URALKALI GROUP

INTERNATIONAL ACCOUNTING STANDARD No. 34

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND REVIEW REPORT

June 30, 2008

Contents

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Report on review of Condensed Consolidated Interim Financial Statements

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 2008 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 are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

/s/ ZAO PricewaterhouseCoopers Audit
Moscow, Russian Federation
September 1, 2008

(in millions of Russian Roubles unless otherwise stated)

	Note	June 30, 2008	December 31, 2007
ASSETS			
Non-current assets:			
Property, plant and equipment	7	28,577	24,205
Goodwill		366	366
Intangible assets		142	147
Financial assets		168	223
Total non-current assets		**29,253**	**24,941**
Current assets:			
Inventories	9	2,246	1,522
Trade and other receivables		10,576	5,875
Current income tax prepayments		4	6
Restricted cash		133	98
Cash and cash equivalents		11,619	7,193
Total current assets		**24,578**	**14,694**
Total assets		**53,831**	**39,635**
Equity:			
Share capital	10	648	648
Treasury shares	10	(12)	(12)
Share premium/(discount)		(849)	(849)
Revaluation reserve		150	150
Retained earnings		34,917	25,113
Equity attributable to the Company's equity holders		**34,854**	**25,050**
Minority interest		**26**	**24**
Total equity		**34,880**	**25,074**
LIABILITIES			
Non-current liabilities:			
Borrowings	12	9,597	6,444
Post employment benefits obligations		261	247
Mine flooding provision	11	-	23
Deferred income tax liability		329	396
Total non-current liabilities		**10,187**	**7,110**
Current liabilities:			
Borrowings	12	2,547	4,621
Trade and other payables		3,678	2,320
Dividends payable		1,415	80
Current income tax payable		964	252
Other taxes payable		160	178
Total current liabilities		**8,764**	**7,451**
Total liabilities		**18,951**	**14,561**
Total liabilities and equity		**53,831**	**39,635**

Approved on behalf of the Board of Directors
September 1, 2008

/s/______________________
Chief Executive Officer

/s/____________________
Finance Vice-President

(in millions of Russian Roubles unless otherwise stated)

	Note	Six months ended June 30, 2008	Six months ended June 30, 2007
Revenues	13	28,562	13,323
Cost of sales	14	(4,636)	(3,119)
Gross profit		**23,926**	**10,204**
Distribution costs	15	(5,241)	(3,760)
General and administrative expenses	16	(1,262)	(1,029)
Taxes other than income tax		(175)	(135)
Other operating expenses	18	(159)	(212)
Operating profit		**17,089**	**5,068**
Mine flooding costs	20	(280)	(77)
Finance income	19	936	282
Finance expense	19	(617)	(513)
Profit before income tax		**17,128**	**4,760**
Income tax expense	21	(3,333)	(936)
Profit for the period		**13,795**	**3,824**
Profit is attributable to:			
Equity holders of the Company		13,793	3,818
Minority interest		2	6
Net profit for the period		**13,795**	**3,824**
Earnings per share – basic and diluted (in Roubles)	22	**6.57**	**1.82**

(in millions of Russian Roubles unless otherwise stated)

	Note	Six months ended June 30, 2008	Six months ended June 30, 2007
Cash flows from operating activities			
Profit before income tax and minority interest		17,128	4,760
Adjustments for:			
Depreciation of property, plant and equipment and amortization of intangible assets		1,203	982
Net loss on disposal of property, plant and equipment	18	36	97
Loss on fixed assets disposed on mine flooding	20	223	10
Impairment of trade and other receivables	18	27	11
Net change in provision for mine flooding		(23)	(105)
Finance income and expense, net		99	289
Foreign exchange gains	19	(543)	(156)
Operating cash flows before working capital changes		**18,150**	**5,888**
Changes in working capital		(4,087)	(852)
Cash generated from operations		**14,063**	**5,036**
Interest paid	12	(421)	(394)
Income taxes paid		(2,654)	(446)
Net cash generated from operating activities		**10,988**	**4,196**
Cash flows from investing activities			
Purchase of intangible assets		(31)	(10)
Purchase of property, plant and equipment		(5,455)	(2,453)
Proceeds from sales of property, plant and equipment		71	19
Increase in restricted cash balances		(35)	(103)
Loans issued to related party		-	(753)
Dividends and interest received		227	28
Net cash used in investing activities		**(5,223)**	**(3,272)**
Cash flows from financing activities			
Repayments of borrowings	12	(10,076)	(6,353)
Proceeds from borrowings	12	11,436	4,458
Acquisition of treasury shares		-	(57)
Finance lease payments	12	(19)	(19)
Dividends paid to shareholders		(2,654)	(547)
Net cash used in financing activities		**(1,313)**	**(2,518)**
Effect of foreign exchange rate changes on cash and cash equivalents		(26)	(20)
Net increase/(decrease) in cash and cash equivalents		**4,426**	**(1,614)**
Cash and cash equivalents at the beginning of the period, net of restricted cash		**7,193**	**2,767**
Cash and cash equivalents at the end of the period, net of restricted cash		**11,619**	**1,153**

(in millions of Russian Roubles unless otherwise stated)

	Attributable to equity holders of the Company							
	Share capital (Note 10)	**Treasury shares (Note 10)**	**Share premium/ (discount)**	**Revaluation reserve**	**Retained earnings**	**Total attributable to equity holders**	**Minority interest**	**Total equity**
Balance at January 1, 2007	**648**	**(9)**	**(514)**	**150**	**17,354**	**17,629**	**21**	**17,650**
Translation movement	-	-	-	-	(73)	(73)	-	(73)
Net income recognised directly in equity	-	-	-	-	(73)	(73)	-	(73)
Net income for the period	-	-	-	-	3,818	3,818	6	3,824
Total recognised income for the period	-	-	-	-	3,745	3,745	6	3,751
Acquisition of treasury shares (Note 10)	-	(3)	(327)	-	-	(330)	-	(330)
Balance at June 30, 2007	**648**	**(12)**	**(841)**	**150**	**21,099**	**21,044**	**27**	**21,071**
Balance at January 1, 2008	**648**	**(12)**	**(849)**	**150**	**25,113**	**25,050**	**24**	**25,074**
Net income for the period	-	-	-	-	13,793	13,793	2	13,795
Total recognised income for the period	-	-	-	-	13,793	13,793	2	13,795
Dividends declared (Note 10)	-	-	-	-	(3,989)	(3,989)	-	(3,989)
Balance at June 30, 2008	**648**	**(12)**	**(849)**	**150**	**34,917**	**34,854**	**26**	**34,880**

1 The Uralkali Group and its operations

JSC "Uralkali" (the "Company") and its subsidiaries (together the "Group") produce mineral fertilizers, primarily potassium based, 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 7 principal types of products, the most significant of which is a wide range of potassium salts. The Group produces approximately 9% (for the six months ended June 30, 2007: 8.3%) of the global volume of potassium fertilisers and is one of two major potash manufacturers in the Russian Federation. For the six months ended June 30, 2008 approximately 89% (for the year ended December 31, 2007: 91%) of potash fertiliser production is exported.

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 "Ust'-Yaivinskoe" plot of "Verhnekamskoe" deposit license, which expires in 2024, 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.

As of June 30, 2008 "Madura Holdings Limited", registered in Cyprus, was the parent company of the Group. The Group is ultimately controlled by Dmitry Rybolovlev.

The Company was incorporated as an open joint stock company in the Russian Federation on October 14, 1992. 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, 2008 the Group employed approximately 12.7 thousand employees (December 31, 2007: 11.8 thousand).

2 Basis of preparation and significant accounting policies

These condensed consolidated interim financial statements for the six months ended June 30, 2008 have 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, 2007 which have been prepared in accordance with IFRS.

The accounting policies applied are consistent with those of the consolidated financial statements for the year ended December 31, 2007, as described in those annual financial statements.

Income tax in the interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

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

3 Adoption of new or revised standards and interpretations

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning January 1, 2008, but are not currently relevant for the Group:

- IFRIC 11, IFRS 2 - Group and Treasury Share Transactions (effective for annual periods beginning on or after March 1, 2007);
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after January 2008);
- IFRIC 14, IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 1, 2008).

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2008 and have not been early adopted:

IFRS 8, Operating Segments (effective for annual periods beginning on or after January 1, 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 disclosures in the Group's financial statements.

Puttable financial instruments and obligations arising on liquidation—IAS 32 and IAS 1 Amendment (effective from January 1, 2009**).** The amendment requires classification as equity of some financial instruments that meet the definition of a financial liability. The Group does not expect the amendment to affect its financial statements.

IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after January 1, 2009). The revised IAS 23 was issued in March 2007. The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after January 1, 2009. Management is currently assessing what impact the standard will have the consolidated financial statements.

3 Adoption of new or revised standards and interpretations (continued)

IAS 1, Presentation of Financial Statements (revised September 2007; effective for annual periods beginning on or after January 1, 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Group expects the revised IAS 1 to affect the presentation of its financial statements but to have no impact on the recognition or measurement of specific transactions and balances.

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after July 1, 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Group does not expect the amendment to affect its financial statements.

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or on the same basis as US GAAP (at fair value). The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill will be measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. Management is currently assessing the impact of the amended standard on its financial statements.

Vesting Conditions and Cancellations—Amendment to IFRS 2, Share-based Payment (issued in January 2008; effective for annual periods beginning on or after January 1, 2009). The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group does not expect the amendment to affect its financial statements.

IFRIC 13, 'Customer loyalty programmes' (issued in June 2007; effective for annual periods beginning on or after July 1, 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Group's operations because no Group companies operate any loyalty programmes.

Other new standards and interpretations. The Group has not early adopted the following new standards or interpretations:

- IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009);
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008);
- Improvements to International Financial Reporting Standards (issued in May 2008);
- Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate—IFRS 1 and IAS 27 Amendment (revised May 2008; effective for annual periods beginning on or after 1 January 2009;
- Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009, with earlier application permitted).

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's consolidated financial statements.

4 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 23).

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 7). 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 575 (December 31, 2007: RR 482) should be assessed for impairment in 2013.

Land. All facilities of JSC "Baltic Bulker Terminal" are situated on land occupied on an annual lease basis, but the management plans to purchase the land under the right provided by statutory legislation or to secure the assets by long-term rent agreement with municipal authorities. If the Group can not secure long-term use of this land, non-current assets of RR 2,821 (December 31, 2007: RR 2,870) should be assessed for impairment.

Provisions for mine flooding. On October 28, 2006 the Group stopped production operations in Mine 1 due to natural groundwater inflow increasing beyond the level at which it can be controlled by the Group. 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 Group (force majeure). 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 were 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 injection operations prepared in 2006 for 2007 was based on the Group's maximum brine production capacity and was expected to be updated annually. Based on this technical plan and its best estimates, the management as at December 31, 2006 estimated a provision for present value of cash outflows to be incurred in connection with brine injection operations (Note 11).

In 2007 the Group performed brine injection operations pursuant to the above mentioned plan. However, starting from October 2007, the volume of natural groundwater inflow increased to 7,000-8,000 cubic metres per hour. In December 2007 the Institute of Geological Sciences issued an expert opinion, that further brine injection operation would be impractical. In December 2007 the management of the Group agreed with the state authorities to cease brine injection operations and released remaining balance of the mine flooding provision (Note 11). The brine injection operations were stopped on January 12, 2008.

Management believes that no obligation exists at the reporting date other than disclosed in these condensed consolidated financial statements and therefore no new provision has been made. Management will continue to assess mine 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, 2008 the amount of expenses the Group can incur in the future in relation to mine flooding risks, however the amount could be significant for the Group.

Inventory. The Group 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.

Trade and other receivables. 100% impairment provision is accrued for trade and other receivables overdue over 90 days, receivables overdue for more than 45 days, but less than 90 days are provided for 50% of its carrying amount.

(in millions of Russian Roubles unless otherwise stated)

5 Related parties

Related parties are defined by IAS 24 "Related Party Disclosures". 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 party 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 are detailed below.

Balance sheet caption	Nature of relationship	June 30, 2008	December 31, 2007
Other payables	Entities under common control	23	25

Statement of income caption	Nature of relationship	Six months ended June 30, 2008	Six months ended June 30, 2007
Interest income	Parent company	-	73
Interest income	Entities under common control	-	10

Shareholder's equity caption	Nature of relationship	Six months ended June 30, 2008	Six months ended June 30, 2007
Dividends declared	Parent company	2,649	-

Cross shareholding

At June 30, 2008 LLC "Kama", a 100% owned subsidiary of the Group, owned 1.16% of the ordinary shares of the Company (December 31, 2007: 1.16%). Shares owned by LLC "Kama" are accounted for as treasury shares (Note 10), but retain their voting rights and rights to dividends.

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,comprising short-term employee benefits and included in general and administrative expenses in the consolidated statement of income, amounted to RR 101 and RR 48 for the six months ended June 30, 2008 and 2007, respectively.

(in millions of Russian Roubles unless otherwise stated)

6 Segment reporting

Primary reporting format – geographical segments

The Group sells its potash 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, South Eastern Asia and India and exports to developed countries are mainly to the customers located in USA and European countries.

The segments results for the six months ended June 30, 2008 were as follows:

	Potash				**Other sales**	**Unallocated**	**Total**
	Export in developing countries	**Export in developed countries**	**Domestic**	**Total potash sales**			
Tons (thousands)	**1,650**	**699**	**294**	**2,643**	**-**	**-**	**2,643**
Revenues	**17,368**	**9,312**	**1,255**	**27,935**	**627**	**-**	**28,562**
Cost of sales	(2,651)	(1,122)	(473)	**(4,246)**	(390)	-	**(4,636)**
Distribution, general and administrative, other operating expenses and taxes other than income tax	(4,863)	(1,638)	(164)	**(6,665)**	(196)	24	**(6,837)**
Segment result/operating profit	**9,854**	**6,552**	**618**	**17,024**	**41**	**24**	**17,089**
Mine flooding costs (Note 20)						(280)	**(280)**
Finance income and expense, net						319	**319**
Profit before income tax							**17,128**
Income tax expense						(3,333)	**(3,333)**
Net profit							**13,795**

The segments results for the six months ended June 30, 2007 were as follows:

	Potash				**Other sales**	**Unallocated**	**Total**
	Export in developing countries	**Export in developed countries**	**Domestic**	**Total potash sales**			
Tons (thousands)	**2,056**	**173**	**217**	**2,446**	**-**	-	**2,446**
Revenues	**11,152**	**862**	**761**	**12,775**	**548**	-	**13,323**
Cost of sales	(2,425)	(204)	(256)	**(2,885)**	(234)	-	**(3,119)**
Distribution, general and administrative, other operating expenses and taxes other than income tax	(4,539)	(305)	(107)	**(4,951)**	(104)	(81)	**(5,136)**
Segment result/operating profit	**4,188**	**353**	**398**	**4,939**	**210**	**(81)**	**5,068**
Mine flooding costs (Note 20)						(77)	**(77)**
Finance income and expense, net						(231)	**(231)**
Profit before income tax							**4,760**
Income tax expense						(936)	**(936)**
Net profit							**3,824**

(in millions of Russian Roubles unless otherwise stated)

7 Property, plant and equipment

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

	2008	2007
Cost		
Balance as of January 1	41,284	36,143
Additions	5,905	2,591
Disposals	(780)	(360)
Balance as of June 30	**46,409**	**38,374**
Accumulated Depreciation		
Balance as of January 1	17,079	15,981
Depreciation charge	1,202	955
Disposals	(449)	(245)
Balance as of June 30	**17,832**	**16,691**
Net Book Value		
Balance as of January 1	**24,205**	**20,162**
Balance as of June 30	**28,577**	**21,683**

Depreciation

For the six months ended June 30, 2008 and 2007, respectively, the depreciation was allocated to statement of income as follows:

	Six months ended June 30, 2008	Six months ended June 30, 2007
Cost of sales	913	695
Distribution costs (including transhipment activities)	157	160
General and administrative expenses	97	94
Loss on disposal of fixed assets and brine injection costs (Note 20)	14	5
Total depreciation expense	**1,181**	**954**

In 2008 the Group incurred depreciation amounting to RR 21 (for the six months ended June 30, 2007: RR 1) directly related to construction of new fixed assets. These expenses were capitalized on the consolidated 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, 2008 and December 31, 2007 the gross carrying value of fully depreciated property, plant and equipment still in use was RR 6,808 and RR 6,737, respectively.

Assets pledged under loan agreements

As of June 30, 2008 and December 31, 2007 the carrying value of property, plant and equipment pledged under bank loans was RR 4,656 and RR 8,197 (Note 12), respectively.

8 Investment in joint-venture

In October 2005, the Company acquired a 50% interest in JSC "Belarusian Potash Company" ("BPC"), the remaining 50% of which was owned by "Belaruskali". In May 2008 "Belaruskali" sold a 5% share in "BPC" to "Belorussian Railways". Since, according to the amended "BPC" charter all decisions on shareholders meeting could be taken only by a majority of 75%, the "BPC" operations are still under joint control of "Belaruskali" and the Company (herein after "participants"). The principal activity of "BPC" is marketing and exporting as agent potash fertilizers produced by its 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 currently shared as follows: not more than 69% to the operations of "Belaruskali" and not less than 31% to the Group's operations (for the six months ended June 30, 2007: administrative expenses incurred by "BPC" were shared 50:50). Actual proportion depends on the volume of goods sold by each participant through BPC. 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 Group through "BPC", assets and liabilities of the Group located in "BPC" in which the Group has direct interest are included in these consolidated financial statements.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.

9 Inventories

Inventories consist of the following:

	June 30, 2008	December 31, 2007
Raw materials	1,526	964
Finished products	671	525
Work in progress	49	33
Total inventories	**2,246**	**1,522**

At June 30, 2008 and December 31, 2007, respectively, the balance of finished products includes inventories bought for resale. As of June 30, 2008 there were no finished goods pledged as security for bank loans (December 31, 2007: RR 4) (Note 12).

10 Shareholders' equity

	Number of ordinary shares (in millions)	Ordinary shares	Treasury shares	Total
At January 1, 2007	2,124	648	(9)	**639**
Treasury shares purchased	-	-	(3)	**(3)**
At June 30, 2007	2,124	648	(12)	**636**
At January 1, 2008	2,124	648	(12)	**636**
Treasury shares purchased	-	-	-	**-**
At June 30, 2008	2,124	648	(12)	**636**

The number of unissued authorised ordinary shares is 1,500 mln. (December 31, 2007: 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, 2008 treasury shares comprise 24,601,344 ordinary shares of the Company (December 31, 2007: 24,601,344) with a nominal value per share of 0.5 Roubles owned by LLC "Kama", wholly owned subsidiary of the Group (Note 5). 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.

The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the net profit. For the six months ended June 30, 2008, the current period net statutory profit for the Company as reported in the published semi-annual statutory reporting forms was RR 12,523 (for the six months ended June 30, 2007: RR 2,913) and the closing balance of the accumulated profit including the current period net statutory profit totalled RR 26,936 (December 31, 2007: RR 18,449). 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 consolidated financial statements.

Dividends. In June 2008 the General Meeting of Shareholders of the Company approved dividends (based on the financial results for the year ended December 31, 2007) amounting to RR 4,036 (1.90 Roubles per share).

(in millions of Russian Roubles unless otherwise stated)

11 Mine flooding provision

	Note	2008	2007
Balance as of January 1		**23**	**679**
Increase in provision as a result of passage of time	19	-	34
Reduction of provision for cavities filled during the period	20	(23)	(139)
Balance as of June 30		**-**	**574**

The Group stopped brine injection operations on January 12, 2008 (Note 4).

12 Borrowings

	June 30, 2008	December 31, 2007
Bank loans	11,423	10,600
Company loans	394	137
Finance lease payable	327	328
Total borrowings	**12,144**	**11,065**

As at June 30, 2008 and December 31, 2007 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 are represented by a short-term unsecured, interest-free loan from JSC “St. Petersburg Sea Port” in the amount of RR 45 (December 31, 2007: RR 45) and a short-term US$ denominated, unsecured, LIBOR six months plus 1% per annum interest bearing bridge loan from Dessault Aviation S.A in the amount of RR 349 (December 31, 2007: RR 92). The loan is repayable in March 2009. The loan was oblained to postpone the downpayments under capital construction agreement between “Dessault Aviation S.A” and the Group in the non-cash form. In 2007 the Group reconsidered repayment schedule for the loan from JSC “St. Petersburg Sea Port” from December 31, 2007 to December 31, 2008.

JSC “BBT” leases a berth No. 107 from FGUP “Rosmorport” under a finance lease for 49 years. As of June 30, 2008 the leased dock was included in property, plat and equipment with a net book value of RR 277 (December 31, 2007: RR 280) (Note 7).

	2008	2007
Balance at January 1	**10,600**	**11,088**
Bank loans received, denominated in US$	7,297	4,470
Bank loans received, denominated in RR	4,177	-
Bank loans repaid, denominated in US$	(5,934)	(6,069)
Bank loans repaid, denominated in RR	(4,142)	(150)
Interest accrued	407	377
Interest paid	(421)	(394)
Recognition of syndication fees	(38)	(12)
Amortization of syndication fees	14	19
Currency translation difference	(537)	(183)
Balance at June 30	**11,423**	**9,146**

The table below provides interest rates at June 30, 2008 and December 31, 2007 and split of the bank loans between short-term and long-term.

Short-term borrowings

	Interest rates	June 30, 2008	December 31, 2007
Bank loans in US$ – fixed interest	7.5% (2007: 7.5%)	858	1,759
Bank loans in US$ – floating interest	from Libor +1.6% to Libor +1.7% (2007: from Libor +1.95% to Libor +2.5%)	1,255	2,720
Bank loans in RR – fixed interest	12% (2007: 13 %)	40	5
Total short-term bank loans		**2,153**	**4,484**

(in millions of Russian Roubles unless otherwise stated)

12 Borrowings (continued)

Long-term borrowings

	Interest rates	June 30, 2008	December 31, 2007
Bank loans in US$ – floating interest	from Libor +1.6% to Libor +1.95% (2007: Libor +1.95%)	9,270	6,116
Total long-term bank loans		**9,270**	**6,116**

US$ denominated bank loans bear a weighted average interest of 5.8% (December 31, 2007: 7.1%).

As at June 30, 2008 and December 31, 2007 loans, including short-term borrowings, are guaranteed by collateral of property, plant and equipment (Note 7) and finished products (Note 9).

Bank loans of RR 2,324 (December 31, 2007: nil) were collateralized by future export proceeds of the Group under sales contracts with certain customers acceptable to the banks.

The Group's bank borrowings mature as follows:

	June 30, 2008	December 31, 2007
- within 1 year	2,153	4,484
- between 2 and 5 years	9,270	6,116
Total bank loans	**11,423**	**10,600**

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

	June 30, 2008	December 31, 2007
- within 1 year	38	38
- between 2 and 5 years	152	152
- after 5 years	1,465	1,485
Minimum lease payments at the end of the period	**1,655**	**1,675**
Less future finance charges	(1,328)	(1,347)
Present value of minimum lease payments	**327**	**328**

13 Revenues

	Six months ended June 30, 2008	Six months ended June 30, 2007
Export		
Potassium chloride	18,052	8,525
Potassium chloride (granular)	8,628	3,489
Domestic		
Potassium chloride	1,255	761
Other	114	61
Transportation and other revenues	513	487
Total revenues	**28,562**	**13,323**

During the six months ended June 30, 2008 and 2007, 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 March 2008 the Government of the Russian Federation introduced duties, effective from April 2008, on exports of potassium chloride destined for countries outside the CIS members of the customs union with the Russian Federation. The duty applicable to Uralkali's potassium chloride is 5% of the declared customs value, which the Group charged on almost all of the Group's potassium chloride exports. Export revenues are shown net of abovementioned duties, which amounted during the six months ended June 30, 2008 to RR 481 (for the six months ended June 30, 2007: RR nil).

14 Cost of sales

	Six months ended June 30, 2008	Six months ended June 30, 2007
Labour costs	1,262	791
Fuel and energy	981	748
Depreciation	913	695
Materials and components used	794	582
Repairs and maintenance	453	264
Transportation between mines by railway	192	141
Utilities	12	14
Change in work in progress, finished goods and goods in transit	11	(124)
Other	18	8
Total cost of sales	**4,636**	**3,119**

(in millions of Russian Roubles unless otherwise stated)

14 Cost of sales (continued)

Expenses related to transportation of ore between mines by automotive transport in the amount of RR 48 (for the six months ended June 30, 2007: RR 43) were incurred by CJSC "Autotranskali", 100% subsidiary of the Group, and mainly included in labor costs, materials and components used and fuel and energy costs.

15 Distribution costs

	Six months ended June 30, 2008	Six months ended June 30, 2007
Freight	2,810	1,232
Railway tariff	1,653	1,864
Transport repairs and maintenance	281	166
Transhipment	137	127
Depreciation	118	119
Travel expenses	65	55
Labor costs	63	52
Commissions	6	14
Other	108	131
Total distribution costs	**5,241**	**3,760**

16 General and administrative expenses

	Six months ended June 30, 2008	Six months ended June 30, 2007
Labour costs	526	400
Consulting, audit and legal services	169	116
Depreciation	97	94
Insurance	81	90
Security	55	41
Mine-rescue crew	45	41
Bank charges	39	10
Amortization of intangible assets	36	33
Communication and IS services	33	32
Other	181	172
Total general and administrative expenses	**1,262**	**1,029**

17 Labor costs

	Six months ended June 30, 2008	Six months ended June 30, 2007
Labor costs - Cost of sales	**1,262**	**791**
Wages, salaries, bonuses and other compensations	1,019	637
Unified social tax	232	145
Post employment benefit	11	9
Labor costs - Distribution costs	**63**	**52**
Wages, salaries, bonuses and other compensations	63	52
Labor costs - General and administrative expenses	**526**	**400**
Wages, salaries, bonuses and other compensations	434	339
Unified social tax	82	61
Post employment benefit	10	-
Total labor costs	**1,851**	**1,243**

18 Other operating expenses

	Six months ended June 30, 2008	Six months ended June 30, 2007
Social cost and charity	145	72
Loss on disposal of fixed assets	36	97
Provision for impairment of receivables	27	11
Net result on sale of Belaruskali goods	(61)	(16)
Other expenses	12	48
Total other operating expenses	**159**	**212**

The Group entered in sales agreement with "BPC" for processing of sales of "Beloruskali" goods through "Uralkali Trading SA" in 2008 and 2007, respectively, to overcome certain drawbacks in Belorussian export legislation.

(in millions of Russian Roubles unless otherwise stated)

19 Finance income and expense

The components of finance income and expense were as follows:

	Note	Six months ended June 30, 2008	Six months ended June 30, 2007
Interest income		393	110
Fair value gains on investments		-	16
Foreign exchange gain		543	156
Finance income		**936**	**282**

		Six months ended June 30, 2008	Six months ended June 30, 2007
Interest expense		421	396
Change in provision as a result of passage of time	11	-	34
Finance lease expense		19	19
Fair value losses on investments		52	-
Letters of credit fees		125	64
Finance expense		**617**	**513**

20 Mine flooding costs

Mine flooding costs include costs associated with flooding at Mine 1 (Note 4):

	Note	Six months ended June 30, 2008	Six months ended June 30, 2007
Dismantling costs		67	67
Loss on disposal of fixed assets		223	10
State financing		(16)	-
Brine injection costs		29	139
Change in provision for mine flooding	11	(23)	(139)
Total mine flooding costs		**280**	**77**

Dismantling costs are mainly represented by labour costs, depreciation expenses and costs paid to service organisations for dismantling of equipment in shafts on Mine 1.

During the six months ended June 30, 2008 the local authorities in Berezniki and regional authorities in Perm reimbursed a part of the operating costs incurred by the Group 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 16 (for the six months ended June 30, 2007: RR nil).

21 Income tax expense

	Six months ended June 30, 2008	Six months ended June 30, 2007
Current income tax expense	3,400	909
Deferred tax	(67)	27
Income tax expense	**3,333**	**936**

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. The amendment provides for a reduced to 20% income tax rate for companies with average number of personnel exceeding 10 persons and income, calculated in accordance with the statutory Tax Code exceeding RR 0,1. Previously reduced income tax rate was allowed to the companies with capital expenditures of more than 20% of annual taxable net income.

In 2008 and 2007 the Company met all requirements specified above 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, 2008 and 2007, respectively, at a rate 20% instead of standard rate of 24%. Deferred tax has been computed in these 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.

(in millions of Russian Roubles unless otherwise stated)

22 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 10). 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, 2008	Six months ended June 30, 2007
Net profit	13,795	3,824
Weighted average number of ordinary shares in issue (millions)	2,100	2,102
Basic and diluted earnings per share (expressed in RR per share)	**6.57**	**1.82**

23 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. On the basis of its own estimates and both internal and external professional advice the management is of the opinion that there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these 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), 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 5) 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's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. Accordingly, at June 30, 2008 and December 31, 2007 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.

23 Contingencies, commitments and operating risks (continued)

iii Insurance policies

The Company holds an insurance policy with CJSC "AIG Russia Insurance Company" and JSC "Russia Insurance Company". These agreements cover main risks relating to Company's assets situated above and under ground and risks related to civil responsibility. However risks reflected in Note 4 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 premium related to abovementioned agreements of RR 81 was recognized as an expense for the six months ended June 30, 2008 (for six months ended June 30, 2007: RR 90) (Note 16).

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 4. 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 from state organisations and others 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, 2008 the Group had contractual commitments for the purchase of property, plant and equipment from third parties for RR 4,279 (December 31, 2007: RR 1,390).

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 this and any similar such 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, 2008 the Group issued guarantees in favour of third parties in the amount of RR 3 (December 31, 2007: RR 25).

viii Registration of rights for berth No. 106

JSC "BBT" has no registered rights in respect of berth No. 106, which is essential for its operations. Effective operation of JSC "BBT" depends on its access to berths No. 107 and No. 106, the only two berths available to JSC "BBT" for loading mineral fertilisers to sea vessels. Both berths are owned by the Russian Federation. From August 2005 JSC "BBT" has been operating berth No. 106 without having any right to such berth registered and without a clear legal background to utilise such berth under the so-called "regime of experimental operation," the legal status of which is not regulated by Russian law and remains highly uncertain. JSC "BBT" intends to enter into a lease agreement in respect of berth No. 106 but the conclusion of the lease agreement was complicated because FGUP "Rosmorport" has not completed in time the necessary formalities to register the berth as a real estate unit and perform market valuation of this asset. Registration of the berth as a real estate was obtained by FGUP "Rosmorport" only in 2007 and its valuation is expected to be completed in 2008. JSC "BBT" is now negotiating with FGUP "Rosmorport" with respect to entering into a lease agreement on berth No. 106 and expects it to be concluded in 2008.

24 Events after balance sheet date

Dividends

At a meeting held on August 8, 2008, the Board of Directors of the Company set September 18, 2008 as the date for an Extraordinary Shareholders' General Meeting (EGM) of Uralkali. Shareholders registered as at the record date of August 13, 2008 will be eligible to participate in the EGM. The Board of Directors of Uralkali recommended for the approval of shareholders an interim dividend for six months ended June 30, 2008 in the amount of 4.00 Roubles per ordinary share (20.00 Roubles per GDR), which would be a total of RR 8,498.

Pricing policy for domestic agricultural producers

On August 4, 2008 the Group reached an agreement with domestic customers - producers of complex fertilizers "EuroChem" and "Phosagro" - to hold price of potassium chloride at 3,500 Roubles per ton (FCA) till the end of 2008 for the production of complex fertilizers destined for domestic agricultural producers. The Company expects that in the second half of 2008 approximately 41% of domestic sales volume (around 3% of all sales volume) will qualify for the abovementioned price.

For all the direct supplies of potassium chloride for Russian agricultural producers the Company will hold the price at 3,000 Roubles per ton (FCA, including package), and there are currently no plans to raise this price. The Company expects that in the second half of 2008 approximately 5% of domestic sales volume (around 0.4% of all sales volume) will qualify for the abovementioned price.

The price for potassium chloride to domestic customers for the production of exportable complex fertilizers will be based on the formula as agreed between the Company and the Federal Antimonopoly Service of the Russian Federation. This formula links domestic prices to certain minimum export market price (currently - FOB China), while adjusting for certain export costs.

25 Seasonality

Demand for potassium fertilisers is not significantly influenced by seasons of the year. However, there is a slight decrease in sales during the first months of the calendar year due to weather conditions which cause difficulty in shipping through ports. The seasonality does not significantly influence production and inventory levels are adjusted for these movements in demand. Seasonality does not impact the revenue or cost recognition policies of the Group.