EUROCHEM GROUP

INTERNATIONAL ACCOUNTING STANDARD No. 34

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

30 JUNE 2012

Contents

Auditor's Report on the Review of the Consolidated Condensed Interim Financial Information for the Six months ended 30 June 2012

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 2012 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 (hereinafter, the "interim financial information") in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this 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 interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

15 August 2012
Moscow, Russian Federation

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

	Note	30 June 2012	31 December 2011
ASSETS			
Non-current assets:			
Property, plant and equipment	6	119,057,672	100,752,901
Mineral rights		14,388,632	14,271,178
Goodwill	7	10,954,784	295,275
Intangible assets	8	5,565,818	610,463
Restricted cash	13	6,439	7,980
Available-for-sale investments	9	2,064,719	11,044,815
Available-for-sale investments pledged as collateral	9	918,621	11,423,184
Derivative financial assets	16	159,897	124,353
Deferred income tax assets		4,457,973	1,806,374
Other non-current assets		123,250	167,920
Total non-current assets		**157,697,805**	**140,504,443**
Current assets:			
Inventories	10	17,550,427	14,957,399
Trade receivables	11	11,132,062	3,435,913
Prepayments, other receivables and other current assets	11	8,735,141	10,190,762
Originated loans	12, 26	1,148,592	6,301,867
Restricted cash	13	301,759	77,238
Fixed-term deposits	13	3,294,375	20,865,910
Cash and cash equivalents	13	18,393,677	8,506,949
Total current assets		**60,556,033**	**64,336,038**
TOTAL ASSETS		**218,253,838**	**204,840,481**
LIABILITIES AND EQUITY			
Equity attributable to owners of the parent:			
Share capital		6,800,000	6,800,000
Treasury shares		(29,679,427)	(29,679,427)
Retained earnings and other reserves		124,372,403	106,265,011
		101,492,976	**83,385,584**
Non-controlling interests		191,858	6,985,154
Total equity		**101,684,834**	**90,370,738**
Non-current liabilities:			
Bank borrowings	14	77,078,163	73,228,199
Bonds issued	15	9,967,276	9,964,656
Derivative financial liabilities	16	1,098,774	493,739
Deferred income tax liabilities		4,730,938	4,681,605
Other non-current liabilities and deferred credits	17	6,310,515	894,977
Total non-current liabilities		**99,185,666**	**89,263,176**
Current liabilities:			
Bank borrowings	14	4,032,871	4,167,140
Bonds issued	15	-	9,332,241
Derivative financial liabilities	16	-	167,050
Trade payables		4,648,308	3,061,104
Other accounts payable and accrued expenses		6,267,180	6,378,011
Income tax payable		1,313,038	1,436,216
Other taxes payable		1,121,941	664,805
Total current liabilities		**17,383,338**	**25,206,567**
Total liabilities		**116,569,004**	**114,469,743**
TOTAL LIABILITIES AND EQUITY		**218,253,838**	**204,840,481**

Approved on behalf of the Board of Directors
15 August 2012

Dmitry Strezhnev
Chief Executive Officer

Andrey Ilyin
Chief Financial Officer

The accompanying notes on pages 5 to 25 are an integral part of this consolidated condensed interim financial information.

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

	Note	Three months ended 30 June 2012	Three months ended 30 June 2011	Six months ended 30 June 2012	Six months ended 30 June 2011
Sales	18	41,896,036	30,866,217	77,677,382	62,085,254
Cost of sales	19	(22,740,794)	(15,335,095)	(42,261,346)	(30,691,252)
Gross profit		**19,155,242**	**15,531,122**	**35,416,036**	**31,394,002**
Distribution costs	20	(5,575,498)	(4,240,289)	(10,849,113)	(7,867,664)
General and administrative expenses	21	(1,340,601)	(1,033,920)	(2,526,740)	(2,205,425)
Other operating income/(expenses) − net	22	1,443,294	(135,271)	561,695	(731,161)
Operating profit		**13,682,437**	**10,121,642**	**22,601,878**	**20,589,752**
Dividend income	9	101,676	613,927	101,676	613,927
Gain on disposal of available-for-sale investments	9	-	752,231	568,382	914,434
Financial foreign exchange gain/(loss) – net		(5,778,651)	407,049	(348,800)	2,587,546
Interest income		116,650	28,922	469,490	53,098
Interest expense		(999,705)	(568,971)	(2,125,880)	(1,173,903)
Other financial gain/(loss) – net	23	(2,015,441)	217,987	(409,456)	1,730,331
Profit before taxation		**5,106,966**	**11,572,787**	**20,857,290**	**25,315,185**
Income tax expense	24	(2,156,747)	(2,037,760)	(4,169,929)	(4,432,253)
Net profit for the period		**2,950,219**	**9,535,027**	**16,687,361**	**20,882,932**
Other comprehensive income/(loss)					
Currency translation differences, net of tax		1,928,624	126,565	1,005,955	14,962
Revaluation of available-for-sale investments	9	(95,785)	213,889	871,375	(2,107,402)
Disposal of available-for-sale investments – reclassification of revaluation to profit and loss	9	-	(752,231)	(568,382)	(914,434)
Total other comprehensive income/(loss) for the period		**1,832,839**	**(411,777)**	**1,308,948**	**(3,006,874)**
Total comprehensive income for the period		**4,783,058**	**9,123,250**	**17,996,309**	**17,876,058**
Net profit/(loss) for the period attributable to:					
Owners of the parent		2,951,656	9,544,451	16,690,134	20,884,486
Non-controlling interests		(1,437)	(9,424)	(2,773)	(1,554)
		2,950,219	**9,535,027**	**16,687,361**	**20,882,932**
Total comprehensive income/(loss) attributable to:					
Owners of the parent		4,766,740	9,134,506	17,997,561	17,893,353
Non-controlling interests		16,318	(11,256)	(1,252)	(17,295)
		4,783,058	**9,123,250**	**17,996,309**	**17,876,058**
Earnings per share – basic and diluted (in RR)	25	47.77	142.32	270.14	309.42

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

	Note	Six months ended 30 June 2012	30 June 2011
Operating profit		**22,601,878**	**20,589,752**
Income tax paid		(3,831,921)	(3,277,731)
Operating profit less income tax paid		**18,769,957**	**17,312,021**
Depreciation and amortisation	21	3,417,406	2,149,988
Net loss on disposals and write-off of property, plant and equipment		157,194	53,767
Reversal of impairment of receivables and change of provision for obsolete and damaged inventories		(62,478)	(23,910)
Other non-cash (income)/expenses – net		(173,028)	325,401
Gross cash flow		**22,109,051**	**19,817,267**
Changes in operating assets and liabilities:			
Trade receivables		(1,732,362)	(2,077,567)
Advances to suppliers		406,432	(370,266)
Other receivables		489,264	38,948
Inventories		215,786	(1,796,609)
Trade payables		672,077	389,779
Advances from customers		(661,640)	(542,007)
Other payables		811,126	207,207
Restricted cash, other assets and liabilities		(222,980)	(136,768)
Net cash – operating activities		**22,086,754**	**15,529,984**
Cash flows from investing activities			
Capital expenditure on property, plant and equipment and intangible assets		(12,355,833)	(9,853,293)
Prepayment for other non-current assets		(17,500)	-
Loan provided to the acquired subsidiary before acquisition		(116,229)	-
Acquisition of subsidiaries, net of cash acquired	27	(29,388,858)	(145,966)
Acquisition of available-for-sale investments	9, 26	(59,607)	-
Proceeds from sale of property, plant and equipment		27,292	28,474
Proceeds from sale of available-for-sale investments	9, 26	20,415,641	2,706,075
Cash proceeds/(payments) on derivatives – net	16	44,175	1,179,052
Dividends received and refunded withholding tax on dividends received	9	144,828	452,004
Net change in fixed-term deposits		17,231,242	-
Originated loans	26	(1,124,603)	-
Repayment of originated loans		6,301,867	-
Interest received		875,817	65,761
Net cash – investing activities		**1,978,232**	**(5,567,893)**
Free cash inflow		**24,064,986**	**9,962,091**
Cash flows from financing activities			
Proceeds from bank borrowings	14	5,834,838	11,567,756
Repayment of bank borrowings	14	(3,295,374)	(9,413,511)
Repayment of bonds	15	(8,513,762)	-
Prepaid and additional transaction costs		(9,138)	(9,194)
Interest paid		(2,058,206)	(841,270)
Acquisition of non-controlling interest in oil and gas subsidiary	28	(6,619,999)	-
Acquisition of additional interest in other subsidiaries		(44)	(7,275)
Purchase of own shares	26	-	(11,230,947)
Net cash – financing activities		**(14,661,685)**	**(9,934,441)**
Effect of exchange rate changes on cash and cash equivalents		483,427	(384,532)
Net increase/(decrease) in cash and cash equivalents		**9,886,728**	**(356,882)**
Cash and cash equivalents at the beginning of the period	13	**8,506,949**	**8,896,623**
Cash and cash equivalents at the end of the period	13	**18,393,677**	**8,539,741**

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

	Note	Attributable to owners of the parent						Non-controlling interests	Total equity
		Share capital	Treasury shares	Cumulative currency translation differences	Revaluation of available-for-sale investments	Retained earnings	Total		
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	9	-	-	-	(2,107,402)	-	(2,107,402)	-	(2,107,402)
Disposal of available-for-sale investments	9	-	-	-	(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		-	(11,230,947)	-	-	-	(11,230,947)	-	(11,230,947)
Acquisition of subsidiaries		-	-	-	-	-	-	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**
Balance at 1 January 2012		**6,800,000**	**(29,679,427)**	**1,724,223**	**(273,427)**	**104,814,215**	**83,385,584**	**6,985,154**	**90,370,738**
Comprehensive income/(loss)									
Profit/(loss) for the period		-	-	-	-	16,690,134	16,690,134	(2,773)	16,687,361
Other comprehensive income/(loss)									
Currency translation differences		-	-	1,004,434	-	-	1,004,434	1,521	1,005,955
Revaluation of available-for-sale investments	9	-	-	-	871,375	-	871,375	-	871,375
Disposal of available-for-sale investments	9	-	-	-	(568,382)	-	(568,382)	-	(568,382)
Total other comprehensive income		-	-	1,004,434	302,993	-	1,307,427	1,521	1,308,948
Total comprehensive income/(loss)		**-**	**-**	**1,004,434**	**302,993**	**16,690,134**	**17,997,561**	**(1,252)**	**17,996,309**
Transactions with owners									
Acquisition of non-controlling interests in oil and gas subsidiary	28	-	-	-	-	109,832	109,832	(6,792,001)	(6,682,169)
Acquisition of additional interest in other subsidiaries		-	-	-	-	(1)	(1)	(43)	(44)
Total transactions with owners		**-**	**-**	**-**	**-**	**109,831**	**109,831**	**(6,792,044)**	**(6,682,213)**
Balance at 30 June 2012		**6,800,000**	**(29,679,427)**	**2,728,657**	**29,566**	**121,614,180**	**101,492,976**	**191,858**	**101,684,834**

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 mineral extraction (iron-ore, apatite, baddeleyite and hydrocarbons), fertiliser production and distribution. The Group manufactures a large number of products, the most significant of which is a wide range of mineral fertilisers (nitrogen and phosphate groups).

A company that holds business interests beneficially for Mr. Andrey Melnichenko owns 100% of Linea Limited registered in Bermuda, which in turn owns 92.2% (31 December 2011: 92.2%) of EuroChem Group S.E. 7.8% of EuroChem Group S.E (31 December 2011: 7.8%) is held by Mr. Dmitry Strezhnev, CEO of the Group. EuroChem Group S.E. owns 90.86% of the Company (31 December 2011: 90.86%). The remaining 9.14% is held by EuroChem Capital Management Ltd, the Group's wholly-owned subsidiary, and presented as treasury shares in the consolidated statement of financial position.

The Group's manufacturing facilities are primarily based in the Russian Federation with the exception for two entities: Lifosa AB, located in Lithuania and EuroChem Antwerpen NV acquired on 31 March 2012, located in Belgium (Note 27).

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 2012 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 2011 which have been prepared in accordance with International Financial Reporting Standards.

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 2011, except for the policies which were changed to comply with the new or amended standards and interpretations that are in force for the year beginning on 1 January 2012 (Note 4).

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

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 2012:

- Recovery of Underlying Assets – Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012);
- 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).

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

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

- IFRS 9, Financial Instruments Part 1: Classification and Measurement (issued in November 2009, effective for annual periods beginning on or after 1 January 2015, with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial information;
- IFRS 10, Consolidated financial statements (issued in May 2011, effective for annual periods beginning on or after 1 January 2013 with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial information;
- IFRS 11, Joint arrangements (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted);
- 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);
- IFRS 13, Fair Value Measurement (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial information;
- Amendments to IAS 1, Presentation of financial statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012). The Group is currently assessing the impact of the amendments on its consolidated financial information;
- Amended IAS 19, Employee benefits (issued June 2011, effective for periods beginning on or after 1 January 2013). The Group is currently assessing the impact of the amended standard on its consolidated financial information;
- IAS 27, Separate Financial Statements (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013);
- IAS 28, Investments in Associates and Joint Ventures (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013);
- Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The Group is currently assessing the impact of the amended standard on its consolidated financial information;
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The Group is currently assessing the impact of the amended standard on its consolidated financial information;
- Improvements to International Financial Reporting Standards (issued in May 2012 and effective for the Group from 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23, Borrowing costs, retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements;

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

- Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards − Government loans (issued in March 2012 and effective for periods beginning on or after 1 January 2013);
- Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 June 2012 and effective for annual periods beginning on or after 1 January 2013). The Group is currently assessing the impact of the amended standard on its consolidated financial information;
- Other revised standards and interpretations: The amendments to IFRS 1 "First-time adoption of IFRS", relating to severe hyperinflation and eliminating references to fixed dates for certain exceptions and exemptions, amendment to IAS 12 "Income taxes", which introduces a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale, will not have any impact on this consolidated condensed interim financial information. IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, considers when and how to account for the benefits arising from the stripping activity in mining industry. The Group is currently assessing the impact of the interpretation on its consolidated financial information.

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

5 Segment information

The Group is a vertically integrated business with activities spanning mining and natural gas extraction, fertiliser manufacturing, organic synthesis products, sales and distribution. The Group produces a large number of products, the most significant of which are a wide range of mineral fertilisers (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 other factors, a measure of profit before taxation adjusted by interest expense, depreciation and amortisation, 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 and risk analysis, the investment focus, technological process changes, and the setting of goals and priorities of the Group are undertaken in line with the segment structure of the Group:

- Nitrogen – the production and sale of nitrogen mineral fertilisers and organic synthesis products; starting from 2012 it also comprises hydrocarbon extraction and production. Starting from 31 March 2012, this segment includes the assets and liabilities, and the financial results of EuroChem Antwerpen NV;
- Phosphates – the production and sale of phosphate mineral fertilisers 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 licences acquired by the Group with a view to starting production and marketing of potassium fertilisers. No sales have been recorded to date in this segment;
- Distribution – retail sales of mineral fertilisers (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.

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

5 Segment information (continued)

The segmental results for the six months ended 30 June 2012 were:

	External sales	Internal sales	Total sales	EBITDA
Nitrogen	34,877,161	5,800,289	40,677,450	16,044,513
Phosphates	32,324,813	1,915,711	34,240,524	9,677,744
Potash	-	-	-	(291,463)
Distribution	8,433,662	11,564	8,445,226	496,913
Other	2,041,746	7,718,998	9,760,744	1,259,920
Elimination	-	(15,446,562)	(15,446,562)	28,537
Total	**77,677,382**	**-**	**77,677,382**	**27,216,164**

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

	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**

A reconciliation of total profit before taxation is provided below:

		Six months ended	
	Note	30 June 2012	30 June 2011
EBITDA		**27,216,164**	**23,426,435**
Depreciation and amortisation	21	(3,417,406)	(2,149,988)
Idle property, plant and equipment write-off	6	(127,554)	(18,116)
Write-off of advances given to construction company	6	(495,387)	-
Gain on disposal of available-for sale investments	9	568,382	914,434
Financial foreign exchange gain/(loss) – net		(348,800)	2,587,546
Interest expense		(2,125,880)	(1,173,903)
Other financial gain/(loss) – net	23	(409,456)	1,730,331
Non-controlling interest		(2,773)	(1,554)
Profit before taxation		**20,857,290**	**25,315,185**

The analysis of Group sales by region was:

	Six months ended	
	30 June 2012	30 June 2011
Russia	18,265,792	16,686,052
CIS	6,840,471	8,779,970
Asia	13,115,415	9,545,570
Europe	16,408,044	9,807,480
Latin America	12,225,914	10,133,192
North America	8,026,991	5,157,720
Africa	1,717,043	1,570,336
Australasia	1,077,712	404,934
Total sales	**77,677,382**	**62,085,254**

The sales are allocated by regions based on the destination country. During the six months ended 30 June 2012 the Group had sales in excess of 10% to Russia and China, which represented 23.5% and 10.1% of Group revenues, respectively (six months ended 30 June 2011: the sales to Russia represented 26.9%).

The Group had sales in excess of 10% to one customer during the six months ended 30 June 2012 and 30 June 2011. Revenues from this customer represented 14% of total Group revenues for the six months ended 30 June 2012 (six months ended 30 June 2011: 11%) and were allocated to the Nitrogen and Phosphates segments.

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

6 Property, plant and equipment

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

	Note	2012	2011
Carrying amount at 1 January		**100,752,901**	**73,121,566**
Including advances given to construction companies and suppliers of property, plant and equipment		*6,156,538*	*5,312,790*
Additions		12,587,785	9,957,794
Including change in advances given		*(525,795)*	*414,980*
Acquisitions through business combination	27	9,445,221	111,000
Disposals		(56,880)	(64,125)
Depreciation charge for the period		(3,579,962)	(2,197,907)
Write-off of advances given to construction company	22	(495,387)	-
Idle property, plant and equipment write-off	19, 22	(127,554)	(18,116)
Currency translation differences		531,548	(34,243)
Carrying amount at 30 June		**119,057,672**	**80,875,969**
Including advances given to construction companies and suppliers of property, plant and equipment		*5,135,356*	*5,727,770*

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

	30 June 2012	31 December 2011
Construction in progress	45,580,277	39,622,027
Exploration expenses	139,935	75,891
Advances given to construction companies and suppliers of property, plant and equipment	5,135,356	6,156,538
Total assets under construction	**50,855,568**	**45,854,456**

During the six months ended 30 June 2012 the Group wrote-off a portion of the advance given to a company which was involved in construction activities at the Gremyachinskoe potash deposit due to the uncertainty regarding its future recoverability: this amounted to RR 495,387 thousand (six months ended 30 June 2011: nil). The total amount of the write-off is subject to change depending on finalisation of the terms of termination of the contract with the company.

During the six months ended 30 June 2012 the Group decided to mothball certain production equipment with a net book value of RR 127,554 thousand (six months ended 30 June 2011: net book value of RR 18,116 thousand) and recognised a loss of RR 127,554 thousand in this consolidated condensed interim financial information (six months ended 30 June 2011: RR 18,116 thousand) (Note 19, 22).

At 30 June 2012 the Group has capitalised expenses relating to the evaluation stage of the Darganovsky and Ravninny potash fields of RR 139,935 thousand which were recognised in assets under construction (31 December 2011: RR 75,891 thousand). The capitalisation of these expenses started from 1 March 2011 when the Group received official confirmation of the estimated resources covered by the licences for the exploration and evaluation of the Darganovsky and Ravninny potash fields. In most cases such expenses are paid in the period when the services are provided.

During the six months ended 30 June 2012 borrowing costs totalling RR 93,757 thousand (six months ended 30 June 2011: RR 43,094 thousand) were capitalised in property, plant and equipment at an average interest rate of 4.87% p.a. (six months ended 30 June 2011: 5.28% p.a.).

Trade payables include payables to suppliers of property, plant and equipment which amount to RR 762,613 thousand at 30 June 2012 (31 December 2011: RR 765,158 thousand).

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

7 Goodwill

Movements in goodwill arising on the acquisition of subsidiaries are:

	Note	2012	2011
Carrying amount at 1 January		**295,275**	**204,866**
Acquisition of subsidiary	27	10,104,281	90,409
Currency translation differences		555,228	-
Carrying amount at 30 June		**10,954,784**	**295,275**

8 Intangible assets

Movements in the carrying amount of intangible assets were:

	Note	2012	2011
Carrying amount at 1 January		**610,463**	**814,523**
Additions		110,929	120
Acquisitions through business combination	27	4,792,152	538
Amortisation charge for the period		(206,567)	(102,263)
Currency translation differences		258,841	(2,884)
Carrying amount at 30 June		**5,565,818**	**710,034**

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

At 30 June 2012 available-for-sale investments comprised the shares of K+S Group, a German manufacturer and vendor of potassium-based fertilisers.

	30 June 2012	31 December 2011
K+S Group ordinary shares	2,064,719	11,044,815
K+S Group ordinary shares pledged as collateral	918,621	11,423,184
Total available-for-sale investments	**2,983,340**	**22,467,999**

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

	2012	2011
Carrying amount at 1 January	**22,467,999**	**37,863,331**
Acquisition of available-for-sale investments	59,607	-
Revaluation of available-for-sale investments	871,375	(2,107,402)
Disposal of available-for-sale investments, including:		
- available-for-sale investments at cost	(19,847,259)	(1,791,641)
- reclassification of revaluation to profit and loss	(568,382)	(914,434)
Carrying amount at 30 June	**2,983,340**	**33,049,854**

K+S Group shares, including shares pledged as collateral

At 30 June 2012 the Group held 2,005,434 shares, or 1.048% of the issued share capital (31 December 2011: 15,440,170 shares, or 8.067% of the issued share capital) of K+S Group with a fair value of RR 2,983,340 thousand (31 December 2011: RR 22,467,999 thousand) with reference to the share price quoted on the Xetra trading system of Euro 36 per share (31 December 2011: Euro 34.92 per share). The accumulated increase from the historical cost to the fair value of the investment of RR 29,566 thousand was recognised in equity at 30 June 2012 (31 December 2011: a negative reserve of RR 273,427 thousand).

During the six months ended 30 June 2012 the Group sold 13,475,191 ordinary shares of K+S Group to EuroChem Group S.E., the parent company of the Group, for RR 20,415,641 thousand (Note 26) and recognised a gain of RR 568,382 thousand in the profit and loss.

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

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

K+S Group shares, including shares pledged as collateral (continued)

During the second quarter of 2012 the Group acquired 40,455 ordinary shares of K+S Group from the related party for RR 59,607 thousand paid in cash (Note 26).

Dividends and withholding tax

In May 2012 the Group received dividend income from K+S Group of RR 101,676 thousand (six months ended 30 June 2011: RR 613,927 thousand) before withholding tax of RR 26,817 thousand (six months ended 30 June 2011: RR 161,923 thousand).

In January 2012 the Group received a refund of withholding tax on dividends in 2011 amounting to RR 69,969 thousand.

K+S Group shares pledged as collateral

At 30 June 2012 the Group had 617,507 K+S Group shares pledged as collateral for a bank loan with a fair value of RR 918,621 thousand (31 December 2011: 6,350,094 K+S Group shares with a fair value of RR 9,240,436 thousand) with reference to the share price quoted on the Xetra trading system (Note 14).

At 30 June 2012 the Group did not have any outstanding derivative contracts secured by K+S Group ordinary shares as collateral (31 December 2011: 2,858,000 K+S Group ordinary shares with a fair value of RR 4,158,861 thousand were pledged as collateral to secure outstanding European call options) (Note 16).

Therefore, as at 30 June 2012 the total number of K+S Group shares pledged as collateral was 617,507 with a fair value of RR 918,621 thousand (31 December 2011: 7,850,094 shares with a fair value of RR 11,423,184 thousand, as agreed with the lender, 1,358,000 shares with a fair value of RR 1,976,113 thousand simultaneously represented collateral for a bank loan and collateral under the call options). Pledged shares have been reclassified to a separate line named “Available-for-sale investments pledged as collateral” in the consolidated condensed statement of financial position, as the mortgagee has the right to use and dispose of these shares. The Group holds economic exposure in relation to the encumbered and/or used shares. The mortgagee is obliged to replace the original financial collateral by transferring equivalent securities upon the performance of the obligations of the mortgagor.

10 Inventories

	30 June 2012	31 December 2011
Materials	7,013,487	5,821,720
Work in progress	1,274,013	1,180,983
Finished goods	6,577,328	6,445,567
Catalysts	2,952,414	1,784,203
Less: provision for obsolete and damaged inventories	(266,815)	(275,074)
Total inventories	**17,550,427**	**14,957,399**

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

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

	30 June 2012	31 December 2011
Trade receivables		
Trade receivables denominated in RR	1,739,040	1,074,277
Trade receivables denominated in US$	2,397,725	2,306,373
Trade receivables denominated in Euro	6,738,643	119,195
Trade receivables denominated in other currencies	451,972	182,696
Less: impairment provision	(195,318)	(246,628)
Total trade receivables – financial assets	**11,132,062**	**3,435,913**
Prepayments, other receivables and other current assets		
Advances to suppliers	3,331,137	3,737,569
VAT recoverable and receivable	4,302,278	5,040,882
Income tax receivable	78,386	198,767
Other taxes receivable	8,358	43,513
Other receivables	1,092,062	891,306
Less: impairment provision	(102,732)	(161,311)
Subtotal non-financial assets	**8,709,489**	**9,750,726**
Interest receivable	25,652	440,036
Subtotal financial assets	**25,652**	**440,036**
Total prepayments, other receivables and other current assets	**8,735,141**	**10,190,762**
Total trade receivables, prepayments, other receivables and other current assets	**19,867,203**	**13,626,675**
including		
Financial assets	11,157,714	3,875,949
Non-financial assets	8,709,489	9,750,726

12 Originated loans

In June 2012 the Group issued a secured 8% annual interest loan of US$ 35 million to a related party. The loan was fully repaid in July 2012. As at 30 June 2012 the outstanding amount was RR 1,148,592 thousand (Note 26). It was secured with 910,564 K+S Group shares as collateral with a fair value of RR 1,354,581 thousand with reference to the share price quoted on the Xetra trading system. These shares were transferred back at the repayment date.

At 31 December 2011 the Group had RR-denominated unsecured loans to a third party of RR 6,301,867 thousand acquired in a business combination transaction. These loans were fully repaid in January 2012.

13 Cash and cash equivalents and fixed-term deposits

	30 June 2012	31 December 2011
Cash on hand and bank balances denominated in RR	1,770,745	1,491,231
Bank balances denominated in US$	4,034,746	1,849,003
Bank balances denominated in Euro	10,778,882	1,278,936
Balances denominated in other currencies	414,144	250,026
Term deposits denominated in RR	733,780	1,633,327
Term deposits denominated in US$	205,564	1,320,939
Term deposits denominated in Euro	338,946	445,277
Term deposits denominated in other currencies	116,870	238,210
Total cash and cash equivalents	**18,393,677**	**8,506,949**
Fixed-term deposits in RR	636,500	13,550,300
Fixed-term deposits in US$	2,625,352	7,283,471
Fixed-term deposits in Euro	32,523	32,139
Total fixed-term deposits	**3,294,375**	**20,865,910**
Current restricted cash	301,759	77,238
Non-current restricted cash	6,439	7,980
Total restricted cash	**308,198**	**85,218**

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

13 Cash and cash equivalents and fixed-term deposits (continued)

Term deposits at 30 June 2012 and 31 December 2011 are held to meet short term cash needs and have various original maturities but can be withdrawn on request without any restrictions.

Fixed-term deposits have various original maturities and can be withdrawn with early notification and/or with penalty accrued or interest income forfeited.

At 30 June 2012 current restricted cash of RR 301,759 thousand primarily consisted of cash held at banks of RR 293,971 thousand to meet the next principal and interest payments on bank borrowings (31 December 2011: current restricted cash of RR 77,238 thousand was held in bank accounts in compliance with statutory regulations).

At 30 June 2012 RR 6,439 thousand of non-current restricted cash (31 December 2011: RR 7,980 thousand) was held in bank accounts as security deposits for third parties.

14 Bank borrowings

	2012	2011
Balance as at 1 January	**77,395,339**	**24,054,601**
Bank loans received, denominated in US$	5,709,725	7,072,320
Bank loans received, denominated in Euro	125,113	4,495,436
Bank loans repaid, denominated in US$	-	(9,413,511)
Bank loans repaid, denominated in Euro	(3,295,374)	-
Capitalisation and amortisation of transaction costs - net	116,282	137,223
Foreign exchange (gain)/loss	1,059,949	(1,945,189)
Balance as at 30 June	**81,111,034**	**24,400,880**

	30 June 2012	31 December 2011
Current bank borrowings		
Short-term bank loans, denominated in Euro	619,845	4,167,140
Short-term bank loans, denominated in US$	3,281,690	-
Current portion of long-term bank loans in US$	239,631	-
Less: short-term portion of transaction costs	(108,295)	-
Total current bank borrowings	**4,032,871**	**4,167,140**
Non-current bank borrowings		
Long-term bank loans, denominated in RR	20,000,000	20,000,000
Long-term bank loans, denominated in US$	56,954,675	53,430,421
Long-term bank loans, denominated in Euro	1,484,167	1,365,495
Less: long-term portion of transaction costs	(1,360,679)	(1,567,717)
Total non-current bank borrowings	**77,078,163**	**73,228,199**
Total bank borrowings	**81,111,034**	**77,395,339**

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 5-year club loan facility which was obtained in August 2011 for US$ 1.3 billion bears a floating interest rate of 1-month Libor +1.8%. At 30 June 2012 the outstanding amount totalled US$ 1.3 billion (31 December 2011: US$ 1.3 billion).

In September 2011 the Group signed a RR 20 billion 5-year non-revolving fixed-interest rate loan facility with a leading Russian bank. As at 30 June 2012 the outstanding amount was RR 20 billion (31 December 2011: RR 20 billion).

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

14 Bank borrowings (continued)

Interest rates and outstanding amounts (continued)

In March 2010 the Group signed a US$ 261 million, 10-year export credit agency-backed loan facility with a floating interest rate based on 6-month Libor for financing the construction of the cage shaft at the Gremyachinskoe potash deposit. In April 2012 due to the termination of the construction contract the unutilised part of the facility was cancelled and at 30 June 2012 the outstanding amount was US$ 109.5 million (31 December 2011: US$ 109.5 million).

In August 2010 the Group signed a US$ 250 million 5-year credit line agreement bearing a floating interest rate based on 1-month Libor with a European commercial bank. At 30 June 2012 the outstanding amount was US$ 250 million (31 December 2011: US$ 250 million).

In May 2012 the Group signed a US$ 100 million framework agreement for a 2-year revolving facility bearing a floating interest rate based on Libor. In June 2012 the facility was fully utilised and as at 30 June 2012 the outstanding amount was US$ 100 million.

In March 2012 the Group signed a US$ 83.3 million credit line agreement with a European commercial bank, bearing a floating interest rate based on 1-month Libor and maturity in August 2015. The facility is fully utilised and as at 30 June 2012 the outstanding amount was US$ 83.3 million.

In August 2010 the Group signed a Euro 36.7 million, 13-year export credit agency-backed loan facility with a floating interest rate based on 6-month Euribor 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 2012 Euro 35.9 million of the facility was utilised (31 December 2011: Euro 32.8 million).

In September 2009 the Group signed a loan agreement for Euro 85 million at a floating interest rate based on 1-month Euribor, which was converted into a revolving committed facility in 2010. In 2011 the credit limit was increased to Euro 140 million and by 31 December 2011 Euro 100 million of the facility was utilised. During the six months ended 30 June 2012 Euro 85 million of the facility was repaid and the credit limit reduced to Euro 30 million with an extended maturity of March 2013. At 30 June 2012 the outstanding amount was Euro 15 million.

Collaterals and pledges

At 30 June 2012 collaterals comprised cash balances of RR 293,971 thousand restricted by banks to secure the next principal and interest payments (31 December 2011: nil) (Note 13).

A bank loan of RR 42,661,970 thousand and RR 41,854,930 thousand at 30 June 2012 and 31 December 2011, respectively, was collateralised by future export proceeds of the Group under sales contracts with certain customers. A bank loan of RR 619,845 thousand at 30 June 2012 (31 December 2011: RR 4,167,140 thousand) was secured by K+S Group shares as collateral represented by 617,507 shares with a fair value of RR 918,621 thousand (31 December 2011: 6,350,094 shares with a fair value of RR 9,240,436 thousand). Fair value was determined by reference to the share price quoted on the Xetra trading system (Note 9).

The Group's bank borrowings mature:

	30 June 2012	31 December 2011
- within 1 year	4,032,871	4,167,140
- between 1 and 2 years	17,724,950	7,325,334
- between 2 and 5 years	57,418,966	63,826,082
- more than 5 years	1,934,247	2,076,783
Total bank borrowings	**81,111,034**	**77,395,339**

New undrawn loan facilities

In May 2012 the Group signed a US$ 75 million framework agreement for a 2-year revolving facility bearing a floating interest rate based on Libor. This facility was not utilised by the Group as at 30 June 2012.

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

15 Bonds issued

	30 June 2012	31 December 2011
Current bonds		
7.875% US$-denominated bonds due March 2012	-	9,336,869
Less: transaction costs	-	(4,628)
Total current bonds	**-**	**9,332,241**
Non-current bonds		
7.875% US$-denominated bonds due March 2012	-	9,336,869
Less: current portion of long-term bonds issued in US$	-	(9,336,869)
8.9% RR-denominated bonds due June 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	(32,724)	(35,344)
Total non-current bonds	**9,967,276**	**9,964,656**
Total bonds issued	**9,967,276**	**19,296,897**

In March 2012 the US$ denominated bonds with a face value of US$ 290 million were redeemed and the Group paid a settlement amount of RR 8,513,762 thousand.

16 Derivative financial assets and liabilities

At 30 June 2012 the non-current derivative financial assets were represented by RR/US$ non-deliverable forward contracts accounted for at a fair value of RR 159,897 thousand (31 December 2011: RR 124,353 thousand). At 30 June 2012 the Group did not hold any current derivative financial assets (31 December 2011: nil).

At 30 June 2012 the non-current derivative financial liabilities were represented by RR/US$ non-deliverable forward contracts and a cross currency interest rate swap accounted for at a fair value of RR 582,779 thousand and RR 515,995 thousand, respectively (31 December 2011: RR 169,246 thousand and RR 324,493 thousand, respectively). The Group did not have current derivative financial liabilities (31 December 2011: current derivative financial liabilities were represented by EUR/US$ non-deliverable forward contracts accounted for at a fair value of 167,044 thousand and European call options over K+S Group ordinary shares accounted for at a fair value of RR 6 thousand).

At 30 June 2012 the derivative financial assets and liabilities were:

	Assets		Liabilities	
	non-current	current	non-current	current
RR/US$ non-deliverable forward contracts	159,897	-	582,779	-
Cross currency interest rate swap	-	-	515,995	-
Total	**159,897**	**-**	**1,098,774**	**-**

At 31 December 2011 the derivative financial assets and liabilities were:

	Assets		Liabilities	
	non-current	current	non-current	current
RR/US$ non-deliverable forward contracts	124,353	-	169,246	-
EUR/US$ non-deliverable forward contracts	-	-	-	167,044
Cross currency interest rate swap	-	-	324,493	-
Option contracts over K+S Group ordinary shares	-	-	-	6
Total	**124,353**	**-**	**493,739**	**167,050**

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

16 Derivative financial assets and liabilities (continued)

Movements in the carrying amount of derivative financial assets and liabilities were:

	1 January 2012	Changes in the fair value (Note 23)	Cash payments/ (proceeds) on derivatives − net	30 June 2012
Derivative financial assets/(liabilities)				
Cross currency interest rate swap	(324,493)	(83,454)	(108,048)	(515,995)
Foreign exchange non-deliverable forward contracts − net	(211,937)	(274,818)	63,873	(422,882)
Option contracts over K+S Group ordinary shares	(6)	6	-	-
Derivative financial assets and liabilities – net	**(536,436)**	**(358,266)**	**(44,175)**	**(938,877)**

Cross currency interest rate swap

As at 30 June 2012 the Group has recognised a net loss of RR 83,454 thousand (Note 23), comprising of a loss from revaluation of the cross currency interest rate swap amounting to RR 191,502 thousand offset by net interest income of RR 108,048 thousand.

Call options over K+S Group ordinary shares

At 31 December 2011 the Group had outstanding European call options giving counterparties the right to buy 2,858,000 K+S Group ordinary shares with a fair value of RR 4,158,861 thousand (Note 9), which matured in January and February 2012. These call options were not exercised.

At 30 June 2012 the Group did not have outstanding call options over K+S Group ordinary shares (Note 9).

Foreign exchange non-deliverable forward contracts

At 31 December 2011 the Group had RR/US$ and EUR/US$ non-deliverable forward contracts to buy the nominal amount of RR 11,500 million and Euro 400 million, respectively.

During the six months ended 30 June 2012 the Group had conducted certain transactions in non-deliverable forward contracts; it:

- entered into EUR/US$ and RR/EUR non-deliverable forward contracts to buy the nominal amount of Euro 100 million and Euro 709.8 million, respectively;
- entered into two types of RR/US$ non-deliverable forward contracts to buy the nominal amount of US$ 100 million and RR 14,100 million;
- settled EUR/US$ non-deliverable forward contracts for Euro 500 million against opposite non-deliverable forward contracts and received proceeds of RR 113,082 thousand;
- paid a settlement amount of RR 202,569 thousand for matured RR/US$ and RR/EUR non-deliverable forward contracts of US$ 100 million and Euro 530.3 million, respectively;
- received proceeds of RR 25,614 thousand for matured RR/EUR non-deliverable forward contracts of Euro 179.5 million.

At 30 June 2012 the Group had RR/US$ non-deliverable forward contracts for a nominal amount of RR 25,600 million with contractual settlement dates varying from September 2014 to September 2016.

17 Other non-current liabilities and deferred credits

	30 June 2012	31 December 2011
Deferred payable related to business combination	5,396,173	-
Provisions for age premium and retirement benefits	469,381	448,928
Provision for land restoration liability	295,369	283,400
Deferred income − Investment grant received	149,592	162,649
Total other non-current liabilities and deferred credits	**6,310,515**	**894,977**

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

18 Sales

The components of external sales were:

	Three months ended		Six months ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Nitrogen				
Nitrogen fertilisers	14,130,216	9,148,727	24,075,641	18,481,294
Organic synthesis products	1,919,056	1,636,388	3,827,173	3,573,233
Complex fertilisers group	3,608,447	1,114,285	4,952,602	1,786,300
Hydrocarbons	472,417	-	941,044	-
Phosphates	113,503	-	113,503	-
Other goods	415,057	118,921	616,504	216,338
Other services	267,837	61,581	350,694	123,848
	20,926,533	**12,079,902**	**34,877,161**	**24,181,013**
Phosphates				
Phosphates	7,915,119	6,910,361	17,858,918	15,715,844
Iron ore concentrate	5,282,489	5,778,442	10,323,963	10,088,495
Feed phosphates group	1,206,305	1,246,055	2,325,892	2,009,081
Apatite concentrate	273,755	211,058	629,658	513,698
Baddeleyite concentrate	341,948	315,113	545,768	460,883
Complex fertilisers group	738	-	738	-
Other goods	229,633	119,976	395,163	237,670
Other services	84,006	106,131	244,713	269,172
	15,333,993	**14,687,136**	**32,324,813**	**29,294,843**
Distribution				
Nitrogen fertilisers	2,123,453	1,386,858	5,049,024	3,788,937
Phosphates	799,391	733,629	1,314,957	1,214,011
Complex fertilisers group	570,137	871,944	1,023,519	1,713,260
Feed phosphates group	65,465	33,787	128,053	75,283
Organic synthesis products	4,682	5,820	6,545	7,142
Other goods	494,225	476,344	909,347	819,634
Other services	808	2,081	2,217	4,004
	4,058,161	**3,510,463**	**8,433,662**	**7,622,271**
Others				
Nitrogen fertilisers	941,842	220,260	941,842	220,260
Phosphates	23,382	-	45,581	-
Complex fertilisers group	-	-	-	27,342
Logistic services	201,518	72,175	313,760	101,252
Other goods	289,985	189,994	506,058	432,692
Other services	120,622	106,287	234,505	205,581
	1,577,349	**588,716**	**2,041,746**	**987,127**
Total sales	**41,896,036**	**30,866,217**	**77,677,382**	**62,085,254**

19 Cost of sales

The components of cost of sales were:

		Three months ended		Six months ended	
	Note	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Materials and components used or resold		14,429,325	9,623,444	24,864,987	18,628,425
Energy		1,597,932	1,600,834	3,321,115	3,463,777
Utilities and fuel		1,029,732	834,575	2,253,396	1,874,923
Labour, including contributions to social funds		2,474,371	2,023,448	4,822,608	3,973,267
Depreciation and amortisation		1,594,075	885,391	2,759,779	1,748,920
Repairs and maintenance		418,378	253,322	741,675	377,147
Production overheads		656,701	315,018	1,101,017	705,715
Property tax, rent payments for land and related taxes		414,473	287,127	794,080	574,166
Idle property, plant and equipment write-off	6	77,237	1,366	80,152	18,116
Reversal of provision for obsolete and damaged inventories	10	(1,637)	(14,208)	(8,259)	(29,307)
Changes in work in progress and finished goods		(95,129)	(534,346)	1,303,328	(764,540)
Other costs		145,336	59,124	227,468	120,643
Total cost of sales		**22,740,794**	**15,335,095**	**42,261,346**	**30,691,252**

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

20 Distribution costs

Distribution costs comprised:

	Three months ended		Six months ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Transportation	4,462,821	3,598,839	8,917,399	6,632,974
Export duties, other fees and commissions	33,668	26,479	115,045	48,936
Labour, including contributions to social funds	396,739	264,734	694,827	525,446
Depreciation and amortisation	255,651	94,928	462,707	184,054
Repairs and maintenance	170,606	134,502	239,756	238,020
Provision/(reversal of provision) for impairment of receivables	(10,381)	4,853	1,597	2,391
Other costs	266,394	115,954	417,782	235,843
Total distribution costs	**5,575,498**	**4,240,289**	**10,849,113**	**7,867,664**

21 General and administrative expenses

General and administrative expenses comprised:

	Three months ended		Six months ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Labour, including contributions to social funds	679,908	543,787	1,378,812	1,200,838
Depreciation and amortisation	114,325	115,370	194,920	217,014
Audit, consulting and legal services	194,956	51,607	331,320	104,445
Rent	30,869	26,863	60,551	55,187
Bank charges	23,416	25,501	52,465	54,676
Social expenditure	18,629	17,837	45,522	32,963
Repairs and maintenance	19,569	24,605	32,187	46,367
Provision/(reversal of provision) for impairment of receivables	(14,471)	140	(55,816)	3,006
Other expenses	273,400	228,210	486,779	490,929
Total general and administrative expenses	**1,340,601**	**1,033,920**	**2,526,740**	**2,205,425**

The total depreciation and amortisation expenses included in all captions of the consolidated condensed statement of comprehensive income amounted to RR 3,417,406 thousand (six months ended 30 June 2011: RR 2,149,988 thousand). The total staff costs (including social expenses) amounted to RR 6,896,247 thousand (six months ended 30 June 2011: RR 5,699,551 thousand).

22 Other operating income and expenses

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

		Three months ended		Six months ended	
	Note	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Gain on disposal of property, plant and equipment		(39,684)	(37,154)	(17,102)	(68,342)
Sponsorship		86,415	96,295	226,080	249,389
Foreign exchange (gain)/loss – net		(973,379)	178,208	(722,525)	720,591
Write-off of advances given to construction company	6	(53,330)	-	495,387	-
Idle property, plant and equipment write-off	6	-	-	47,402	-
Other operating (income)/expense − net		(463,316)	(102,078)	(590,937)	(170,477)
Total other operating (income)/expenses − net		**(1,443,294)**	**135,271**	**(561,695)**	**731,161**

23 Other financial gain/(loss)

The components of other financial gain/(loss) were:

	Three months ended		Six months ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Changes in the fair value of call options	-	37,952	6	196,887
Changes in the fair value of foreign exchange non-deliverable forward contracts	(1,306,153)	115,746	(274,818)	785,601
Changes in the fair value of cross currency interest rate swap	(664,022)	63,950	(83,454)	760,310
Unwinding of discount on land restoration obligation and deferred payables	(45,266)	339	(51,190)	(12,467)
Total other financial gain/(loss) – net	**(2,015,441)**	**217,987**	**(409,456)**	**1,730,331**

24 Income tax

	Three months ended		Six months ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Income tax expense – current	2,421,359	1,978,931	3,896,692	3,673,082
Deferred income tax – (origination)/reversal of temporary differences	(80,680)	58,829	457,169	759,171
Effect of assets transfer between subsidiaries with different tax rates	(183,932)	-	(183,932)	-
Income tax expense	**2,156,747**	**2,037,760**	**4,169,929**	**4,432,253**

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 2012 (six months ended 30 June 2011: 20%).

In 2011 the income tax rates of two subsidiaries operating in the Russian Federation were reduced to 18.3% for OJSC Novomoskovskiy Azot and to 15.5% for LLC PG Phosphorit in accordance with the regional tax law and an agreement with a regional authority, respectively. As at 30 June 2012 and 31 December 2011 deferred tax assets and liabilities of these subsidiaries were calculated at the reduced income tax rates which are expected to apply during the period covered by the agreement and any subsequent extension.

The Group's subsidiaries Lifosa AB, located in Lithuania, and EuroChem Antwerpen NV, acquired on 31 March 2012 and located in Belgium, apply tax rates of 15% and 33.99% on taxable profits, respectively (six months ended 30 June 2011: Lifosa AB is subject to a tax rate of 15% on taxable profit).

During the six months ended 30 June 2012 the Group offset VAT and other tax receivables against income tax payables of RR 83,759 thousand under the statutory rules (six months ended 30 June 2011: RR 5,794 thousand).

25 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. 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 2012	30 June 2011	30 June 2012	30 June 2011
Net profit for the period attributable to owners of the parent	2,951,656	9,544,451	16,690,134	20,884,486
Weighted average number of ordinary shares in issue (expressed in thousands)	61,783	67,063	61,783	67,495
Basic and diluted earnings per share (expressed in RR per share)	**47.77**	**142.32**	**270.14**	**309.42**

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

26 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 2012	31 December 2011
Statement of financial position caption			
Advances given to construction companies and suppliers of property, plant and equipment	Other related parties	-	153
Trade receivables	Other related parties	17,766	17,518
less: impairment provision on trade receivables	Other related parties*	(17,766)	(17,518)
Prepayments, other receivables and other current assets	Other related parties	229	62,248
less: impairment provision on other receivables	Other related parties*	-	(53,484)
Originated loans (Note 12)	Other related parties	1,148,592	-
Bonds issued	Other related parties	-	24,147
Trade payables	Other related parties	2,037	2,463

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

Financial statements caption	Nature of relationship	Three months ended 30 June 2012	Three months ended 30 June 2011	Six months ended 30 June 2012	Six months ended 30 June 2011
Statement of comprehensive income caption					
Sales	Other related parties	588	2,652	588	45,745
Purchases of goods and services	Other related parties	(103)	(1,246)	(103)	(2,545)
Distribution costs	Other related parties	(1,098)	(17,901)	(18,575)	(44,537)

Financial statements caption	Nature of relationship	Six months ended 30 June 2012	Six months ended 30 June 2011
Statement of cash flows caption			
Increase in trade receivables	Other related parties	(248)	(1,479)
Decrease in other receivables	Other related parties	62,019	4,018
Decrease in trade payables	Other related parties	(693)	(2,538)
Decrease in advances from customers	Other related parties	-	(1,380)
Capital expenditure on property, plant and equipment and other intangible assets	Other related parties	(3,393)	(4,915)
Acquisition of available-for-sale investment (Note 9)	Other related parties	(59,607)	-
Originated loans	Other related parties	(1,124,603)	-
Repayment of bonds	Other related parties	(22,018)	-
Proceeds from sale of available-for-sale investments (Note 9)	Parent company	20,415,641	2,649,247
Purchase of own shares	Parent company	-	(11,230,947)

In the first quarter of 2012 the Group exchanged US$ 246,920 thousand for Euro 185,000 thousand with a related party at the Euro / US$ exchange rate prevailing in the market at the date of the transaction.

The total key management personnel compensation included in the profit and loss was RR 167,617 thousand and RR 162,769 thousand for the six months ended 30 June 2012 and 30 June 2011, respectively. 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.

27 Business combinations

On 31 March 2012 the Group completed the acquisition of a company (now named EuroChem Antwerpen NV) owning BASF fertiliser production and logistics assets located in Antwerp, Belgium, which had been agreed on 26 September 2011. This acquisition supports the Group's strategy of increasing its proximity to customers in its core fertiliser markets. The assets acquired comprise production facilities for complex (NPK) and nitrogen (CAN, AN) fertilisers.

The total final purchase consideration for 100% of the charter capital of the company acquired comprised Euro 893,140 thousand to be paid in cash, including a deferred payment of Euro 142,240 thousand payable over the period 2013 to 2016. The fair value of the deferred payment amounts to Euro 129,600 thousand. Therefore, the fair value of the total purchase consideration amounted to Euro 880,500 thousand.

The details of the purchase price consideration for the acquisition are:

	Cash payments in thousands Euro	Amounts in thousands RR
Price for the acquisition agreed on 26 September 2011 and paid on 30 March 2012	670,000	26,156,934
Other compensation for potential benefits, arising from the change to the initial transaction structure	174,640	6,836,542
- including: deferred portion payable over 2013-2016	*142,240*	*5,571,640*
Net working capital adjustment, paid in the second quarter 2012	48,500	1,899,779
Total purchase consideration	**893,140**	**34,893,255**
Less: adjustment of the deferred portion to present value	(12,640)	(495,118)
Total fair value of purchase consideration	**880,500**	**34,398,137**
Cash paid during six months ended 30 June 2012	750,900	29,400,172
Less: cash and cash equivalents of subsidiary acquired	(289)	(11,314)
Outflow of cash and cash equivalents during six months ended 30 June 2012	**750,611**	**29,388,858**

The provisional purchase price allocation for the acquisition was:

	Attributed fair value in thousands Euro	Attributed fair value in thousands RR
Cash and cash equivalents	289	11,314
Trade and other receivables	150,945	5,912,626
Inventories	71,496	2,800,555
Property, plant and equipment	241,130	9,445,221
Intangible assets	122,340	4,792,152
Trade payables	(23,428)	(917,672)
Other accounts payable and accrued expenses	(6,826)	(267,409)
Loan payable to the Group	(3,000)	(117,512)
Deferred income tax assets	69,599	2,726,244
Fair value of net assets of subsidiary	**622,545**	**24,385,519**
Goodwill arising from the acquisition	257,955	10,104,281
Currency translation difference recognised in other comprehensive income	-	(91,663)
Total fair value of purchase consideration	**880,500**	**34,398,137**

This transaction included a contract with K+S Group to supply K+S Nitrogen with complex and nitrogen fertilisers and a related profit and loss sharing agreement (PLSA) which was negotiated separately but is viewed as an integral part of this business combination. Therefore, the amount paid for the PLSA was included in the total purchase consideration. The rights acquired under the PLSA were considered along with the provisions of the agreement between K+S Nitrogen and BASF and were not recognised as a separate intangible asset.

The fair values of assets and liabilities recognised on acquisition were provisionally determined by an internationally recognised firm of independent appraisers. The Group intends to finalise the purchase price allocation within 12 months of the acquisition date.

27 Business combination (continued)

Based on the appraisal report the following intangible assets with definite useful lives were recognised:

	Fair value in thousands Euro	Fair value in thousands RR
Core process technology	69,701	2,730,237
Distribution agreement for other BASF fertiliser products	22,284	872,880
Software	18,020	705,856
Land use rights	12,191	477,530
Other	144	5,649
Total intangible assets	**122,340**	**4,792,152**

The Group has recognised goodwill of Euro 257,955 thousand which is primarily attributable to the beneficial location of the production facilities, the production expertise, an experienced work force and other factors which are expected to result in higher profitability of the acquired assets than was assumed in determining the fair values of assets and liabilities acquired.

Part of the goodwill recognised amounting to Euro 109,518 thousand is expected to be deductible for income tax purposes.

Transaction costs for acquisition-related services provided by third parties amounted to approximately RR 44 million and RR 129 million for the year ended 31 December 2011 and for the six months ended 30 June 2012, respectively, and were charged to general and administrative expenses.

EuroChem Antwerpen NV contributed revenue, EBITDA and net profit to the Group amounting to RR 4,838,154 thousand, RR 775,270 thousand and RR 215,756 thousand, respectively, for the period from the date of acquisition to 30 June 2012. If the acquisition had occurred on 1 January 2012, the Group's consolidated revenue, EBITDA and net profit would not have changed significantly as fertiliser production assets were transferred into this newly incorporated legal entity at the end of March 2012.

28 Acquisition of non-controlling interest in oil and gas subsidiary

In the fourth quarter of 2011 the Group obtained control of LLC Severneft-Urengoi by means of agreements under the terms of which the former owners of the participating interests in LLC Severneft-Urengoy transferred decision-making rights over all significant financial and operational policies of LLC Severneft-Urengoy to the Group. As at 31 December 2011 the Group recorded the participating interests in this company as a non-controlling interest.

In January 2012 the Group acquired 100% of the charter capital of LLC Severneft-Urengoy for a consideration of RR 6,682,169 thousand paid in cash. The payments were made in December 2011 and January 2012 amounting to RR 62,170 thousand and RR 6,619,999 thousand, respectively. The Group derecognised the non-controlling interest of RR 6,792,001 thousand and recorded an increase in equity attributable to the owners of the Group of RR 109,832 thousand.

29 Contingencies, commitments and operating risks

i Capital expenditure commitments

As at 30 June 2012 the Group had contractual commitments for capital expenditures of RR 17,225,757 thousand (31 December 2011: RR 21,603,857 thousand), including amounts denominated in Euro and US$ (RR 6,858,245 thousand and RR 566,342 thousand, respectively). Management estimates that, out of these, approximately RR 9.8 billion will represent cash outflows in 2012.

RR 7,659,616 thousand and RR 4,065,950 thousand out of the total amount relate to the development of potassium salt deposits and the construction of mining facilities at the Gremyachinskoe and Verkhnekamskoe potash licence areas, respectively (31 December 2011: RR 10,463,842 thousand and RR 4,982,570 thousand, respectively).

29 Contingencies, commitments and operating risks (continued)

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

Russian transfer pricing legislation enacted during the current period is effective for new transactions from 1 January 2012. It introduces significant reporting and documentation requirements and changes the list of controllable transactions. The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2011 also allows the tax authorities to make transfer pricing adjustments and to impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%. According to the former provisions of the Russian Tax Code controllable transactions included 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. As to the transfer pricing legislation applicable to transactions which had taken place prior to 1 January 2012, significant difficulties exist in interpreting and applying such transfer pricing provisions in practice. Any prior existing court decisions and the practice of tax authorities may provide guidance but are not legally binding for decisions by other, or higher level, courts in the future.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

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 2012 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 2012 and 31 December 2011.

At 31 December 2011 in addition to the above matters, management estimated that the Group had other possible obligations from exposure to other than remote tax risks of RR 154,073 thousand primarily relating to management services and other fees charged by the holding company to the Group subsidiaries.

iii Insurance policies

The Group obtains risk insurance cover 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 insurance policies related to trade operations, including export shipments and credit insurance of trade debtors relating to the European distribution of fertilisers.

29 Contingencies, commitments and operating risks (continued)

iii Insurance policies (continued)

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 the cage and skip mine shafts at the Gremyachinskoe deposit for RR 16.7 billion. The insurance period covers all construction work until June 2013.

iv Environmental matters

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

A large part of the Group is based in the Russian Federation which continues to display certain characteristics of an emerging market, including relatively high inflation and interest rates, as well as periodic volatility in the RR exchange rate. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation. The future economic development is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment.

The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the financial and corporate sectors. Deteriorating economic conditions for customers may have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets.

Debtors of the Group may also become adversely affected by the financial and economic environment, which could in turn impact their ability to repay the amounts owed or fulfil the obligations undertaken.

Management is unable to predict all developments which could have an impact on the industry and the wider economy and consequently what effect, if any, they could have on the future financial position of the Group. It believes it is taking all necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

The Group holds, among other licences, valid licences for the exploration and development of potash, apatite and hydrocarbon deposits issued by the relevant government authorities of the Russian Federation. Under the terms of these licences, 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 Group fails to materially comply with the terms of the licence agreements there are circumstances whereby the licences 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 licences.

30 Subsequent events

Acquisition of K+S Nitrogen

On 2 July 2012 the Group completed the acquisition of K+S Nitrogen, a distributor of nitrogen fertilisers, after the relevant antitrust authority granted their approval on 25 June 2012. Through this acquisition the Group acquired fertiliser distribution companies which operate in Germany, France, Spain, Italy, Mexico, Singapore, China, Greece and Turkey. The acquisition supports the Group's strategy of increasing its proximity to customers in its core fertiliser markets.

The preliminary purchase price for the business amounted to approximately Euro 200 million paid in cash and is subject to final adjustments. During the six months ended 30 June 2012 transaction costs for acquisition-related services provided by third parties amounted to approximately RR 70 million and were charged to general and administrative expenses.

An internationally recognised appraisal company is currently performing a valuation of the assets, liabilities and goodwill arising from the acquisition in order to allocate the purchase price.