

URALCHEM HOLDING P.L.C.

**Condensed consolidated interim
financial statements
for the six months ended 30 June 2013
(unaudited)**

URALCHEM HOLDING P.L.C.

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

The following statement, which should be read in conjunction with the independent auditor's report on review of the condensed consolidated interim financial statements set out on page 2, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditor in relation to the condensed consolidated interim financial statements of UralChem Holding P.L.C. and its subsidiaries (collectively, "the Group").

Management is responsible for the preparation of the condensed consolidated interim financial statements that present fairly the financial position of the Group as at 30 June 2013, and the results of its operations, cash flows and changes in equity for the six 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 six months ended 30 June 2013 were approved on 13 August 2013 by:

Victor Zorkin
Director

Charalambos Meivatzis
Director

Limassol, Cyprus
13 August 2013

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the shareholders and Board of Directors of UralChem Holding P.L.C.:

We have reviewed the accompanying condensed consolidated interim statement of financial position of UralChem Holding P.L.C. and its subsidiaries (collectively, "the Group") as at 30 June 2013 and the related condensed consolidated interim statements of income, comprehensive income, cash flows and changes in equity for the six months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

Moscow, Russia
13 August 2013

URALCHEM HOLDING P.L.C.

CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	Notes	Six months ended 30 June		Three months ended 30 June	
		2013	2012	2013	2012
Revenue					
Sales of goods	5	1,247,658	1,218,723	587,909	567,620
Other sales		43,971	42,266	20,632	20,593
Total revenue		1,291,629	1,260,989	608,541	588,213
Cost of sales	6	(546,555)	(517,888)	(255,087)	(220,449)
Gross profit		745,074	743,101	353,454	367,764
Selling and distribution expenses	7	(270,871)	(253,172)	(133,797)	(107,853)
General and administrative expenses	8	(76,705)	(66,395)	(39,372)	(32,908)
Other operating income		3,086	7,884	1,094	5,997
Other operating expenses		(6,283)	(21,726)	(7,119)	(1,210)
Operating profit		394,301	409,692	174,260	231,790
Interest and other finance income		14,995	11,427	14,141	2,043
Interest and other finance expense		(40,303)	(40,444)	(23,659)	(19,186)
Share of (loss)/profit of associates		(25)	(190)	145	(30)
Loss on impairment of non-current assets		(6,583)	-	(6,583)	-
Gain from change in fair value of previously held interest	3	-	153,458	-	-
Foreign exchange loss from financing activities		(59,380)	(13,584)	(46,088)	(85,704)
Profit before tax		303,005	520,359	112,216	128,913
Income tax expense		(50,190)	(75,954)	(20,393)	(38,662)
Profit for the period		252,815	444,405	91,823	90,251
Attributable to:					
Shareholders of the Company		253,936	436,260	92,188	84,440
Non-controlling interests		(1,121)	8,145	(365)	5,811
		252,815	444,405	91,823	90,251
Earnings per share					
Weighted average number of ordinary shares in issue during the period		175,581,439	175,397,148	175,625,450	175,397,148
Basic and diluted earnings per share (US dollars)		1.5	2.5	0.5	0.5

The notes on pages 9 to 18 are an integral part of these condensed consolidated interim financial statements.

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CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	<u>Six months ended 30 June</u>		<u>Three months ended 30 June</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Profit for the period	252,815	444,405	91,823	90,251
<i>Items to be subsequently reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	(54,611)	(25,871)	(30,289)	(102,068)
<i>Items not to be subsequently reclassified to profit or loss:</i>				
Actuarial losses	(1,218)	-	(1,218)	-
Total comprehensive income/(loss) for the period	<u>196,986</u>	<u>418,534</u>	<u>60,316</u>	<u>(11,817)</u>
Attributable to:				
Shareholders of the Company	198,815	409,617	61,160	(13,747)
Non-controlling interests	(1,829)	8,917	(844)	1,930
	<u>196,986</u>	<u>418,534</u>	<u>60,316</u>	<u>(11,817)</u>

The notes on pages 9 to 18 are an integral part of these condensed consolidated interim financial statements.

URALCHEM HOLDING P.L.C.

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	Notes	30 June 2013	31 December 2012
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	9	953,816	992,111
Goodwill		321,055	345,751
Intangible assets		8,693	9,561
Investments in associates		10,222	11,198
Inventories	10	33,333	36,652
Available-for-sale investments		156,716	171,576
Other financial assets		6,988	7,311
Deferred tax assets		23,544	26,258
		1,514,367	1,600,418
<i>Current assets</i>			
Inventories	10	131,330	143,447
Trade and other receivables		86,052	95,146
Advances paid and prepaid expenses		42,384	44,864
Income tax receivable		15,194	7,350
Other taxes receivable		80,528	79,006
Other financial assets		1,510	27,135
Cash and cash equivalents		111,179	177,617
		468,177	574,565
TOTAL ASSETS		1,982,544	2,174,983
EQUITY AND LIABILITIES			
<i>Capital and reserves</i>			
Share capital	11	1,378	1,377
Additional paid-in capital		168,829	165,632
Foreign currency translation reserve		(120,391)	(66,488)
Retained earnings		935,582	812,761
Equity attributable to shareholders of the Company		985,398	913,282
Non-controlling interests		8,900	10,729
Total equity		994,298	924,011
<i>Non-current liabilities</i>			
Loans and borrowings	12	480,281	850,132
Obligations under finance leases		55,918	48,044
Retirement benefit obligations		13,457	13,254
Deferred tax liabilities		63,657	74,756
		613,313	986,186
<i>Current liabilities</i>			
Loans and borrowings	12	230,356	91,569
Obligations under finance leases		20,793	17,627
Trade and other payables		88,706	74,839
Advances received		17,291	46,344
Income tax payable		2,721	26,171
Other taxes payable		15,066	8,236
		374,933	264,786
Total liabilities		988,246	1,250,972
TOTAL EQUITY AND LIABILITIES		1,982,544	2,174,983

The notes on pages 9 to 18 are an integral part of these condensed consolidated interim financial statements.

URALCHEM HOLDING P.L.C.

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	Six months ended 30 June 2013	Six months ended 30 June 2012
Operating activities		
Profit before tax	303,005	520,359
Adjustments for:		
Depreciation of property, plant and equipment	56,552	51,244
Amortisation of intangible assets	1,309	1,490
Change in provisions and allowances	6,905	7,622
Write-down of inventory to net realisable value	1,412	1,455
Loss on disposal of property, plant and equipment	3,881	12,188
Loss on impairment of non-current assets	6,583	-
Foreign exchange loss, net	58,638	9,781
Share of loss of associates	25	190
Profit on disposal of subsidiaries	(1,131)	-
Share-based compensation	3,197	-
Gain from change in fair value of previously held interest	-	(153,458)
Interest and other finance income	(14,995)	(11,427)
Interest and other finance expense	40,303	40,444
Operating cash flows before working capital changes	465,684	479,888
Change in inventory	(3,181)	(5,259)
Change in trade and other receivables	(18,492)	973
Change in advances paid and prepaid expenses	(3,337)	(4,026)
Change in other taxes receivable	(11,423)	22,154
Change in retirement benefit obligations	(2)	457
Change in trade and other payables	19,272	(24,137)
Change in advances received	(27,129)	(39,260)
Change in other taxes payable	10,490	2,306
Cash generated from operations	431,882	433,096
Interest paid, net	(28,796)	(37,323)
Income tax paid	(83,576)	(53,429)
Net cash generated from operating activities	319,510	342,344

The notes on pages 9 to 18 are an integral part of these condensed consolidated interim financial statements.

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CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2013 (CONTINUED) (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	Six months ended 30 June 2013	Six months ended 30 June 2012
Investing activities		
Acquisition of subsidiary, net of cash acquired	-	(199,114)
Repayment for the subsidiary to the parent company	-	(29,460)
Proceeds from disposal of subsidiaries, net	3,184	-
Proceeds from disposal of available-for-sale investments	2,802	-
Payments for acquisition of property, plant and equipment	(71,224)	(55,818)
Proceeds from sale of property, plant and equipment	3,044	878
Payments for acquisition of intangible assets	(1,134)	(2,103)
Loans issued	(12,995)	(104,522)
Proceeds from repayment of loans issued	38,801	58,601
Dividends received	11,937	8,792
Interest received	1,528	1,716
Net cash used in investing activities	(24,057)	(321,030)
Financing activities		
Proceeds from short-term loans and borrowings	83	55,698
Proceeds from long-term loans and borrowings	83,245	47,716
Repayment of short-term loans and borrowings	(163)	(158,551)
Repayment of long-term loans and borrowings	(313,861)	(868)
Repayment of principal amounts of finance leases	(7,217)	(3,553)
Dividends paid to the shareholders	(128,634)	-
Distribution of dividends received from associate to the parent company	-	(13,174)
Proceeds from issue of shares	-	4
Increase of ownership in subsidiaries	-	(68,108)
Net cash used in financing activities	(366,547)	(140,836)
Net decrease in cash and cash equivalents	(71,094)	(119,522)
Cash and cash equivalents at the beginning of the period	177,617	252,566
Effect of exchange rate changes on the balance of cash held in foreign currencies	4,656	(111)
Cash and cash equivalents at the end of the period	111,179	132,933

The notes on pages 9 to 18 are an integral part of these condensed consolidated interim financial statements.

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CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	Notes	Attributable to shareholders of the Company					Non-controlling interests	Total
		Share capital	Additional paid-in capital	Foreign currency translation reserve	Retained earnings/ (accumulated deficit)	Total		
Balance as at 1 January 2012		1,373	165,632	(105,228)	251,363	313,140	10,842	323,982
Profit for the period		-	-	-	436,260	436,260	8,145	444,405
Other comprehensive (loss)/income		-	-	(26,643)	-	(26,643)	772	(25,871)
Total comprehensive (loss)/income for the period		-	-	(26,643)	436,260	409,617	8,917	418,534
Issue of shares		4	-	-	-	4	-	4
Increase of ownership in subsidiaries	3	-	-	-	(29,737)	(29,737)	(5,864)	(35,601)
Non-controlling interest liability		-	-	-	(2,841)	(2,841)	(3,676)	(6,517)
Balance as at 30 June 2012		1,377	165,632	(131,871)	655,045	690,183	10,219	700,402
Balance as at 1 January 2013		1,377	165,632	(66,488)	812,761	913,282	10,729	924,011
Dividends		-	-	-	(129,897)	(129,897)	-	(129,897)
Profit/(loss) for the period		-	-	-	253,936	253,936	(1,121)	252,815
Other comprehensive loss		-	-	(53,903)	(1,218)	(55,121)	(708)	(55,829)
Total comprehensive (loss)/income for the period		-	-	(53,903)	252,718	198,815	(1,829)	196,986
Issue of shares	11	1	3,197	-	-	3,198	-	3,198
Balance as at 30 June 2013		1,378	168,829	(120,391)	935,582	985,398	8,900	994,298

The notes on pages 9 to 18 are an integral part of these condensed consolidated interim financial statements.

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SELECTIVE NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2013 (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 June 2013, the Company was 95.13% owned by CI-Chemical Invest Limited, incorporated in Cyprus. The remaining 4.87% 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.

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 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 2012 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. Management believes that the disclosures in these condensed consolidated interim financial statements are adequate to make the information presented not misleading if these financial statements are read in conjunction with the Group’s annual consolidated financial statements for 2012 prepared in accordance with IFRS.

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 2012.

Standards and Interpretations adopted with no material effect on the condensed consolidated interim financial statements

IFRS 7 Financial Instruments (amendments)
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement
IAS 1 Presentation of Financial Statements (amendments)
IAS 16 Property, Plant and Equipment (amendments)
IAS 19 Employee benefits (revised)
IAS 27 Consolidated and Separate Financial Statements
IAS 28 Investments in Associates
IAS 32 Financial Instruments (amendments relating to presentation of tax effect of equity distributions)

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group’s annual consolidated financial statements for the year ended 31 December 2012 prepared in accordance with IFRS.

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SELECTIVE NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

3. CHANGE IN COMPOSITION OF THE GROUP

Disposal of subsidiary in 2013

During the six months ended 30 June 2013 the Group sold 100% interest in LLC Upravleniye Avtomobilnogo Transporta LLC for a total cash consideration of USD 4,837 thousand. The amount of cash disposed of equaled to USD 1,653 thousand. Net assets of the subsidiary at the date of disposal amounted to USD 3,706 thousand. As a result of this disposal, the Group recognized gain of USD 1,131 thousand, which was included in other operating income in the condensed consolidated interim income statement.

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. 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.

During the six months ended 30 June 2012 the Group acquired, through a number of transactions with non-controlling shareholders, an additional 11.2% of PMF's shares for a total cash consideration of USD 68,108 thousand, increasing its ownership to 98.9%. As a result of these transactions, the Group recognised a decrease in net assets attributable to non-controlling interests in the amount of USD 38,371 thousand. The excess of the consideration paid over the Group's share in net assets acquired of USD 29,737 thousand was recognised directly in the statement of changes in equity as a decrease in retained earnings. The Group acquired the remaining interest of 1.1% in PMF in September 2012.

4. SEGMENT INFORMATION

Segment information provided to the chief operating decision maker for the reportable segments for the six months ended 30 June 2013 was as follows:

	Nitrogen fertilisers	Phosphate fertilisers	Total
Six months ended 30 June 2013			
Revenue from external customers	1,058,804	188,854	1,247,658
Inter-segment revenue	26,951	272	27,223
Total segment revenue	1,085,755	189,126	1,274,881
OIBDA	499,303	7,170	506,473
Net profit/(loss) for the period	350,156	(2,643)	347,513
	Nitrogen fertilisers	Phosphate fertilisers	Total
Six months ended 30 June 2012			
Revenue from external customers	1,009,961	208,762	1,218,723
Inter-segment revenue	22,458	1,125	23,583
Total segment revenue	1,032,419	209,887	1,242,306
OIBDA	467,021	23,699	490,720
Net profit for the period	366,578	11,811	378,389

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

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SELECTIVE NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

Six months ended 30 June 2013	Nitrogen fertilisers	Phosphate fertilisers	Total
Segment OIBDA	499,303	7,170	506,473
Segment amortisation and depreciation	(46,041)	(9,341)	(55,382)
Segment income tax (expense)/benefit	(72,305)	1,365	(70,940)
Segment expense from impairment of non-current assets	(6,583)	-	(6,583)
Segment expense from financing activities, net	(24,218)	(1,837)	(26,055)
Segment profit/(loss) for the period	350,156	(2,643)	347,513
Unallocated activities			
Depreciation and amortisation			(2,479)
Corporate overheads			(46,145)
Other expenses			(42,325)
Interest and other finance income			13,838
Interest and other finance expense			(29,626)
Share of loss of associates			(25)
Foreign exchange loss from financing activities			(43,315)
Inter-segment operations			34,629
Unallocated income tax benefit			20,750
Group profit for the period			252,815
Six months ended 30 June 2012	Nitrogen fertilisers	Phosphate fertilisers	Total
Segment OIBDA	467,021	23,699	490,720
Segment amortisation and depreciation	(42,359)	(7,738)	(50,097)
Segment income tax expense	(47,109)	(2,773)	(49,882)
Segment expense from financing activities, net	(10,975)	(1,377)	(12,352)
Segment profit for the period	366,578	11,811	378,389
Unallocated activities			
Depreciation and amortisation			(2,637)
Corporate overheads			(23,074)
Other expenses			(30,477)
Interest and other finance income			9,504
Interest and other finance expense			(29,534)
Gain from change in fair value of previously held interest			153,458
Share of loss of associates			(190)
Foreign exchange loss from financing activities			(12,720)
Inter-segment operations			27,758
Unallocated income tax expense			(26,072)
Group profit for the period			444,405

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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SELECTIVE NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

Total reportable segment assets are as follows:

	Nitrogen fertilisers	Phosphate fertilisers	Total
30 June 2013	1,371,011	251,223	1,622,234
31 December 2012	1,531,443	281,141	1,812,584

5. SALES OF GOODS

	Total	Export	Russian Federation	Other CIS countries
Six months ended 30 June 2013				
Mineral fertilisers				
Nitrogen based fertilisers	689,664	509,417	147,905	32,342
Complex fertilisers	142,454	94,176	24,215	24,063
Phosphate based fertilisers	133,157	74,694	21,532	36,931
Ammonia	196,266	155,232	38,403	2,631
Explosive grade ammonium nitrate	42,538	2,706	32,580	7,252
Inorganic acids	16,109	-	16,109	-
Other chemical products	27,470	6,912	19,960	598
Total	1,247,658	843,137	300,704	103,817
Six months ended 30 June 2012				
Mineral fertilisers				
Nitrogen based fertilisers	684,804	489,392	152,249	43,163
Complex fertilisers	129,857	92,106	18,994	18,757
Phosphate based fertilisers	159,137	91,010	23,343	44,784
Ammonia	160,726	124,113	32,681	3,932
Explosive grade ammonium nitrate	42,904	4,261	33,560	5,083
Inorganic acids	15,382	-	15,244	138
Other chemical products	25,913	5,985	19,556	372
Total	1,218,723	806,867	295,627	116,229

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SELECTIVE NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2013 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

Three months ended 30 June 2013	<u>Total</u>	<u>Export</u>	<u>Russian Federation</u>	<u>Other CIS countries</u>
Mineral fertilisers				
Nitrogen based fertilisers	332,148	253,791	53,096	25,261
Complex fertilisers	65,509	41,734	17,742	6,033
Phosphate based fertilisers	60,946	30,618	12,714	17,614
Ammonia	83,478	67,502	14,882	1,094
Explosive grade ammonium nitrate	23,427	1,442	17,830	4,155
Inorganic acids	8,052	-	8,052	-
Other chemical products	14,349	3,561	10,258	530
Total	587,909	398,648	134,574	54,687
Three months ended 30 June 2012				
Mineral fertilisers				
Nitrogen based fertilisers	320,741	245,517	58,918	16,306
Complex fertilisers	68,356	41,495	14,678	12,183
Phosphate based fertilisers	63,753	37,653	4,800	21,300
Ammonia	76,606	61,083	14,183	1,340
Explosive grade ammonium nitrate	19,020	632	15,564	2,824
Inorganic acids	7,136	-	7,136	-
Other chemical products	12,008	1,584	10,135	289
Total	567,620	387,964	125,414	54,242

6. COST OF SALES

	<u>Six months ended 30 June</u>		<u>Three months ended 30 June</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Raw materials, including:				
Natural gas	194,969	177,097	90,434	84,698
Apatite	80,266	74,839	37,888	34,050
Potassium chloride	20,576	20,808	10,059	12,467
Sulphur	11,454	12,060	5,713	5,088
Other raw materials	30,742	31,055	15,163	15,632
Energy and utilities	76,807	67,818	38,687	33,005
Staff costs	61,994	58,588	29,819	28,691
Depreciation	42,306	38,886	19,336	17,923
Repairs and maintenance	2,802	3,562	1,393	2,536
Decrease/(increase) in inventory balance of work in progress and finished goods	10,952	21,687	(871)	(20,054)
Other	13,687	11,488	7,466	6,413
Total	546,555	517,888	255,087	220,449

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7. SELLING AND DISTRIBUTION EXPENSES

	<u>Six months ended 30 June</u>		<u>Three months ended 30 June</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Transportation, including:				
Railway tariff	115,225	112,034	54,150	41,934
Freight and transshipment	79,012	72,149	43,597	34,129
Rail cars rent expenses	20,286	20,889	8,782	10,549
Other transportation expenses	9,913	7,301	5,442	2,995
Staff costs	16,604	13,319	7,902	6,331
Depreciation	8,301	7,890	4,297	3,821
Advertising and marketing	5,094	4,423	2,633	2,380
Customs clearance charges	238	1,412	120	559
Other	16,198	13,755	6,874	5,155
Total	270,871	253,172	133,797	107,853

8. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>Six months ended 30 June</u>		<u>Three months ended 30 June</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Staff costs	46,598	38,660	23,633	18,729
Depreciation	5,945	4,468	3,405	1,832
Audit, legal and consulting services	4,637	4,208	3,251	2,383
Security	2,041	1,840	1,051	922
Rent	1,989	1,720	939	929
Fines and penalties	413	1,743	185	372
Bank charges	225	1,251	197	782
Other	14,857	12,505	6,711	6,959
Total	76,705	66,395	39,372	32,908

9. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2013, the Group acquired property, plant and equipment with a cost of USD 106,747 thousand (six months ended 30 June 2012: USD 62,622 thousand) including machinery, equipment and transport leased under a number of finance lease agreements for the amount of 22,547 thousand (six months ended 30 June 2012: 0). The acquisition under a finance lease agreements represents a non-cash investing and financing activity which is not reflected in the condensed consolidated statement of cash flows.

As at 30 June 2013, property, plant and equipment included advances paid for acquisition of the property, plant and equipment in the amount of USD 18,687 thousand (31 December 2012: USD 20,576 thousand).

The Group also disposed of certain of its machinery and tools with a carrying amount of USD 6,565 thousand (six months ended 30 June 2012: USD 9,215 thousand).

Assets pledged as collateral

As at 30 June 2013, the carrying value of property, plant and equipment pledged to secure loans and borrowings granted to the Group in the amount of USD 81,028 thousand (31 December 2012: USD 56,970 thousand) (refer to Note 12).

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10. INVENTORIES

	<u>30 June 2013</u>	<u>31 December 2012</u>
Inventories expected to be utilised after twelve months		
Catalytic agents	27,387	29,946
Other inventories	5,946	6,706
	<u>33,333</u>	<u>36,652</u>
Inventories expected to be utilised in the next twelve months		
Raw materials, net of allowance for obsolescence	67,889	63,917
Finished goods	58,254	71,485
Work in-progress	4,793	7,505
Goods for resale	394	540
	<u>131,330</u>	<u>143,447</u>
Total	<u>164,663</u>	<u>180,099</u>

During the six months ended 30 June 2013, the Group recognised a write down of USD 1,412 thousand to reduce the carrying value of inventories to net realisable value (six months ended 30 June 2012: USD 1,455 thousand).

At 30 June 2013, raw materials were presented net of an allowance for obsolescence of USD 3,203 thousand (31 December 2012: USD 3,390 thousand). During the six months ended 30 June 2013, the Group recognised USD 207 thousand (six months ended 30 June 2012: USD 1,901 thousand) and released USD 394 thousand (six months ended 30 June 2012: USD 960 thousand) of allowance for obsolescence of raw materials.

11. SHARE CAPITAL

In May 2013, the general meeting of the shareholders authorised the issue of 180,000 ordinary class B shares at a nominal value of EUR 0,00515 per share allotted to the holders of non-controlling interest. As at 30 June 2013 these shares remained unpaid.

12. LOANS AND BORROWINGS

	<u>30 June 2013</u>	<u>31 December 2012</u>
Loans denominated in USD	445,774	689,137
Loans denominated in EUR	264,750	252,438
Loans denominated in RUR	113	126
Total	<u>710,637</u>	<u>941,701</u>
Less: current portion repayable within twelve months and shown under current liabilities	(230,356)	(91,569)
Long-term portion of loans and borrowings	<u>480,281</u>	<u>850,132</u>

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Loans denominated in USD

The loans denominated in USD had a weighted average annual interest rate 4.7% during the six months ended 30 June 2013 (during the six months ended 30 June 2012: 5.2%) and included the following borrowings:

- USD 48,684 thousand (31 December 2012: USD 118 thousand) at a fixed rate of 3.0% (31 December 2012: 9.0%) per annum; and
- USD 397,090 thousand (31 December 2012: USD 689,019 thousand) at floating rates linked to Libor varying from 4.2% to 5.2% (31 December 2012: from 4.3% to 5.3%) per annum.

The loans denominated in USD are due in the years 2013 to 2016. As at 30 June 2013, USD-denominated loans in the amount of USD 98,301 thousand (31 December 2012: USD 384,017 thousand) were secured by 49.0% of UralChem OJSC's shares (31 December 2012: 49.0%).

In June 2013, the Group repaid ahead of schedule a part of the long-term loan received from Sberbank in the amount of USD 300,000 thousand. The early payment commission in the amount of USD 3,076 thousand was included as other financial expense in the condensed consolidated interim financial statement. The outstanding part of the liability due to Sberbank as at 30 June 2013 was USD 397,090 thousand.

Loans denominated in EUR

The loans denominated in EUR consist of loans of USD 260,582 thousand (31 December 2012: USD 248,547 thousand) at floating interest rates linked to Euribor 1m and 3m varying from 3.6% to 4.4% (2012: 3.6% to 4.4%) and a loan of USD 4,168 thousand (31 December 2012: USD 3,891 thousand) that bear interest at a fixed interest rate of 3.6% (31 December 2012: 3.5%). As at 30 June 2013, EUR-denominated loans in the amount of USD 53,320 thousand were secured by certain fixed assets (refer to Note 9).

Total loans and borrowings were repayable as follows:

	<u>30 June 2013</u>	<u>31 December 2012</u>
Due within three months	14,868	4,634
Due from three to six months	71,734	3,599
Due from six to twelve months	143,754	83,336
Total current portion repayable within twelve months	<u>230,356</u>	<u>91,569</u>
Due in the second year	224,204	327,322
Due in the third year	62,881	230,715
Due in the fourth year	140,024	226,866
Due in the fifth year	28,524	52,033
Due thereafter	24,648	13,196
Total long-term portion of loans and borrowings	<u>480,281</u>	<u>850,132</u>

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

- negative pledge for shares and property pledges;
- limits for material sale of assets and payment of dividends;
- 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 the creditors to request early repayment of outstanding amounts in the event of non-compliance with these covenants.

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13. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

The Group had the following outstanding balances with related parties:

	<u>30 June 2013</u>	<u>31 December 2012</u>
Parent company		
Loans issued	-	24,759
Loans and borrowings	(48,684)	-
Entities under common ownership and control		
Long-term trade and other receivable	1,342	2,072
Trade and other receivables	3,131	2,254
Trade and other payables	(1,642)	(1,925)

The Group entered into the following transactions with related parties:

	<u>Six months ended 30 June 2013</u>	<u>Six months ended 30 June 2012</u>
Parent company		
Interest income	356	5,156
Entities under common ownership and control		
Sales of goods and services	26,826	24,806
Purchases of goods and services	(6,713)	(6,042)
	<u>Three months ended 30 June 2013</u>	<u>Three months ended 30 June 2012</u>
Parent company		
Interest income	-	4,821
Entities under common ownership and control		
Sales of goods and services	12,683	12,085
Purchases of goods and services	(3,343)	(2,843)

Transactions with related parties

Dividends paid

On 1 March 2013 the Company declared final dividends of USD 0.74 per one fully paid up Class "A" and Class "B" shares (total dividend of USD 129,897 thousand) out of distributable profits generated by the Company during the year ended 31 December 2012. Total dividends declared out of distributable profits generated by the Company for the year ended 31 December 2012 amounted to USD 193,090 thousand (USD 1.10 per fully paid up Class "A" and Class "B" shares). As at 30 June 2013 liability in the amount of USD 1,263 thousand remained unsettled.

Loans received from related parties

As at 30 June 2013, loans received from related parties included a loan received from the parent company at a fixed interest rate of 3.0% annually. As at 30 June 2013 amortized cost of the loan was USD 48,684 thousand at the effective annual interest rate of 5.2%.

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Compensation of key management personnel

The compensation of key management personnel of the Group for the six months ended 30 June 2013 comprised salaries and cash bonuses in the amount of USD 6,913 thousand (six months ended 30 June 2012: USD 6,128 thousand), including social taxes in the amount of USD 644 thousand (six months ended 30 June 2012: USD 721 thousand) and share-based compensation in the amount of USD 3,197 thousand (six months ended 30 June 2012: 0).

14. COMMITMENTS AND CONTINGENCIES

Purchase of natural gas

In December 2012, the Group entered into the 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 June 2013</u>	<u>31 December 2012</u>
Due in one year	451,262	390,530
Due from two to five years	1,485,460	1,495,217
Total	<u>1,936,722</u>	<u>1,885,747</u>

Capital commitments

As at 30 June 2013, the Group's contractual capital commitments for acquisition of property, plant and equipment amounted to USD 33,277 thousand (31 December 2012: USD 29,831 thousand).

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 June 2013</u>	<u>31 December 2012</u>
Due in one year	24,708	49,923
Due from two to five years	19,917	28,250
Total	<u>44,625</u>	<u>78,173</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.

15. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Loans received

In July 2013 the Group reached an agreement with Sberbank to commence repayment of the part of the loan in the amount of USD 280,000 thousand in October 2015, rather than October 2013. In addition annual interest rate on this borrowing was decreased from a floating interest rate linked to Libor 3m + 4.31% to a fixed annual interest rate of 4.25%. The commission for loan restructuring amounted to USD 1,680 thousand.