URALKALI®

URALKALI GROUP

INTERNATIONAL ACCOUNTING STANDARD No. 34

CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION AND REVIEW REPORT

30 JUNE 2012

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Report on the Review of the Consolidated Condensed Interim Financial Information

To the Shareholders and Board of Directors of Open Joint Stock Company Uralkali:

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of Open Joint Stock Company Uralkali and its subsidiaries (together the "Group") as of 30 June 2012 and the related consolidated condensed interim statements of income, comprehensive income, cash flows and changes in equity for the six-month period then ended. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this consolidated condensed interim financial information 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 interim financial information 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 information is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim Financial Reporting.

ZAO PricewaterhouseCoopers Audit

11 September 2012
Moscow, Russian Federation

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(in thousands of US dollars, unless otherwise stated)

	Note	30 June 2012	31 December 2011
ASSETS			
Non-current assets:			
Property, plant and equipment	8	3,071,520	3,169,736
Prepayments for acquisition of property, plant and equipment		39,502	27,282
Letters of credit for acquisition of property, plant and equipment		2,010	10,429
Goodwill	9	1,795,081	1,829,694
Intangible assets	10	5,450,682	5,592,039
Investments in associates		12,577	12,563
Deferred income tax asset		12,919	39,289
Other non-current financial assets		5,395	5,273
Restricted cash	16	48,528	-
Total non-current assets		**10,438,214**	**10,686,305**
Current assets:			
Inventories		197,849	243,603
Trade and other receivables		600,616	467,999
Current income tax prepayments		9,157	33,279
Loans issued to related parties	6	-	316
Other financial assets at fair value through profit or loss		169,696	189,730
Restricted cash	16	163,973	8,169
Cash and cash equivalents		1,430,890	1,009,450
		2,572,181	**1,952,546**
Non-current assets held for sale		18,770	28,416
Total current assets		**2,590,951**	**1,980,962**
TOTAL ASSETS		**13,029,165**	**12,667,267**
EQUITY			
Share capital	12	37,638	37,638
Treasury shares	12	(1,876)	(746)
Share premium		6,368,524	6,879,880
Revaluation reserve		5,302	5,302
Currency translation reserve		(1,342,641)	(1,144,287)
Retained earnings		2,744,640	2,269,362
Equity attributable to the company equity holders		**7,811,587**	**8,047,149**
Non-controlling interests		**13,182**	**12,461**
TOTAL EQUITY		**7,824,769**	**8,059,610**
LIABILITIES			
Non-current liabilities:			
Borrowings	15	3,049,172	3,017,155
Post employment benefits obligations		25,073	23,450
Deferred income tax liability		670,939	716,234
Provisions	13	55,673	51,755
Derivative financial liabilities	16	162,504	75,981
Total non-current liabilities		**3,963,361**	**3,884,575**
Current liabilities:			
Borrowings	15	768,313	282,095
Trade and other payables		329,730	292,895
Provisions	13	14,648	66,283
Derivative financial liabilities	16	76,896	21,501
Mine flooding provisions	4, 14	30,472	31,060
Current income tax payable		4,434	2,865
Other taxes payable		16,542	26,383
Total current liabilities		**1,241,035**	**723,082**
TOTAL LIABILITIES		**5,204,396**	**4,607,657**
TOTAL LIABILITIES AND EQUITY		**13,029,165**	**12,667,267**

Approved on behalf of the Board of Directors on 11 September 2012

Vladislav Baumgertner
Chief Executive Officer

Viktor Belyakov
Chief Financial Officer

The accompanying notes on pages 6 to 25 are an integral part of this consolidated condensed interim financial information.

(in thousands of US dollars, unless otherwise stated)

	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
Revenues	17	2,234,471	1,265,779
Cost of sales	18	(525,768)	(389,347)
Gross profit		**1,708,703**	**876,432**
Distribution costs	19	(409,426)	(250,835)
General and administrative expenses	20	(106,772)	(77,848)
Taxes other than income tax		(17,936)	(10,358)
Other operating income and expenses	22	(11,742)	2,265
Operating profit		**1,162,827**	**539,656**
Mine flooding costs	24	(1,316)	(18,111)
Finance income	23	53,167	56,970
Finance expenses	23	(195,031)	(31,734)
Profit before income tax		**1,019,647**	**546,781**
Income tax expense	25	(177,390)	(94,700)
Net profit for the period		**842,257**	**452,081**
Profit attributable to:			
Owners of the Company		841,536	452,035
Non-controlling interests		721	46
Net profit for the period		**842,257**	**452,081**
Earnings per share – basic and diluted (in US cents)	26	**28.12**	**19.37**

(in thousands of US dollars, unless otherwise stated)

	Six months ended 30 June 2012	Six months ended 30 June 2011
Net profit for the period	**842,257**	**452,081**
Other comprehensive (loss)/income		
Effect of translation to presentation currency	(198,354)	177,913
Total other comprehensive (loss)/income for the period	**(198,354)**	**177,913**
Total comprehensive income for the period	**643,903**	**629,994**
Total comprehensive income for the period attributable to:		
Owners of the Company	643,182	629,948
Non-controlling interests	721	46

(in thousands of US dollars, unless otherwise stated)

	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
Cash flows from operating activities			
Profit before income tax		1,019,647	546,781
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets		239,631	122,268
Net loss/(gain) on disposals and write-off of property, plant and equipment	22	9,889	(5,830)
Write-down of non-current assets held for sale to fair value less costs to sell and impairment of fixed assets reclassified to non-current assets held for sale	22	48,693	-
Accrual/(reversal) of provision for impairment of receivables	22	1,460	(5,977)
Net change in provisions	13	(48,399)	21,149
Finance income and expenses, net		153,399	(6,867)
Foreign exchange gain, net	23	(13,990)	(19,349)
Operating cash flows before working capital changes		**1,410,330**	**652,175**
Changes in working capital		(52,833)	85,969
Cash generated from operations		**1,357,497**	**738,144**
Interest paid	15	(107,990)	(28,359)
Income taxes paid		(157,478)	(82,627)
Net cash generated from operating activities		**1,092,029**	**627,158**
Cash flows from investing activities			
Acquisition of intangible assets		(4,630)	(84)
Acquisition of property, plant and equipment		(173,282)	(113,135)
Proceeds from sales of property, plant and equipment		3,723	20,395
Purchase of financial assets at fair value through profit or loss and other investments		-	(296,014)
Proceeds from sale of financial assets at fair value through profit or loss and other investments		17,789	-
Acquisition of subsidiary, net of cash acquired	5	-	(1,081,516)
Increase in restricted cash		(219,022)	(16,065)
Dividends and interest received		37,075	11,591
Net cash used in investing activities		**(338,347)**	**(1,474,828)**
Cash flows from financing activities			
Repayments of borrowings	15	(30,957)	(246,404)
Proceeds from borrowings	15	593,002	609,753
Syndication fees and other financial charges paid	15	(6,110)	(3,879)
Proceeds from bonds issued		-	1,028,768
Cash proceeds from derivatives	16	48,282	-
Purchase of treasury shares	12	(512,486)	(868)
Finance lease payments	23	(791)	(847)
Dividends paid to the Company's shareholders		(383,244)	(61)
Net cash (used in)/generated from financing activities		**(292,304)**	**1,386,462**
Effect of foreign exchange rate changes on cash and cash equivalents		(39,938)	10,930
Net increase in cash and cash equivalents		**421,440**	**549,722**
Cash and cash equivalents at the beginning of the period		**1,009,450**	**481,512**
Cash and cash equivalents at the end of the period		**1,430,890**	**1,031,234**

(in thousands of US dollars, unless otherwise stated)

	Attributable to equity holders of the Company								
	Share capital	Treasury Shares	Share premium/ (discount)	Revaluation reserve	Retained earnings	Currency translation reserve	Total attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 1 January 2011	**20,387**	**(440)**	**(31,618)**	**5,302**	**1,970,950**	**(101,589)**	**1,862,992**	**616**	**1,863,608**
Profit for the period	-	-	-	-	452,035	-	452,035	46	452,081
Other comprehensive income	-	-	-	-	-	177,913	177,913	-	177,913
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**452,035**	**177,913**	**629,948**	**46**	**629,994**
Transactions with owners									
Dividends declared (Note 12)	-	-	-	-	(492,817)	-	(492,817)	-	(492,817)
Issue of share capital for the acquisition of subsidiary (Note 5)	17,251	-	7,356,633	-	-	-	7,373,884	-	7,373,884
Treasury shares acquired in business combination (Note 5)	-	(205)	(86,420)	-	-	-	(86,625)	-	(86,625)
Purchase of treasury shares	-	(2)	(866)	-	-	-	(868)	-	(868)
Total Transactions with owners	**17,251**	**(207)**	**7,269,347**	**-**	**(492,817)**	**-**	**6,793,574**	**-**	**6,793,574**
Balance at 30 June 2011	**37,638**	**(647)**	**7,237,729**	**5,302**	**1,930,168**	**76,324**	**9,286,514**	**662**	**9,287,176**
Balance at 1 January 2012	**37,638**	**(746)**	**6,879,880**	**5,302**	**2,269,362**	**(1,144,287)**	**8,047,149**	**12,461**	**8,059,610**
Profit for the period	-	-	-	-	841,536	**-**	841,536	721	842,257
Other comprehensive loss	-	-	-	-	-	(198,354)	(198,354)	-	(198,354)
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**-**	**841,536**	**(198,354)**	**643,182**	**721**	**643,903**
Transactions with owners									
Dividends declared (Note 12)	**-**	**-**	**-**	**-**	(366,258)	**-**	(366,258)		(366,258)
Purchase of treasury shares	-	(1,130)	(511,356)	-	-	-	(512,486)		(512,486)
Total transactions with owners	**-**	**(1,130)**	**(511,356)**	**-**	**(366,258)**	**-**	**(878,744)**		**(878,744)**
Balance at 30 June 2012	**37,638**	**(1,876)**	**6,368,524**	**5,302**	**2,744,640**	**(1,342,641)**	**7,811,587**	**13,182**	**7,824,769**

1. The Uralkali Group and its operations

Open Joint Stock Company 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 and Solikamsk, Russia. They are distributed both on domestic and foreign markets. In May 2011 the Company acquired OJSC Silvinit and related subsidiaries (together the "Silvinit Group") and as a result, the financial position and the results of operations of Silvinit Group have been included in the Group's consolidated condensed interim financial information from 17 May 2011. The Group manufactures various types of products, the most significant being a wide range of potassium salts. The Group is a major Russia-based potash manufacturer. For the six months ended 30 June 2012 approximately 80% of potash fertilizers were exported (for six months ended 30 June 2011: 83%).

The Company holds operating licences, issued by the Perm regional authorities for the extraction of potassium, magnesium and sodium salts from the Bereznikovskiy, Durimanskiy, Bigelsko-Troitsky, Solikamskiy (north and south parts) and Novo-Solikamskiy plots of the Verkhnekamskoye field. All these licences expire in 2013. However based on the statutory licensing regulations and prior experience, the Company's management believes that the licences will be renewed without any significant costs being incurred. The Company also owns a licence for the Ust'-Yaivinskiy plot of the Verkhnekamskoye field, which expires in 2024, and for the Polovodovskiy plot of the Verkhnekamskoye field, which expires in 2028.

The Company was incorporated as an open joint stock company in the Russian Federation on 14 October 1992. The Company has its registered office at 63 Pyatiletki St., Berezniki, Perm region, Russian Federation. Almost all of the Group's production capacities and all long-term assets are located in the Russian Federation.

As of 30 June 2012, the Group employed approximately 22.4 thousand employees (31 December 2011: 23.0 thousand).

2. Basis of preparation and significant accounting policies

This consolidated condensed interim financial information for the six months ended 30 June 2012 has been prepared in accordance with IAS 34, Interim Financial Reporting. This consolidated condensed interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2011, which have been prepared in accordance with International Financial Reporting Standards.

The accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 December 2011, except for the policies which were changed to comply with the new or amended standards and interpretations that are in force for the year beginning on 1 January 2012 (Note 3).

At 30 June 2012, the official rate of exchange, as determined by the Central Bank of the Russian Federation (CBRF), was US$ 1 = Rouble 32.82 (31 December 2011: US$ 1 = Rouble 32.20). The official Euro to Rouble exchange rate at 30 June 2012, as determined by the CBRF, was Euro 1 = Rouble 41.32 (31 December 2011: Euro 1 = Rouble 41.67). The average official rate of exchange for the six months ended 30 June 2012 was US$ 1 = Rouble 30.64, Euro 1 = Rouble 39.74 (six months ended 30 June 2011: US$ 1 = Rouble 28.63, Euro 1 = Rouble 40.16).

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

3. Adoption of new or revised standards and interpretations

The following new standards, amendments to standards and interpretations became effective for the Group from 1 January 2012:

- ***Recovery of Underlying Assets – Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012).*** These amendments do not have material effect on the Group's consolidated condensed interim financial information;

- ***Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011).*** These amendments do not have material effect on the Group's consolidated condensed interim financial information.

3. Adoptions of new or revised standards and interpretations (continued)

A number of new standards, amendments to standards and interpretations are not yet effective as at 30 June 2012, and have not been early adopted:

- ***IFRS 9, Financial Instruments Part 1: Classification and Measurement (issued in November 2009, effective for annual periods beginning on or after 1 January 2015, with earlier application permitted).*** The Group is currently assessing the impact of the standard on its consolidated financial information;

- ***IFRS 10, Consolidated financial statements (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted).*** The Group is currently assessing the impact of the standard on its consolidated financial information;

- ***IFRS 11, Joint arrangements (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted).*** The Group is currently assessing the impact of the standard on its consolidated financial information;

- ***IFRS 12, Disclosure of interests in other entities (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted).*** The Group is currently assessing the impact of the standard on its consolidated financial information;

- ***IFRS 13, Fair Value Measurement (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted).*** The Group is currently assessing the impact of the standard on its consolidated financial information;

- ***Amendments to IAS 1, Presentation of financial statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012).*** The Group is currently assessing the impact of the amendments on its consolidated financial information;

- ***Amended IAS 19, Employee benefits (issued June 2011, effective for periods beginning on or after 1 January 2013).*** The Group is currently assessing the impact of the amended standard on its consolidated financial information;

- ***IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013).*** The Group is currently assessing the impact of the amended standard on its consolidated financial information;

- ***IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013).*** The Group is currently assessing the impact of the amended standard on its consolidated financial information;

- ***Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013).*** The Group is currently assessing the impact of the amended standard on its consolidated financial information;

- ***Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014).*** The Group is currently assessing the impact of the amended standard on its consolidated financial information;

- ***Other revised standards and interpretations: The amendments to IFRS 1 "First-time adoption of IFRS", relating to severe hyperinflation and eliminating references to fixed dates for certain exceptions and exemptions, amendment to IAS 12 "Income taxes", which introduces a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale, will not have any impact on this consolidated condensed interim financial information. IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, considers when and how to account for the benefits arising from the stripping activity in mining industry.*** The Group is currently assessing the impact of the interpretation on its consolidated financial information.

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

4. Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated condensed interim financial information and the carrying 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 consolidated condensed interim financial information and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Provisions for mine flooding. On 28 October 2006, the Group ceased production operations in Mine 1 due to natural groundwater inflow that reached a level which could not be properly controlled.

On 1 November 2006, the commission of Rostekhnadzor issued an act on its technical investigation of the cause of flooding in Mine 1. According to the act, the flooding was caused by a "new kind of previously unknown anomaly in the geological structure" and "the development of two sylvinite layers AB (1964-1965) and Kr II (1976-1977)". The combination of circumstances in the run up to the accident, in terms of source, scope and strength was classified as "being extraordinary and unavoidable events under prevailing conditions not dependent on the will of the parties involved".

In November 2008, at the request of Russian Deputy Prime Minister, Igor Sechin, a new commission was established by Rostekhnadzor to carry out a second investigation into the cause of flooding in Mine 1. The second commission's report was published on 29 January 2009, concluding that the flooding was caused by a "combination of geological and technological factors".

In March 2010 the Board of Directors of the Company approved the voluntary compensation, as a part of its social responsibility, of additional expenditures in relation to the construction of a 53-kilometer railway bypass in the amount of US$ 30,472 (31 December 2011: US$ 31,060) to OJSC "Russian railways". To date this provision has not been utilized as the process for making the payment has not been finalised.

The procedure for calculating and compensating for mineral deposits lost as a result of mine flooding is not established by Russian law. However, the Company evaluates the risk that such claims could arise as "possible". In the appendices to the report of the second commission of Rostekhnadzor, there is a calculation of the value of lost mineral resources (from US$ 773,382 to US$ 2,578,001) and a calculation of losses resulting from mineral extraction tax not received by the government due to flooding (from US$ 29,375 to US$ 97,968). The Company analysed the calculations provided in the appendices and evaluated the risk of compensation in the stated amount as "remote".

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 the expiry date of the relevant operating licences (Note 1). The management believes that the licences will be renewed in due order. However if the licences are not renewed, property, plant and equipment with net book value of US$ 495,009 (31 December 2011: US$ 522,038) should be assessed for impairment in 2013.

Remaining useful life of mining licences. Management assesses the remaining useful life of intangible assets in accordance with the estimated period during which these assets will bring economic benefit to the Group. The estimated remaining useful life of mining licences acquired in the course of business combination (Note 5) is beyond the expiry date of these licences. Management believes that the licences will be renewed in due order. However if the licences are not renewed, intangible assets with net book value of US$ 4,243,045 (31 December 2011: US$ 4,401,484) should be assessed for impairment in 2013.

Land. OJSC Baltic Bulker Terminal (OJSC BBT) does not have registered lease rights to the land underlying the shipping complex it operates. The management plans to secure the land where the facilities of OJSC BBT are situated by a long-term rent agreement. If the Group cannot secure long-term use of this land, non-current assets with net book value of US$ 65,238 (31 December 2011: US$ 65,889) should be assessed for impairment.

Impairment of goodwill. The Group tests goodwill for impairment at least annually. The goodwill relates to the acquisition of the Silvinit Group, CJSC Solikamsky Stroitelny Trest and OJSC BBT. The goodwill is primarily attributable to the expected future operational and marketing synergies of the combined group and is allocated to CGU Uralkali Group.

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

Trade and other receivables. The Company's management analyses overdue trade and other accounts receivable at each reporting date. Overdue accounts receivable are not provided for if management has certain evidence of their recoverability. If management has no reliable information about the recoverability of overdue receivables, a 100% impairment provision is accrued for trade and other receivables overdue by more than 90 days; receivables overdue by more than 45 (but less than 90) days are provided for at 50% of their carrying amount.

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 is +/-4-6%. At the reporting date the carrying amount of finished products may vary within this range.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations (Note 27).

Provision for filling cavities. A provision has been established in the consolidated condensed interim financial information for the Group's obligation to replace the earth extracted from the Solikamsk mines (Note 13).

The major uncertainties that relate to amount and timing of the cash outflows related to the filling cavities works and assumptions made by management in respect of these uncertainties are as follows:

- The extent of the filling cavities works which will have to be performed in the future may vary depending on the actual environmental situation. Management believes that the legal obligation to replace the earth in the mines is consistent with the cavities filling plan agreed with the State mine supervisory body.

- The future unit cost of replacing one cubic meter of the earth in the mines may vary depending on the technology and the cost of resources used. Management assumes that the unit cost of replacing a cubic meter of earth in future years, during the period for which the current filling cavities plan is in place, adjusted for the effect of inflation, will not be materially different from the actual cost incurred in 2012.

- Management applied its judgment in determining the rate used in discounting the future real cash outflows associated with the filling cavities works, reflecting the time value of money. In the six-months period ended 30 June 2012 management applied discount rate of 7.8%.

Restructuring provision. The Group accrued a provision for the closing down of the ore-treatment plant and carnallite plant subdivision at Berezniki 1 (Note 13).

The major uncertainties that relate to amount and timing of the cash outflows related to the restructuring works and assumptions made by management in respect of these uncertainties are as follows:

- Estimates were used to determine the costs of dismantling and restoration works for the liquidation of the ore-treatment plant and the carnallite plant at Berezniki 1;

- Management applied its judgment in determining the rate used in discounting the future real cash outflows associated with the dismantling works, reflecting the time value of money. The discount rate used is in the range from 6.38% to 8.03% depending on the timing of expenses.

5. Business combinations

i Acquisition of Silvinit Group

On 17 May 2011, the Company acquired Silvinit Group, creating one of the world's leading potash companies, a leading global fertilizer producer and one of Russia's leading mineral resource companies.

The acquisition was made through the purchase of 1,565,151 Silvinit ordinary shares, representing approximately 20% of its ordinary share capital, for total cash consideration of US$ 1.4 billion, completed on 28 February 2011, and a subsequent statutory merger of the Company and OJSC Silvinit, through the issuance of Uralkali ordinary shares for the remaining ordinary and preferred share capital of OJSC Silvinit, completed on 17 May 2011. Upon completion of the merger, OJSC Silvinit ceased to exist and OJSC Silvinit shareholders received 133.4 Uralkali ordinary shares for each 1 ordinary share in Silvinit and 51.8 Uralkali ordinary shares for each 1 preferred share in Silvinit.

(in thousands of US dollars, unless otherwise stated)

5. Business combinations (continued)

i Acquisition of Silvinit Group (continued)

The financial position and the results of operations of Silvinit Group were included in the Group's consolidated condensed interim financial information from 17 May 2011.

The table below sets forth the fair values of Silvinit Group consolidated identifiable assets, liabilities and contingent liabilities at the date of acquisition:

	Note	Attributed fair value
Assets		
Property, plant and equipment	8	1,850,768
Intangible assets	10	6,460,432
Investments in associates		25,875
Other non-current financial assets		11,190
Deferred income tax asset		118,108
Trade and other receivables		177,861
Inventories		150,464
Loans issued		3,633
Irrevocable bank deposits		6,987
Cash and cash equivalents		350,577
Total assets		**9,155,895**
Liabilities		
Borrowings	15	1,323,507
Deferred income tax liability		970,914
Post employment benefits obligations		12,486
Provision for filling cavities, long-term	13	52,215
Trade and other payables		52,948
Current income tax payable		5,583
Legal provision	13	60,528
Provision for filling cavities, short-term	13	6,597
Total liabilities		**2,484,778**
Total identifiable net assets at fair value		**6,671,117**

The Group finalized purchase price allocation in the consolidated financial statements for the year ended 31 December 2011.

The fair value of trade and other receivables includes trade and other receivables with a fair value of US$ 177,861 being the best estimate of contractual cash flows expected to be collected. The gross contractual amount of trade and other receivables due was US$ 232,671.

The acquisition-date fair value of the total purchase consideration and its components were as follows:

	US$ thousands
Cash consideration paid	1,432,093
Fair value of newly issued shares of the acquirer	7,373,884
Effect of translation to presentation currency	19,637
Total purchase consideration	**8,825,614**

Cash consideration of US$ 1.4 billion paid by the Group was recorded as consideration paid on the acquisition of subsidiary in the consolidated statement of cash flows. The remaining approximately 80% ownership interest was transferred to the Group in exchange for the newly issued shares of OJSC Uralkali. The fair value of these newly issued shares of the acquirer was determined on the basis of closing market price of the ordinary shares on the date of acquisition.

Acquisition related transaction costs of US$ 4,141 were expensed as general and administrative expenses.

(in thousands of US dollars, unless otherwise stated)

5. Business combinations (continued)

i Acquisition of Silvinit Group (continued)

The excess of the total consideration paid by the Group over the fair values of assets and liabilities, net of treasury shares acquired in the total amount of US$ 2,067,872 represents the goodwill.

	Note	US$ thousands
Total identifiable net assets at fair value		6,671,117
Treasury shares acquired		86,625
Goodwill	9	2,067,872
Total purchase consideration		**8,825,614**

The goodwill is primarily attributable to the expected future operational and marketing synergies. The goodwill will not be deductable for tax purposes in future periods.

If the acquisition had occurred on 1 January 2011, Group results for the six months ended 30 June 2011 would have been:

- Gross revenue – US$ 1,972,546;
- Net profit – US$ 794,185;
- Freight, railway tariff, transshipment – US$ 318,523;
- Depreciation and amortisation, financial income and expenses, income tax expense – US$ 241,326;
- Volume sold – 5,276 thousands tonnes.

ii Acquisition of CJSC Solikamsky Stroitelny Trest (SST)

On 7 October 2011, the Company obtained control over its associate SST, the local leader of the construction market in the city of Solikamsk. The acquisition was made through the purchase of SST ordinary shares, representing approximately 47.64% of its ordinary share capital, for total cash consideration of US$ 35,375.

The financial position, and the results of operations, of SST were included in the Group's consolidated financial statements from 7 October 2011.

The table below sets forth the fair values of SST consolidated identifiable assets and liabilities at the date of acquisition:

	Attributed fair value
Assets	
Property, plant and equipment	42,145
Intangible assets	224
Trade and other receivables	3,569
Inventories	25,047
Cash and cash equivalents	2,901
Total assets	**73,886**
Liabilities	
Borrowings	5,087
Deferred income tax liability	4,483
Trade and other payables	15,461
Total liabilities	**25,031**
Total identifiable net assets at fair value	**48,855**

The excess of the total consideration paid by the Group over the fair values of assets and liabilities represents the goodwill.

	Note	US$ thousands
Total identifiable net assets at fair value		48,855
Fair value of the non controlling interest		(15,373)
Fair value of existing interest in acquiree		(11,926)
Goodwill	9	13,819
Total purchase consideration		**35,375**

(in thousands of US dollars, unless otherwise stated)

5. Business combinations (continued)

ii Acquisition of CJSC Solikamsky Stroitelny Trest (SST) (continued)

The goodwill is attributable to the expected future optimization of the construction and repair works for the Group. The goodwill will not be deductable for tax purposes in future periods.

The Group finalized the purchase price allocation in the consolidated financial statements for the year ended 31 December 2011.

The fair value of trade and other receivables includes trade and other receivables with a fair value of US$ 3,569 being the best estimate of contractual cash flows expected to be collected. The gross contractual amount of trade and other receivables did not differ from their fair value at acquisition date.

6. 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 considered related parties.

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.

Statement of financial position caption	Nature of relationship	30 June 2012	31 December 2011
Balances			
Prepayments for acquisition of property, plant and equipment	Associate	1,349	1,531
Prepayments for acquisition of property, plant and equipment	Other related parties	2,288	2,294
Trade and other receivables	Associate	942	26
Trade and other receivables	Other related parties	1,359	2,752
Trade and other payables	Associate	2,536	2,414
Trade and other payables	Other related parties	156	423
Loans issued to related parties	Associate	-	316

		Six months ended 30 June 2012	Six months ended 30 June 2011
Transactions			
Acquisition of property, plant and equipment	Associate	15,934	6,892
Acquisition of property, plant and equipment	Other related parties	1,768	-
Acquisition of inventories	Associate	7,684	-

Statement of income caption	Nature of relationship	Six months ended 30 June 2012	Six months ended 30 June 2011
Other domestic revenue	Associate	203	-
Other domestic revenue	Other related parties	9,365	1,382
Transportation and other revenues	Associate	7	35
Transportation and other revenues	Other related parties	1	1,095
Repairs and maintenance	Associate	751	549
Repairs and maintenance	Other related parties	73	14
Other expenses	Associate	854	-
Other expenses	Other related parties	2,546	-
Interest income	Former key management	-	216
Interest income	Other related parties	33	11
Monitoring costs	Associate	444	-

(in thousands of US dollars, unless otherwise stated)

6. Related parties (continued)

Cross shareholding

As of 30 June 2012 CJSC JV Kama, a 100% owned subsidiary of the Group, owned 2.61% of the ordinary shares of the Company (31 December 2011: 0.81%).

As of 30 June 2012 CJSC IK Silvinit-Resource, a 100% owned subsidiary of the Group, owned 0.37% of the ordinary shares of the Company (31 December 2011: 0.37%).

As of 30 June 2012 Enterpro Services Ltd., a 100% owned subsidiary of the Group, owned 2.10% of the ordinary shares of the Company (31 December 2011: 1.60%).

Management's compensation

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

The Board of Directors has approved the main principles of the long-term incentive strategy of Uralkali's top management. The remuneration will depend on total shareholder return relative to the Company's peers and will be adjusted to the volatility of the Russian stock market versus the US market. The absolute risk adjusted stock performance will also influence the amount of remuneration. The program is effective from the third quarter of 2011 and the Group liability as of 30 June 2012 was estimated to be nil (31 December 2011: nil).

Total key management compensation represented by short-term employee benefits and included in general and administrative and distribution expenses in the consolidated condensed interim statement of income were US$ 9,064 and US$ 6,406 for the six months ended 30 June 2012 and 30 June 2011, respectively.

7. Segment reporting

The Group identifies the segment in accordance with the criteria set forth in IFRS 8, and based on the way the operations of the Company are regularly reviewed by the chief operating decision maker to analyse performance and allocate resources. The chief operating decision-maker has been determined as the Board of Directors. It was determined, that the Group has one operating segment – the extraction, production and sales of potash fertilizers.

The financial information reported on operating segments is based on management accounts which are based on IFRS.

a) Segment information for the reportable segment is set out below:

	Note	**Six months ended 30 June 2012**	**Six months ended 30 June 2011**
Revenues	17	2,234,471	1,265,779
Segment result (Net profit)		**842,257**	**452,081**
Depreciation and amortisation		(239,631)	(122,268)
Mine flooding costs	24	(1,316)	(18,111)
Finance income	23	53,167	56,970
Finance expense	23	(195,031)	(31,734)
Income tax expense	25	(177,390)	(94,700)

b) Major customers

The Group had no external customers which represented more than 10% of the Group's revenues in six months ended 30 June 2012 and 30 June 2011.

(in thousands of US dollars, unless otherwise stated)

7. Segment reporting (continued)

c) In addition to the above segment disclosure management is preparing additional information that splits the result of the Potash segment activity between export potash sales, domestic potash sales and other sales. Direct cost of sales and distribution expenses are allocated proportionally based on revenues. Indirect expenses, such as general and administrative expenses, other operating income and expenses and taxes other than income tax are allocated between categories proportionally based on cost of sales. Some costs are considered as unallocated (loss on disposal of fixed assets, impairment of assets reclassified to non-current assets held for sale, write-down of non-current assets held for sale to fair value less costs to sell, reversal and additions of provisions, net results on sale of Belaruskali and Silvinit goods, mine flooding costs, finance income and expense, income tax expense).

This split for the six months ended 30 June 2012 was as follows:

	Potash					
	Export	**Domestic**	**Total potash**	**All others**	**Unallocated**	**Total**
Tonnes (thousands)	**4,114**	**1,009**	**5,123**			**5,123**
Revenues	**1,903,009**	**272,751**	**2,175,760**	**58,711**		**2,234,471**
Cost of sales	(397,748)	(97,536)	**(495,284)**	(30,484)		**(525,768)**
Distribution, general and administrative expenses, other operating income and expenses and taxes other than income tax	(502,630)	(24,036)	**(526,666)**	(16,006)	(3,204)	**(545,876)**
Operating profit / (loss)	**1,002,631**	**151,179**	**1,153,810**	**12,221**	**(3,204)**	**1,162,827**
Mine flooding costs					(1,316)	**(1,316)**
Finance income and expenses, net					(141,864)	**(141,864)**
Profit before income tax						**1,019,647**
Income tax expense					(177,390)	**(177,390)**
Segment result/Net profit for the period						**842,257**

This split for the six months ended 30 June 2011 was as follows:

	Potash					
	Export	**Domestic**	**Total potash**	**All others**	**Unallocated**	**Total**
Tonnes (thousands)	**2,683**	**564**	**3,247**	**-**	**-**	**3,247**
Revenues	**1,130,799**	**103,541**	**1,234,340**	**31,439**	**-**	**1,265,779**
Cost of sales	(307,758)	(64,653)	**(372,411)**	(16,936)	-	**(389,347)**
Distribution, general and administrative expenses, other operating income and expenses and taxes other than income tax	(322,161)	(15,351)	**(337,512)**	(6,260)	6,996	**(336,776)**
Operating profit	**500,880**	**23,537**	**524,417**	**8,243**	**6,996**	**539,656**
Mine flooding costs					(18,111)	**(18,111)**
Finance income and expenses, net					25,236	**25,236**
Profit before income tax						**546,781**
Income tax expense					(94,700)	**(94,700)**
Segment result/Net profit for the period						**452,081**

(in thousands of US dollars, unless otherwise stated)

8. Property, plant and equipment

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

	Note	2012	2011
Cost			
Balance as of 1 January		4,121,237	2,355,230
Additions		172,275	118,795
Disposals and write-off of fixed assets		(34,811)	(22,169)
Impairment of fixed assets reclassified to assets held for sale	22	(31,350)	-
Acquisition of subsidiary	5	-	1,850,768
Reclassification to non-current assets held for sale		(7,796)	-
Effect of translation to presentation currency		(81,922)	206,022
Balance as of 30 June		**4,137,633**	**4,508,646**
Accumulated Depreciation			
Balance as of 1 January		951,501	808,354
Depreciation charge		160,539	94,608
Disposals and write-off of fixed assets		(19,461)	(9,711)
Reclassification to non-current assets held for sale		(97)	-
Effect of translation to presentation currency		(26,369)	70,547
Balance as of 30 June		**1,066,113**	**963,798**
Net Book Value			
Balance as of 1 January		**3,169,736**	**1,546,876**
Balance as of 30 June		**3,071,520**	**3,544,848**

Fully depreciated assets still in use

As of 30 June 2012 and 31 December 2011 the gross carrying value of fully depreciated property, plant and equipment still in use was US$ 343,298 and US$ 298,977, respectively.

Assets pledged under loan agreements

As of 30 June 2012 and 31 December 2011, the carrying value of property, plant and equipment pledged under bank loans was US$ 185,104 and US$ 87,314 (Note 15) respectively.

Reclassification to assets held for sale

In the six-months period ended 30 June 2012 the Group decided to sell non-core fixed assets with a gross book value and accumulated depreciation of US$ 39,146 and US$ 97, respectively, as part of its strategy to divest non-core assets. Impairment in the amount of US$ 31,350 (Note 22) was recognized prior to reclassification to non-current assets held for sale.

9. Goodwill

Movements in goodwill arising on the acquisition of subsidiaries are:

	Note	2012	2011
Carrying amount at 1 January		**1,829,694**	**12,009**
Acquisition of subsidiaries	5	-	2,067,872
Effect of translation to presentation currency		(34,613)	2,332
Carrying amount at 30 June		**1,795,081**	**2,082,213**

The goodwill is primarily attributable to the expected future operational and marketing synergies arising from the acquisition of subsidiaries, which are attributable to the combined business as a whole and not to individual assets of subsidiaries. Allocation of goodwill to cash generated unit (CGU):

CGU allocated	Acquisition	30 June 2012	31 December 2011
Uralkali Group	Silvinit Group (Note 5)	1,770,242	1,804,376
Uralkali Group	CJSC SST (Note 5)	13,686	13,950
Uralkali Group	OJSC BBT	11,153	11,368
Total carrying amount of goodwill		**1,795,081**	**1,829,694**

10. Intangible assets

	Note	2012	2011
Cost			
Balance as of 1 January		5,724,115	18,876
Additions		4,717	1,246
Capitalised borrowing costs		39,216	20,466
Acquisition of subsidiaries	5	-	6,460,432
Effect of translation to presentation currency		(111,199)	12,676
Balance as of 30 June		**5,656,849**	**6,513,696**
Accumulated Amortisation			
Balance as of 1 January		132,076	14,217
Amortisation charge		81,948	28,655
Effect of translation to presentation currency		(7,857)	1,784
Balance as of 30 June		**206,167**	**44,656**
Net Book Value			
Balance as of 1 January		**5,592,039**	**4,659**
Balance as of 30 June		**5,450,682**	**6,469,040**

11. Investments in jointly controlled entities

The Company has a 50% interest in JSC Belarussian Potash Company ("BPC") – the remaining 50% is divided between Belaruskali (which owns 45%) and Belarussian Railways (which owns 5%). According to BPC's charter, all decisions on shareholders meeting could be taken only with a majority of 75%. Therefore, BPC operations are under the joint control of Belaruskali and the Company (the "Participants"). BPC's principal activity is marketing and exporting as an agent potash fertilizers produced by the participants.

BPC's charter provides for separate accounting of the operations of each participant, including separate accounting for the sales of the participants' goods and the related cost of sale and distribution costs. Administrative expenses incurred by BPC are currently shared as follows: not more than 78% (six-months period ended 30 June 2011: 69%) allocated to Belaruskali operations, and not less than 22% (six-months period ended 30 June 2011: 31%) allocated to Group operations. The actual proportion depends on the volume of goods sold by each participant through BPC.

The distribution of net income to each participant is made on the basis of their relevant results after deducting administrative costs, unless both participants decide not to distribute. Group's operations through BPC, assets and the Group's liabilities located in BPC are included in this consolidated condensed interim financial information. The consolidated condensed interim statement of income reflects the revenue from sales by BPC of Uralkali's products, together with the related costs of sales, distribution and administrative costs.

12. Shareholders equity

	Number of ordinary shares (in millions)	Ordinary shares	Treasury shares	Total
At 1 January 2011	**2,124**	**20,387**	**(440)**	**19,947**
Issue of new shares	970	17,251	-	17,251
Treasury shares purchased	-	-	(207)	(207)
At 30 June 2011	**3,094**	**37,638**	**(647)**	**36,991**
At 1 January 2012	**3,094**	**37,638**	**(746)**	**36,892**
Treasury shares purchased	-	-	(1,130)	(1,130)
At 30 June 2012	**3,094**	**37,638**	**(1,876)**	**35,762**

In May 2011 the Company issued new shares in conjunction with statutory merger with OJSC Silvinit (Note 5) in the total amount of 970,247,905 ordinary shares with a nominal value per share of 1.778 US cents (0.5 Russian roubles).

The number of unissued authorised ordinary shares is 1,730 million (31 December 2011: 1,730 million) with a nominal value per share of 1.524 US cents (0.5 Russian roubles (31 December 2011: 0.5 Russian roubles)). All shares stated in the table above have been issued and fully paid.

(in thousands of US dollars, unless otherwise stated)

12. Shareholders' equity (continued)

Treasury shares. As of 30 June 2012 treasury shares comprise 80,880,106 ordinary shares of the Company (31 December 2011: 24,919,729) owned by CJSC JV Kama, a wholly owned subsidiary of the Group, 64,986,954 ordinary shares of the Company (31 December 2011: 49,521,048) owned by Enterpro Services Ltd., a wholly owned subsidiary of the Group, and 11,453,502 ordinary shares of the Company (31 December 2011: 11,453,502) owned by CJSC IK Silvinit-Resource, a wholly owned subsidiary of the Group, with a nominal value per share of 1.524 US cents (0.5 Russian roubles) (Note 6). These ordinary shares carry voting rights in the same proportion as other ordinary shares. Voting rights of ordinary shares of the Company held by entities within the Group are effectively controlled by the management of the Group.

During six months ended 30 June 2012 treasury shares comprising 1,301,452 (six months ended 30 June 2011: 121,229) ordinary shares of the Company were bought back by the Company. The Company does not accrue dividends on these treasury shares.

Profit distribution. In accordance with Russian legislation, the Company distributes profits as dividends or transfers them to reserves. The Company's statutory accounting reports are the basis for profit distribution and other appropriations. Russian law identifies net profit as the basis of distribution. For the six months ended 30 June 2012, the current period net statutory profit for the Company, as reported in the published semi-annual statutory reporting forms, was US$ 966,666 (for the six months ended 30 June 2011: US$ 546,106) and the closing balance of the accumulated profit including the current period net statutory profit totaled US$ 2,946,661 (31 December 2011: US$ 2,466,993). However, this legislation and other statutory laws and regulations are open to legal interpretation and accordingly management believes at present that it would not be appropriate to disclose the amount of the distributable reserves in this consolidated condensed interim financial information.

In 2011 the Board of Directors approved a new dividend policy which allows the Company to distribute, as dividends, not less than 50% of net profit, as determined in the IFRS consolidated financial statements, at least twice a year. This policy is applicable provided it does not contradict the above.

Dividends. In June 2012 the General Meeting of Shareholders of the Company approved dividends (based on the financial results for the year ended 31 December 2011) amounting to US$ 377,523 (12 US cents per share).

In December 2011 the General Meeting of Shareholders of the Company approved interim dividends amounting to US$ 397,335 (13 US cents per share).

In June 2011 the General Meeting of Shareholders of the Company approved dividends (based on the financial results for the year ended 31 December 2010) amounting to US$ 498,670 (16 US cents per share).

The total amount of dividends attributable to treasury shares has been eliminated. All dividends are declared and paid in Russian Roubles.

13. Provisions

	Note	Legal provision	Provision for filling cavities	Restructuring provision	Total
Carrying amount at 1 January 2011		**-**	**-**	**-**	**-**
Additions through acquisition of subsidiaries	5	60,528	58,812	-	119,340
Additions charged to profit or loss		-	3,721	-	3,721
Utilisation of provision		-	(449)	-	(449)
Effect of translation to presentation currency		100	827	-	927
Current liabilities		**60,628**	**7,459**	**-**	**68,087**
Non-current liabilities		**-**	**55,452**	**-**	**55,452**
Carrying amount at 30 June 2011		**60,628**	**62,911**	**-**	**123,539**
Carrying amount at 1 January 2012		**52,869**	**46,607**	**18,562**	**118,038**
Additions charged to profit or loss		-	7,157	-	7,157
Reversal of provision	22	(55,556)	-	-	(55,556)
Utilisation of provision		-	(6,262)	(991)	(7,253)
Unwinding of the present value discount and effect of changes in discount rates	23	-	6,262	673	6,935
Effect of translation to presentation currency		2,687	(1,356)	(331)	1,000
Current liabilities		**-**	**9,743**	**4,905**	**14,648**
Non-current liabilities		**-**	**42,665**	**13,008**	**55,673**
Carrying amount at 30 June 2012		**-**	**52,408**	**17,913**	**70,321**

(in thousands of US dollars, unless otherwise stated)

13. Provisions (continued)

Legal provision. In January 2011 A.G. Lomakin filed a claim in the Perm Territory Arbitrage (Commercial) Court against OJSC Silvinit and CJSC Komputersher Registrator (a company that kept the share register of OJSC Silvinit) seeking compensation of damages in the amount of US$ 60,528. A.G. Lomakin claimed that shares of OJSC Silvinit belonging to him were unlawfully transferred from his account in the register without his consent. After the merger the Company became OJSC Silvinit's legal successor. The Perm Territory Arbitrage (Commercial) Court sustained the claim of A.G. Lomakin and recovered the damages jointly from the Company and CJSC Komputersher Registrator in the amount of US$ 60,528. The court of appellate and cassation instances upheld the decision of the Perm Territory Arbitrage (Commercial) Court. In April 2012 the claimed amount was paid to A.G. Lomakin by CJSC Komputersher Registrator.

Provision for filling cavities. A provision of US$ 52,408 (31 December 2011: US$ 46,607) is recorded in respect of the Group's obligation to replace the earth extracted from the mines.

A technical program for mining operations was agreed with the local State mine supervisory body in 1997-1998. Based on this framework program, the Group prepares annual mining plans and agrees them with the local state mine supervisory body.

The balance of the provision at the reporting date equals the total of expected future discounted cash outflows associated with replacing the earth extracted from the mine in accordance with the plan of filling cavities work agreed with the state mine supervisory body. The relevant cash flows are discounted at a rate reflecting the time value of money.

At the end of each year, the provision is reassessed to account for the amount of earth removed and replaced during the year. Expenditure incurred to replace the earth is charged against the provision, whilst the increase or decrease in the estimated future cost of replacing the earth is charged to profit or loss.

Restructuring provision. In 2011 the Board of Directors decided to abandon the ore-treatment plant and carnallite plant at Berezniki 1. The decision to abandon the plants was driven by the lack of the raw materials base due to the flooding of the Mine 1. This will allow the Company to reduce operational costs. The Company ceased production at the plants at the end of 2011 and begin dismantling them. The dismantling is expected to be completed in 2018.

14. Mine flooding

	Note	2012	2011
Balance at 1 January		**31,060**	**32,811**
Accrual of provision for compensation	4, 24	-	17,428
Effect of translation to presentation currency		(588)	3,152
Balance at 30 June		**30,472**	**53,391**

15. Borrowings

	30 June 2012	31 December 2011
Bank loans	3,800,683	3,282,071
Long-term company loans	1,378	1,449
Finance lease payable	15,424	15,730
Total borrowings	**3,817,485**	**3,299,250**

As of 30 June 2012 and 31 December 2011, the fair value of the current and non-current borrowings is not materially different from their carrying amounts.

	Note	2012	2011
Balance at 1 January		**3,282,071**	**369,230**
Bank loans received, denominated in US$		100,000	200,000
Bank loans received, denominated in RR		493,002	409,753
Bank loans repaid, denominated in US$		(28,216)	(246,404)
Bank loans repaid, denominated in RR		(2,741)	-
Interest accrued		112,288	29,859
Interest paid		(107,990)	(28,359)
Acquisition of subsidiary	5	-	1,323,507
Recognition of syndication fees and other financial charges		(6,110)	(3,879)
Amortisation of syndication fees and other financial charges		10,824	1,424
Foreign exchange loss/(gain)		32,886	(80,439)
Effect of translation to presentation currency		(85,331)	98,876
Balance at 30 June		**3,800,683**	**2,073,568**

(in thousands of US dollars, unless otherwise stated)

15. Borrowings (continued)

The table below shows interest rates as of 30 June 2012 and 31 December 2011 and the split of the bank loans into short-term and long-term.

Short-term borrowings	Interest rates	30 June 2012	31 December 2011
Bank loans in US$: floating interest	From 1 month Libor +1.8% to 1 month Libor +3.5% (31 December 2011: from 1 month Libor +1.8% to 1 month Libor +3.5%)	211,848	92,838
Bank loans in RR: floating interest	From MosPrime Rate 3M+1.5% to MosPrime 3M+1.9% (31 December 2011: from MosPrime 3M+1.5% to MosPrime 3M+1.9%)	175,343	178,619
Bank loans in RR: fixed interest	From 8.05% to 10% (31 December 2011: from 7.3% to 10.0%)	381,122	10,638
Total short-term bank loans		**768,313**	**282,095**

Long-term borrowings	Interest rates	30 June 2012	31 December 2011
Bank loans in US$: floating interest	From 1 month Libor +1.8% to 1 month Libor +3.5% (31 December 2011: from 1 month Libor +1.8% to 1 month Libor +3.5%)	1,538,547	1,584,113
Bank loans in RR: floating interest	From MosPrime 3M+1.5% to MosPrime 3M+1.9% (31 December 2011: from MosPrime 3M+1.5% to MosPrime 3M+1.9%)	363,293	370,177
Bank loans in RR: fixed interest	From 7.3% to 9.1% (31 December 2011: from 7.3% to 10.0%)	1,130,530	1,045,686
Total long-term bank loans		**3,032,370**	**2,999,976**

As of 30 June 2012 and 31 December 2011, loans (including short-term borrowings) were guaranteed by collateral of property, plant and equipment (Note 8). As of 30 June 2012, other inventories of US$ 1,676 were pledged as security for bank loans (31 December 2011: US$ 2,353).

Bank loans of US$ 1,651,393 (31 December 2011: US$ 1,676,950) were collateralised 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:

	30 June 2012	31 December 2011
- within 1 year	768,313	282,095
- between 2 and 5 years	3,032,370	2,999,976
Total bank loans	**3,800,683**	**3,282,071**

In December 2009, OJSC BBT entered into a new financial lease agreement with Federal State Unitary Enterprise Rosmorport ("FSUE Rosmorport") for 49 years. Under this agreement, BBT has leased berth No. 106 and renegotiated the lease terms for berth No. 107. As of 30 June 2012, the leased berths were included in property, plant and equipment with a net book value of US$ 13,722 (31 December 2011: US$ 17,307).

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

	30 June 2012	31 December 2011
- within 1 year	1,494	1,522
- between 2 and 5 years	5,975	6,090
- after 5 years	61,988	63,945
Minimum lease payments at the end of the period	**69,457**	**71,557**
Less future finance charges	(54,033)	(55,827)
Present value of minimum lease payments	**15,424**	**15,730**

16. Derivative financial assets and liabilities

At 30 June 2012, the derivative financial liabilities were represented by liabilities arising on the cross-currency interest rate swaps accounted for at a fair value of US$ 239,400 (31 December 2011: US$ 97,482) entered in conjunction with RR-denominated loans. The Group pays US$ at fixed rates varying from 2.20 to 4.00 (six months ended 30 June 2011: from 4.00 to 5.07) and recieves RR at rates of RR-denominated loans (Note 15). Maturity of the swaps is linked to loans redemption.

(in thousands of US dollars, unless otherwise stated)

16. Derivative financial liabilities (continued)

As at 30 June 2012, restricted cash in the amount of US$ 212,501 consists of cash kept on bank accounts as collateral in accordance with interest rate swap agreement (US$ 48,528) and irrevocable bank deposits with maturity of less than three months from the reporting date (US$ 163,973). As at 31 December 2011, restricted cash in the amount of US$ 8,169 consists of irrevocable bank deposits with a maturity of less than three months from the reporting date.

Movements of the carrying amount of derivative financial liabilities were as follows:

	Note	2012	2011
Opening balance as at 1 January		**97,482**	**-**
Cash proceeds from derivatives		48,282	3,004
Changes in the fair value	23	105,699	(44,431)
Effect of translation to presentation currency		(12,063)	(830)
Closing balance as at 30 June		**239,400**	**(42,257)**

17. Revenues

	Six months ended 30 June 2012	Six months ended 30 June 2011
Export		
Potassium chloride	1,272,650	694,212
Potassium chloride (granular)	630,359	436,587
Domestic		
Potassium chloride	272,751	103,541
Other	30,727	9,500
Transportation and other revenues	27,984	21,939
Total revenues	**2,234,471**	**1,265,779**

18. Cost of sales

	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
Depreciation		138,311	78,588
Labour costs	21	105,148	69,542
Amortisation of licences		80,519	27,789
Fuel and energy		69,649	49,003
Materials and components used		60,391	42,537
Repairs and maintenance		23,848	19,811
Transportation between mines by railway		4,748	4,028
Change in provision for filling cavities		895	3,721
Cost of finished goods acquired in a business combination	5	-	69,299
Change in work in progress, finished goods and goods in transit		37,234	22,690
Other costs		5,025	2,339
Total cost of sales		**525,768**	**389,347**

Costs of finished goods acquired in business combination represent the fair value finished goods received in a business combination (Note 5) and sold during six-months period ended 30 June 2011.

19. Distribution costs

	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
Railway tariff		187,897	109,534
Freight		125,648	90,468
Transport repairs and maintenance		27,888	12,010
Transshipment		17,139	13,975
Commissions		11,661	2,109
Depreciation		8,957	5,100
Labour costs	21	7,961	4,654
Customs fees		834	1,072
Travel expenses		288	376
Other costs		21,153	11,537
Total distribution costs		**409,426**	**250,835**

(in thousands of US dollars, unless otherwise stated)

20. General and administrative expenses

	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
Labour costs	21	57,740	37,383
Consulting, audit and legal services		6,083	10,404
Security		5,401	3,169
Materials and fuel		4,592	3,161
Depreciation		4,511	4,667
Mine-rescue crew		4,091	2,636
Repairs and maintenance		2,999	4,322
Insurance		2,587	1,980
Amortisation of intangible assets		1,429	851
Travel expenses		1,184	912
Bank charges		641	502
Other expenses		15,514	7,861
Total general and administrative expenses		**106,772**	**77,848**

21. Labour costs

	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
Labour costs: Cost of sales	18	**105,148**	**69,542**
Wages, salaries, bonuses and other compensations		79,200	52,279
Contribution to social funds		22,213	16,895
Post-employment benefits		3,735	368
Labour costs: Distribution costs	19	**7,961**	**4,654**
Wages, salaries, bonuses, other compensations and contribution to social funds		7,961	4,654
Labour costs: General and administrative expenses	20	**57,740**	**37,383**
Wages, salaries, bonuses and other compensations		45,110	29,686
Contribution to social funds		11,531	7,581
Post-employment benefits		1,099	116
Total labour costs		**170,849**	**111,579**

22. Other operating income and expenses

	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
Impairment of fixed assets reclassified to non-current assets held for sale	8	31,350	-
Write-down of non-current assets held for sale to fair value less costs to sell		17,343	-
Social cost and charity		4,498	5,223
Net loss/(gain) on disposals of property, plant and equipment		9,889	(5,830)
Reversal of provisions	13	(55,556)	-
Accrual/(reversal) of provision for impairment of receivables		1,460	(5,977)
Loss/(gain) on sale of Belaruskali goods		178	(510)
Gain on sale of Silvinit goods		-	(656)
Other expenses, net		2,580	5,485
Total other operating income and expenses		**11,742**	**(2,265)**

The Group entered into a sales agreement with BPC for processing the sales of Belaruskali goods through Uralkali Trading SA in 2012 and 2011 respectively, to overcome certain drawbacks of Belarussian export legislation. Loss in amount of US$ 178 was recognized for the six months ended 30 June 2012 (six-months period ended 30 June 2011: gain in the amount of US$ 510).

The Group entered into a sales agreement with Silvinit Group for processing of sales through BPC in 2011 prior to the acquisition of Silvinit Group. Gain in amount of US$ 656 was recognized for the six-months period ended 30 June 2011.

(in thousands of US dollars, unless otherwise stated)

23. Finance income and expenses

The components of finance income and expense were as follows:

	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
Interest income		36,525	11,383
Foreign exchange gain, net		13,990	19,349
Fair value gain on investments		2,114	-
Dividend income		538	1
Fair value gains on derivative financial assets		-	26,237
Finance income		**53,167**	**56,970**

	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
Fair value loss on derivative financial liabilities		153,981	-
Interest expense		18,414	17,310
Syndication fees and other financial charges		10,824	-
Unwinding of the present value discount and effect of changes in discount rates	13	6,935	-
Letters of credit fees		4,086	980
Finance lease expense		791	847
Fair value losses on investments		-	12,597
Finance expenses		**195,031**	**31,734**

The interest expense was reduced by the income received from currency-interest rate swap transactions in the total amount of US$ 48,282 (six-months period ended 30 June 2011: US$ 18,194) (Note 16).

Coupon income from corporate bonds classified as other financial assets at fair value through profit or loss in the amount of US$ 6,877 is included in interest income (six months ended 30 June 2011: US$ 5,846).

Interest expense in the total amount of US$ 45,688 was capitalised in the cost of property, plant and equipment and intangible assets for the six months ended 30 June 2012 (six-months period ended 30 June 2011: US$ 25,773). The capitalisation rate was 6.20% (six months ended 30 June 2011: 7.11%).

24. Mine flooding costs

Mine flooding costs relate to flooding at Mine 1 (Note 4):

	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
Monitoring costs		1,316	683
Accrual of provision for compensations	4, 14	-	17,428
Total mine flooding costs		**1,316**	**18,111**

25. Income tax expense

	Six months ended 30 June 2012	Six months ended 30 June 2011
Current income tax expense	182,847	94,876
Deferred income tax	(5,457)	(176)
Income tax expense	**177,390**	**94,700**

In 2012 and 2011 most companies of the Group were registered in the Russian Federation, Perm region and were taxed at the rate of 15.5% on taxable profits. In 2012 and 2011, foreign operations were taxed applying respective national income tax rates.

(in thousands of US dollars, unless otherwise stated)

26. 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 12). The Company has no dilutive potential ordinary shares: therefore, the diluted earnings per share equal the basic earnings per share.

	Six months ended 30 June 2012	Six months ended 30 June 2011
Net profit attributable to owners of the Company	841,536	452,035
Weighted average number of ordinary shares in issue (millions)	2,993	2,334
Earnings per share (expressed in US cents per share)	**28.12**	**19.37**

27. 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 that could have a material effect on the results of operations or financial position of the Group which have not been accrued or disclosed in these consolidated condensed interim financial information.

Between September and November 2008, a number of purported class action lawsuits were filed in US federal district courts in Minnesota and Illinois. Class actions are civil lawsuits typically filed by a plaintiff seeking monetary damages on behalf of the named plaintiff and all others who are similarly situated. The plaintiffs in the suits filed in Minnesota and Illinois are various corporations and individuals who have filed the suits purportedly on behalf of all direct and indirect purchasers of potash from one of the defendants in the United States. The complaint alleges price fixing violations of the US Sherman Act since 1 July 2003. The Company and BPC (Note 11) were listed among the defendants, as well as certain other potash producers. The plaintiffs in the suits have not claimed any specific amount in damages, and it is premature at this time to assess the Group's potential exposure to the plaintiffs' claims. The management of the Group believes that these suits have no merit and the Group intends to defend its position vigorously.

In February 2011 OJSC Acron and several other Silvinit's minority shareholders filed a claim against the Company and Silvinit in the Perm Territory Arbitrage (Commercial) Court seeking to invalidate decisions of the Board of Directors and Extraordinary General Shareholders Meeting of Silvinit held on 4 February 2011, and the merger agreement entered into by the Company and Silvinit. The Group successfully defended its position in the Perm Territory Arbitrage (Commercial) Court, the courts of appellate and cassation instances and the Higher Arbitrage Court. Based on this management believes that the claim has no merit.

Therefore, the existing court decisions regarding OJSC Acron and several other minority shareholders' claims confirmed that Uralkali and Silvinit merger was completed without violation of shareholders' rights, and that such claims have no merit.

ii Tax legislation

Russian tax, currency and customs law are subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such laws, as applied to the Group's transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. 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.

Amended Russian transfer pricing legislation took effect from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The new legislation provides the possibility for the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Management has implemented internal controls to be in compliance with the new transfer pricing legislation.

27. Contingencies, commitments and operating risks (continued)

ii Tax legislation (continued)

Management believes the transfer pricing documentation that the Group has prepared, as required by the new Russian tax legislation, provides sufficient evidence to support the Group's tax positions and related tax returns. Given that the practice of implementation of the new Russian transfer pricing rules has not yet developed, the impact of any challenge of the Group's transfer prices cannot be reliably estimated. However, if challenged, it may be significant to the financial position and/or the overall operations of the Group.

The Group's management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency legislation and customs positions will be sustained. Accordingly, as of 30 June 2012 and 31 December 2011, 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.

In addition to the above matters, management estimates that the Group has other possible obligations from exposure to other than remote tax risks of US$ 4,113 (31 December 2011: US$ 4,193). These exposures are estimates that result from uncertainties in interpretation of applicable legislation and related documentation requirements. Management will vigorously defend the entity's positions and interpretations that were applied in determining taxes recognised in this consolidated condensed interim financial information if these are challenged by the authorities.

iii Insurance policies

The Company generally enters into insurance agreements when it is required by statutory legislation. The insurance agreements do not cover the risks of damage to third parties' property resulting from the Group's underground activities and the risks reflected in Note 4; therefore, no losses from the flooding of Mine 1 are expected to be compensated.

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. 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. The Company's mining activities and the recent mine flooding may cause subsidence that may affect the Company's facilities, and those of the cities of Berezniki and Solikamsk, state organisations and others.

v Operating environment of the Group

The Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation.

The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Russian financial and corporate sectors. Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period. Provisions for trade receivables are determined using the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

vi Capital expenditure commitments

As of 30 June 2012, the Group had contractual commitments for the purchase of property, plant and equipment from third parties for US$ 363,801 (31 December 2011: US$ 88,195). As of 30 June 2012, the Group had contractual commitments for the purchase of property, plant and equipment from related parties for US$ 28,429 (31 December 2011: US$ 18,815).

(in thousands of US dollars, unless otherwise stated)

27. Contingencies, commitments and operating risks (continued)

vii Operating lease commitments

As of 30 June 2012 the Group leased property, plant and equipment. The future minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2012	31 December 2011
Not later than 1 year	2,074	2,058
Later than 1 year and not later than 5 years	10,370	10,289
Later than 5 years	4,226	5,144
Total operating lease commitments	**16,670**	**17,491**

28. Seasonality

Demand for potassium fertilizers is not subject to significant seasonal influence. 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. Seasonality does not significantly influence production, and inventory levels are adjusted for these movements in demand. Seasonality does not impact the Group's revenue or cost recognition policies.

29. Events after reporting date

In July 2012 the Group finalized internal legal restructuring. The Company's authorized share capital decreased from 3,094,637,905 to 2,936,015,891 ordinary shares resulting from cancellation of treasury shares owned by CJSC IK Silvinit-Resource, CJSC JV Kama, Enterpro Services Ltd. and the Company (Note 12).