EUROCHEM GROUP

INTERNATIONAL ACCOUNTING STANDARD No. 34

CONSOLIDATED CONDENSED INTERIM (SIX MONTHS) FINANCIAL INFORMATION AND REVIEW REPORT

30 JUNE 2011

Contents

Auditor's Report on the Review of the Consolidated Condensed Interim Financial Information for the Six months ended 30 June 2011

To the Shareholders and Board of Directors of EuroChem Group:

Introduction

We have reviewed the accompanying consolidated condensed statement of financial position of Open Joint Stock Company Mineral Chemical Company "EuroChem" and its subsidiaries (together, the "Group") as at 30 June 2011 and the related consolidated condensed statements of 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 enquiries, 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

16 August 2011
Moscow, Russian Federation

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(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

	Note	30 June 2011	31 December 2010
ASSETS			
Non-current assets:			
Property, plant and equipment	6	80,875,969	73,121,566
Mineral rights		7,318,107	7,318,107
Goodwill	24	295,275	204,866
Intangible assets		710,034	814,523
Restricted cash	10	217,962	143,898
Available-for-sale investments	7	31,979,598	36,954,062
Available-for-sale investments pledged as collateral	7	1,070,256	909,269
Derivative financial assets	14	532,885	-
Deferred income tax assets		854,772	969,064
Other non-current assets		100,165	-
Total non-current assets		**123,955,023**	**120,435,355**
Current assets:			
Inventories	8	11,653,808	9,827,892
Trade receivables	9	4,797,479	2,710,818
Prepayments, other receivables and other current assets	9	7,947,225	7,523,132
Derivative financial assets	14	116,882	36,751
Restricted cash	10	-	37,461
Cash and cash equivalents	10	8,539,741	8,896,623
Total current assets		**33,055,135**	**29,032,677**
TOTAL ASSETS		**157,010,158**	**149,468,032**
LIABILITIES AND EQUITY			
Equity attributable to owners of the parent:			
Share capital	11	6,800,000	6,800,000
Treasury shares	11	(11,238,707)	(7,760)
Retained earnings and other reserves		105,288,282	87,388,382
		100,849,575	**94,180,622**
Non-controlling interests		326,243	323,896
Total equity		**101,175,818**	**94,504,518**
Non-current liabilities:			
Bank borrowings	12	5,969,769	11,464,834
Bonds issued	13	9,962,000	18,772,380
Deferred income tax liabilities		2,567,626	1,908,932
Other non-current liabilities and deferred credits		797,976	795,321
Total non-current liabilities		**19,297,371**	**32,941,467**
Current liabilities:			
Bank borrowings	12	18,431,111	12,589,767
Bonds issued	13	8,126,584	-
Derivative financial liabilities	14	177,251	127,981
Trade payables		2,482,703	2,182,951
Other accounts payable and accrued expenses		5,384,722	5,860,875
Income tax payable		1,012,703	682,050
Other taxes payable		921,895	578,423
Total current liabilities		**36,536,969**	**22,022,047**
Total liabilities		**55,834,340**	**54,963,514**
TOTAL LIABILITIES AND EQUITY		**157,010,158**	**149,468,032**

Approved on behalf of the Board of Directors
16 August 2011

Dmitry Strezhnev
Chief Executive Officer

Andrey Ilyin
Chief Financial Officer

The accompanying notes on pages 5 to 21 are an integral part of this consolidated condensed interim financial information.

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

		Three months ended		Six months ended	
	Note	**30 June 2011**	**30 June 2010**	**30 June 2011**	**30 June 2010**
Sales	15	30,866,217	23,779,912	62,085,254	45,389,355
Cost of sales	16	(15,335,095)	(11,800,092)	(30,691,252)	(24,526,680)
Gross profit		**15,531,122**	**11,979,820**	**31,394,002**	**20,862,675**
Distribution costs	17	(4,240,289)	(4,792,417)	(7,867,664)	(8,403,095)
General and administrative expenses	18	(1,033,920)	(926,175)	(2,205,425)	(1,857,740)
Other operating income/(expenses)	19	(135,271)	413,482	(731,161)	512,237
Operating profit		**10,121,642**	**6,674,710**	**20,589,752**	**11,114,077**
Dividend income	7	613,927	147,946	613,927	147,946
Gain on disposal of available-for-sale investments		752,231	19,326	914,434	90,597
Financial foreign exchange gain/(loss) – net		407,049	(2,531,217)	2,587,546	(1,134,861)
Interest income		28,922	35,658	53,098	87,545
Interest expense		(568,971)	(466,657)	(1,173,903)	(889,231)
Other financial income/(loss) – net	20	217,987	(463,051)	1,730,331	(409,751)
Profit before taxation		**11,572,787**	**3,416,715**	**25,315,185**	**9,006,322**
Income tax expense	21	(2,037,760)	(928,785)	(4,432,253)	(2,048,776)
Net profit for the period		**9,535,027**	**2,487,930**	**20,882,932**	**6,957,546**
Other comprehensive income/(loss)					
Currency translation differences, net of tax		126,565	(412,877)	14,962	(1,292,526)
Revaluation of available-for-sale investments	7	213,889	(6,462,996)	(2,107,402)	(5,509,186)
Disposal of available-for-sale investments – reclassification of revaluation to profit and loss	7	(752,231)	(19,326)	(914,434)	(90,597)
Total other comprehensive loss for the period		**(411,777)**	**(6,895,199)**	**(3,006,874)**	**(6,892,309)**
Total comprehensive income/(loss) for the period		**9,123,250**	**(4,407,269)**	**17,876,058**	**65,237**
Net profit/(loss) for the period attributable to:					
Owners of the parent		9,544,451	2,467,911	20,884,486	6,914,725
Non-controlling interests		(9,424)	20,019	(1,554)	42,821
		9,535,027	**2,487,930**	**20,882,932**	**6,957,546**
Total comprehensive income/(loss) attributable to:					
Owners of the parent		9,134,506	(4,406,031)	17,893,353	73,439
Non-controlling interests		(11,256)	(1,238)	(17,295)	(8,202)
		9,123,250	**(4,407,269)**	**17,876,058**	**65,237**
Earnings per share – basic and diluted (in RR)	22	142.32	36.33	309.42	101.79

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

	Note	Six months ended 30 June 2011	30 June 2010
Operating profit		**20,589,752**	**11,114,077**
Income tax paid		(3,277,731)	(1,649,830)
Operating profit less income tax paid		**17,312,021**	**9,464,247**
Depreciation and amortisation	18	2,149,988	1,618,009
Net loss on disposals and write-off of property, plant and equipment		53,767	90,759
Impairment/(reversal of impairment) of receivables and change of provision for obsolete and damaged inventories		(23,910)	24,107
Other non-cash (income)/expenses		325,401	(457,269)
Gross cash flow		**19,817,267**	**10,739,853**
Changes in operating assets and liabilities:			
Trade receivables		(2,077,567)	(1,495,692)
Advances to suppliers		(370,266)	225,063
Other receivables		38,948	605,599
Inventories		(1,796,609)	(313,584)
Trade payables		389,779	(23,750)
Advances from customers		(542,007)	192,564
Other payables		207,207	989,758
Other assets and liabilities		(136,768)	214,768
Net cash – operating activities		**15,529,984**	**11,134,579**
Cash flows from investing activities			
Capital expenditure on property, plant and equipment and other intangible assets		(9,853,293)	(7,263,654)
Investment grants received		-	42,657
Acquisition of subsidiaries, net of cash acquired	24	(145,966)	-
Proceeds from sale of property, plant and equipment		28,474	18,015
Proceeds from sale of available-for-sale investments	7	2,706,075	429,443
Proceeds from sale of derivatives	14	1,179,052	106,750
Dividends received, net of tax	7	452,004	140,549
Interest received		65,761	88,913
Net cash – investing activities		**(5,567,893)**	**(6,437,327)**
Free cash inflow		**9,962,091**	**4,697,252**
Cash flows from financing activities			
Proceeds from bank borrowings	12	11,567,756	2,347,799
Repayment of bank borrowings	12	(9,413,511)	(9,609,621)
Prepaid and additional transaction costs		(9,194)	(290,017)
Interest paid		(841,270)	(731,678)
Acquisition of interest in subsidiaries		(7,275)	(247,234)
Purchase of own shares	11	(11,230,947)	-
Net cash – financing activities		**(9,934,441)**	**(8,530,751)**
Effect of exchange rate changes on cash and cash equivalents		(384,532)	(343,690)
Net decrease in cash and cash equivalents		**(356,882)**	**(4,177,189)**
Cash and cash equivalents at the beginning of the period	**10**	**8,896,623**	**10,676,772**
Cash and cash equivalents at the end of the period	**10**	**8,539,741**	**6,499,583**

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

	Note	Attributable to owners of the parent							
		Share capital	Treasury shares (Note 11)	Cumulative currency translation differences	Revaluation of available-for-sale investments	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2010		**6,800,000**	**(7,760)**	**1,884,761**	**5,095,017**	**58,664,359**	**72,436,377**	**758,683**	**73,195,060**
Comprehensive income/(loss)									
Profit for the period		-	-	-	-	6,914,725	6,914,725	42,821	6,957,546
Other comprehensive income/(loss)									
Currency translation differences		-	-	(1,241,503)	-	-	(1,241,503)	(51,023)	(1,292,526)
Revaluation of available-for-sale investments	7	-	-	-	(5,509,186)	-	(5,509,186)	-	(5,509,186)
Disposal of available-for-sale investments	7	-	-	-	(90,597)	-	(90,597)	-	(90,597)
Total other comprehensive income/(loss)		-	-	(1,241,503)	(5,599,783)	-	(6,841,286)	(51,023)	(6,892,309)
Total comprehensive income/(loss)		**-**	**-**	**(1,241,503)**	**(5,599,783)**	**6,914,725**	**73,439**	**(8,202)**	**65,237**
Transactions with owners									
Acquisition of additional interest in subsidiaries		-	-	-	-	1,388	1,388	(248,622)	(247,234)
Total transactions with owners		**-**	**-**	**-**	**-**	**1,388**	**1,388**	**(248,622)**	**(247,234)**
Balance at 30 June 2010		**6,800,000**	**(7,760)**	**643,258**	**(504,766)**	**65,580,472**	**72,511,204**	**501,859**	**73,013,063**
Balance at 1 January 2011		**6,800,000**	**(7,760)**	**1,239,879**	**13,330,264**	**72,818,239**	**94,180,622**	**323,896**	**94,504,518**
Comprehensive income/(loss)									
Profit/(loss) for the period		-	-	-	-	20,884,486	20,884,486	(1,554)	20,882,932
Other comprehensive income/(loss)									
Currency translation differences		-	-	30,703	-	-	30,703	(15,741)	14,962
Revaluation of available-for-sale investments	7	-	-	-	(2,107,402)	-	(2,107,402)	-	(2,107,402)
Disposal of available-for-sale investments	7	-	-	-	(914,434)	-	(914,434)	-	(914,434)
Total other comprehensive income/(loss)		-	-	30,703	(3,021,836)	-	(2,991,133)	(15,741)	(3,006,874)
Total comprehensive income/(loss)		**-**	**-**	**30,703**	**(3,021,836)**	**20,884,486**	**17,893,353**	**(17,295)**	**17,876,058**
Transactions with owners									
Repurchase of own shares	11	-	(11,230,947)	-	-	-	(11,230,947)	-	(11,230,947)
Acquisition of subsidiaries	24	-	-	-	-	-	-	33,464	33,464
Acquisition of additional interest in subsidiaries		-	-	-	-	6,547	6,547	(13,822)	(7,275)
Total transactions with owners		**-**	**(11,230,947)**	**-**	**-**	**6,547**	**(11,224,400)**	**19,642**	**(11,204,758)**
Balance at 30 June 2011		**6,800,000**	**(11,238,707)**	**1,270,582**	**10,308,428**	**93,709,272**	**100,849,575**	**326,243**	**101,175,818**

1 The EuroChem Group and its operations

EuroChem Group comprises the parent entity, Open Joint Stock Company Mineral Chemical Company "EuroChem" (the "Company"), and its subsidiaries (collectively the "Group" or "EuroChem Group").

The Group's principal activities include extracting minerals (iron-ore, apatite and baddeleyite), producing fertilisers and their distribution in domestic and foreign markets. The Group manufactures a large number of products, the most significant of which is a wide range of mineral fertilizers (nitrogen and phosphate groups).

A company that holds the business interests beneficially of Mr. Andrey Melnichenko owns 100% of Linea Limited registered in Bermuda, which in turn owns 92.2% (31 December 2010: 95.0%) of EuroChem Group S.E. The remaining 7.8% (31 December 2010: 5.0%) is held by Mr. Dmitry Strezhnev, CEO of the Group. EuroChem Group S.E. owns 96.02% of the Company (31 December 2010: 99.9%).

In the second quarter 2011 the ownership structure changed:

- A company representing the interests of Mr. Dmitry Strezhnev, increased its shareholding in EuroChem Group S.E. from 5.0% to 7.8% by acquiring 2.8% from Linea Limited (Bermuda), whose shareholding in EuroChem Group S.E. decreased from 95.0% to 92.2%.
- The Group bought back from EuroChem Group S.E. 2,637,131 of its own ordinary shares which represent 3.88% of the issued share capital (Note 11).

The Group's manufacturing facilities are primarily based in the Russian Federation with the exception of one entity, Lifosa AB, located in Lithuania.

The Company was incorporated and domiciled in the Russian Federation on 27 August 2001 as a closed joint stock company. On 3 April 2006 the Company changed its legal form to an open joint stock company. The Company has its registered office at:

Dubininskaya St. 53, bld. 6
Moscow, Russian Federation

2 Basis of presentation

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". It 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.

Reclassifications. Certain reclassifications have been made to prior year amounts in the consolidated condensed statement of comprehensive income and related notes to conform to the current period presentation. The reclassifications relate to the expenses of RR 1,369,693 thousand reclassified to the line "Cost of sales – Materials and components used or resold" from the line "Distribution costs – Transportation".

3 Accounting policies and critical accounting judgements and estimates

The accounting policies and significant judgements and estimates applied are consistent with those of the consolidated financial statements for the year ended 31 December 2010, 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 2011 (Note 4).

Income taxes. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual profit or loss.

4 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 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;

- 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;

- 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;

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

- 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.

A number of new standards, amendments to standards and interpretations are not yet effective as at 30 June 2011, 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 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;
- 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, amendments to standards and interpretations are not expected to significantly affect the Group's consolidated condensed interim financial information.

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

5 Segment information

The Group is a vertically integrated business with operations spanning mining, fertilizer manufacturing, organic synthesis products, sales and distribution. The Group produces a large number of products, the most significant of which is a wide range of mineral fertilizers (nitrogen and phosphate groups). On a monthly basis the Management Board reviews the financial reports of the Group, evaluates the operating results and allocates resources between the operating segments. Budgets and financial reports are prepared in a standard format according to the IFRS accounting policy adopted by the Group. Sales between segments are carried out on an arm's length basis. The Management Board assesses the performance of the operating segments based on, among others, a measure of profit before taxation adjusted by interest expense, depreciation and amortization, financial foreign exchange gain or loss, other non-cash and extraordinary items, excluding net profit for the period attributed to non-controlling interests (EBITDA). Since this term is not a standard IFRS measure EuroChem Group's definition of EBITDA may differ from that of other companies.

The development and approval of strategies, market situation analysis, the risk assessment, investment focus, technological process changes, goals and priorities are set and assessed in line with the segment structure of the Group:

- Nitrogen – the production and sale of nitrogen mineral fertilizers and organic synthesis products;
- Phosphates – the production and sale of phosphate mineral fertilizers and the extraction of ores to produce and subsequently sell baddeleyite and iron-ore concentrates;
- Potash – the development of several deposits of potassium salts ("potash") under the licenses acquired by the Group with a view to start production and marketing of potassium fertilizers. No sales have been recorded to date in this segment;
- Distribution – retail sales of mineral fertilizers (including those not produced by the Group), seeds, crop protection items etc. via a number of retailers located within Russia and the CIS;
- All other – certain logistics and service activities, central management, investment income and other items.

The segmental results for the six months ended 30 June 2011 were as follows:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	24,181,013	5,352,862	29,533,875	11,043,173
Phosphates	29,294,843	1,719,320	31,014,163	11,910,883
Potash	-	-	-	(322,163)
Distribution	7,622,271	64	7,622,335	466,403
Other	987,127	6,791,762	7,778,889	395,742
Elimination	-	(13,864,008)	(13,864,008)	(67,603)
Total	**62,085,254**	**-**	**62,085,254**	**23,426,435**

The segmental results for the six months ended 30 June 2010 were as follows:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	19,540,944	3,483,413	23,024,357	6,564,230
Phosphates	20,943,041	905,527	21,848,568	6,707,591
Potash	-	-	-	(139,486)
Distribution	4,299,814	96	4,299,910	234,823
Other	605,556	7,594,411	8,199,967	(210,343)
Elimination	-	(11,983,447)	(11,983,447)	(147,913)
Total	**45,389,355**	**-**	**45,389,355**	**13,008,902**

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

5 Segment information (continued)

A reconciliation of total profit before taxation is provided as follows:

		Six months ended	
	Note	30 June 2011	30 June 2010
EBITDA		**23,426,435**	**13,008,902**
Depreciation and amortisation	18	(2,149,988)	(1,618,009)
Idle property, plant and equipment write-off	6, 16	(18,116)	(84,146)
Gain on disposal of available-for-sale investments	7	914,434	90,597
Financial foreign exchange gain/(loss) – net		2,587,546	(1,134,861)
Interest expense		(1,173,903)	(889,231)
Other financial income/(loss) – net	20	1,730,331	(409,751)
Non-controlling interest		(1,554)	42,821
Profit before taxation		**25,315,185**	**9,006,322**

The analysis of Group sales by geographical area was:

	Six months ended	
	30 June 2011	30 June 2010
Export	45,399,202	34,116,445
Domestic	16,686,052	11,272,910
Total sales	**62,085,254**	**45,389,355**

The analysis of Group sales by region was:

	Six months ended	
	30 June 2011	30 June 2010
Russia	16,686,052	11,272,910
CIS	8,779,970	6,518,920
Asia	9,545,570	9,793,287
Europe	9,807,480	7,298,545
Latin America	10,133,192	6,501,072
North America	5,157,720	2,683,273
Africa	1,570,336	1,141,397
Australasia	404,934	179,951
Total sales	**62,085,254**	**45,389,355**

The sales are allocated by regions based on the destination country. There were no sales in excess of 10% to any one country, except for Russia, during the six months ended 30 June 2011 and 30 June 2010.

6 Property, plant and equipment

Movements in the carrying amount of property, plant and equipment were as follows:

	Note	2011	2010
Carrying amount at 1 January		**73,121,566**	**56,382,417**
Including advances given to construction companies and suppliers of property, plant and equipment		*5,312,790*	*5,443,305*
Additions		9,957,794	7,439,994
Including change in advances given		*414,980*	*(1,134,351)*
Acquisitions through business combination	24	111,000	-
Disposals		(64,125)	(24,628)
Depreciation charge for the period		(2,197,907)	(1,618,377)
Idle property, plant and equipment write-off	16	(18,116)	(84,146)
Currency translation differences		(34,243)	(421,728)
Carrying amount at 30 June		**80,875,969**	**61,673,532**
Including advances given to construction companies and suppliers of property, plant and equipment		*5,727,770*	*4,308,954*

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

6 Property, plant and equipment (continued)

The analysis of the Group's assets under construction is as follows:

	30 June 2011	31 December 2010
Construction in progress	36,581,945	31,791,727
Advances given to construction companies and suppliers of property, plant and equipment	5,727,770	5,312,790
Total assets under construction	**42,309,715**	**37,104,517**

Trade payables to suppliers of property, plant and equipment amounted to RR 732,214 thousand at 30 June 2011 (31 December 2010: RR 694,911 thousand).

During the six months ended 30 June 2011 the Group decided to mothball certain production equipment with a net book value of RR 18,116 thousand (30 June 2010: net book value of RR 84,146 thousand) and recognised a loss of RR 18,116 thousand in this consolidated condensed interim financial information (six months ended 30 June 2010: RR 84,146 thousand) (Note 16).

7 Available-for-sale investments, including shares pledged as collateral

At 30 June 2011 available-for-sale investments comprised the shares of K+S Group, a German manufacturer of potassium-based fertilizers.

	30 June 2011	31 December 2010
K+S Group ordinary shares	31,979,598	36,954,062
K+S Group ordinary shares pledged as collateral	1,070,256	909,269
Total available-for-sale investments	**33,049,854**	**37,863,331**

Movements in the carrying amount of available-for-sale investments, including shares pledged as collateral, were:

	2011	2010
Carrying amount at 1 January	**37,863,331**	**33,619,657**
Revaluation of available-for-sale investments	(2,107,402)	(5,509,186)
Disposal of available-for-sale investments, including:		
- available-for-sale investments at cost	(1,791,641)	(338,846)
- reclassification of revaluation to profit and loss	(914,434)	(90,597)
Carrying amount at 30 June	**33,049,854**	**27,681,028**

K+S Group shares, including shares pledged as collateral

At 30 June 2011 the Group held 15,440,170 shares, or 8.067% of the issued share capital (31 December 2010: 16,656,595 shares, or 8.7% of the issued share capital) of K+S Group with a fair value of RR 33,049,854 thousand (31 December 2010: RR 37,863,331 thousand) with reference to the share price quoted on the Xetra trading system of Euro 53.0 per share (31 December 2010: Euro 56.36 per share). The accumulated increase from the historical cost to the fair value of the investment of RR 10,308,428 thousand was recognised in equity at 30 June 2011 (31 December 2010: RR 13,330,264 thousand).

During the six months ended 30 June 2011 the Group sold 1,191,425 ordinary shares of K+S Group to EuroChem Group S.E., the parent company of the Group, for RR 2,649,247 thousand (Note 23) and 25,000 K+S Group shares on the open market for RR 56,828 thousand and recognised a gain of RR 914,434 thousand in the profit and loss.

K+S Group shares pledged as collateral

At 30 June 2011 the Group had outstanding European call options giving counterparties the right to buy over 9,940,000 K+S Group ordinary shares secured by these shares as collateral (31 December 2010: European call options over 1,400,000 K+S Group ordinary shares) with a fair value of RR 21,276,679 thousand (31 December 2010: RR 3,182,443 thousand) with reference to the share price quoted on the Xetra trading system (Note 14).

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

7 Available-for-sale investments, including shares pledged as collateral (continued)

K+S Group shares pledged as collateral (continued)

Out of these, 500,000 pledged shares with a fair value of RR 1,070,256 thousand (31 December 2010: 400,000 shares with fair value of RR 909,269 thousand) have been reclassified to a separate line named "Available-for-sale investments pledged as collateral" in the consolidated condensed statement of financial position, as these shares have been delivered to the mortgagee as collateral and/or were used by the mortgagee in accordance with the right to use and dispose of the collateral. The Group holds economic exposure in relation to the encumbered shares. The mortgagee is obliged to replace the original financial collateral by transferring equivalent financial collateral on the due date for the performance of the relevant financial obligations covered by the arrangement.

At 30 June 2011 the Group had 4,728,695 K+S Group shares pledged as collateral for a bank loan with a fair value of RR 10,121,824 thousand (31 December 2010: nil) with reference to the share price quoted on the Xetra trading system (Note 12). As agreed with the lender these shares simultaneously represent collateral under call options described above.

In May 2011 the Group received dividend income from K+S Group of RR 613,927 thousand (six months ended 30 June 2010: RR 147,946 thousand) before withholding tax of RR 161,923 thousand (six months ended 30 June 2010: RR 7,397 thousand).

8 Inventories

	30 June 2011	31 December 2010
Materials	4,892,557	3,872,290
Work in progress	1,080,308	832,876
Finished goods	4,408,968	3,891,113
Catalysts	1,569,380	1,558,325
Less: provision for obsolete and damaged inventories	(297,405)	(326,712)
Total inventories	**11,653,808**	**9,827,892**

9 Trade receivables, prepayments, other receivables and other current assets

	30 June 2011	31 December 2010
Trade receivables		
Trade receivables denominated in RR	1,968,542	1,142,115
Trade receivables denominated in US$	2,351,034	1,519,960
Trade receivables denominated in Euro	270,832	119,862
Trade receivables denominated in other currencies	363,616	94,520
Less: impairment provision	(156,545)	(165,639)
Total trade receivables – financial assets	**4,797,479**	**2,710,818**
Prepayments, other receivables and other current assets		
Advances to suppliers	3,717,423	3,347,157
VAT recoverable and receivable	3,605,768	3,737,607
Income tax receivable	127,619	18,416
Other taxes receivable	31,855	32,076
Other receivables	599,244	511,926
Less: impairment provision	(148,775)	(151,607)
Subtotal non-financial assets	**7,933,134**	**7,495,575**
Interest receivable	14,091	27,557
Subtotal financial assets	**14,091**	**27,557**
Total prepayments, other receivables and other current assets	**7,947,225**	**7,523,132**
Total trade receivables, prepayments, other receivables and other current assets	**12,744,704**	**10,233,950**
including		
Financial assets	4,811,570	2,738,375
Non-financial assets	7,933,134	7,495,575

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

10 Cash and cash equivalents

	30 June 2011	31 December 2010
Cash on hand and bank balances denominated in RR	1,598,375	868,314
Bank balances denominated in US$	3,536,282	1,378,554
Bank balances denominated in Euro	1,102,833	489,559
Balances denominated in other currencies	125,942	88,065
Cash in transit denominated in US$	470,134	-
Term deposits denominated in RR	434,271	2,437,055
Term deposits denominated in US$	243,027	3,255,216
Term deposits denominated in Euro	484,876	82,760
Term deposits denominated in other currencies	544,001	297,100
Total cash and cash equivalents	**8,539,741**	**8,896,623**
Current restricted cash	-	37,461
Non-current restricted cash	217,962	143,898
Total restricted cash	**217,962**	**181,359**

Term deposits at 30 June 2011 and 31 December 2010 have various original maturities but can be withdrawn on request without any restrictions.

Cash in transit represents cash from a forward contract which matured on 30 June 2011 and was received in the Group bank account on 1 July 2011.

At 30 June 2011 the Group did not hold any current restricted cash (31 December 2010: RR 37,461 thousand of current restricted cash was held at banks in compliance with statutory regulation).

At 30 June 2011 non-current restricted cash totalling RR 217,962 thousand (31 December 2010: RR 143,898 thousand) consisted of RR 97,759 thousand (31 December 2010: RR 103,434 thousand) of cash held in an escrow account for the Lifosa AB shares squeeze-out and RR 120,203 thousand (31 December 2010: RR 40,464 thousand) was represented by letters of credit for equipment procurement and a deposit against possible environmental obligations as required under statutory Lithuanian rules.

11 Equity

The nominal registered amount of the Company's issued share capital at 30 June 2011 is RR 6.8 billion (31 December 2010: RR 6.8 billion). The total authorised number of ordinary shares is 68 million shares (31 December 2010: 68 million) with a par value of RR 100 per share. All authorised shares have been issued and fully paid.

	Number of ordinary shares	Share capital RR thousand	Number of treasury shares	Treasury shares at acquisition cost RR thousand
At 31 December 2010	68,000,000	6,800,000	68,000	(7,760)
At 30 June 2011	68,000,000	6,800,000	2,705,131	(11,238,707)

Treasury shares

In the second quarter 2011 the Group bought back from EuroChem Group S.E., the parent company of the Group, 2,637,131 of its own ordinary shares which represented 3.88% of the issued share capital for RR 11,230,947 thousand paid in cash (Note 23). The valuation of EuroChem's shares was performed by a reputable international firm of appraisers.

The treasury shares were transferred to the Group's wholly-owned subsidiary EuroChem Capital Management Ltd.

At 30 June 2011 EuroChem Capital Management Ltd. held 2,705,131 ordinary shares of the Company (31 December 2010: LLC PG Phosphorit held 68,000 ordinary shares). These shares represent 3.98% of the Company's share capital and carry voting rights in the same proportion as other ordinary shares. The voting rights of ordinary shares of the Company held by the entities within the Group are effectively controlled by the management of the Group.

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

12 Bank borrowings

	2011	2010
Balance as at 1 January	**24,054,601**	**39,047,758**
Bank loans received, denominated in US$	7,072,320	1,897,799
Bank loans received, denominated in Euro	4,495,436	-
Bank loans received, denominated in RR	-	450,000
Bank loans repaid, denominated in US$	(9,413,511)	(6,265,128)
Bank loans repaid, denominated in Euro	-	(3,344,493)
Capitalisation and amortisation of transaction costs, net	137,223	115,979
Foreign exchange (gain)/loss	(1,945,189)	650,413
Balance as at 30 June	**24,400,880**	**32,552,328**

	30 June 2011	31 December 2010
Current bank borrowings		
Short-term bank loans, denominated in US$	2,807,580	-
Short-term bank loans, denominated in Euro	4,038,700	-
Current portion of long-term bank loans in US$	11,752,660	12,757,772
Less: short-term portion of transaction costs	(167,829)	(168,005)
Total current bank borrowings	**18,431,111**	**12,589,767**
Non-current bank borrowings		
Long-term bank loans, denominated in US$	18,070,931	25,259,687
Long-term bank loans, denominated in Euro	793,457	341,543
Less: current portion of long-term bank loans in US$	(11,752,660)	(12,757,772)
Less: long-term portion of transaction costs	(1,141,959)	(1,378,624)
Total non-current bank borrowings	**5,969,769**	**11,464,834**
Total bank borrowings	**24,400,880**	**24,054,601**

At 30 June 2011 and 31 December 2010 the fair value of borrowings was not materially different from their carrying amounts.

The Group has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

Under the terms of loan agreements, the Group is required to comply with a number of covenants and restrictions, including the maintenance of certain financial ratios and financial indebtedness and cross-default provisions.

Interest rates and outstanding amounts

A syndicated loan facility, which was obtained in October 2008 for US$ 1.5 billion, bears a floating interest rate of 1 month Libor +1.8%. The outstanding amount at 30 June 2011 totalled US$ 558,140 thousand (31 December 2010: US$ 767,442 thousand).

A loan obtained in September 2009 for Euro 85 million in 2010 was converted into a revolving committed facility with a credit limit of Euro 130 million which expired in March 2011. In February 2011 an amendment was signed which reduced the credit limit to Euro 100 million, set a floating interest rate based on 1 month Euribor and extended the maturity until March 2012. In May a new amendment was signed which increases the limit up to EUR 140 million. At 30 June 2011 the outstanding amount was EUR 100 million.

In March 2010 the Group signed a US$ 261 million, 10-year export credit agency-backed loan facility for financing the on-going construction of the cage shaft at the Gremyachinskoe potash deposit by a South African-based company. At 30 June 2011 US$ 85.5 million (31 December 2010: US$ 61.4 million) of the facility had been utilised.

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

12 Bank borrowings (continued)

In August 2010 the Group signed a US$ 250 million 5-year credit line agreement with a European commercial bank. Amounts each equal to U$ 60 million were disbursed sequentially in January and April 2011 and were fully repaid in February and April 2011, respectively.

In August 2010 the Group signed a Euro 36.7 million, 13-year export credit agency-backed loan facility for financing the acquisition of permanent hoisting equipment for the cage and skip shafts of the Gremyachinskoe potash deposit development project from a Czech engineering company. At 30 June 2011 Euro 19.6 million (31 December 2010: Euro 8.5 million) of the facility had been utilised.

In March 2011 the Group signed an agreement for a 12-month revolving uncommitted facility, amounting to US$ 100 million, which is available in US$ with a floating interest rate of 1 month Libor +1.5% and in other currencies with an interest rate which will be determined by mutual agreement. In April 2011 the facility was fully utilised and as at 30 June 2011 the outstanding amount was US$ 100 million.

Collaterals and pledges

At 30 June 2011 and 31 December 2010 the Group did not hold any cash collaterals restricted by banks to secure the next principal and interest payments (Note 10).

A bank loan of RR 15,670,215 thousand and RR 23,389,249 thousand at 30 June 2011 and 31 December 2010, respectively, was collateralized by future export proceeds of the Group under sales contracts with certain customers. A bank loan of RR 4,038,700 thousand at 30 June 2011 was secured with K+S Group shares as collateral represented by 4,728,695 shares with a fair value of RR 10,121,824 thousand (Note 7) with reference to the share price quoted on the Xetra trading system.

The Group's bank borrowings mature as follows:

	30 June 2011	31 December 2010
- within 1 year	18,431,111	12,589,767
- between 1 and 2 years	3,921,911	10,336,604
- between 2 and 5 years	726,208	344,285
- more than 5 years	1,321,650	783,945
Total bank borrowings	**24,400,880**	**24,054,601**

13 Bonds issued

	30 June 2011	31 December 2010
Current bonds		
7.875% US$-denominated bonds due March 2012	8,141,982	-
Less: transaction costs	(15,398)	-
Total current bonds	**8,126,584**	**-**
Non-current bonds		
7.875% US$-denominated bonds due March 2012	8,141,982	8,838,300
Less: current portion of long-term bonds issued in US$	(8,141,982)	-
8.9% RR-denominated bonds due July 2018 / callable by investors in July 2015	5,000,000	5,000,000
8.25% RR-denominated bonds due November 2018 / callable by investors in November 2015	5,000,000	5,000,000
Less: transaction costs	(38,000)	(65,920)
Total non-current bonds	**9,962,000**	**18,772,380**
Total bonds	**18,088,584**	**18,772,380**

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

14 Derivative financial assets and liabilities

At 30 June 2011 the derivative financial asset comprised a cross currency swap accounted for at a fair value of RR 649,767 thousand, including a non-current portion of RR 532,885 thousand and a current portion of RR 116,882 thousand (31 December 2010: non-deliverable forward contracts accounted for RR 35,251 thousand and cross currency swap accounted for RR 1,500 thousand).

The derivative financial liabilities were represented by European call options accounted for at a fair value of RR 177,251 thousand (31 December 2010: RR 127,981 thousand).

	1 January 2011	Changes in the fair value (Note 20)	Proceeds from sale of derivatives	30 June 2011
Derivative financial assets				
Cross currency swap contract	1,500	760,310	(112,043)	649,767
US$/RR non-deliverable forward contracts	35,251	785,601	(820,852)	-
Derivative financial liabilities				
Option contracts over K+S Group ordinary shares	(127,981)	196,887	(246,157)	(177,251)
Derivative financial assets and liabilities – net	**(91,230)**	**1,742,798**	**(1,179,052)**	**472,516**

Call options over K+S Group ordinary shares

At 31 December 2010 the Group had outstanding European call options giving counterparties the right to buy over 1,400,000 K+S Group ordinary shares, which matured in March and June 2011. These call options were not exercised.

During the six months ended 30 June 2011, the Group sold European call options over 9,940,000 K+S Group ordinary shares for a total premium of RR 246,157 thousand.

At 30 June 2011 the Group had outstanding European call options giving counterparties the right to buy over 9,940,000 K+S Group ordinary shares secured by these shares as collateral with a fair value of RR 21,276,679 thousand with reference to the share price quoted on the Xetra trading system (Note 7). The call options have varying strike prices and maturities from 15 July 2011 to 16 December 2011.

US$/RR non-deliverable forward contracts

At 31 December 2010 the Group had US$/RR non-deliverable forward contracts for a nominal amount of US$ 300 million, which matured in March and June 2011. As at 30 June 2011 the Group has recognised a gain of RR 785,601 thousand from revaluation of forward contracts in profit and loss (Note 20), and proceeds of RR 820,852 thousand from forward contracts which reached their maturity dates. At 30 June 2011 the Group did not have outstanding non-deliverable forward contracts (31 December 2010: forward contracts accounted for at a fair value of RR 35,251 thousand).

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

15 Sales

The components of external sales were as follows:

	Three months ended 30 June 2011	Three months ended 30 June 2010	Six months ended 30 June 2011	Six months ended 30 June 2010
Nitrogen				
Nitrogen fertilizers	9,148,727	6,660,025	18,481,294	14,021,715
Organic synthesis products	1,636,388	1,562,903	3,573,233	3,149,442
Complex fertilizers group	1,114,285	1,086,919	1,786,300	1,887,042
Other goods	118,921	128,397	216,338	229,188
Other services	61,581	102,350	123,848	253,557
	12,079,902	**9,540,594**	**24,181,013**	**19,540,944**
Phosphates				
Phosphates	6,910,361	6,390,864	15,715,844	11,698,088
Iron ore concentrate	5,778,442	4,256,850	10,088,495	6,651,326
Feed phosphates group	1,246,055	736,587	2,009,081	1,300,349
Apatite concentrate	211,058	338,915	513,698	521,441
Baddeleyite concentrate	315,113	167,388	460,883	290,105
Complex fertilizers group	-	41,820	-	58,539
Other goods	119,976	61,178	237,670	138,422
Other services	106,131	108,781	269,172	284,771
	14,687,136	**12,102,383**	**29,294,843**	**20,943,041**
Distribution				
Nitrogen fertilizers	1,386,858	787,896	3,788,937	2,305,422
Phosphates	733,629	253,353	1,214,011	443,272
Complex fertilizers group	871,944	420,004	1,713,260	901,356
Feed phosphates group	33,787	-	75,283	-
Organic synthesis products	5,820	-	7,142	-
Other goods	476,344	364,302	819,634	647,497
Other services	2,081	1,294	4,004	2,267
	3,510,463	**1,826,849**	**7,622,271**	**4,299,814**
Others				
Nitrogen fertilizers	220,260	60,455	220,260	107,371
Complex fertilizers group	-	8,419	27,342	8,419
Logistic services	72,175	102,227	101,252	178,550
Other goods	189,994	-	432,692	-
Other services	106,287	138,985	205,581	311,216
	588,716	**310,086**	**987,127**	**605,556**
Total sales	**30,866,217**	**23,779,912**	**62,085,254**	**45,389,355**

16 Cost of sales

The components of cost of sales were as follows:

	Note	Three months ended 30 June 2011	Three months ended 30 June 2010	Six months ended 30 June 2011	Six months ended 30 June 2010
Materials and components used or resold		9,623,444	6,815,851	18,628,425	13,430,301
Energy		1,600,834	1,257,802	3,463,777	2,705,980
Utilities and fuel		834,575	662,158	1,874,923	1,549,197
Labour, including contributions to social funds		2,023,448	1,644,232	3,973,267	3,873,259
Depreciation and amortisation		885,391	677,775	1,748,920	1,316,051
Repairs and maintenance		253,322	148,899	377,147	217,191
Production overheads		315,018	337,391	705,715	623,982
Property tax, rent payments for land and related taxes		287,127	250,006	574,166	486,168
Transportation expenses for logistics services		23,903	75,198	72,430	143,631
Idle property, plant and equipment written-off	6	1,366	41,991	18,116	84,146
Reversal of provision for obsolete and damaged inventories		(14,208)	(50,095)	(29,307)	(12,950)
Changes in work in progress and finished goods		(534,346)	(94,717)	(764,540)	42,605
Other costs		35,221	33,601	48,213	67,119
Total cost of sales		**15,335,095**	**11,800,092**	**30,691,252**	**24,526,680**

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

17 Distribution costs

Distribution costs comprised:

	Three months ended		Six months ended	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
Transportation	3,598,839	4,166,471	6,632,974	7,249,695
Export duties, other fees and commissions	26,479	94,406	48,936	115,200
Labour, including contributions to social funds	264,734	204,639	525,446	456,243
Depreciation and amortisation	94,928	78,579	184,054	152,305
Repairs and maintenance	134,502	124,672	238,020	217,412
Provision for impairment of receivables	4,853	22,006	2,391	13,651
Other costs	115,954	101,644	235,843	198,589
Total distribution costs	**4,240,289**	**4,792,417**	**7,867,664**	**8,403,095**

18 General and administrative expenses

General and administrative expenses comprised:

	Three months ended		Six months ended	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
Labour, including contributions to social funds	543,787	531,315	1,200,838	1,089,778
Depreciation and amortisation	115,370	80,130	217,014	149,653
Audit, consulting and legal services	51,607	41,916	104,445	98,236
Rent	26,863	33,349	55,187	62,106
Bank charges	25,501	41,354	54,676	68,179
Social expenditure	17,837	17,395	32,963	28,271
Repairs and maintenance	24,605	5,982	46,367	13,146
Provision for impairment of receivables	140	4,919	3,006	23,406
Other expenses	228,210	169,815	490,929	324,965
Total general and administrative expenses	**1,033,920**	**926,175**	**2,205,425**	**1,857,740**

The total depreciation and amortisation expenses included in all captions of the consolidated condensed statement of comprehensive income amounted to RR 2,149,988 thousand (six months ended 30 June 2010: RR 1,618,009 thousand). The total staff costs (including social expenses) amounted to RR 5,699,551 thousand (six months ended 30 June 2010: RR 5,419,280 thousand).

19 Other operating income and expenses

The components of other operating (income) and expenses were as follows:

	Three months ended		Six months ended	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
Gain on disposal of property, plant and equipment	(37,154)	(4,354)	(68,342)	(11,892)
Sponsorship	96,295	70,736	249,389	140,700
Foreign exchange (gain)/loss	178,208	(520,375)	720,591	(651,725)
Other operating (income)/expenses	(102,078)	40,511	(170,477)	10,680
Total other operating (income)/expenses	**135,271**	**(413,482)**	**731,161**	**(512,237)**

20 Other financial income/(loss)

The components of other financial income/(loss) were as follows:

	Three months ended		Six months ended	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
Changes in the fair value of call options	37,952	52,157	196,887	105,457
Changes in the fair value of US$/RR non-deliverable forward contracts	115,746	(515,208)	785,601	(515,208)
Changes in the fair value of cross currency interest rate swap	63,950	-	760,310	-
Unwinding of discount on land restoration obligation	339	-	(12,467)	-
Total other financial income/(loss) – net	**217,987**	**(463,051)**	**1,730,331**	**(409,751)**

21 Income tax

	Three months ended		Six months ended	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
Income tax expense – current	1,978,931	1,063,644	3,673,082	1,918,437
Deferred income tax – (origination)/reversal of temporary differences	58,829	(134,859)	759,171	130,339
Income tax expense	**2,037,760**	**928,785**	**4,432,253**	**2,048,776**

The majority of the Group companies were subject to a tax rate of 20% on taxable profits in the Russian Federation during the six months ended 30 June 2011 (six months ended 30 June 2010: 20%).

During the six months ended 30 June 2011 the Group offset VAT against income tax of RR 5,794 thousand (six months ended 30 June 2010: RR 114,477 thousand).

22 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding treasury shares (Note 11). The Company has no dilutive potential ordinary shares, therefore, the diluted earnings per share equals the basic earnings per share.

	Three months ended		Six months ended	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
Net profit for the period attributable to owners of the parent	9,544,451	2,467,911	20,884,486	6,914,725
Weighted average number of ordinary shares in issue (expressed in thousands)	67,063	67,932	67,495	67,932
Basic and diluted earnings per share (expressed in RR per share)	**142.32**	**36.33**	**309.42**	**101.79**

23 Balances and transactions with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 “Related Party Disclosures”. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The relationships with those related parties with whom the Group entered into significant transactions or had significant balances outstanding are detailed below:

Financial statements caption	Nature of relationship	30 June 2011	31 December 2010
Statement of financial position caption			
Advances given to construction companies and suppliers of property, plant and equipment	Other related parties	776	13,375
Trade receivables	Other related parties	17,340	15,861
less: impairment provision on trade receivables	Other related parties*	(17,340)	(15,861)
Prepayments, other receivables and other current assets	Other related parties	48,419	52,437
less: impairment provision on other receivables	Other related parties*	(46,639)	(50,628)
Trade payables	Other related parties	6,291	8,128
Other accounts payable and accrued expenses	Other related parties	-	1,380

*impaired trade and other receivables from an affiliated Ukraine-based company

(all amounts are presented in thousands of Russian Roubles, unless otherwise stated)

23 Balances and transactions with related parties (continued)

Financial statements caption	Nature of relationship	Three months ended 30 June 2011	Three months ended 30 June 2010	Six months ended 30 June 2011	Six months ended 30 June 2010
Statement of comprehensive income caption					
Sales	Other related parties	2,652	21,388	45,745	49,430
Purchases of materials and components	Other related parties	(1,246)	(36,334)	(2,545)	(37,440)
Distribution costs	Other related parties	(17,901)	(13,652)	(44,537)	(13,652)

Financial statements caption	Nature of relationship	Six months ended 30 June 2011	Six months ended 30 June 2010
Statement of cash flows caption			
(Increase)/decrease in trade receivables	Other related parties	(1,479)	3,875
(Increase)/decrease in other receivables	Other related parties	4,018	(11,749)
Decrease in trade payables	Other related parties	(2,538)	(13,517)
Decrease in advances from customers	Other related parties	(1,380)	-
Capital expenditure on property, plant and equipment and other intangible assets	Other related parties	(4,915)	-
Proceeds from sale of available-for-sale investments (Note 7)	Parent company	2,649,247	-
Purchase of own shares (Note 11)	Parent company	(11,230,947)	-

The total key management personnel compensation included in the profit and loss was RR 162,769 thousand (six months ended 30 June 2010: RR 167,942 thousand). This compensation is paid to six individuals who are members of the Management Board, for their services in full time positions. Compensation is made up of an annual fixed remuneration plus a performance bonus accrual.

24 Business combinations

In June 2011 the Group acquired 76.6% of the share capital of OJSC Montazhnik and 100% of the share capital of CJSC Spetsprommontazh to improve the Group's construction capabilities. These two construction companies are registered in the Russian Federation.

Management considers these entities as a single business combination, since together the two companies comprise an integrated set of activities and assets. The purchase consideration comprised RR 146,321 thousand, paid in cash. The fair value of net assets acquired was RR 89,376 thousand. However the Group has recognised goodwill of RR 90,409 thousand, primarily attributable to the anticipated synergies and cost savings expected to arise. Non-controlling interest represents the share in the net assets of the acquired entity attributable to the owners of the non-controlling interest.

If the acquisition had occurred on 1 January 2011, the Group's consolidated revenue and profit for six months ended 30 June 2011 would not have changed significantly. Revenue and net profit included in the consolidated condensed statement of comprehensive income since acquisition are not material.

Details of the assets and liabilities acquired and goodwill arising are as follows:

	Carrying value	Attributed fair value
Cash and cash equivalents	355	355
Accounts receivable and other assets	3,286	3,129
Inventories	11,879	11,879
Property, plant and equipment	30,491	111,000
Intangible assets	538	538
Trade and other accounts payable	(21,580)	(21,580)
Deferred income tax liability	-	(15,945)
Fair value of net assets of subsidiary		89,376
Less: minority interest		(33,464)
Fair value of acquired interest in net assets of subsidiary		55,912
Goodwill arising from the acquisition		90,409
Total purchase consideration		146,321
Less: cash and cash equivalents of subsidiary acquired		(355)
Outflow of cash and cash equivalents on acquisition		**145,966**

25 Contingencies, commitments and operating risks

i Capital expenditure commitments

As at 30 June 2011 the Group had contractual commitments for capital expenditures of RR 19,805,475 thousand (31 December 2010: RR 18,225,826 thousand), mostly denominated in US$ and Euro (RR 6,049,573 thousand and RR 4,907,674 thousand, respectively). The management estimates that, of these, approximately RR 8.7 billion will represent cash outflows in 2011.

RR 10,306,245 thousand and RR 4,940,273 thousand out of the total amount relates to the development of potassium salt deposits and the construction of mining facilities at the Gremyachinskoe and Verkhnekamskoe potash license areas, respectively (31 December 2010: RR 10,272,954 thousand and RR 4,417,588 thousand, respectively).

ii Tax legislation

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

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

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 proceeding the year of review. Under certain circumstances reviews may cover longer periods.

Under Russian transfer pricing legislation it is possible for the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions if the transaction price differs from the market price by more than 20%. Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. The arbitration court practice in this respect is contradictory.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the 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.

Russian tax legislation does not provide definitive guidance in certain areas, specifically in extraction tax. From time to time, the Group adopts interpretations of such uncertain areas that may be challenged by the tax authorities, the impact of which cannot be reliably estimated; however, it may be significant to the financial condition or the overall operations of the Group.

As at 30 June 2011 management believes that its interpretation of the relevant legislation is generally appropriate and the Group's tax, currency and customs positions will be sustained. Where management believes that it is probable that certain tax positions taken by the Group may not be sustained if challenged by the tax authorities, the Group has recorded provisions for related taxes, interest and penalties. There were no such provisions recorded by the Group at 30 June 2011 and 31 December 2010.

In addition to the above matters, management estimates that the Group has other possible obligations from exposure to other than remote tax risks of RR 1,112,873 thousand (31 December 2010: RR 1,081,589 thousand). This exposure primarily relates to management services and other fees charged by the holding company to the Group subsidiaries.

25 Contingencies, commitments and operating risks (continued)

iii Insurance policies

The Group exercises risk insurance as mandated by statutory requirements. The Group also holds voluntary insurance policies covering directors' and officers' liability (D&O insurance), physical property and business interruption insurance at nitrogen production plants, as well as insurances related to trade operations, including export shipments and credit insurance of trade debtors relating to European distribution of fertilizers. The Group also carries voluntary life and accident insurance for employees. Additionally, as part of the potash project the Group voluntarily has insured construction risks for cage and skip mine shafts at the Gremyachinskoe deposit for the amount of RR 16.7 billion. The insurance period covers all construction works and extends to the 12 months post construction guarantee period.

iv Environmental matters

The 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 and an immediate response is formulated as required. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

v Legal proceedings

During the reporting period, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding which could have a material effect on the results of operations or the financial position of the Group.

vi Operating environment of the Group

The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and interest rates, as well as periodic volatility in the RR exchange rate.

In 2010 and at the beginning of 2011 the Russian economy experienced a moderate recovery of economic growth. The recovery was accompanied by a gradual increase in household incomes, lower refinancing rates, stabilisation of the exchange rate of the Russian Rouble against major foreign currencies, and increased liquidity levels in the banking sector.

Management is unable to predict all developments in the economic environment which could have an impact on the Group's operations and consequently what effect, if any, they could have on the future financial position of the Group.

The Group holds, among other licenses, valid licenses for the exploration and development of potash and apatite deposits issued by the relevant government authorities of the Russian Federation. Under the terms of these licenses, the Group is required to comply with a number of conditions, including preparation of design documentation, commencement of construction of mining facilities and commencement of extraction of mineral resources by certain dates. If the Company fails to materially comply with the terms of the license agreements there are circumstances whereby the licenses can be revoked. The management of the Group believes that the Group faces no material regulatory risks in relation to the validity and operation of any of its licenses.

26 Subsequent events

A US$ 1.3 billion 5-year syndicated loan facility was obtained on 28 July 2011, bearing a floating interest rate of 1 month Libor +1.8%.