URALKALI GROUP

INTERNATIONAL ACCOUNTING STANDARD No. 34

CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION AND REVIEW REPORT

30 JUNE 2011

Contents

Report on the Review of the Consolidated Condensed Interim Financial Information .... **Page**

Consolidated Condensed Interim Statement of Financial Position 1
Consolidated Condensed Interim Statement of Income 2
Consolidated Condensed Interim Statement of Comprehensive Income 3
Consolidated Condensed Interim Statement of Cash Flows 4
Consolidated Condensed Interim Statement of Changes in Equity 5

Notes to the Consolidated Condensed Interim Financial Information

1. The Uralkali Group and its operations 6
2. Basis of preparation and significant accounting policies 6
3. Adoption of new or revised standards and interpretations 7
4. Critical accounting estimates and judgements in applying accounting policies 9
5. Business combinations 11
6. Related parties 12
7. Segment reporting 13
8. Property, plant and equipment 14
9. Investments in jointly controlled entities 15
10. Investments in associates 16
11. Shareholders' equity 16
12. Mine flooding provisions 17
13. Borrowings 17
14. Bonds issued 18
15. Derivative financial assets 18
16. Other financial assets at fair value through profit or loss 18
17. Revenues 19
18. Cost of sales 19
19. Distribution costs 19
20. General and administrative expenses 20
21. Labour costs 20
22. Other operating income and expenses 20
23. Finance income and expenses 21
24. Mine flooding costs 21
25. Income tax expense 21
26. Earnings per share 21
27. Contingencies, commitments and operating risks 22
28. Seasonality 24
29. Events after reporting date 24

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 2011 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

21 September 2011

Moscow, Russian Federation

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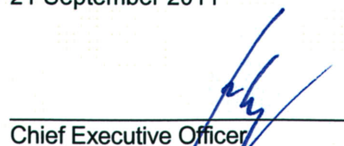
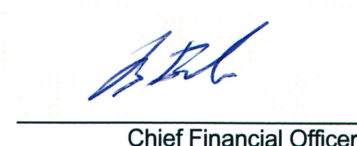
	Note	30 June 2011	31 December 2010
ASSETS			
Non-current assets:			
Property, plant and equipment	8	3,544,848	1,546,876
Prepayments for acquisition of property, plant and equipment		47,281	33,534
Letters of credit for acquisition of property, plant and equipment		3,249	4,266
Goodwill	5	2,080,779	12,009
Intangible assets	5	6,469,040	4,659
Deferred income tax asset		14,705	8,465
Investments in associates	10	25,878	-
Derivative financial assets	15	42,257	-
Other non-current financial assets	14	101,257	7,481
Total non-current assets		**12,329,294**	**1,617,290**
Current assets:			
Inventories		204,871	115,333
Trade and other receivables		425,415	235,063
Current income tax prepayments		1,501	2,035
Loans issued to related parties	6	349	328
Other financial assets at fair value through profit or loss	16	212,534	-
Irrevocable bank deposits		26,589	2,953
Cash and cash equivalents		1,031,234	481,512
Total current assets		**1,902,493**	**837,224**
TOTAL ASSETS		**14,231,787**	**2,454,514**
EQUITY			
Share capital	11	37,638	20,387
Treasury shares	11	(647)	(440)
Share premium/(discount)		7,237,729	(31,618)
Revaluation reserve		5,302	5,302
Currency translation reserve		79,433	(98,480)
Retained earnings		1,927,059	1,967,841
Equity attributable to the company equity holders		**9,286,514**	**1,862,992**
Non-controlling interests		**662**	**616**
TOTAL EQUITY		**9,287,176**	**1,863,608**
LIABILITIES			
Non-current liabilities:			
Borrowings	13	1,764,977	302,393
Bonds issued	14	1,068,536	-
Post employment benefits obligations		17,897	9,253
Deferred income tax liability		881,283	21,229
Provision for filling cavities		55,452	-
Total non-current liabilities		**3,788,145**	**332,875**
Current liabilities:			
Borrowings	13	328,365	84,950
Bonds issued	14	31,229	-
Trade and other payables		625,645	114,480
Provision for filling cavities		7,459	-
Mine flooding provisions	4, 12	53,391	32,811
Legal provision	5, 27	60,628	-
Current income tax payable		27,016	10,040
Other taxes payable		22,733	15,750
Total current liabilities		**1,156,466**	**258,031**
TOTAL LIABILITIES		**4,944,611**	**590,906**
TOTAL LIABILITIES AND EQUITY		**14,231,787**	**2,454,514**

Approved on behalf of the Board of Directors
21 September 2011





Chief Executive Officer

Chief Financial Officer

The accompanying notes on pages 6 to 24 are an integral part of this consolidated condensed interim financial information.

	Note	Six months ended 30 June 2011	Six months ended 30 June 2010
Revenues	17	1,265,779	911,372
Cost of sales	18	(389,347)	(203,448)
Gross profit		**876,432**	**707,924**
Distribution costs	19	(250,835)	(239,758)
General and administrative expenses	20	(77,848)	(81,838)
Taxes other than income tax		(10,358)	(9,552)
Other operating income and expenses	22	2,265	(17,572)
Operating profit		**539,656**	**359,204**
Mine flooding costs	24	(18,111)	(366)
Finance income	23	56,970	3,728
Finance expenses	23	(31,734)	(34,180)
Profit before income tax		**546,781**	**328,386**
Income tax expense	25	(94,700)	(48,158)
Net profit for the period		**452,081**	**280,228**
Profit attributable to:			
Owners of the Company		452,035	280,195
Non-controlling interests		46	33
Net profit for the period		**452,081**	**280,228**
Earnings per share – basic and diluted (in US cent)	26	**19.37**	**13.34**

	Six months ended 30 June 2011	Six months ended 30 June 2010
Net profit for the period	**452,081**	**280,228**
Other comprehensive income		
Effect of translation to presentation currency	177,913	(54,343)
Disposal of subsidiary to associate	-	33
Total other comprehensive income/(loss) for the period	**177,913**	**(54,310)**
Total comprehensive income for the period	**629,994**	**225,918**
Total comprehensive income for the period attributable to:		
Owners of the Company	629,948	225,885
Non-controlling interests	46	33

	Note	Six months ended 30 June 2011	Six months ended 30 June 2010
Cash flows from operating activities			
Profit before income tax		546,781	328,386
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets		122,268	63,301
Net (income)/loss on disposals of property, plant and equipment	22	(5,830)	2,563
Reversal of provision for impairment of receivables	22	(5,977)	(399)
Net change in provisions		21,149	-
Finance income and expenses, net		(6,867)	6,023
Foreign exchange losses, net	23	(19,349)	23,363
Operating cash flows before working capital changes		**652,175**	**423,237**
Changes in working capital		85,969	(76,248)
Cash generated from operations		**738,144**	**346,989**
Interest paid	13	(28,359)	(7,920)
Income taxes paid		(82,627)	(41,369)
Net cash generated from operating activities		**627,158**	**297,700**
Cash flows from investing activities			
Acquisition of intangible assets		(84)	(1,098)
Acquisition of property, plant and equipment		(113,135)	(201,018)
Proceeds from sales of property, plant and equipment		20,395	266
Purchase of investments		(296,014)	(33)
Acquisition of subsidiary, net of cash acquired	5	(1,081,516)	-
Disposal of subsidiary		-	233
Loans issued to related parties		-	(18,471)
Increase in irrevocable bank deposits		(16,065)	(3,096)
Dividends and interest received		11,591	3,628
Net cash used in investing activities		**(1,474,828)**	**(219,589)**
Cash flows from financing activities			
Repayments of borrowings	13	(246,404)	(130,348)
Proceeds from borrowings	13	605,874	151,234
Proceeds from bonds issued		1,028,768	-
Acquisition of treasury shares	11	(868)	-
Finance lease payments	23	(847)	(799)
Dividends paid to the Company's shareholders		(61)	(76,081)
Net cash used in financing activities		**1,386,462**	**(55,994)**
Effect of foreign exchange rate changes on cash and cash equivalents		10,930	(3,901)
Net increase in cash and cash equivalents		**549,722**	**18,216**
Cash and cash equivalents at the beginning of the period		**481,512**	**141,647**
Cash and cash equivalents at the end of the period		**1,031,234**	**159,863**

	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 2010	**20,387**	**(440)**	**(31,618)**	**5,302**	**1,536,809**	**(85,787)**	**1,444,653**	**748**	**1,445,401**
Profit for the period	-	-	-	-	280,195	-	280,195	33	280,228
Other comprehensive income/(loss)	-	-	-	-	33	(54,343)	(54,310)	-	(54,310)
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**-**	**280,228**	**(54,343)**	**225,885**	**33**	**225,918**
Transactions with owners									
Dividends declared (Note 11)	-	-	-	-	(114,445)	-	(114,445)	-	(114,445)
Disposal of non-controlling interest	-	-	-	-	-	-	-	(266)	(266)
Total Transactions with owners	**-**	**-**	**-**	**-**	**(114,445)**	**-**	**(114,445)**	**(266)**	**(114,711)**
Balance at 30 June 2010	**20,387**	**(440)**	**(31,618)**	**5,302**	**1,702,592**	**(140,130)**	**1,556,093**	**515**	**1,556,608**
Balance at 1 January 2011	**20,387**	**(440)**	**(31,618)**	**5,302**	**1,967,841**	**(98,480)**	**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 11)	-	-	-	-	(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**	**1,927,059**	**79,433**	**9,286,514**	**662**	**9,287,176**

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, Russia, and which are distributed both on domestic and foreign markets. In May 2011 the Company acquired OJSC Silvinit and related subsidiaries (together the "Silvinit Group") (Note 5) and as a result, 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 Group manufactures various types of products, the most significant of which is a range of potassium salts. The Group is a major potash manufacturer in the Russian Federation. For the six months ended 30 June 2011 approximately 83% of potash fertilizers was exported (for the year ended 31 December 2010: 87%).

The Company holds operating licenses, 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 licenses expire in 2013; however based on the statutory licensing regulations and prior experience, the Company's management believes that the licenses will be renewed without incurring any significant cost. The Company also owns a license 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 productive capacities and all long-term assets are located in the Russian Federation.

As of 31 December 2009, Madura Holdings Limited, registered in Cyprus, was the parent company of OJSC Uralkali. The Group was ultimately controlled by Mr. Dmitry Rybolovlev. On 11 June 2010 Madura Holdings Limited disposed majority of its stake in the Company to three companies that were beneficially owned by a number of individuals. As of 31 December 2010 and 30 June 2011 the Group had no ultimate controlling party.

As of 30 June 2011, the Group employed approximately 23.5 thousand employees (31 December 2010: 12.7 thousand).

2. Basis of preparation and significant accounting policies

This consolidated condensed interim financial information for the six months ended 30 June 2011 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 2010, which have been prepared in accordance with International Financial Reporting Standards.

The accounting policies adopted are consistent with those of the consolidated financial statements for the year ended 31 December 2010, except for the following changes:

(i) change in the presentation currency of the Group from Russian Roubles to US dollars since the Company's management considers presentation of the financial statements in US$ is more useful for the users of the financial statements;

(ii) new policies adopted for the new significant transactions occurred in the Group; and

(iii) policies which were changed to comply with the standards and interpretations that became effective for the Group from 1 January 2011 (Note 3).

Functional and presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is the national currency of the Russian Federation, Russian Roubles ("RR") and the Group's presentation currency is US dollars (US$).

2. Basis of preparation and significant accounting policies (continued)

The results and financial positions of all Group entities that have a functional currency different from the presentation currency are translated to the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

At 30 June 2011, the official rate of exchange, as determined by the Central Bank of the Russian Federation (CBRF), was US$ 1 = Rouble 28.08 (31 December 2010: US$ 1 = Rouble 30.48). The average official rate of exchange for the six months ended 30 June 2011 was US$ 1 = Rouble 28.63 (six months ended 30 June 2010: US$ 1 = Rouble 30.05).

Classification of financial assets. The Group classifies its financial assets into the following measurement categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets at fair value through profit and loss designated as such upon initial recognition.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term.

All other financial assets are included in the available-for-sale category.

Intangible assets. The Group's intangible assets other than goodwill have definite useful lives and primarily include mining licenses. Intangible assets are initially measured at acquisition cost or production cost, including any directly attributable costs of preparing the asset for its intended use, or (in the case of assets acquired in a business combination) at fair value as at the date of the combination. Mining licenses are amortized on a unit of production method.

Provision for filling cavities. The Group recognises provision for filing cavities in respect of earth extracted from the mine in the process of mining activities. The provision is recognized when the Group has a legal or constructive obligation in accordance with the plan of works agreed with the state mine supervisory body.

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

Certain new standards and interpretations became effective for the Group from 1 January 2011:

Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. This amendment does not have a material effect on the Group's consolidated condensed interim financial information.

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. This amendment is not relevant to the Group.

Classification of Rights Issues – Amendment to IAS 32, Financial Instruments: Presentation (issued in October 2009 and effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. This amendment does not have a material effect on the Group's consolidated condensed interim financial information.

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

Improvements to International Financial Reporting Standards (issued in May 2010 and effective for the Group from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow the previous GAAP carrying value to be used as the deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as the deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on the acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of the revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose the carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose the fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 1 was amended to clarify the requirements for the presentation and content of the statement of changes in equity; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in the classification of financial assets or changes in the business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify the measurement of the fair value of award credits. These amendments do not have a material effect on the Group's consolidated condensed interim financial information.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in profit or loss based on the fair value of the equity instruments compared to the carrying amount of the debt. The amendment is not currently applicable to the Group.

Limited exemption from comparative IFRS 7 disclosures for first-time adopters – Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7, Financial Instruments: Disclosures. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The amendment is not relevant to the Group.

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

- ***IFRS 9, Financial Instruments Part 1: Classification and Measurement (issued in November 2009, 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;
- ***Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Amendments to IFRS 1 (issued in December 2010 and effective for annual periods beginning on or after 1 July 2011)***;
- ***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)***;
- ***Recovery of Underlying Assets – Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012)***;
- ***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;

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

- ***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 standard 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 standard on its consolidated financial information.

Unless otherwise described above, the new 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 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 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:

Provisional fair value of Silvinit Group net assets. The Group acquired Silvinit Group during the reporting period (Note 5) and applied a number of estimates to define the provisional fair value of Silvinit Group's net assets. In estimating the fair values of the licenses of the Group applied the Residual method which is based on a discounted cash flows analysis of the estimated future economic benefits attributable to the licenses, net of the attributable fixed assets and construction in progress. This method assumes that intangible assets rarely generate income on their own. Thus, cash flows attributable to the licenses are those remaining after the return on investment of all of the contributing assets required to generate the projected cash flows. The Group's management also assessed the best available estimates in determination the fair value of provision for filling cavities and legal provision.

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 causes of flooding in Mine 1. According to the act, the cause of flooding was a "new kind of previously unknown anomaly of 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 the 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 the Russian Deputy Prime Minister, Igor Sechin, a new commission was established by Rostekhnadzor for a second investigation into the cause of flooding in Mine 1. According to the report of the second commission, issued on 29 January 2009, the flooding was caused by a "combination of geological and technological factors".

Provision for compensations

In February 2009, the Company decided voluntarily, as a part of its social responsibility, to compensate expenses incurred by different levels of the government for liquidation of flooding consequences including expenses for resettlement of citizens, construction of a 6-kilometer railway bypass incurred prior to 31 December 2008, and also partially compensate for the deficit of financing related to the construction of a 53-kilometer railway bypass in total amount of US$ 277,962.

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

Provision for compensations (continued)

In March 2010 the Board of Directors of the Company approved the voluntarily compensation of additional actual expenditures related to the construction of a 53-kilometer railway bypass in the amount of US$ 35,618 to OJSC "Russian railways", as a part of its social responsibility. Since as of 31 December 2009 the determination that this compensation would crystallise was assessed as "probable" the Company accrued a provision in this amount. To date this provision has not been utilized as the process for making payment has not been finalised.

In July 2009, the Company received a request from OJSC TGK-9 to compensate expenses in the amount of US$ 112,552. According to the request, this amount corresponds to the development of a reserve energy supply source in Berezniki. The parties established a technical commission in order to determine whether these expenses are in fact directly connected to the consequences of the mine flood. In July 2010 the Company received an amended request from TGK-9 to compensate expenses in the amount of US$ 35,440. In April 2011 TGK-9 filed a lawsuit against the Company in the arbitration court of Perm Region, claiming a compensation of expenses incurred as a result of mine flooding in the amount of US$ 96,489. As of 30 June 2011 the Company assessed the potential negative outcome of the lawsuit and estimated the probability of having to pay the compensation in amount of approximately US$ 17 mln to TGK-9 to be "probable" and the Company accrued a provision in full amount. In September 2011 the parties concluded an amicable agreement under which the Company undertook, as a part of its social responsibility, to compensate US$ 17,428 to OJSC TGK-9 and OJSC TGK-9 withdrew all its claims to the Company with regard to the mine flood (Note 29).

Other possible risks not included in provision for compensations

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, there is a calculation of the value of lost mineral resources (from US$ 903,981 to US$ 3,013,342) and a calculation of losses resulting from mineral extraction tax not received by the government due to flooding (from US$ 34,336 to US$ 114,511). 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. The estimated remaining useful life of some property, plant and equipment is beyond the expiry date of the relevant 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 US$ 490,505 (31 December 2010: US$ 63,359) should be assessed for impairment in 2013.

Remaining useful life of mining licenses. 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 licenses acquired in the course of business combination (Note 5) is beyond the expiry date of these licenses. The management believes that the licenses will be renewed in due order. However if the licenses are not renewed, intangible assets with net book value of US$ 5,153,250 (31 December 2010: nil) should be assessed for impairment in 2013.

Land. OJSC Baltic Bulker Terminal 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 of US$ 82,455 (31 December 2010: US$ 76,451) should be assessed for impairment.

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 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).

5. Business combinations

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.

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		1,850,824
Intangible assets		6,460,432
Investments in associates	10	25,875
Other non-current financial assets		11,190
Deferred tax assets		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		**9,155,951**
Liabilities		
Borrowings		1,323,507
Deferred tax liabilities		970,914
Post employment benefits obligations		9,017
Provision for filling cavities, long-term		52,215
Trade and other payables		52,948
Current income tax payable		5,583
Legal provision	27	60,528
Provision for filling cavities, short-term		6,597
Total liabilities		**2,481,309**
Total identifiable net assets at fair value		**6,674,642**

The Group assigned provisional values to net assets acquired based on estimates of the independent appraiser. The Group will finalise the purchase price allocation within 12 month from the acquisition date.

Based on the appraisal report the mining licenses valued at $US 6,458,905 were included in the purchase price allocation.

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 is US$ 232,671.

The acquisition-date fair value of the total purchase consideration and its components are 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**

5. Business combinations (continued)

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.

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$ 2,064,347 represents the goodwill.

	US$ thousands
Total identifiable net assets at fair value	6,674,642
Treasury shares acquired	86,625
Goodwill	2,064,347
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 amortization, financial income and expenses, income tax expense – US$ 241,326;
- Volume sold – 5,276 thousands tonnes.

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 2011**	**31 December 2010**
Loans issued to related parties	Associate	349	328
Acquisition of property, plant and equipment	Associate	6,892	-
Prepayments for acquisition of property, plant and equipment	Associate	1,623	-
Other receivables	Other related parties	585	-
Other receivables	Associate	2,210	-
Other payables	Other related parties	56	-
Other payables	Associate	3,854	-

6. Related parties (continued)

Statement of income caption	Nature of relationship	Six months ended 30 June 2011	Six months ended 30 June 2010
Other domestic revenue	Other related parties	1,382	-
Transportation and other revenues	Other related parties	1,095	-
Transportation and other revenues	Associate	35	-
Repairs and maintenance	Other related parties	14	-
Repairs and maintenance	Associate	549	-
Interest income	Former key management personnel	216	1,298
Interest income	Other related parties	11	-

Shareholder's equity caption	Nature of relationship	Six months ended 30 June 2011	Six months ended 30 June 2010
Dividends declared	Former parent company (Note 1)	-	73,207

Cross shareholding

As of 30 June 2011 LLC Kama, a 100% owned subsidiary of the Group, owned 0.8% of the ordinary shares of the Company (31 December 2010: 1.17%).

As of 30 June 2011 LLC IK Silvinit-Resource, a 100% owned subsidiary of the Group, owned 0.37% of the ordinary shares of the Company (31 December 2010: nil).

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.

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 was US$ 6,406 and US$ 16,042 for the six months ended 30 June 2011 and 30 June 2010, 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 2011	Six months ended 30 June 2010
Revenues	17	1,265,779	911,372
Segment result (Net profit)		**452,081**	**280,228**
Depreciation and amortization		(122,268)	(63,301)
Finance income	23	56,970	3,728
Finance expense	23	(31,734)	(34,180)
Income tax	25	(94,700)	(48,158)

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 2011 and in six months ended 30 June 2010.

7. Segment reporting (continued)

c) In addition to above segment disclosure management is reviewing additional information that splits the result of 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, Net results on sale of Belaruskali goods, Mine flooding costs, Finance income and expense, Income tax expense).

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**

This split for the six months ended 30 June 2010 was as follows:

	Potash					
	Export	Domestic	Total potash	All others	Unallocated	Total
Tonnes (thousands)	**2,388**	**315**	**2,703**	**-**	**-**	**2,703**
Revenues	**843,578**	**46,328**	**889,906**	**21,466**	**-**	**911,372**
Cost of sales	(168,203)	(22,199)	**(190,402)**	(13,046)	-	**(203,448)**
Distribution, general and administrative expenses, other operating income and expenses and taxes other than income tax	(329,184)	(11,848)	**(341,032)**	(5,491)	(2,197)	**(348,720)**
Operating profit/(loss)	**346,191**	**12,281**	**358,472**	**2,929**	**(2 197)**	**359,204**
Mine flooding costs					(366)	**(366)**
Finance income and expenses, net					(30,452)	**(30,452)**
Profit before income tax						**328,386**
Income tax expense					(48,158)	**(48,158)**
Segment result/Net profit for the period						**280,228**

8. Property, plant and equipment

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

	2011	2010
Cost		
Balance as of 1 January	2,355,230	2,106,222
Additions	118,795	237,328
Disposals	(22,169)	(11,082)
Acquisition of subsidiary (Note 5)	1,850,824	-
Effect of translation to presentation currency	205,966	(72,551)
Balance as of 30 June	**4,508,646**	**2,259,917**

8. Property, plant and equipment (continued)

	2011	2010
Accumulated Depreciation		
Balance as of 1 January	808,354	710,649
Depreciation charge	94,608	65,231
Disposals	(9,711)	(10,051)
Effect of translation to presentation currency	70,547	(23,700)
Balance as of 30 June	**963,798**	**742,129**
Net Book Value		
Balance as of 1 January	**1,546,876**	**1,395,573**
Balance as of 30 June	**3,544,848**	**1,517,788**

Depreciation

For the six months ended 30 June 2011 and 2010 respectively, the depreciation was allocated to consolidated condensed interim statement of income as follows:

	Note	Six months ended 30 June 2011	Six months ended 30 June 2010
Cost of sales	18	78,588	50,754
Distribution costs (including transhipment activities)		6,978	7,022
General and administrative expenses	20	4,667	4,060
Other operating expenses		3,395	599
Total depreciation expense		**93,628**	**62,435**

During the six months ended 30 June 2011, the Group incurred depreciation amounting to US$ 980 (for the six months ended 30 June 2010: US$ 2,796) directly related to the construction of new fixed assets. These expenses were capitalised on the consolidated condensed interim statement of financial position in accordance with the Group's accounting policy and included in assets under construction.

Fully depreciated assets still in use

As of 30 June 2011 and 31 December 2010, the gross carrying value of fully depreciated property, plant and equipment still in use was US$ 295,527 and US$ 252,191 respectively.

Assets pledged under loan agreements

As of 30 June 2011 and 31 December 2010, the carrying value of property, plant and equipment pledged under bank loans was US$ 750,238 and US$ 130,820 (Note 13) respectively.

9. Investments in jointly controlled entities

The Company has a 50% interest in JSC Belorussian Potash Company ("BPC") – the remaining 50% is divided between Belaruskali (which owns 44.999%), Belorussian Railways (which owns 5%) and Grodno Azot (which owns 0.001%). 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 related cost of sale and distribution costs. Administrative expenses incurred by BPC are currently shared as follows: not more than 69% on Belaruskali operations, and not less than 31% on 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 administrative costs deduction, unless both participants decide not to distribute. Group operations through BPC, assets and the Group's liabilities located in BPC in which the Group has a direct interest are included in this consolidated condensed interim financial information. The 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.

10. Investments in associates

The Group has the following significant investments in associates primarily acquired in the course of acquisition of Silvinit Group (Note 5):

	Country of incorporation	30 June 2011	31 December 2010
OJSC Galurgiya	Russia	46%	23%
JSC Solikamsky Stroitelniy Trest	Russia	24%	-
LLC Mashinostroitelnoe predpriyatie Kurs	Russia	30%	15%

11. Shareholders' equity

	Number of ordinary shares (in millions)	Ordinary shares	Treasury shares	Total
At 1 January 2010	**2,124**	**20,387**	**(440)**	**19,947**
At 30 June 2010	**2,124**	**20,387**	**(440)**	**19,947**
At 1 January 2011	**2,124**	**20,387**	**(440)**	**19,947**
Issue of new shares	971	17,251	-	**17,251**
Treasury shares purchased	-	-	(207)	**(207)**
At 30 June 2011	**3,095**	**37,638**	**(647)**	**36,991**

In May 2011 the Company issued new shares in conjunction with statutory merger with OJSC Silvinit (Note 5) in total amount of 970,247,905 ordinary shares with a nominal value per share of 1.78 US cents (0.5 Russian roubles).

The number of unissued authorised ordinary shares is 1,730 million (31 December 2010: 1,500 million), with a nominal value per share of 1.78 US cents (0.5 Russian roubles (31 December 2010: 0.5 Russian roubles)). All shares stated in the table above have been issued and fully paid.

Treasury shares. As of 30 June 2011 treasury shares comprise 24,868,944 ordinary shares of the Company (31 December 2010: 24,868,944) owned by LLC Kama, a wholly owned subsidiaries of the Group, and 11,453,502 ordinary shares of the Company (31 December 2010: nil) with a nominal value per share of 1.78 US cents (0.5 Russian roubles) owned by LLC IK Silvinit-Resource, a wholly owned subsidiaries of the Group. 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 2011 treasury shares comprising 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 law, 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 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 2011, the current period net statutory profit for the Company as reported in the published semi-annual statutory reporting forms was US$ 546,106 (for the six months ended 30 June 2010: US$ 211,889) and the closing balance of the accumulated profit, including the current period net statutory profit, totaled US$ 2,306,939 (31 December 2010: US$ 1,461,008). 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 this consolidated condensed interim financial information.

Dividends. 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). In June 2010 the General Meeting of Shareholders of the Company approved dividends (based on the financial results for the year ended 31 December 2009) amounting to US$ 115,791 (5 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.

12. Mine flooding provisions

	Note	2011	2010
Balance as of 1 January		**32,811**	**33,064**
Accrual of provision for compensation	4	17,428	-
Effect of translation to presentation currency		3,152	(1,008)
Balance as of 30 June		**53,391**	**32,056**

13. Borrowings

	30 June 2011	31 December 2010
Bank loans	2,073,568	369,230
Long-term company loans	1,726	1,477
Finance lease payable	18,048	16,636
Total borrowings	**2,093,342**	**387,343**

As of 30 June 2011 and 31 December 2010, the fair value of the current and non-current borrowings is not materially different from their carrying amounts.

	2011	2010
Balance at 1 January	**369,230**	**445,143**
Bank loans received, denominated in US$	200,000	151,700
Bank loans received, denominated in RR	409,753	-
Bank loans repaid, denominated in US$	(246,404)	(114,899)
Bank loans repaid, denominated in RR	-	(15,449)
Interest accrued	29,859	7,775
Interest paid	(28,359)	(7,920)
Acquisition of subsidiary (Note 5)	1,323,507	-
Recognition of syndication fees	(3,879)	(466)
Amortisation of syndication fees	1,424	1,431
Effect of translation to presentation currency	18,437	702
Balance at 30 June	**2,073,568**	**468,017**

The table below shows interest rates as of 30 June 2011 and 31 December 2010 and the split of the bank loans, between short-term and long-term.

Short-term borrowings	Interest rates	30 June 2011	31 December 2010
Bank loans in US$: floating interest	From 1 month Libor +2.95% to 1 month Libor +3.25% (2010: from 1 month Libor +1.6% to 1 month Libor +3.5%)	39,514	84,950
Bank loans in US$: fixed interest	2011: 7.65% (2010: nil)	282,818	-
Bank loans in RR: fixed interest	2011: 8.05% (2010: nil)	6,033	-
Total short-term bank loans		**328,365**	**84,950**

Long-term borrowings	Interest rates	30 June 2011	31 December 2010
Bank loans in US$: floating interest	From 1 month Libor +2.95% to 1 month Libor +3.5% (2010: from 1 month Libor +3.25% to 1 month Libor +3.5%)	436,454	284,280
Bank loans in US$: fixed interest	2011: 7.65% (2010: nil)	882,581	-
Bank loans in RR: fixed interest	2011: 8.05% (2010: nil)	426,168	-
Total long-term bank loans		**1,745,203**	**284,280**

US$ denominated bank loans bear a weighted average interest of 5.50% (31 December 2010: 3.40%).

As of 30 June 2011 and 31 December 2010, loans (including short-term borrowings) were guaranteed by collateral of property, plant and equipment (Note 8).

Bank loans of US$ 475,968 (31 December 2010: US$ 369,231) were collateralised by future export proceeds of the Group under sales contracts with certain customers acceptable to the banks.

Bank loans of US$ 1,165,399 (31 December 2010: nil) were collateralised by 100% shares of OJSC Kamskaya Gornaya Kompania (“KGK”), wholly owned subsidiary of the Group. KGK main asset is mining license for exploration and development of potassium ore extraction in the Polovodskiy plot of the Verhnekamskoyoe field.

13. Borrowings (continued)

The Group's bank borrowings mature as follows:

	30 June 2011	31 December 2010
- within 1 year	328,365	84,950
- between 2 and 4 years	1,745,203	284,280
Total bank loans	**2,073,568**	**369,230**

In December 2009 OJSC BBT entered into the 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 2011, the leased berths were included in property, plant and equipment with a net book value of US$ 16,420 (31 December 2010: US$ 15,290).

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

	30 June 2011	31 December 2010
- within 1 year	1,745	1,608
- between 2 and 5 years	6,984	6,431
- after 5 years	74,202	69,955
Minimum lease payments at the end of the period	**82,931**	**77,994**
Less future finance charges	(64,883)	(61,358)
Present value of minimum lease payments	**18,048**	**16,636**

14. Bonds issued

In February 2011 the Group issued US$ 1.0 billion 3-year Rouble-denominated bonds (approx. RR 30 billion) with an annual coupon of 8.25% for the purpose of financing the acquisition of 20% stake in Silvinit Group (Note 5). Together with the exchange-traded bond placement, the Company entered into a cross-currency interest rate swap transaction, converting its rouble bond obligations into US$ (Note 15).

Cross-currency interest rate swap transactions were collateralised by highly liquid corporate bonds in the total amount of US$ 82,611 classified as other non-current financial assets in the consolidated condensed interim statement of financial position as of 30 June 2011 (31 December 2010: nil).

In August 2011 the Company has decided to buy back all its exchange-traded bonds at the price of 103% of the nominal value (up to US$ 1.1 billion). The buyback was executed on 22 August 2011 (Note 29).

15. Derivative financial assets

At 30 June 2011 the derivative financial assets were represented by assets arising on the cross-currency interest rate swaps accounted for at a fair value of US$ 42,257.

In February 2011 the Group entered into a US$/RR cross-currency interest rate swap agreements in conjunction with bonds issued (Note 14) and new loan facility agreement with Sberbank (Note 13). Maturity of the swaps is linked to the bonds and loan redemption.

Following the bond buy back (Note 14) the Company terminated its cross-currency interest rate swap transaction (Note 29).

16. Other financial assets at fair value through profit or loss

Other financial assets at fair value through profit and loss are represented by highly liquid corporate bonds.

17. Revenues

	Six months ended 30 June 2011	Six months ended 30 June 2010
Export		
Potassium chloride	694,212	603,821
Potassium chloride (granular)	436,587	239,758
Domestic		
Potassium chloride	103,541	46,327
Other	9,500	4,326
Transportation and other revenues	21,939	17,140
Total revenues	**1,265,779**	**911,372**

18. Cost of sales

	Note	Six months ended 30 June 2011	Six months ended 30 June 2010
Depreciation	8	78,588	50,754
Labour costs	21	69,542	47,625
Fuel and energy		49,003	35,944
Materials and components used		42,537	29,021
Amortization of licenses		27,789	-
Repairs and maintenance		19,811	16,408
Transportation between mines by railway		4,028	5,425
Change in provision for filling cavities		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		22,690	17,805
Other costs		2,339	466
Total cost of sales		**389,347**	**203,448**

Expenses related to transportation of ore between mines by automotive transport in the amount of US$ 2,922 (six months ended 30 June 2010: US$ 1,864) were incurred by CJSC Autotranskali, a 100% subsidiary of the Group, and were mainly included in labour costs, materials and components used and fuel and energy costs.

Cost of finished goods acquired in business combination represents the fair value adjustment to the cost of finished goods received in a business combination (Note 5) and sold during the reporting period.

19. Distribution costs

	Note	Six months ended 30 June 2011	Six months ended 30 June 2010
Railway tariff		109,534	80,507
Freight		90,468	123,640
Transshipment		13,975	7,155
Transport repairs and maintenance		12,010	8,820
Depreciation		5,100	5,491
Labour costs	21	4,654	5,025
Commissions		2,109	166
Travel expenses		376	3,195
Other costs		12,609	5,759
Total distribution costs		**250,835**	**239,758**

20. General and administrative expenses

	Note	Six months ended 30 June 2011	Six months ended 30 June 2010
Labour costs	21	37,383	51,253
Consulting, audit and legal services		10,404	4,560
Depreciation	8	4,667	4,060
Repairs and maintenance		4,322	2,430
Security		3,169	2,596
Mine-rescue crew		2,636	1,997
Insurance		1,980	1,731
Travel expenses		912	1,198
Amortisation of intangible assets		851	865
Communication and information system services		621	599
Bank charges		502	466
Other expenses		10,401	10,083
Total general and administrative expenses		**77,848**	**81,838**

21. Labour costs

	Note	Six months ended 30 June 2011	Six months ended 30 June 2010
Labour costs: Cost of sales	18	**69,542**	**47,625**
Wages, salaries, bonuses and other compensations		52,279	37,774
Contribution to social funds		16,895	8,952
Post-employment benefits		368	899
Labour costs: Distribution costs	19	**4,654**	**5,025**
Wages, salaries, bonuses, other compensations and contribution to social funds		4,654	5,025
Labour costs: General and administrative expenses	20	**37,383**	**51,253**
Wages, salaries, bonuses and other compensations		29,686	46,360
Contribution to social funds		7,581	4,593
Post-employment benefits		116	300
Total labour costs		**111,579**	**103,903**

22. Other operating income and expenses

	Six months ended 30 June 2011	Six months ended 30 June 2010
Social cost and charity	5,223	9,685
Net (gain)/loss on disposals of property, plant and equipment	(5,830)	2,563
Reversal of provision for impairment of receivables	(5,977)	(399)
Gain on sale of Belaruskali goods	(510)	(366)
Gain on sale of Silvinit goods	(656)	-
Other expenses, net	5,485	6,089
Total other operating income and expenses	**(2,265)**	**17,572**

The Group entered in sales agreement with BPC for processing of sales of Belaruskali goods through Uralkali Trading SA in 2011 and 2010 respectively, to overcome certain drawbacks of Belorussian export legislation.

The Group entered in sales agreement with Silvinit Group for processing of sales through BPC in 2011 prior to the acquisition of Silvinit Group.

23. Finance income and expenses

The components of finance income and expense were as follows:

	Six months ended 30 June 2011	Six months ended 30 June 2010
Interest income	11,383	3,342
Fair value gain on investments	-	292
Foreign exchange gain, net	19,349	-
Dividend income	1	94
Fair value gains on derivative financial assets	26,237	-
Finance income	**56,970**	**3,728**

	Six months ended 30 June 2011	Six months ended 30 June 2010
Foreign exchange losses, net	-	23,363
Interest expense	17,310	8,553
Finance lease expense	847	799
Fair value losses on investments	12,597	400
Letters of credit fees	980	1,065
Finance expenses	**31,734**	**34,180**

The interest expense was reduced by the income received from currency-interest rate swap transactions in the total amount of US$ 18,194 (Note 15).

Interest costs totalling US$ 25,773 were capitalised in the cost of property, plant and equipment and intangible assets for the six months ended 30 June 2011 (six months ended 30 June 2010: US$ 732). The capitalisation rate was 7.11% (six months ended 30 June 2010: 3.48%).

24. Mine flooding costs

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

	Note	Six months ended 30 June 2011	Six months ended 30 June 2010
Monitoring costs		683	366
Accrual of provision for compensations	4, 12	17,428	-
Total mine flooding costs		**18,111**	**366**

25. Income tax expense

	Six months ended 30 June 2011	Six months ended 30 June 2010
Current income tax expense	94,876	42,999
Deferred income tax	(176)	5,159
Income tax expense	**94,700**	**48,158**

In 2011 and 2010 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 2011 and 2010, foreign operations were taxed applying respective national income tax rates.

26. Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period, excluding treasury shares. The Company has no dilutive potential ordinary shares; therefore, diluted earnings per share equal basic earnings per share.

	Six months ended 30 June 2011	Six months ended 30 June 2010
Net profit attributable to owners of the Company	452,035	280,195
Weighted average number of ordinary shares in issue (expressed in millions)	2,334	2,100
Earnings per share (expressed in US cents per share)	**19.37**	**13.34**

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 result 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 money 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 9) 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 OJSC Silvinit's minority shareholders filed a claim against the Company and OJSC Silvinit in the Perm Territory Arbitrage (Commercial) Court seeking to invalidate decisions of the Board of Directors and Extraordinary General Shareholders Meeting of OJSC Silvinit held on 4 February 2011, and the merger agreement entered into by the Company and OJSC Silvinit. The Perm Territory Arbitrage (Commercial) Court rejected the claim on 31 May 2011. The claimants appealed the decision. On 10 August 2011 the appellate court declined the appeal and reasserted the decision of the Perm Territory Arbitrage (Commercial) Court.

In May 2011 OJSC Acron and several other OJSC Silvinit's minority shareholders filed another claim in the Perm Territory Arbitrage (Commercial) Court against the Company, the Inter-district Tax Inspectorate in the Perm Territory and the Federal Service on Financial Markets seeking to invalidate the additional issues of the Company's shares and subsequent merger of OJSC Silvinit and the Company, seeking to reinstate OJSC Silvinit as a legal entity. The Perm Territory Arbitrage (Commercial) Court rejected the claim on 22 August 2011.

On the basis of its own estimates, as well as both internal and external professional advice, the management is of the opinion that no material losses will be incurred in respect of the above claims by Acron and other minority shareholders.

In January 2011 A.G. Lomakin filed a claim in the Perm Territory Arbitrage (Commercial) Court against OJSC Silvinit and JSC Komputersher Registrator (a company that kept a share register of OJSC Silvinit) seeking a compensation of damages in the amount of US$ 60,628 caused as a result of OJSC Silvinit shares loss. A.G. Lomakin claims 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. In May 2011 a judicial handwriting expertise was appointed by the court. The proceedings are postponed until the results of the expertise. The Company's management estimates the possibility of negative outcome as "probable" and accordingly has recognised a provision in respect of this risk in the full amount of the claim. In case of adverse outcome of this case the Company will be seeking to receive compensation from the share registrar.

ii Tax legislation

Russian tax, currency and customs law are subject to varying interpretations and changes, which can occur frequently. The 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.

The Russian tax authorities may be taking a more aggressive position in their interpretation of the law and assessments, and it is possible that transactions and activities that have not been challenged in the past may now or in the future be challenged. This includes the following guidance from the Supreme Arbitration Court for anti-avoidance claims based on reviewing the substance and business purposes of the transactions, and it is possible that this will significantly increase the level and frequency of scrutiny from the tax authorities. 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.

27. Contingencies, commitments and operating risks (continued)

ii Tax legislation (continued)

Russian transfer pricing legislation provides the possibility for the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of certain controllable transactions, provided that the tax authorities prove that the transaction price established by the parties deviates by more than 20% from the market price. Controllable transactions include transactions with interdependent parties under the Russian Tax Code, all cross-border transactions (irrespective of whether they are performed between related or unrelated parties), transactions where the price applied by a taxpayer deviates 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, arbitration court practice in this respect has been contradictory.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible, with the evolution of the interpretation of transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could potentially be challenged in the future. Given the nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant.

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 2011 and 31 December 2010, 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.

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 the 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 flooding of the mine may cause subsidence that may affect the Company's facilities, and those of the city of Berezniki, state organisations and others.

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.

Management is unable to reliably determine the effects on the Group's future financial position of any further deterioration in the Group's operating environment. It believes it is taking all necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

vi Capital expenditure commitments

As of 30 June 2011, the Group had contractual commitments for the purchase of property, plant and equipment from third parties for US$ 157,806 (31 December 2010: US$ 180,727). As of 30 June 2011, the Group had contractual commitments for the purchase of property, plant and equipment from related parties for US$ 41,367 (31 December 2010: nil).

27. Contingencies, commitments and operating risks (continued)

vii Guarantees

Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. As of 30 June 2011 the Group issued guarantees in favor of third parties in the amount of US$ 17,529 (31 December 2010: US$ 755), including guarantees issued in favor of related parties in the amount of US$ 17,406 (31 December 2010: nil).

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

Bonds issued buy back

On 22 August 2011 the Company bought back its traded bonds amounting to 29,999,993 bonds at the price of about US$ 1.06 billion (approx. RR 30.9 billion), which is 103% of the nominal value. The Company acquired all bonds submitted for buy back, therefore, fulfilling its obligations as an issuer to the full extent.

Following the bond buy back the cross-currency interest rate swap transaction was also terminated (Note 14).

OJSC TGK-9 amicable agreement

In September 2011 the Company and OJSC TGK-9 concluded an amicable agreement under which the Company undertook, as a part of its social responsibility, to compensate US$ 17,428 to OJSC TGK-9 and OJSC TGK-9 withdrew all its claims to the Company with regard to the mine flood (Note 4).

Borrowings

In September 2011 the Company entered into new 5-year loan agreement with a group of banks for approximately US$ 1 billion on 1 month LIBOR + 1.8% terms. The lead arrangers of the loan facility were Unicredit Group and ING Bank N.V.