URALCHEM HOLDING P.L.C.

Condensed consolidated interim financial statements for the three months ended 31 March 2012 (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 THREE MONTHS ENDED 31 MARCH 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 31 March 2012, the results of its operations for the three months ended 31 March 2012, cash flows and changes in equity for the three 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, within its competencies, 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 three months ended 31 March 2012 were approved and signed on 21 May 2012 by:

Victor Zorkin Director	Charalambos Meivatzis Director

Limassol, Cyprus
21 May 2012

URALCHEM HOLDING P.L.C.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2012 (UNAUDITED)
All amounts are in thousands of US Dollars unless otherwise stated

	Notes	Three months ended 31 March 2012	Three months ended 31 March 2011 - as restated
Revenue			
Sales of goods	5	651,103	544,754
Other sales		21,673	21,695
Total revenue		**672,776**	**566,449**
Cost of sales	6	(297,439)	(249,845)
Gross profit		**375,337**	**316,604**
Selling and distribution expenses	7	(145,319)	(118,899)
General and administrative expenses	8	(33,487)	(29,807)
Other operating income		1,887	4,193
Other operating expenses		(20,516)	(12,110)
Operating profit		**177,902**	**159,981**
Interest income		9,384	989
Interest expense		(21,258)	(33,263)
Share of profit of associates	16	(160)	12,760
Gain from change in fair value of previously held interest	3	153,458	-
Foreign exchange gain from financing activities		72,120	72,477
Profit before tax		**391,446**	**212,944**
Income tax expense		(37,292)	(39,090)
Profit for the period		**354,154**	**173,854**
Attributable to:			
Shareholders of the Company		351,820	172,561
Non-controlling interests		2,334	1,293
		354,154	**173,854**
Earnings per share			
Weighted average number of ordinary shares in issue during the period		175,256,306	175,000,000
Basic and diluted earnings per share (US dollars per share)		2.0	1.0

The notes on pages 8 to 24 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2012 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	Three months ended 31 March 2012	Three months ended 31 March 2011 - as restated
Profit for the period	**354,154**	**173,854**
Other comprehensive income:		
Effect of translation to presentation currency	76,197	13,673
Other comprehensive income	**76,197**	**13,673**
Total comprehensive income for the period	**430,351**	**187,527**
Total comprehensive income for the year attributable to:		
Shareholders of the parent	423,364	183,745
Non-controlling interests	6,987	3,782
	430,351	**187,527**

The notes on pages 8 to 24 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 31 MARCH 2012 (UNAUDITED)
All amounts are in thousands of US Dollars unless otherwise stated

	Notes	31 March 2012	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	9	940,573	619,194
Goodwill	10	437,238	158,852
Intangible assets		9,813	14,216
Investments in associates		11,290	87,669
Inventories	11	30,503	30,750
Available-for-sale investments		166,416	167,110
Long-term advances paid		-	27,448
Other financial assets		6,008	91
Deferred tax assets		33,018	51,466
		1,634,859	**1,156,796**
Current assets			
Assets held for sale		6,815	6,163
Inventories	11	116,232	113,051
Trade and other receivables		125,029	88,804
Advances paid and prepaid expenses		31,465	41,049
Income tax receivable		8,483	6,644
Other taxes receivable		78,244	83,265
Other financial assets		93,092	6,908
Cash and cash equivalents		86,007	252,566
		545,367	**598,450**
TOTAL ASSETS		**2,180,226**	**1,755,246**
EOUITY AND LIABILITIES			
Capital and reserves			
Share capital		1,379	1,375
Additional paid-in capital		165,632	165,632
Foreign currency translation reserve		(33,686)	(105,230)
Retained earnings		559,378	251,363
Equity attributable to shareholders of the Company		**692,703**	**313,140**
Non-controlling interests		14,213	10,842
Total equity		**706,916**	**323,982**
Non-current liabilities			
Loans and borrowings	12	805,974	791,968
Obligations under finance leases		39,057	40,384
Retirement benefit obligations		13,950	8,374
Deferred tax liabilities		83,602	50,553
		942,583	**891,279**
Current liabilities			
Loans and borrowings	12	303,922	338,275
Obligations under finance leases		13,518	12,788
Trade and other payables		81,155	117,905
Non-controlling interest liability		79,175	-
Advances received		37,419	59,243
Income tax payable		6,522	6,714
Other taxes payable		9,016	5,060
		530,727	**539,985**
Total liabilities		**1,473,310**	**1,431,264**
TOTAL EQUITY AND LIABILITIES		**2,180,226**	**1,755,246**

The notes on pages 8 to 24 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2012 (UNAUDITED)
All amounts are in thousands of US Dollars unless otherwise stated

	Three months ended 31 March 2012	Three months ended 31 March 2011 - as restated
Operating activities		
Profit before tax	**391,446**	**212,944**
Adjustments for:		
Depreciation of property, plant and equipment	27,668	24,770
Amortisation of intangible assets	1,165	831
Change in provisions and allowances	(1,664)	3,670
Write-down of inventory to net realisable value	2,064	1,595
Loss on disposal of property, plant and equipment	967	690
Foreign exchange gain, net	(52,803)	(65,028)
Share of profit of associates	160	(12,760)
Gain from change in fair value of previously held interest	(153,458)	-
Interest income	(9,384)	(989)
Interest expense	21,258	33,263
Operating cash flows before working capital changes	**227,419**	**198,986**
Decrease in inventory	36,729	18,217
Increase in trade and other receivables	(16,973)	(6,908)
Decrease in advances paid and prepaid expenses	29,910	4,329
Decrease in other taxes receivable	18,730	4,075
Increase in retirement benefit obligations	232	111
(Decrease)/increase in trade and other payables	(43,666)	6,278
Decrease in advances received	(31,319)	(19,105)
Increase in other taxes payable	1,619	6,174
Cash generated from operations	**222,681**	**212,157**
Interest paid	(19,404)	(28,727)
Income tax paid	(29,169)	(15,992)
Net cash generated from operating activities	**174,108**	**167,438**

The notes on pages 8 to 24 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2012 (CONTINUED) (UNAUDITED)
All amounts are in thousands of US Dollars unless otherwise stated

	Three months ended 31 March 2012	Three months ended 31 March 2011
Investing activities		
Acquisition of subsidiaries, net of cash acquired	(199,114)	-
Payments for property, plant and equipment	(27,509)	(7,193)
Proceeds from sale of property, plant and equipment	7,073	2,386
Payments for intangible assets	(1,862)	(2,312)
Loans issued	(86,547)	(5)
Proceeds from repayment of loans issued	(1,477)	441
Interest received	431	72
Net cash used in investing activities	**(309,005)**	**(6,611)**
Financing activities		
Proceeds from short-term loans and borrowings	-	33,010
Proceeds from long-term loans and borrowings	59,667	29,150
Repayment of short-term loans and borrowings	(96,312)	(164,956)
Repayment of long-term loans and borrowings	(868)	-
Repayment of principal amounts of finance leases	(2,494)	(1,344)
Distribution of dividends received from associate to the parent company	-	(15,778)
Proceeds from issue of shares by a subsidiary	-	526
Net cash used in financing activities	**(40,007)**	**(119,392)**
Net increase/(decrease) in cash and cash equivalents	**(174,904)**	**41,435**
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	8,345	(193)
Cash and cash equivalents at the end of the period	**86,007**	**87,652**

The notes on pages 8 to 24 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2012 (UNAUDITED)
All amounts are in thousands of US Dollars unless otherwise stated

	Notes	Attributable to shareholders of the Company						
		Share capital	Additional paid-in capital	Foreign currency translation reserve	Retained earnings/ (accumulated deficit)	Total	Non-controlling interests	Total
Balance as at 1 January 2011 - as previously reported		**1,374**	**152,223**	**(68,852)**	**(262,630)**	**(177,885)**	**33,639**	**(144,246)**
Restatements	16	-	-	(1,011)	81,455	**80,444**	-	**80,444**
Balance as at 1 January 2011		**1,374**	**152,223**	**(69,863)**	**(181,175)**	**(97,441)**	**33,639**	**(63,802)**
Profit for the period		-	-	-	172,561	**172,561**	1,293	**173,854**
Other comprehensive income		-	-	11,184	-	**11,184**	2,489	**13,673**
Total comprehensive income for the period		**-**	**-**	**11,184**	**172,561**	**183,745**	**3,782**	**187,527**
Increase in non-controlling interests due to additional share issue by a subsidiary		-	-	-	-	**-**	519	**519**
Balance as at 31 March 2011		**1,374**	**152,223**	**(58,679)**	**(8,614)**	**86,304**	**37,940**	**124,244**
Balance as at 1 January 2012		**1,375**	**165,632**	**(105,230)**	**251,363**	**313,140**	**10,842**	**323,982**
Profit for the period		-	-	-	351,820	**351,820**	2,334	**354,154**
Other comprehensive income		-	-	71,544	-	**71,544**	4,653	**76,197**
Total comprehensive income for the period		**-**	**-**	**71,544**	**351,820**	**423,364**	**6,987**	**430,351**
Issue of shares		4	-	-	-	**4**	-	**4**
Increase of ownership in subsidiaries	3	-	-	-	-	**-**	32,507	**32,507**
Non controlling interest liability	3	-	-	-	(43,805)	**(43,805)**	(36,123)	**(79,928)**
Balance as at 31 December 2011		**1,379**	**165,632**	**(33,686)**	**559,378**	**692,703**	**14,213**	**706,916**

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 31 March 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 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 three months ended 31 March 2012 prices of mineral fertilizers and semi-products have shown significantly different dynamics.

Ammonia prices have fallen because of low demand both in agricultural and industrial sector coincided with Qafco V startup. Market recovery has been started only at the end of March. Through January – the first half of February the urea market repeated the past year negative dynamics. But since the middle of February the powerful growth in urea price thanks to demand pick up in the USA has continued. Current price level exceeded peak values of the year 2011 and market players are optimistic about market prospects for the second quarter of 2012. Prices for ammonium nitrate were stable through the first quarter of 2012 because of low volumes of trade. Global phosphates market was very slow in the first quarter of 2012 with prices slightly reduced. High level of inventories in the main markets such as India, South East Asia and Latin America led to low volumes of spot trade. European demand was limited by severe weather conditions. Moderate price recovery was noted at the end of March thanks to Latin America demand and US domestic market.

During three months ended 31 March 2012 the Group generated net profit in the amount of USD 354,154 thousand and positive cash flows from operating activities in the amount of USD 174,108 thousand.

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, except for accounting for investments in associates.

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 accounted for on VMF were updated. New estimates have been used in preparation of these condensed consolidated interim financial statements prospectively from the start of the year 2012. The effect on the current period is to increase the carrying amount of property, plant and equipment as at 31 March 2012 by USD 2,243 thousand and to decrease depreciation and increase tax expense for the three months ended 31 March 2012 by USD 2,173 thousand and USD 435 thousand respectively.

3. BUSINESS COMBINATIONS

Acquisition of controlling interest in Open Joint Stock Company Perm Mineral Fertilisers ("PMF") in 2012 by the Group

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

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. The main products are primarily sold in export markets.

On 1 March 2012, the Group made a mandatory offer to the non-controlling shareholders to sell the shares at USD 400.93 per ordinary share. The management assess the probability of the future outflow of economic benefits as high. The maximum amount of obligation which the Group could potentially face under these offers amounts to USD 79,175 thousand. Sberbank is acting as a guarantor of the transaction.

The total amount of USD 153,458 thousand shown under the line Gain from change in fair value of previously held interest in the Consolidated condensed interim income statement relates to the revaluation of the share in PMF held by the Group before additional share acquisition.

All amounts are in thousands of US Dollars unless otherwise stated

As at 19 January 2012 PMF's net assets recognised in the condensed consolidated interim financial statements of the Group were as follows:

	Fair value at the date of acquisition
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	**315,538**
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	**50,666**
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	**232,365**
Add: Goodwill arising on acquisition	253,193
Less: Pre-acquisition amount invested in subsidiary	(230,692)
Total PMF net assets transferred	**254,866**
Consideration paid by the Company for PMF	
Cash consideration	(254,866)
Total	**(254,866)**
Net cash flow arising on acquisition:	
Cash consideration	(254,866)
Cash and cash equivalents acquired	27,452
Net cash outflow on acquisition of subsidiary	**(227,414)**

PMF contributed USD 99,781 thousand of revenue and USD 19,739 thousand of profit for the reporting period.

All amounts are in thousands of US Dollars unless otherwise stated

4. SEGMENT INFORMATION

For management purposes the Group is organised into two segments, Nitrogen Fertilisers and Phosphate Fertilisers. Reports reviewed by the Chief Executive Officer (the "chief operating decision maker") that are used to assess performance and allocate resources are prepared on the same basis.

- 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 Perm Mineral Fertilizer ("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 Voskresensk Mineral Fertilisers OJSC ("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 engage 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 managemet 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 three months ended 31 March 2012 is as follows:

Three months ended 31 March 2012	**Nitrogen fertilisers**	**Phosphate fertilisers**	**Total**
Revenue from external customers	541,114	109,989	**651,103**
Inter-segment revenue	13,066	482	**13,548**
Total segment revenue	**554,180**	**110,471**	**664,651**
OIBDA	220,451	4,318	**224,769**
Profit for the period	187,870	337	**188,207**

Three months ended 31 March 2011	**Nitrogen fertilisers**	**Phosphate fertilisers**	**Total**
Revenue from external customers	419,364	125,390	**544,754**
Inter-segment revenue	7,785	586	**8,371**
Total segment revenue	**427,149**	**125,976**	**553,125**
OIBDA	172,184	19,411	**191,595**
Profit for the period	146,499	7,212	**153,711**

All amounts are in thousands of US Dollars unless otherwise stated

The total reportable segment OIBDA is reconciled to consolidated profit before tax as follows:

Three months ended 31 March 2012	**Nitrogen fertilisers**	**Phosphate fertilisers**	**Total**
Segment profit for the period	187,870	337	**188,207**
Segment depreciation and amortisation	23,791	3,854	**27,645**
Segment income tax expense	19,165	884	**20,049**
Less segment income from financing activities	(10,375)	(757)	**(11,132)**
Segment OIBDA	220,451	4,318	**224,769**
Unallocated operating activity			
Depreciation and amortisation			(28,833)
Corporate overheads			(16,120)
Other			(14,799)
Inter-segment operations			12,885
Group operating profit			**177,902**
Interest income			9,384
Interest expense			(21,258)
Gain from change in fair value of previously held interest			153,458
Share of loss of associates			(160)
Foreign exchange gain from financing activities			72,120
Group profit before tax			**391,446**
Group income tax expense			(37,292)
Group profit for the period			**354,154**

All amounts are in thousands of US Dollars unless otherwise stated

Three months ended 31 March 2011	Nitrogen fertilisers	Phosphate fertilisers	Total
Segment profit for the period	146,499	7,212	**153,711**
Segment depreciation and amortisation	13,759	10,637	**24,396**
Segment income tax expense	23,923	1,579	**25,502**
Less segment income from financing activities	(11,997)	(17)	**(12,014)**
Segment OIBDA	172,184	19,411	**191,595**
Unallocated operating activity			
Depreciation and amortisation			(25,601)
Corporate overheads			(16,159)
Other			(3,641)
Inter-segment operations			13,787
Group operating profit			**159,981**
Interest income			989
Interest expense			(33,263)
Share of profit of associates			12,760
Foreign exchange gain from financing activities			72,477
Group profit before tax			**212,944**
Group income tax expense			(39,090)
Group profit for the period			**173,854**

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

Total reportable segment assets are as follows:

Total segment assets as at:	Nitrogen fertilisers	Phosphate fertilisers	Total
31 March 2012	1,189,890	349,087	**1,538,977**
31 December 2011	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. The total of these non-current assets located in other countries, including Cyprus, are not significant.

Information about the 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.

All amounts are in thousands of US Dollars unless otherwise stated

5. SALES OF GOODS

Three months ended 31 March 2012	Total	Export	Russian Federation	Other CIS countries
Mineral fertilisers				
Nitrogen based fertilisers	**364,063**	243,875	93,331	26,857
Phosphate based fertilisers	**95,382**	53,357	18,543	23,482
Complex fertilisers	**61,501**	50,611	4,316	6,574
Ammonia	**84,120**	63,030	18,498	2,592
Explosive grade ammonium nitrate	**23,884**	3,629	17,996	2,259
Inorganic acids	**8,248**	-	8,108	140
Other chemical products	**13,905**	4,401	9,421	83
Total	**651,103**	**418,903**	**170,213**	**61,987**
Three months ended 31 March 2011				
Mineral fertilisers				
Nitrogen based fertilisers	**266,615**	139,334	82,649	44,632
Phosphate based fertilisers	**114,373**	80,898	8,012	25,463
Complex fertilisers	**76,011**	67,449	5,319	3,243
Ammonia	**51,119**	42,292	6,154	2,673
Explosive grade ammonium nitrate	**18,228**	1,928	14,742	1,558
Inorganic acids	**7,302**	-	7,297	5
Other chemical products	**11,106**	1,578	9,272	256
Total	**544,754**	**333,479**	**133,445**	**77,830**

6. COST OF SALES

	Three months ended 31 March 2012	Three months ended 31 March 2011
Raw materials, including:		
Natural gas	92,399	75,701
Apatite	40,789	37,777
Potassium chloride	8,341	4,617
Sulphur	6,972	5,926
Other raw materials	15,423	10,737
Energy and utilities	34,813	38,066
Wages and salaries	23,208	18,853
Depreciation	20,963	19,852
Social taxes	6,689	6,130
Repairs and maintenance	1,026	1,050
Decrease in inventory balance of work in-progress and finished goods	41,741	25,979
Other	5,075	5,157
Total	**297,439**	**249,845**

All amounts are in thousands of US Dollars unless otherwise stated

7. SELLING AND DISTRIBUTION EXPENSES

	Three months ended 31 March 2012	Three months ended 31 March 2011
Transportation, including:		
Railway tariff	70,100	60,101
Freight and transshipment	38,020	27,793
Rail cars rent expenses	10,340	10,156
Other transportation expenses	4,306	3,900
Wages and salaries	5,544	4,597
Depreciation	4,069	3,116
Advertising and marketing	2,043	1,853
Social taxes	1,444	667
Commissions and agent fees	1,363	194
Customs clearance charges	853	686
Other	7,237	5,836
Total	**145,319**	**118,899**

8. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 31 March 2012	Three months ended 31 March 2011
Wages and salaries	16,248	15,707
Social taxes	3,683	3,196
Depreciation	2,636	1,802
Audit, legal and consulting services	1,825	1,215
Fines and penalties	1,371	992
Security	918	758
Rent	791	827
Bank charges	469	290
Other	5,546	5,020
Total	**33,487**	**29,807**

All amounts are in thousands of US Dollars unless otherwise stated

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures	Machinery, equipment and transport	Other	Construction in progress	Total
Cost					
Balance at 1 January 2011	**302,522**	**523,515**	**31,222**	**81,719**	**938,978**
Additions	1,799	2,818	258	4,535	**9,410**
Transfers	(23)	501	248	(726)	**-**
Disposals	(533)	(1,565)	(3,185)	220	**(5,063)**
Effect of translation to presentation currency	20,289	37,669	3,947	5,882	**67,787**
Balance at 31 March 2011	**324,054**	**562,938**	**32,490**	**91,630**	**1,011,112**
Balance at 1 January 2012	**293,259**	**553,768**	**24,209**	**109,408**	**980,644**
Additions	1,515	8,675	387	21,888	**32,465**
Acquisitions through business combinations	54,388	171,204	13,489	1,516	**240,597**
Transfers	849	3,160	(634)	(3,375)	**-**
Disposals	(885)	(7,905)	(343)	(1,089)	**(10,222)**
Effect of translation to presentation currency	34,042	71,019	3,667	11,405	**120,133**
Balance at 31 March 2012	**383,168**	**799,921**	**40,775**	**139,753**	**1,363,617**
Accumulated depreciation and impairment losses					
Balance at 1 January 2011	**(78,971)**	**(213,720)**	**(8,214)**	**-**	**(300,905)**
Charge for the period	(6,955)	(16,866)	(949)	-	**(24,770)**
Disposals	77	1,424	557	-	**2,058**
Effect of translation to presentation currency	(5,899)	(15,996)	(904)	-	**(22,799)**
Balance at 31 March 2011	**(91,748)**	**(245,158)**	**(9,510)**	**-**	**(346,416)**
Balance at 1 January 2012	**(96,484)**	**(254,499)**	**(10,467)**	**-**	**(361,450)**
Charge for the period	(3,788)	(23,210)	(670)	-	**(27,668)**
Disposals	117	1,967	137	-	**2,221**
Effect of translation to presentation currency	(9,553)	(25,554)	(1,040)	-	**(36,147)**
Balance at 31 March 2012	**(109,708)**	**(301,296)**	**(12,040)**	**-**	**(423,044)**
Carrying value					
At 31 March 2011	**232,306**	**317,780**	**22,980**	**91,630**	**664,696**
At 31 March 2012	**273,460**	**498,625**	**28,735**	**139,753**	**940,573**

As at 31 March 2012, property, plant and equipment included advances paid for acquisition of the property, plant and equipment in the amount of USD 14,453 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 31 March 2012, the net book value of leased machinery, equipment and transport was USD 52,470 thousand (31 December 2011: USD 49,331 thousand).

All amounts are in thousands of US Dollars unless otherwise stated

Assets pledged as collateral

The carrying values of property, plant and equipment pledged to secure loans and borrowings granted to the Group were as follows (refer to note 12):

	31 March 2012	31 December 2011
Machinery, equipment and transport	91,536	72,117
Buildings and structures	14,221	17,543
Other	475	247
Total	**106,232**	**89,907**

10. GOODWILL

Cost	31 March 2012	31 December 2011
Balance at the beginning of the period	**195,573**	**207,121**
Additional amounts recognised from business combinations occurring during the period	253,193	-
Derecognised on disposal of subsidiaries	-	(493)
Effect of translation to presentation currency	28,784	(11,055)
Balance at the end of the period	**477,550**	**195,573**
Accumulated impairment losses		
Balance at the beginning of the period	(36,721)	(38,792)
Effect of translation to presentation currency	(3,591)	2,071
Balance at the end of the period	**(40,312)**	**(36,721)**
Carrying amount		
At the beginning of the period	**158,852**	**168,329**
At the end of the period	**437,238**	**158,852**

Allocation of goodwill to cash-generating units

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

	31 March 2012	31 December 2011
Phosphate Fertilisers	79,173	72,121
Nitrogen Fertilisers	357,929	86,608
Other	136	123
Total	**437,238**	**158,852**

All amounts are in thousands of US Dollars unless otherwise stated

Annual test for impairment

For the purpose of impairment testing, the recoverable amount of the relevant cash-generating unit was assessed by reference to value in use. These calculations use pre-tax cash flow projections based on budgets approved by the Group and covering a five-year period. Cash flows beyond the five-year period are extrapolated by using the expected forecasts stated below. The key assumptions used by management for value in use determination are as follows:

	31 March 2012	31 December 2011
Gross margin	22.0%-49.0%	22.0%-49.0%
Growth rate	3.0%	3.0%
Discount rate	12.0%	12.0%
Raw materials price inflation	3-6%	3-6%
Exchange rate (RUR to 1 USD)	30	31

These assumptions have been used for analysis of each cash-generating unit within the Group's nitrogen and phosphate fertilisers segments.

Management determined budgeted gross margin based on past performance and its expectation of the current market development. The gross margin and raw material price inflation ranges relate to a variety of products produced and raw materials consumed by the cash-generating unit, respectively. The weighted average growth rates used are consistent with the forecast included in industry reports.

11. INVENTORIES

	31 March 2012	31 December 2011
Inventories expected to be recovered after twelve months		
Catalytic agents	28,232	28,021
Other inventories	2,271	2,729
	30,503	**30,750**
Inventories expected to be recovered in the next twelve months		
Raw materials, net of allowance for obsolescence	71,800	51,748
Finished goods	36,437	52,024
Work in-progress	7,247	7,269
Goods for resale	748	2,010
	116,232	**113,051**
Total	**146,735**	**143,801**

During the three months ended 31 March 2012, the Group recognised a write down of USD 2,064 thousand to reduce the carrying amount of inventories to net realisable value (year ended 31 December 2011: USD 3,311 thousand). At 31 March 2012, inventories in the amount of USD 5,649 thousand were stated at net realisable value (31 December 2011: USD 64,263 thousand).

At 31 March 2012, raw materials were presented net of allowance for obsolescence of USD 3,754 thousand (31 December 2011: USD 4,206 thousand). During the three months ended 31 March 2012, the Group recognised USD 96 thousand (three months ended 31 March 2011: USD 706 thousand) and released USD 555 thousand (three months ended 31 March 2011: USD 434 thousand) of allowance for obsolescence of raw materials.

All amounts are in thousands of US Dollars unless otherwise stated

Certain inventories were pledged to secure bank loans and borrowings granted to the Group, as follows:

	31 March 2012	31 December 2011
Carrying value of pledged inventories (refer to note 12)	-	6,611

12. LOANS AND BORROWINGS

	31 March 2012	31 December 2011
Loans denominated in USD	904,264	949,512
Loans denominated in RUR	198,407	180,731
Loans denominated in EUR	7,225	-
Total	**1,109,896**	**1,130,243**
Less: current portion repayable within twelve months and shown under current liabilities	(303,922)	(338,275)
Long-term portion of loans and borrowings	**805,974**	**791,968**

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.

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 1m+5.0% and which matures in June 2013. In April 2012 the Group reached an agreement to increase this facility up to USD 80,000 thousand. The annual interest rate for the extra credit facility was sett at Libor 1m+5.25%.

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

- USD 113 thousand (31 December 2011: USD 2,738 thousand) at a fixed rate of 6.2% (31 December 2011: 2011: varied from 6.2% to 9.0%) per annum; and
- USD 904,151 thousand (31 December 2011 946,774 thousand) at floating rates linked to Libor varying from 4.5%to 6.0% (31 December 2011: linked to Libor 1m and Libor 3m, varying from 4.4% to 6.0%) per annum.

The loans denominated in USD are due in the years 2012 to 2016. As at 31 March 2012, USD-denominated loans in the amount of USD 610,130 thousand (2011: USD 684,562 thousand) were secured by 49.0% of UralChem OJSC's shares (2011: 49.0%) and certain fixed assets (refer to note 9).

All amounts are in thousands of US Dollars unless otherwise stated

Loans denominated in RUR

Loans denominated in RUR consist of a loan of USD 164,273 thousand (2011: USD 149,639 thousand) that bears interest at a fixed rate of 9.0% (2011: 9.0%) per annum and is repayable in quarterly instalments starting from 20 June 2012 with the final instalment due on 24 June 2013 and other loans of USD 34,134 thousand (2011: USD 31,093 thousand) that bear interest at floating rate linked to MosPrime 3m + 3.9% (2011: MosPrime 3m + 3.9%) per annum and are due in June 2013.

The loans are secured by 100.0% 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 (refer to note 9).

Loans denominated in EUR

In September 2011 Group reached an agreement with Swedbank to obtain a credit line in the amount of USD 41,187 thousand which matures in September 2020 and which was not drawdown as at 31 December 2011. As at 31 March 2012 USD 7,225 thousand of this credit facility was withdrawn**.** The annual interest rate on this facility is settled at Euribor 3m rate + 3.4% per annum.

Total loans and borrowings were repayable as follows:

	31 March 2012	31 December 2011
Due within three months	179,455	156,083
Due from three to six months	35,461	116,423
Due from six to twelve months	89,006	65,769
Total current portion repayable within twelve months	**303,922**	**338,275**
Due in the second year	235,503	168,712
Due in the third year	259,992	273,870
Due in the fourth year	175,914	174,693
Due in the fifth year	131,469	174,693
Due thereafter	3,096	-
Total long-term portion of loansand borrowings	**805,974**	**791,968**

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

- set-up limits for the total amount of borrowings of certain Group subsidiaries;
- set-up limit for the Group total amount of loans and borrowings not exceeding USD 1,400,000 thousand;
- bank approval for any transfer of pledged property;
- 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 limit for the annualised "net debt/EBITDA" ratio not exceeding 3.5; and
- set-up limits for disposal of assets with a carrying value of more than USD 3,410 thousand for OJSC Uralchem.

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

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:

	31 March 2012	31 December 2011
Parent company of the Group		
Other receivables	17,478	-
Other financial assets	83,647	-
Loans and borrowings	-	(2,627)
Other payables	-	(42,634)
Entities under common ownership and control with the Group		
Trade and other receivables	9,053	3,604
Advances paid and prepaid expenses	360	608
Promissory notes of related parties, at amortised cost	362	330
Trade and other payables	(1,692)	(1,754)
Advances received	(33)	(92)

The Group entered into the following transactions with related parties:

	Three months ended 31 March 2012	Three months ended 31 March 2011
Parent company of the Group		
Interest income	335	904
Interest expense	(126)	(752)
Entities under common ownership and control with the Group		
Sales of goods and services	12,721	14,474
Purchases of goods and services	(3,199)	(2,693)
Interest income	-	40
Other income	(102)	67

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.

All amounts are in thousands of US Dollars unless otherwise stated

Loans issued to related parties

The loans issued to related parties are primarily loans issued to the parent company of the Group.

As at 31 March 2012, loans issued to the parent company included an amount of USD 83,647 thousand denominated in USD (2011: nil). The loans bore interest at annual fixed rates from 6.8% to 6.9%.

Compensation of key management personnel

The compensation of key management personnel of the Group for the three months ended 31 March 2012 comprised salaries and cash bonuses in the amount of USD 3,211 thousand (three months ended 31 March 2011: USD 6,428 thousand), including social taxes in the amount of USD 391 thousand (three months ended 31 March 2011: USD 280 thousand).

14. COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 31 March 2012, the Group's contractual capital commitments for acquisition of property, plant and equipment amounted to USD 13,315 thousand (2011: USD 8,175 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:

	31 March 2012	31 December 2011
Due in one year	39,575	39,250
Due from two to five years	34,977	33,616
Total	**74,552**	**72,866**

Litigation

As at 31 March 2012, the Group has a number of claims with tax authority relating to non-payment of tax on intercompany dividends in the amount of USD 25,399 thousand, tax effect on loss incurred on liquidation of VMF's subsidiary in the amount of USD 2,552 thousand and tax effect on loss from derivative financial instruments in the amount of USD 3,731 thousand. Management believes that the unfavorable outcome of the case is unlikely.

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. Applicable taxes include VAT, corporate income tax, social taxes, together with others. 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 three 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

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

15. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Dividends received

On 10 May 2012 the Group received dividends from Togliattiazot in the amount of USD 8,661 thousand. The respective amount of the dividends accrued as at 31 March 2012 is recorded in the trade and other receivables of the condensed consolidated interim statement of financial position.

Loans issued

Up to the date of approval of these condensed consolidated interim financial statements, the Company issued loans to the parent company in the total amount of USD 15,820 thousand. The loans bore interest at annual fixed rates from 6.8% to 6.9%.

Loans received

Up to the date of approval of these condensed consolidated interim financial statements, the Group received loans in the net amount USD 8,750 thousand. The loans bore interest at annual floating rates from Libor 1m+5.25% to Libor 1m+5.7%.

Increase of ownership in subsidiaries

In May 2011, the Group acquired through a number of transactions additional 167,392 ordinary shares or 10.33% interest in the share capital of PMF for a consideration of USD 63,014 thousand.

All amounts are in thousands of US Dollars unless otherwise stated

16. RESTATEMENT

Subsequent to the issuance of the Group's consolidated financial statements for the year ended 31 December 2010, the Group obtained control over 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. As a result, the condensed consolidated interim financial statements for the three months ended 31 March 2011 were restated.

Subsequent to the issuance of the Group's condensed consolidated interim financial statements for the three months ended 31 March 2011 management decided to classify prepaid railway tarrif as advances rather than other accounts receivable to achieve a better match between the substance and presentation of the amounts.

The impact of the changes on the consolidated statement of financial position as at 31 March 2011 and consolidated income statement for the three months ended 31 March 2011 is presented below:

	Three months ended 31 March 2011	Three months ended 31 March 2011 - as restated	Restatement and reclassification
CONSOLIDATED INCOME STATEMENT			
Share of profit of associate	(37)	12,760	12,797
	(37)	**12,760**	**12,797**
Basic and diluted earnings per share (US dollar per share)	0.9	1.0	0.1
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Investments in associates	35,756	136,590	100,834
Trade and other receivables	110,474	104,389	(6,085)
Advances paid and prepaid expenses	31,435	37,520	6,085
Foreign currency translation reserve	(65,261)	(58,679)	6,582
(Accumulated dificit)/Retained earnings	(102,866)	(8,614)	94,252