

**UNITED CHEMICAL COMPANY
URALCHEM OJSC**

**Condensed consolidated interim
financial statements
for the nine months ended 30 September 2014
(unaudited)**

UNITED CHEMICAL COMPANY URALCHEM OJSC

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED)

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 United Chemical Company UralChem OJSC and its subsidiaries (together, "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 2014, 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 2014 were approved on 14 November 2014 by:

Andrey Pakhomenkov
Chief financial officer

Dmitry Konyaev
Chief executive officer

Moscow, Russia
14 November 2014

UNITED CHEMICAL COMPANY URALCHEM OJSC

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED)

All amounts are in thousands of Russian roubles unless otherwise stated

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2014	2013	2014	2013
Revenue					
Sales of goods	5	50,833,267	54,208,210	15,524,054	15,509,734
Other sales		1,828,891	2,056,115	601,249	692,286
Total revenue		52,662,158	56,264,325	16,125,303	16,202,020
Cost of sales	6	(22,373,890)	(26,427,654)	(7,036,307)	(9,510,294)
Gross profit		30,288,268	29,836,671	9,088,996	6,691,726
Selling and distribution expenses	7	(11,589,374)	(12,211,213)	(3,514,965)	(3,839,683)
General and administrative expenses	8	(3,665,630)	(3,460,208)	(1,160,506)	(1,033,857)
Other operating income		835,344	558,327	614,608	221,527
Other operating expenses		(411,474)	(98,674)	724,280	96,199
Operating profit		15,457,134	14,624,903	5,752,413	2,135,912
Interest and other finance income		47,885	558,602	22,802	93,492
Interest and other finance expense		(6,407,971)	(1,745,974)	(2,485,899)	(455,561)
Share of profit of associates	10	232,746	17,937	1,599	18,725
Impairment of non-current assets		(41,959)	-	(25,976)	-
Foreign exchange loss from financing activities		(30,147,646)	(1,628,335)	(26,135,876)	213,669
(Loss)/profit before tax		(20,859,811)	11,827,133	(22,870,937)	2,006,237
Income tax expense		1,687,650	(1,744,246)	3,175,964	(212,437)
(Loss)/profit for the period		(19,172,161)	10,082,887	(19,694,973)	1,793,800
Attributable to:					
Shareholders of the Company		(19,267,415)	10,121,134	(19,767,712)	1,797,277
Non-controlling interests		95,254	(38,247)	72,739	(3,477)
		(19,172,161)	10,082,887	(19,694,973)	1,793,800
Earnings per share					
Weighted average number of ordinary shares in issue during the period		500,000,000	500,000,000	500,000,000	500,000,000
Basic and diluted earnings per share (Russian Roubles per share)		(38.5)	20.2	(39.5)	3.6

The notes on pages 8 to 22 are an integral part of these condensed consolidated interim financial statements.

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CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED)

All amounts are in thousands of Russian roubles unless otherwise stated

	Nine months ended		Three months ended	
	30 September		30 September	
	2014	2013	2014	2013
(Loss)/profit for the period	(19,172,161)	10,082,887	(19,694,973)	1,793,800
<i>Items to be subsequently reclassified to profit or loss:</i>				
Exchange differences on translating to the presentation currency	938,467	259,658	79,595	(259,938)
<i>Items not to be subsequently reclassified to profit or loss:</i>				
Actuarial losses	28,510	(40,171)	28,510	(342)
Total comprehensive (loss)/income for the period	(18,205,184)	10,302,374	(19,586,868)	1,533,520
Total comprehensive (loss)/income for the period attributable to:				
Shareholders of the Company	(18,300,438)	10,340,621	(19,659,607)	1,536,997
Non-controlling interests	95,254	(38,247)	72,739	(3,477)
	(18,205,184)	10,302,374	(19,586,868)	1,533,520

The notes on pages 8 to 22 are an integral part of these condensed consolidated interim financial statements.

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CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014 (UNAUDITED)

All amounts are in thousands of Russian roubles unless otherwise stated

	Notes	30 September 2014	31 December 2013
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	9	31,300,211	29,764,042
Goodwill		13,036,411	10,501,400
Intangible assets		271,534	286,975
Investments in associates	10	124,851,506	125,575,900
Inventories	11	1,068,360	1,032,708
Available-for-sale investments		5,588,795	5,127,721
Other financial assets		161,497	34,192
Deferred tax assets		4,530,166	929,403
		180,808,480	173,252,341
<i>Current assets</i>			
Inventories	11	4,236,825	4,694,477
Trade and other receivables		3,481,349	3,942,981
Advances paid and prepaid expenses		1,086,104	1,157,622
Income tax receivable		473,019	430,717
Other taxes receivable		2,431,758	2,764,731
Other financial assets		89,026	40,160
Cash and cash equivalents		5,994,791	3,805,538
		17,792,872	16,836,226
TOTAL ASSETS		198,601,352	190,088,567
EQUITY AND LIABILITIES			
<i>Capital and reserves</i>			
Share capital		2,000,000	2,000,000
Additional paid-in capital		2,291,705	2,228,220
Foreign currency translation reserve		1,529,287	590,820
Retained earnings		2,828,746	22,067,651
Equity attributable to shareholders of the Company		8,649,738	26,886,691
Non-controlling interests		475,884	213,432
Total equity		9,125,622	27,100,123
<i>Non-current liabilities</i>			
Loans and borrowings	14	176,159,524	127,941,704
Obligations under finance leases		2,559,064	2,265,881
Retirement benefit obligations		485,713	527,245
Deferred tax liabilities		1,649,323	1,630,536
		180,853,624	132,365,366
<i>Current liabilities</i>			
Loans and borrowings	14	4,177,178	21,779,882
Obligations under finance leases		972,949	815,271
Trade and other payables		2,209,323	6,337,187
Advances received		855,412	1,252,506
Income tax payable		151,745	215,995
Other taxes payable		255,499	222,237
		8,622,106	30,623,078
Total liabilities		189,475,730	162,988,444
TOTAL EQUITY AND LIABILITIES		198,601,352	190,088,567

The notes on pages 8 to 22 are an integral part of these condensed consolidated interim financial statements.

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CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED)

All amounts are in thousands of Russian roubles unless otherwise stated

	Nine months ended 30 September 2014	Nine months ended 30 September 2013
Operating activities		
(Loss)/profit before tax	(20,859,811)	11,827,133
Adjustments for:		
Depreciation of property, plant and equipment	2,744,015	2,609,083
Amortisation of intangible assets	73,531	81,040
Change in provisions and allowances	314,581	297,038
Write-down of inventory to net realisable value	86,802	43,362
Loss on disposal of property, plant and equipment	9,318	124,528
Loss on impairment of non-current assets	41,959	-
Foreign exchange loss, net	29,705,086	1,914,380
Share of profit of associates	(232,746)	(17,937)
Profit on disposal of subsidiaries	-	(35,074)
Share-based compensation	63,485	99,161
Interest and other finance income	(47,885)	(558,602)
Interest and other finance expense	6,407,971	1,745,974
Operating cash flows before working capital changes	18,306,306	18,130,086
Change in inventory	306,567	118,087
Change in trade and other receivables	1,075,574	283,998
Change in advances paid and prepaid expenses	116,345	212,391
Change in other taxes receivable	172,692	(325,105)
Change in retirement benefit obligations	(13,022)	4,342
Change in trade and other payables	(919,295)	(198,817)
Change in advances received	(397,357)	(797,812)
Change in other taxes payable	20,706	191,075
Cash generated from operations	18,668,516	17,618,245
Interest paid	(7,103,080)	(1,304,944)
Income tax paid	(1,963,544)	(3,172,340)
Net cash generated from operating activities	9,601,892	13,140,961

The notes on pages 8 to 22 are an integral part of these condensed consolidated interim financial statements.

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CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (CONTINUED) (UNAUDITED)

All amounts are in thousands of Russian roubles unless otherwise stated

	Nine months ended 30 September 2014	Nine months ended 30 September 2013
Investing activities		
Acquisition of subsidiaries, net of cash acquired	(2,707,179)	-
Acquisition of available-for-sale investments	(460,687)	-
Proceeds from disposal of subsidiaries	-	98,743
Proceeds from disposal of available-for-sale investments	-	85,000
Payments for property, plant and equipment	(3,122,624)	(4,519,577)
Proceeds from sale of property, plant and equipment	293,591	572,552
Payments for intangible assets	(56,242)	(63,956)
Loans issued	(761,316)	(414,938)
Proceeds from repayment of loans issued	605,420	1,237,439
Dividends received	-	411,116
Dividends received from associates	957,141	-
Interest received	40,696	55,647
Net cash used in investing activities	(5,211,200)	(2,537,974)
Financing activities		
Proceeds from short-term loans and borrowings	4,769,198	902,299
Proceeds from long-term loans and borrowings	22,917,142	16,197,637
Repayment of short-term loans and borrowings	(26,256,658)	(5,744,334)
Repayment of long-term loans and borrowings	(219,320)	(18,133,920)
Repayment of principal amounts of finance leases	(682,685)	(361,744)
Dividends paid to the shareholders	(3,475,000)	(5,800,000)
Net cash used in financing activities	(2,947,323)	(12,940,062)
Net decrease in cash and cash equivalents	1,443,369	(2,337,075)
Cash and cash equivalents at the beginning of the period	3,805,538	5,392,432
Effect of exchange rate changes on the balance of cash held in foreign currencies	745,884	494,365
Cash and cash equivalents at the end of the period	5,994,791	3,549,722

The notes on pages 8 to 22 are an integral part of these condensed consolidated interim financial statements.

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CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED)

All amounts are in thousands of Russian roubles 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 2013		2,000,000	1,928,451	175,198	19,016,591	23,120,240	325,901	23,446,141
Dividends		-	-	-	(1,600,000)	(1,600,000)	-	(1,600,000)
Profit/(loss) for the period		-	-	-	10,121,134	10,121,134	(38,247)	10,082,887
Other comprehensive income/(loss)		-	-	259,658	(40,171)	219,487	-	219,487
Total comprehensive income/(loss) for the period		-	-	259,658	10,080,963	10,340,621	(38,247)	10,302,374
Share-based payments	15	-	99,161	-	-	99,161	-	99,161
Balance as at 30 September 2013		2,000,000	2,027,612	434,856	27,497,554	31,960,022	287,654	32,247,676
Balance as at 1 January 2014		2,000,000	2,228,220	590,820	22,067,651	26,886,691	213,432	27,100,123
(Loss)/profit for the period		-	-	-	(19,267,415)	(19,267,415)	95,254	(19,172,161)
Other comprehensive income		-	-	938,467	28,510	966,977	-	966,977
Total comprehensive income/(loss) for the period		-	-	938,467	(19,238,905)	(18,300,438)	95,254	(18,205,184)
Non-controlling interest arising on business combination	3	-	-	-	-	-	167,198	167,198
Share-based payments	15	-	63,485	-	-	63,485	-	63,485
Balance as at 30 September 2014		2,000,000	2,291,705	1,529,287	2,828,746	8,649,738	475,884	9,125,622

The notes on pages 8 to 22 are an integral part of these condensed consolidated interim financial statements.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED)

All amounts are in thousands of Russian roubles unless otherwise stated

1. GENERAL INFORMATION

Organisation

United Chemical Company “UralChem” (“the Company”) is an open joint stock company which was incorporated in Moscow on 22 October 2007.

As at 30 September 2014, the Company was 99.9999% owned by UralChem Holding P.L.C., incorporated in Cyprus. The remaining 0.0001% of the Company’s shares was owned by CI-Chemical Invest Limited. The principal controlling shareholder of the Company is Mr. Dmitry A. Mazepin.

The Company’s main office is located at Presnenskaya Naberezhnaya, 6/2, Moscow, Russia.

Principal business activities

The principal business activities of the Group are the production and distribution of mineral fertilisers. The main products of the Group are nitrogen based, phosphate based and complex fertilisers. The major production facilities of the Group are located in the Moscow, Perm and Kirov regions of the Russian Federation.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, except for the accounting of the investment in Uralkali OJSC. In preparation of these financial statements the Group used the latest available data on Uralkali OJSC, i.e. information about the financial position as at 30 June 2014 and its financial results for the six months then ended.

These financial statements are unaudited and do not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2013 prepared in accordance with International Financial Reporting Standards (“IFRS”), such as accounting policies and details of accounts which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures where significant events have occurred subsequent to the issuance of the Company’s annual consolidated financial statements for 2013 prepared in accordance with IFRS. Management believes that the disclosures in these interim consolidated financial statements are adequate to make the information presented not misleading if these financial statements are read in conjunction with the Company’s annual consolidated financial statements for 2013 prepared in accordance with IFRS. In the opinion of management, these financial statements reflect all adjustments necessary to present fairly the Group’s financial position, results of operations, statements of changes in shareholders’ equity and cash flows for the interim reporting periods.

3. BUSINESS COMBINATIONS

Acquisition of a controlling interest in Ventamonjaks SIA in 2014

On 15 August 2014, a 55% subsidiary of the Group acquired a 100% share in Ventamonjaks SIA (“Ventamonjaks”) for cash consideration of RUR 2,727,532 thousand.

Ventamonjaks is the largest liquid ammonia transshipment terminal in the Baltic Sea. The controlling interest in Ventamonjaks was acquired so as to enhance logistic security of the Group.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED)

All amounts are in thousands of Russian roubles unless otherwise stated

As at 15 August 2014 net assets of Ventamonjaks were as follows:

	<u>Fair value, th RUR</u>
ASSETS	
Property, plant and equipment	290,947
Intangible assets	1,849
Inventories	912
Trade and other receivables	10,784
Other tax receivable	1,503
Advances and prepaid expenses	44,777
Cash and cash equivalents	30,736
Total assets	381,508
LIABILITIES	
Deferred tax liabilities	4,547
Trade and other payables	7,697
Other taxes payable	349
Total liabilities	12,593
Net assets at the date of acquisition	368,915
Less: Share of net assets attributable to minority shareholders	(166,011)
Group's share of net assets acquired	202,904
Add: Goodwill arising on acquisition	2,524,628
Total Ventamonjaks net assets transferred	2,727,532
Consideration paid by the Company for Ventamonjaks	
Cash consideration	(2,727,532)
Total	(2,727,532)
Net cash flow arising on acquisition:	
Cash consideration	(2,727,532)
Cash and cash equivalents acquired	30,736
Net cash outflow on acquisition of subsidiary	(2,696,796)

Goodwill arose in the acquisition of Ventamonjaks 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, cost optimization and future market development of Ventamonjaks. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Goodwill arising on these acquisitions is not expected to be deductible for tax purposes.

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"), located in the Kirov region of the Russian Federation, Azot branch of UralChem OJSC ("Azot branch") and Mineral Fertilisers OJSC ("PMF"), located in the Perm region of the Russian Federation; and

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED)

All amounts are in thousands of Russian roubles unless otherwise stated

- **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 Voskresensk Mineral Fertilisers OJSC (“VMF”), located in the Moscow region of the Russian Federation. During the nine months ended 30 September 2014 there has been a significant change in operational activities in the phosphate segment of the Group. VMF ceased production of inorganic acids and reduced production of phosphate based fertilizers. VMF produces phosphate based fertilizers, complex fertilizers and develops of new products.

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

The profitability of the two operating segments is primarily measured based on OIBDA (operating profit adjusted for depreciation and amortisation) and net profit for the period. Since 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. 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 2014 is as follows:

Nine months ended 30 September 2014	Nitrogen fertilisers	Phosphate fertilisers	Total
Revenue from external customers	49,035,991	1,797,276	50,833,267
Inter-segment revenue	108,750	3,566	112,316
Total segment revenue	49,144,741	1,800,842	50,945,583
OIBDA	21,015,762	(555,280)	20,460,482
Profit/(loss) for the period	12,831,192	(632,137)	12,199,055
Nine months ended 30 September 2013	Nitrogen fertilisers	Phosphate fertilisers	Total
Revenue from external customers	45,695,725	8,512,485	54,208,210
Inter-segment revenue	1,207,333	34,553	1,241,886
Total segment revenue	46,903,058	8,547,038	55,450,096
OIBDA	19,245,927	382,166	19,628,093
Segment profit/(loss) for the period	13,544,096	(62,533)	13,481,563

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED)

All amounts are in thousands of Russian roubles 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 2014	Nitrogen fertilisers	Phosphate fertilisers	Total
Segment OIBDA	21,015,762	(555,280)	20,460,482
Segment amortisation and depreciation	(2,490,931)	(118,718)	(2,609,649)
Segment income tax	(2,803,397)	(12,967)	(2,816,364)
Segment impairment of non-current assets	-	(41,959)	(41,959)
Segment (expense)/income from financing activities	(2,890,242)	96,787	(2,793,455)
Segment profit/(loss) for the period	12,831,192	(632,137)	12,199,055
Unallocated activities			
Depreciation and amortisation			(207,897)
Corporate overheads			(2,149,106)
Other expenses			(2,900,893)
Interest income			15,130
Interest expense			(5,821,092)
Share of profit of associates			232,746
Foreign exchange loss from financing activities			(28,057,023)
Inter-segment operations, net			3,012,905
Unallocated income tax			4,504,014
Group loss for the period			(19,172,161)

Nine months ended 30 September 2014	Nitrogen fertilisers	Phosphate fertilisers	Total
Segment OIBDA	21,015,762	(555,280)	20,460,482
Segment amortisation and depreciation	(2,490,931)	(118,718)	(2,609,649)
Segment income tax	(2,803,397)	(12,967)	(2,816,364)
Segment impairment of non-current assets	-	(41,959)	(41,959)
Segment (expense)/income from financing activities	(2,890,242)	96,787	(2,793,455)
Segment profit/(loss) for the period	12,831,192	(632,137)	12,199,055
Unallocated activities			
Depreciation and amortisation			(207,897)
Corporate overheads			(2,149,106)
Other expenses			(2,900,893)
Interest income			15,130
Interest expense			(5,821,092)
Share of profit of associates			232,746
Foreign exchange loss from financing activities			(28,057,023)
Inter-segment operations, net			3,012,905
Unallocated income tax			4,504,014
Group loss for the period			(19,172,161)

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

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED)

All amounts are in thousands of Russian roubles unless otherwise stated

Total reportable segment assets are as follows:

Total segment assets:	Nitrogen fertilisers	Phosphate fertilisers	Total
30 September 2014	49,848,894	2,848,343	52,697,237
31 December 2013	46,800,420	5,157,490	51,957,910

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 2014	Total	Export	Russian Federation	Other CIS countries
Mineral fertilisers				
Nitrogen based fertilisers	32,808,313	25,941,380	6,182,588	684,345
Complex fertilisers	5,207,794	4,254,767	394,929	558,098
Phosphate based fertilisers	886,825	294,593	428,311	163,921
Ammonia	8,178,299	7,667,323	459,286	51,690
Explosive grade ammonium nitrate	1,710,359	14,750	1,398,415	297,194
Inorganic acids	595,704	-	595,704	-
Other chemical products	1,445,973	264,770	1,101,263	79,940
Total	50,833,267	38,437,583	10,560,496	1,835,188
Nine months ended 30 September 2013				
Mineral fertilisers				
Nitrogen based fertilisers	30,023,076	22,809,956	5,995,879	1,217,241
Complex fertilisers	6,358,470	3,991,999	1,458,712	907,759
Phosphate based fertilisers	5,751,958	3,105,006	873,957	1,772,995
Ammonia	8,220,144	6,616,388	1,468,232	135,524
Explosive grade ammonium nitrate	1,897,880	91,129	1,454,414	352,337
Inorganic acids	719,242	-	719,242	-
Other chemical products	1,237,440	274,458	929,007	33,975
Total	54,208,210	36,888,936	12,899,443	4,419,831

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Three months ended 30 September 2014	<u>Total</u>	<u>Export</u>	<u>Russian Federation</u>	<u>Other CIS countries</u>
Mineral fertilisers				
Nitrogen based fertilisers	10,076,097	8,751,860	1,236,070	88,167
Complex fertilisers	1,724,197	1,315,291	125,399	283,507
Phosphate based fertilisers	128,000	5,436	118,843	3,721
Ammonia	2,338,332	2,139,354	167,877	31,101
Explosive grade ammonium nitrate	510,710	4,658	432,145	73,907
Inorganic acids	192,758	-	192,758	-
Other chemical products	553,960	94,931	428,078	30,951
Total	<u>15,524,054</u>	<u>12,311,530</u>	<u>2,701,170</u>	<u>511,354</u>

Three months ended 30 September 2013

Mineral fertilisers				
Nitrogen based fertilisers	8,631,900	7,009,486	1,408,323	214,091
Complex fertilisers	1,939,994	1,070,943	707,637	161,414
Phosphate based fertilisers	1,621,815	788,216	206,090	627,509
Ammonia	2,132,562	1,801,562	277,089	53,911
Explosive grade ammonium nitrate	578,475	7,201	443,870	127,404
Inorganic acids	219,599	-	219,599	-
Other chemical products	385,389	60,062	309,902	15,425
Total	<u>15,509,734</u>	<u>10,737,470</u>	<u>3,572,510</u>	<u>1,199,754</u>

6. COST OF SALES

	<u>Nine months ended 30 September</u>		<u>Three months ended 30 September</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Raw materials, including:				
Natural gas	10,079,714	9,114,722	3,103,649	3,067,379
Apatite	917,649	3,417,268	220,487	927,669
Potassium chloride	443,353	940,621	118,071	302,415
Sulphur	38,370	536,981	-	181,720
Other raw materials	1,459,038	1,659,738	454,696	706,216
Energy and utilities	3,625,691	4,032,759	1,197,371	1,650,459
Staff costs	2,601,964	2,977,109	814,338	1,054,266
Depreciation	1,997,689	1,899,456	675,915	622,322
Repairs and maintenance	206,415	179,763	109,736	92,853
Decrease/(increase) in inventory balance	376,377	682,266	195,765	342,555
Other	627,630	986,971	146,279	562,440
Total	<u>22,373,890</u>	<u>26,427,654</u>	<u>7,036,307</u>	<u>9,510,294</u>

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7. SELLING AND DISTRIBUTION EXPENSES

	Nine months ended 30 September		Three months ended 30 September	
	2014	2013	2014	2013
Transportation, including:				
Railway tariff	4,887,253	5,117,355	1,532,649	1,543,445
Freight and transshipment	3,288,435	3,668,610	867,674	1,217,923
Rail cars rent expenses	905,273	881,346	317,107	252,131
Other transportation expenses	267,297	358,259	74,289	50,783
Staff costs	842,716	895,571	260,806	380,546
Depreciation	572,869	544,699	192,653	177,324
Advertising and marketing	9,226	21,955	2,751	3,768
Other	816,305	723,418	267,036	213,763
Total	11,589,374	12,211,213	3,514,965	3,839,683

8. GENERAL AND ADMINISTRATIVE EXPENSES

	Nine months ended 30 September		Three months ended 30 September	
	2014	2013	2014	2013
Staff costs	2,258,016	1,972,750	689,579	539,895
Depreciation	173,457	164,928	60,323	55,615
Audit, legal and consulting services	341,732	332,565	119,372	65,357
Security	142,932	136,273	46,327	72,958
Rent	87,100	98,205	17,920	38,240
Bank charges	43,025	42,117	19,779	13,548
Fines and penalties	23,194	19,346	4,212	6,525
Other	596,174	694,024	202,994	241,719
Total	3,665,630	3,460,208	1,160,506	1,033,857

9. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the nine months ended 30 September 2014, the Group acquired property, plant and equipment with a cost of RUB 3,986,062 (nine months ended 30 September 2013: RUB 5,480,402) including machinery, equipment and transport leased under a number of finance lease agreements for the amount of 933,194 (nine months ended 30 September 2013: RUB 1,113,262). Acquisitions under finance lease agreements represent a non-cash investing and financing activity which is not reflected in the condensed consolidated statement of cash flows.

As at 30 September 2014, property, plant and equipment included advances paid for acquisition of property, plant and equipment in the amount of RUB 932,068 (31 December 2013: RUB 322,753).

The Group also disposed of certain of its machinery and tools with a carrying amount of RUB 237,126 (nine months ended 30 September 2013: RUB 508,634).

Assets pledged as collateral

As at 30 September 2014, the carrying values of property, plant and equipment pledged to secure loans and borrowings granted to the Group amounted to RUB 3,617,076 (31 December 2013: RUB 3,093,273) (refer to Note 14).

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10. INVESTMENTS IN ASSOCIATES

Name of associate	Principal activity	Principal place of business	Effective ownership, %	
			30 September 2014	31 December 2013
Uralkali OJSC (i) (iii)	Production of mineral fertilisers	Perm region, Russian Federation	19.99	19.99
NPK Karbon-Shungit (ii)	Mining and processing	Karelia, Russian Federation	49.70	49.70
ZhDTsekh (ii)	Other services	Moscow region, Russian Federation	50.00	50.00

- (i) On 19 December 2013 the Group acquired 19.99% interest in Uralkali OJSC. Although the Group holds less than 20% in the share capital of the company and it has less than 20% of the voting power at shareholder meetings, the Group exercises significant influence by virtue of the presence of its related parties on the board of the directors of the company. The Group is entitled to appoint one or more than one members to the Board of Directors of Uralkali OJSC, depending on the quorum achieved at the Meeting of the shareholders. Members of the Board of Directors are subject to reelection on an annual basis. At 30 September 2014 two out of nine members of the Board of Directors of Uralkali OJSC were related to the Group.
- (ii) Pursuant to a shareholder agreement, the Company has the right to cast 49.7% and 50.0% of the votes at shareholder meetings of NPK Karbon-Shungit and ZhDTsekh respectively. The Company does not have the power to exercise joint control over ZhDTsekh.
- (iii) As at 30 September 2014, the fair value of the Group's interest in Uralkali OJSC, which is listed on the stock exchanges of London and Moscow, was RUB 82,548,862 (31 December 2013: RUB 101,400,333) based on the quoted market prices available, which is a level 1 input in terms of IFRS 13.

In preparation of these condensed consolidated interim financial statements the Group used the latest available data on Uralkali OJSC, i.e. information about the financial position as at 30 June 2014 and its financial results for the six months then ended. Summarized financial information in respect of the financial position of Uralkali OJSC as at 30 June 2014 and its financial results for the period then ended is set out below. It represents amounts shown in the associate's financial statements prepared in accordance with IFRSs and adjusted by the Group for equity accounting purposes:

	30 June 2014	31 December 2013
Current assets	51,229,356	58,021,758
Non-current assets	867,148,367	875,874,595
Current liabilities	(50,282,000)	(70,952,422)
Non-current liabilities	(253,223,614)	(245,162,255)
Net assets	614,872,109	617,781,676
		Six months ended 30 June 2014
Revenue		60,371,956
Profit for the period		1,335,299
Other comprehensive income for the period		(96,249)
Total comprehensive income for the period		1,239,050
Dividends received from the associate during the period		(957,141)

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Reconciliation of the above summarized financial information to the carrying amount of the interest in Uralkali OJSC recognized in the consolidated financial statements:

	<u>30 June 2014</u>	<u>31 December 2013</u>
Net assets of the associate	614,872,109	617,781,676
Proportion of the Group's ownership interest in Uralkali OJSC	122,912,935	123,494,557
Goodwill	1,733,851	1,733,851
Other adjustments	(127,833)	-
Carrying amount of the Group's interest in Uralkali OJSC	<u>124,518,953</u>	<u>125,228,408</u>

11. INVENTORIES

	<u>30 September 2014</u>	<u>31 December 2013</u>
Inventories expected to be recovered after twelve months		
Catalytic agents	965,740	899,796
Other inventories	102,620	132,912
	<u>1,068,360</u>	<u>1,032,708</u>
Inventories expected to be recovered in the next twelve months		
Finished goods	2,241,995	2,590,797
Raw materials, net of allowance for obsolescence	1,787,856	1,869,229
Work in-progress	206,518	219,160
Goods for resale	456	15,291
	<u>4,236,825</u>	<u>4,694,477</u>
Total	<u>5,305,185</u>	<u>5,727,185</u>

During the nine months ended 30 September 2014, the Group recognised a write down of RUB 86,802 thousand to reduce the carrying value of inventories to net realisable value (year ended 31 December 2013: RUB 42,512).

At 30 September 2014, raw materials were presented net of an allowance for obsolescence of RUB 132,250 thousand (31 December 2013: RUB 153,314). During the nine months ended 30 September 2014, the Group recognised RUB 35,969 (nine months ended 30 September 2013: RUB 6,427) and released RUB 57,033 (nine months ended 30 September 2013: RUB 11,076) of allowance for obsolescence of raw materials.

12. AVAILABLE-FOR-SALE INVESTMENTS

In April 2014 the Company acquired three additional shares in Open Joint Stock Company Togliattiazot ("Togliattiazot"). Cash consideration on the transaction was RUB 460,687. Thus, at 30 September 2014, available-for-sale investments included a 9.7% investment (2013: 9.3%) in Togliattiazot of RUB 5,584,160 (2013: RUB 5,123,473) and other available-for-sale investments of RUB 4,635 (2013: RUB 4,248). The available-for-sale investments are accounted for at cost as their fair value cannot be reliably measured.

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13. EQUITY

Share capital of the Company amounts to RUB 2,000,000 and is divided into 500,000,000 ordinary shares of the nominal value of 4 Russian roubles each.

Dividends

The statutory financial statements of the Group entities are the basis for the profit distribution and other appropriations.

Earnings per share

Earnings per share were calculated by dividing net profit attributable to shareholders of the Company for the nine months ended 30 September 2014 and 2013 by the weighted average number of ordinary shares in issue during those years.

Share-based payments

A share-based payment transaction was made as a part of management remuneration based on shareholders' decision (Note 15). Settlements were performed by Uralchem Holding PLC, the shareholder of the Company.

14. LOANS AND BORROWINGS

	<u>30 September 2014</u>	<u>31 December 2013</u>
Loans denominated in USD	175,930,716	140,889,789
Loans denominated in EUR	4,402,873	8,828,125
Loans denominated in RUR	3,113	3,672
Total	<u>180,336,702</u>	<u>149,721,586</u>
Less: current portion repayable within twelve months and shown under current liabilities	<u>(4,177,178)</u>	<u>(21,779,882)</u>
Long-term portion of loans and borrowings	<u>176,159,524</u>	<u>127,941,704</u>

Loans denominated in USD

The loans denominated in USD had a weighted average annual interest rate of 5.0% during the nine months ended 30 September 2014 (2013: 3.7%) and included the following borrowings:

- RUB 173,959,500 (31 December 2013: RUB 140,889,789) at fixed rates varying from 3.2% to 5.0% (31 December 2013: from 3.0% to 6.0%); and
- RUB 1,971,216 (31 December 2013: nil) at floating rate linked to Libor 3m of 3.1% (31 December 2013: nil) per annum.

The loans denominated in USD are due in the years 2015 to 2020. As at 30 September 2014 USD-denominated loans in the amount of RUB 174,459,299 (31 December 2013: RUB 125,572,210) were secured by 19.99% of Uralkali OJSC's (31 December 2013: 19.99%).

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Loans denominated in EUR

The loans denominated in EUR had a weighted average annual interest rate of 2.9% during the nine months ended 30 September 2014 (2013: 4.2%) and included the following borrowings:

- RUB 785,685 at a fixed rate varying from 3.6% to 3.8% per annum (31 December 2013: RUB 172,671); and
- RUB 3,617,188 (31 December 2013: RUB 8,655,454) at floating rates linked to Euribor 3m and 6m varying from 3.0% to 3.7% (31 December 2013: from 2.7% to 3.7%) per annum.

In February 2014 the loan payable to Nordea Bank was refinanced with funds obtained under a credit line provided by VTB Capital PLC. The new loan in the amount of RUB 6,920,880, denominated in USD, matures in the year 2020, with the first repayment scheduled during December 2015. The interest rate is fixed at 4.65% per annum. Commission under the agreement was RUB 69,457.

In August 2014 Group reached an agreement with ABLV Bank to obtain a loan in the amount RUB 1,648,482, denominated in EUR, which matures in March 2019 and with the first repayment scheduled in August 2015 to partially finance the purchase of 100% share in SIA Ventamonjaks. The interest rate is linked to Euribor 6m, Commission under agreement was RUB 20,384.

As at 30 September 2014, EUR-denominated loans in the amount of RUB 3,617,188 (31 December 2013: RUB 1,933,839) were secured by 51.0% of SIA Riga Fertilisers Terminal's shares (31 December 2013: 51.0%) and certain property, plant and equipment.

Total loans and borrowings were repayable as follows:

	<u>30 September 2014</u>	<u>31 December 2013</u>
Due within three months	526,685	19,777,295
Due from three to six months	2,031,308	55,454
Due from six to twelve months	1,619,185	1,947,133
Total current portion repayable within twelve months	<u>4,177,178</u>	<u>21,779,882</u>
Due in the second year	3,751,643	2,910,909
Due in the third year	4,540,221	2,397,234
Due in the fourth year	7,122,133	3,949,779
Due in the fifth year	11,019,529	6,119,950
Due thereafter	149,725,998	112,563,832
Total long-term portion of loans and borrowings	<u>176,159,524</u>	<u>127,941,704</u>

As at 30 September 2014, the Group's bank loans were subject to restrictive covenants, including but not limited to:

- negative pledge for shares and property pledges;
- limits for material sale of assets and payment of dividends;
- limits for acquisitions of any companies or any shares or securities;
- limits for merger, consolidation or corporate reconstructions;
- limits for loans and quarantines given;
- set-up limits for the amount of cash collections of certain Group subsidiaries that have to be transferred to the accounts at defined banks;
- set-up limits for the annualised "debt and net debt/EBITDA" ratio and other financial covenants.

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

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15. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Related parties include shareholders, entities under common ownership and control with the Group and members of key management personnel. The Group enters into transactions with related parties in the ordinary course of business for the purchase and sale of goods and services and in relation to the provision of financing arrangements to and from its parent company or entities under common ownership and control.

The Group had the following outstanding balances with related parties:

	<u>30 September 2014</u>	<u>31 December 2013</u>
Parent company		
Other receivables	79	553,500
Loans and borrowings	(1,451,332)	(2,321,742)
Dividends payable	-	(3,475,000)
Entities under common ownership and control		
Trade and other receivables	208,474	185,573
Advances paid and prepaid expenses	29,706	65,921

The Group entered into the following transactions with related parties:

	<u>Nine months ended 30 September 2014</u>	<u>Nine months ended 30 September 2013</u>
Parent company		
Interest income	839	11,329
Interest expense	(83,681)	(75,135)
Entities under common ownership and control		
Sales of goods and services	1,465,205	1,330,895
Purchases of goods and services	(728,567)	(347,841)
Other income	4,126	4,799

Transactions with related parties

Sale 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.

Dividends paid to shareholders

During the nine months ended 30 September 2014 the Group settled its liability to pay out dividends in the amount of RUB 3,475,000.

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Dividends received from associated company

During the nine months ended 30 September the Group received dividends from Uralkali OJSC to the total amount of RUB 957,141 thousand, including withholding tax of RUB 86,143.

Compensation of key management personnel

The compensation of key management personnel of the Group for the nine months ended 30 September 2014 comprised salaries and cash bonuses in the amount of RUB 331,449 (nine months ended 30 September 2013: RUB 251,775), including social taxes in the amount of RUB 31,839 (nine months ended 30 September 2013: RUB 22,479) and share-based payment to management in the amount of RUB 63,485 (nine months ended 30 September 2013: RUB 99,505).

16. COMMITMENTS AND CONTINGENCIES

Purchase of natural gas

In December 2012, the Group entered into binding purchase agreements with Gazprom and Novatek, to purchase defined volumes of natural gas.

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

	<u>30 September 2014</u>	<u>31 December 2013</u>
Due in one year	15,611,502	15,578,809
Due from two to five years	30,468,789	41,215,039
Total	<u>46,080,291</u>	<u>56,793,848</u>

Capital commitments

As at 30 September 2014, the Group's contractual capital commitments for the acquisition of property, plant and equipment amounted to RUB 729,180 (31 December 2013: RUB 479,572).

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 2014</u>	<u>31 December 2013</u>
Due in one year	357,659	1,164,242
Due from two to five years	794,154	664,123
Total	<u>1,151,813</u>	<u>1,828,365</u>

Litigation

The Group has a number of claims and litigations 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.

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Taxation contingencies in the Russian Federation

The Russian Federation currently has a number of laws related to various taxes imposed by both federal and regional governmental authorities, including VAT, corporate income tax, social taxes and other. Laws related to these taxes have not been in force for significant periods, in contrast to more developed market economies; therefore, the government's implementation of these regulations is often inconsistent or nonexistent. Accordingly, few precedents with regard to tax rulings have been established. Tax declarations, together with other legal compliance areas (for example, customs and currency control matters), are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in Russia that are more significant than typically found in countries with more developed tax systems. Generally, tax declarations remain open and subject to inspection for a period of six years following the tax year.

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

Environmental matters

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

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

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

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

Russian Federation risk

Emerging markets such as Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russian Federation continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russian Federation is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and E.U. on certain Russian officials, businessmen and companies. In addition, in April 2014 credit agency Standard & Poor's downgraded Russia's long-term foreign currency sovereign rating from BBB to BBB- with a negative outlook. Previously, Fitch credit agency has also revised Russia's creditworthiness outlook from stable to negative. These events, including official sanctions, particularly if further extended, may adversely affect the Russian economy through reduced access of the Russian businesses to international capital and export markets, capital flight, weakening of the Rouble and other negative economic consequences. The impact of these developments on the operations and financial position of the Company is at this stage difficult to predict.

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17. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

There have been no events subsequent to the reporting period and up to the date of approval of these condensed consolidated interim financial statements.