URALKALI GROUP

INTERNATIONAL ACCOUNTING STANDARD No. 34

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND REVIEW REPORT

June 30, 2007

Contents

ZAO PricewaterhouseCoopers Audit
Kosmodamianskaya nab. 52/5
115054 Moscow
Russian Federation
Telephone +7 (495) 967 6000
Facsimile +7 (495) 967 6001

Review report of Independent Accounts

To the Shareholders and Board of Directors of open joint stock company “Uralkali”

Introduction
We have reviewed the accompanying consolidated condensed balance sheet of OJSC “Uralkali” and its subsidiaries (together, the “Group”) as of 30 June 2007 and the related consolidated condensed statements of income, cash flows and changes in equity for the six-month period then ended. Management is responsible for the preparation and presentation of these consolidated condensed interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated condensed 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 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 consolidated condensed interim financial statements is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

ZAO PricewaterhouseCoopers Audit
Moscow, Russian Federation
September 3, 2007

(in millions of Russian Roubles unless otherwise stated)

	Note	June 30, 2007	December 31, 2006
ASSETS			
Non-current assets:			
Property, plant and equipment	8	21,683	20,162
Goodwill		366	366
Intangible assets	10	148	171
Restricted cash	13	-	80
Related parties loans	6	3,430	2,659
Financial assets		241	248
Total non-current assets		**25,868**	**23,686**
Current assets:			
Inventories	11	1,574	1,481
Trade and other receivables	12	5,133	4,375
Current income tax prepayments		4	253
Related parties loans	6	443	431
Cash and cash equivalents	13	1,381	2,812
Total current assets		**8,535**	**9,352**
Total assets		**34,403**	**33,038**
Equity:			
Share capital	14	648	648
Treasury shares	14	(12)	(9)
Share premium		(841)	(514)
Revaluation reserve		150	150
Cumulative translation reserve		(268)	(195)
Retained earnings		21,367	17,549
Equity attributable to the Company's equity holders		**21,044**	**17,629**
Minority interest		**27**	**21**
Total equity		**21,071**	**17,650**
LIABILITIES			
Non-current liabilities:			
Borrowings	16	3,004	3,555
Provision for mine flooding	15	574	679
Deferred income tax liability	26	450	423
Total non-current liabilities		**4,028**	**4,657**
Current liabilities:			
Borrowings	16	6,515	8,040
Trade and other payables	17	2,417	2,515
Current income tax payable		68	10
Other taxes payable		304	166
Total current liabilities		**9,304**	**10,731**
Total liabilities		**13,332**	**15,388**
Total liabilities and equity		**34,403**	**33,038**

Approved on behalf of the Board of Directors
September 3, 2007

President

Finance Vice-President

(in millions of Russian Roubles unless otherwise stated)

	Note	Six months ended June 30, 2007	Six months ended June 30, 2006
Revenues	18	13,323	8,925
Cost of sales	19	(3,119)	(2,399)
Gross profit		**10,204**	**6,526**
Distribution costs	20	(3,741)	(2,633)
General and administrative expenses	21	(1,067)	(813)
Taxes other than income tax		(135)	(125)
Other operating expenses	23	(212)	(248)
Operating profit		**5,049**	**2,707**
Mine flooding costs	25	(77)	-
Finance income	24	552	445
Finance expense	24	(764)	(509)
Profit before income tax		**4,760**	**2,643**
Income tax expense	26	(936)	(557)
Profit for the year		**3,824**	**2,086**
Profit is attributable to:			
Equity holders of the Company		3,818	2,084
Minority interest		6	2
Net profit for the year		**3,824**	**2,086**
Earnings per share – basic and diluted (in RR)	27	**1.82**	**0.99**

(in millions of Russian Roubles unless otherwise stated)

	Note	Six months ended June 30, 2007	Six months ended June 30, 2006
Cash flows from operating activities			
Profit before income tax and minority interest		4,760	2,643
Adjustments for:			
Depreciation and amortisation		982	1,041
(Gains)/losses less loss/(gain) on disposal of property, plant and equipment		97	(16)
Loss on fixed assets disposed on mine flooding	25	10	-
Impairment of trade and other receivables		11	23
Net change in provision for earth replacement and mine flooding		(105)	(92)
Finance costs, net		270	212
Foreign exchange gains	24	(156)	(161)
Amortisation of syndication fees		7	-
Operating cash flows before working capital changes		**5,876**	**3,650**
Increase in trade and other receivables		(818)	(1,008)
Increase in inventories		(94)	(1,109)
(Decrease)/increase in accounts payable, accrued expenses and other creditors		(76)	387
Increase/(decrease) in other taxes payable		136	(91)
Cash generated from operations		**5,024**	**1,829**
Interest paid		(394)	(194)
Income taxes paid		(446)	(345)
Net cash generated from operating activities		**4,184**	**1,290**
Cash flows from investing activities:			
Purchase of intangible assets	10	(10)	(9)
Purchase of property, plant and equipment		(2,453)	(1,837)
Proceeds from sales of property, plant and equipment		19	155
Sale of investments, net		-	8
Increase in restricted cash balances		(103)	-
Loans issued to related party		(753)	(3,033)
Dividends and interest received		28	54
Net cash used in investing activities		**(3,272)**	**(4,662)**
Cash flows from financing activities			
Repayments of borrowings		(6,353)	(3,257)
Proceeds from borrowings		4,470	8,387
Acquisition of treasury shares	14	(57)	(68)
Finance lease payments		(19)	(19)
Dividends paid to shareholders		(547)	(5,184)
Net cash used in financing activities		**(2,506)**	**(141)**
Effect of foreign exchange rate changes on cash and cash equivalents		(20)	93
Net decrease in cash and cash equivalents		**(1,614)**	**(3,420)**
Cash and cash equivalents at the beginning of the period, net of restricted cash	13	**2,767**	**4,076**
Cash and cash equivalents at the end of the period, net of restricted cash	13	**1,153**	**656**

(in millions of Russian Roubles unless otherwise stated)

	Attributable to equity holders of the Company								
	Share capital (Note 14)	**Treasury shares (Note 14)**	**Share premium**	**Revaluation reserve**	**Cumulative translation reserve**	**Retained earnings**	**Total attributable to equity holders**	**Minority interest**	**Total equity**
Balance at January 1, 2006	**648**	**(6)**	**(288)**	**150**	**45**	**17,409**	**17,958**	**21**	**17,979**
Translation movement	-	-	-	-	(157)	-	(157)	-	(157)
Net income recognised directly in equity	-	-	-	-	(157)	-	(157)	-	(157)
Net income for the year	-	-	-	-	-	2,084	2,084	2	2,086
Total recognised income for the period	-	-	-	-	(157)	2,084	1,927	2	1,929
Acquisition of treasury shares (Note 14)	-	(1)	(67)	-	-	-	(68)	-	(68)
Balance at June 30, 2006	**648**	**(7)**	**(355)**	**150**	**(112)**	**19,493**	**19,817**	**23**	**19,840**
Balance at January 1, 2007	**648**	**(9)**	**(514)**	**150**	**(195)**	**17,549**	**17,629**	**21**	**17,650**
Translation movement	-	-	-	-	(73)	-	(73)	-	(73)
Net income recognised directly in equity	-	-	-	-	(73)	-	(73)	-	(73)
Net income for the year	-	-	-	-	-	3,818	3,818	6	3,824
Total recognised income for the period	-	-	-	-	(73)	3,818	3,745	6	3,751
Acquisition of treasury shares (Note 14)	-	(3)	(327)	-	-	-	(330)	-	(330)
Balance at June 30, 2007	**648**	**(12)**	**(841)**	**150**	**(268)**	**21,367**	**21,044**	**27**	**21,071**

1 The Uralkali Group and its operations

JSC “Uralkali” (the “Company”) and its subsidiaries (together the “Group”) produce mineral fertilizers which are extracted and processed in the vicinity of the city of Berezniki, Russia, and which are distributed both in domestic and foreign markets. The Group manufactures around 10 types of products, the most significant of which is a range of potash fertilizers.. The Group produces approximately 8.3% of the global volumes of potassium fertilisers and is the biggest manufacturer in the Russian Federation. For the six months ended June 30, 2007 approximately 91% (for the year ended December 31, 2006: 90%) of production is exported.

The parent company, JSC “Uralkali”, was incorporated as an open joint stock company in the Russian Federation on October 14, 1992. The principal subsidiaries and joint-ventures are disclosed in Note 9. All the companies of the Group are incorporated under the Laws of the Russian Federation with the exception of LLC “SP Terminal”, a company incorporated under the Laws of the Ukraine, Uralkali Trading SA, a company incorporated in Switzerland, Uralkali Trading (Gibraltar) Ltd., a company incorporated in Gibraltar and JSC “Belorussian potash Company“, a company incorporated in Belorussia.

As of June 30, 2007 the majority shareholder of the Company was Madura Holdings Limited, company registered in Cyprus. The Group is ultimately controlled by Dmitry Rybolovlev.

The registered office of the Company is 63 Pyatiletki, Berezniki, Perm region, Russian Federation. All of the Group’s productive capacities and all long-term assets are located in the Russian Federation.

As of June 30, 2007 the Group employed approximately 11.6 thousand employees (December 31, 2006: 11.5 thousand).

2 Basis of preparation

These condensed consolidated interim financial statements for the six months ended June 30, 2007 has been prepared in accordance with IAS 34, ‘Interim Financial Reporting’. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2006.

Certain reclassifications have been made to prior year balances in the condensed consolidated balance sheet, statement of income and cash flows to conform to the current period presentation

3 Adoption of new or revised standards and interpretations

The following revised and issued standards were adopted in accordance with their transitional provisions and effective date and have no material impact on these condensed consolidated financial statements:

- IFRS 7, Financial Instruments: Disclosures and a complementary Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures (effective from January 1, 2007). No disclosures have been provided in these condensed consolidated interim financial statements.
- IFRIC 7, Applying the Restatement Approach under IAS 29 (effective for periods beginning on or after March 1, 2006, that is from January 1, 2007).
- IFRIC 8, Scope of IFRS 2 (effective for periods beginning on or after May 1, 2006, that is from January 1, 2007).
- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after June 1, 2006).
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after November 1, 2006).

4 New accounting pronouncements

Certain new standards and interpretations have been published that are mandatory for the Group’s accounting periods beginning on or after January 1, 2007 or later periods and which the entity has not early adopted:

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information. Management is currently assessing what impact the Standard will have on segment disclosure in the Group’s financial statements.

IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after March 1, 2007). The Interpretation addresses the issues whether the transactions under the requirements of IFRS 2 should be accounted for as equity-settled or as cash-settled and concerns share-based payment arrangements that involve two or more entities within the same group.

4 New accounting pronouncements (continued)

IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after January 1, 2008). The Interpretation gives guidance on the accounting by operators for public-to-private service concession arrangements. The Interpretation does not specify the accounting for infrastructure that was held and recognised as property, plant and equipment by the operator before entering the service arrangement. The derecognition requirements of IFRSs (set out in IAS 16) apply to such infrastructure. The Interpretation has no material impact on these condensed consolidated financial statements.

IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after July 1, 2008). The Interpretation applies to customer loyalty award credits that: (a) an entity grants to its customers as part of a sales transaction rendering of services or use by a customer of entity assets; and (b) subject to meeting any further qualifying conditions, the customers can redeem in the future for free or discounted goods or services. The Interpretation addresses accounting by the entity that grants award credits to its customers. The Interpretation has no material impact on these condensed consolidated financial statements.

IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirments and their Interaction (effective for annual periods beginning on or after January 1, 2008). The Interpretation applies to all post-employment defined benefits and other long-term employee defined benefits. For the purpose of this Interpretation, minimum funding requirements are any requirements to fund a post-employment or other long-term defined benefit plan. The Interpretation has no material impact on these condensed consolidated financial statements.

IAS 23 (Amendment), Borrowing Costs (effective for annual periods beginning on or after 1 January 2009). The amendment proposed the elimination of the option of immediate recognition as an expense of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The Interpretation has no material impact on these condensed consolidated financial statements.

5 Critical accounting estimates, and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Estimated impairment of goodwill. The Group tests goodwill for impairment at least annually. The recoverable amounts of cash-generating units have been determined based on future cash flow projections. These calculations require the use of estimates.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations (Note 28).

Remaining useful life of property, plant and equipment. Management assesses the remaining useful life of property, plant and equipment in accordance with the current technical conditions of assets and estimated period during which these assets will bring economic benefit to the Group (Note 8). The estimated remaining useful life of some property, plant and equipment is beyond expiry date of the operating licenses (Note 1). The management believes that the licenses will be renewed in due order however if the licenses are not renewed, property, plant and equipment with net book value of RR 403 should be assessed for impairment in 2013.

Land. All facilities of JSC "Baltic Bulker Terminal" (a transshipment marine terminal located in port of St. Petersburg) situated on land occupied on an annual lease basis, but the management plans to purchase it or to sign long-term rent agreement with municipal authorities. If the Group can not secure long-term use of this land, net assets of RR 3,034 should be assessed for impairment (Note 7).

Provisions for earth replacement and mine flooding. From 2002 to the end of October 2006 the Company accrued for site restoration and reclamation costs specifically related to cavities resulting from the extraction of ore beneath the town of Berezniki during mining activities (Note 15). The provision was estimated as the present value of future additional cash outflows relating to the Company's earth replacement operations under the town of Berezniki. At the end of each year the provision was reassessed to account for earth replaced during the year, changes in the estimates of future cash outflows and passage of time. The change in provision was charged to the statement of income in the year when it occurs. The discount rate used by the Company in determining the fair value of the earth replacement reserve in 2006 is 9.99%. The provision for earth replacement contains "change in estimates" as a component of calculation. The "change in estimates" consists of changes in anticipated volume and timing of the earth replacement work and changes in the associated costs.

(in millions of Russian Roubles unless otherwise stated)

5 Critical accounting estimates, and judgements in applying accounting policies (continued)

On October 28, 2006 the Company stopped production operations in Mine 1 due to natural groundwater inflow increase to the level when it can not be controlled by the Company. According to the act of a governmental commission, the cause of flooding was a previously unknown anomaly of geological structure and has consequently been determined to be beyond the control of the Company (force majeure).

Following the closure of the Mine 1 on October 28, 2006, the Company ceased the earth replacement operations. However, in order to substantially reduce the risk of subsidence within the town Berezniki the Group as advised by the governmental commission and Institute of Geological Sciences, started injection of brine into the cavities in 2006. Most of the cavities in Mine 1 are expected to be filled with water during the next 3 years given expected natural groundwater inflow volume of 3,000 cubic metres per hour. A technical plan for brine filling operations, that has been prepared for 2007 and will be updated annually, is based on current Group's maximum brine production capacity. Based on the 2007 technical plan and its best estimates, the management estimated a provision for present value of cash outflows to be incurred in the next 3 years (Note 15).

The actual volume of natural groundwater inflow has varied since the date of the flooding. According to weekly monitoring activities average inflow of the groundwater in the first six months of 2007 was around 2,630 cubic metres per hour. If the volume of the natural groundwater inflow will continue to be at this average level, the period in which the mine is expected to be filled with groundwater will increase from expected 3 years to 3,4 years and the Group will incur additional brine injection costs of RR 87.

Management is currently assessing flooding risks, consequences and costs the Group can incur in the future from subsidence within the town Berezniki and contiguous areas. Due to the complexity of the risks, management could not reasonably assess at June 30, 2007 the amount of expenses the Group can incur in the future in relation to flooding risks, however the amount could be significant for the Group. As of June 30, 2007 the Company incurred additionally RR 77 in relation to activities directed to minimize consequences of the flood in Mine 1 (December 31, 2006: 2,054).

Inventory. The Company engages an independent surveyor to verify the physical quantity of finished products at the reporting dates. In accordance with the surveyor's guidance and technical characteristics of the devices used, the possible valuation error can be +/- 4-6%. At the reporting date the carrying amount of finished products can vary within this range.

6 Related parties

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Key management and close family members are also related parties.

The Company's immediate parent and ultimate controlling parties are disclosed in Note 1.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at June 30, 2007 and 2006 respectively and December 31, 2006 are detailed below.

At June 30, 2007 and 2006 respectively and December 31, 2006 the outstanding balances and transactions with related parties were as follows:

Balance sheet caption	Relationship	June 30, 2007	December 31, 2006
Other payables	Entities under common control	26	26
Loans to related parties	Entities under common control	443	431
Loans to related parties	Majority shareholder	3,430	2,659
Financial assets	Entities under common control	19	19

Statement of income caption	Relationship	Six months ended June 30, 2007	Six months ended June 30, 2006
Interest income	Majority shareholder	73	42
Interest income	Entities under common control	10	9

Loans to related parties

Loans to LLC "Permgeologodobycha" are denominated in RR, unsecured and bear 4% to 6% annual interest (for the six months ended June 30, 2006: 4% to 6%). The loans are repayable till December 2007, January – May 2008.

(in millions of Russian Roubles unless otherwise stated)

6 Related parties (continued)

Loans to majority shareholder

In 2006 the Group provided a 5% loan in amount of RR 4,029 (USD 146 million) to Madura Holdings Limited, the Group's majority shareholder, of which RR 1,194 (USD 45 million) was repaid within the year. During six months ended June 30, 2007 the Group provided an additional tranche in amount of RR 753 (USD 29 million). The loan is repayable in 2010-2011.

Financial assets

As of June 30, 2007 and December 31, 2006 financial assets are represented by interest free promissory notes received from LLC "Permgeologodobycha".

Cross shareholding

At June 30, 2007 LLC "Kama", a 100% owned subsidiary of the Group, owned 1.14% of the ordinary shares of the Company (December 31, 2006: 0.85%). Shares owned by LLC "Kama" are accounted for as treasury shares (Note 14).

Managements' compensation

Compensation of key management personnel consists of remuneration paid to members of the Board of directors, executive directors and vice-presidents for their services in full or part time positions. Compensation is made up of an annual remuneration and a performance bonus depending on operating results.

Total key management personnel's compensation is represented by short-term employee benefits and included in general and administrative expenses in the statement of income amounted to RR 48 and RR 64 for the six months ended June 30, 2007and 2006 respectively.

7 Segment reporting

Primary reporting format – geographical segments

The Group sells its products to customers located in three main geographical segments: domestic, export to developing and export to developed countries, that are summarised in the table below. Revenues in the domestic market are to customers located in the Russian Federation, exports to developing countries are to the customers mainly located in China, Brazil and India and exports to developed countries are mainly to the customers located in USA and European countries.

The segment results for six months ended June 30, 2007 are as follows:

	Export			Domestic			Unallocated	Total
	Developing countries	Developed countries	Total export	Potash sales	Other sales	Total domestic		
Tons (thousands)	2,056	173	**2,229**	217	-	**217**	-	**2,446**
Revenues	11,152	862	**12,014**	761	548	**1,309**		**13,323**
Segment result/operating profit	4,192	354	**4,546**	360	224	**584**	(81)	**5,049**
Finance costs & net foreign exchange gain	-	-	-	-	-	**-**	(212)	(212)
Mine flooding costs (Note 25)	-	-	**-**	-	-	**-**	(77)	(77)
Profit before taxation							-	4,760
Income tax							(936)	(936)
Net profit								3,824

The segment results for six months ended June 30, 2006 are as follows:

	Export			Domestic			Unallocated	Total
	Developing countries	Developed countries	Total export	Potash sales	Other sales	Total domestic		
Tons (thousands)	1,288	221	**1,509**	199		**199**	-	**1,708**
Revenues	6,833	1,085	**7,918**	576	431	**1,007**	-	**8,925**
Segment result/operating profit	2,084	327	**2,411**	248	82	**330**	(34)	**2,707**
Finance costs & net foreign exchange loss	-	-	**-**	-	-	**-**	(64)	(64)
Profit before taxation							-	2,643
Income tax							(557)	(557)
Net profit								2,086

(in millions of Russian Roubles unless otherwise stated)

7 Segment reporting (continued)

The total depreciation and amortization costs included in the statement of income for six months ended June 30, 2007 and June 30, 2006 are as follows:

	Export			Domestic	Unallocated	Total
	Developing countries	Developed countries	Total export			
Six months ended June 30, 2007	825	69	**894**	88	-	982
Six months ended June 30, 2006	720	123	**843**	198	-	1,041

The total loss on disposal of fixed assets at nil consideration included in the statement of income for six months ended June 30, 2007 and June 30, 2006 is as follows:

	Export	Domestic	Unallocated	Total
Six months ended June 30, 2007	-	-	101	101
Six months ended June 30, 2006	-	-	72	72

The segment assets and liabilities as at June 30, 2007 and December 31, 2006 and capital expenditure for six months ended June 30, 2007 and June 30, 2006 are as follows:

June 30, 2007	Developing countries	Developed countries	Domestic	Unallocated	Total
Assets	2,634	3,954	23,697	4,118	34,403
Liabilities	(10)	(636)	(2,651)	(10,035)	(13,332)
Capital expenditure	2,495	96		-	2,591

December 31, 2006	Developing countries	Developed countries	Domestic	Unallocated	Total
Assets	1,440	3,276	24,731	3,591	33,038
Liabilities	(35)	(724)	(2,601)	(12,028)	(15,388)
Capital expenditure	-	74	5,124	-	5,198

Certain assets and liabilities were allocated to geographical segments on the basis of revenues. Property, plant and equipment and capital expenditures are allocated to Russia where the assets are physically located and are not allocated to geographical segments as such allocation could be made only on an arbitrary basis.

Segment assets consist primarily of property, plant and equipment, goodwill, intangible assets, investments accounted for using the equity method, inventories, receivables and cash. Capital expenditure comprises additions to property, plant and equipment. Segment liabilities comprise operating liabilities. Financial assets, related parties loans, deferred and current income taxes, borrowings (including finance lease payable) and finance costs are unallocated components.

Secondary reporting format – business segments

At June 30, 2007 and December 31, 2006 the Group is organized in one operating segment: extraction, manufacture and sale of potassium fertilizers.

The segment assets and capital expenditure for periods ended June 30, 2007 and December 31, 2006 can be presented based on the location of the assets as follows:

June 30, 2007	Russia	Switzerland	Unallocated	Total
Assets	24,050	6,235	4,118	34,403
Capital expenditure	2,495	96	-	2,591

December 31, 2006	Russia	Switzerland	Unallocated	Total
Assets	25,013	4,434	3,591	33,038
Capital expenditure	5,124	74	-	5,198

(in millions of Russian Roubles unless otherwise stated)

8 Property, plant and equipment

Property, plant and equipment and related accumulated depreciation consist of the following:

	Buildings	Mine development costs	Plant and equipment	Transport	Assets under construction	Other	Land	Total
Cost								
Balance as of December 31, 2006	8,036	5,284	11,379	3,876	6,952	437	179	36,143
Additions	-	-	-	284	2,307	-	-	**2,591**
Transfers	47	114	691	-	(904)	52	-	**-**
Disposals	(12)	(32)	(208)	(56)	(49)	(3)	-	**(360)**
Balance as of June 30, 2007	**8,071**	**5,366**	**11,862**	**4,104**	**8,306**	**486**	**179**	**38,374**
Accumulated Depreciation								
Balance as of December 31, 2006	**3,409**	**4,582**	**6,650**	**1,094**	-	**246**	-	**15,981**
Depreciation charge	129	73	578	159	-	16	-	**955**
Disposals	(6)	(17)	(181)	(39)	-	(2)	-	**(245)**
Balance as of June 30, 2007	**3,532**	**4,638**	**7,047**	**1,214**	**-**	**260**	**-**	**16,691**
Net Book Value								
Balance as of December 31, 2006	**4,627**	**702**	**4,729**	**2,782**	**6,952**	**191**	**179**	**20,162**
Balance as of June 30, 2007	**4,539**	**728**	**4,815**	**2,890**	**8,306**	**226**	**179**	**21,683**

(in millions of Russian Roubles unless otherwise stated)

8 Property, plant and equipment (continued)

	Buildings	Mine development costs	Plant and equipment	Transport	Assets under construction	Other	Land	Total
Cost								
Balance as of December 31, 2005	8,476	5,962	12,632	3,454	4,580	457	174	35,735
Additions	-	-	-	402	1,451	-	-	1,853
Transfers	3	11	558	-	(578)	6	-	-
Disposals	(18)	(3)	(275)	(197)	(8)	(43)	-	(544)
Balance as of June 30, 2006	**8,461**	**5,970**	**12,915**	**3,659**	**5,445**	**420**	**174**	**37,044**
Accumulated Depreciation								
Balance as of December 31, 2005	3,443	4,967	7,422	1,144	-	230	-	17,206
Depreciation charge	132	97	618	143	-	16	-	1,006
Disposals	(4)	(1)	(237)	(141)	-	(17)	-	(400)
Balance as of June 30, 2006	**3,571**	**5,063**	**7,803**	**1,146**	-	**229**	**-**	**17,812**
Net Book Value								
Balance as of December 31, 2005	**5,033**	**995**	**5,210**	**2,310**	**4,580**	**227**	**174**	**18,529**
Balance as of June 30, 2006	**4,890**	**907**	**5,112**	**2,513**	**5,445**	**191**	**174**	**19,232**

(in millions of Russian Roubles unless otherwise stated)

8 Property, plant and equipment (continued)

Depreciation

For six months ended June 30, 2007 and 2006 respectively the depreciation was allocated to statement of income as follows:

	Six months ended June 30, 2007	Six months ended June 30, 2006
Cost of sales	695	748
Distribution costs	119	115
Transhipment costs	41	50
General and administrative expenses	94	93
Loss on disposal of fixed assets (Note 25)	5	-
Total depreciation expense	**954**	**1,006**

In 2007 the Group incurred depreciation amounting to RR 1 (2006: nil) directly related to construction of new fixed assets. These expenses were capitalized on the balance sheet in accordance with the Group accounting policy and included in assets under construction.

Fully depreciated assets still in use
As of June 30, 2007 and December 31, 2006 the gross carrying value of fully depreciated property, plant and equipment still in use was RR 7,175 and RR 6,752 respectively.

Assets pledged under loan agreements
As of June 30, 2007 and December 31, 2006 the carrying value of property, plant and equipment pledged under bank loans was RR 8,710 and RR 8,142 respectively (Note 16).

Land
The assets transferred to the Group upon privatization did not include the land on which the Group's factories and buildings, comprising the Group's principal manufacturing facilities, are situated, with the exception of the land on which the Head Office is situated. As a result of changes in legislation in 2001 all companies located in the Russian Federation have been granted the option to purchase this land upon application to the state registration body or to continue occupying this land under a rental agreement. The Group has exercised this option and purchased the land under the Group's production facilities.

9 Principal subsidiaries and joint-ventures

The principal subsidiaries consolidated within the Group are as follows:

Entity	Country of Incorporation	Activity	June 30, 2007 % share	June 30, 2006 % share
Subsidiaries				
Uralkali Trading SA	Switzerland	Trading	100	100
Uralkali Trading (Gibraltar) Limited	Gibraltar	Administrative services	100	100
LLC Kama	Russia	Finance services and leasing	100	100
LLC BShSU	Russia	Construction	100	100
LLC Uralkali-Technology	Russia	Research and development	100	100
JSC Baltic Bulker Terminal	Russia	Maritime terminal	100	100
LLC Autotranskali	Russia	Transportation	100	100
LLC Vagonnoe Depo Balakhonzi	Russia	Repairs	100	-
SP Terminal	Ukraine	Dormant	98	98
LLC Depo	Russia	Repairs	75	75
LLC Satellit-Service	Russia	IT services	51	51
LLC Uralkali Engineering	Russia	Research and development	51	-
LLC Novaya Nedvizhimost'	Russia	Repair and maintenance	100	-
Joint-ventures				
JSC Belorussian Potash Company	Belorussia	Trading	50	50

(in millions of Russian Roubles unless otherwise stated)

9 Principal subsidiaries and joint-ventures (continued)

In November 2006 LLC “Vagonnoe Depo Balakhonzi” was detached in a separate legal entity, and provides railcars repair and maintenance services to the Group. However, the entity is controlled by the Group and, therefore, is consolidated.

In March 2006 the Group sold a 49% share in LLC “Specgorkhimproekt” for consideration of RR 490 thousand without any losses or gains on disposal. However, the entity is controlled by the Group and, therefore, is consolidated. In January 2007 LLC “Specgorkhimproekt” was renamed LLC “Uralkali Engineering”.

In December 2006 LLC “Novaya Nedvizhimost’” was detached in a separate legal entity, and provides repair and maintenance services to the Group. However, the entity is controlled by the Group and, therefore, is consolidated.

In October 2005, Uralkali acquired a 50% interest in Belorussian Potash Company (BPC), the remaining 50% of which is owned by Belaruskali. The principal activity of BPC is marketing and exporting as agent potash fertilizers produced by its two participants.

The BPC charter provides for separate accounting of the operations of each participant, including separate accounting for the sales of the participants’ goods and related cost of sale and distribution costs. Administrative expenses incurred by BPC are shared 50:50. Distribution of net income to each participant is on the basis of their relevant results, after administrative costs unless both participants decide not to distribute. Operations of the Company through BPC are accounted as a jointly controlled operation.The statement of income reflects the revenue from sales by BPC of Uralkali’s products, together with the related costs of sale and distribution and administrative costs.

10 Intangible assets

	Software	Other	Total
Cost at January 1, 2006	304	20	**324**
Accumulated amortization	(112)	-	**(112)**
Carrying amount at January 1, 2006	192	20	**212**
Additions	9	-	9
Amortization charge	(35)	-	(35)
Cost at June 30, 2006	**313**	**20**	**333**
Accumulated amortization	**(147)**	**-**	**(147)**
Carrying amount at June 30, 2006	**166**	**20**	**186**
Cost at January 1, 2007	**327**	**20**	**347**
Accumulated amortization	**(176)**	**-**	**(176)**
Carrying amount at January 1, 2007	**151**	**20**	**171**
Additions	10	-	10
Amortization charge	(33)	-	(33)
Cost at June 30, 2007	**337**	**20**	**357**
Accumulated amortization	**(209)**	**-**	**(209)**
Carrying amount at June 30, 2007	**128**	**20**	**148**

The balances of intangible assets reported in these condensed consolidated financial statements at June 30, 2007 and 2006 respectively mainly represent management information and accounting system costs and fees charged by an external consultant for the installation of this software. The costs of the software are amortized over the period not exceeding 5 years.

Other intangible assets are mainly represented by licenses (Note 28). In 2004 the Company acquired a license for mineral exploration and extraction of potassium and magnesium salts in the “Verhnekamskoe” mine “Ust’-Yaivinskoe” district. The license expires in 2024.

(in millions of Russian Roubles unless otherwise stated)

11 Inventories

Inventories consist of the following:

	June 30, 2007	December 31, 2006
Raw materials	1,027	1,063
Finished products	462	398
Work in progress	85	20
Total inventories	**1,574**	**1,481**

At June 30, 2007 the balance of finished goods includes inventories bought for resale. As of June 30, 2007 no inventories were pledged as security for bank loans (December 31, 2006: RR 1,322) (Note 16).

12 Trade and other receivables

	June 30, 2007	December 31, 2006
Trade receivables	3,074	1,752
Less: impairment loss provision	(29)	(20)
Trade debtors, net	**3,045**	**1,732**
VAT recoverable	900	1,330
Other taxes receivables	663	536
Advances to suppliers	375	354
Prepaid expenses	99	88
Other receivables	111	421
Less: impairment loss provision	(60)	(86)
Total trade and other receivables	**5,133**	**4,375**

As of June 30, 2007 and December 31, 2006 trade receivables of RR 2,929 and RR 1,677 net of impairment loss provision are denominated in foreign currency, mainly in US dollars and Euro.

13 Cash and cash equivalents

Cash and cash equivalents comprise the following:

	June 30, 2007	December, 31 2006
RR denominated cash on hand and bank balances (interest rate: from 1.25 % p.a. to 5.5 % p.a. (2006: from 0.5 % p.a. to 6.2 % p.a.))	155	1,404
USD denominated bank balances	870	607
Other currencies denominated balances	128	26
USD term deposits (interest rate: - (2006: from 2,5% p.a. to 4.95% p.a.))	-	430
RR term deposits (interest rate: - (2006: 8 % p.a))	-	300
Cash and cash equivalents, net of restricted cash	**1,153**	**2,767**
Restricted cash		
Non-current limited guarantee deposit (Note 29 i)	-	80
Limited guarantee deposit (Note 29 i)	80	-
Three month fixed interest rates (from 3.66% p.a. to 6.01% p.a. (2006: from 4.8% p.a. to 6.19% p.a.)) bank deposits	148	45
Total restricted cash	**228**	**125**
Total cash and cash equivalents	**1,381**	**2,892**

Term deposits have original maturities of less than three months.

(in millions of Russian Roubles unless otherwise stated)

14 Shareholders' equity

	Number of ordinary shares	Ordinary shares	Treasury shares	Total
At January 1, 2006	**2,124**	**648**	**(6)**	**642**
Treasury shares purchased	-	-	(1)	**(1)**
At June 30, 2006	**2,124**	**648**	**(7)**	**641**
At January 1, 2007	**2,124**	**648**	**(9)**	**639**
Treasury shares purchased	-	-	(3)	**(3)**
At June 30, 2007	**2,124**	**648**	**(12)**	**636**

The number of unissued authorised ordinary shares is 1,500 mln. (2006: 1,500 mln.) with a nominal value per share of 0.5 Roubles. All shares stated in the table above have been issued and fully paid.

Treasury shares. At June 30, 2007 treasury shares comprise 24,441,811 ordinary shares of the Company (December 31, 2006: 17,966,905) with a nominal value per share of 0.5 Roubles held by LLC "Kama", a wholly owned subsidiary of the Group. Purchase price of shares acquired during six months ended June 30, 2007 amounted to RR 327 (six months ended June 30, 2006: 68), comprised consideration paid in cash of RR 57 and non-cash of RR 270 (six months ended June 30, 2006: all shares have been fully paid in cash). These ordinary shares carry voting rights in the same proportion as other ordinary shares. Voting rights of ordinary shares of the Company held by the entities within the Group are effectively controlled by the management of the Group.

Profit distribution. In accordance with Russian legislation, the Company distributes profits as dividends or transfers them to reserves (fund accounts) on the basis of financial statements prepared in accordance with Russian Accounting Rules.

Russian legislation identifies the basis of distribution as the net profit. For the six months ended June 30, 2007, the current period net statutory profit for the Company as reported in the published semi-annual statutory reporting forms was RR 2,913 (six months ended June 30, 2006: RR 2,001) and the closing balance of the accumulated profit including the current period net statutory profit totalled RR 15,353 (December, 31 2006: RR 12,440). However, this legislation and other statutory laws and regulations are open to legal interpretation and accordingly management believes at present it would not be appropriate to disclose an amount of the distributable reserves in these financial statements.

Dividends. In December 2006 the General Meeting of Shareholders of the Company has approved interim dividends (based on the financial results for the first nine months of 2006) amounting to RR 3,378 (1.59 Roubles per share).

15 Mining provisions

Earth replacement provision

	Note	2007	2006
Balance as of January 1		**-**	**196**
Reduction of reserve for cavities filled during the period	19	-	(67)
Change in estimate	19	-	(37)
Increase in provision as a result of passage of time	24	-	12
Balance as of June 30		-	**104**

During six months ended June 30, 2006 the local authorities in Berezniki and regional authorities in Perm reimbursed a part of the operating costs incurred by the Company in filling-up cavities under the city of Berezniki pursuant to the Law of the Perm Region W381-69 passed on October 25, 2002. The reimbursement amounted to RR 17.

Due to the mine flooding which occurred in October 2006 the Company ceased its earth replacement activities (Note 5).

Provision for mine flooding

	Note	2007	2006
Balance as of January 1		**679**	**-**
Reduction of reserve for cavities filled during the period	25	(139)	-
Increase in provision as a result of passage of time	24	34	-
Balance as of June 30		**574**	**-**

(in millions of Russian Roubles unless otherwise stated)

16 Borrowings

	June 30, 2007	December, 31 2006
Bank loans	9,146	11,088
Company loans	45	179
Finance lease payable	328	328
Total borrowings	**9,519**	**11,595**

As at June 30, 2007 and December 31, 2006 the fair value of the current and non-current borrowings is not materially different from their carrying amounts.

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its interest rate exposures.

Company loans comprise a short-term unsecured interest-free loan from JSC "Sea Port St. Petersburg" in the amount of RR 45 (December 31, 2006: RR 45). In 2006 the Group rescheduled its repayments for this loan from December 31, 2006 to July - December 2007.

JSC "Baltic Bulker Terminal" leases a dock from JSC "Sea Port St. Petersburg" under a finance lease for 49 years. As of June 30, 2007 the leased dock was included in buildings, with a net book value of RR 284 (December 31, 2006: RR 286) (Note 8).

	2007	2006
Balance at 1 January	**11,088**	**3,484**
Bank loans received, denominated in US$	4,470	8,200
Bank loans received, denominated in RR	-	187
Bank loans repaid, denominated in US$	(6,069)	(3,257)
Bank loans repaid, denominated in RR	(150)	-
Interest accrued	378	222
Interest paid	(394)	(195)
Recognition of syndication fees	(12)	-
Amortization of syndication fees	19	-
Currency translation difference	(184)	(306)
Balance at 30 June	**9,146**	**8,335**

Table below provides interest rates at June 30, 2007 and December 31, 2006 and split of the bank loans between short-term and long-term.

Short-term borrowings

	Interest rates	June 30, 2007	December, 31 2006
Bank loans in USD – fixed interest	7.5% (2006: from 7.6% to 8%)	1,780	1,781
Bank loans in USD – floating interest	From Libor +1.95% to Libor +3% (2006: from Libor +2% to Libor +3%)	4,690	5,930
Bank loans in RR – fixed interest	9.60%	-	150
Total short-term bank loans		**6,470**	**7,861**

Long-term borrowings

	Interest rates	June 30, 2007	December 31, 2006
Bank loans in USD – floating interest	from Libor +1.95% (2006: from Libor +2.25% to Libor +3%)	2,676	3,227
Total long-term bank loans		**2,676**	**3,227**

USD denominated bank loans bear a weighted average interest of 7.71% (December 31, 2006: 7.81%)

During the six months ended June 30, 2007 the Group received borrowings from the following banks:

Lender	Maturity date	Amount, RR
International Moscow Bank	May, 2010	2,686
Sberbank	April-May 2008	1,784
Total bank loans received		**4,470**

(in millions of Russian Roubles unless otherwise stated)

16 Borrowings (continued)

During the six months ended June 30, 2007 the Group repaid the following loans:

Lender	Maturity date	Amount, RR
ABN AMRO Bank (partial repayment)	February 2008	528
International Moscow Bank (partial repayment)	February-September 2007	1,469
Sberbank	May 2007	1,891
Bank of Moscow	July 2007	2,331
Total bank loans repaid		**6,219**

As at June 30, 2007 and December 31, 2006 loans, including short-term borrowings, are guaranteed by collateral of equipment (Note 8) and finished goods (Note 11).

The Group's bank borrowings mature as follows:

	June 30, 2007	December 31, 2006
- within 1 year	6,470	7,861
- between 2 and 5 years	2,676	3,227
Total bank loans	**9,146**	**11,088**

Minimum lease payments under finance leases and their present values are as follows:

	June 30, 2007	December 31, 2006
- within 1 year	38	38
- between 2 and 5 years	152	152
- after 5 years	1,504	1,523
Minimum lease payments at the end of the period	**1,694**	**1,713**
Less future finance charges	(1,366)	(1,385)
Present value of minimum lease payments	**328**	**328**

17 Trade and other payables

	June 30, 2007	December 31, 2006
Trade payables	1,748	695
Accrued liabilities	279	809
Deferred consideration of subsidiary acquisition	143	143
Dividends payable	84	632
Other payables and advances received	163	236
Total Trade and other payables	**2,417**	**2,515**

18 Revenues

	Six months ended June 30, 2007	Six months ended June 30, 2006
Export		
Potassium chloride	8,525	5,673
Potassium chloride (granular)	3,489	2,245
Domestic		
Potassium chloride	761	576
Karnalite	-	167
Other	61	64
Transportation and other revenues	487	200
Total revenues	**13,323**	**8,925**

During six months ended June 2007 and 2006 respectively the Group's export sales were primarily on Cost and Freight (CFR), Free on Board (FOB) or Delivered At Frontier (DAF) terms. All domestic sales were carried out on FCA Berezniki terms.

(in millions of Russian Roubles unless otherwise stated)

19 Cost of sales

	Note	Six months ended June 30, 2007	Six months ended June 30, 2006
Labour		791	843
Fuel and energy		748	653
Depreciation		695	748
Materials and components used		582	445
Repairs and maintenance		264	111
Transportation between mines		141	77
Utilities		14	13
Change in provision for earth replacement	15	-	(104)
Change in work in progress, finished goods and goods in transit	11	(124)	(401)
Other		8	14
Total cost of sales		**3,119**	**2,399**

20 Distribution costs

	Six months ended June 30, 2007	Six months ended June 30, 2006
Railway tariff	1,864	1,297
Freight	1,232	814
Transport repairs and maintenance	166	77
Transhipment	127	116
Depreciation	119	115
Travel expenses	55	55
Labour	33	43
Commissions	14	28
Other	131	88
Total selling and marketing costs	**3,741**	**2,633**

21 General and administrative expenses

	Six months ended June 30, 2007	Six months ended June 30, 2006
Labour	419	330
Depreciation and amortization	127	128
Consulting, audit and legal services	116	39
Insurance	90	92
Security	41	38
Mine-rescue crew	41	36
Communication and IS services	32	23
Bank charges	29	32
Other	172	95
Total general and administrative expenses	**1,067**	**813**

22 Labor costs

For six months ended June 30, 2007 and 2006 total labour costs comprised RR 1,243 and RR 1,216 respectively. Labour costs are mainly represented by salaries, wages, bonuses and benefits, employee related payments to the state budget and post retirement benefits.

23 Other operating expenses

	Six months ended June 30, 2007	Six months ended June 30, 2006
Provision for impairment of receivables	11	23
Loss/(gain) on disposal of fixed assets	97	(16)
Social cost and charity	72	108
Net result on sale of Belaruskali goods	(16)	33
Other expenses	48	100
Total other operating expenses	**212**	**248**

The Group entered into a sales agreement with BPC for processing of certain sales of Beloruskali goods through Uralkali Trading SA in 2007 and 2006 respectively to overcome certain drawbacks in Belorussian export legislation.

(in millions of Russian Roubles unless otherwise stated)

24 Finance income and expense

The components of finance income and expenses were as follows:

	Six months ended June 30, 2007	Six months ended June 30, 2006
Interest income	110	93
Fair value gains on investments	16	10
Foreign exchange gain	426	342
Finance income	**552**	**445**

	Six months ended June 30, 2007	Six months ended June 30, 2006
Interest expense	377	229
Change in provision as a result of passage of time	34	12
Finance lease expense	19	19
Foreign exchange loss	270	181
Fair value losses on investments	-	12
Letters of credit fees	64	56
Finance expense	**764**	**509**

25 Mine flooding costs

Mine flooding costs include costs associated with flooding at Mine 1 (Note 5).

	Note	Six months ended June 30, 2007	Six months ended June 30, 2006
Dismantling costs		67	-
Loss on disposal of fixed assets		10	
Brine injection costs		139	-
Change in provision for mine flooding	15	(139)	-
Total mine flooding costs		**77**	**-**

Dismantling costs are mainly represented by labour costs, depreciation and costs paid to service organisations for dismantling of equipment.

26 Income tax expense

	Six months ended June 30, 2007	Six months ended June 30, 2006
Current income tax expense	909	594
Deferred tax	27	(37)
Income tax expense	**936**	**557**

Income before taxation and minority interests for financial reporting purposes is reconciled to tax expense as follows:

	Six months ended June 30, 2007	Six months ended June 30, 2006
Profit before income tax	4,760	2,643
Theoretical tax charge at effective statutory rates*	1,142	635
Tax effect of items which are not deductible or assessable for taxation purposes:		
- non-deductible expenses	49	56
- non-taxable income	-	(2)
Difference in tax rates	(113)	(77)
Regional tax allowance	(148)	(106)
Other	6	51
Consolidated tax charge	**936**	**557**

* Profit before taxation on Switzerland and Gibraltar operations is assessed based on effective rate of 8% (June 30, 2006: 8%).

(in millions of Russian Roubles unless otherwise stated)

26 Income tax expenses (continued)

In March 2006 the parliament of the Perm region in the Russian Federation, where the Company is located, approved an amendment to the regional law on Perm regional part of the income tax that reduced income tax rate from 24% to 20% for companies with average number of personnel exceeding 10 persons and income, calculated in accordance with the statutory Tax Code exceeding RR 0,1.

In 2006 and 2005 the Company had capital expenditures of more than 20% of taxable net income during the six months ended June 30, 2007 and 2006 respectively that qualifies for reduced to 20% income tax rate approved by the parliament of the Perm region.

As the Company qualified for the above amendments it was taxed during the six months ended June 30, 2007 and 2006 respectively at a rate 20% instead of standard rate of 24%. Deferred tax has been computed in these condensed consolidated financial statements using the standard rate applicable for future periods (i.e. 24%) as it is not certain whether the Company will meet the requirements established by the statutory law to qualify for reduced rates in future years.

	December 31, 2006	Charged/ (credited) to profit or loss	June 30, 2007
Tax effects of taxable temporary differences:			
Property, plant and equipment	(659)	56	(603)
Investments	(54)	(1)	(55)
Inventories	(59)	(15)	(74)
Borrowings	(25)	(6)	(31)
	(797)	34	(763)
Tax effects of deductible temporary differences:			
Finance lease	79	-	79
Mine flooding reserve	163	(25)	138
Accounts receivable	10	3	13
Accounts payable	57	(41)	16
Other	65	2	67
	374	(61)	313
Total net deferred tax liability	**(423)**	**(27)**	**(450)**

	December 31, 2005	Charged/ (credited) to profit or loss	June 30, 2006
Property, plant and equipment	(909)	75	(834)
Investments	(15)	(6)	(21)
Inventories	(87)	(104)	(191)
Borrowings	(28)	2	(26)
Accounts payable	-	(44)	(44)
	(1,039)	(77)	(1,116)
Tax effects of deductible temporary differences:			
Finance lease	79	-	79
Earth replacement reserve	47	(22)	25
Accounts receivable	8	136	144
Other	30	-	30
	164	114	278
Total net deferred tax liability	**(875)**	**37**	**(838)**

The Group has not recognized a deferred tax liability in respect of temporary differences associated with investments in subsidiaries in the amount of RR 39 (2006: RR 39). The Group controls the timing of the reversal of those temporary differences and does not expect their reversal in the foreseeable future.

27 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding treasury shares (Note 14). The Company has no dilutive potential ordinary shares, therefore, the diluted earnings per share equals the basic earnings per share.

	Six months ended June 30, 2007	Six months ended June 30, 2006
Net profit	3,824	2,086
Weighted average number of ordinary shares in issue (millions)	2,102	2,111
Basic and diluted earnings per share (expressed in RR per share)	**1.82**	**0.99**

28 Contingencies, commitments and operating risks

i Legal proceedings

From time to time and in the normal course of business, claims against the Group are received. In March 2006, the prosecutor's office of Saint-Petersburg filed a claim with the Arbitration Court of Saint-Petersburg and Leningrad Region seeking to render null and void an agreement between BBT and FGUP Rosmorport, pursuant to which BBT currently leases one of its berths, on the grounds that this lease agreement was executed without appropriate consent of state authorities and in violation of established procedures. At the court hearing held on the August 21, 2007 the Arbitration Court of Saint-Petersburg and Leningrad Region dismissed the prosecutor's claim.

On the basis of its own estimates and both internal and external professional advice the Management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these condensed consolidated financial statements.

ii Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. The Supreme Arbitration Court issued guidance to lower courts on reviewing tax cases providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authorities scrutiny. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing rules, which were introduced from January 1, 1999, provide the possibility for the Russian tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect to certain controllable transactions, provided that the tax authorities prove that the transaction price established by the parties differs from the market price by more than 20%.

The controllable transactions include transactions with interdependent parties under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties) and transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time. There is no formal guidance as to how these rules should be applied in practice. In the past, the arbitration court practice with this respect has been contradictory.

The form of the Uralkali Group intercompany and related party (Note 6) transactions would generally meet the literal requirements of the applicable tax legislation and as such have not been challenged in the past. However, it is possible with the evolution of the interpretation of the Russian transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such past transactions could potentially be challenged in the future by relevant local and federal tax authorities. Given the brief nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reasonably estimated, however it may be significant. The management believes that the tax position taken by the Group in respect of such transactions complies with the relevant legislation and therefore is defensible in the event of a challenge by the tax authorities. The management believes that no significant additional taxes, penalties, and interest would be imposed by the tax authorities.

The Group includes companies incorporated outside of Russia that are subject to respective tax jurisdictions. Tax liabilities of the Group are determined on the assumptions that these companies are not subject to Russian profits tax because they do not have a permanent establishment in Russia. Russian tax laws do not provide detailed rules on taxation of foreign companies. It is possible that with the evolution of the interpretation of these rules and the changes in the approach of the Russian tax authorities, the non-taxable status of some or all of the foreign companies of the Group in Russia may be challenged. The impact of any such challenge cannot be reliably estimated. However, it may be significant.

Russian tax legislation does not provide definitive guidance in certain areas. From time to time, the Group adopts interpretations of such uncertain areas that reduce the overall tax rate of the Group. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices.The impact of any challenge by the tax authorities cannot be reliably estimated. However, it may be significant.

The Group's management believes that its interpretation of the legislation of the jurisdictions where the Group operates is appropriate and the Group's tax, currency legislation and customs positions will be sustained. Accordingly, at June 30, 2007 and December 31, 2006 no provision for potential tax liabilities had been recorded. Management will continue to monitor the situation as legislation and practice evolve in the jurisdictions in which the Group operates.

28 Contingencies, commitments and operating risks (continued)

iii Insurance policies

The Company holds insurance policies with CJSC "AIG Russia Insurance Company" and JSC "Russia Insurance Company". These agreements cover risks relating to Company's assets situated above and under ground, risks relating to suspension of production and risks related to civil responsibility. However risks reflected in Note 5 are not covered, therefore no losses from the flooding of the Mine 1 are expected to be compensated.

The insurance agreements do not cover the risks of damage to third parties' property resulting from the Group's underground activities.

The total insurance premiums related to abovementioned agreements of RR 90 was recognized as an expense for the six months ended June 30, 2007 (for the six months ended June 30, 2006: RR 92) (Note 21).

iv Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in the existing regulations, civil litigation or legislation, cannot be estimated.

In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage due to legal requirements except for those mentioned in Note 5. Provision for site restoration and reclamation costs was created for the constructive obligation attributable to earth replacement and brine injection activities under the town of Berezniki. No provision is recognized for cavities excavated in other areas, not located under the town of Berezniki.

The Company's mining activities and the recent mine flooding may cause subsidence that may affect the Company's facilities, and those of the city of Berezniki, State organizations and others. The Company has no claims against it, nor expects any, but can not estimate the likelihood or amount of the economic outflows arising from subsidence, which could be significant.

v Operating environment of the Group

Whilst there have been improvements in economic trends in the Russian Federation, the country continues to display certain characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is in practice not convertible in most countries outside of the Russian Federation and relatively high inflation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently.

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

vi Capital expenditure commitments

At June 30, 2007 the Group had contractual commitments for the purchase of property, plant and equipment from third parties for RR 2,050 (December 31, 2006: RR 879).

The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover these commitments.

vii Guarantees

Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. At June 30, 2007 the Group issued guarantees in favour of third parties in the amount of RR 33 (December 31, 2006: RR 12).

viii Operating licenses

The Company holds operating licenses for the extraction of potassium, magnesium and sodium salts issued by authorities of Perm region. All the licenses expire in 2013 except for the "Verhnekamskoe" mine "Ust'-Yaivinskoe"license (Note 10), however based on the statutory license regulation and prior experience the management of the Company believes that licenses will be prolonged without any significant cost.

29 Financial risk management

i Credit risk

Financial assets, which potentially subject Group entities to credit risk, consist principally of trade receivables. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The carrying amount of accounts receivable, net of impairment provision, represents the maximum amount exposed to credit risk. The Group has no significant concentrations of credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision already recorded.

29 Financial risk management (continued)

During six months ended June 30, 2007 and in 2006 receivables from Brazilian customers represented by promissory notes were usually negotiated to the bank upon receipt. Insurance of non-collection risk covers 90% of the promissory notes amount. The remaining 10% is covered by a limited guarantee deposit held by the bank maturing in March 2008.

Cash is placed in financial institutions, which are considered at time of deposit to have minimal risk of default.

ii Market risk

The Group takes on exposure to market risks. Market risks arise from commodity prices and open positions in interest rate, currency and equity financial instruments, all of which are exposed to general and specific market movements.

However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

iii Foreign exchange risk

The Group operates internationally and exports approximately 91% of potash fertilizers produced. As a result the Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Export sales are denominated in hard currency and settlements are made primarily in US dollars.

The Group attracts a substantial amount of foreign currency denominated long-term borrowings and is thus exposed to foreign exchange risk. Consequently, the movement in exchange rates between the local currency and foreign currency significantly influences the operating margin in these financial statements.

Foreign currency denominated assets and liabilities give rise to foreign exchange exposure.

From March 2007 the Group has certain arrangements with banks to hedge the Group's foreign exchange risk exposure covering up to USD 175 mln of cash flow (mainly future export revenue) exercisable during the period ending February 2008.

iv Cash flow and fair value interest rate risk

The Group's income and operating cash flows are exposed to changes in market interest rates. The Group is exposed to fair value interest rate risk through market value fluctuations of interest bearing short-term and long-term borrowings, whose interest rates comprise a fixed component and variable component linked to LIBOR (Note 16). The Group has interest-bearing assets which are at fixed interest rates (Note 6).

v Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities (Note 16). Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

30 Events after balance sheet date

Legal proceedings

In April 2007 the Federal Antimonopoly Service concluded that the Group breached the Federal Law "On defence of competition" in respect of prices on potassium chloride set for 2007 for domestic customers. According to the decision of the Federal Antimonopoly Service the Group is obliged to sell potassium chloride to domestic customers on prescribed prices (2,950 roubles per ton) and pay a fine of RR 62 to the federal budget. In July 2007 the Group has contested this decision in the Arbitration Court of Moscow. Court hearings were postponed until September 2007.