

# **URALCHEM HOLDING P.L.C.**

**Condensed consolidated interim  
financial statements  
for the three months ended 31 March 2013  
(unaudited)**

# URALCHEM HOLDING P.L.C.

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## URALCHEM HOLDING P.L.C.

### STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2013

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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 2013, and the results of its operations, 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 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 2013 were approved on 24 May 2013 by:

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Victor Zorkin  
Director

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Charalambos Meivatzis  
Director

Limassol, Cyprus  
24 May 2013

# URALCHEM HOLDING P.L.C.

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2013 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	Notes	<u>Three months ended 31 March 2013</u>	<u>Three months ended 31 March 2012</u>
<b>Revenue</b>			
Sales of goods	4	659,749	651,103
Other sales		23,339	21,673
<b>Total revenue</b>		<b>683,088</b>	<b>672,776</b>
Cost of sales	5	(291,468)	(297,439)
<b>Gross profit</b>		<b>391,620</b>	<b>375,337</b>
Selling and distribution expenses	6	(137,074)	(145,319)
General and administrative expenses	7	(37,333)	(33,487)
Other operating income		5,200	1,887
Other operating expenses		(2,372)	(20,516)
<b>Operating profit</b>		<b>220,041</b>	<b>177,902</b>
Interest and other finance income		854	9,384
Interest and other finance expense		(16,644)	(21,258)
Share of loss of associates		(170)	(160)
Gain from change in fair value of previously held interest		-	153,458
Foreign exchange (loss)/gain from financing activities		(13,292)	72,120
<b>Profit before tax</b>		<b>190,789</b>	<b>391,446</b>
Income tax expense		(29,797)	(37,292)
<b>Profit for the period</b>		<b>160,992</b>	<b>354,154</b>
Attributable to:			
Shareholders of the Company		161,748	351,820
Non-controlling interests		(756)	2,334
		<b>160,992</b>	<b>354,154</b>
<b>Earnings per share</b>			
Weighted average number of ordinary shares in issue during the period		175,536,439	175,256,306
Basic and diluted earnings per share (US dollars per share)		0.9	2.0

The notes on pages 7 to 20 are an integral part of these condensed consolidated interim financial statements.

## URALCHEM HOLDING P.L.C.

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2013 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	<b>Three months ended 31 March 2013</b>	<b>Three months ended 31 March 2012</b>
<b>Profit for the period</b>	<b>160,992</b>	<b>354,154</b>
Other comprehensive (loss)/income:		
<i>Items to be subsequently reclassified to profit or loss:</i>		
Effect of translation to presentation currency	(24,322)	76,197
<b>Other comprehensive (loss)/income</b>	<b>(24,322)</b>	<b>76,197</b>
<b>Total comprehensive income for the period</b>	<b>136,670</b>	<b>430,351</b>
Total comprehensive income for the period attributable to:		
Shareholders of the Company	137,655	423,364
Non-controlling interests	(985)	6,987
	<b>136,670</b>	<b>430,351</b>

The notes on pages 7 to 20 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 2013 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	Notes	31 March 2013	31 December 2012
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment	8	986,432	992,111
Goodwill	9	337,846	345,751
Intangible assets		9,486	9,561
Investments in associates		10,776	11,198
Inventories	10	39,613	36,652
Available-for-sale investments		164,914	171,576
Other financial assets		7,238	7,311
Deferred tax assets		23,540	26,258
		<b>1,579,845</b>	<b>1,600,418</b>
<i>Current assets</i>			
Inventories	10	128,917	143,447
Trade and other receivables		121,871	95,146
Advances paid and prepaid expenses		34,127	44,864
Income tax receivable		7,584	7,350
Other taxes receivable		80,215	79,006
Other financial assets		2,213	27,135
Cash and cash equivalents		278,120	177,617
		<b>653,047</b>	<b>574,565</b>
<b>TOTAL ASSETS</b>		<b>2,232,892</b>	<b>2,174,983</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Capital and reserves</i>			
Share capital		1,377	1,377
Additional paid-in capital		165,632	165,632
Foreign currency translation reserve		(90,581)	(66,488)
Retained earnings		845,874	812,761
<b>Equity attributable to shareholders of the Company</b>		<b>922,302</b>	<b>913,282</b>
Non-controlling interests		9,744	10,729
<b>Total equity</b>		<b>932,046</b>	<b>924,011</b>
<i>Non-current liabilities</i>			
Loans and borrowings	11	847,741	850,132
Obligations under finance leases		52,460	48,044
Retirement benefit obligations		12,985	13,254
Deferred tax liabilities		69,928	74,756
		<b>983,114</b>	<b>986,186</b>
<i>Current liabilities</i>			
Loans and borrowings	11	159,448	91,569
Obligations under finance leases		19,327	17,627
Trade and other payables		79,863	74,839
Advances received		22,984	46,344
Income tax payable		23,618	26,171
Other taxes payable		12,492	8,236
		<b>317,732</b>	<b>264,786</b>
<b>Total liabilities</b>		<b>1,300,846</b>	<b>1,250,972</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,232,892</b>	<b>2,174,983</b>

The notes on pages 7 to 20 are an integral part of these condensed consolidated interim financial statements.

# URALCHEM HOLDING P.L.C.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2013 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

	Three months ended 31 March 2013	Three months ended 31 March 2012
<b>Operating activities</b>		
<b>Profit before tax</b>	<b>190,789</b>	<b>391,446</b>
Adjustments for:		
Depreciation of property, plant and equipment	29,514	27,668
Amortisation of intangible assets	628	1,165
Gain from change in fair value of previously held interest	-	(153,458)
Change in provisions and allowances	3,739	(1,664)
Write-down of inventory to net realisable value	1,865	2,064
Loss on disposal of property, plant and equipment	814	967
Foreign exchange loss/(gain), net	9,535	(52,803)
Share of loss of associates	170	160
Interest and other finance income	(854)	(9,384)
Interest and other finance expense	15,202	21,258
<b>Operating cash flows before working capital changes</b>	<b>251,402</b>	<b>227,419</b>
Change in inventories	6,390	36,729
Change in trade and other receivables	(21,626)	(16,973)
Change in advances paid and prepaid expenses	9,825	29,910
Change in other taxes receivable	(3,540)	18,730
Change in retirement benefit obligations	35	232
Change in trade and other payables	(8,606)	(43,666)
Change in advances received	(22,863)	(31,319)
Change in other taxes payable	4,679	1,619
<b>Cash generated from operations</b>	<b>215,696</b>	<b>222,681</b>
Interest paid	(13,734)	(19,404)
Income tax paid	(34,400)	(29,169)
<b>Net cash generated from operating activities</b>	<b>167,562</b>	<b>174,108</b>
<b>Investing activities</b>		
Acquisition of subsidiary, net of cash acquired	-	(199,114)
Proceeds from disposal of available-for-sale investments	2,802	-
Payments for acquisition of property, plant and equipment	(37,309)	(27,509)
Proceeds from sale of property, plant and equipment	4,593	7,073
Payments for acquisition of intangible assets	(775)	(1,862)
Loans issued	(12,099)	(86,547)
Proceeds from repayment of loans issued	37,691	(1,477)
Interest received	986	431
<b>Net cash used in investing activities</b>	<b>(4,111)</b>	<b>(309,005)</b>
<b>Financing activities</b>		
Proceeds from short-term loans and borrowings	45	-
Proceeds from long-term loans and borrowings	78,510	59,667
Repayment of short-term loans and borrowings	(51)	(96,312)
Repayment of long-term loans and borrowings	(1,557)	(868)
Repayment of principal amounts of finance leases	(4,715)	(2,494)
Dividends paid to the shareholders	(128,635)	-
<b>Net cash used in financing activities</b>	<b>(56,403)</b>	<b>(40,007)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>107,048</b>	<b>(174,904)</b>
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	(6,545)	8,345
<b>Cash and cash equivalents at the end of the period</b>	<b>278,120</b>	<b>86,007</b>

The notes on pages 7 to 20 are an integral part of these condensed consolidated interim financial statements.

## URALCHEM HOLDING P.L.C.

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 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		
<b>Balance as at 1 January 2012</b>		<b>1,375</b>	<b>165,632</b>	<b>(105,230)</b>	<b>251,363</b>	<b>313,140</b>	<b>10,842</b>	<b>323,982</b>
Profit for the period		-	-	-	351,820	351,820	2,334	354,154
Other comprehensive income		-	-	71,544	-	71,544	4,653	76,197
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>71,544</b>	<b>351,820</b>	<b>423,364</b>	<b>6,987</b>	<b>430,351</b>
Issue of shares		4	-	-	-	4	-	4
Increase of ownership in subsidiaries		-	-	-	-	-	32,507	32,507
Non controlling interest liability		-	-	-	(43,805)	(43,805)	(36,123)	(79,928)
<b>Balance at 31 March 2012</b>		<b>1,379</b>	<b>165,632</b>	<b>(33,686)</b>	<b>559,378</b>	<b>692,703</b>	<b>14,213</b>	<b>706,916</b>
<b>Balance at 1 January 2013</b>		<b>1,377</b>	<b>165,632</b>	<b>(66,488)</b>	<b>812,761</b>	<b>913,282</b>	<b>10,729</b>	<b>924,011</b>
<b>Dividends</b>	12	<b>-</b>	<b>-</b>	<b>-</b>	<b>(128,635)</b>	<b>(128,635)</b>	<b>-</b>	<b>(128,635)</b>
Profit for the period		-	-	-	161,748	161,748	(756)	160,992
Other comprehensive income		-	-	(24,093)	-	(24,093)	(229)	(24,322)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>(24,093)</b>	<b>161,748</b>	<b>137,655</b>	<b>(985)</b>	<b>136,670</b>
<b>Balance at 31 March 2013</b>		<b>1,377</b>	<b>165,632</b>	<b>(90,581)</b>	<b>845,874</b>	<b>922,302</b>	<b>9,744</b>	<b>932,046</b>

The notes on pages 7 to 20 are an integral part of these condensed consolidated interim financial statements.



# URALCHEM HOLDING P.L.C.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2013 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

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### 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 2013, the Company was 95.22% owned by CI-Chemical Invest Limited, incorporated in Cyprus. The remaining 4.78% 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 prepared based on the accounting policies applied in the annual consolidated financial statements of the Group for the year ended 31 December 2012, 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 2012.

### 3. SEGMENT INFORMATION

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

- Nitrogen Fertilisers: The nitrogen fertilisers segment comprises subsidiaries engaged in the production of nitrogen based fertilisers, complex fertilisers, ammonia, inorganic acids and other chemical products. The major subsidiaries and branches allocated to the nitrogen fertilisers segment are KCCW Mineral Fertiliser Plant OJSC (“KCCW MFP”), located in the Kirov region of the Russian Federation, Azot branch of UralChem OJSC (“Azot branch”) and PMF, located in the Perm region of the Russian Federation; and
- Phosphate Fertilisers: The phosphate fertilisers segment comprises subsidiaries engaged in the production of phosphate based fertilisers, complex fertilisers and inorganic acids. The major subsidiary allocated to the phosphate fertilisers segment is VMF, located in the Moscow region of the Russian Federation.

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

The profitability of the two operating segments is primarily measured based on OIBDA, which the Group defines as operating profit adjusted for depreciation and amortisation, and net profit for the period. Since the term of OIBDA is not a standard IFRS measure, the Group’s definition of OIBDA may differ from that of other companies. Costs and assets of subsidiaries of the Group engaged in transportation, sales and marketing activities are allocated (pro rata volume of services rendered by these companies to the operating segments) to operating segments within management reports reviewed by the chief operating decision maker. Costs and assets of subsidiaries of the Group engaged in other operations are not allocated to operating segments within management reports reviewed by the chief operating decision maker. Other income and expenses of the Group not incorporated in calculation of the operating profit are also allocated to operating segments.

## URALCHEM HOLDING P.L.C.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2013 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

Segment information provided to the chief operating decision maker for the reportable segments for the three months ended 31 March 2013 is as follows:

	<b>Nitrogen fertilisers</b>	<b>Phosphate fertilisers</b>	<b>Total</b>
<b>Three months ended 31 March 2013</b>			
Revenue from external customers	560,346	99,403	<b>659,749</b>
Inter-segment revenue	14,666	277	<b>14,943</b>
<b>Total segment revenue</b>	<b>575,012</b>	<b>99,680</b>	<b>674,692</b>
OIBDA	269,413	492	<b>269,905</b>
Net profit/(loss) for the period	212,064	(2,971)	<b>209,093</b>
	<b>Nitrogen fertilisers</b>	<b>Phosphate fertilisers</b>	<b>Total</b>
<b>Three months ended 31 March 2012</b>			
Revenue from external customers	541,114	109,989	<b>651,103</b>
Inter-segment revenue	13,066	482	<b>13,548</b>
<b>Total segment revenue</b>	<b>554,180</b>	<b>110,471</b>	<b>664,651</b>
OIBDA	220,451	4,318	<b>224,769</b>
Net profit for the period	187,870	337	<b>188,207</b>

## URALCHEM HOLDING P.L.C.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2013 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

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

<b>Three months ended 31 March 2013</b>	<b>Nitrogen fertilisers</b>	<b>Phosphate fertilisers</b>	<b>Total</b>
Segment OIBDA	269,413	492	<b>269,905</b>
Segment amortisation and depreciation	(24,637)	(4,102)	<b>(28,739)</b>
Segment income tax expense	(28,776)	1,374	<b>(27,402)</b>
Segment expense from financing activities	(3,936)	(735)	<b>(4,671)</b>
Segment profit/(loss) for the period	212,064	(2,971)	<b>209,093</b>
<b>Unallocated activities</b>			
Depreciation and amortisation			(1,463)
Corporate overheads			(10,196)
Other expenses			(20,365)
Interest and other finance income			149
Interest and other finance expense			(10,393)
Share of loss of associates			(170)
Foreign exchange loss from financing activities			(15,714)
Inter-segment operations			12,446
Unallocated income tax expense			(2,395)
<b>Group profit for the period</b>			<b>160,992</b>
<b>Three months ended 31 March 2012</b>	<b>Nitrogen fertilisers</b>	<b>Phosphate fertilisers</b>	<b>Total</b>
Segment OIBDA	220,451	4,318	<b>224,769</b>
Segment depreciation and amortisation	(23,791)	(3,854)	<b>(27,645)</b>
Segment income tax expense	(19,165)	(884)	<b>(20,049)</b>
Segment income from financing activities	10,375	757	<b>11,132</b>
Segment profit for the period	187,870	337	<b>188,207</b>
<b>Unallocated activities</b>			
Depreciation and amortisation			(1,188)
Corporate overheads			(16,120)
Other expenses			(14,799)
Interest and other finance income			8,862
Interest and other finance expense			(14,569)
Gain from change in fair value of previously held interest			153,458
Share of loss of associates			(160)
Foreign exchange gain from financing activities			49,672
Inter-segment operations			18,034
Unallocated income tax expense			(17,243)
<b>Group profit for the period</b>			<b>354,154</b>

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

## URALCHEM HOLDING P.L.C.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2013 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

Total reportable segment assets are as follows:

Total segment assets as at:	Nitrogen fertilisers	Phosphate fertilisers	Total
<b>31 March 2013</b>	1,314,782	266,888	<b>1,581,670</b>
<b>31 December 2012</b>	1,277,630	281,141	<b>1,558,771</b>

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.

#### 4. SALES OF GOODS

Three months ended 31 March 2013	Total	Export	Russian Federation	Other CIS countries
Mineral fertilisers				
Nitrogen based fertilisers	<b>357,516</b>	255,626	94,809	7,081
Phosphate based fertilisers	<b>72,211</b>	44,076	8,818	19,317
Complex fertilisers	<b>76,945</b>	52,442	6,473	18,030
Ammonia	<b>112,788</b>	87,730	23,521	1,537
Explosive grade ammonium nitrate	<b>19,111</b>	1,264	14,750	3,097
Inorganic acids	<b>8,057</b>	-	8,057	-
Other chemical products	<b>13,121</b>	3,351	9,702	68
<b>Total</b>	<b>659,749</b>	<b>444,489</b>	<b>166,130</b>	<b>49,130</b>
<b>Three months ended 31 March 2012</b>				
Mineral fertilisers				
Nitrogen based fertilisers	<b>364,063</b>	243,875	93,331	26,857
Phosphate based fertilisers	<b>95,382</b>	53,357	18,543	23,482
Complex fertilisers	<b>61,501</b>	50,611	4,316	6,574
Ammonia	<b>84,120</b>	63,030	18,498	2,592
Explosive grade ammonium nitrate	<b>23,884</b>	3,629	17,996	2,259
Inorganic acids	<b>8,248</b>	-	8,108	140
Other chemical products	<b>13,905</b>	4,401	9,421	83
<b>Total</b>	<b>651,103</b>	<b>418,903</b>	<b>170,213</b>	<b>61,987</b>

## URALCHEM HOLDING P.L.C.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2013 (UNAUDITED)

All amounts are in thousands of US Dollars unless otherwise stated

#### 5. COST OF SALES

	<b>Three months ended 31 March 2013</b>	<b>Three months ended 31 March 2012</b>
Raw materials, including:		
Natural gas	104,535	92,399
Apatite	42,378	40,789
Potassium chloride	10,517	8,341
Sulphur	5,741	6,972
Other raw materials	15,579	15,423
Energy and utilities	38,120	34,813
Wages and salaries	24,596	23,208
Depreciation	22,970	20,963
Social taxes	7,579	6,689
Repairs and maintenance	1,409	1,026
Decrease in inventory balance of work in-progress and finished goods	11,823	41,741
Other	6,221	5,075
<b>Total</b>	<b>291,468</b>	<b>297,439</b>

#### 6. SELLING AND DISTRIBUTION EXPENSES

	<b>Three months ended 31 March 2013</b>	<b>Three months ended 31 March 2012</b>
Transportation, including:		
Railway tariff	61,075	70,100
Freight and transshipment	35,415	38,020
Rail cars rent expenses	11,504	10,340
Other transportation expenses	4,471	4,306
Wages and salaries	7,060	5,544
Depreciation	4,004	4,069
Advertising and marketing	2,461	2,043
Social taxes	1,642	1,444
Commissions and agent fees	481	1,363
Customs clearance charges	118	853
Other	8,843	7,237
<b>Total</b>	<b>137,074</b>	<b>145,319</b>

## URALCHEM HOLDING P.L.C.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2013 (UNAUDITED)

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#### 7. GENERAL AND ADMINISTRATIVE EXPENSES

	<b>Three months ended 31 March 2013</b>	<b>Three months ended 31 March 2012</b>
Wages and salaries	18,944	16,248
Social taxes	4,021	3,683
Depreciation	2,540	2,636
Audit, legal and consulting services	1,386	1,825
Rent	1,050	791
Security	990	918
Fines and penalties	228	1,371
Bank charges	28	469
Other	8,146	5,546
<b>Total</b>	<b>37,333</b>	<b>33,487</b>

#### 8. PROPERTY, PLANT AND EQUIPMENT

As at 31 March 2013, property, plant and equipment included advances paid for acquisition of the property, plant and equipment in the amount of USD 23,105 thousand (31 December 2012: USD 20,576 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 2013, the net book value of leased machinery, equipment and transport was USD 75,280 thousand (31 December 2012: USD 67,399 thousand).

## URALCHEM HOLDING P.L.C.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2013 (UNAUDITED)

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	<b>Buildings and structures</b>	<b>Machinery, equipment and transport</b>	<b>Other</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost</b>					
<b>Balance at 1 January 2012</b>	<b>293,259</b>	<b>553,768</b>	<b>24,209</b>	<b>109,408</b>	<b>980,644</b>
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
<b>Balance at 31 March 2012</b>	<b>383,168</b>	<b>799,921</b>	<b>40,775</b>	<b>139,753</b>	<b>1,363,617</b>
<b>Balance at 1 January 2013</b>	<b>390,584</b>	<b>834,647</b>	<b>44,540</b>	<b>193,790</b>	<b>1,463,561</b>
Additions	4,183	14,329	50	31,728	50,290
Transfers	8,795	(1,611)	(727)	(6,457)	-
Disposals	(441)	(2,076)	(75)	(2,748)	(5,340)
Effect of translation to presentation currency	(10,916)	(18,483)	(136)	(4,916)	(34,451)
<b>Balance at 31 March 2013</b>	<b>392,205</b>	<b>826,806</b>	<b>43,652</b>	<b>211,397</b>	<b>1,474,060</b>
<b>Accumulated depreciation and impairment losses</b>					
<b>Balance at 1 January 2012</b>	<b>(96,484)</b>	<b>(254,499)</b>	<b>(10,467)</b>	<b>-</b>	<b>(361,450)</b>
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)
<b>Balance at 31 March 2012</b>	<b>(109,708)</b>	<b>(301,296)</b>	<b>(12,040)</b>	<b>-</b>	<b>(423,044)</b>
<b>Balance at 1 January 2013</b>	<b>(123,278)</b>	<b>(335,164)</b>	<b>(13,008)</b>	<b>-</b>	<b>(471,450)</b>
Charge for the period	(7,759)	(21,528)	(287)	-	(29,574)
Disposals	164	1,812	28	-	2,004
Effect of translation to presentation currency	2,998	8,102	292	-	11,392
<b>Balance at 31 March 2013</b>	<b>(127,875)</b>	<b>(347,278)</b>	<b>(12,475)</b>	<b>-</b>	<b>(487,628)</b>
<b>Carrying value</b>					
<b>At 31 March 2012</b>	<b>273,460</b>	<b>498,625</b>	<b>28,735</b>	<b>139,753</b>	<b>940,573</b>
<b>At 31 March 2013</b>	<b>264,330</b>	<b>479,528</b>	<b>31,177</b>	<b>211,397</b>	<b>986,432</b>

## URALCHEM HOLDING P.L.C.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2013 (UNAUDITED)

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#### Assets pledged as collateral

As at 31 March 2013, the carrying values of property, plant and equipment pledged to secure loans and borrowings granted to the Group amounted to USD 68,265 thousand (31 December 2012: USD 56,970 thousand) (refer to Note 11).

#### 9. GOODWILL

<b>Cost</b>	<b>31 March 2013</b>	<b>31 December 2012</b>
<b>Balance at the beginning of the period</b>	<b>461,127</b>	<b>195,573</b>
Additional amounts recognised from business combinations occurring during the period	-	253,193
Effect of translation to presentation currency	(10,543)	12,361
<b>Balance at the end of the period</b>	<b>450,584</b>	<b>461,127</b>
<b>Accumulated impairment losses</b>		
<b>Balance at the beginning of the period</b>	<b>(115,376)</b>	<b>(36,721)</b>
Impairment losses recognised in the period	-	(76,450)
Effect of translation to presentation currency	2,638	(2,205)
<b>Balance at the end of the period</b>	<b>(112,738)</b>	<b>(115,376)</b>
<b>Carrying amount</b>		
<b>At the beginning of the period</b>	<b>345,751</b>	<b>158,852</b>
<b>At the end of the period</b>	<b>337,846</b>	<b>345,751</b>

#### Allocation of goodwill to cash-generating units

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

	<b>31 March 2013</b>	<b>31 December 2012</b>
Nitrogen Fertilisers	337,718	345,620
Other	128	131
<b>Total</b>	<b>337,846</b>	<b>345,751</b>



## URALCHEM HOLDING P.L.C.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2013 (UNAUDITED)

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#### 10. INVENTORIES

	<u>31 March 2013</u>	<u>31 December 2012</u>
<b>Inventories expected to be recovered after twelve months</b>		
Catalytic agents	33,180	29,946
Other inventories	6,433	6,706
	<u>39,613</u>	<u>36,652</u>
<b>Inventories expected to be recovered within twelve months</b>		
Raw materials, net of allowance for obsolescence	62,801	63,917
Finished goods	59,951	71,485
Work in-progress	5,678	7,505
Goods for resale	487	540
	<u>128,917</u>	<u>143,447</u>
<b>Total</b>	<u><u>168,530</u></u>	<u><u>180,099</u></u>

During the three months ended 31 March 2013, the Group recognised a write down of USD 1,865 thousand to reduce the carrying value of inventories to net realisable value (year ended 31 December 2012: USD 1,327 thousand).

At 31 March 2013, raw materials were presented net of an allowance for obsolescence of USD 3,399 thousand (31 December 2012: USD 3,390 thousand). During the three months ended 31 March 2013, the Group recognised USD 148 thousand (three months ended 31 March 2012: USD 96 thousand) and released USD 139 thousand (three months ended 31 March 2012: USD 555 thousand) of allowance for obsolescence of raw materials.

#### 11. LOANS AND BORROWINGS

	<u>31 March 2013</u>	<u>31 December 2012</u>
Loans denominated in USD	753,150	689,137
Loans denominated in EUR	253,917	252,438
Loans denominated in RUR	122	126
<b>Total</b>	<u>1,007,189</u>	<u>941,701</u>
Less: current portion repayable within twelve months and shown under current liabilities	(159,448)	(91,569)
<b>Long-term portion of loans and borrowings</b>	<u><u>847,741</u></u>	<u><u>850,132</u></u>

## URALCHEM HOLDING P.L.C.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2013 (UNAUDITED)

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#### Loans denominated in USD

The loans denominated in USD had a weighted average annual interest rate of 4.7% during the three months ended 31 March 2013 (during the year ended 31 December 2012: 5.2%) and included the following borrowings:

- USD 62,673 thousand (31 December 2012: USD 118 thousand) at a fixed rates varying from 2.5% to 9.0% (31 December 2012: 9.0%); and
- USD 690,477 thousand (31 December 2012: USD 689,019 thousand) at floating rates linked to Libor 1m and Libor 3m, varying from 4.3% to 5.3% (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 31 March 2013 USD-denominated loans in the amount of USD 390,005 thousand (31 December 2012: USD 689,019 thousand) were secured by 49.0% of UralChem OJSC's shares (31 December 2012: 49.0%) and certain fixed assets (refer to note 8).

#### Loans denominated in EUR

The loans denominated in EUR consist of loans of USD 249,862 thousand (31 December 2012: USD 248,547 thousand) which bear floating interest rates connected to Euribor 3m varying from 3.6% to 4.4% (2012: 3.6% to 4.4%) and a loan of USD 4,055 thousand (31 December 2012: USD 3,891 thousand) that bear interest at a fixed rate of 3.5% (31 December 2012: 3.5%).

Total loans and borrowings were repayable as follows:

	<b>31 March 2013</b>	<b>31 December 2012</b>
Due within three months	8,164	4,634
Due from three to six months	11,601	3,599
Due from six to twelve months	139,683	83,336
<b>Current portion repayable within twelve months</b>	<b>159,448</b>	<b>91,569</b>
Due in the second year	380,647	327,322
Due in the third year	225,664	230,715
Due in the fourth year	181,220	226,866
Due in the fifth year	38,841	52,033
Due thereafter	21,369	13,196
<b>Long-term portion of loans and borrowings</b>	<b>847,741</b>	<b>850,132</b>

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.

## URALCHEM HOLDING P.L.C.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2013 (UNAUDITED)

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

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

The Group had the following outstanding balances with related parties:

	<u>31 March 2013</u>	<u>31 December 2012</u>
<b>Parent company</b>		
Loans and borrowings	(62,559)	-
Other financial assets	-	24,759
<b>Entities under common ownership and control with the Group</b>		
Trade and other receivables	4,410	4,326
Promissory notes of related parties, at amortised cost	342	350
Advances paid and prepaid expenses	291	301
Loans issued, at amortised cost	-	10
Trade and other payables	(1,509)	(1,925)
Advances received	(15)	(49)

The Group entered into the following transactions with related parties:

	<u>Three months ended 31 March 2013</u>	<u>Three months ended 31 March 2012</u>
<b>Parent company</b>		
Interest income	358	335
Interest expense	(59)	(126)
<b>Entities under common ownership and control with the Group</b>		
Sales of goods and services	14,143	12,721
Purchases of goods and services	(3,370)	(3,199)
Other income/(expense)	48	(102)

#### 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.

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### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2013 (UNAUDITED)

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#### *Dividends paid to shareholders*

The Company distributed the final dividend 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 making a total of USD 1.10 per one fully paid up Class "A" and Class "B" shares (total dividend of USD 193,090 thousand). As at 31 March 2013 liability in the amount of USD 1,262 thousand remained unsettled.

#### **Compensation of key management personnel**

The compensation of key management personnel of the Group for the three months ended 31 March 2013 comprised salaries and cash bonuses in the amount of USD 4,561 thousand (three months ended 31 March 2012: USD 3,211 thousand), including social taxes in the amount of USD 493 thousand (three months ended 31 March 2012: USD 391 thousand).

### **13. 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>31 March 2013</u>	<u>31 December 2012</u>
Due in one year	371,208	390,530
Due from two to five years	1,323,245	1,495,217
<b>Total</b>	<b><u>1,694,453</u></b>	<b><u>1,885,747</u></b>

#### **Capital commitments**

As at 31 March 2013, the Group's contractual capital commitments for acquisition of property, plant and equipment amounted to USD 42,284 thousand (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>31 March 2013</u>	<u>31 December 2012</u>
Due in one year	35,523	49,923
Due from two to five years	20,169	28,250
<b>Total</b>	<b><u>55,692</u></b>	<b><u>78,173</u></b>

#### **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.

## **URALCHEM HOLDING P.L.C.**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2013 (UNAUDITED)**

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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. Applicable taxes include VAT, corporate income tax and 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**

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.

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### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2013 (UNAUDITED)**

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#### **14. EVENTS SUBSEQUENT TO THE REPORTING PERIOD**

##### **Dividends received**

On 29 April 2013 the Group accrued dividends receivable from Togliattiazot in the amount of USD 10,555 thousand. As at the date of approval of these condensed consolidated interim financial statements the dividend receivable balance with Togliattiazot was fully settled.

##### **Additional share issue**

On 16 May 2013 it was resolved to issue to one of the shareholders of the Company additional 180,000 ordinary Class «B» shares at a nominal value of EUR 0,00515 each. Additional share issue will reduce the share of CI-Chemical Invest Limited in the Company to 95.13%.