URALKALI GROUP

INTERNATIONAL ACCOUNTING STANDARD No. 34

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

30 June 2013

Contents **Page**

pwc

Report on the Review of the Consolidated Condensed Interim Financial Information

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

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of Open Joint Stock Company Uralkali and its subsidiaries (together the "Group") as of 30 June 2013 and the related consolidated condensed interim statements of income, comprehensive income, cash flows and changes in equity for the six-month period then ended. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim Financial Reporting.

ZAO PricewaterhouseCoopers Audit

10 September 2013
Moscow, Russian Federation

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2013

(in thousands of US dollars, unless otherwise stated)

	Note	30 June 2013	31 December 2012
ASSETS			
Non-current assets:			
Property, plant and equipment	7	3,119,321	3,385,128
Prepayments for acquisition of property, plant and equipment		122,699	78,998
Goodwill		1,801,003	1,939,538
Intangible assets	8	5,416,242	5,854,916
Investments in associates		5,101	12,887
Deferred income tax asset		32,787	23,465
Income tax prepayments - amount recoverable after more than 12 months	4	273,061	-
Other non-current financial assets		6,445	7,220
Restricted cash	9	-	3,576
Derivative financial assets	14	-	27,590
Total non-current assets		**10,776,659**	**11,333,318**
Current assets:			
Inventories		253,167	242,167
Trade and other receivables		429,448	560,857
Income tax prepayments		3,538	347,528
Derivative financial assets	14	-	1,181
Other financial assets at fair value through profit or loss		101,962	133,941
Restricted cash	9	133,888	142,332
Deposits	9	454,558	137,000
Cash and cash equivalents	9	705,568	1,386,244
		2,082,129	**2,951,250**
Non-current assets held for sale		5,290	6,469
Total current assets		**2,087,419**	**2,957,719**
TOTAL ASSETS		**12,864,078**	**14,291,037**
EQUITY			
Share capital	10	35,762	35,762
Treasury shares	10	(2,183)	(58)
Share premium		5,925,542	6,884,228
Revaluation reserve		5,302	5,302
Currency translation reserve		(1,289,957)	(680,145)
Retained earnings		2,555,682	2,511,233
Equity attributable to the Company equity holders		**7,230,148**	**8,756,322**
Non-controlling interests		**7,749**	**8,265**
TOTAL EQUITY		**7,237,897**	**8,764,587**
LIABILITIES			
Non-current liabilities:			
Borrowings	12	2,131,375	2,820,271
Bonds issued	13	645,574	-
Post employment benefits obligations		35,080	37,809
Deferred income tax liability		993,118	1,079,886
Provisions	11	67,568	84,670
Derivative financial liabilities	14	93,952	13,906
Total non-current liabilities		**3,966,667**	**4,036,542**
Current liabilities:			
Borrowings	12	1,221,667	1,122,075
Bonds issued	13	4,101	-
Trade and other payables		350,917	266,447
Provisions	11	20,285	14,684
Derivative financial liabilities	14	9,703	17,560
Mine flooding provisions	4	30,573	32,924
Current income tax payable		1,714	1,602
Other taxes payable		20,554	34,616
Total current liabilities		**1,659,514**	**1,489,908**
TOTAL LIABILITIES		**5,626,181**	**5,526,450**
TOTAL LIABILITIES AND EQUITY		**12,864,078**	**14,291,037**

Approved on behalf of the Board of Directors on 10 September 2013

Viktor Belyakov
Acting Chief Executive Officer

Viktor Belyakov
Chief Financial Officer

The accompanying notes on pages 6 to 23 are an integral part of this consolidated condensed interim financial information.

(in thousands of US dollars, unless otherwise stated)

	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
Revenues	15	1,614,251	2,234,471
Cost of sales	16	(439,953)	(525,768)
Gross profit		**1,174,298**	**1,708,703**
Distribution costs	17	(356,624)	(409,426)
General and administrative expenses	18	(110,792)	(106,772)
Taxes other than income tax		(19,113)	(17,936)
Other operating income and expenses	20	(30,693)	(11,742)
Operating profit		**657,076**	**1,162,827**
Mine flooding costs		(839)	(1,316)
Finance income	21	36,309	53,167
Finance expenses	21	(218,746)	(195,031)
Profit before income tax		**473,800**	**1,019,647**
Income tax expense	22	(76,379)	(177,390)
Net profit for the period		**397,421**	**842,257**
Profit/ (loss) attributable to:			
Owners of the Company		397,937	841,536
Non-controlling interests		(516)	721
Net profit for the period		**397,421**	**842,257**
Earnings per share – basic and diluted (in US cents)	23	**13.70**	**28.12**

(in thousands of US dollars, unless otherwise stated)

	Six months ended 30 June 2013	Six months ended 30 June 2012
Net profit for the period	**397,421**	**842,257**
Other comprehensive loss		
Effect of translation to presentation currency	(609,812)	(198,354)
Total other comprehensive loss for the period	**(609,812)**	**(198,354)**
Total comprehensive (loss)/ income for the period	**(212,391)**	**643,903**
Total comprehensive (loss)/ income for the period attributable to:		
Owners of the Company	(211,875)	643,182
Non-controlling interests	(516)	721

(in thousands of US dollars, unless otherwise stated)

	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
Cash flows from operating activities			
Profit before income tax		473,800	1,019,647
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets		209,957	239,631
Net loss on disposals and write-off of property, plant and equipment	20	4,909	9,889
Write-down of non-current assets held for sale to fair value less costs to sell and impairment of fixed assets reclassified to non-current assets held for sale	20	756	48,693
Accrual of provision for impairment of receivables	20	965	1,460
Net change in provisions	11	2,490	(55,652)
Finance income and expenses, net		116,393	153,399
Foreign exchange loss/(gain), net	21	63,841	(13,990)
Operating cash flows before working capital changes		**873,111**	**1,403,077**
Changes in working capital		153,962	(45,580)
Cash generated from operations		**1,027,073**	**1,357,497**
Interest paid	12	(96,902)	(107,990)
Income taxes paid		(49,340)	(157,478)
Net cash generated from operating activities		**880,831**	**1,092,029**
Cash flows from investing activities			
Acquisition of intangible assets		(886)	(4,630)
Acquisition of property, plant and equipment		(182,387)	(173,282)
Proceeds from sales of property, plant and equipment		1,514	3,723
Proceeds from sale of financial assets at fair value through profit or loss and other investments		29,317	17,789
Increase in restricted cash and deposits		(305,538)	(319,184)
Dividends and interest received		38,489	37,075
Net cash used in investing activities		**(419,491)**	**(438,509)**
Cash flows from financing activities			
Repayments of borrowings	12	(2,112,081)	(30,957)
Proceeds from borrowings	12	1,629,100	593,002
Syndication fees and other financial charges paid	12,13	(27,187)	(6,110)
Proceeds from bond issued	13	650,000	-
Cash proceeds from derivatives	14	40,849	48,282
Cash paid for derivatives	14	(9,250)	-
Purchase of treasury shares	10	(960,811)	(512,486)
Finance lease payments	21	(780)	(791)
Dividends paid to the Company's shareholders		(276,489)	(383,244)
Net cash used in from financing activities		**(1,066,649)**	**(292,304)**
Effect of foreign exchange rate changes on cash and cash equivalents and translation to presentation currency		(75,367)	(25,617)
Net (decrease)/increase in cash and cash equivalents		**(680,676)**	**335,599**
Cash and cash equivalents at the beginning of the period		**1,386,244**	**603,849**
Cash and cash equivalents at the end of the period		**705,568**	**939,448**

(in thousands of US dollars, unless otherwise stated)

	Attributable to equity holders of the Company								
	Share capital	Treasury Shares	Share premium/ (discount)	Revaluation reserve	Retained earnings	Currency translation reserve	Total attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 1 January 2012	**37,638**	**(746)**	**6,879,880**	**5,302**	**2,269,362**	**(1,144,287)**	**8,047,149**	**12,461**	**8,059,610**
Profit for the period	-	-	-	-	841,536	-	841,536	721	842,257
Other comprehensive loss	-	-	-	-	-	(198,354)	(198,354)	-	(198,354)
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**-**	**841,536**	**(198,354)**	**643,182**	**721**	**643,903**
Transactions with owners									
Dividends declared (Note10)	-	-	-	-	(366,258)	-	(366,258)	-	(366,258)
Purchase of treasury shares (Note 10)	-	(1,130)	(511,356)	-	-	-	(512,486)	-	(512,486)
Total transactions with owners	**-**	**(1,130)**	**(511,356)**	**-**	**(366,258)**	**-**	**(878,744)**	**-**	**(878,744)**
Balance at 30 June 2012	**37,638**	**(1,876)**	**6,368,524**	**5,302**	**2,744,640**	**(1,342,641)**	**7,811,587**	**13,182**	**7,824,769**
Balance at 1 January 2013	**35,762**	**(58)**	**6,884,228**	**5,302**	**2,511,233**	**(680,145)**	**8,756,322**	**8,265**	**8,764,587**
Profit for the period	-	-	-	-	397,937	-	397,937	(516)	397,421
Other comprehensive loss	-	-	-	-	-	(609,812)	(609,812)	-	(609,812)
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**-**	**397,937**	**(609,812)**	**(211,875)**	**(516)**	**(212,391)**
Transactions with owners									
Dividends declared (Note 10)	-	-	-	-	(353,488)	-	(353,488)	-	(353,488)
Purchase of treasury shares (Note10)	-	(2,125)	(958,686)	-	-	-	(960,811)	-	(960,811)
Total transactions with owners	**-**	**(2,125)**	**(958,686)**	**-**	**(353,488)**	**-**	**(1,314,299)**	**-**	**(1,314,299)**
Balance at 30 June 2013	**35,762**	**(2,183)**	**5,925,542**	**5,302**	**2,555,682**	**(1,289,957)**	**7,230,148**	**7,749**	**7,237,897**

The accompanying notes on pages 6 to 23 are an integral part of this consolidated condensed interim financial information.

1. The Uralkali Group and its operations

Open Joint Stock Company Uralkali (the "Company") and its subsidiaries (together the "Group") produce mineral fertilizers, primarily potassium based, which are extracted and processed in the vicinity of the city of Berezniki and Solikamsk, Russia. They are distributed both on domestic and foreign markets. The Group manufactures various types of products, the most significant being a wide range of potassium salts. The Group is a major Russia-based potash producer. For the six months ended 30 June 2013 approximately 77% of potash fertilizers were exported (for six months ended 30 June 2012: 80%).

The Company holds operating licences, issued by the Perm regional authorities for the extraction of potassium, magnesium and sodium salts from the Durimanskiy, Bigelsko-Troitsky, Solikamskiy (north and south parts) and Novo-Solikamskiy plots of the Verkhnekamskoye field. Upon the expiry of the licences in 2013 they were prolonged till 2018-2021 at nominal cost. The Company also owns a licence for the Ust'-Yaivinskiy plot of the Verkhnekamskoye field, which expires in 2024, and for the Polovodovskiy plot of the Verkhnekamskoye field, which expires in 2028.

As of 30 June 2013 and 31 December 2012 the Group had no ultimate controlling party.

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

As of 30 June 2013, the Group employed approximately 21.0 thousand employees (31 December 2012: 21.2 thousand).

2. Basis of preparation and significant accounting policies

This consolidated condensed interim financial information for the six months ended 30 June 2013 has been prepared in accordance with IAS 34, Interim Financial Reporting. This consolidated condensed interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards.

The accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 December 2012, 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 2013 (Note 3).

At 30 June 2013, the official rate of exchange, as determined by the Central Bank of the Russian Federation (CBRF), was US$ 1 = Rouble 32.7090 (31 December 2012: US$ 1 = Rouble 30.3727). The official Euro to Rouble exchange rate at 30 June 2013, as determined by the CBRF, was Euro 1 = Rouble 42.7180 (31 December 2012: Euro 1 = Rouble 40.2286). The average official rate of exchange for the six months ended 30 June 2013 was US$ 1 = Rouble 31.0169, Euro 1 = Rouble 40.7444 (six months ended 30 June 2012: US$ 1 = Rouble 30.6390, Euro 1 = Rouble 39.7436).

***Change in the presentation* of dual currency deposits.** In this consolidated condensed interim financial information the Group has changed the classification of dual currency deposits placed with banks from Cash and cash equivalents to Deposits line item. In order to conform with the current period presentation deposits amounted to US$ 137,000 were reclassified in the statement of financial position at 31 December 2012. The consolidated condensed interim statement of cash flows for the six months ended 30 June 2013 and the information in Note 9 "Cash and cash equivalents, deposits and restricted cash" at 31 December 2012 have been adjusted accordingly. The line item Increase in restricted cash and deposits in the consolidated condensed interim statement of cash flows for the six months ended 30 June 2012 was adjusted from US$ 219,022 to US$ 319,184.

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

3. Adoption of new or revised standards and interpretations

The following new standards, amendments to standards and interpretations became effective for the Group from 1 January 2013:

- IFRS 10, Consolidated Financial Statements (issued in May 2011, effective for annual periods beginning on or after 1 January 2013);
- IFRS 11, Joint Arrangements (issued in May 2011, effective for annual periods beginning on or after 1 January 2013);

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

- IFRS 12, Disclosure of Interests in Other Entities (issued in May 2011, effective for annual periods beginning on or after 1 January 2013);
- IFRS 13, Fair Value Measurement (issued in May 2011, effective for annual periods beginning on or after 1 January 2013);
- 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);
- Amendments to IAS 1, Presentation of financial statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012);
- Amended IAS 19, Employee benefits (issued June 2011, effective for 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);
- Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual 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).

A number of new standards, amendments to standards and interpretations are not yet effective as at 30 June 2013, 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 interpretation on its consolidated condensed interim 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);
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities (issued on 31 October 2012 and effective for annual periods beginning on or after 1 January 2014).

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

4. Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated condensed interim financial information and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated condensed interim financial information and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

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

The procedure for calculating and compensating for mineral deposits lost as a result of mine flooding is not established by Russian law. However, the Company evaluates the risk that such claims could arise as "possible". Rostekhnadzor estimated the value of lost mineral resources to be in the range of US$ 775,933 to US$ 2,586,505 and calculated the losses resulting from mineral extraction tax not received by the government due to flooding of US$ 29,472 to US$ 98,291. The Company analysed the calculations provided by Rostekhnadzor and evaluated the risk of compensation in the stated amount as "remote".

This consolidated condensed interim financial information contains an accrual of expenditures in relation to the construction of a 53-kilometer railway bypass in the amount of US$ 30,573 (31 December 2012: US$ 32,924) to OJSC "Russian railways". To date this provision has not been utilized as the process for making the payment has not been finalised.

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

Remaining useful life of property, plant and equipment and mining licences. Management assesses the remaining useful life of property, plant and equipment in accordance with the current technical conditions of assets and estimated period during which these assets will bring economic benefit to the Group (Note 7). The Group holds operating mining licences which have been prolonged till 2018-2021. Management assesses the remaining useful life of mining licences on the basis of the expected mining reserves.

The estimated remaining useful life of some property, plant and equipment and mineral resources is beyond the expiry date of the relevant operating licences (Note 1). The management believes that in the future the licences will be further renewed in due order. Any changes to this assumption could significantly affect prospective depreciation and amortisation charges and assets carrying values.

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

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

Inventory. The Group engages an independent surveyor to verify the physical quantity of finished products at the reporting dates. In accordance with the surveyor's guidance and technical characteristics of the devices used, the possible valuation error is +/-4-6%. At the reporting date the carrying amount of finished products may vary within this range.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations (Note 24).

Provision for filling cavities. A provision has been established in the consolidated condensed interim financial information for the Group's obligation to replace the earth extracted from the Solikamsk mines (Note 11).

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

- The extent of the filling cavities works which will have to be performed in the future may vary depending on the actual environmental situation. Management believes that the legal obligation to replace the earth in the mines is consistent with the cavities filling plan agreed with the State mine supervisory body.
- The future unit cost of replacing one cubic meter of the earth in the mines may vary depending on the technology and the cost of resources used. Management assumes that the unit cost of replacing a cubic meter of earth in future years, during the period for which the current filling cavities plan is in place, adjusted for the effect of inflation, will not be materially different from the actual cost incurred in 2012.
- Management applied its judgment in determining the rate used in discounting the future real cash outflows associated with the filling cavities works, reflecting the time value of money. In the six-month period ended 30 June 2013 management applied the following discount rates: 7.13%, 7.01% and 8.19% for SKRU-1, SKRU-2 and SKRU-3 respectively.
- Ongoing filling cavities costs incurred out of agreed plan are recognised as expenses when incurred.

Restructuring provision. The Group accrued a provision for the closing down of the ore-treatment plant and carnallite plant subdivision at Berezniki 1 (Note 11).

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

- Estimates were used to determine the costs of dismantling and restoration works for the liquidation of the ore-treatment plant and the carnallite plant at Berezniki 1;
- Management applied its judgment in determining the rate used in discounting the future real cash outflows associated with the dismantling works, reflecting the time value of money. The discount rate used is in the range from 6.15% to 7.16% depending on the timing of expenses.

(in thousands of US dollars, unless otherwise stated)

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

Income tax prepayments – amount recoverable after more than 12 months. On 16 April 2013 the Company concluded an agreement with government of Perm Region to maintain minimum income tax payments of at least 6 billion RR (US$ 183,436) per year in 2013 - 2015. As a result it will utilize its existing income tax prepayments over a three year period. The amount of mandatory payments will be renegotiated in case there is deterioration on global potash market. The amount of income tax prepayments recoverable after more than 12 months was not discounted on the basis of the Group's accounting policy choice.

Resettlement programme. The Governmental Commission held on 24 May 2013 made initiative to launch the federal programme for the relocation of Berezniki residents for hazardous buildings. The expected cost of the programme was estimated in the amount of US$ 229,294 (7.5 billion RR) to be financed from region and federal budgets and by the Company. The Company was recommended to contribute in the amount of US$ 76,421 (2.5 billion RR).

To date the Company has not concluded any legally binding agreements in respect of this programme nor agreed any specific timeframe for payment. The agreement with the Government will be concluded when the programme will be approved by the federal authorities.

5. Related parties

Related parties are defined by IAS 24, Related Party Disclosures. Parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Key management and close family members are also considered related parties.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding are detailed below.

Statement of financial position caption	Nature of relationship	30 June 2013	31 December 2012
Balances			
Prepayments for acquisition of property, plant and equipment	Associate	9,067	4,799
Prepayments for acquisition of property, plant and equipment	Other related parties	2,780	4,022
Trade and other receivables	Associate	13	64
Trade and other receivables	Other related parties	2,085	6
Trade and other payables	Associate	960	616
Trade and other payables	Other related parties	1,001	-

		Six months ended 30 June 2013	Six months ended 30 June 2012
Transactions			
Acquisition of property, plant and equipment	Associate	3,454	15,934
Acquisition of property, plant and equipment	Other related parties	2,528	1,768
Acquisition of inventories	Associate	-	7,684

Statement of income caption	Nature of relationship	Six months ended 30 June 2013	Six months ended 30 June 2012
Other domestic revenue	Associate	2	203
Other domestic revenue	Other related parties	-	9,365
Transportation and other revenues	Associate	-	7
Transportation and other revenues	Other related parties	-	1
Repairs and maintenance	Associate	1,468	751
Repairs and maintenance	Other related parties	123	73
Other expenses	Associate	-	854
Other expenses	Other related parties	-	2,546
Interest income	Other related parties	-	33
Monitoring costs	Associate	1,128	444

(in thousands of US dollars, unless otherwise stated)

5. Related parties (continued)

Cross shareholding

As of 30 June 2013 Enterpro Services Ltd., a 100% owned subsidiary of the Group, owned 2.1% of the ordinary shares of the Company (31 December 2012: 0.13%).

As of 30 June 2013 UK-Tehnologia, a 100% owned subsidiary of the Group, owned 2.6% of the ordinary shares of the Company (31 December 2012: nil).

Management's compensation

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

The Board of Directors has approved the main principles of the long-term incentive strategy of the Company's top management. The remuneration will depend on total shareholder return relative to the Company's peers and will be adjusted to the volatility of the Russian stock market versus the US market. The absolute risk adjusted stock performance will also influence the amount of remuneration. The program is effective from the third quarter of 2011 and the Group liability as of 30 June 2013 was estimated to be nil (31 December 2012: nil).

Total key management compensation represented by short-term employee benefits and included in general and administrative and distribution expenses in the consolidated condensed interim statement of income were US$ 7,031 and US$ 9,064 for the six months ended 30 June 2013 and 30 June 2012, respectively.

6. Segment reporting

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

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

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

	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
Revenues	15	1,614,251	2,234,471
Segment result (Net profit)		**397,421**	**842,257**
Depreciation and amortisation		(209,957)	(239,631)
Mine flooding costs		(839)	(1,316)
Finance income	21	36,309	53,167
Finance expense	21	(218,746)	(195,031)
Income tax expense	22	(76,379)	(177,390)

b) Major customers

The Group had no external customers which represented more than 10% of the Group's revenues in the six months ended 30 June 2013 and 30 June 2012.

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

(in thousands of US dollars, unless otherwise stated)

6. Segment reporting (continued)

This split for the six months ended 30 June 2013 was as follows:

	Potash			All others	Unallocated	Total
	Export	Domestic	Total potash			
Tonnes (thousands)	3,291	971	**4,262**	-	-	**4,262**
Revenues	**1,305,437**	**249,921**	**1,555,358**	**58,893**	**-**	**1,614,251**
Cost of sales	(318,961)	(94,128)	**(413,089)**	(26,864)	-	**(439,953)**
Distribution, general and administrative expenses, other operating income and expenses and taxes other than income tax	(463,872)	(34,023)	**(497,895)**	(19,327)	-	**(517,222)**
Operating profit	**522,604**	**121,770**	**644,374**	**12,702**	**-**	**657,076**
Mine flooding costs					(839)	**(839)**
Finance income and expenses, net					(182,437)	**(182,437)**
Profit before income tax					-	**473,800**
Income tax expense					(76,379)	**(76,379)**
Segment result/Net profit for the period					-	**397,421**

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

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

(in thousands of US dollars, unless otherwise stated)

7. Property, plant and equipment

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

	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
Cost			
Balance as of 1 January		4,668,172	4,121,237
Additions		146,496	172,275
Disposals and write-off of fixed assets	11	(32,001)	(34,811)
Changes in estimates of provision for filling cavities		(10,210)	-
Impairment of fixed assets reclassified to assets held for sale	20	-	(31,350)
Reclassification to non-current assets held for sale		-	(7,796)
Effect of translation to presentation currency		(338,828)	(81,922)
Balance as of 30 June		**4,433,629**	**4,137,633**
Accumulated Depreciation			
Balance as of 1 January		1,283,044	951,501
Depreciation charge		153,273	160,539
Disposals and write-off of fixed assets		(23,660)	(19,461)
Reclassification to non-current assets held for sale		-	(97)
Effect of translation to presentation currency		(98,349)	(26,369)
Balance as of 30 June		**1,314,308**	**1,066,113**
Net Book Value			
Balance as of 1 January		**3,385,128**	**3,169,736**
Balance as of 30 June		**3,119,321**	**3,071,520**

Assets pledged under loan agreements

As of 30 June 2013 and 31 December 2012, the carrying value of property, plant and equipment pledged under bank loans was US$ 21,700 and US$ 183,528 (Note 12), respectively.

Reclassification to assets held for sale

In the six months ended 30 June 2013 the Group did not reclassified property, plant and equipment to assets held for sale.

In the six months ended 30 June 2012 the Group reclassified plots of land and premises with a gross book value and accumulated depreciation of US$ 7,796 and US$ 97, respectively, to assets held for sale as part of its strategy to divest non-core assets. Impairment in the amount of US$ 31,350 (Note 20) was recognised prior to the reclassification for the six months ended 30 June 2012.

8. Intangible assets

	Six months ended 30 June 2013	Six months ended 30 June 2012
Cost		
Balance as of 1 January	6,153,184	5,724,115
Additions	926	4,717
Capitalised borrowing costs	38,576	39,216
Disposals	(1,324)	-
Effect of translation to presentation currency	(441,491)	(111,199)
Balance as of 30 June	**5,749,871**	**5,656,849**
Accumulated Amortisation		
Balance as of 1 January	298,268	132,076
Amortisation charge	61,049	81,948
Disposals	(1,263)	-
Effect of translation to presentation currency	(24,425)	(7,857)
Balance as of 30 June	**333,629**	**206,167**
Net Book Value		
Balance as of 1 January	**5,854,916**	**5,592,039**
Balance as of 30 June	**5,416,242**	**5,450,682**

8. Intangible assets (continued)

In March 2013, simultaneously with the mining licenses prolongation, Uralkali submitted new technical specifications for Solikamskiy plot mines development. According to those specifications potash reserves were reallocated between mines and licences plots. On the basis of the change in the expected pattern of production Uralkali has grouped licences of Solikamskiy plot (south part), Solikamskiy plot (north part) and Novosolikaskiy plot for the purposes of calculating amortization charge for the respective licences which resulted in the change of depletion rates starting from 1 April 2013. This change was accounted as change in estimates and resulted in decrease of the amortization expense in the six months period ended 30 June 2013 as compared to the six months period ended 30 June 2012.

9. Cash and cash equivalents, deposits and restricted cash

	30 June 2013	31 December 2012
Cash on hand and bank balances		
RR denominated cash on hand and balances with banks	442,492	251,479
US$ denominated balances with banks	132,861	235,693
EUR denominated balances with banks	12,499	7,688
Other currencies denominated balances with banks	663	890
Term deposits		
US$ term deposit	77,778	816,165
EUR term deposits	19,356	14,322
RR term deposits	19,919	60,007
Total cash and cash equivalents	**705,568**	**1,386,244**
Deposits		
Dual currency deposits	304,558	137,000
Fixed-term deposits	150,000	-
Total deposits	**454,558**	**137,000**
Restricted cash (current)	133,888	142,332
Restricted cash (non-current)	-	3,576
Total cash and cash equivalents, deposits and restricted cash	**1,294,014**	**1,669,152**

Term deposits at 30 June 2013 and 31 December 2012 have various original maturities but can be withdrawn on request without any restrictions and held to meet short term cash needs.

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

Dual currency deposits are deposits with bank option to convert deposits at specified exchange rate in case US$ dollar exchange rate exceeds the specified threshold.

The deposits and restricted cash are included in cash and cash equivalents in management accounts.

10. Shareholders' equity

	Number of ordinary shares (in millions)	Ordinary shares	Treasury shares	Total
At 1 January 2012	**3,094**	**37,638**	**(746)**	**36,892**
Treasury shares purchased	-	-	(1,130)	(1,130)
At 30 June 2012	**3,094**	**37,638**	**(1,876)**	**35,762**
At 1 January 2013	**2,936**	**35,762**	**(58)**	**35,704**
Treasury shares purchased	-	-	(2,125)	(2,125)
At 30 June 2013	**2,936**	**35,762**	**(2,183)**	**33,579**

The number of unissued authorised ordinary shares is 1,730 million (31 December 2012: 1,730 million) with a nominal value per share of 1.529 US cents (0.5 Russian roubles) (31 December 2012: 1.646 US cents (0.5 Russian roubles)). All shares stated in the table above have been issued and fully paid.

(in thousands of US dollars, unless otherwise stated)

10. Shareholders' equity (continued)

Treasury shares. As of 30 June 2013 treasury shares comprise 62,092,540 ordinary shares of the Company were owned by Enterpro Services Ltd. (31 December 2012: 3,671,000) and 76,628,665 ordinary shares of the Company were owned by UK-Tehnologia (31 December 2012: nil), wholly owned subsidiaries of the Group. These ordinary shares carry voting rights in the same proportion as other ordinary shares. Voting rights of ordinary shares of the Company held by entities within the Group are effectively controlled by the management of the Group.

During the six months ended 30 June 2013 treasury shares comprising 135,050,205 (six months ended 30 June 2012: 1,301,452) ordinary shares of the Company were bought by the Group. The Group does not accrue dividends on these treasury shares.

Profit distribution. In accordance with Russian legislation, the Company distributes profits as dividends or transfers them to reserves. The Company's statutory accounting reports are the basis for profit distribution and other appropriations. Russian law identifies net profit as the basis of distribution. For the six months ended 30 June 2013, the current period net statutory profit for the Company, as reported in the published quarterly reporting forms, was US$ 554,662 (for the six months ended 30 June 2012: US$ 966,666) and the closing balance of the accumulated profit including the current period net statutory profit totalled US$ 1,823,872 (31 December 2012: US$ 1,767,316). However, this legislation and other statutory laws and regulations are open to legal interpretation and accordingly management believes at present that it would not be appropriate to disclose the amount of the distributable reserves in this consolidated condensed interim financial information.

Dividends. In June 2013 the General Meeting of Shareholders of the Company approved dividends (based on the financial results for the year ended 31 December 2012) amounting to US$ 357,283 (12 US cents per share).

In December 2012 the General Meeting of Shareholders of the Company approved interim dividends amounting to US$ 449,703 (15 US cents per share).

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

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

11. Provisions

	Note	Legal provision	Provision for filling cavities	Restructuring provision	Resettlement provision	Total
Carrying amount at 1 January 2012		**52,869**	**46,607**	**18,562**	**-**	**118,038**
Additions charged to profit or loss		-	7,157	-	-	7,157
Reversal of provision		(55,556)	-	-	-	(55,556)
Utilisation of provision		-	(6,262)	(991)	-	(7,253)
Unwinding of the present value discount	21	-	6,262	673	-	6,935
Effect of translation to presentation currency		2,687	(1,356)	(331)	-	1,000
Current liabilities		**-**	**9,743**	**4,905**	**-**	**14,648**
Non-current liabilities		**-**	**42,665**	**13,008**	**-**	**55,673**
Carrying amount at 30 June 2012		**-**	**52,408**	**17,913**	**-**	**70,321**
Carrying amount at 1 January 2013		**-**	**82,410**	**16,944**	**-**	**99,354**
Changes in estimates	7	-	(10,210)	-	-	(10,210)
Accrual of provision	20		-	-	9,455	9,455
Utilisation of provision		-	(5,088)	(1,877)	-	(6,965)
Unwinding of the present value discount	21	-	2,671	382	-	3,053
Effect of translation to presentation currency		-	(5,234)	(1,132)	(468)	(6,834)
Current liabilities		**-**	**7,423**	**3,875**	**8,987**	**20,285**
Non-current liabilities		**-**	**57,126**	**10,442**	**-**	**67,568**
Carrying amount at 30 June 2013		**-**	**64,549**	**14,317**	**8,987**	**87,853**

(in thousands of US dollars, unless otherwise stated)

11. Provisions (continued)

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

Provision for filling cavities. The provision for filling cavities is recorded in respect of the Group's obligation to replace the earth extracted from the mines.

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

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

During the year ended 31 December 2012 the Group reassessed the estimate of provision for filling cavities due to changes in volume of cavities to be filled. Therefore, the amount of provision for filling cavities was recalculated and the appropriate changes were recorded as changes in estimates.

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

Resettlement provision. In July 2013 the Company concluded direct agreement with Berezniki authorities for urgent resettlement of 2 houses in the amount of US$ 9,455 (293 million RR).

12. Borrowings

	30 June 2013	31 December 2012
Bank loans	3,337,585	3,925,691
Finance lease payable	15,457	16,655
Total borrowings	**3,353,042**	**3,942,346**

	2013	2012
Balance at 1 January	**3,925,691**	**3,282,071**
Bank loans received, denominated in US$	1,629,100	100,000
Bank loans received, denominated in RR	-	493,002
Bank loans repaid, denominated in US$	(1,711,422)	(28,216)
Bank loans repaid, denominated in RR	(400,659)	(2,741)
Interest accrued	91,133	112,288
Interest paid	(96,902)	(107,990)
Recognition of syndication fees and other financial charges	(22,359)	(6,110)
Amortisation of syndication fees and other financial charges	19,464	10,824
Foreign exchange loss	166,811	32,886
Effect of translation to presentation currency	(263,272)	(85,331)
Balance at 30 June	**3,337,585**	**3,800,683**

(in thousands of US dollars, unless otherwise stated)

12. Borrowings (continued)

a) Bank loans

The table below shows interest rates as of 30 June 2013 and 31 December 2012 and the split of the bank loans into short-term and long-term.

Short-term borrowings	Interest rates	30 June 2013	31 December 2012
Bank loans in US$: floating interest	From 1 month Libor +1.8% to 1 month Libor +3.1% (31 December 2012: from 1 month Libor +1.8% to 1 month Libor +2.95%)	453,521	457,741
Bank loans in US$: fixed interest	From 0.75% to 1.5% (31 December 2012: from 1.45% to 1.5%)	121,610	130,104
Bank loans in RR: floating interest	From MosPrime Rate 3M+1.5% to MosPrime Rate 3M+1.9% (31 December 2012: from MosPrime Rate 3M+1.5% to MosPrime Rate 3M+1.9%)	160,405	123,562
Bank loans in RR: fixed interest	From 8.05% to 9.05% (31 December 2012: from 8.05% to 11.5%)	486,110	410,668
Total short-term bank loans		**1,221,646**	**1,122,075**

Long-term borrowings	Interest rates	30 June 2013	31 December 2012
Bank loans in US$: floating interest	From 1 month Libor +1.8% to 1 month Libor +3.1% (31 December 2012: from 1 month Libor +1.8% to 1 month Libor +3.1%)	1,432,039	1,505,877
Bank loans in RR: floating interest	From MosPrime Rate 3M+1.5% to MosPrime Rate 3M+1.9% (31 December 2012: MosPrime Rate 3M+1.5%)	205,908	270,928
Bank loans in RR: fixed interest	From 8.05% to 9.05% (31 December 2012: 9.05%)	477,992	1,026,811
Total long-term bank loans		**2,115,939**	**2,803,616**

As of 30 June 2013 and 31 December 2012, loans (including short-term borrowings) were guaranteed by collateral of property, plant and equipment (Note 7).

As of 30 June 2013, no inventories were pledged as security for bank loans (31 December 2012: US$ 4,339).

Bank loans of US$ 2,550,022 (31 December 2012: US$ 2,674,981) were collateralised by future export proceeds of the Group, under sales contracts with certain customers acceptable to the banks.

The Group's bank borrowings mature as follows:

	30 June 2013	31 December 2012
- within 1 year	1,221,646	1,122,075
- between 2 and 5 years	2,115,939	2,803,616
Total bank loans	**3,337,585**	**3,925,691**

b) Finance lease payable

In December 2009, OJSC BBT entered into a new financial lease agreement with Federal State Unitary Enterprise Rosmorport ("FSUE Rosmorport") for 49 years. Under this agreement, BBT has leased berth No. 106 and renegotiated the lease terms for berth No. 107.

As of 30 June 2013, the leased berths were included in property, plant and equipment with a net book value of US$ 15,457 (31 December 2012: US$ 14,651).

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

	30 June 2013	31 December 2012
- within 1 year	1,499	1,613
- between 2 and 5 years	5,994	6,453
- after 5 years	61,068	66,178
Minimum lease payments at the end of the period	**68,561**	**74,244**
Less future finance charges	(53,104)	(57,589)
Present value of minimum lease payments	**15,457**	**16,655**

(in thousands of US dollars, unless otherwise stated)

13. Bonds issued

In April 2013 the Group issued US$ denominated bonds at the nominal value of US$ 650 million bearing a coupon of 3.723% p.a. maturing in 2018.

	2013	2012
Balance at 1 January	**-**	**-**
Bonds denominated in US$	650,000	-
Interest accrued	4,100	-
Recognition of syndication fees	(4,828)	-
Amortisation of syndication fees	161	-
Foreign exchange loss	31,212	-
Effect of translation to presentation currency	(30,970)	-
Balance at 30 June	**649,675**	**-**

The fair value of the outstanding bonds issued balance at 30 June 2013 was US$ 627,647 with reference to Irish Stock Exchange quotations.

14. Derivative financial assets and liabilities

At 30 June 2013, the derivative financial liabilities, net, were represented by cross-currency interest rate swaps accounted for at a net fair value of US$ 103,655 (31 December 2012: US$ 2,695). The swaps were entered in conjunction with RR-denominated loans in notional amount US$ 1,328,472 (31 December 2012: US$ 2,209,451).

The Group pays US$ at fixed rates varying from 2.77% to 4.00% (six months ended 30 June 2012: from 2.20% to 4.00%) and recieves RR at rates varying from 8.05% to 9.10% (six months ended 30 June 2012: from 7.30% to 9.10%). Maturities of the swaps are linked to the loan redemption dates.

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

	Note	2013	2012
Opening balance as at 1 January		**2,695**	**97,482**
Cash proceeds from derivatives	21	40,849	48,282
Cash paid for derivatives		(9,250)	-
Changes in the fair value	21	75,071	105,699
Effect of translation to presentation currency		(5,710)	(12,063)
Closing balance as at 30 June		**103,655**	**239,400**

15. Revenues

	Six months ended 30 June 2013	Six months ended 30 June 2012
Export		
Potassium chloride	846,435	1,272,650
Potassium chloride (granular)	459,002	630,359
Domestic		
Potassium chloride	249,921	272,751
Other	32,364	30,727
Transportation and other revenues	26,529	27,984
Total revenues	**1,614,251**	**2,234,471**

(in thousands of US dollars, unless otherwise stated)

16. Cost of sales

	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
Depreciation		132,525	138,311
Labour costs	19	109,154	105,148
Fuel and energy		68,254	69,649
Amortisation of licences		58,546	80,519
Materials and components used		47,683	60,391
Repairs and maintenance		23,645	23,848
Transportation between mines by railway		5,663	4,748
Change in provision for filling cavities		-	895
Change in work in progress, finished goods and goods in transit		(8,293)	37,234
Other costs		2,776	5,025
Total cost of sales		**439,953**	**525,768**

17. Distribution costs

	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
Railway tariff		165,390	187,897
Freight		84,634	125,648
Transport repairs and maintenance		24,885	27,888
Transhipment		16,230	17,139
Commissions		14,221	11,661
Rent		10,304	5,327
Labour costs	19	8,429	7,961
Depreciation		7,674	8,957
Legal fees and other		2,551	537
Insurance		2,158	911
Travel expenses		956	288
Other costs		19,192	15,212
Total distribution costs		**356,624**	**409,426**

18. General and administrative expenses

	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
Labour costs	19	57,910	57,740
Consulting, audit and legal services		6,984	6,083
Depreciation		6,241	4,511
Security		5,375	5,401
Materials and fuel		4,245	4,592
Mine-rescue crew		4,057	4,091
Insurance		2,521	2,587
Amortisation of intangible assets		2,510	1,429
Travel expenses		1,715	1,184
Bank charges		1,684	641
Repairs and maintenance		1,624	2,999
Other expenses		15,926	15,514
Total general and administrative expenses		**110,792**	**106,772**

(in thousands of US dollars, unless otherwise stated)

19. Labour costs

	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
Labour costs: Cost of sales	16	**109,154**	**105,148**
Wages, salaries, bonuses and other compensations		84,285	79,200
Contribution to social funds		24,849	22,213
Post-employment benefits		20	3,735
Labour costs: Distribution costs	17	**8,429**	**7,961**
Wages, salaries, bonuses, other compensations and contribution to social funds		8,429	7,961
Labour costs: General and administrative expenses	18	**57,910**	**57,740**
Wages, salaries, bonuses and other compensations		46,625	45,110
Contribution to social funds		11,269	11,531
Post-employment benefits		16	1,099
Total labour costs		**175,493**	**170,849**

20. Other operating income and expenses

	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
Impairment of fixed assets reclassified to non-current assets held for sale	7	-	31,350
Write-down of non-current assets held for sale to fair value less costs to sell		-	17,343
Social cost and charity		7,469	4,498
Accrual of provision for resettlement	11	9,455	-
Net loss on disposals of property, plant and equipment		5,665	9,889
Reversal of legal provision	11	-	(55,556)
Accrual of provision for impairment of receivables		965	1,460
Loss on sale of Belaruskali goods		348	178
Other income and expenses, net		6,791	2,580
Total other operating income and expenses		**30,693**	**11,742**

21. Finance income and expenses

The components of finance income and expense were as follows:

	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
Interest income		29,400	36,525
Foreign exchange gain, net		-	13,990
Fair value gain on investments		6,909	2,114
Dividend income		-	538
Finance income		**36,309**	**53,167**

	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
Fair value loss on derivatives	14	124,150	153,981
Foreign exchange loss, net		63,841	-
Interest expense		5,230	18,414
Syndication fees and other financial charges	12,13	19,625	10,824
Unwinding of the present value discount	11	3,053	6,935
Letters of credit fees		2,067	4,086
Finance lease expense		780	791
Finance expenses		**218,746**	**195,031**

The interest expense was reduced by the income received from currency-interest rate swap transactions in the total amount of US$ 40,849 (six months ended 30 June 2012: US$ 48,282) (Note 14).

Coupon income from corporate bonds, classified as other financial assets at fair value through profit or loss, in the amount of US$ 4,027 is included in interest income (six months ended 30 June 2012: US$ 6,877).

(in thousands of US dollars, unless otherwise stated)

21. Finance income and expenses (continued)

Interest expense in the total amount of US$ 49,386 was capitalised in the cost of property, plant and equipment and intangible assets for the six months ended 30 June 2013 (six months ended 30 June 2012: US$ 45,688). The capitalisation rate was 5.87% (six months ended 30 June 2012: 6.20%).

Loss from derivatives includes the loss on revaluation and conversion of dual currency deposits (Note 9) in the amount of US$ 8,230 (six months ended 30 June 2012: US$ 7,030).

22. Income tax expense

	Six months ended 30 June 2013	Six months ended 30 June 2012
Current income tax expense	98,106	182,847
Deferred income tax	(21,727)	(5,457)
Income tax expense	**76,379**	**177,390**

During six months ended 30 June 2013 and 30 June 2012 most companies of the Group were registered in the Russian Federation, Perm region, and were taxed at the rate of 15.5% on taxable profits. During six months ended 30 June 2013 and 30 June 2012, foreign operations were taxed applying respective national income tax rates.

23. Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding treasury shares (Note 10). The Company has no dilutive potential ordinary shares: therefore, the diluted earnings per share equal the basic earnings per share.

	Six months ended 30 June 2013	Six months ended 30 June 2012
Net profit attributable to owners of the Company	397,937	841,536
Weighted average number of ordinary shares in issue (millions)	2,904	2,993
Earnings per share (expressed in US cents per share)	**13.70**	**28.12**

24. Contingencies, commitments and operating risks

i Legal proceedings

From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice, the management is of the opinion that there are no current legal proceedings or other claims outstanding that could have a material effect on the results of operations or financial position of the Group which have not been accrued or disclosed in this consolidated condensed interim financial information.

Between September and November 2008, a number of purported class action lawsuits were filed in US federal district courts in Minnesota and Illinois. Class actions are civil lawsuits typically filed by a plaintiff seeking monetary damages on behalf of the named plaintiff and all others who are similarly situated. The plaintiffs in the suits filed in Minnesota and Illinois are various corporations and individuals who have filed the suits purportedly on behalf of all direct and indirect purchasers of potash from one of the defendants in the United States. The complaint alleges price fixing violations of the US Sherman Act since 1 July 2003. The Company and BPC were listed among the defendants, as well as certain other potash producers. The plaintiffs in the suits have not claimed any specific amount in damages, and it is premature at this time to assess the Group's potential exposure to the plaintiffs' claims.

On 20 September 2012 the Company signed settlement agreements to exit the US antitrust case. The agreements were signed with direct and indirect plaintiffs for US$ 10,000 and US$ 2,750 respectively and come into effect after final approval of the US federal district court for the Northern District of Illinois. Under the settlement agreements, the Company would be released from any liability in connection with the plaintiffs' claims. BPC as a defendant would be also released as well as another Company's trader – Uralkali Trading SA. The Company did not admit any liability in the settlement agreements. The Company believe that these settlements are in the best interest of the Company to avoid the burdens, costs and distraction of protracted litigation.

On 6 June 2013, the US District Court for the Northern District of Illinois approved the agreement with direct plaintiffs for US$ 10,000, and on 12 June 2013 – the agreement with indirect plaintiffs for US$ 2,750 was also approved.

24. Contingencies, commitments and operating risks (continued)

ii Tax legislation

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

Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

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

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

The Group's management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency legislation and customs positions will be sustained. Accordingly, as of 30 June 2013 and 31 December 2012, no provision for potential tax liabilities had been recorded. Management will continue to monitor the situation as legislation and practice evolve in the jurisdictions in which the Group operates.

iii Insurance policies

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

iv Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage due to legal requirements except for those mentioned in Note 4. The Company's mining activities and the recent mine flooding may cause subsidence that may affect the Company's facilities, and those of the cities of Berezniki and Solikamsk, state organisations and others.

v Operating environment of the Group

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

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

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

(in thousands of US dollars, unless otherwise stated)

24. Contingencies, commitments and operating risks (continued)

vi Capital expenditure commitments

As of 30 June 2013, the Group had contractual commitments for the purchase of property, plant and equipment from third parties for US$ 451,639 (31 December 2012: US$ 379,576). As of 30 June 2013, the Group had contractual commitments for the purchase of property, plant and equipment from related parties for US$ 44,397 (31 December 2012: US$ 47,711).

vii Operating lease commitments

As of 30 June 2013 and 31 December 2012 the Group leased property, plant and equipment. The future minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2013	31 December 2012
Not later than 1 year	3,736	3,698
Later than 1 year and not later than 5 years	18,378	18,490
Later than 5 years	71,508	65,494
Total operating lease commitments	**93,622**	**87,682**

25. Fair value of financial instruments

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions, and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of Financial instruments.

Financial assets and liabilities carried at fair value. Derivatives (Level 2) and other financial assets at fair value through profit or loss (Level 1) are carried in the consolidated condensed interim statement of financial position at their fair value. Fair values of corporate bonds and shares were determined based on prices quoted in an active market. Fair values of derivative financial assets and liabilities were determined using valuation technique with inputs observable in markets.

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on the credit risk of the counterparty. Carrying amounts of trade and other financial receivables approximate fair values. Cash and cash equivalents are carried at amortised cost which approximates current fair value.

Liabilities carried at amortised cost. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period (“demandable liabilities”) is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. As of 30 June 2013 and 31 December 2012, the fair value of the current and non-current borrowings is not materially different from their carrying amounts.

26. Seasonality

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

27. Events after reporting date

In July 2013 the Company purchased of 188,658,827 ordinary shares for US$ 1,294,093 from Forman Commercial Limited, a company beneficially owned by Mr. Zelimkhan Mutsoev.

In July 2013 Uralkali announced the new sales strategy together with the decision to stop export sales through joint arrangement Belorussian Potash Company (BPC) located in Minsk and direct all export sales through Uralkali Trading SA, wholly owned subsidiary. As of the date of release of this consolidated condensed interim financial information the Group has not incurred any significant losses due to the termination of the arrangement. The management believes that the sales volumes of the Group will not be adversely affected by this decision.

On 26 August 2013 after meeting with prime minister of Belorussia, Mr. Vladislav Baumgertner, the Chief Executive Officer and member of the Board of Directors of Uralkali, was taken to custody in Minsk, Belarus in accordance with investigative procedures launched by the Belarusian authorities According to the Company's latest information, he has the status of an arrested person. Uralkali refuses any allegation of wrongdoing on the part of Mr. Baumgertner or any other manager of the Company.