings granted to the Group amounted to USD 130,040 thousand (31 December 2011: USD 89,907 thousand) (refer to Note 12).

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

10. GOODWILL

Cost	Nine months ended 30 September 2012	Year ended 31 December 2011
Balance at 1 January	195,573	207,121
Additional goodwill arising on the acquisition of PMF	253,193	-
Derecognised on the disposal of subsidiaries	-	(493)
Effect of translation to presentation currency	4,244	(11,055)
Balance at 30 September and 1 January	453,010	195,573
Accumulated impairment losses		
Balance at 1 January	(36,721)	(38,792)
Effect of translation to presentation currency	(1,519)	2,071
Balance at 30 September and 1 January	(38,240)	(36,721)
Carrying value		
At 1 January	158,852	168,329
At 30 September and 1 January	414,770	158,852

Allocation of goodwill to cash-generating units

The carrying value of goodwill was allocated to the following cash-generating units:

	30 September 2012	31 December 2011
Phosphate fertilisers	75,105	72,121
Nitrogen fertilisers	339,537	86,608
Other	128	123
Total	414,770	158,852

11. INVENTORIES

	30 September 2012	31 December 2011
Inventories expected to be recovered after twelve months		
Catalytic agents	33,549	28,021
Other inventories	1,738	2,729
	35,287	30,750
Inventories expected to be recovered in the next twelve months		
Raw materials, net of allowance for obsolescence	76,140	51,748
Finished goods	55,611	52,024
Work in-progress	7,616	7,269
Goods for resale	614	2,010
	139,981	113,051
Total	175,268	143,801

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

During the nine months ended 30 September 2012, the Group recognised a write down of USD 1,327 thousand to reduce the carrying value of inventories to net realisable value (year ended 31 December 2011: USD 3,311 thousand).

At 30 September 2012, inventories in the amount of USD 1,697 thousand were stated at net realisable value (31 December 2011: USD 64,263 thousand).

At 30 September 2012, raw materials were presented net of an allowance for obsolescence of USD 3,471 thousand (31 December 2011: USD 4,206 thousand). During the nine months ended 30 September 2012, the Group recognised USD 486 thousand (nine months ended 30 September 2011: USD 316 thousand) and released USD 1,221 thousand (nine months ended 30 September 2011: USD 905 thousand) of 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 2012</u>	<u>31 December 2011</u>
Carrying value of pledged inventories (refer to Note 12)	3,755	6,611

12. LOANS AND BORROWINGS

	<u>30 September 2012</u>	<u>31 December 2011</u>
Loans denominated in USD	850,993	949,512
Loans denominated in RUR	120,166	180,731
Loans denominated in EUR	23,186	-
Total	<u>994,345</u>	<u>1,130,243</u>
Less: current portion repayable within twelve months and shown under current liabilities	<u>(227,910)</u>	<u>(338,275)</u>
Long-term portion of loans and borrowings	<u>766,435</u>	<u>791,968</u>

Loans denominated in USD

In January 2012, the Group reached an agreement with UniCredit Bank to extend the repayment of short-term loans in the amount of USD 108,750 thousand from May 2012 to June 2012. During the nine month ended 30 September 2012 part of these loans in the amount of USD 71,040 thousand was repaid. In September 2012, the Group reached an agreement to extend the repayment of the outstanding part of this loan from September 2012 to March 2013.

In March 2012, the Group obtained a new credit facility from Raiffeisen Bank in the amount of USD 57,000 thousand which bears an annual interest rate linked to Libor 1month+5.0% and matures in June 2013.

The loans denominated in USD had a weighted average annual interest rate of 5.2% during the nine months ended 30 September 2012 (during the year ended 31 December 2011: 5.9%) and included the following borrowings:

- USD 7,931 thousand (31 December 2011: USD 2,738 thousand) at a fixed rate of 9.0% (31 December 2011: varied from 6.2% to 9.0%) per annum; and
- USD 843,062 thousand (31 December 2011: USD 946,774 thousand) at floating rates linked to Libor varying from 4.4% to 6.0% (31 December 2011: linked to Libor 1month and Libor 3month, varying from 4.4% to 6.0%) per annum.

The loans denominated in USD are due in the years 2013 to 2016. As at 30 September 2012, USD-denominated loans in the amount of USD 547,528 thousand (31 December 2011: USD 684,562 thousand) were secured by 49.0% of UralChem OJSC's shares (31 December 2011: 49.0%) and certain fixed assets (refer to Note 9).

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

Loans denominated in RUR

Loans denominated in RUR included a loan of USD 87,795 thousand (2011: USD 149,639 thousand) bearing interest at a fixed rate of 9.0% (2011: 9.0%) per annum and repayable in quarterly instalments starting from 21 December 2012 with the final instalment due on 24 June 2013; and other loans of USD 32,371 thousand (2011: USD 31,092 thousand) bearing interest at floating rate linked to MosPrime 3month + 3.9% (2011: MosPrime 3m + 3.9%) per annum and maturing in June 2013.

The loans are secured by 100% of UralChem OJSC's shares (2011: 100.0%), 74.8% of VMF's shares (2011: 74.8%), 96.8% of KCCW MFP's shares (2011: 96.8%) and 44.3% of PMF's shares (2011: 44.3%) held by the Group and certain fixed assets and inventories (refer to Note 9 and Note 11).

Loans denominated in EUR

In September 2011, the Group reached an agreement with Swedbank to obtain a credit line in the amount of USD 41,187 thousand maturing in September 2020, which was not draw down as at 31 December 2011. As at 30 September 2012, USD 21,436 thousand of this credit facility was withdrawn. The annual interest rate on this facility is settled at Euribor 3month rate + 3.4% per annum.

Total loans and borrowings were repayable as follows:

	<u>30 September 2012</u>	<u>31 December 2011</u>
Due within three months	38,587	156,083
Due from three to six months	125,874	116,423
Due from six to twelve months	63,449	65,769
Total current portion repayable within twelve months	<u>227,910</u>	<u>338,275</u>
Due in the second year	299,641	168,712
Due in the third year	234,195	273,870
Due in the fourth year	220,404	174,693
Due in the fifth year	3,049	174,693
Due thereafter	9,146	-
Total long-term portion of loans and borrowings	<u>766,435</u>	<u>791,968</u>

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

- Set limits for the total amount of borrowings of certain Group subsidiaries;
- The Group's total amount of loans and borrowings should not exceed USD 1,400,000 thousand;
- Bank approval for any transfer of pledged property;
- Set limits for the amount of cash collections of certain Group subsidiaries that have to be transferred to the accounts at defined banks;
- Set limit for an annualised "net debt/EBITDA" ratio not exceeding 3.5; and
- Restrictions on the disposal of assets with a carrying value of more than USD 3,234 thousand for UralChem OJSC without prior approval of the lender.

All loan agreements have acceleration clauses, allowing the creditors to request early repayment of outstanding amounts in the event 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 2012 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

13. 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 2012</u>	<u>31 December 2011</u>
Parent company		
Other receivables	8,290	-
Other financial assets	10,054	-
Loans and borrowings	(7,750)	(2,627)
Other payables	-	(42,634)
Entities under common ownership and control		
Trade and other receivables	3,990	3,604
Advances paid and prepaid expenses	112	608
Loans issued, at amortised cost	3,600	-
Promissory notes of related parties, at amortised cost	344	330
Trade and other payables	(1,881)	(1,754)
Advances received	(158)	(92)

The Group entered into the following transactions with related parties:

	<u>Nine months ended 30 September 2012</u>	<u>Nine months ended 30 September 2011</u>
Parent company		
Interest income	1,797	924
Interest expense	(163)	(1,995)
Entities under common ownership and control		
Sales of goods and services	39,165	40,962
Purchases of goods and services	(9,604)	(9,638)
Interest income	-	134
Other income, net	146	182
	<u>Three months ended 30 September 2012</u>	<u>Three months ended 30 September 2011</u>
Parent company		
Interest income	412	-
Interest expense	(37)	(571)
Entities under common ownership and control		
Sales of goods and services	14,359	13,637
Purchases of goods and services	(3,562)	(3,873)
Other income, net	54	45

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

Transactions with related parties

Sales and purchases of goods

Sales of goods to related parties were made on market terms. 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.

Purchases from related parties which primarily included purchases of raw materials 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 of the Group.

As at 30 September 2012, loans issued to related parties included loans issued to the parent company in the amount of USD 10,054 thousand and loans issued to the top management in the amount of USD 3,600 thousand (2011: nil). The loans are denominated in USD and bore interest at annual fixed rates from 5.5% to 9.5%.

Loans received from related parties

As at 30 September 2012, the loans received from related parties included loan received from the parent company in the amount of USD 7,750 thousand. The loan is denominated in USD and bore interest at annual fixed rates of 6.0%.

Other transactions with the parent company

On 18 January 2012, the Group settled liabilities to the parent company in the amount of USD 42,634 thousand consisting of:

- Distribution of dividends received from associate during the year ended 31 December 2011 in the amount of USD 13,174 thousand and recorded in other payables in the consolidated statement of financial position as at 31 December 2011;
- Repayment of liability for the PMF's shares to the parent company in the amount of USD 29,460 thousand.

Dividends paid

On 1 August 2012, the Company declared dividends to the shareholders in the amount of USD 63,194 thousand. On 9 August dividends were paid.

Compensation of key management personnel

The compensation of key management personnel of the Group for the nine months ended 30 September 2012 comprised salaries and cash bonuses in the amount of USD 8,267 thousand (nine months ended 30 September 2011: USD 12,583 thousand), including social taxes in the amount of USD 921 thousand (nine months ended 30 September 2011: USD 505 thousand).

14. COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 30 September 2012, the Group's contractual capital commitments for acquisition of property, plant and equipment amounted to USD 27,147 thousand (31 December 2011: USD 8,175 thousand).

URALCHEM HOLDING P.L.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

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 2012</u>	<u>31 December 2011</u>
Due in one year	32,346	39,250
Due from two to five years	<u>31,565</u>	<u>33,616</u>
Total	<u>63,911</u>	<u>72,866</u>

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

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

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.

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 the government's continued actions with regard to supervisory, legal and economic reforms.

15. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Loans issued and repaid

Up to the date of approval of these condensed consolidated interim financial statements, the parent company repaid loans to the Group in the total amount of USD 7,750 thousand. The loans bear interest at a fixed rate of 5.5%.

Up to the date of approval of these condensed consolidated interim financial statements, the Group repaid loan in the amount USD 37,500 thousand. The loan bore interest at annual floating rate of Libor 1m+5.8%.