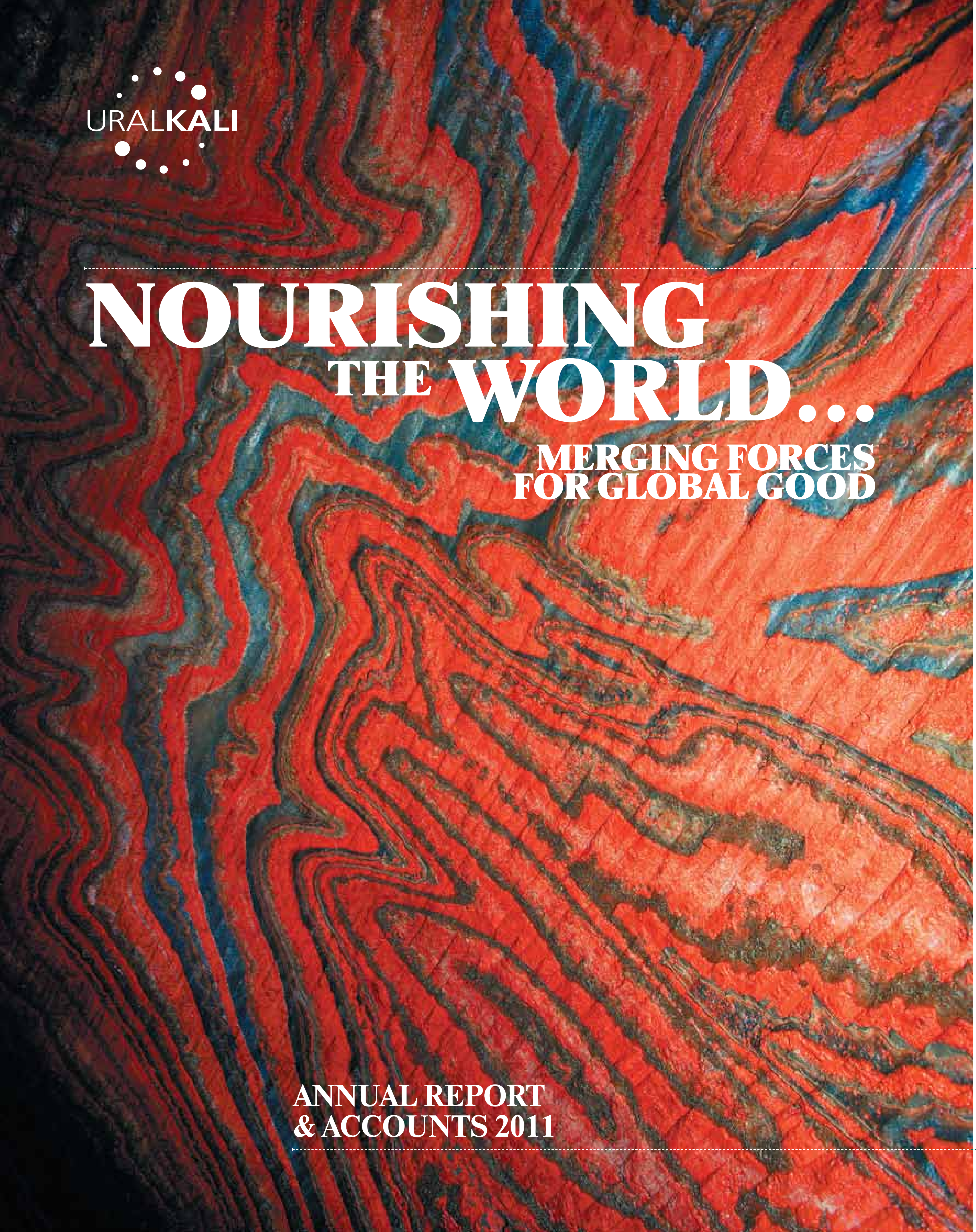

URALKALI

NOURISHING THE WORLD...

MERGING FORCES FOR GLOBAL GOOD

ANNUAL REPORT & ACCOUNTS 2011

POTASH IS ONE OF THE VITAL INGREDIENTS TO SUSTAIN HUMAN LIFE

Potash along with phosphorus and nitrogen is an irreplaceable nutrient for plants. Balanced plant nourishment can only be ensured by regular and complex application of these three main macronutrients. Given the decreasing arable land per capita and constantly growing need for high quality food, efficient fertiliser use is the key element to ensuring sustainable and sufficient food supply.

WHAT'S INSIDE

Scan here to view an interactive version of this Report online

See more detailed contents inside

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Go online to find more information www.uralkali.com

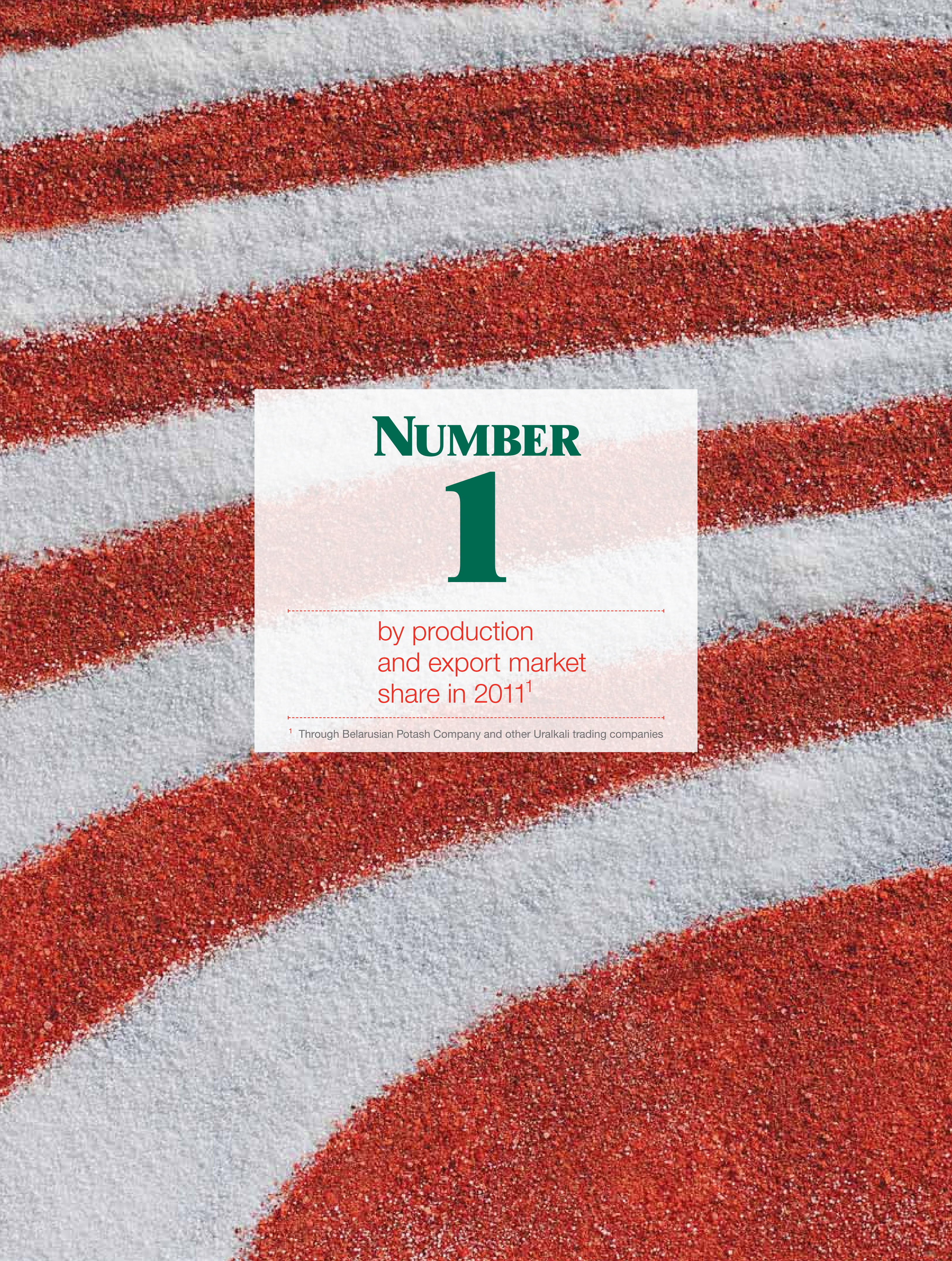
More information within this report

…CREATING THE WORLD'S LEADING POTASH GROUP

Uralkali is the leading vertically integrated potash producer accounting for 20% of the world's production of potash, which is one of the most vitally important elements for the development of all living organisms. The Company controls the entire production chain, from potash ore mining, through to the supply of potassium chloride to customers. Uralkali's production facilities include five mines, six potash plants and one carnallite plant situated in the towns of Berezniki and Solikamsk, in the Perm region of Russia.

The Company is developing the Verkhnekamskoye potassium and magnesium salt field, the world's second largest deposit in terms of ore reserves, and employs c.12,500 people in the main production unit. Uralkali generated US$4.2 bln[1] of revenues and a 69%[1] EBITDA margin for the full year 2011. Uralkali's ordinary shares and Global Depositary Receipts (GDRs) are traded on the MICEX-RTS and LSE, respectively.

[1] Data on a pro-forma basis, i.e. including financial results of Uralkali and Silvinit starting from 1 January 2011



Number 1

by production and export market share in 2011[1]

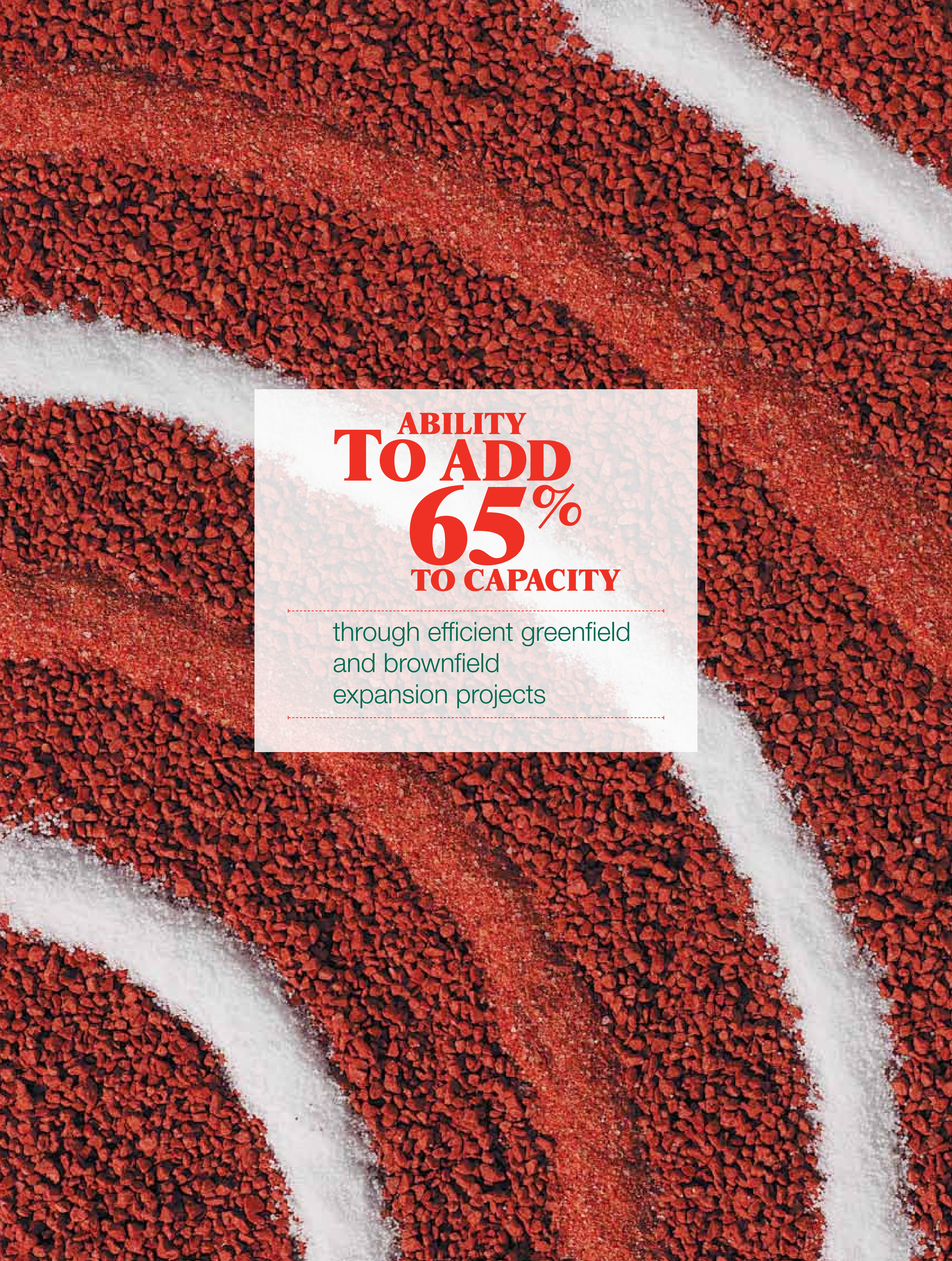
[1] Through Belarusian Potash Company and other Uralkali trading companies

ONE OF THE LOWEST COST POTASH PRODUCERS

with further synergy potential from the merger with Silvinit

EXPERIENCED MANAGEMENT TEAM

with strong commitment
to leading global standards
in all activities



ABILITY TO ADD 65% TO CAPACITY

through efficient greenfield and brownfield expansion projects

LEADING PERFORMANCE IN THE INDUSTRY

Uralkali major events 2011

Completion of the combination of Uralkali and Silvinit

Election of two new Independent Non-Executive Directors – Sir Robert John Margetts and Paul James Ostling

FSFM permission to increase GDR programme up to 25% of the Company's share capital

Increase in Company's output by 0.9 million tonnes of KCl per year in 2011 following the project of debottlenecking and modernisation at Solimansk production units. As a result overall capacity reached 11.5 million tonnes of potash (KCl)

Decision to distribute all former Silvinit export volumes through Belarusian Potash Company (BPC)[1] starting from 1 January 2012

Approval of Uralkali share buy-back programme of the aggregate amount of up to US$2.5 billion

Announcement of Uralkali's long-term capacity expansion programme to 19.0 million tonnes of KCl by 2021

Updated synergy effect estimates suggest annual synergies of c.US$300 million p.a. by 2013 vs c.US$100 million p.a. announced at merger. C.US$137 million worth of synergies realised by the end of 2011

See Key milestones on page 16

See Glossary on page 150

See Mineral Resources Review on page 143

Mineral Resource Statement
As of 1 January 2012

All mines	Tonnage (mln tonnes)	K_2O[2] (%)	K_2O[2] (mln tonnes)
Measured	2,542.2	19.2	488.4
Indicated	6,095.0	18.6	1,134.2
Total Measured + Indicated	**8,637.2**	**18.8**	**1,622.6**
Inferred	571.1	21.6	123.1

Source: Uralkali JORC Report 2012, audited by SRK Consulting (UK)

1 Together with Uralkali Trading SA
2 Potassium oxide, 1KCl = 1.61K_2O

Group highlights[1]

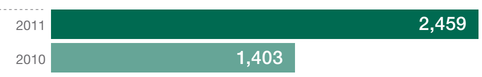
Net revenue[2] (US$ mln)

3,568

↑43%

EBITDA[3] (US$ mln)

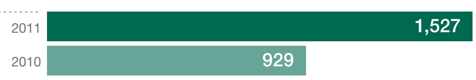
2,459



↑75%

Net profit (US$ mln)

1,527



↑64%

Average export potash price (US$, FCA)

351

↑38%

Sales volume (mln tonnes KCl)

10.6

↑6%

Production (mln tonnes KCl)

10.8

↑6%

Earnings per GDR[4] (US$/GDR)

2.2

↑69%

Work related fatal injury frequency rate[5] (FIFR)

0.00

↓100%

1 Calculated on a pro-forma basis, including financial results of Uralkali and Silvinit starting from 1 January 2010 and 2011 respectively, except for Earnings per GDR and FIFR, which are calculated on an IFRS basis

2 Net revenue represents adjusted revenue (sales net of freight, railway tariff and transhipment costs)

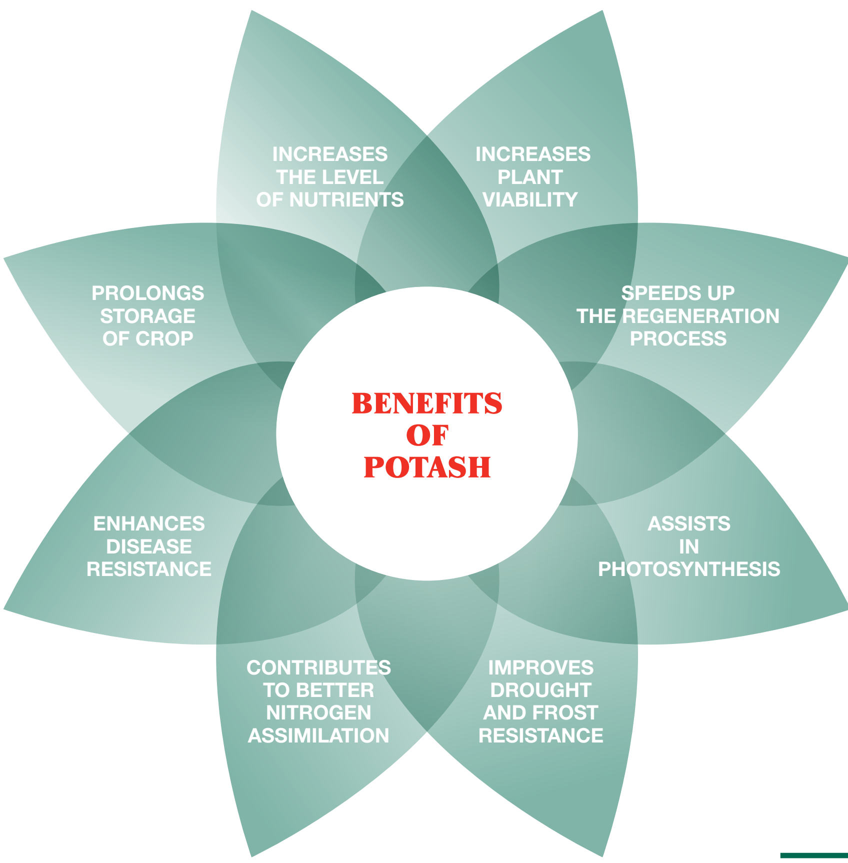
3 Adjusted EBITDA is calculated as operating profit plus depreciation and amortisation and does not include mine flooding costs

4 EPS is calculated as net profit divided by the weighted average number of GDRs in issue

5 FIFR is calculated based on the number of fatalities per 200,000 hours worked

THE LEADING PURE POTASH PLAYER

Uralkali mines and produces potash which is added to the soil directly in the form of powder or granules as well as used for the manufacture of compound fertilisers and in some other industries.



Go online to find more information on potash
www.uralkali.com/about/potassium/

Potash fertilisers do not contain any toxic heavy metals and are environmentally benign.

What is potash?

Potash fertilisers consist of potassium chloride. Potassium is one of the most vitally important elements, being present in cells of all living organisms and a natural compound residing in the soil.

Along with phosphorus and nitrogen it is an irreplaceable nutrient for plants and crops. In order to ensure growth and development of plants, they should receive sufficient potash at all stages of vegetation. Balanced plant nourishment can only be ensured by regular and timely application of these three main macronutrients. In particular, potassium contributes to better assimilation of nitrogen.

Potassium participates in many physiological processes in plants:

- growth and propagation
- substance transport
- signal and impulse transmission

Potassium deficiency in plants causes metabolic disorders, decreased crop productivity and deterioration of crop quality.

There is no natural or man-made substitute for potash.

Potash use by crop
(as % of world potash consumption)

Oil palm	5%
Wheat	6%
Soybeans	7%
Sugar cane	9%
Rice	13%
Corn	15%
Fruit and vegetables	22%
Other	23%

Source: IFA

Production chain

Uralkali mines potash at the Verkhnekamskoye potassium and magnesium salt field, the world's second largest deposit in terms of ore reserves. Potash ore is extracted and then processed using two methods: flotation and chemical enrichment (halurgic method). Three different types of potash are produced by Uralkali and sold to the market. Uralkali owns each stage of the process.

1 Mining

Ore extraction in Uralkali takes place underground at a depth of 300-450 metres. Specialised mining combines are used for tunnel drilling. The extracted ore is transported by conveyor belts to the shafts through which it is then hoisted to the surface.

2 Crushing

In the crushing section of the flotation plant ore is crushed using rod mills and screens into smaller particles of the size required for further enrichment.

3 Chemical enrichment

Chemical enrichment is based on the varying joint solubility of potassium chloride (KCl) and sodium chloride (NaCl) in water at different temperatures.

Upon cooling KCl crystallises out of the saturated solution.

This method enables production of potash fertilisers with 95% and 98% KCl.

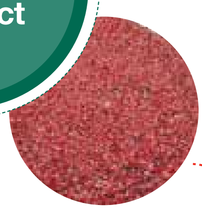
4 Flotation

The method is based on the varying floatability of sylvine and halite minerals in the saturated aqueous solution of KCl and NaCl in the presence of reagents.

Partly purified potash ore is placed in a flotation machine, bubbles stick to the KCl particles and rise to the surface for subsequent separation. The moisture content of pink potash after drying is only 0.1%.

Produced potash fertilisers for agriculture contain up to 95% of the useful component.

5 Standard product



6 Compaction

At the Verkhnekamskoye deposit potash is mined at a comparatively shallow depth of 300-450 metres.

White potash

Produced through the halurgic method.

Applied directly to soil, it is used for compound fertilisers and industrial needs.

It is shipped mainly to Russia, China and Europe.

Pink potash

Produced through the flotation method.

Applied directly to soil.

It is shipped mainly to India and South East Asia.

Granular potash

Dried pink potash powder is compressed into flakes (at 200–220 bars), then crushed and the granules are sized. Uralkali is also able to produce white potash granules.

Applied directly to the soil or blended with nitrogen and phosphate fertilisers.

It is exported mainly to Brazil, the USA and China.

OUR BUSINESS MODEL FACILITATES THE CONTROL OF OUR ENTIRE PRODUCTION CHAIN

Uralkali is a vertically integrated potash producer with control over the entire production chain: from potash ore mining through to the supply of potassium chloride to customers. This model enables us to efficiently manage all stages of production and distribution.

The Company's assets consist of five mines, six potash producing plants and one carnallite plant. The Company is also developing two greenfield projects adjacent to the existing mines. In addition, it owns a fleet of mineral railcars and a sea port terminal. Uralkali exports its production through Belarusian Potash Company (BPC), the leading international potash trader, and Uralkali Trading SA.

Vertical integration contributes to the Company's growth, ultimately decreasing customer risks. Its production costs are lower than its peers', which makes Uralkali the most profitable company in the global potash industry.

Production

Production

Uralkali's production assets include[1]:

- Berezniki-2 – potash plant and mine
- Berezniki-3 – potash plant
- Berezniki-4 – potash plant and mine
- Solikamsk-1 – potash plant, mine and carnallite plant
- Solikamsk-2 – potash plant and mine
- Solikamsk-3 – potash plant and mine
- Ust-Yayvinsky block – development licence
- Polovodovsky block – development licence

Production capacity at the end of 2011 (mln tonnes)

11.5

Employees in Uralkali main production unit

c.12,500

[1] The Berezniki-1 plant was closed in Q1 2012 in accordance with the Board of Directors decision as of 27 April 2011

Logistics

Baltic Bulk Terminal

The Baltic Bulk Terminal (BBT) is designed specifically for mineral fertiliser transhipment. Its geographic location ensures timely and efficient transport from the Company's mines to the target sea port, being the shortest transport leg to a sea port. Uralkali owns 100% shares in the BBT.

In 2011, the BBT transhipped more than 5.2 million tonnes of fertilisers, including about 3.6 million tonnes of Uralkali's potash fertilisers.

The BBT, which is situated in the sea port of Saint Petersburg, is rightfully considered to be one of the leading bulk terminals in Europe. The maximum transhipment capacity of the BBT is 6.2 million tonnes per year. The terminal's additional transhipment facilities will support Uralkali's planned production growth.

Own rolling stock

Uralkali owns one of the largest specialised rolling stock fleets in Russia with 8,000 mineral railcars. The Company delivers its products to the ports of Saint Petersburg (BBT), Novorossiysk, Nikolaev, Izmail, Ventspils, and Klaipeda by railway for onward shipment overseas. Uralkali also transports potash fertilisers by rail directly to consumers in Northern China, Europe, Russia and other CIS countries.

Warehouse facilities

Uralkali's warehouse capacity amounts to 640,000 tonnes. The finished product warehouses in Berezniki and Solikamsk, with total capacity of up to 400,000 tonnes, have separate isolated sections for storage of different types of products. Our warehouse facilities at the BBT have capacity of up to 240,000 tonnes.

Closed conveyors link warehouses with cargo railway terminals.

Sales

Uralkali's sales geography covers over 40 countries. Our major markets are Brazil, India, China, South East Asia, USA, and Europe. The Company supplies directly to its customers in Russia. Internationally, Uralkali sells its products through traders Belarusian Potash Company (BPC) and Uralkali Trading SA.

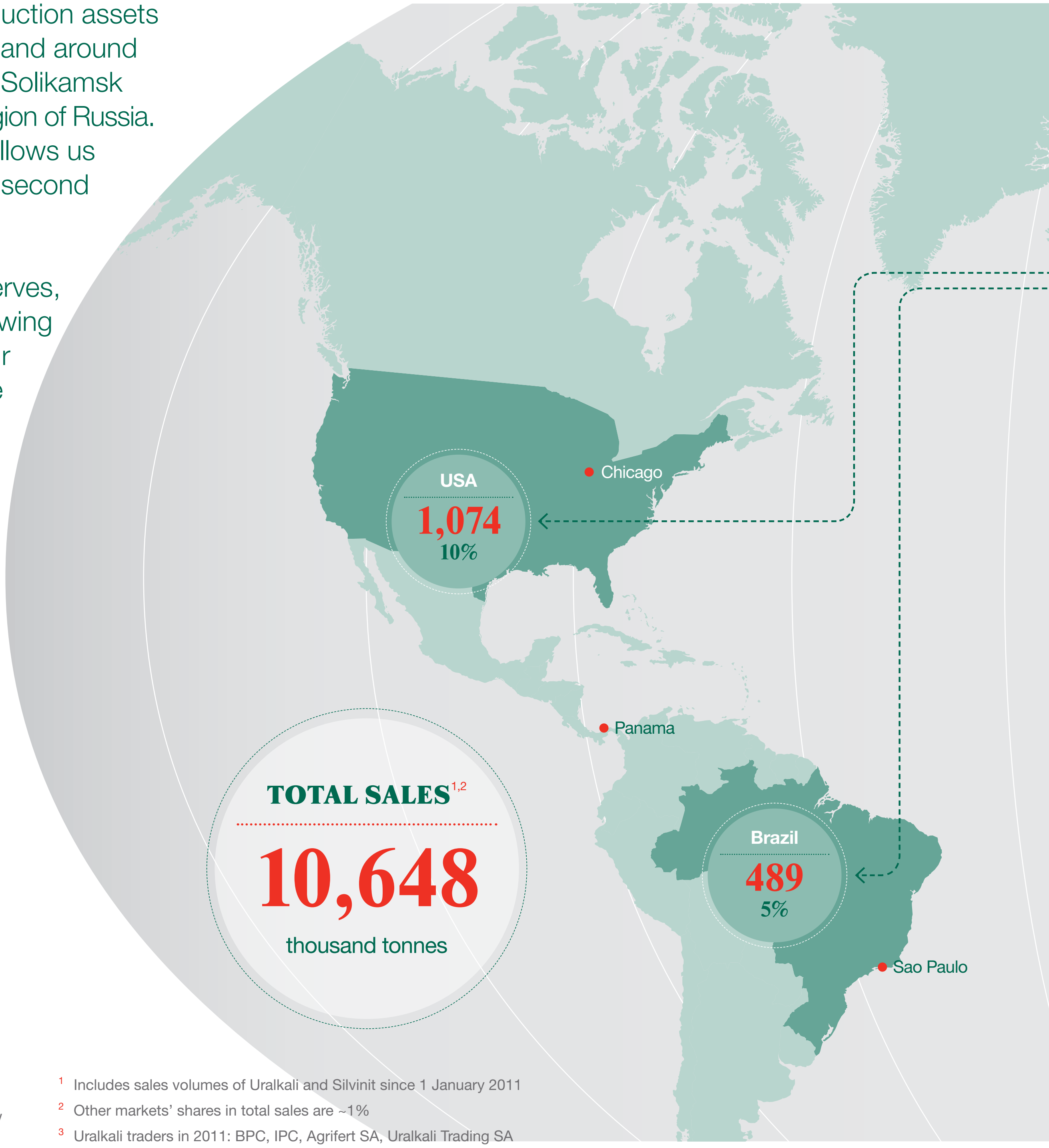
BPC is a joint trader for Uralkali and Belaruskali. With a 43% share of the international potash market, BPC holds leading positions in almost all key markets. BPC's shareholders are Uralkali (50%), Belaruskali (45%), and Belarusian Railways Association (5%).

See our Sales review on page 53

BBT shipment capacity (mln tonnes)	**Own rail car fleet**	**Warehouse capacity** (ths. tonnes)	**BPC share of global export market**	**Sales geography**
6.2	8,000	640	43%	over 40 countries

POSITIONED IN KEY MARKETS

Uralkali's production assets are located in and around Berezniki and Solikamsk in the Perm region of Russia. Our location allows us access to the second largest global concentration of potash reserves, while also allowing us to serve our key worldwide markets through our traders.

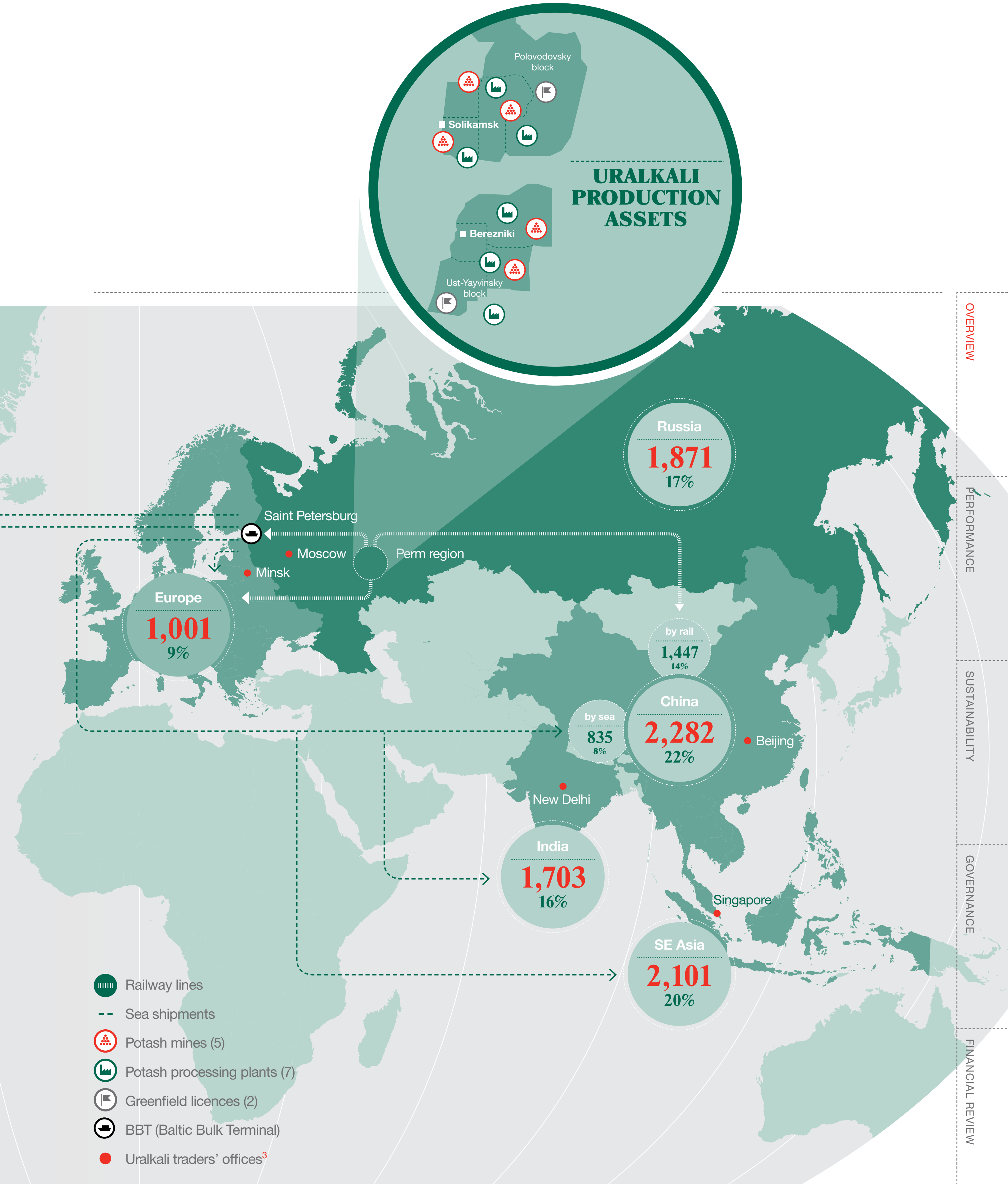


[1] Includes sales volumes of Uralkali and Silvinit since 1 January 2011

[2] Other markets' shares in total sales are ~1%

[3] Uralkali traders in 2011: BPC, IPC, Agrifert SA, Uralkali Trading SA

See our Sales review on page 52



URALKALI PRODUCTION ASSETS
Polovodovsky block
Solikamsk
Berezniki
Ust-Yayvinsky block
Russia
1,871
17%
Saint Petersburg
Moscow
Perm region
Minsk
Europe
1,001
9%
by rail
1,447
14%
China
2,282
22%
by sea
835
8%
Beijing
New Delhi
India
1,703
16%
Singapore
SE Asia
2,101
20%
Railway lines
Sea shipments
Potash mines (5)
Potash processing plants (7)
Greenfield licences (2)
BBT (Baltic Bulk Terminal)
Uralkali traders' offices[3]

STRONG POTASH INDUSTRY FUNDAMENTALS

Growing demand

Potash is well positioned to take advantage of a number of worldwide trends which are driving up the need for potash in the long term.

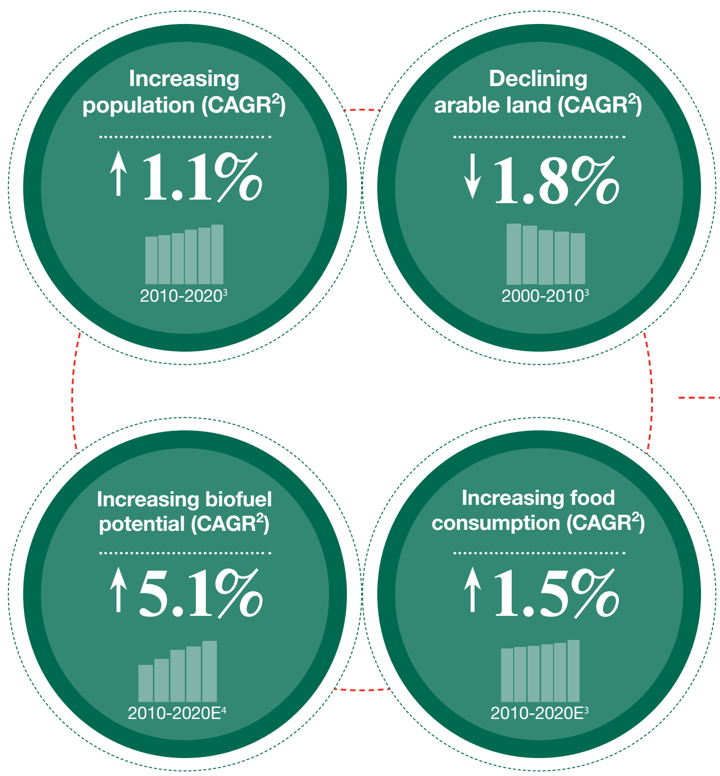
Growing population and rising incomes in the developing economies will contribute to increasing demand for food and proteins, which is expected to support the strong growth of fertiliser demand in the long term. Although slower than in previous decades, population growth is still particularly high in many developing and especially least developed countries, with rates of increase in excess of 2% (compared to 0.2% in developed countries). These regions also display the highest per capita income growth, with increments of 3.7% and 4.7%, respectively.

Urbanisation, an additional demographic dimension, will continue to change consumption patterns towards higher value processed products. On the supply side, fundamental limits to further cropland expansion make keeping up with rising demand increasingly challenging without raising the use of fertilisers.

More than 35%[1] of household final consumption is spent on food in 17 countries. According to a recent OECD-FAO report, global agricultural production is projected to grow at 1.7% annually during 2011-2020. Developing countries will account for an increasing share of global production and experience the fastest growth in output in this decade. Per capita food consumption is expected to expand most rapidly in Asia, Latin America and Eastern Europe.

The use of agricultural output as feedstock for biofuels will continue its robust growth, driven by support policies. By 2020, an estimated 13% of global coarse grain production, 30% of sugar cane production and 15% of vegetable oil production will be used for biofuel production. Global biofuel production is projected to reach some 197 billion litres by 2020, compared to 119 billion litres in 2010.

We believe the potash industry is well-positioned to take advantage of these trends in the long term given its focus on the agricultural sector.



GROWING DEMAND

Higher demand for food

Changing diets

New sources of demand for crops

1 Source: USDA, FAO, JP Morgan
2 Compound Annual Growth Rate
3 Source: FAO, Macquaire Research
4 Source: OECD-FAO Agricultural Outlook

Go online to find more information on potash
www.uralkali.com/about/potassium/

Potash is vital. In our view, one way to combat declining arable land per capita is to increase agricultural productivity, particularly through enhanced fertiliser use. 95% of globally produced potash is applied as a fertiliser to help feed the world's growing population. The fundamentals for potash are unique, making the industry stand out from other commodity-related sectors.

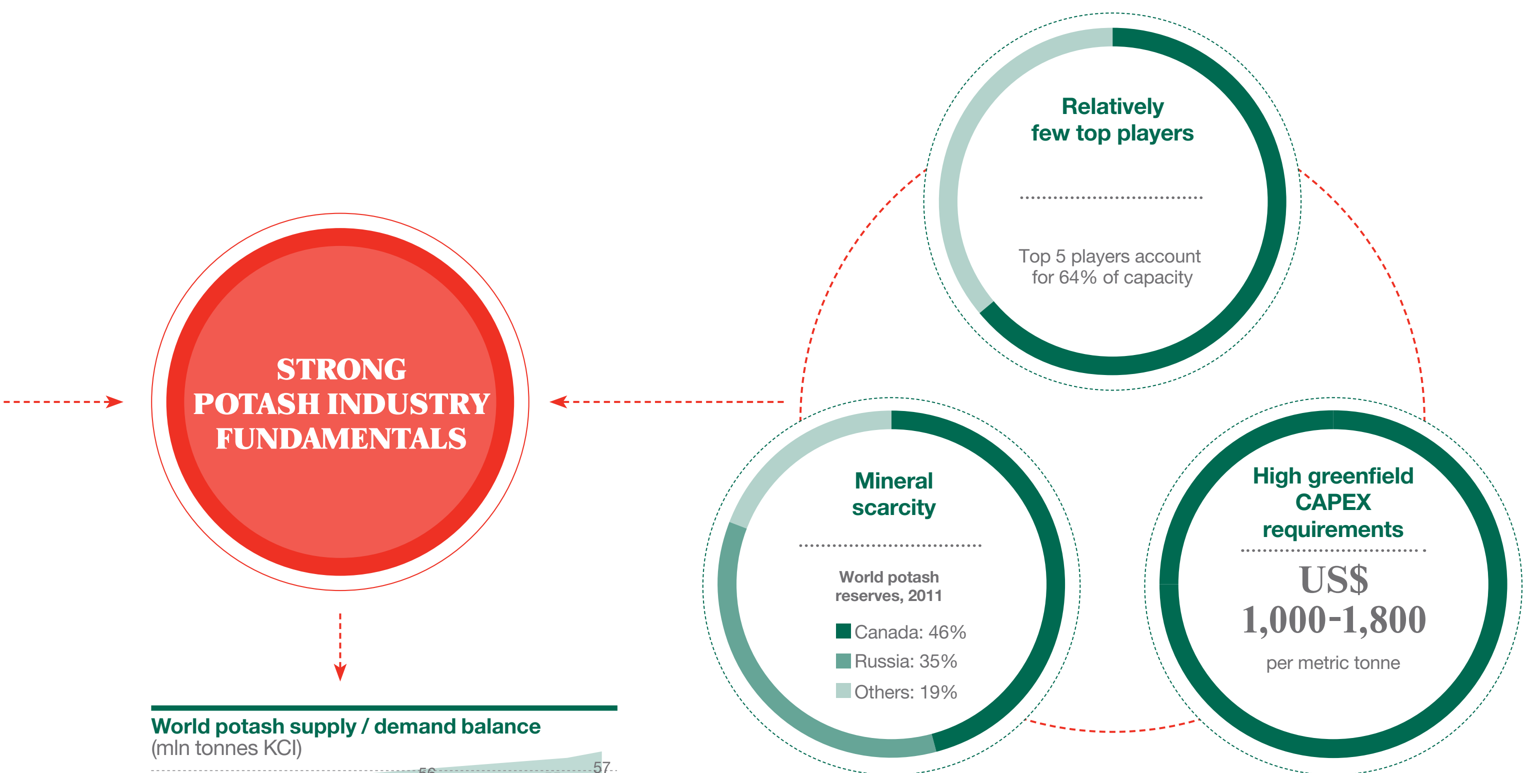
Challenging supply

On top of growing demand, there is a challenging potash supply as the world's potash reserves are currently extracted from deposits only in 12 countries. Six of these countries (Canada, Russia, Belarus, Germany, Israel and Jordan) account for c.90% of the world's aggregate potash production.

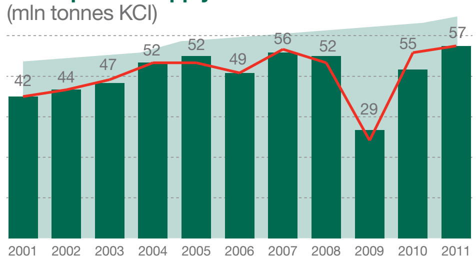
Potash mines have very long lead times with a greenfield mine estimated to take up to seven years to complete.

Also, greenfield projects are expensive, with a new two-million tonne mine estimated to cost US$2-3.6 billion[5] (depending on potash mine type).

Given limited availability of quality mineable ore bodies around the world and high capital requirement to develop new mines, the potash industry has high entry barriers for new competitors.



World potash supply / demand balance
(mln tonnes KCl)



Capacity   Production   Deliveries

Source: IFA, BPC estimates

CHALLENGING SUPPLY

Limited players to bring additional capacity

Potash reserves are concentrated

High barriers to entry

[5] Source: industry estimates, Uralkali, BPC

A TRANSFORMATIONAL YEAR

4 February 2011

Shareholder approval of combination

The shareholders of Uralkali and Silvinit approved the proposed combination at their Extraordinary General Meetings. Uralkali's shareholders, representing 98.9% of the votes cast, and Silvinit's shareholders, representing 90.9% of the votes cast, voted in favour of the deal. Uralkali's shareholders also approved the acquisition of approximately 20% of ordinary shares in Silvinit which was completed by the end of February.

See our Synergies from the combination on page 40

16 June 2011

Completion of combination

Uralkali announced the completion of the merger with Silvinit, creating a world leading fertiliser producer, one of the largest potash producing companies and one of Russia's major mining companies. The combined Company has assumed this leading position in the export potash market through maintaining an attractive investment portfolio, including brownfield and greenfield projects, as well as significant synergies which according to the April 2012 assessment amounted to US$300 million. Financial position and results of operations of Silvinit have been included in the Uralkali Group consolidated financial statements since 17 May 2011, when Silvinit ceased to exist as a legal entity.

See our Shareholder structure on page 93

29 June 2011

Annual General Meeting of shareholders

Uralkali's AGM elected a new Board of Directors. The new Board included Paul James Ostling and Sir Robert John Margetts, two new independent non-executive directors with extensive experience as independent directors of public companies. Sir Robert John Margetts later became Senior Independent Director of the Company. Alexander Voloshin also joined the new Board and later was elected its Chairman. Other members of the Board are Alexander Mosionzhik, Alexander Nesis, Alexander Malakh, Anna Kolonchina, Pavel Grachev, and Vladislav Baumgertner. Uralkali's shareholders approved a dividend payment of over RUB 14 billion (c.US$500 million according to the RF Central Bank exchange rate) or approximately 50% of net IFRS profit received by Uralkali and Silvinit for the year 2010.

See our Corporate governance report on page 73

2011 was a transformational year for Uralkali. The merger between Uralkali and Silvinit created the major potash producer with a truly global reach. The combined Company's large-scale development strategy will enable Uralkali to add 65% to its production capacity in the next ten years and maintain its leading position in the market. New independent members joined the Board of Directors and its Committees, enhancing Uralkali's corporate governance credentials. The Company also developed a new, and even more progressive, dividend policy and approved a buyback programme for its shares and GDRs.

21 September 2011

New Dividend Policy

Uralkali's Board of Directors approved new Dividend Policy Regulations. According to the new Regulations, the Board of Directors should recommend the size of the dividend on the assumption that not less than 50% of net IFRS profit will be designated for the payment of a dividend. The new Regulations also stipulate that the Board of Directors will present its recommendations on the dividend payment level to relevant general meetings of shareholders at least twice a year.

See our Dividend policy on page 86

6 October 2011

Buyback Programme

Uralkali's Board of Directors approved a buyback programme in respect of ordinary shares and global depositary receipts (each GDR representing five shares). The aggregate amount of the programme will not exceed US$2.5 billion that may be invested in the purchases of shares and GDRs throughout a period between 6 October 2011 and 6 October 2012. This decision reflected the Company's belief that the creation of shareholder value over the long term requires a balanced approach to investing in organic growth and returning excess capital to shareholders whilst maintaining a robust capital structure.

See our Buyback programme on page 91

25 October 2011

Long-Term Investment Programme

Uralkali adopted a long-term investment programme that demonstrates the Company's continuing confidence in strong fundamentals of the growing global potash market. The US$5.8 billion expansion programme includes brownfield and greenfield projects and anticipates an increase in Uralkali's production capacity by approximately 65% – to 19 million tonnes by 2021. The weighted average cost of the brownfield and greenfield expansions will amount to approximately US$420 per tonne and approximately US$750 per tonne of additional capacity respectively, which the Company believes to be the most cost effective in the potash industry.

See our Expansion programme on page 32

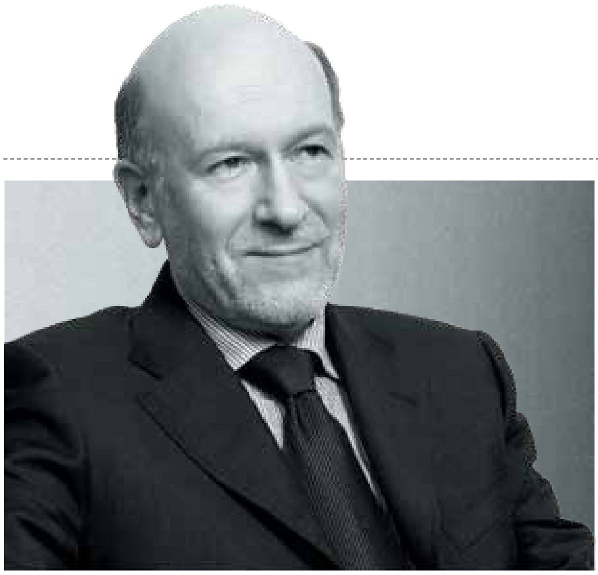
8 Dec 2011 / 10 Apr 2012

Dividend Payment

Uralkali's Extraordinary General Shareholders meeting on 8 December 2011 approved an interim dividend payment in the amount of RUB 4.00 per share and approximately US$0.64 per GDR to be paid on all Uralkali's ordinary shares, reflecting the undistributed profit of previous years. On 10 April 2012 the Board recommended that the AGM approve dividend payment of RUB 4.00 per share and about US$0.7 per GDR. The total dividend payment for 2011 will therefore exceed 50% of pro-forma 2011 net profit.

See our Dividend payment on page 86

POSITIONED FOR GROWTH



Alexander Voloshin
Chairman of the Board of Directors
Independent Director

Dear Shareholders,

Uralkali moved on to a new stage in its development in 2011. Following the merger with its rival, Silvinit, Uralkali has become the world's leading potash producer and exporter.

Leader in the potash industry

By the middle of 2011 we had successfully completed the legal merger between Uralkali and Silvinit, creating the world's number one company by potash output – in 2011 we produced over 10.8 million tonnes of potash fertilisers. Robust demand in the key markets, with record consumption in many countries, contributed to an almost 100% utilisation rate of our production capacity.

In 2011, the Company's traders accounted for over 40% of potash exports, confirming our leading position in all major potash consuming countries. Starting from 2012 we have streamlined our exports through the Belarusian Potash Company, which will significantly increase the efficiency of our trading operations.

The fundamentals of the potash industry remain strong. The increasing need for quality food supports high agricultural product prices, thus ensuring consistent profitability for regional farmers. Agricultural producers are in turn focused on maintaining the optimal level of fertiliser application in order to achieve higher crop yields. Therefore, we believe that stable growth throughout the year will compensate for the lower buyer activity noted at the beginning of 2012. Uralkali intends to strengthen its leadership position among potash producers by implementing a capacity expansion programme and pursuing its mission of providing food security for people around the globe.

Positive financials and high shareholder return

Robust demand and full capacity production enabled us to achieve record returns in 2011. Revenue amounted to US$4.2 billion, with earnings per share at US$0.44 and per GDR at US$2.2 on a pro-forma basis.

At the same time, we placed a strong emphasis on maintaining an optimal capital structure. We are convinced that creating long-term shareholder value requires a balanced approach to investing in production growth and returning excess capital to shareholders.

Our confidence in strong future cash inflow, supported by high output and stable demand for our products, allowed us to adjust our dividend policy, with the Company

Dividend policy

50%

After September 2011 | Before September 2011 deciding to pay not less than 50% of net IFRS profit as a dividend. In addition, the Board of Directors approved a buyback programme for Uralkali shares and GDRs worth up to US$2.5 billion, which will run through to October 2012, subject to market conditions.

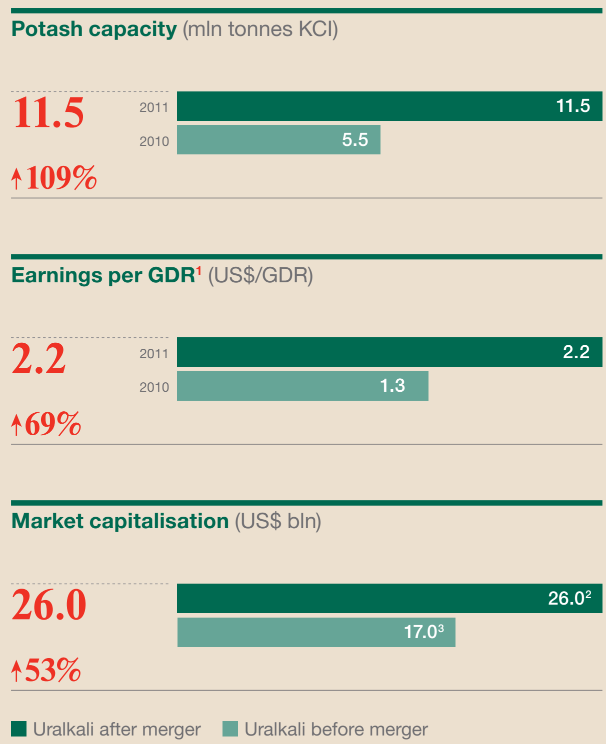
Organic growth strategy

Uralkali's aim is to maintain our position as the world's leading potash producer. Our combination with Silvinit represents an important milestone which has supported that aim and we plan to move forward. As before, we remain focused on potash production. Given there are currently no evident opportunities for mergers and acquisitions activity in the potash industry, we continue to grow organically.

Since we see a long-term potential in the growing demand for potash, we are implementing a large-scale capacity expansion programme, which includes brownfield and greenfield projects. We are convinced that we make a significant contribution to solving the global food problem by helping farmers all over the world to increase their yields and provide people with sufficient food of good quality. We do understand the responsibility we share in ensuring global food security.

The strategy of the Combined Uralkali enables us to not only meet the constantly growing demand for our products, but also deliver maximum value to our shareholders. Furthermore, we aim to achieve a zero accident and injury rate, as well as minimise any adverse impact on the environment. I am pleased to say that Uralkali is considered to be one of the most attractive employers among Russian mining companies, presenting career growth opportunities, offering competitive salary package and participating actively in the development of the communities and cities in which our production facilities operate and our employees live.

A TRANSFORMATIONAL YEAR



1 Calculated as net profit divided by the weighted average number of GDRs in issue

2 Average for the period from 17 June 2011 to 31 December 2011

3 Average for the period from 1 January 2011 to 16 June 2011 (the date of official announcement of merger completion)

CORPORATE GOVERNANCE HIGHLIGHTS

New independent directors

Uralkali's annual general shareholders meeting in 2011 elected a new Board of Directors. The new Board included two new independent directors – Sir Robert John Margetts and Paul James Ostling – both with extensive experience as board members in Russian and international public companies. Alexander Voloshin became the third independent director and was later appointed Chairman of the Board.

Corporate Social Responsibility Committee

In 2011 Uralkali created a Corporate Social Responsibility Committee (CSR) responsible for considering the Company's policies and activities relating to health and safety, environment protection and social responsibility. The CSR Committee is headed by Sir Robert John Margetts, the senior independent director.

New dividend policy

In 2011 Uralkali approved a new edition of the Regulations on the Dividend Policy. According to the new regulations, the dividend payment should be not less than 50% of net IFRS profit with payments made at least twice a year.

Involvement of independent directors in Board Committees

In accordance with the best global practices, the Company pays the fullest attention to the recommendations of the Board committees. In 2011 independent directors were included in all committees. Paul James Ostling was appointed Chairman of the Audit Committee and in November 2011 received the "Director of the Year" award founded by the Association of Independent Directors.

Corporate governance and risk management

Uralkali is committed to compliance with global corporate governance standards. In particular, we recognise the important role of independent directors who observe the interests of all shareholders, including those not represented on the Board.

We seek to achieve an optimal balance of professional knowledge and skills across the Board, as well as amongst executive, non-executive and independent directors. In keeping with best practice, independent directors are fully involved in all Uralkali Board committees.

In 2011, we strengthened our Board with the addition of two new independent directors – Sir Robert John Margetts and Paul James Ostling. Due to their extensive experience as independent directors on the boards of various international and Russian companies, they represent a strong addition to Uralkali's Board and contribute to introducing best international practices. Thus Sir Robert Margetts was appointed Senior Independent Director and Head of the Corporate Social Responsibility Committee, launched in December 2011. Meanwhile, Paul Ostling became Chairman of the Audit Committee, and I am delighted to congratulate Mr Ostling on winning the Russian national "Director of the Year" award.

I also would like to thank Mr. Ilyia Yuzhanov and Mr. Hans Jochum Horn whose term expired in 2011 for many years of successful serving on the Board, as well as Mr. Anton Averin for his contribution during the merger process.

We were well aware of the increased levels of scrutiny during such a big deal as our merger, hence, in 2011, we paid much attention to disclosing all necessary material information throughout the Silvinit merger, financial and operational results as well as our future development plans.

We understand that mining is not only a profitable but a hazardous activity that bears risks connected with production. The Company has implemented a comprehensive risk management system, enabling us to flag potential dangers, report them in advance to our employees and shareholders, and take appropriate measures in order to prevent and minimise risks.

See our Corporate governance report on page 73

Commitment to sustainable development

Our commitment to sustainable development is underpinned by a structured approach to all aspects of our activity, which has a consequent impact on our surrounding environment, our employees, our customers, our investors and suppliers. Investment in Uralkali provides not only financing for the Company's development, but also supports the environment.

Following its combination with Silvinit, Uralkali has become a leading potash player with a global reach. With the increased number of employees and the subsequent greater impact on regional economies, we now have far greater responsibility towards our employees, the community, the state and the environment.

The attention of the world's community towards the information disclosed by Uralkali has always been high, therefore, through 2011 we continued to work hard on raising the transparency of the Company in all its activities, especially with regard to sustainable development.

At the end of 2011, Uralkali created a Corporate Social Responsibility Committee tasked with supervising health, safety and environment policies, as well as corporate social responsibility matters. We hope that the work of the newly created committee will improve the Company's business processes through the introduction of efficient instruments for managing sustainable development. Further to this, we have launched a sustainable development policy, as well as started preparing statements in compliance with the GRI standard.

Road to success

In 2011, Uralkali became the world's largest potash producer by output. Moreover, the Company demonstrated greater levels of corporate governance, secured 20% of global potash output and adopted a large-scale, long-term development programme. Uralkali is already the industry leader by output but we intend to go further, and we are constantly striving to be global leaders across all our activities.

On behalf of the Board of Directors, I would like to thank the management of Uralkali and Silvinit for their outstanding work during the merger and the following integration process, which was both open and efficient. I especially thank our shareholders for their continued support, and I am confident that we will achieve our goals and build that trust.

Alexander Voloshin
Chairman of the Board of Directors
Independent Director

CREATING THE LEADING POTASH PRODUCER

Vladislav Baumgertner
CEO

Dear Shareholders,

2011 witnessed the completion of the largest deal in the history of the potash industry, with Uralkali and Silvinit merging to create the major industry player. The combined entity has a unique position being the leader by output and export sales, as well as one of the most cost efficient potash producers.

Record potash market year

2011 was a milestone year for the potash industry. Due to high prices on main crops, the industry witnessed an upward trend through most of 2011. High demand for potash accompanied by rising prices caused robust buyer activity. As a result, the potash market reached a record with global demand achieving more than 57 million tonnes. Therefore, potash producers operated at full capacity.

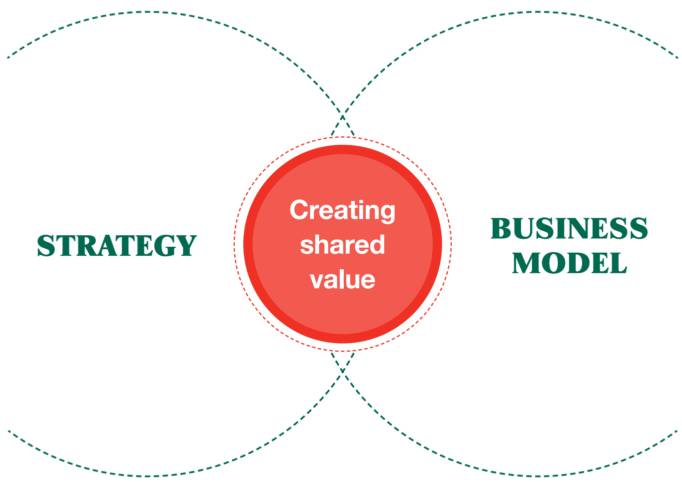
By the end of 2011, macroeconomic uncertainty had impacted the potash market, with many potash distributors delaying new purchases, unwilling to assume additional risk. This cautious approach from customers coincided with a seasonal slowdown in buyer activity in Q4. Following the slowing market demand, we decided to cut production in Q1 2012. A lower capacity utilisation rate enabled us to stabilise the market and prepare capacity for a rebound in demand. We note that despite the delayed demand, farmers' profitability remains at a reasonably strong level given the high prices on soft commodities.

We are already witnessing a rebound in demand as the spring sowing season has begun. Full capacity production and a robust potash market contributed to our strong financial performance in 2011. Our revenue amounted to US$4.2 billion, representing a 41% year-on-year increase. Our net profit rose by 64% to US$1.5 billion. Moreover, robust potash prices and low production costs enabled us to achieve a record EBITDA margin of 69%.[1]

[1] Data in this paragraph is based on a pro-forma basis

How we create shared value

Uralkali's strategy is aimed at sustaining leadership in all aspects of our business including production output, sales, cost of production, level of corporate governance, development of our personnel and the region where we operate. The synergy arising from the merger with Silvinit together with our capacity expansion programme will ensure the achievement of our goals and maximisation of shareholder return.



Our business model is based on the vertically integrated structure of our business which enables us to control and optimise all stages of production and sales. Thus our business model ensures risk minimisation and creation of optimal value for our shareholders.

We expect that despite soft buyer activity at the end of 2011 and the beginning of 2012, this year will be as successful as the previous year. We forecast that global potash consumption in 2012 will remain at 56-58 million tonnes. We are confident that the increasing need for food worldwide will lead to the necessity to improve the quality of arable land, which in turn will significantly raise the importance of potash in the coming years. Therefore, while building our development strategy, we do not focus on short-term market fluctuations, but consider long-term trends. We are sure that a seasonal or economic decline can result in only temporary difficulties for farmers and will not damage the critical role of potash fertilisers in global food production.

Efficient business model

Uralkali's business model is based on a vertically integrated corporate structure which enables the Company to control the entire production chain, from potash ore mining, through to the supply of potassium chloride to customers and manage efficiently all stages of the operational process.

Following the merger, Uralkali's production assets include five mines, six potash producing plants and two greenfield projects. In addition, we own one of the largest fleets of mineral railcars and a sea port terminal in Saint Petersburg. Uralkali exports its production through leading international potash traders – Belarusian Potash Company (BPC) and Uralkali Trading SA – which ensures our strongest negotiating position in all key markets and stable fair prices on our products.

We are convinced that Uralkali's business model is optimal for creating value for our shareholders.

Development strategy

Uralkali's development strategy aims to consolidate the Company's leadership in the global potash industry. We are confident that in the next 10 years the potash market will see dynamic development supported by a number of positive factors. In order to strengthen our leading position, we are expanding our capacity to meet the growing demand for our products. In 2011, we increased the capacity of the Solikamsk production units by 900,000 tonnes, with Uralkali's total capacity reaching 11.5 million tonnes. The Solikamsk project was the start of a long-term investment programme approved by the Company soon after completion of the merger.

Uralkali's development strategy aims to increase our annual production capacity to 19 million tonnes of potash by 2021. The total investment will amount to US$5.8 billion, which makes it one of the largest investment programmes in the industry.

The weighted average cost of additional capacity within Uralkali's investment programme will be US$420 per tonne for brownfield expansion and approximately US$750 per tonne for greenfield expansion. We believe our investment programme to be one of the most efficient in the global potash industry.

We are also seeking to maintain our position as one of the most cost efficient potash producers. Uralkali has already achieved the lowest cost level amongst potash producers with production cost per tonne amounting to US$55. Due to the fact that our costs are significantly lower than those of our peers, our Company is the most profitable in the global potash industry.

Moreover, during the merger process we worked out an integration strategy that will enable us to maximise synergies and increase our shareholder value. In 2011, the Company already achieved a number of key integration targets, primarily in terms of optimisation of the organisation structure and sustainance cost reduction. The Company also addressed a number of financial challenges including the refinancing of Silvinit's debt, as well as completed a large programme involving the rationalisation of our distribution channels. The successful realisation of our integration processes in 2011 has enabled us to raise our conservative synergy forecast on from US$100 million to US$300 million starting from 2013. Already in 2011 the synergies saved us US$137 million.

The Company completed a number of programmes that aim to optimise the Company's structure including, among others, reduction of overlapping functions. As a result, we managed to build a professional team capable of addressing ambitious tasks and supporting such a large international corporation as Uralkali. Our goal is to become the most attractive employer in the Russian mining industry.

We are proud to say that Uralkali's employees have excellent opportunities for professional development and career growth.

I would like to stress that Uralkali's strategy is focused on sustainable development. Alongside high efficiency and low cost, we place a strong emphasis on maintaining comfortable and safe working conditions, applying measures to support the environment and running social programmes for our employees and the community. We participate actively in the development of the cities in which we operate. We are guided by the principles of openness, transparency and risk mitigation for all our stakeholders. We plan to provide a more detailed account of our CSR activities in the Sustainability Report due to be launched later this year.

Growth prospects

We believe that the underlying fundamentals of the potash industry will remain strong. Continuous population growth and rising living standards will increase the need for high-quality food products which can only be produced with regular and compound fertiliser application. These factors will secure growing demand for potash.

Starting from Q2 2012 the demand for potash has rebounded, as the start of the sowing season has triggered spot and contract markets. At the end of Q1 we concluded contracts with large Chinese customers and are now expecting to conclude long-term contracts with India.

In 2012, Uralkali will carry on with its investment programme and will start construction of the shafts of the Ust-Yayvinsky mine. The total investment capex for brownfield and greenfield expansion in 2012 is expected to reach c.US$400 million.

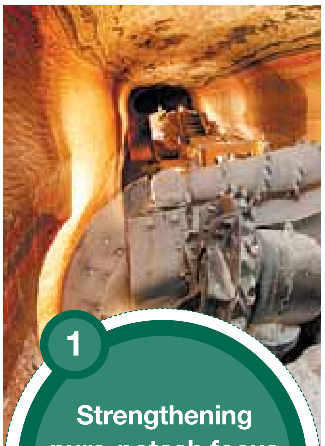
We are confident that our leadership position, unique development programme, stronger corporate governance and robust operational and financial results will enable us to remain an attractive company for our partners and investors.

Vladislav Baumgertner
CEO

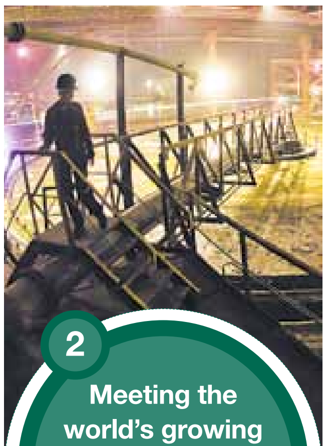
Combination with Silvinit

Enhancing operating efficiency	The mines and plants in Berezniki and Solikamsk are in close proximity, facilitating infrastructure and technology optimisation while maintaining low production costs.
Optimisation of sales and marketing activities	The combined Company accounts for 20% of global potash output. Merger with Silvinit has allowed us not only to improve the logistics chain but also to strengthen the Company's leading market position with its traders, having a 43% export market share.
Becoming employer of choice	With c.12,500 employees in the main production unit, Uralkali is the major employer and taxpayer in the cities of Berezniki and Solikamsk. The Company applies a strict system to recruit and develop the best qualified personnel and takes much care of the wellbeing of its employees, their families and local community development in general.
Focus on corporate governance	Uralkali is guided by the principles of openness, transparency, and risk minimisation for all stakeholders while constantly improving its corporate governance system in accordance with the best international practices.
Realisation of synergy	Integration of all business processes will ensure significant synergies creating additional value for our shareholders. Optimisation of operational activities in Berezniki and Solikamsk, reduction of administrative and commercial expenses, and optimisation of transportation costs will result in economies of US$300 million per annum.
Sustainable organic growth	Use of best expertise and combined financial and technical resources allow us to realise our brownfield and greenfield projects most efficiently and at a low cost.

A STRATEGY TO DELIVER FUTURE GROWTH



1 Strengthening pure-potash focus and industry leadership



2 Meeting the world's growing demand for food through capacity expansion

3 Maintaining a robust capital structure

4 Maximising our efficiency and competitive cost position

Our vision for growth

We aspire to strengthen our leading position in the global potash industry, supporting sustainable improvements to global food supply.

We are focused on meeting the world's growing demand for food. With that we seek to take advantage of our solid resource base by selectively expanding production capacity.

We are committed to retaining a robust capital structure and maximising total shareholder return.

We seek to be the most cost efficient potash producer.

KPIs

- Total Shareholder Return
- Average selling export price
- Export market share
- EBITDA margin
- Operating cash flow

KPIs

- Achieved capacity
- Expansion CAPEX

KPIs

- Dividend payout
- Net debt/LTM EBITDA

KPIs

- Cash COGS per tonne
- Sustenance CAPEX
- Output per capita (production personnel)

See our Strategy in action on page 30

See full details of our KPIs on page 42

> We develop a unique potash field efficiently and responsibly with the aim to ensure our Company's growth and the wellbeing of our employees and the community

Alexander Nesis
Member of the Board of Directors

LONG-TERM VALUE CREATION

5 Caring about our people and communities

6 Promoting environmental safety

7 Adhering to best corporate governance standards

Our vision for growth

We aim to be the employer of choice among the CIS mining industry. We are committed to the highest levels of health and safety and to conducting our operations in partnership with local communities.

We take significant steps in order to minimise the environmental impact of our operations. We participate actively in the development of the cities and local communities in which we operate.

We are guided by the principles of openness, transparency and risk minimisation for all stakeholders and are committed to continuous improvement in our corporate governance practices.

KPIs

- Work related fatal injury frequency rate
- Lost time injury frequency rate
- Social investments
- Voluntary labour turnover
- Average annual wages (production personnel)

KPIs

- Total water consumption
- Energy consumption
- Environmental investments

1 Strengthening pure-potash focus and industry leadership

Uralkali is number one potash producer globally. As a vertically integrated company, we control the whole production chain – from potash ore mining, through potash supply to our customers. Uralkali's consolidated sales system, efficient logistics and worldwide network of regional representative offices enable us to play an important role in all key markets.

We establish prices for our products by taking into account both prevailing demand and the economics of ultimate customers. The Company carries out regular thematic studies to understand the profitability of farmers and the associated value-in-use of its products as part of its strategy to ensure optimal and sustainable pricing over the medium term.

2 Meeting the world's growing demand for food through capacity expansion

We believe in the strong fundamentals and unique characteristics of the potash industry. A continually increasing world population leads to higher demand for food, while rising standards of living require a better diet. Meanwhile, decreasing arable land per capita creates the need for intensive agricultural technologies. One of the primary contributors to better yields is the balanced application of mineral fertilisers.

By participating in several Russian and international organisations Uralkali aims to promote the benefit of potash application across the world and also implements intergovernmental programmes promoting balanced application of fertilisers.

In order to meet the world's growing demand for food, Uralkali is focused on the successful completion of a long-term strategic investment programme to efficiently expand our capacity that we announced in 2011. This US$5.8 billion programme includes brownfield and greenfield projects and is aimed at increasing our production capacity to 19 million tonnes of potash per year by 2021. This will allow us to implement what we believe will be one of the most cost effective expansions in the global potash industry with expected capex for brownfield projects of US$420 per tonne and greenfield development opportunities of US$750 per tonne.

In addition to organic growth, we consider selected opportunities for mergers and acquisitions of potash producing assets if they are consistent with our potash focused strategy and meet our hurdle rates for investment returns. Asset acquisitions are undertaken only on the basis of contributing to further strengthening of the Company's position and adding shareholder value.

3 Maintaining a robust capital structure

We are committed to pursuing our long-term strategic investment programme, whilst retaining a robust capital structure and maximising total shareholder return. We believe that the creation of shareholder value over the long term requires a balanced approach to investing in organic growth and returning excess liquidity to shareholders.

We seek to maintain net debt in a range of 1.0x-2.0x LTM EBITDA and are committed to a dividend policy of paying not less than 50% of net IFRS profits. We have also launched a share buyback programme of up to US$2.5 billion effective until 6 October 2012 reflecting our ongoing commitment to shareholder value.

4 Maximising our efficiency and competitive cost position

Uralkali is one of the lowest-cost producers globally with the cash COGS of US$55 per tonne in 2011 and we are focused on sustaining our advantageous position going forward through further optimisation across all key cost elements.

As such, Uralkali increases labour productivity through continuous optimisation of business processes, automation of production processes and outsourcing of non-core activities. The Company uses transparent and efficient procurement systems for materials and services. We seek to reach the optimal balance between our own and purchased power and energy and also aim to increase the extraction of useful substances out of ore by applying state-of-the-art ore-enrichment technologies.

The merger with Silvinit will continue to deliver synergies that will further increase our cost-efficiency. We expect over US$300 million of savings per year with cost reductions to be achieved in a number of areas – from logistics and administration to financial functions. Already in 2011 the synergies saved us around US$137 million.

See our Strategy in action on page 30

5 Caring about our people and communities

Labour safety is one of Uralkali's key priorities. We constantly work to ensure the most safe and motivating working environment for our employees and minimise the accident and injury rate at work. We strictly control the observance of safety requirements by our contractors.

Uralkali has a rigorous system for recruitment of the most qualified personnel and we seek to reward such personnel through an efficient motivation system with competitive salaries and an optimal social package.

Our management team comprises highly qualified professionals with a well-established industry track record. As a result of the merger with Silvinit, we were able to strengthen our team of experts.

The Company also contributes to the professional growth of its employees by introducing training and personnel development programmes. Such programmes provide our employees with opportunities to expand their knowledge, develop management and professional skills and attain personal progress.

Uralkali is the main employer in the towns of Berezniki and Solikamsk in the Perm region of Russia. A socially responsible approach to community development is key to the Company's successful operations in the region. Uralkali's active cooperation with the federal, regional and local authorities results in large-scale social projects.

With Uralkali's financial support and participation of the regional and local authorities, a master plan for the Berezniki and Solikamsk areas is expected to be created. When completed, the master plan will serve as a basis for the multi-level development project for this area.

Our social projects enable us to significantly increase the living standards of our employees and their families, as well as improve social conditions in the region, which all contributes to the Company's sustainability.

6 Promoting environmental safety

Our operations and work of our employees and contractors are based on sustainable development principles. Recognising responsibility for the community where we operate, we constantly carry out our projects aimed to sustain the environment in good condition. All of our actions comply with regulatory requirements and are reported on a regular basis.

Major issues for the Company are water saving and waste reduction. We do our best to make sure that generated waste and used water are efficiently managed. Our environmental strategy includes the use of own facilities and the involvement of contractors to solve these challenges.

We constantly work on minimising our impact and improving the environmental protection of air, water and land. In 2011 around US$40 million was spent on environmental projects.

7 Adhering to best corporate governance standards

We seek to be recognised for our commitment to best corporate governance standards. We aim to achieve an optimal balance of professional knowledge and skills within the Board of Directors, as well as a balance among executive, non-executive and independent directors. In compliance with best global corporate governance practices, independent directors play an instrumental role in the work of the Board and its Committees.

We use a progressive risk management system that enables us to accurately assess material risks to the Company's activities and develop measures to mitigate these risks.

We constantly work towards improving the transparency of our activities. Uralkali regularly discloses all material information, including financial and operational results, and communicates its development plans to the market.

2
Capacity expansion

Driving organic growth

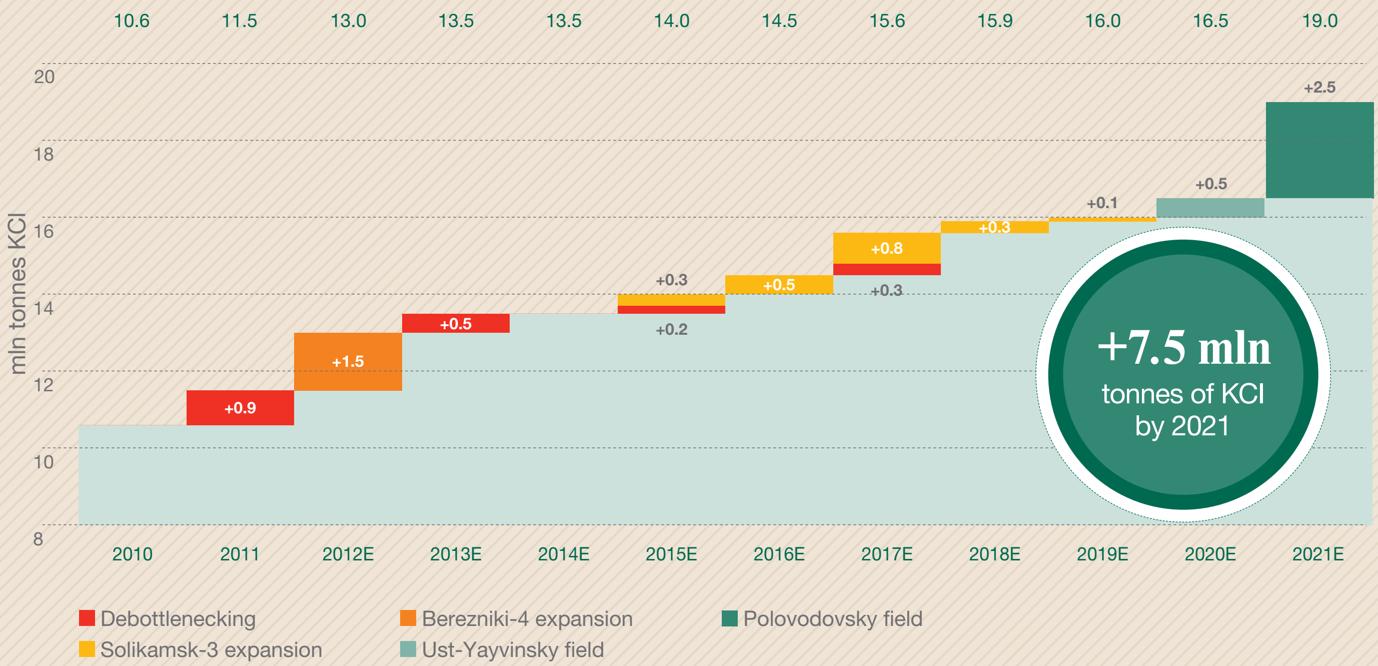
"We continuously work on improving our production processes so that Uralkali remains the most efficient company in the industry with high profitability and lowest costs

Alexander Mosionzhik
Member of the Board of Directors


УРАЛКАЛИЙ

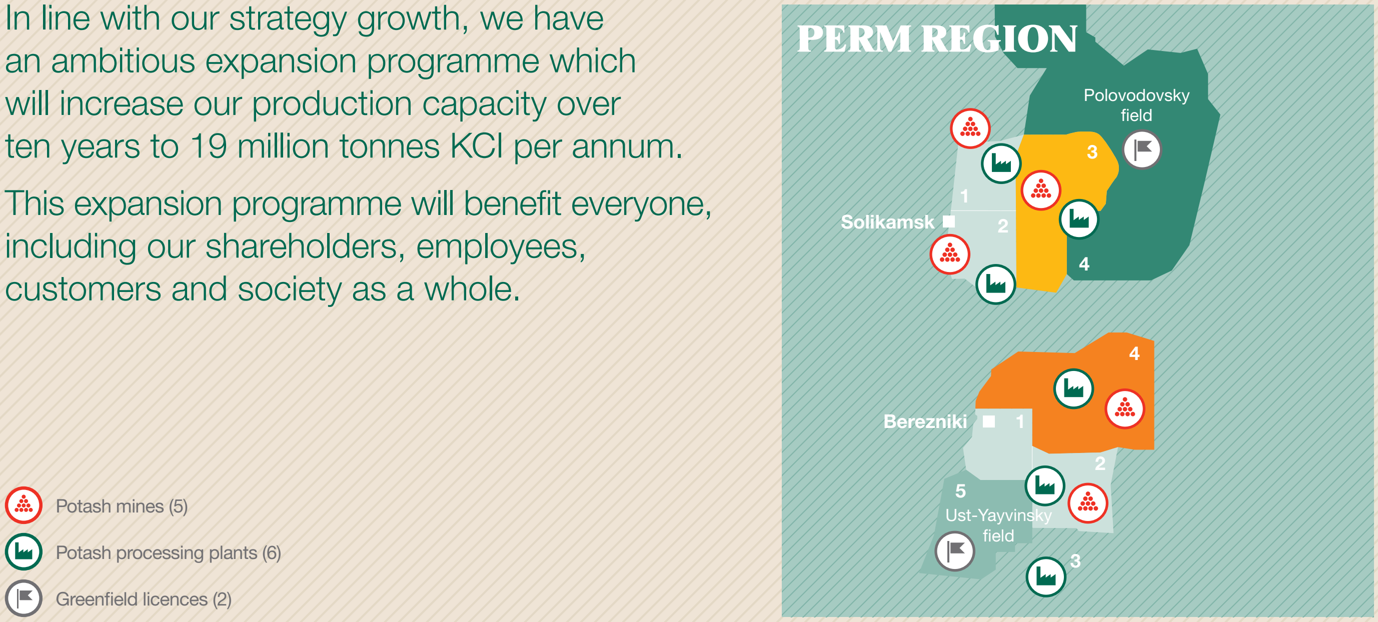
DRIVING ORGANIC GROWTH TO MEET GLOBAL DEMAND

+ 65% capacity growth in 10 years



In line with our strategy growth, we have an ambitious expansion programme which will increase our production capacity over ten years to 19 million tonnes KCl per annum.

This expansion programme will benefit everyone, including our shareholders, employees, customers and society as a whole.



> Uralkali's expansion programme is efficient and balanced. It provides production capacity growth to meet rising demand for potash and consolidates its position as an industry leader

Alexander Malakh
Member of the Board of Directors

Why expand now?

Due to world population growth and decreasing arable land per capita, potash demand grows by c.3% year-on-year which equates to 1.5-2 million tonnes of KCl.

Potash companies worldwide are working at almost full capacity to meet this growing need for the nutrient with a tight balance between supply and demand.

Uralkali is best positioned to help meet these challenges with our complementary asset base, and the financial strength and expertise to deliver long-term leadership and growth in the industry.

Expansion highlights

Capacity expansion worth on average US$5.8 bln by 2021.

An attractive portfolio of cost-advantageous brownfield projects and large-scale greenfield projects

- brownfield CAPEX – c.US$420[1] per tonne
- greenfield CAPEX – c.US$750[1] per tonne

Reserves & resources: JORC-compliant resource base of 8.6 bln tonnes inclusive of 4.4 bln tonnes from Ust-Yayvinsky and Polovodovsky blocks combined.

Greenfields: expansion through Ust-Yayvinsky and Polovodovsky projects

- one of the lowest depths of the mine (300-450m)
- all required infrastructure already in place
- strong geology and mining expertise

Go online to find more information on expansion programme
www.uralkali.com/expansion_programme/

[1] Weighted average cost

DRIVING ORGANIC GROWTH THROUGH DEBOTTLENECKING AND EXPANSION

Capacity

1.0 mln tonnes KCl

Capex

$192 mln

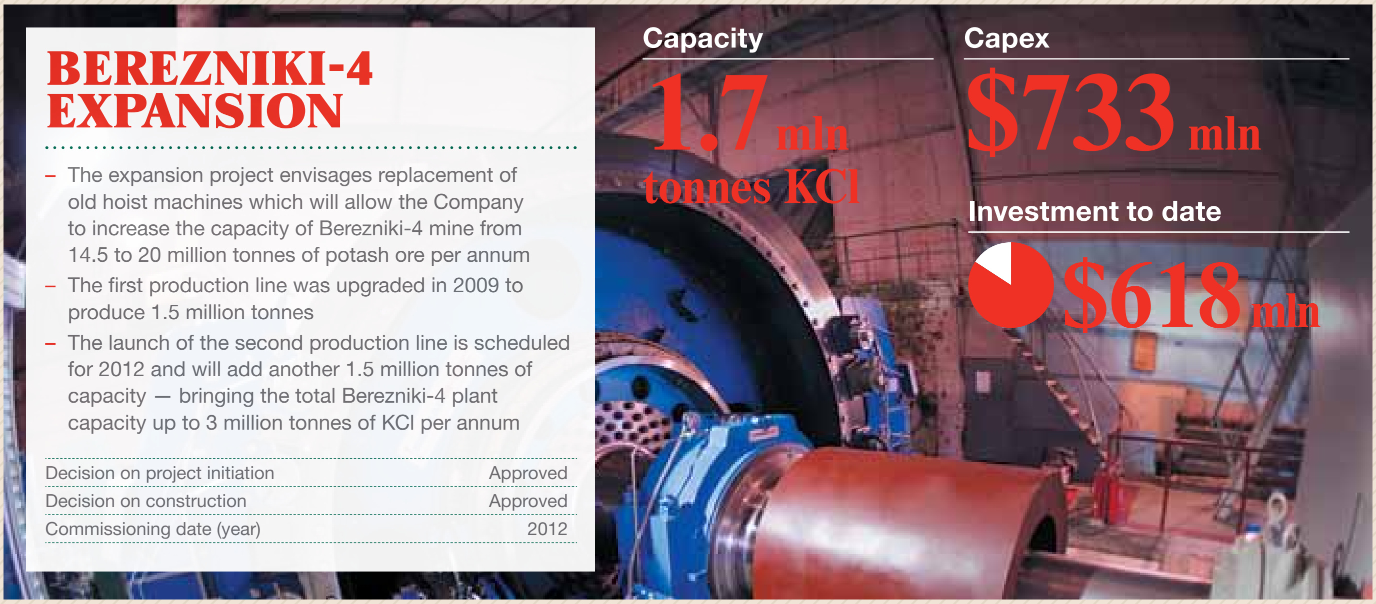
Investment to date

$2 mln

EFFICIENCY INCREASE AND DEBOTTLENECKING

- The project encompasses Berezniki-2, Berezniki-3, Solikamsk-2 and Solikamsk-3
- The project provides for the increase of the extraction of potash from the sylvine ore as well as increased load on the existing technological sections by 15-25%
- In the course of the project the Company will modernise the existing equipment and partially substitute it with more high-tech models (mills, vacuum filters, flotation machines, thickeners, etc.)
- With CAPEX of US$200 per tonne of additional capacity, this is the most effective modernisation project in the potash industry
- Modernisation enabled to increase Solikamsk production units capacity by 0.9 million tonnes in 2011
- Upon completion of the efficiency increase and debottlenecking project Uralkali's total production capacity will increase by another 1 million tonnes by 2017

Decision on construction	Approved
Commissioning date (year)	2013



BEREZNIKI-4 EXPANSION

- The expansion project envisages replacement of old hoist machines which will allow the Company to increase the capacity of Berezniki-4 mine from 14.5 to 20 million tonnes of potash ore per annum
- The first production line was upgraded in 2009 to produce 1.5 million tonnes
- The launch of the second production line is scheduled for 2012 and will add another 1.5 million tonnes of capacity — bringing the total Berezniki-4 plant capacity up to 3 million tonnes of KCl per annum

Decision on project initiation	Approved
Decision on construction	Approved
Commissioning date (year)	2012

Capacity

1.7 mln tonnes KCl

Capex

$733 mln

Investment to date

$618 mln

Capacity

2.0 mln tonnes KCl

Capex

$1.01 mln

Investment to date

Decision on construction to be made in 2013, 2014

SOLIKAMSK-3 EXPANSION

Phase 1

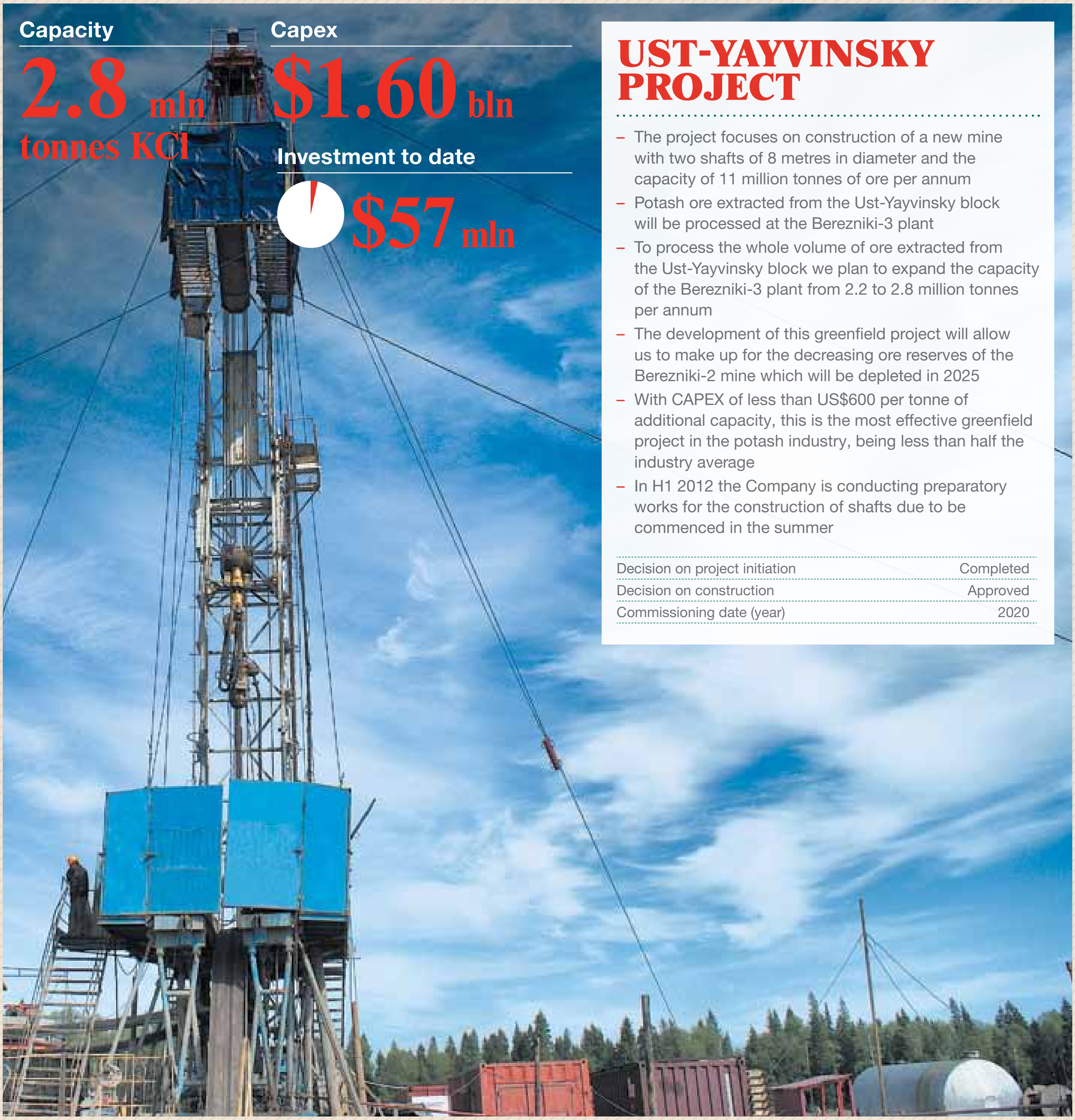
- The project involves the completion of cargo and ventilation shaft 4 with one hoist machine as well as addition of the southern part of the Polovodovsky block in accordance with the licence conditions
- Upon completion of Phase 1 of Solikamsk-3 expansion Uralkali's total production capacity will increase by 0.3 million tonnes in 2015

Phase 2

- The project involves the launch of a second hoist machine and the main ventilation unit as well as expansion of the ore-treatment capacities
- Phase 2 will be launched in 2016 and, upon completion, will allow Uralkali to increase total annual production capacity by 1.7 million tonnes

	Phase 1	Phase 2
Decision on project initiation	Approved	Approved
Decision on construction (year)	2013	2014
Commissioning date (year)	2015	2016

DRIVING ORGANIC GROWTH THROUGH NEW MINING



Capacity

2.8 mln tonnes KCl

Capex

$1.60 bln

Investment to date

$57 mln

UST-YAYVINSKY PROJECT

- The project focuses on construction of a new mine with two shafts of 8 metres in diameter and the capacity of 11 million tonnes of ore per annum
- Potash ore extracted from the Ust-Yayvinsky block will be processed at the Berezniki-3 plant
- To process the whole volume of ore extracted from the Ust-Yayvinsky block we plan to expand the capacity of the Berezniki-3 plant from 2.2 to 2.8 million tonnes per annum
- The development of this greenfield project will allow us to make up for the decreasing ore reserves of the Berezniki-2 mine which will be depleted in 2025
- With CAPEX of less than US$600 per tonne of additional capacity, this is the most effective greenfield project in the potash industry, being less than half the industry average
- In H1 2012 the Company is conducting preparatory works for the construction of shafts due to be commenced in the summer

Decision on project initiation	Completed
Decision on construction	Approved
Commissioning date (year)	2020

Capacity

2.5 mln tonnes KCl

Capex

$2.36 bln

Investment to date

$6 mln

POLOVODOVSKY PROJECT

- Licence cost: acquired during an auction in 2008 for c.US$1.5 billion
- The project involves construction of a mine and a processing plant
- The new mine will have two shafts and a project capacity of 11 million tonnes of ore per annum
- The project will include construction of a flotation ore-treatment plant and a hallurgic unit for the effective processing of the ore, as well as a granulation unit
- In 2012 the Company is working out a feasibility study for the development of the southern part of the Polovodovsky block due to be added to the mine of the Solikamsk-3 production unit
- By the end of 2012 we plan to choose a contractor for shaft construction and start drilling test shafts

Decision on project initiation	Approved
Decision on construction (year)	2015
Commissioning date (year)	2021

3
Efficiency of business processes

Realising synergies from the merger

“We have already realised considerable synergies from the combination which in aggregate are expected to reach US$300 million p.a. by 2013

Viktor Belyakov
CFO

REALISING SYNERGIES FROM THE MERGER

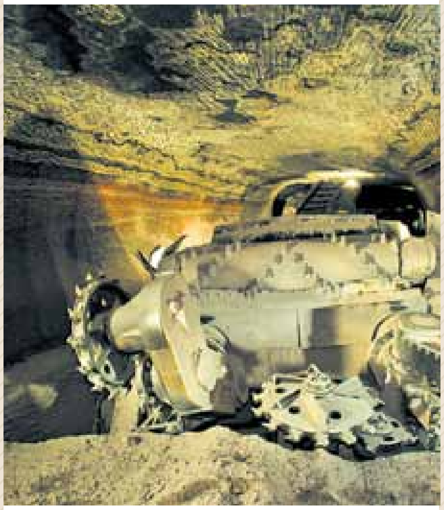
Recurring synergies

Before the merger of Uralkali and Silvinit in 2011, we anticipated an initial c.US$100 million per annum worth of benefits from synergies from combination. Subsequent to the merger, we conducted a deeper analysis of the synergies between the two businesses, and determined the potential value to be closer to c.US$300 million per annum starting from 2013. An estimated c.US$137 million was delivered in 2011.

Value of synergies p.a.[1]

- Current synergy assessment (April 2012)
- Progress achieved in 2011

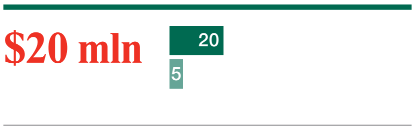
Operations



- Optimised procurement
- Optimised repairs and maintenance
- Closure of potash and carnallite production in Berezniki-1

Transportation

- Streamlining of transportation routes through Baltic Bulk Terminal (BBT)
- More effective use of existing rolling stock
- Optimisation of load/empty runs



Announced at merger:

Core synergies from the merger were expected to reach c.US$100 million p.a. by 2013

$100 mln p.a.

Operations	$55 mln
Transportation and sales	$20 mln
SG&A (incl HR) and Financials	$25 mln

See www.uralkali.com/investors/presentations for our original synergies overview

[1] Synergy run rate – 2013 onwards

[2] Sales, General and Administrative expenses

Sales

- Termination of agreements with traditional Silvinit traders (IPC/Agrifert)
- Domestic sales streamlining

$60 mln

SG&A[2] (including HR)

- Combination of corporate functions, streamlining divisional functions and offices
- Elimination of duplicate administrative functions and services

$60 mln

Financials

- Optimisation of debt portfolio
- Refinancing of expensive Silvinit debt

$60 mln

Current assessment (April 2012)

Core synergies from the merger are expected to reach c.US$300 million p.a. by 2013

$300 mln p.a.

Operations	$100 mln
Transportation and sales	$80 mln
SG&A (incl HR) and Financials	$120 mln

Achieved in 2011:

An estimated c.US$137 million was delivered in 2011

$137 mln

MEASURING OUR 2011[1] PROGRESS

After the merger between Uralkali and Silvinit, the combined Company developed and approved a long-term strategy to drive future growth. In order to measure the progress on our strategic value drivers we have identified a list of key performance indicators (KPIs).

Consistent with our commitment to transparency, starting from the 2011 Annual Report, the Company will monitor these KPIs and report on them.

The introduction of KPIs is an important milestone in our corporate reporting and a cornerstone for measuring our performance. We constantly seek to become more efficient in all our activities as well as even more transparent for our current and potential stakeholders.

Indicator	Performance
1 Strengthening pure-potash focus and industry leadership	
Total shareholder return (TSR)	0.2% vs peer[2] average of -25%
Average selling export price	$423 per tonne
Export market share	43%
EBITDA margin	69%
Operating cash flow	$1,942 mln
2 Meeting the world's growing demand for food through capacity expansion	
Achieved capacity	11.5 mln tonnes KCl
Expansion CAPEX	$247 mln
3 Maintaining a robust capital structure	
Dividend payout	50%
Net debt/LTM EBITDA	0.9x

[1] All indicators are calculated on a pro-forma basis. Exception is data for Social Investments, Voluntary Labour Turnover and Average Annual Wages – on IFRS basis

[2] Peer group: Mosaic, Potash Corp

> Subsequent to the merger the Board determined Uralkali's development strategy in all of the key areas. In addition, the Board approved key performance indicators in order to measure the Company's progress

Anna Kolonchina
Member of the Board of Directors

Relevance to the strategy	Measurement	Performance overview
TSR measures Uralkali pure-potash strategy performance and creation of shareholder value. We also monitor relative TSR performance against other global potash/fertiliser companies	TSR calculation reflects shareholder wealth generation through share price appreciation and dividends paid over the reporting period	Uralkali TSR for 2011 remained positive despite the negative TSR performance of the reference group
Average selling export price measures the success of our strategic approach to the market	Export revenue / export volume of goods sold	In 2011 we saw an increase in the selling export price due to the favourable potash market conditions
Export market share reflects our leading positions in the export potash market and is one of the most important measures of industry leadership	Market share of BPC, Uralkali Trading SA and former Silvinit traders	Uralkali through its traders traditionally has the leading positions in the export potash market
EBITDA margin demonstrates both our pricing success and our cost efficiency as well as advantages of being a pure potash producer and reflects the attractive fundamentals of our business	Adjusted EBITDA / Net sales Adjusted EBITDA = EBITDA plus mine flooding expenses Net sales = Sales less railway tariff, freight and transhipment	High EBITDA margin in 2011 was achieved due to high potash prices and continued focus on cost efficiencies
Operating cash flow demonstrates how our potash business is cash generative	Cash generated from operations	Cash flow from operations increased substantially in 2011 allowing us to return a significant portion of cash back to our shareholders
Achieved capacity demonstrates the progress of our strategic investment programme and reflects the maximum achievable production level	The maximum production that could be achieved in the calendar year taking into account projected stoppages for planned repair and maintenance	At the end of 2011 Uralkali achieved 11.5 mln tonnes of capacity which was in line with our expansion plan announcements
Expansion CAPEX reflects how efficiently we bring new potash capacity on line	Capital expenditures attributable to the expansion programme	Uralkali expenditures were in line with the budget and proved the fact that our expansion projects are among the cheapest in the industry, for example we were able to add 0.9 mln tonnes of potash capacity at Solikamsk production units at around US$33 per tonne of the product
Dividend payout reflects our balanced approach to investing in organic growth and returning excess liquidity to shareholders	Dividends for financial year 2011/Net profit	Dividend policy was changed in September 2011 to a payout of 50% of net income
Net debt/LTM EBITDA measures how robust our capital structure is and how we manage our balance sheet	Net Debt = Debt less cash (incl. bank loans only) LTM EBITDA = Last 12 months EBITDA	We maintained the ratio at the lower end of our medium-term target range of 1.0-2.0x in order to sustain financial flexibility

Vladislav Baumgertner
CEO

"Given the specifics of the mining industry, Uralkali places strong emphasis on health and industrial safety. Serious efforts applied by the management and staff in Berezniki have already ensured best practice levels in terms of lost time frequency there. Now we aim to achieve highest safety standards at the Solikamsk production units as well

Indicator	Performance
4 Maximising our efficiency and competitive cost position	
Cash COGS per tonne	$55 per tonne
Sustenance CAPEX	$197 mln
Output per capita	1,069 tonnes per person
5 Caring about our people and communities	
Work Related Fatal Injury Frequency Rate (FIFR)	0.00
Lost Time Injury Frequency Rate (LTIFR)	0.25
Social investments	$14.2 mln
Voluntary labour turnover	8.1%
Average annual wages	$13,000
6 Promoting environmental safety	
Total water consumption for production needs	1.28 m^3 / tonne of production
Energy consumption (kWh/t of production)	140 kWh / tonne of production
Environmental investments	$39.3 mln

[1] The factor 200,000 is derived from 50 working weeks at 40 hours per 100 employees

Relevance to the strategy	Measurement	Performance overview
Cash cost of goods sold (COGS) per tonne measures our competitive cost position in the industry	COGS per tonne less depreciation and amortisation	In 2011 cash COGS per tonne were among the lowest in the industry. Uralkali is planning to maintain this position going forward
Sustenance CAPEX measures how efficiently we can sustain our assets post commissioning	Capital expenditures aimed at maintaining the current production facilities in sound technical condition	We spent US$140 million in sustenance capital on our production facilities and plan to maintain that level in the near term
Output per capita (production personnel) measures manpower productivity and how efficiently we can produce our product	Potash output for 2011/average production personnel headcount	We believe this is one of the areas where we have room to improve. With that we are planning to improve productivity and increase output per capita in future due to headcount optimisation and automation of the process
FIFR is the core indicator of responsible health and safety management. It is central to our focus on operational excellence	FIFR is calculated based on the number of fatalities per 200,000[1] hours worked	Zero fatalities rate is the result of responsible management and consistent work to prevent health and safety accidents
LTIFR reflects work related injury frequency. The rate helps us to measure the efficiency of our health and safety initiatives and controls across our operations	LTIFR is calculated based on the total number of lost time injuries per 200,000[1] hours worked	LTIFR performance at Berezniki improved by 53% to 0.08 in 2011. At the same time due to less efficient performance of Solikamsk the overall rate for the Company totalled 0.25
Social investments demonstrate the Company's important role in the community in which we operate	Total amount of social expenditures including charity, support of infrastructure and sport	It is vital for the Company to improve socio-economic environment in the territories where it operates. In 2011 42% of investments were allocated to support sports, 35% to charity and 23% on maintenance of social infrastructure
Labour turnover represents the ability to retain our people which is a key for the Company's "Being the employer of choice" strategy	Turnover (%) is the number of permanent employee resignations as a percentage of total employees in the main production unit (excl. compulsory redundancies and transference to another employer)	Labour turnover in 2011 was c.8% for the merged Company, a decrease compared to c.10% in 2010. We believe this reflects our success in retaining the best people
Average annual wages per employee in the main production unit measure how competitive we are on the market in relation to attraction and retention of best people	The annual payroll is divided by the average number of employees in the main production unit, excluding top managers and the Moscow Office	In 2011 the average annual wage increased by 12%. The Company offers a decent benefits package and sustains an attractive wage level as our long-term goal is to attract and retain the best talents at every level with a consequence of increased productivity
Water scarcity is a common issue for the industry, and it is vital for the Company to manage its consumption responsibly	Amount of water consumed per tonne of production from surface sources	In 2011 water consumption decreased which is a result of rational use of water
Energy utilisation as result of a number of mitigating actions demonstrates how the Company reacts to the climate change call	Energy consumed (electricity) per tonne of production for industrial needs	We achieved a decrease of this indicator due to higher volume of production and implementation of energy efficiency projects, including reconstruction of electricity supply systems
Environmental investments reflect how seriously we take care of the ecosystems recovery and their protection	The sum of the costs associated with waste management, emissions capturing and restoration of disturbed lands, training of staff in terms of environmental management, etc	The Company realised more projects than were planned for 2011 which made a positive impact on the overall environmental management system

ROBUST RISK MANAGEMENT

Paul James Ostling
Chairman of the Audit Committee

"Any business implies certain risks. Uralkali's risk management system ensures that risks are identified in a timely manner and their potential negative impact is mitigated

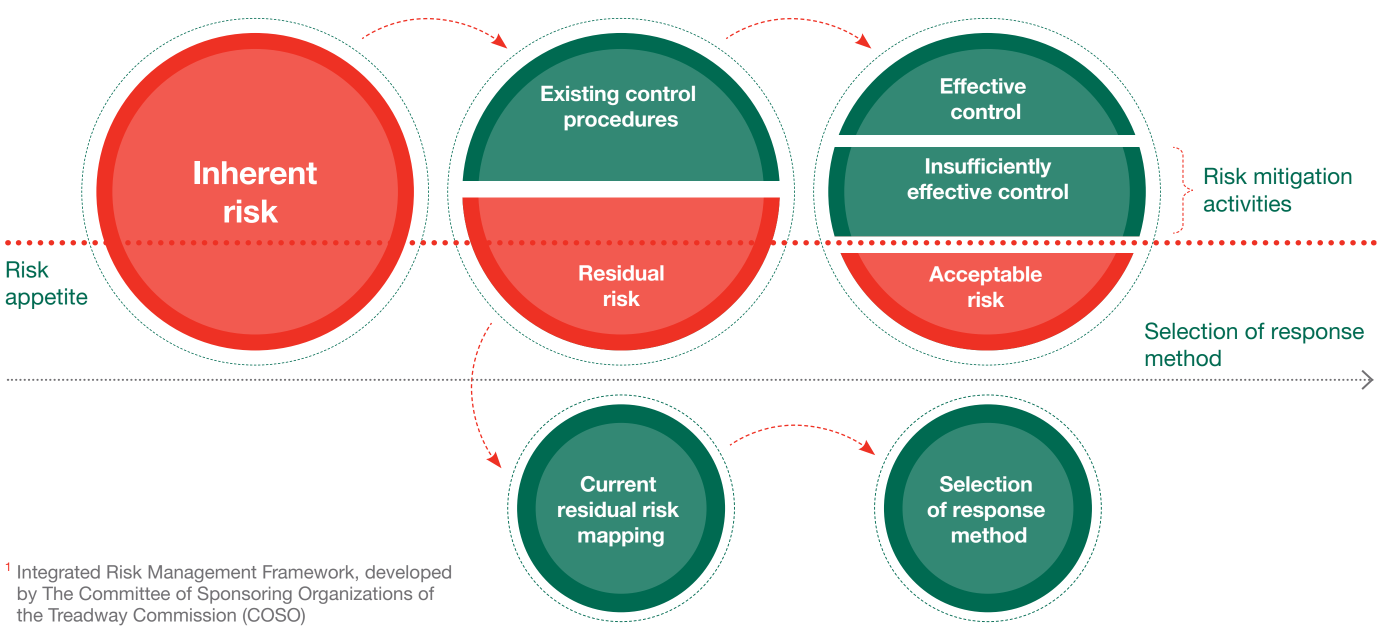
Formation of an effective risk and internal controls management system is one of the most important strategic objectives of the Company's development.

The main goal of this activity is the timely identification of events that could adversely affect the achievement of the Company's objectives, and the implementation of the adequate response measures by means of balanced allocation of powers and responsibilities to persons who adopt the decisions.

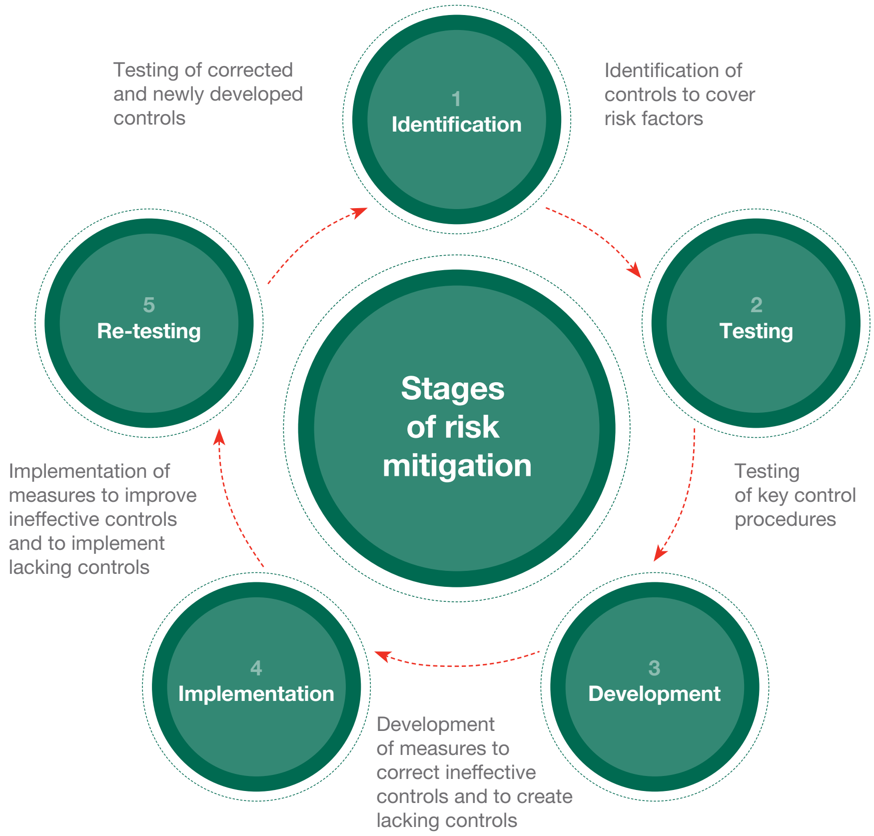
Risk management approach: identification and assessment

The risk management process at Uralkali is based on Integrated Risk Management Framework COSO ERM[1]. Risk management is an indispensable part of the Company's system of corporate governance: all employees of the Company participate in the process of managing risks on a continuous basis. Employees regularly identify risks of business processes (operational risks) and provide the Risk Manager with this information for assessment.

Approach to risk managment



[1] Integrated Risk Management Framework, developed by The Committee of Sponsoring Organizations of the Treadway Commission (COSO)



Each identified risk is assessed as follows:

- calculation of inherent and residual level of risk, and risk appetite
- assessment of existing internal controls and their sufficiency to maintain the residual risk level within the risk appetite

Based on the results of this assessment, response measures are developed and implemented with a focus on mitigation of such risks. The Company's risk map is regularly updated with regard to changes in internal and external risk factors.

Key indicators are calculated for each risk thus enabling the level of assessed risk to be determined with established frequency and response measures to be adjusted in a timely manner.

Risks of failure to achieve business objectives were identified on a continuous basis during 2011. Key risks were thoroughly examined by the Audit Committee and were scrutinised by the management of the Company.

Development of risk mitigation measures

To mitigate risks, the Company's management focused their efforts on implementing measures aimed at mitigation of material risks in the following areas of the Company's operations: corporate governance, investment management, general production operations, environmental and occupational safety, and procurement and distribution. To provide reasonable assurance that the remaining risks correspond to the Company's risk appetite, Uralkali's management oversaw the timeliness and effectiveness of implementation of the plans for corrective measures, and the subsequent risk assessment.

Key risk factors

This section describes only those key risk factors (in addition to the risks inherent to the jurisdictions in which Uralkali operates) which are likely to significantly affect Uralkali's business, financial position and operational performance. All estimates and forecasts presented in this Annual Report should be assessed taking into account the risk factors described in this section.

The Annual Report does not present an exhaustive account of all risks that could impact the Company's operations[2]. Other risks that Uralkali is currently not aware of, or believes to be immaterial, could become material in the future and may also have a significant adverse effect on Uralkali's business, financial position and operational results. Uralkali will make further disclosures of relevant information on an ongoing basis as required by Russian legislation and the Disclosure and Transparency Rules of the UK Listing Authority.

[2] Other risks that Uralkali is currently not aware of, or believes to be immaterial, could become material in future and may also have a severe adverse effect on Uralkali's business, financial condition and operational results

Risk	Description	Risk mitigation actions
Strategic Risks		
Investment activity	The cost of expanding production capacities and increasing performance as well as other investment costs form a significant portion of Uralkali's expenditure budget. There is a risk that investment projects could exceed their projected deadlines or planned costs, or that it may prove impossible to achieve the envisaged technological improvements of projects.	Investment decisions are taken on the basis of a sensitivity analysis for various market scenarios. The Company seeks to choose the most cost-effective projects and to determine the most favourable terms for their implementation. The Company adheres to project management principles in its project implementation. The Company does not proceed with its main investments until project analysis work is completed and the project terms and costs are specified and considered feasible.
Operational Risks		
Suppliers and contractors	Uralkali's suppliers and contractors include key contractors that are of strategic importance for the Company's operations. The loss of such contractors, substantial changes in cost of their goods and services, and risk of default may adversely affect the Company's business.	We reduce such risks through extending the number of suppliers and seeking to use the resulting competition to our advantage. If possible, we try to avoid purchasing from only one supplier. If it is unavoidable, we try to promote competition and make prior assessment of the impact of failures in deliveries. We assess on a continuing basis default risks with major business partners and suppliers and use a similar approach for service procurement. In addition, the Company has implemented a procurement policy which sets out procedures for selecting the most stable suppliers who comply with established criteria of reliability and good faith.
Employees	Uralkali's operations are dependent on the availability of professional and highly qualified employees in the labour market. Uralkali may be unable to attract and retain motivated, skilled people and, in such circumstances, may incur additional time and expense on the training and professional development of the Company's personnel. All these factors may adversely affect the Company's ability to meet its business objectives.	The Company has implemented measures directed at the improvement of the quality of HR management, the creation of a transparent staff recruitment process, the assurance of access to the most capable and talented employees available in the labour market and the efficient evaluation of the capabilities and performance of our personnel.
Production capacity and output	Uralkali's potash production may be diminished by various internal factors, such as emergency downtime or deterioration of physical infrastructure, and external factors, such as deterioration of ore quality or reduced capacity resulting from conditions imposed by regulatory bodies.	The Company applies a risk mitigation strategy in relation to these risks by using preventive controls to reveal potential threats to sustainability.
Production costs	Uralkali could incur higher production costs as a result of physical depreciation of production equipment or a failure to update outdated production technologies, and there is no assurance that attempts to implement programmes to improve productivity, reduce costs or improve procurement and repair systems would be effective. Failure to address such risks is likely to affect directly the Company's net profit.	The Company has implemented a number of projects to ensure enhanced labour productivity and business process optimisation. These projects are expected to lower production costs.

Risk	Description	Risk mitigation actions
Financial Risks		
Inflation	Inflationary pressures and currency fluctuations resulting in higher production costs due to increased cost of materials, resources and services (for example, freight services) may cause a reduction in the Company's net profit.	The Company seeks to mitigate risks arising from currency fluctuations by using a risk hedging mechanism. Uralkali also puts forth efforts to maintain its strong creditworthiness positions. In particular, the Company conducts regular financial analysis of creditworthiness indicators, and undertakes corrective measures on a timely basis in case any negative fluctuations occur.
Marketing Risks		
Insufficient potash demand	Macroeconomic factors, which include changes in the world population, availability of arable land per capita, reduced levels of income and complications in fund raising amongst potash customers, may result in reduced global demand for potash.	The Company's top management is developing a strategy on potash promotion and actively supports agricultural producers, updates farmers' profitability calculators in all key distribution areas, and carries out monitoring in all key markets. We evaluate the future demand for our products and seek to balance production levels with anticipated demand. Accurate forecasts help us to avoid excessive inventories and benefit from changes in global potash demand.
Excess potash supply	Excessive global potash production by potash producers and high inventory levels among consumers may lead to excess potash supply in the market, which could cause a decline in potash demand and create downward pressures on potash prices. As a result, this may reduce revenues and, consequently, the Company's profitability.	

Risk	Description	Risk mitigation actions
Legislative and Legal Risks		
Licencing activity	Uralkali's activities depend on the continuing validity of its licences and compliance with their terms. Changes in legislation and withdrawal or restriction of licences by regulatory bodies may adversely affect the business of the Company.	The Company has developed a schedule to record the key dates and conditions for obtaining new licences and maintaining existing licences. Internal controls have been implemented to monitor the schedule dates and respond to any deviations on a timely basis.
Administrative reviews	Uralkali's operations are subject to various reviews by the Russian tax authorities, the federal service on occupational and mining safety (Rostekhnadzor) and other regulatory bodies. Based on the results of these reviews, additional obligations, expenses and restrictions may be imposed on Uralkali (for example, if the authorities form a different opinion to us in the assessment and interpretation of relevant legislation).	Sustainable growth of the Company depends on its ability to comply with requirements of applicable laws and observe appropriate standards, rules and regulations and guidelines. The Company has developed a number of interrelated activities to seek to ensure compliance with the requirements of auditing authorities. The Company also monitors closely emerging legal and legislative precedents, particularly with regard to auditing authorities, and reviews and adjusts its activities accordingly based on the information received.
Antimonopoly law	Uralkali is subject to antimonopoly legislation in Russia and other countries where it has its operations. Antimonopoly claims and lawsuits may lead to additional costs for the Company.	The Company is currently developing internal controls for the creation of a legal compliance system, including compliance with the antimonopoly law.

Risk	Description	Risk mitigation actions
Mining and health, safety and environmental risks		
Mineral resources	Uralkali's estimates of its reserves and resources may be considerably different from the mineral quantities that can be actually recovered, while certain ore reserves or mineral deposits may become unprofitable to mine. That risk also refers to estimates made by independent experts that Uralkali engages to conduct audits and provide reviews of the mineral resources and ore reserves. The Company's reserves were audited by SRK Consulting (UK) Limited in Q1 2012.	The Company carries out an ongoing process of verification and updating of its on-balance reserves as the Company mines out reserves and increases its understanding of the geological structure of the Verkhnekamskoye potash deposit.
Natural and mining hazards	Uralkali's mining and production operations are subject to hazards and risks associated with exploration, mining and processing of mineral resources, including potential flooding, fires and other accidents, which may lead to accidental losses and an overall decrease in the Company's efficiency.	The Company has developed and complies with its mining plan, including environmental protection measures. The Company performs a regular examination and audit of adequacy of its mining risk mitigation activities.
Risks Related to Berezniki-1 flooding	The flooding of Uralkali's Berezniki-1 mine, which took place in October 2006, had a significant impact on Uralkali's potash reserves and may result in additional costs, losses and liabilities.	The Company continues to cooperate with the authorities in a constructive and socially responsible manner in order to address issues arising from this incident.
Subsidiaries and associated companies	Risks related to operations of main subsidiaries and associated companies of Uralkali may become detrimental to the Company's achieving its sales and logistics objective.	Uralkali implements various corporate governance measures in its subsidiary and associated companies. The Company governs its subsidiaries through participation in their management and regular review of strategic and operational risks of these companies.
Health, safety and environment	Uralkali's operations and property are subject to various complex environmental, health and safety and other regulations and guidelines, the interpretation of which may not always be clear. Compliance with these regulations may result in additional costs and obligations for Uralkali.	The Company is committed to ensuring the safety of its workforce and possesses extensive experience in occupational health and safety and environmental protection as compared to other companies in our industry. The key objective of the Company's safety programme is to operate its business without industrial accidents. The Company has developed a set of safety standards, carries out regular training on safety practices for its personnel and arranges activities for health improvement of its employees.

RESPONDING TO OUR MARKETS

Export

2011 major highlights for global potash market

World potash sales volumes are estimated to have increased to a record of 57 million tonnes KCl in 2011. Despite near-term challenges (slower demand during Q1 2012), the market is estimated to be fairly balanced in 2012. Fundamentals remain supportive and we expect above average demand after Q1 2012 as income prospects should encourage farmers all over the world to increase their yields per hectare.

2011 was a year of record potash demand, as it rebounded to such an extent in the first half of the year that large producers indicated they were essentially sold out of product until Q3 2011. Potash sales to South East Asia, Brazil, and China showed the strongest growth, as farmers generated solid returns for key crops in these regions. Strong potash demand prompted additional price increases. In Brazil and South East Asia (SEA), the Belarusian Potash Company (BPC)[1] succeeded in increasing the price of potash to US$550 per tonne and US$535 per tonne, respectively. At the beginning of 2011, prices in these markets were reported at US$410-450 per tonne and US$430 per tonne, respectively.

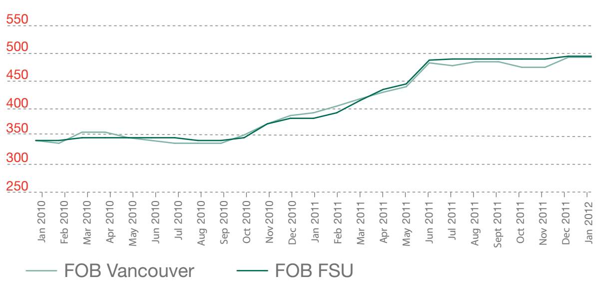
[1] Together with Uralkali Trading SA

For the first time, Chinese contracts moved to a six-month basis in 2011, with Chinese buyers agreeing to US$400 on “Cost and Freight” basis (CFR) for H1 2011 contracts, and US$470 CFR for H2 2011.

India contracts, though significantly delayed, were settled by BPC and ICL at US$490 per tonne CFR and Canpotex at US$470 (loadings of 2011) and US$530 per tonne CFR (loadings of 2012), compared to US$370 per tonne CFR in 2010.

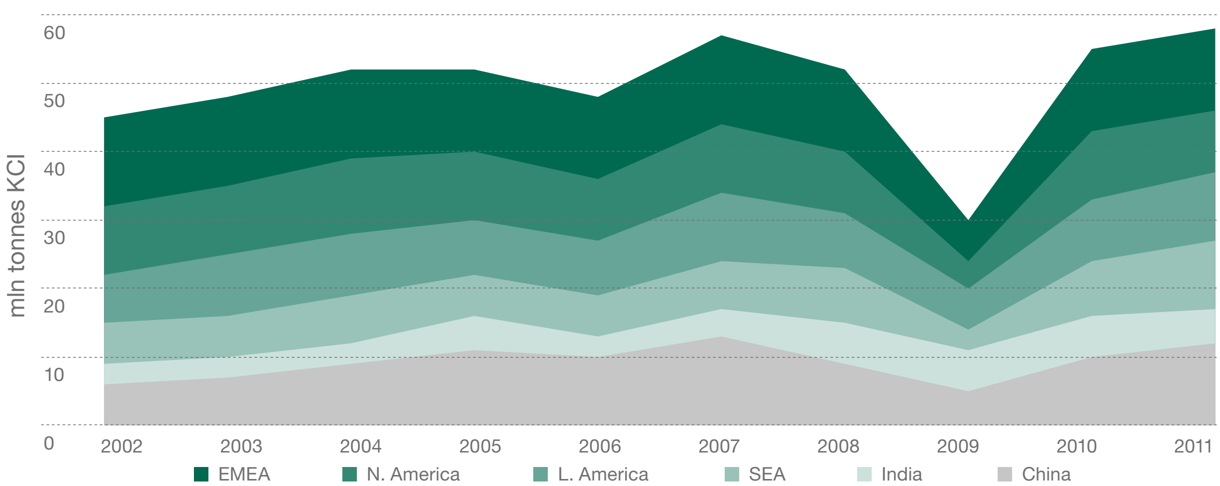
In Europe, the European Commission announced the end of anti-dumping duties and quotas for potash deliveries from Russia and Belarus to the EU, which had affected former Soviet Union (FSU) producers for almost two decades.

Average monthly spot prices for standard KCl (US$/tonne)



Source: Fertecon Q4 2011

Global potash sales volumes



Source: IFA, BPC estimates

“Uralkali is the major potash supplier to most key markets. Following the merger and approval of a long-term development programme, Uralkali is better placed to meet the needs of our customers

Oleg Petrov
Director of Sales and Marketing

Industry consolidation has continued apace. Uralkali and Silvinit completed their merger in May 2011, with marketing for all FSU producers consolidated through one channel – BPC[2] – since January 2012.

Market uncertainty related to Europe’s fiscal /budget concerns, as well as the downgrade of US long-term debt ratings, began to slow buying activity at the end of Q3 2011, with fertiliser prices generally flat to down.

The accumulation of high inventories in key consuming regions (especially China, South East Asia, Brazil and the USA) resulted in a slowdown of imported volumes in these regions.

With fertiliser demand failing to recover in Q4 2011, the potash industry faced the beginning of a wave of shutdowns and advanced turnarounds being announced for Q1 2012.

Export sales

The merger between Uralkali and Silvinit created the world’s largest potash company in terms of export capacity. Combined Uralkali exported approximately 83% of its sales volumes to international markets in 2011. In 2011, Uralkali sold its products in export markets through the BPC, International Potash Company (IPC), Uralkali Trading SA and Agrifert SA. From 2012, Uralkali terminated its cooperation with both the IPC and Agrifert SA in relation to the Company’s export sales. Currently, our export sales are marketed through the BPC and Uralkali Trading SA. BPC is the largest potash exporter (market share – 43%), supplying to more than 60 countries worldwide.

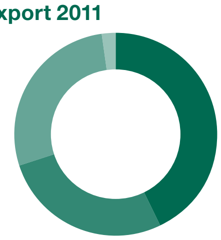
The combined Company shipped a record-breaking volume during 2011. Export sales volumes totalled about 8.8 million tonnes – 6% higher than in 2010. This was achieved by strong demand in China, South East Asia and Brazil, which more than offset the slowdown in India. Sales to South East Asia, China and Brazil accounted for 55% of the Company’s total export volumes in 2011.

Historically, BRIC and SEA countries are our key markets, making up 96% of our total sales. These are the countries with high population and income growth rates, which drive demand for potash fertiliser.

Uralkali’s sales strategy is based on striking the right balance between spot and long-term contract sales. Spot prices are set based on the current market situation, whereas long-term contracts set prices for an extended period, taking long-term trends into consideration. The major markets for Uralkali, where long-term contracts are used, are India and China (sea shipments). The spot to long-term contract split in export sales was 35% to 65% respectively in 2011. Maintaining a balance between spot and long-term sales allows the Company to be flexible and to respond to changes in the market in an efficient manner. This strategy has been proven over time and Uralkali intends to continue with it in the future.

Supplier’s market shares in global export 2011

BPC and other Uralkali Traders	43%
K+S / ICL / APC	27%
Potash Corp / Canpotex	28%
SQM	2%



Source: IFA, Company Reports

Export by type of product

Granular product	74%
Standard	26%

[2] Together with Uralkali Trading SA

Domestic market

Agricultural market of the Russian Federation

The Russian agricultural market has enormous potential. Total arable land amounts to 75 million ha, of which over 52 million ha is allocated to crops that are dependent on potash fertiliser application, namely wheat, sunflower, corn and sugar beet.

Russia is annually ranked fourth in the world in terms of wheat production and number one in barley production. In 2011, Russian farmers produced a record 46 million tonnes of sugar beet, representing a yield increase of 67% in comparison with the prior year, which resulted in 5 million tonnes of sugar production. Due to this record production of sugar, for the first time in history, Russia stopped purchasing the commodity and became a net exporter. This record production was as a result of a state programme aimed at supporting sugar beet producers, the provision of which includes initiatives for the modernisation of processing plants, subsidies for beet seed planting and state support for purchasing mineral fertilisers.

In 2011 gross yield for the grain crop in Russia reached 94 million tonnes. Taking into account both the domestic consumption and stock held at the beginning of the agricultural year, this yield will facilitate export of around 20 million tonnes in the 2011/2012 agricultural year.

In 2010, the total application of mineral fertilisers in Russia amounted to 2.3 million tonnes. There was a clear trend towards extending the total potential area to be fertilised, which was in line with the increased volumes of fertilisers used in agriculture.

Mineral fertiliser application mostly increased for sugar beet, soya beans, grain crops, potato and vegetables.

Nevertheless, basic crop yields in Russia are lower than in countries with similar climate conditions.

In 2011, the state budget allocated approximately RUB 45 billion to support development in agriculture.

According to Fertecon, an average growth rate of potash consumption in Russia will achieve 8% between 2010-2020.

Grain crops yielding capacity	Wheat (tonnes/ha)	Barley (tonnes/ha)
USA	3.0	3.9
Russia	2.2	2.0

The declining fertility of agricultural soils in Russia requires the implementation of more intensive agrochemical measures.

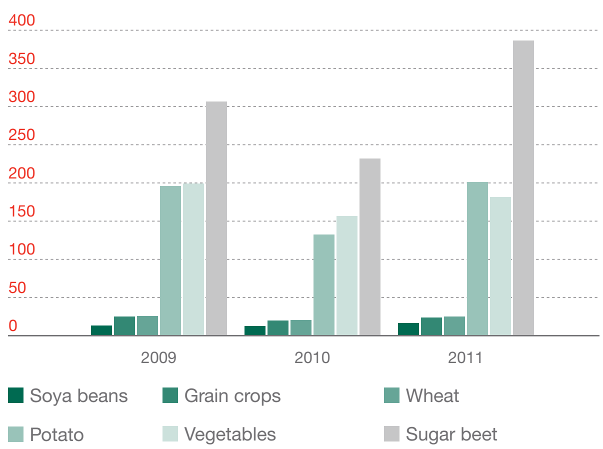
One of the objectives of the state agricultural development programme is "to create conditions for the implementation of agricultural projects".

This includes the following initiatives:

- supporting soil fertility
- creating a state IT system to coordinate the agricultural sector
- providing consulting services to farmers and re-training agricultural experts
- involving unions (associations) of agricultural producers in the development and implementation of an effective state agricultural policy

Upon entry into the WTO, Russia is entitled to agricultural support in the amount of US$9 billion annually, while the state budget currently allocates about US$6 billion for agriculture development. Subsidies for payroll, infrastructure modernisation and land reclamation are not limited.

Basic crops yield in Russia (hwt/ha)



Source: The Russian Ministry of Agriculture

Domestic potash sales

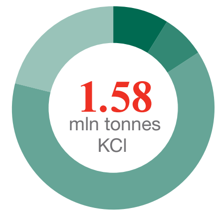
The Company is constantly seeking to develop beyond its typical responsibilities as a potash producer and is undertaking the following initiatives:

- setting a preferential price for its key customers, farmers and compound fertiliser (NPK) producers
- participating in the work of industrial unions and associations to provide general industry recommendations and monitor industry standards
- encouraging knowledge-sharing among experts and farmers as well as promoting the balanced application of fertilisers

In 2011, Uralkali supplied c.1.58 million tonnes of potash to the Russian market, out of which 30% was supplied to farmers directly and as a component of compound fertilisers through producers. Both farmers and NPK producers are traditional key consumers of the Company's products.

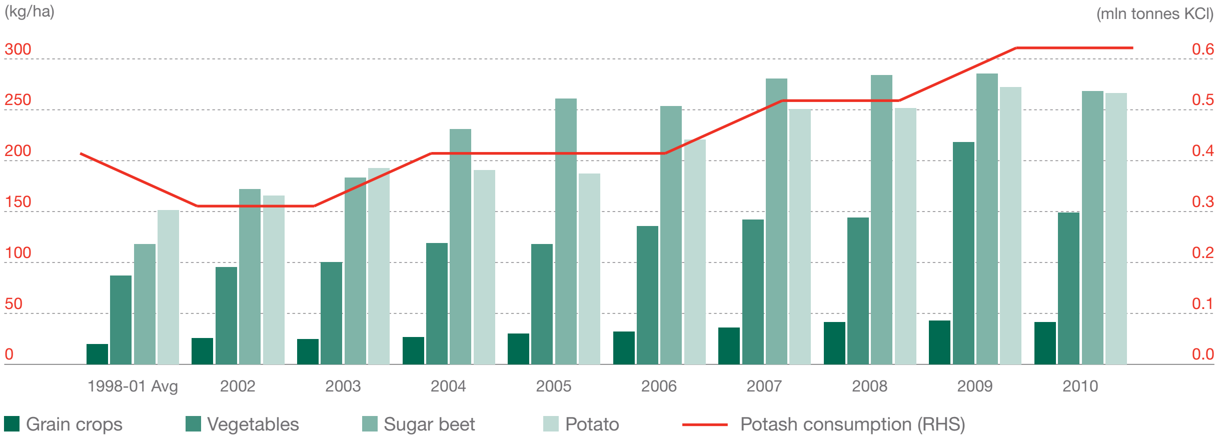
Potash supplies to the Russian producers in 2011[1]

Agricultural producers	9%
Other industrial producers	7%
Volumes sold to NPK producers intended to export	63%
Volumes sold to NPK producers intended for domestic use	21%



[1] The supplies structure is given excluding supplies by Silvinit prior to 17 May 2011

Fertiliser consumption and total potash consumption in Russia



Source: Fertecon, IPNI

Supporting the Russian agricultural sector

The Company complies with its obligation to provide customers open access to purchasing potash and supports the Russian agricultural sector by different ways.

Preferential prices for the Russian agricultural producers

In November 2010, the Russian Federal Antimonopoly Service (FAS) issued the regulatory provisions setting potash prices for Russian producers of compound fertilisers. From 2011, the price will be benchmarked to the weighted average figure within the range of the lowest quoted export prices (minimum export price), excluding transport costs. This price is significantly lower than global potash prices. During 2011, the Company maintained preferential potash prices for domestic agricultural producers at the level of 2010 amounting to RUB 4,250 per tonne (in bulk, FCA, exclusive of VAT).

Additional discounts

Long-term potash supply contracts with producers of compound fertilisers have been agreed to include a provision of price discount equal to US$27 (in RUB equivalent) for the period 2011-2013.

Bonus to NPK producers

The Company views the provision of a bonus for producers of compound fertilisers as a useful tool to encourage potash deliveries to the domestic market. The bonus, or the difference between the minimum export price and the price for Russian agricultural producers, is paid to all potash producers that manufacture compound fertilisers for the domestic market. According to the data provided by NPK producers, of all the potash volumes purchased by them in 2011, around 25% was supplied to the domestic market as a component within fertilisers containing potassium chloride. In total in 2011 Uralkali paid a bonus to NPK producers in the amount of RUB 752 million for the delivery of potash containing fertilisers into the Russian market.

The oil, chemical and nuclear industries are also supplied by Uralkali. Sales to these clients amounted to 115 thousand tonnes in 2011. In setting prices for these customers, Uralkali applied the formula set out in the agreement signed with the FAS in 2008.

The formula is benchmarked to the weighted average figure within the range of the lowest quoted export prices (minimum export price), excluding transport costs, and is used to set the price for domestic industrial consumers.

In 2011, besides potash, Uralkali sold 205 thousand tonnes of concentrated carnallite, 602 thousand tonnes of technical salts (different grades) and 3 million m^3 of sodium chloride solution.

We believe that a high level of professionalism and social responsibility is required to assume the position of a global industry leader. It is not sufficient to merely produce a high quality product, it is also important to apply global scientific expertise in the day-to-day practice of the end user, in order to assist the achievement of optimal crop yields.

Uralkali is a member of a number of Russian and international associations, including the International Fertiliser Association (IFA) and the Russian Fertilisers Producers Association (RAPU). The Company is involved in scientific committees of a number of international institutions which carry out applied research in agrochemistry, including International Plant Nutrition Institute (IPNI) and International Potash Institute (IPI).

In 2012, the Company intends to launch a pilot research project in the Russian market focused on improving the yields of the key crops and on promoting balanced use of fertilisers.

INVESTING IN OUR ASSETS

Production in 2011

In 2011, following the merger, Uralkali operated five potash mines and eight[1] processing plants, including a carnallite producing plant. In 2011, potash production capacity reached 11.5 million tonnes of KCl. Uralkali's total output for the year was 10,8[4] million tonnes of KCl, making the Company the leading global potash producer by volume. In 2011, Uralkali secured a 20% share of global output.

Through 2011, Uralkali continued to upgrade its production as well as to implement its capacity expansion programme aiming to increase its annual potash production capacity up to 13 million tonnes in 2012.

The Company's total CAPEX in 2011 amounted to US$444 million including US$247 million allocated to the capacity expansion and US$197 million spent on sustenance.

Potash production by the combined Company (mln tonnes)

Uralkali's main investment projects in 2011

Berezniki-2

As a part of the hoisting capacity extension project at Berezniki-2, the skip winders were replaced in Shafts 1 and 2. The new mechanical part was manufactured by the German company Siemag, while the electrical part was manufactured by the German company Siemens. This new installation allowed us to increase skip lifting capacity and hoisting speed. Thus both shafts now have a capacity to lift up to 925 tonnes of ore per hour compared to the previous maximum capacity of 612 and 682 tonnes of ore per hour. In 2011, the Company spent RUB 0.2 billion on this project.

Berezniki-3

In 2011, Uralkali completed the renovation of three processing lines at the granulation unit of the Berezniki-3 processing plant. This contributed to an expansion of Berezniki-3 granulation capacity from 0.9 million tonnes to 1.25 million tonnes of KCl per year. The granulation was fully automated to ensure continuous operation. A new refinement line was installed, in order to help convert the potassium chloride output into granules. This was complemented by the new press equipment which facilitated the division's performance and enhanced the quality of the granular products. In addition, two state-of-art energy-efficient binder furnaces were also installed for preheating potash, as were new vibration screening machines that enabled the increase in the overall processing capacity.

In 2011, Uralkali's investment in this project exceeded RUB 0.4 billion, bringing the total investment amount to about RUB 1.5 billion. The granulation unit will achieve its full operational capacity in 2012.

Berezniki-4

The total investment into modernising Berezniki-4 in 2011 was c. RUB 5 billion. In particular, winders were replaced at Shafts 1 and 2. At the chemical enrichment plant, the second dissolution line was put in operation and the modernisation works on the first line are being carried out. The lines are capable of working independently of each other, thus allowing repairs without any impact on operations. As a result of these efforts, Berezniki-4 will achieve a capacity of 3 million tonnes per year in 2012.

In 2011, the energy turbines project was commissioned and the works on the technical connection of the turbines to the external grid were started.

[1] The Berezniki-1 plant was closed in Q1 2012 in accordance with the Board of Directors decision as of 27 April 2011

[2] Includes output by Uralkali and Silvinit from January 1, 2009

[3] Includes output by Uralkali and Silvinit from January 1, 2010

[4] Includes output by Uralkali and Silvinit from January 1, 2011

See our expansion programme on page 32

In 2011 the debottlenecking and modernisation project at all three Solikamsk production units resulted in the Company's output increasing by 0.9 million tonnes of potash per year with the overall capacity reaching 11.5 million tonnes of KCl. With the cost of c.US$33 per tonne of the product, it was one of the most cost-effective expansions in the industry.

Solikamsk-1

In 2011, the Company developed project documentation and secured approval from the state authorities for the modernisation of the carnallite plant, which is a part of the Solikamsk-1 Production Unit. The reconstruction of the plant's main building is scheduled for 2012.

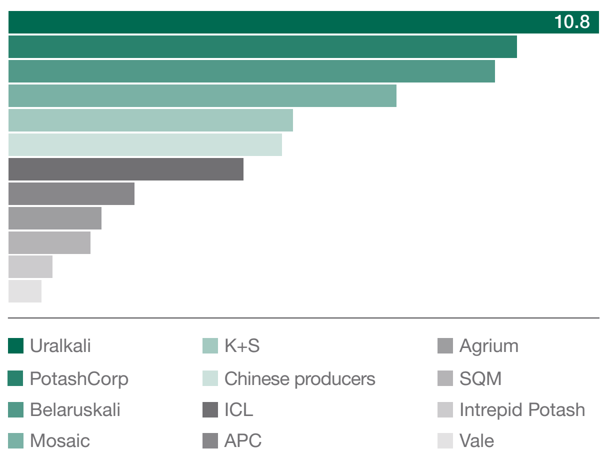
Solikamsk-2

In 2011, Uralkali began the renovation of the fourth processing line of the granulation division at Solikamsk-2, in order to increase the output of the granulation unit from 1.1 to 1.3 million tonnes per year. The line is scheduled to be put into operation in December 2012. The estimated project investment will be about RUB 0.5 billion.

Solikamsk-3

In 2011, Shaft 3 was transferred from rock salt mining to sylvinite ore. The project involved construction of new workout areas and renovation of the transportation system and the surface plant. As a result, the Company increased its output by 0.5 million tonnes of potash per year thus increasing its overall potash capacity.

Global potash producers in 2011
(mln tonnes KCl)



Source: Company data, BPC estimates

Ust-Yayvinsky and Polovodovsky fields

In 2011, under the Ust-Yayva Licence Agreement, the Company obtained the state authorities' approval of the project documentation for mine construction with a capacity of 11 million tonnes of ore per year. The project will involve replacing the reserves of the Berezniki-2 Mine that will be depleted by 2025. At the end of 2011, the Company concluded a contract for shaft sinking with the international corporation Deilmann-Haniel. In 2012 Uralkali started preparatory works for shaft construction at the Ust-Yayvinsky block. The completion of the project is scheduled for 2017. According to Uralkali estimates, the cost of construction of the shafts may amount to approximately US$300 million. The Ust-Yayvinsky mine is planned to produce its first ore in 2020. The project capacity of the new mine is 2.8 million tonnes of KCl.

In 2011, the Company also started project documentation development for the Polovodovsky block. In 2012, the licence for this field is to be re-issued from the Kamskaya Mining Company into the name of Uralkali, thus allowing passage of the project documentation to the state authorities for their approval in compliance with the Licence Agreement conditions, in order to continue with project implementation.

OUR COMMITMENT TO SUSTAINABILITY

Sir Robert John Margetts
Chairman of the Corporate Social Responsibility Committee

"Uralkali is committed to the principles of sustainable development and corporate social responsibility. The new Board Committee oversees policies, performance and plans to deliver on this commitment

Our key focus areas

Health & Safety

Key priorities
- Absence of fatalities
- Absence of industrial accidents
- Prevention and reduction of occupational diseases amongst employees

Why these issues are important to us
Absence of fatalities, incidents, accidents and occupational diseases is one of the key goals of an efficient business. Each employee expects to work in a healthy environment. At the same time the Company expects that the employees follow the safety rules. Jointly supporting these principles we will be able to bring our business to a higher level of performance and a sustainable future.

See more details on page 62

Employees

Key priorities
- Development and promotion of best employees
- Competitive remuneration for efficient work
- Loyalty and engagement of employees

Why these issues are important to us
The successful realisation of a business strategy is entirely dependent on people: their management skills, professional knowledge and commitment to the Company's work and values. Therefore, creation of conditions for professional and career growth is essential for us, and strengthens loyalty to the business.

See more details on page 64

Environmental protection

Key priorities
- Reduction of waste discharges into water, balanced water consumption
- Efficient waste management
- Reduction of air emissions
- Minimisation of energy consumption and CO_2 emissions

Why these issues are important to us
Sustainability of ecosystems, biodiversity and a healthy environment are vital conditions for the development of future generations. For this reason, a responsible approach to the environment is core to our business.

See more details on page 66

Society

Key priorities
- Socio-economic development in the regions where we operate
- Provision of comfortable and safe living conditions
- Partnership, trust and efficient dialogue with local communities and legal authorities

Why these issues are important to us
Realisation of major projects is a very difficult task without an open dialogue within society as we work for sustainable development in the territories where the Company operates. We improve the living standards of local communities and create a close partnership with society.

See more details on page 68

Our vision. We are striving to be a global leader in every facet of Uralkali operations. We are committed to minimising and, where applicable, eliminating any adverse effect of our operations with regards to safety, health and environmental pollution. We aim to address the great challenges posed by climate change and the need to preserve natural resources, and we are an active and responsible member of our community. We firmly believe that, over time, this commitment will underpin the successful and sustainable development of Uralkali.

Integrating sustainability into our strategy

Efficient dialogue with all stakeholders helps us to understand their expectations and to ensure the long-term prosperity of our business.

Sustainable development is an integral part of Uralkali strategy. That is why safety, environmental management and taking care of people are key goals of our strategy.

You can read about Our strategy on page 26

Our approach

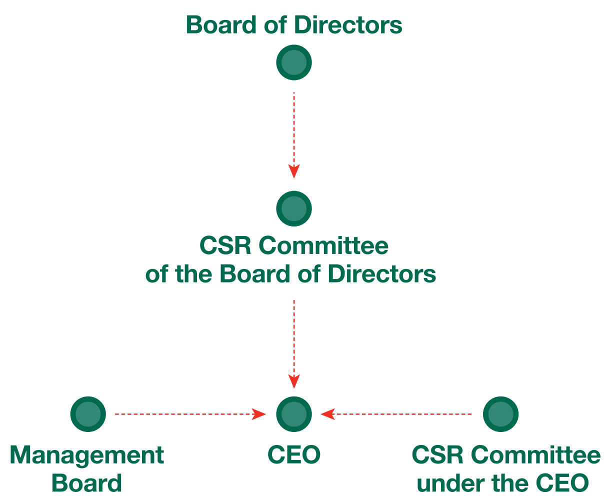
Potash fertilisers are used to grow vital crops and give people access to essential food. Therefore leadership in the potash market not only gives us unique opportunities but also imposes a high level of responsibility.

We believe that the success of the business is based on our responsibility to various stakeholders, including customers, investors, shareholders, employees and suppliers. Long-term development of the Company is impossible without respect for its employees, society and the environment. We want our business to be sustainable in all respects and do our best to make it happen.

How we manage sustainability

In December 2011, Uralkali formed a Corporate Social Responsibility Committee (CSR) and approved its Regulations. The CSR Committee is headed by Sir Robert Margetts, the Senior Independent Director. The new Board Committee is responsible for overseeing the Company's policies and activities relating to health and safety, environmental protection and social responsibility. The Committee reviews sustainability strategy and discusses CSR-related issues at its meetings.

Sustainability management structure



Under the auspices of the CSR Committee a working group has been formed which includes representatives of all functional divisions. The working group develops and implements CSR strategy and prepares relevant internal documents.

In 2011, the Company disclosed GRI performance and initiated development of sustainability reporting with a standalone report to be issued in 2012.

See our GRI performance on the corporate website
www.uralkali.com/development/gri

Corporate Social Responsibility Committee was formed

2011

Publication of first sustainability report is planned

2012

FOCUS ON HEALTH & SAFETY

OUR KEY PRIORITIES

Risk management

All relevant safety risks are identified and included in the risk matrix which is reviewed on a constant basis. Actions are developed in order to mitigate risks and prevent accidents.

Absence of fatalities

Creating conditions to prevent accidents is strongly connected with implementing control over health and safety requirements. The Company pays utmost attention to the issue and ensures that employees and contractors follow the safety rules.

Absence of industrial accidents

Industrial accidents are caused primarily by human error and violations of safety requirements. Continued education of employees and thorough controls allow us to reduce accident frequency to a minimum.

Prevention and reduction of occupational diseases of employees

The process of potash fertiliser production requires the use of personal protective equipment in order to prevent occupational injuries and diseases. Uralkali provides its employees with such equipment at all sites and insists on its use.

Importance of safety to Uralkali

One of the main priorities for Uralkali is the creation and provision of safe and healthy working conditions, compliance with health and safety requirements and regulations for environmental protection.

Safety for the Company means protecting our employees and ensuring their wellbeing. In order to achieve this, Uralkali upgrades equipment, ensures good conditions in the workplace, develops high safety standards and strives to decrease industrial waste, discharges and emissions.

At the same time, in 2011, there was an increase in temporary disability injuries (LTIFR) compared with the previous period. The main reason is that the Company has not yet managed to achieve the same performance at the Solikamsk production unit, which became part of Uralkali in 2011.

Performance[1]

Lost time injury frequency rate (LTIFR)

0.25

LTIFR is calculated based on the total number of lost time injuries per 200,000[2] hours worked.

Work related fatal injury frequency rate (FIFR)

0.00

FIFR is calculated based on the number of fatalities per 200,000[2] hours worked.

[1] 2009, 2010 – Uralkali only;
2011 includes Silvinit starting 1 January 2011

[2] The factor 200,000 is derived from 50 working weeks at 40 hours per 100 employees

Health & Safety

We expect that the centralisation of health and safety functions following the merger of the two companies will reduce the overall injury rate. Within the 2011 results, there has been a 53% decrease in occupational injuries at the Berezniki sites.

In 2011, there were **no fatalities** (FIFR). This was reached due to the excellent performance of Uralkali personnel, with timely identification and prevention of accidents.

Education and training

The guarantee of safe work is employee awareness and having the right skills to follow industry rules. Before employees start working on the sites, they must undertake training. Masters and heads of units are responsible for the observance of safety requirements.

In 2011, we conducted training and certified 5,000 employees on production safety issues and 500 employees on health issues.

Safety in the workplace

In 2011, supervising authorities conducted 14 inspections at Uralkali sites and found no significant violations of safety requirements.

In 2011, Uralkali realised a number of health and safety activities which included:

- introducing new safety measures at 96 industrial facilities
- updating internal documentation on health and safety
- renewing operating licence for dangerous industrial facilities
- obtaining certificates confirming compliance with the Company’s internal health protection measures and legal requirements
- developing a plan for the reduction and elimination of accidents
- establishing a fire safety unit

VALUING OUR EMPLOYEES

OUR KEY PRIORITIES

Development and promotion of the best employees

We invest in the professional development of our employees to ensure a long-term foundation for growth of both people and the Company. We give opportunities for vocational training and skills development in line with business needs and employees' ambitions.

Competitive remuneration for efficient work

We understand that to attract and retain the best people to the Company we have to offer competitive wages and benefits. Average salary in each category is in the 75-90 percentiles of industrial enterprises in the Perm region (and some categories – of the Urals Federal District). Uralkali regularly reviews the labour market and promptly reacts to changes and new trends.

Building of loyalty and close engagement of employees

Loyalty of employees is one of the key subjects when it comes to the Company's sustainability.
We are aiming to do our best not only to retain employees (as evidenced by low rates of turnover), but to ensure their excellent performance. Loyalty and commitment are being stimulated through a number of HR management projects, as well as through internal communications and activities to reinforce our corporate culture and values.

What people mean to Uralkali

People are the Company's main asset and are the foundation of its business. Uralkali aims at creating conditions to hire and retain professionals by using the most up-to-date approaches to HR management. Our goal is to become the most attractive employer among industrial enterprises in the Perm region, and in the long term, in the whole of the Russian mining industry.

We are an attractive employer due to our:

- competitive salaries
- incentive programme to ensure results
- secure social benefits package
- great opportunities for the realisation of professional potential and career-building
- training and development opportunities
- strong corporate culture

Performance[1]

Average annual wages per employee, including annual bonus[2] (US$)

Average wages were increased due to indexation in line with market conditions.

Average employee turnover (%)

The indicator does not include compulsory redundancies and transfer to another employer.

[1] In the main production unit, excluding top managers and Moscow Office

[2] 2009, 2010 – Uralkali only;
2011 includes Silvinit starting 17 May 2011

Employees

2011 results

In 2011, following the completion of the merger, a unified organisational structure was elaborated, and heads of all units were appointed. Appointments were made on the basis of a comprehensive assessment of employees, which takes into account experience, managerial skills and motivation to work in the combined Company. The quantity of administrative units was optimised and non-core functions were outsourced (transportation, catering, cleaning, etc.).

In 2011, HR management policies and procedures were standardised and the remuneration system was further developed. A new collective agreement securing basic benefits and guarantees for the employees was signed in cooperation with trade union organisations.

Staff training and development

The Company has various training and development programmes that allow the employees to acquire new knowledge and develop managerial and professional skills. In 2011, more than 2,600 managers and technicians received training, more than 3,700 workers were trained and re-trained; Uralkali sponsored higher education for more than 130 employees. In December 2011, the Company completed the next stage of management and staff reserve development, which was implemented in cooperation with Saint Petersburg International Management Institute (IMISP). About 40% of 112 representatives of line staff and managers who received training were promoted. 18 top managers are continuing their education through an MBA programme.

Motivation and benefits

Uralkali has a grade-based remuneration system, which sets wages depending on the complexity of work performed. The performance management system is tied to the Company's objectives and the divisions' functional strategies. Bonuses are paid for the implementation of key performance indicators. We also use additional motivation for those employees who achieve the highest results and who make suggestions on improvement and optimisation that can increase profitability and performance.

We provide corporate meals, voluntary medical insurance and industrial injury insurance and health care services for our employees and their children, as well as transport to remote divisions. For employees with rare skills we have developed a programme, which envisages partial compensation for mortgages. Uralkali also provides sport and leisure opportunities to its employees.

All the social benefits are provided for a maximum number of employees and are aimed at ensuring the most efficient performance of key HR indicators. The mechanism for provision of benefits is transparent and fair. In 2011, the Company allocated on average US$150 per employee per month for the implementation of social programmes.

TAKING CARE OF THE ENVIRONMENT

OUR KEY PRIORITIES

Reduction of discharges to water and balanced water consumption

We are aware of challenges posed by limited water resources. Therefore, we focus on water recycling rather than just measured water consumption, in order to minimise discharges.

Efficient waste management

We consider waste as a resource which can be recycled. To minimise waste, we focus on the projects that maximise waste recycling, including waste back filling.

Reduction of air emissions

Minimisation of discharges became one of our priorities as clean air is vital for human life. We continuously monitor discharges, and develop and implement state-of-the-art discharge reduction techniques.

Climate change

We seek to contribute to the mitigation of climate change by reducing our energy consumption.

What the environment means to Uralkali

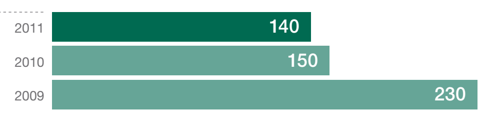
The Company is aware of its corporate and social responsibility to protect the environment, and, therefore constantly strives to improve levels of environmental safety. All Uralkali operations are carried out in compliance with the regulations of environmental protection law. The Company develops an environmental protection programme annually.

In 2011, the programme included 27 projects aimed at protecting the atmosphere and water basin, improving waste disposal and internal monitoring systems and staff training.

Performance[1]

Energy consumption (kWh/tonne of production)

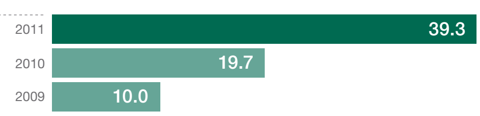
140



In comparison to 2010 energy consumption decreased despite output growth as the result of higher volume of production and efforts to improve energy efficiency.

Environmental investments (US$ mln)

39.3



In 2011, most environmental protection costs were incurred at the Solikamsk production units.

Water consumption for production needs
(m^3/tonne of production)

1.28

Water consumption decreased due to its rational use.

1 2009, 2010 – Uralkali only;
2011 includes Silvinit starting 1 January 2011

Environment

Basic impact	Activities in 2011
Air	
At Uralkali, the main pollutants are potassium chloride and sodium chloride. These substances comprise more than 40% of discharges into the atmosphere. In 2011, gross pollutant discharge into air from fixed sources amounted to 3,400 tonnes. Due to the measures taken, this level was lower than the maximum permitted by 2.7 times.	– At Berezniki-2 granulation plant the Company replaced gas jet heaters with fluid bed dryer
Water	
Considering the global water shortage, we focus on rational and careful water consumption for our operations through the implementation of special measures and continuous consumption control. The Company takes water from the surface and underground sources for its household, production and processing. In 2011, water intake amounted to 18,700 m^3; with no material impact on water sources. The actual sewage was lower than permitted by 1.3 times.	In order to ensure careful water usage and mineral resources consumption the Company implemented a number of actions: – water cooling towers renovated – recirculation system construction initiated – rainfall discharge treatment facility launched
Waste	
Production and consumption waste disposal is considered among the most significant environmental challenges related to environmental risks. In 2011, the Company generated about 30 million tonnes of waste from production and consumption, of which c.99% fell within production wastes (halite wastes (hazard class V) and clay-salt slimes (hazard class V)). Due to actions aimed at environmental protection we managed to ensure only a minor increase of waste generation in 2011 (just 3.9% compared to previous year) despite output growth (taking into account Solikamsk production units for 2010).	The Company is constantly working to minimise the surface storage of production waste. In 2011, a number of actions aimed at reducing bulk waste accumulation were implemented, namely: – sodium chloride solution preparation – halite – mineral concentrate shipments – technical salts production using halite wastes – halite wastes backfilling to worked out mines – clay-salt slimes backfilling to worked out mines
Land	
Decomposition products at waste storage areas are soil pollutants. Considering the nature of potash production, it is impossible to totally avoid any impact on surrounding lands. Therefore we take all possible measures to minimise impact. Our activities include development of control procedures, as well as waste recycling.	In 2011, the Company implemented the following projects: – reclamation of temporary waste storage areas – removal of old waste pile and backfilling by hydraulic method (design works) – improvement of the Berezniki-4 production site
Energy and climate change	
The Company realises the necessity of reaction to the global warming call. Despite the high environmental safety of our products, we implement mechanisms aimed to increase energy efficiency in our industrial processes.	In 2011, within the energy efficiency programme, a number of projects were realised, including: – reconstruction of heating shafts – reconstruction of electricity supply system – reconstruction of filter-compensating systems

A VITAL PART OF THE COMMUNITY

KEY SOCIAL PROJECTS

Development of Berezniki-Solikamsk master plan

In the short term a master plan will be created as part of cooperation with regional and local authorities. The master plan will become the basis for a multi-level programme for development of Berezniki and Solikamsk, which will include specific infrastructure solutions, location of social facilities, and an approach to housing development, as well as measures to improve environmental conditions.

Support of social infrastructure

In 2011, the Company completed a number of projects aimed at improving the socio-economic stability of the community, including:

- supporting an orphanage, the preservation of socially significant institutions, supporting socially vulnerable groups
- expenditure of c.US$1.7 million on reconstruction of the children's hospital in Berezniki
- a reimbursement of heating and water expenses to the children's hospital in Berezniki

Development of sport

We implement projects supporting the development of sport not only at regional, but also at national level. In 2011, Uralkali became an official sponsor of the Russian national football team.

Organisation of summer works for teenagers

Uralkali traditionally organises summer works for teenagers during vacations. In 2011, 495 teenagers worked at socially important sites of Berezniki and production units of Solikamsk improving the areas around schools, kindergartens and production units.

What society means to Uralkali

Social investments are one of the strategic goals of the Company's day-to-day activity. Uralkali contributes to the improvement of the region's socio-economic environment. We strive to meet society's expectations through the active realisation of socio-economic programmes.

Uralkali social investments breakdown by key areas

Charity	35%
Maintenance of social infrastructure	23%
Sport	42%

URALKALI SUBSIDISES AGRICULTURE IN RUSSIA

With the aim of stimulating the Russian market Uralkali actively supports Russian agricultural producers. In 2011 subsidies to Russian agriculture amounted to US$115 million.

The terms of sale to all kinds of consumers are regulated by Uralkali's Marketing Policy which has been approved by the Russian Antimonopoly Service. As a socially responsible company, Uralkali sets preferential prices for compound fertiliser producers and industrial consumers in Russia.

See more on Uralkali domestic sales on page 54

Our approach

In 2011, we achieved good results and continued to be a trusted partner for local authorities and the community. Being one of the major employers in the region, Uralkali recognises its responsibility to the citizens. This responsibility is realised through the development of the region's economy and the support of social infrastructure, as well as minimisation of negative industry-related impacts.

As part of the Company's policy we undertake investments in the development of culture and art, promotion of a healthy life style and interaction with younger generations. The Company also pays close attention to the provision of the necessary conditions for comfortable and safe living conditions in the regions where we operate.

The Company undertakes projects aimed at supporting socially vulnerable groups of people, and supports public organisations involved in activities related to improving social stability.

Contribution to the economy

We make a significant contribution to the region's economy and the Company is a trusted partner for the legal authorities. The value of our business lies in its contribution to the improvement of socio-economic conditions due to timely and full payment of taxes, creating employment and payments to suppliers.

In 2011, Uralkali spent more than US$14 million on social projects, including support for charitable organisations, local infrastructure and sport.

Social investments[1] (US$ mln)

14.2

[1] 2010 – Uralkali only;
2011 includes Silvinit starting 17 May 2011

A TEAM COMMITTED TO THE BEST GOVERNANCE STANDARDS

“The improvement of Uralkali’s corporate governance is one of the Company’s current main priorities. All members of our team appreciate the importance of this fact

Alexander Voloshin
Chairman of the Board of Directors

Board of Directors

Alexander Voloshin
Chairman of the Board of Directors
Independent Director

Election
September 2010, reelected in June 2011

Skills and experience
1999-2003: Head of the Administration of the President of the Russian Federation

1999-2008: Chairman of the Board of Directors of RAO UES of Russia and member of the Boards of Directors of its affiliates

Committee membership
Does not serve on any Board committees.

External appointments
Member of the Boards of Directors at OJSC MMC Norilsk Nickel, Yandex N.V., OJSC First Cargo Company

Sir Robert John Margetts
Deputy Chairman of the Board of Directors
Senior Independent Director

Election
June 2011

Skills and experience
1998-2010: member of the Board of Directors of Anglo-American PLC, Chairman of the Board of Directors of Legal & General PLC, BOC PLC, was previously Executive Vice-Chairman of ICI PLC

Committee membership
Chairman of the Corporate Social Responsibility Committee (hereinafter – CSR Committee). Member of the Audit Committee, the Appointments and Remuneration Committee, and Investments and Development Committee

External appointments
Chairman of the Board of Directors of the Energy Technologies Institute, Ensus Ltd., and Ordnance Survey; non-executive director of Huntsman Corporation LLC

Vladislav Baumgertner
Member of the Board of Directors
CEO

Election
June 2011

Skills and experience
2004-2010: Member of the Board of Directors of Uralkali

2005-2010: General Director of Uralkali

September 2010-February 2011: General Director of Silvinit

February 2011: reappointed General Director of Uralkali

Committee membership
Member of the CSR Committee

External appointments
Serves on the Boards of Directors of several companies affiliated with Uralkali
Since December 2011: Chairman of the Supervisory Board of Belarusian Potash Company

IN THIS SECTION

Board of Directors

Paul James Ostling
Member of the Board of Directors
Independent Director

Election
June 2011

Skills and experience
1977-2007: held various management positions at Ernst & Young, most recently as Global COO

2007-2011: worked at Kungur first as the CEO, then as a member of the Board of Directors

2008-2011: member of the Boards of Directors of OJSC Promsviazbank and Uralchem Holding PLC

Committee membership
Chairman of the Audit Committee

Member of the Appointments and Remuneration Committee and the CSR Committee

External appointments
Member of the Boards of Directors of OJSC MTS, Cool NRG, Pty Ltd., Innolume GmbH, and Domodedovo (DME Ltd.)

Pavel Grachev
Member of the Board of Directors

Election
September 2010, reelected in June 2011

Skills and experience
1998-2011: held various management positions in the law firm Pavia e Ansaldo and the company Nafta Moskva

2009-2011: member of the Board of Directors of OJSC PIK Group and OJSC Polyus Gold

August 2010-February 2011: General Director and President of Uralkali

September 2010-March 2011: Member of the Supervisory Board of CJSC Belarusian Potash Company

Committee membership
Does not serve on any Board committees

External appointments
Does not serve on the boards of other companies

Head of the Moscow Representative office of Alpinacapital ICL Ltd

Anna Kolonchina
Member of the Board of Directors

Election
September 2010, reelected in June 2011

Skills and experience
2001-2010: held a series of management positions at Deutsche Bank AG in London, Wainbridge Ltd., and OJSC PIK Group

Since 2010: Managing Director of Nafta Moskva

September 2010-December 2011: member of the Supervisory Board of CJSC Belarusian Potash Company

2010-2012: Member of the Boards of Directors of JSCB International Financial Club and OJSC Polyus Gold

Committee membership
Member of the Appointments and Remuneration Committee, the Audit Committee, and the CSR Committee

External appointments
Member of the Boards of Directors of OJSC PIK Group and Polyus Gold International Ltd

Alexander Malakh
Member of the Board of Directors

Election
September 2010, reelected in June 2011

Skills and experience
1998-2001: consultant at McKinsey & Company

2001-2010: held managerial positions in Mars Corp., investment company Alpha-Eco LLC, and Rosvodokanal

Since January 2010: Deputy General Director of ICT Group

Committee membership
Chairman of the Investments and Development Committee

Member of the Audit Committee, the Appointments and Remuneration Committee, and the CSR Committee

External appointments
Since 2010: member of the Board of Directors of Fesco PLC

Alexander Mosionzhik
Member of the Board of Directors

Election
September 2010, reelected in June 2011

Skills and experience
Since 1999: has held various consecutive executive positions in Nafta Moskva; Chairman of the Board of Directors of Nafta Moskva since 2006

2009-2011: member of the Boards of Directors of OJSC PIK Group and OJSC Polyus Gold

2010-2012: member of the Board of Directors of JSCB International Financial Club

September 2010 – December 2011: Chairman of the Supervisory Board of CJSC Belarusian Potash Company

Committee membership
Chairman of the Appointments and Remuneration Committee. Member of the Investments and Development Committee.

External appointments
Member of the Board of Directors of Polyus Gold International Ltd

Alexander Nesis
Member of the Board of Directors

Election
September 2010, reelected in June 2011

Skills and experience
Since 1991: General Director of ICT Group

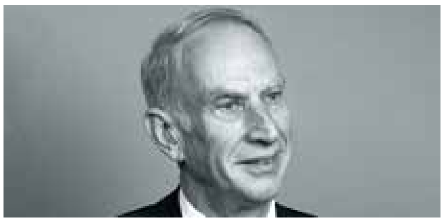
1993-1998 and 2002-2005: Chairman of the Board of Directors of Baltic Plant

1998-2003: General Director of the mining company Polymetal, which is part of ICT Group

Committee membership
Member of the Investments and Development Committee

External appointments
Does not serve on the boards of other companies

WHAT GOOD GOVERNANCE MEANS TO URALKALI



Sir Robert John Margetts
Deputy Chairman of the Board,
Senior Independent Director

"Uralkali has made the development of its corporate governance a priority. Significant progress was made in 2011 on the journey to best global practice. I consider it very important that the Company maintains this momentum and continues implementing further improvements

Each public company should be guided by the best international corporate practices. Only by meeting the expectations of its stakeholders and investors can the company achieve success in the modern business world.

Uralkali became the first Russian company in the chemical sector to go public and it entails certain obligations. Working on the Board of Directors I have noticed the very positive position of the Company's management, as well as their commitment to achieving the highest standards of corporate governance. Uralkali places strong emphasis on the transparency of its business and the quality of information disclosure.

Independent and non-executive directors play an important role in Uralkali, being actively involved in all processes within the Company and influencing the decision-making process. Efficient corporate governance is achieved through committee work, with all committees having independent and non-executive directors amongst their members. The Board committees develop and scrutinise proposals related to the Company's strategic development and the improvement of its internal procedures.

By now Uralkali has achieved a high level of corporate governance and is still going forward. I assess very positively the results of the work of the Company moving in this direction, and I am delighted to be part of this team.

This year's achievements

- Approval of all decisions required to ensure a successful merger of Uralkali and Silvinit
- Election of two new independent directors to the Board
- Approval of a new dividend policy – the amount of funds allocated to dividends must not be less than 50% of the net profit indicated in the IFRS statement for the relevant period
- Launch of the buyback programme. The aggregate value of the programme will not exceed US$2.5 billion
- Approval of a long-term investment programme
- Establishment of the CSR Board Committee

Corporate governance report

General Meeting of Shareholders

The General Meeting of Shareholders (hereinafter the General Meeting) is the supreme governance body of the Company. The procedure of its convocation and holding is set forth in the Regulations on the General Meeting of Shareholders of Uralkali in compliance with the current legislation. The terms of reference of the General Meeting are established under the Charter of Uralkali (hereinafter the Charter) in compliance with the requirements of the federal law "On Joint Stock Companies" (hereinafter the Law).

Company shareholders participate in the management of the Company by adopting resolutions at General Meetings, which are an important means of interaction with shareholders. As regulated by current legislation and the Company charter, a number of key issues pertaining to the activity of the Company fall within the authority of the General Meeting. These include, for example, Company reorganisation, profit distribution, election of the Board of Directors, approval of the most important internal documents regulating the activities of Company bodies, as well as remuneration of the members of the Board of Directors and the Revision Commission. Company shareholders review the annual report, the financial statements, and drafts of documents recommended for approval by the Board of Directors.

The Annual General Meeting (hereinafter the AGM) is held not earlier than two months and not later than six months after the end of each financial year. All General Meetings held in a given year in addition to the AGM are called Extraordinary General Meetings (hereinafter the EGM).

Board composition

Independent	33%
Non-executive	56%
Executive	11%

Board composition

According to the Law, members of the Board of Directors are elected by the General Meeting for a one-year term lasting until the next AGM. The current members of the Board of Directors were elected at the 29 June 2011 AGM. In compliance with the Company Charter, the Board of Directors is composed of nine members. At present, one-third of the directors are independent, as defined by the FCSM Code of Corporate Conduct[1] and the UK Corporate Governance Code. The remaining directors, with the exception of Vladislav Baumgertner – the Company's CEO – are non-executive directors.

Board changes

In 2011, Hans Jochum Horn, a member of Uralkali's Board of Directors and the Chairman of the Audit Committee, and Ilya Yuzhanov, a member of Uralkali's Board of Directors, who for some time was Chair and member of the Audit Committee and headed the Appointments and Remuneration Committee, retired from the Board. They were replaced by two independent directors: Sir Robert John Margetts, who became the Deputy Chairman of the Board and was later appointed Senior Independent Director, Chairman of the CSR Committee and member of each committee of the Board of Directors, and Paul James Ostling, who was appointed Chairman of the Audit Committee at the end of 2011 and became a member of the Appointments and Remuneration Committee and the CSR Committee. Anton Averin had been on the Board of Directors and on the Investments and Development Committee since September 2010 and his term in the office expired on June 2011. Instead, Vladislav Baumgertner, who was reappointed as the Company's CEO, was elected to the Board. He currently also serves as a member of the CSR Committee.

[1] Code of Corporate Conduct developed by the Federal Commission for Securities Markets of Russia on 4 April 2002 by the Order No 421/p.

Succession planning

Uralkali is continuously working on improving its corporate governance in order to comply with the world's best practices, enhance its investment appeal, and preserve and protect the rights and interests of its stakeholders and investors. Due to the 2011 merger of Uralkali and Silvinit, the Company has faced new challenges which have forced changes in the composition of its management bodies. The presence of independent directors on the Company's Board of Directors is vital for both stakeholders and investors, as well as for the Company itself, because it enables the Board to formulate an objective view on given issues, thus helping to build investor confidence in the Company. This is why Uralkali shareholders elected new members to the Board of Directors – individuals with the highest level of professionalism and whose skills and experience are deemed crucial for the implementation of the Company's strategic plans: Paul Ostling, who has acquired extensive professional experience by working in one of the world's leading audit firms – Ernst & Young – as well as considerable experience in major Russian public companies, took charge of the Audit Committee. Under his leadership, the combined Company issued the first consolidated IFRS report. Sir Robert John Margetts has expert knowledge of the mining, chemical and financial industries; he has dedicated many years to such areas as labour safety, industrial safety, environmental protection and various social issues. At the end of 2011, these independent directors joined all Committees of the Company's Board of Directors.

Diversity

The members of the current Board of Directors possess skills and experience in a variety of areas. Their professional experience is similar in many respects since all of them are professional managers with vast experience in the management of major companies and large-scale projects. Some of the directors have worked in the mining and chemical industries; most of them have been involved in major investment projects and financial management. The Board of Directors is diverse, but also well-balanced. The Board strives to apply the professional skills and experience of its members to the benefit of the Company through the Board committees. The committees are formed to guarantee thorough and unbiased review of various issues and with the aim of ensuring that the decisions later adopted by the Board of Directors are in compliance with the committees' recommendations, thoroughly reviewed, reasonable, and lawful.

How the Board operates

The Board holds its meetings based on an approved schedule, and, if required, also meets on an ad hoc basis. In compliance with the current Russian legislation, the terms of reference and the procedure of operation of the Board of Directors are established under the Law, Company Charter and the Regulations on the Board of Directors of Uralkali (hereinafter – Regulations on the Board of Directors). The Board of Directors adopts decisions at its meetings, whose agendas are prepared in compliance with the procedure set forth under the Law and the internal documents of the Company and taking into consideration strategic and current issues concerning the Company.

Board meetings

The meetings of the Board of Directors are held at least once every two months in the form of joint presence and in absentia. The following decisions may not be made at the meetings held in absentia: approval of strategic plans, approval of priority development areas, approval of the annual budget, preliminary approval of the annual report, as well as appointment and early termination of the powers of the CEO.

Topics discussed at 2011 Board meetings

Operational issues	28%
Corporate governance	27%
Management of subsidiaries and dependent companies	14.5%
Strategic issues	13.5%
Financial management	12%
Other	5%

Roles and responsibilities

The Board of Directors executes general management of the Company's activities. Its area of authority is extensive. Besides the issues listed above, the following matters fall within the authority of the Board of Directors: convocation and holding of General Meetings, approval of major and related-party transactions (within the Board's competence), appointment of Management Board members, formulation of goals and focus areas of the CEO, establishment of and management of issues related to subsidiaries, dependent companies, and non-commercial organisations, establishment of committees, approval of the registrar of the Company, and numerous other issues.

One of the key areas of competence of the Board of Directors is the development of the Company's strategic plans. It is the Board of Directors that determines how Company operations will be organised for many years ahead, sometimes for decades. In 2011, the Company's strategy and strategic plans were among the priorities of the Board of Directors. In October 2011, the Board approved a 10-year development plan and resolved to commence several major investment projects.

In addition, the Board makes all significant decisions pertaining to corporate governance at the Company. Among others, the Board approves certain internal documents and establishes committees, thus focusing on the areas in need of improvement. For instance, the Board has established the CSR Committee, whose main objective is to review all issues related to health, safety, environment protection, and social responsibility, in order to build an effective governance system in this area of the Company's activity.

Board and committee meetings: frequency and attendance in 2011

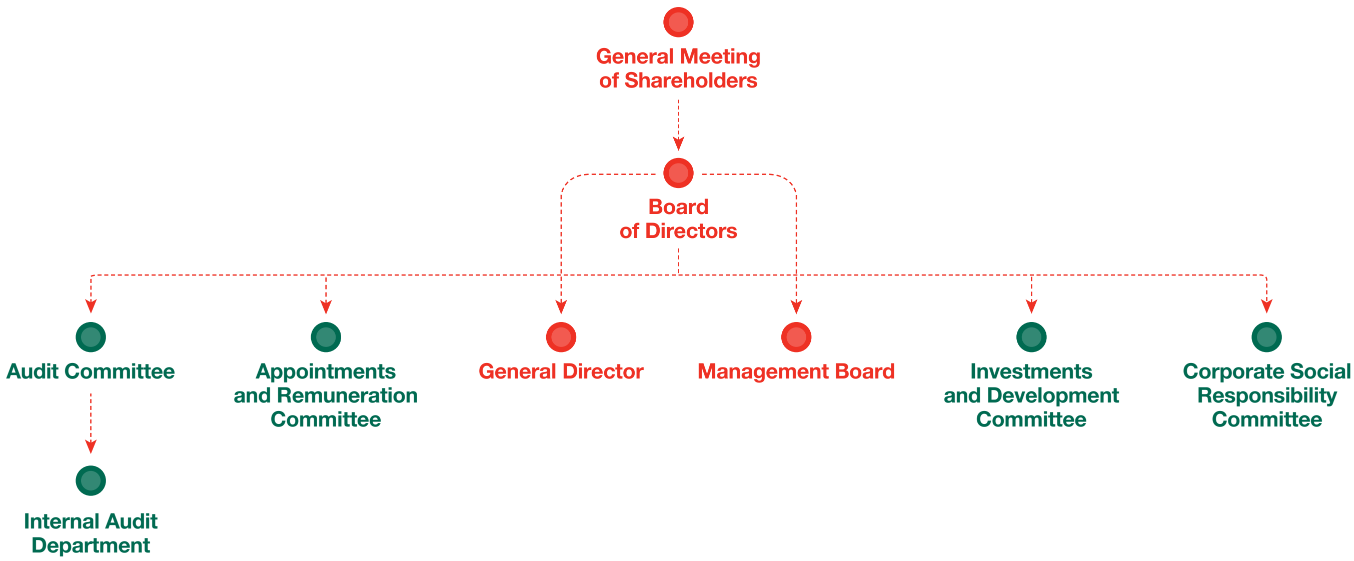
Full name	Board (16 meetings)	Audit Committee (7 meetings)	Appointments and Remuneration Committee (4 meetings)	Investments and Development Committee (7 meetings)	Corporate Social Responsibility Committee (1 meeting)
Anton Averin	All[1]	–	–	All	–
Pavel Grachev	All	–	All	–	–
Alexander Voloshin	All	–	–	–	–
Anna Kolonchina	All	All	All	–	All
Alexander Malakh	All	All	All	All	All
Alexander Nesis	All	–	–	All	–
Alexander Mosionzhik	All	–	All	All	–
Hans Jochum Horn	All	All	–	–	–
Ilya Yuzhanov	All	–	All	–	–
Vladislav Baumgertner	All	–	–	–	All
Robert John Margetts	5 (6)[2]	–	–	–	All
Paul James Ostling	All	All	–	–	All

[1] "All" refers to the number of Board/Committee meetings held during a director's service in 2011, including either before the termination of the director's term of office or following his/her election to the Board/Committee. The table above shows the Committee attendance (participation) rate only for those directors, who were members of the corresponding Committees in 2011

[2] Rob Margetts was elected to the Board of Directors in June 2011. Following his election, the Board held six meetings. Of these, he was unable to attend one due to a prior commitment. It should be noted, however, that despite the fact that Rob Margetts became a member of all Board committees only in late December 2011, he physically attended most of the meetings of all Committees held during the period from 1 September 2011 to 31 December 2011

Roles of the Board	
Chairman of the Board of Directors	– Chairs Board meetings – Drafts the agendas of Board meetings – Organises the keeping of the minutes of Board meetings – Encourages effective work and open discussion – As an independent director, ensures that the members of the Board of Directors develop an objective and unbiased opinion on the items on the Board meeting agenda
CEO	– Is the only executive director on the Board of Directors – Represents the management on the Board of Directors – Oversees preparation of informational materials and presentations for Board and Board committee meetings – Comments on the decisions of the Board of Directors on behalf of the Company
Independent Directors	– Play an important role in discussions of the agenda items; provide objective and unbiased opinions – Share their work experience in companies which implement best practices in the areas of corporate governance, insurance, financial management, and production – Ensure implementation of best corporate governance practices at the Company, give recommendations on the improvement of current practices – Participate in the work of all Board Committees
Senior Independent Director	– Leads the group of independent directors on the Board of Directors – Interacts with investors on behalf of the independent directors – Possesses in-depth knowledge of the Company's industry, makes recommendations for improvements, informs the Company of existing practices – Facilitates the work of the Board of Directors and Company management by providing the necessary information and materials and organising meetings with experts required by the Company – Enjoys an impeccable reputation
Non-executive directors	– Are deeply involved in the Company's business – Make significant contributions to the Company's activities by participating in the work of Board committees – Are available and accessible to Company management; are always prepared to advise the management – Serve on all Board committees
Corporate Secretary	– Organises the work of the Board of Directors and its committees – Assists Board members in the fulfillment of their duties – Explains the provisions of legislation and the Company's internal regulations to Board members, if necessary – Ensures proper interaction between Company management and the members of the Board of Directors

Board and management structure



The Board in 2011

In H1 2011, the Board of Directors focused on the issues related to the merger of Uralkali and Silvinit. The Board adopted decisions required to ensure the due diligence of the Company's reorganisation and the compliance of all Company actions with applicable legislation. Simultaneously, organisational changes were made and ordinary current matters were reviewed – the Board approved the budget, made adjustments to the Company's organisational structure, appointed new top managers, approved KPIs for 2011, rendered preliminary approval of the annual report, called the AGM, and approved a number of internal documents.

In H2 2011, the Board of Directors focused its attention on issues related to the activities of the combined Company and the creation of long-term value of Uralkali. The first IFRS Consolidated Condensed Interim Financial Information of the combined Company was approved. The Board of Directors contributed much efforts to post merger integration with former Silvinit as well as evaluation of synergy potential from the deal. One of the most important decisions made by the Board of Directors was the approval of a new dividend policy according to which the amount of funds allocated to dividends must equal at least 50% of the Company's net profits, as reported in accordance with the IFRS. In addition, the Board of Directors is now required to develop recommendations to the General Meeting on the distribution of profits as dividends at least twice per calendar year. In October 2011, the Board of Directors called an EGM in order to approve the decision to distribute the Company's profits as dividends.

Another important decision was the announcement of the launch of a buyback programme at the beginning of October 2011 – a programme designed to repurchase Company shares and GDRs for a total amount of US$2.5 billion. The programme will last for one year and its main objective is to increase shareholder value and maintain the current structure of capital in order to ensure long-term growth. In addition, in October 2011, the Board of Directors approved a long-term investment programme of the Company, including a series of economically effective projects on the expansion of production.

At the end of December 2011, the Board of Directors approved the Company's 2012 budget and the map of risks; the Board also adopted a series of important decisions regarding corporate governance – a Senior Independent Director was appointed, the Board established the CSR Committee, and introduced independent directors to all Board committees.

Board Effectiveness

The Board of Directors is a key element in the Company's system of corporate governance. Its activities significantly impact the entire Company. Therefore, it is very important to ensure that the Board's terms of reference are clearly defined, that the Board is well-formed, that the skills and experience of its members are well-balanced, that it can effectively deal with the task of improving corporate governance as a whole, and that it effectively creates a means of increasing the investment appeal of the Company.

Board performance evaluation

One of the best ways to evaluate the Board's effectiveness is through a Board assessment. In the first quarter of 2012, the Company applied this method of assessment for the first time. The following aspects were evaluated: the balance of strategic and operational issues on the agendas of Board meetings; the effectiveness of Board meetings; the quality of support provided to the Board of Directors, including provision of informational materials; the quality of interaction between the Board and management; interaction among separate groups of directors; assessment of the balance of professional skills and experience of the Board members considered when establishing Board committees; the ability of the Board to identify potential challenges for the Company's operations; and the role of the Chairman and the Corporate Secretary. The assessment was based on a 6-point grading scale. The questions asked during the assessment enabled the Company to determine the areas that require improvement in the opinion of the directors and to identify the areas on which the management of the Company and the Board of Directors should focus to a greater extent in the future. The assessment and its findings will be taken into consideration when planning the work of the Board of Directors and Company management. The goal is to conduct a similar assessment every year.

Risk management

The Board of Directors plays an important role in the process of risk management at the Company. According to the Charter, identification of key risks related to the Company's activities and approval of a risk management system at the Company fall within the authority of the Board of Directors. In December 2011, the Board of Directors approved a map of the Company's key risks. Prior to approval of the map, the Audit Committee conducted a thorough analysis of all the issues pertaining to this area and in November 2011, recommended that the Board of Directors approve the relevant risk map.

Risk management processes at the Company are regulated by a series of internal documents – the Regulations on the Board of Directors, the Regulations on the Audit Committee, the Regulations on the System of Internal Control of Financial and Operation Activity (hereinafter the Regulations on the Internal Control System), the Risk and Internal Control Management Standard (hereinafter the Standard), and the Regulations on Risk Assessment and Control Procedures (hereinafter the Assessment Regulations). In particular, the Regulations on the Internal Control System determine the internal control procedures in the Company, describe its goals, objectives and the organisation of the internal control system. The Standard describes the strategy of risk management, the key processes of risk management, risk management actions, monitoring, the structure of the system of risk management, and the system of reporting. The Assessment Regulations provide detailed regulations of the process of risk assessment and control procedures, as well as of the procedure of the transfer of insurance risks and the reassessment of residual risks.

Risks are monitored and controlled at all levels of the Company, from employees to the Board of Directors. Furthermore, the Company employees notify management of all risks that are identified on a day-to-day basis and of factors that signify the occurrence of risk events. The Internal Audit Department is responsible for evaluating the effectiveness and efficiency of internal control system, risk management and corporate governance processes; provides recommendations as to corrective actions which need to be taken and monitors their implementation. The Legal and Corporate Department coordinates the process of risk management in terms of methodology and programmes of risk management, identification of risks, day-to-day monitoring of the effectiveness of risk management, and generation of summary data on the process of risk management. Company directors are responsible for regulation of business processes in their respective areas, identification and assessment of control procedures, development of corrective action plans, and control over implementation and efficiency of actions. The Company's Management Board acts as an expert authority under the CEO and may elect to monitor separate risks as it deems necessary. The CEO has general control of the internal controls, and reviews risks and controls. The Audit Committee is an expert authority of the Board of Directors and gives recommendations regarding the efficiency of risk management and reviews risks that are considered especially significant. The Board of Directors is responsible for the oversight of the risk management process effectiveness.

See more about our Robust risk management on page 46

Communication with stakeholders

The Board places considerable importance on effective communication with stakeholders and investors around the world. Any significant issues related to stakeholder and investor relations, its questions and concerns, as well as analysis of investor perception are subject to discussion at the meetings of various committees of the Board of Directors.

During the year there is a regular dialogue between the management board and this audience through meetings, presentations, conferences and roadshows. Conference calls as well as webcasts also take place being led by CEO, CFO and Head of Sales after announcement of half-year and full-year financial and operational results. The Company discloses any price-sensitive information to all shareholders, institutional and private, at the same time and publishes a release on the corporate website as well as via the London Stock Exchange's Regulatory News Service. Regular updates on the Company news events are also included on the website. The Investor Relations and Capital Markets department develops and coordinates the financial events calendar with the top management and manages the interaction with institutional shareholders, sell-side analysts as well as potential shareholders on a day-to-day basis.

See more about our Shareholder relations and Board oversight on page 91

General meetings

In 2011, the Company held three General Meetings: an AGM and two EGMs.

- The agenda of the 4 February 2011 EGM, included the resolution on the reorganisation of Uralkali via a merger with Silvinit, including the issue of approval of the merger agreement between Silvinit and Uralkali. Shareholders approved the proposed reorganisation and ratified the merger agreement; they also approved a number of significant transactions pertaining to the reorganisation.
- The 29 June 2011 AGM approved the Annual Report, the annual financial statements, and profit distribution, elected the Board of Directors and the Revision Commission, and approved the auditors and a number of related-party transactions.
- At the 8 December 2011 EGM shareholders approved profit distribution (interim dividends) and the terms of liability insurance of officers and directors of the Company.

Different amendments to the Company Charter were proposed at and ratified by each of the three General Meetings held in 2011. Both the 4 February and the 29 June General Meetings approved new editions of the Regulations on the Board of Directors and amendments to the Regulations on Remuneration and Reimbursement of the Members of the Board of Directors of Uralkali (hereinafter Regulations on Remuneration of Directors). Most of these amendments had to do with the fact that the year 2011 was a year of transformation for Uralkali due to the Company's recent reorganisation and the merger with Silvinit. During the year, the Board of Directors approved several Amendments to the Company Charter which were later incorporated into the Charter. Changes in the composition of the Board of Directors, which took place in late 2010, triggered amendments to the Regulations on the Board of Directors. Further, considering that in the middle of 2011 two independent directors, who are not residents of Russia, joined the Board, and because the Company's operations had expanded with the addition of the Solikamsk office, it became necessary to hold some of the Board meetings via videoconferencing, which in turn led to several changes to the Regulations on the Board of Directors. The changes on the Board of Directors led to adjustments to the Regulations on Remuneration of Directors, which needed to be modified in order to properly reflect the current system of remuneration as well as the procedure and the conditions of its payment.

On 24 February 2012, the Board of Directors resolved to hold an EGM on 16 April 2012, in the form of absentee voting and placed on the agenda of the EGM a resolution on the Company's reorganisation via an acquisition of CJSC Investment Company Silvinit-Resurs, CJSC SP Kama, and OJSC Kamskaya Mining Company. The purpose of the merger of Kamskaya Mining Company into Uralkali is to transfer to the Company the licence to explore and mine the Polovodovsky block of the Verkhnekamskoe deposit of potassium and magnesium salts. This transfer is required to ensure the preparation and approval of a development study for the Polovodovsky project in compliance with the terms of the licence agreement. The merger of SP Kama and IC Silvinit-Resurs with Uralkali will result in the cancellation of Uralkali shares held on the targets' balance sheets as of the merger date, and, therefore, will lead to a decrease in Uralkali's share capital. At the 16 April 2012 EGM, Uralkali shareholders were also asked to approve certain related-party transactions with OJSC Sberbank of Russia, including an amendment to a 23 November 2011 loan facility, as well as related currency swap and pledge transactions, and to approve amendments to the Regulations on Remuneration of Directors. The new remuneration structure has been developed in view of recent changes in the structure of the committees of the Board of Directors, but it does not provide for any increases in the amount of paid remuneration. Shareholders were also asked to approve a new edition of the Regulations on the Revision Commission in order to resolve the issue of remuneration of the members of the Revision Commission. All proposed resolutions on all agenda items were approved by the EGM. On 10 April 2012, the Board of Directors of Uralkali resolved to hold the AGM on 7 June 2012 for approval of the Annual Report, the annual financial statements, and profit distribution (to pay the dividends for 2011 in the amount of RUB 4 per one ordinary share of Uralkali, election of the Board of Directors and the Revision Commission, and approval of the auditor and a number of related-party transactions and certain other items).

Publications

The Company strives to keep its stakeholders and investors informed of all events taking place at the Company and tries to explain them in such a way so that all interested parties are able to formulate a full and objective understanding of these events. In addition to mandatory information disclosure and press releases, Uralkali posts on its website various publications about the Company released by Russian and foreign mass media and features interviews with and comments of Company management on the events taking place in-house, the analysis of Company prospects, and the market situation. Company managers regularly meet with investors and answer their questions. Uralkali holds conference calls at least on a half year basis to discuss its IFRS results. Another important aspect of the interaction between Company management and all interested parties are "roadshows" during which management is called on to explain and clarify significant Company developments. The results of these roadshows are thoroughly analysed internally and discussed at Board and committee meetings. These results, as well as the wishes and expectations of the Company's investors, are taken into consideration when important decisions are made by the Company's management bodies.

Board committees

Present membership[1]

Audit Committee

Paul James Ostling,
Audit Committee Chairman

"The Audit Committee is committed to continuous improvement in our financial reporting, disclosure and risk management in accordance with the best corporate governance practices

Paul James Ostling
(Chairman)
Anna Kolonchina
Sir Robert John Margetts
Alexander Malakh

Corporate Social Responsibility Committee

Sir Robert John Margetts,
CSR Committee Chairman

"The CSR Committee, formed in 2011, will provide the stimulus to improve further all aspects of the Company's footprint opposite its responsibility for safety, health and the environment and its contribution to the wellbeing of its employees and the communities where it operates

Sir Robert John Margetts
(Chairman)
Vladislav Baumgertner
(CEO)
Anna Kolonchina
Alexander Malakh
Paul James Ostling

Appointments and Remuneration Committee

Alexander Mosionzhik,
Appointments and Remuneration Committee Chairman

"One of the keys to the successful implementation of the Company's strategy is an effective system of recruitment and motivation

Alexander Mosionzhik
(Chairman)
Anna Kolonchina
Alexander Malakh
Sir Robert John Margetts
Paul James Ostling

Investments and Development Committee

Alexander Malakh,
Investments and Development Committee Chairman

"One of the major challenges in managing a company is to determine its development direction. We analyse strategic issues related to implementation of big investment projects, budgeting and KPI setting of Uralkali

Alexander Malakh
(Chairman)
Sir Robert John Margetts
Alexander Mosionzhik
Alexander Nesis

[1] The current membership of the Committees was approved by the resolution of the Board of Directors (Min. No.260 dated 21 December 2011)

Role of the committee	Activities in 2011	Goals for 2012
Review of issues related to the organisation of the systems of internal control and management of the Company, functional management of the internal audit department, reporting, engagement and monitoring of external auditors, corporate governance, and compliance with applicable legislation.	– Approved the first consolidated IFRS report of the combined Company for H1 2011 – Recommended that the Board of Directors approve the map of risks – Monitored the actions called to minimise risks – Worked with the internal auditor on reports and corrective action plans	– Further monitoring of actions aimed at minimising risks – Development of recommendations regarding approval of the annual and semi-annual IFRS reports – Monitoring of the Company's achievements of its strategies, plans and activities and of its reporting on achievements – Development of recommendations regarding approval of the annual report of the Company – Monitor the Company's plans and the process for post-merger integration and for continuous improvement of its financial and information systems and processes
Review of issues related to safety, labour, health, environmental, and social responsibility, in order to build effective governance and apply global best practice.	– Reviewed issues related to labour, industrial and environmental safety – Controlled the process of preparation of the sustainability report and the annual report – Reviewed issues related to the Company's social projects – Controlled the process of development of the Company's internal documents in the area of corporate social responsibility	– Preparation of recommendations regarding the issuance of Uralkali's first sustainability report – Participation in the development of policies in the area of labour, industrial and environmental safety – Participation in the development of the Company's social policy – Monitoring of the results of the Company's activities in the area of labour and industrial and environmental safety
Recruitment of highly qualified professionals to work in the Company's management bodies; development of incentives to ensure successful work of Company management in order to ensure achievement of strategic goals; succession planning.	– Approved KPIs of Company management – Changed the Company's organisational structure – Changed the composition of the Management Board – Recommended approval of the principles of the long-term incentive/motivation programme of Company management	– Review of achievement of management's 2011 KPIs, establishment of KPIs for 2012 – Approval of informational materials to be provided to new members of the Board of Directors, the CEO and the members of the Management Board – Recommendations regarding key appointments to the management bodies of subsidiaries and dependent companies – Review of significant changes connected with the incentive/motivation system implemented at the Company
Review of the issues of strategic development of the Company, budgeting, and issues related to the realisation of major investment projects.	– Developed the Company's long-term strategy – Reviewed major investment projects – Launched the project of optimisation of the system of repairs – Controlled the budgeting process	– Review of separate functional strategies of the Company – Completion of the project of optimisation of the system of repairs – Control over the budgeting process – Development of recommendations regarding KPIs – Monitoring and review of the strategic initiatives of the management and the Board of Directors of the Company

Remuneration of the Board of Directors

All matters related to remuneration and reimbursements paid by the Company to its directors are established by the Regulations on Remuneration of Directors, which were first ratified by the 18 June 2010 AGM. Subsequently, the new edition of the Regulations was ratified by the EGM while the AGM held on 26 September 2011 resolved to ratify the Amendments to these Regulations. In accordance with the Regulations, as of 31 December 2011, three directors receive remuneration for their service on the Board of Directors (base remuneration) and remuneration for additional duties (additional remuneration). The amount of base remuneration is the equivalent of US$150,000 per annum[1]. The Chairman of the Board of Directors is paid US$1 million per year. Additional remuneration is paid for performance of additional duties. For example, as of 31 December 2011 a member and/or chairman of a Board committee could annually receive an additional 50% of the annual base remuneration (for each membership/chairmanship) and 200% of the annual base remuneration for the duties of Deputy Chairman. It should also be noted that any remuneration is paid to those directors who meet independence criteria set by the Regulations on Remuneration of Directors. Therefore, at present, three of the nine members of the Board of Directors receive remuneration. The remaining directors have opted not to receive any remuneration.

In the course of 2011, remuneration was paid to five independent members of the Board of Directors:

Name	Amount of remuneration (RUB, net)[2]
Alexander Voloshin	29,565,128.49
Sir Robert John Margetts[3]	8,136,063.24
Paul James Ostling[3]	5,424,194.05
Hans Jochum Horn[4]	3,832,723.70
Ilya Yuzhanov[4]	3,834,547.50
Total paid in 2011	**50,792,656.98**

1 Prior to 29 November 2011, the amount of base remuneration of each member of the Board of Directors was equivalent to US$100,000

2 The amount of remuneration paid based on the results of the reporting year

3 Remuneration paid since 1 July 2011

4 Remuneration paid until 1 July 2011

EGM held on 16 April 2012 approved the base annual remuneration for each member of the Board in the amount of US$200,000, the additional remuneration in the amount of US$25,000 for Committee membership and/or Committee chairmanship and US$125,000 for duties of Deputy Chairman as well.

Internal control and risk management system in the course of preparation of financial statements of the Company

The Company maintains a system of internal control and risk management. As regards financial reporting, the main goal of the system of internal control in the Company is to ensure that the Company's financial statements are complete and reliable. In accordance with the Standard implemented in the Company, the system of internal control consists of a set of procedures implemented by the management and the employees of the Company in order to achieve cost effectiveness and efficiency of operations, reliability of financial statements, and to ensure compliance with the current legislation. Internal control is exercised with the help of control procedures – actions of the Company's employees aimed at the prevention of unnecessary risks. During the course of preparation of the Company's financial statements, all officers, bodies, and external auditors of the Company are involved in the system of internal control and risk management. The Director for Economics and Finance is responsible for availability and reliability of

See our Risk Management review on page 46

information in the system of resource management of the Company, for organisation of the work with the auditors of the Company, and the inventory of the property of the Company. The Revision Commission is responsible for verification of the data included in the Company's annual reports and also in the annual accounting reports after obtaining the conclusion of an independent auditor who audits the Company's accounting statements prepared in compliance with Russian Accounting Standards (RAS). The annual and semi-annual RSA accounting statements as well as the consolidated financial statements of the Company and the semi-annual abbreviated IFRS financial information are audited by independent auditors elected annually by the AGM based on the recommendation of the Board of Directors, made in compliance with the opinion of the Audit Committee. The Audit Committee not only makes recommendations regarding the choice of an auditor, but also preliminarily reviews the statements of the Company and the reports of the external auditor, and discusses them with the executive bodies of the Company prior to referring the issue to the Board of Directors. The Audit Committee also ensures that the Company's financial statements as well as any other formal statements (announcements/declarations) related to the Company's financial results and the key opinions contained in these statements are complete and reliable. The annual financial statements and the interim consolidated financial information in compliance with the IFRS are approved by the Board of Directors, taking into account the recommendations of the Audit Committee made after the Audit Committee has first reviewed the indicated information.

Revision Commission

The Revision Commission controls the financial and economic activity of the Company. It acts on the basis of the Charter and the Regulations on the Revision Commission of Uralkali. The Commission has five members who are elected annually by the AGM. In compliance with its terms of reference, the Revision Commission verifies the data included in the Company's annual reports, the Company's financial statements, and other reports. The Commission also verifies whether the decisions of the bodies of the Company are lawful and whether the decisions of the officers of the Company and the provisions of the internal documents of the Company have been implemented. The Revision Commission is also called to ensure that Company profits are disbursed in accordance with the decisions of the General Meetings, that the dividends on the shares and bonds of the Company are properly calculated and paid in a timely manner, and that all settlements under the agreements and obligations of the Company are correct. The Revision Commission analyses the Company's annual financial and economic performance and has the right to conduct an inspection of these at any time at its own discretion or in compliance with the decision of the General Meeting, the Board of Directors or upon demand of shareholders owning at least 10% of the Company's voting shares.

Company directors' shares

In compliance with the information taken from the system of register maintenance provided by CJSC "Registrator Intraco" as of 31 December 2011, Yevgeny Kotlyar and Vladimir Vaulin, who were members of the Company's Management Board from 1 July 2011 until 31 December 2011, are registered in the Company's share register. According to the share register, Yevgeny Kotlyar owns 53,608 ordinary shares of Uralkali, which is equal to 0.0017% of the Company's outstanding share capital, Vladimir Vaulin owns 29,925 ordinary shares of Uralkali, which is equal to 0.00097% of the Company's outstanding share capital – they became Uralkali's shareholders after the conversion of Silvinit shares into Company's shares as the result of reorganisation. Other members who held posts in the governing bodies of Uralkali in 2011 are not registered in the Company's share register both as of 1 January 2011 and as of 31 December 2011. There is no record of any transactions concluded by the members of Uralkali's governing bodies to purchase or sell Company shares with indication of the date of transaction, essence of transaction, category (type) and number of Uralkali shares which were the subject matter of transactions from 1 January 2011 until 31 December 2011. There is no record of share owners whose shares are held by nominal holders as of 1 January or 31 December 2011.

Dividends

Taxation

As a general rule, dividends in the Russian Federation are taxed as follows:

- for legal entities: 0% or 9% for Russian residents (pursuant to the relevant provisions of the Tax Code of the Russian Federation) and 15% for non-residents
- for individuals: 9% for Russian residents and 15% for non-residents

Should the provisions of any double taxation treaty be applicable, the tax payments must be made in compliance with the tax rate indicated under the relevant treaty.

This information is provided for information purposes only. Potential and current investors should seek the advice of professional consultants advising on tax matters related to investments in the shares and GDRs of the Company.

Dividend policy

The payment of dividends is regulated by the legislation of the Russian Federation.

Dividends are paid from the profits of the Company after taxation (net profit of the Company). The size of the net profit is determined on the basis of the accounting (financial) statements of the Company. Pursuant to the Law, the Charter of the Company and the Regulations on the Dividend Policy, the Company has the right to decide (declare) to pay dividends based on the results of the financial year as well as on the results of the first quarter, six months and nine months of the financial year (interim dividends). The decision to pay (declare) dividends must be taken by the General Meeting of Shareholders. Nevertheless, the total amount of dividends may not exceed the amount recommended by the Board of Directors.

Under the new edition of the Regulations on the Dividend Policy of Uralkali approved by the Board of Directors in September 2011, the Board of Directors of the Company makes recommendations to the General Meeting of Shareholders regarding the procedure of the distribution of profits as dividends. The Board of Directors also makes recommendations to the General Meeting regarding the size of the dividends on the shares of the Company and the procedure of their payment at least twice during one calendar year. Subject to compliance with the Law, other regulations of the Russian Federation, the Charter and the indicated Regulations the Board of Directors should base its recommendations on the fact that the total amount of funds spent on dividends should be no less than 50% of the net profit of the Company in accordance with the financial statements of the Company developed in compliance with the International Financial Reporting Standards (IFRS) for the relevant period.

Dividends per share[1]

Name	Date of decision to pay dividends[2]	Amount of dividend per ordinary share / GDR (RUB)	Amount of accrued dividends (RUB)
Interim dividends[3]	09.12.2011	4.0/20.0	12,378,066.3
2010	29.06.2011	4.55/22.75	14,080,050.4
2009	18.06.2010	1.7/8.5	3,611,463.0
6M 2008	19.09.2008	4.0/20.0	8,497,560.0
2007	18.06.2008	1.90/9.5	4,036,341.0
9M 2006	15.12.2006	1.59	3,377,780.1
9M 2005	30.12.2005	2.46	5,225,999.4

[1] On 10 April 2012, the Board of Directors resolved to hold the AGM on 7 June 2012, and recommended to pay the dividends for 2011 in the amount of RUB 4 per one ordinary share of Uralkali

[2] The date of the decision to pay dividends is the date of preparation of the poll deed on the results of voting. Upon preparation of the poll deed on the results of voting the decision of the General Meeting is considered adopted/not adopted. Accordingly, the date of the decision to pay dividends may not coincide with the date of the General Meeting

[3] The payment of interim dividends indicated in the chart above was approved by the General Meeting held on 8 December 2011 when the shareholders approved the distribution of profits of the previous years in the form of dividends in the amount of RUB 4.00 per one ordinary share of Uralkali

Visit the Company's website to find more information on dividends in the quarterly issuer reports www.uralkali.com

THE TEAM TO DELIVER

Executive bodies
In accordance with the law and the Charter, the Company has a sole executive body and a collective executive body. The authority of the sole executive body – the CEO – is established by the law and the Charter of the Company and includes, in addition to the competencies granted to the CEO by the Charter, competencies which have not been assigned to any other Company body by the law. The authority of the collective executive body – the Management Board – is established by the Charter and by the CEO, who has the right to delegate various matters pertaining to the competence of the CEO to be reviewed by the Management Board. The activities of the Management Board are regulated by the Regulations on the Management Board of Uralkali, which are ratified by the General Meeting.

CEO
Vladislav Baumgertner has been the CEO of Uralkali since 22 February 2011, and now also serves as the CEO and Chairman of the Management Board of the combined Company. Mr. Baumgertner is responsible for day-to-day management of the Company and the execution of its strategy. Besides the duties assigned to the CEO under the law and the Charter of the Company – such as carrying out transactions on behalf of the Company, confirming and giving approval of the headcount, issuance of the necessary orders and decrees, issuance of powers of attorney, and resolution of day-to-day operational issues – he also develops an annual business plan for the Company, controls management's succession planning process, and regularly informs the Board of Directors about the Company's performance, thus ensuring that effective internal controls and risk-management processes are implemented and are operating at the Company, and that all relevant laws and regulations are complied with. Mr. Baumgertner also contributes a considerable portion of his time to investor relations, has an important role on the Board of Directors, and focuses on the issues of corporate governance at the Company. He is one of the main conductors of ideas related to the improvement of corporate governance.

Management Board
The Management Board is the Company's collegial executive body. In 2011, significant changes took place within the Management Board. Prior to that time, the Management Board had only six members, but as of 31 December 2011, there were 10 directors and 2 department heads directly subordinate to the CEO serving on the Management Board. In accordance with the Company Charter, the authority of the Management Board includes the establishment of the Company's short-term goals, preliminary approval of the budget and control over its implementation, approval of the conditions of the collective agreement, control over separate and structural subdivisions of the Company, control over conclusion of and compliance with legal agreements, approval of the Company's internal documents, and other issues proposed for review by the Company's CEO.

Management Board changes
During the course of 2011 several changes took place on the Management Board. The first changes in 2011 occurred on 21 February 2011, when the Board of Directors terminated Pavel Grachev as the Company's CEO and appointed Vladislav Baumgertner to this post. On 1 July 2011, the newly elected Board of Directors fixed the size of the Management Board at 14 members. Later, in August 2011, Yuri Bogdanov, the Director for Restructuring and Continuous Improvement, resigned from his post and left the Company; as a result, the individual composition of the Management Board was reduced to 13 members. In September 2011, Alexei Sotskov, Head of Public Relations, left Uralkali and was replaced by Alexander Babinsky. In February 2012, Igor Tsuranov, the Director for Strategy and Investments, also left the Company. On 10 April 2012 the Board of Directors decided to make the following changes on the Management Board of Uralkali: Evgeniy Kotlyar, the former Production Director, was appointed Chief Engineer of the Company, replacing Vladimir Vaulin, while Boris Serebrennikov, who previously worked as a Director of Solikamsk-1 mine of the Company, was appointed Production Director.

Management Board

Vladislav Baumgertner
CEO, Chairman of the Management Board

> “Today Uralkali has one of the strongest and most experienced management teams in the industry. Professionalism of our top management has been evidenced by the high results achieved to date and successful realisation of projects

See Biography on page 70

Viktor Belyakov
CFO

Appointment
Member of the Management Board since 2007

Skills and experience
Since 2004: joined Uralkali as Financial Controller and eventually became the Director for Economics and Finance as well as Deputy CEO

Since July 2010: Chief Financial Officer of Uralkali

External appointments
Serves on the Boards of Directors of several companies affiliated with Uralkali

Oleg Petrov
Director of Sales and Marketing

Appointment
Member of the Management Board since 2010

Skills and experience
2005-2010: First Deputy General Director of Belorussian Potash Company

Since 2010: Director of sales and marketing of Uralkali

External appointments
Member of the Supervisory Board of Belarusian Potash Company

Yevgeniy Kotlyar
COO (Chief Engineer)

Appointment
Member of the Management Board since 2011

Skills and experience
2000-2011: Production Director at Silvinit

After the merger of Uralkali and Silvinit in June 2011 was appointed Production Director of Uralkali

Since April 2012: Chief Engineer of Uralkali

External appointments
Member of the Boards of Directors of several companies affiliated with Uralkali

Boris Serebrennikov
Director of Production

Appointment
Member of the Management Board since 2012

Skills and experience
1994-2011 worked at Silvinit in a various managerial positions from Head of Mine-2 to Director of Mine-1

After the merger of Uralkali and Silvinit in June 2011 was appointed Director of Solikamsk mine -1 of Uralkali

Since April 2012: COO of Uralkali

External appointments
None

Vladimir Bezzubov
Director of Procurement

Appointment
Member of the Management Board since 2011

Skills and experience
2004-2010: worked at OJSC Siberian Coal Energy Company in various managerial positions

February 2011: appointed Head of Procurement of Silvinit

After the merger of Uralkali and Silvinit in June 2011 was appointed Director of procurement of Uralkali

External appointments
Member of the Boards of Directors of several companies affiliated with Uralkali

Stanislav Seleznev
HSE Director

Appointment
Member of the Management Board since 2011

Skills and experience
2007-2010: HSE Director at Lafarge-cement LLC

Since 2010: HSE Director of Uralkali

External appointments
Chairman of the Board of Directors of CJSC Uralkali-Technologiya

Marina Shvetsova
Director for Legal and Corporate Affairs

Appointment
Member of the Management Board since 2005

Skills and experience
Since 2006: Director for Legal and Corporate Affairs of Uralkali

External appointments
Member of the Boards of Directors of several companies affiliated with Uralkali

General Director of SP Kama LLC (company which is supposed to be merged into Uralkali by August 2012)

Elena Samsonova
HR Director

Appointment
Member of the Management Board since 2004

Skills and experience
Since 2004: HR Director of Uralkali

External appointments
Member of the Boards of Directors of several companies affiliated with Uralkali

Dmitry Sharapov
Director of Security

Appointment
Member of the Management Board since 2011

Skills and experience
2006-2009: held various managerial positions in OJSC Mechel

Since 2010: Security Director of Uralkali

External appointments
Member of the Boards of Directors of several companies affiliated with Uralkali

Alexander Babinsky
Head of Public Relations

Appointment
Member of the Management Board since 2011

Skills and experience
2006-2010: Deputy Chief Editor at RIA NEWS

Since 2011: Head of the PR Department of Uralkali

External appointments
None

Andrey Motovilov
Head of Government Relations

Appointment
Member of the Management Board since 2011

Skills and experience
2009-2010: Deputy Head of the Representative Office of Perm Territory in the Government of the Russian Federation

Since 2010: Head of Government Relations at Uralkali

External appointments
Member of the Boards of Directors of several companies affiliated with Uralkali

Remuneration of the Management Board

Remuneration of the members of the Management Board of Uralkali consists of two parts – a monthly salary, the amount of which is established under each labour contract, and an annual bonus. In compliance with the Regulations on the Appointments and Remuneration Committee, it is within the authority of the Committee to prepare recommendations regarding KPIs for the CEO and the members of the Management Board in the form of KPI maps for each calendar year. The Committee assesses the performance of the CEO and the members of the Management Board in the first quarter of the year following the reporting year. Thus, the decision on the size of the bonus received based on each year's results is taken in compliance with the recommendation of the Appointments and Remuneration Committee. The total amount of remuneration paid to the members of the Management Board as of 31 December 2011 was RUB 184,234,977.

In April 2011 the Board of Directors approved the main principles of the long-term incentive strategy of Uralkali's top management. The remuneration will depend on total shareholder return relative to the Company's peers and will be adjusted to the volatility of the Russian stock market versus the US market. The absolute risk adjusted stock performance will also influence the amount of remuneration. The programme is effective from Q3 2011 and the Uralkali Group liability as of 31 December 2011 is nil.

BEING TRANSPARENT FOR OUR INVESTORS

Information for shareholders and investors

Ordinary shares

The EGM approved the revised Charter of Uralkali on 8 December 2011. As of 31 December 2011 the charter capital of Uralkali was RUB 1,547,318,952.5[1], divided into 3,094,637,905 ordinary registered shares with the face value of RUB 0.5 each.

Global Depositary Receipts

The Global Depository Receipts (GDRs) are issued in respect of ordinary shares in Uralkali at the ratio of five registered ordinary shares per GDR. The GDRs are traded on the London Stock Exchange.

Securities traded on the stock exchanges (LSE, RTS-MICEX) are fungible – ordinary shares may be converted into GDRs and vice versa.

On 26 August 2011 Uralkali received permission from the Federal Service for Financial Markets (FSFM) of the Russian Federation to trade 773,659,476 shares overseas, representing 25% of Uralkali's total listed ordinary shares.

As of 31 December 2011, the total number of GDRs was 618,927,581 with 17.2% of share capital of the Company traded as GDRs on the London Stock Exchange.

The Company's depository bank is Bank of New York.

See Contact information on page 94

Buyback programme

On 6 October 2011 the Company's Board of Directors approved a buyback programme in respect of ordinary shares and GDRs. The aggregate amount of the programme will not exceed US$2.5 billion that may be invested in the purchases of shares and GDRs throughout the period between 6 October 2011 and 6 October 2012.

The buyback programme reflects the Company's belief that the creation of shareholder value over the long term requires a balanced approach to investing in organic growth and returning excess capital to shareholders whilst maintaining a robust capital structure. This programme will ensure that the underlying value is reflected to a greater extent in the share price, an increase in earnings per share and an improved capital structure, all supporting the Company's long-term growth.

As of 20 April 2012, a total 35.8 million shares and 3.9 million GDRs were purchased for US$404 million. The shares are purchased for later cancellation.

The EGM has approved a reorganisation in the form of a statutory merger with three companies affiliated with Uralkali. The subsidiaries' consolidation will result in: a cancellation of all Uralkali's treasury shares due to consolidation of the affiliated companies IC Silvinit-Resursand JV Kama; transfer to Uralkali balance sheet of the research and mining licence for the development of the Polovodovsky field due to consolidation of Kamskaya Gornaya Kompaniya.

Stock exchanges

As of 31 December 2011, Uralkali's ordinary shares and GDRs, certifying the rights in respect to the Company's ordinary shares, are traded on the following trading floors: the LSE and MICEX-RTS.

Trading floors of Uralkali's shares and GDRs

	Ticker code
MICEX-RTS	URKA
LSE	URKA
Securities identification numbers	
CUSIP[2]:	
– Regulation S GDRs	91688E206
– Rule 144A GDRs	91688E107
ISIN[3]:	
– Regulation S GDRs	US91688E2063
– Rule 144A GDRs	US91688E1073
	RU0007661302

[1] The accounting (financial) statements of Uralkali for the year 2011 prepared in compliance with the RSA (line 1310 of the Balance Sheet)

[2] CUSIP (Committee on Uniform Security Identification Procedures) – identification number is given to the issue of shares for the purposes of facilitating clearing

[3] ISIN (International Securities Identification Number) – International Identification Number of the share

Uralkali securities are listed and traded on the London Stock Exchange (LSE) and MICEX-RTS. The Company strictly observes the Federal Law "On Joint Stock Companies" as well as the rules governing companies listed in both Russia and the UK. Uralkali discloses all relevant information to shareholders and investors in a full and timely fashion.

SHAREHOLDER RELATIONS

Communication and dialogue

Communication with all our shareholders is given a high priority. Uralkali management maintains a regular dialogue with institutional investors and sell-side analysts through meetings, presentations, global conferences and webcasts and conference calls to announce full-year and half-year financial results. In addition, from 2011, management has started providing quarterly updates on top-line and operating performance figures.

Through 2011, senior management participated in 4 roadshows and met with institutional investors in the USA, UK, continental Europe and Asia. In total, over 500 individual meetings were held. The Company also participated in 13 European, US and Asia sector and emerging markets global conferences.

In addition, during the year, Uralkali hosted a Capital Markets Day in the Perm region which was attended by over 60 buy-side and sell-side analysts. In 2012, Uralkali plans to host a similar trip for the investment community.

Board oversight

The Board receives regular investor relations reports covering key investor meetings and activities, shareholder and investor feedback. Analyst reports are also circulated on a continuing basis.

Online communications

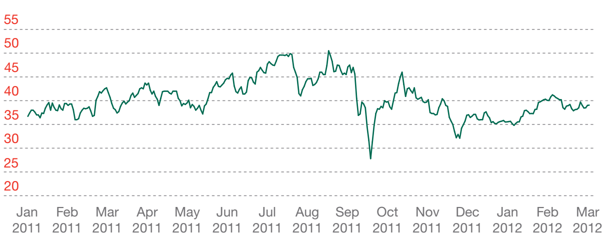
The greatest of care is taken to ensure that any price-sensitive information is released to all shareholders and analysts at the same time, in accordance with the FSA's Disclosure and Transparency Rules.

- Via website – The Company issues its results and other news releases, as well as regular updates in relation to Uralkali operations and the status of the expansion programme. Any interested parties can subscribe to receive these news updates by registering online.
  The new corporate website, launched in May 2011, contains additional features that facilitate and enhance the combined Company's communication with all stakeholders.

For more information visit
http://www.uralkali.com/investors/

- Via e-mail – The Investor Relations Department can be contacted with respect to any queries at ir@msc.uralkali.com

LSE: Uralkali GDR price performance 2011 and Q1 2012 (US$)



MICEX: Uralkali ordinary share price performance 2011 and Q1 2012 (RUB)

Uralkali ordinary share / GDR prices and volumes (market transactions)

This table sets forth the high and low prices, as well as the volumes, for Uralkali ordinary shares and GDRs traded on MICEX, RTS and the LSE (market transactions) in 2011.

	Price			
	High	Low	Year end	Trading volume (quantity in mln)
LSE (GDRs, US$)	50.5	27.8	36.0	422.6
MICEX (ordinary shares, RUB)	297.5	180.8	231.5	1,610.3
RTS[1] (ordinary shares, RUB)	298.1	181.3	224.1	22.7

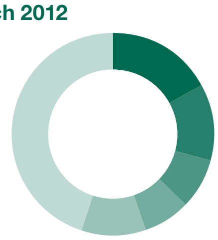
[1] Year end till 19 December 2011 (date of the completion of the merger of MICEX and RTS)

Financial calendar 2012

Event	Date
FY 2011 Production results release	16 January 2012
Q1 2012 Production results release	5 April 2012
FY 2011 IFRS results announced	11 April 2012
EGM	16 April 2012
Roadshow	May 2012
Capital Markets Day	14-15 June 2012
Annual General Meeting	June 2012
Q2 2012 Production results release	July 2012
H1 2012 IFRS results announced	September 2012
Roadshow	September 2012
Q3 2012 Production results release	October 2012

Uralkali shareholder structure[2] March 2012

Mr. S. Kerimov	17.2%
Mr. A. Nesis	12.2%
Mr. Z. Mutzoev[3]	7.9%
Mr. A. Skukov[3]	7.6%
Mr. F. Galtchev	10.3%
Free float	44.8%



[2] Including shares transferred to financial institutions under repo arrangements with voting rights being exercised by the initial holder of the repo shares by proxy

[3] Shareholdings of Forman Commercial Limited and Fenguard Ltd in the authorised capital of Uralkali decreased by 0.17% each following exercising a call option with regard to Uralkali's shares by the bank providing financing

Geographical distribution of Uralkali holders GDR

US	37%
UK	29%
Germany	7%
Netherlands	5%
France	3%
Rest of Europe	13%
Rest of world	6%

Source: Uralkali Investor Relations, December 2011

Contacts

Registrar
Closed Joint Stock Company Registrator Intraco
Abbreviated name: Registrator Intraco
64, Lenina Street, Perm, Russian Federation, 614990
Tel: +7(342) 233-01-64
Fax: +7(342) 233-01-63
Web: www.intraco.ru
E-mail: root@intraco.ru

Operating licence to maintain share register
Licence number: 10-000-1-00272
Date of issue: 24.12.2002
Date of expiry: Perpetual
Issuing authority: Federal Financial Markets Service

Depository Bank
Bank of New York
101 Barclay Street, 22nd Floor
New York, 10286
United States of America
Tel: 212 815-28-46
Maria Mozhina
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LEADING RESULTS THROUGHOUT THE GROUP

Viktor Belyakov
CFO

> In 2011 Uralkali demonstrated outstanding financial results. In particular, EBITDA rose by a record 75% supported by high export potash prices alongside low production costs maintained throughout the year

Significant changes are mainly due to the completion of the merger process with Silvinit.

1. Gross sales

2011 was an exceptionally good year for the Company, as 2011 sales volumes were up 70% on the previous year. The average export price (in US$) for Uralkali products was 24.5% higher than in 2010 with revenues increasing in 2011 to US$3.5 billion, up 106% on the previous year.

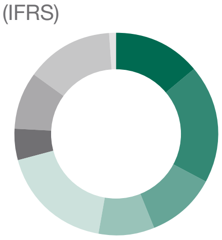
Pro-forma data[1] Uralkali's consolidated results were as follows:

- sales volumes were up 6% year-on-year
- group revenues were US$4.2 billion in 2011, representing a 41% increase on the prior year
- the average export price was 38% higher in 2011 on FCA basis (in US$)

Non-potash sales (primarily sodium chloride (NaCl) solution and carnallite processing services) at US$0.1 billion, accounted for 2.6% of gross revenues.

Uralkali potash sales structure 2011 (IFRS)

India	14%
SE Asia	19%
USA	11%
Europe	9%
Russia	18%
Brazil	5%
China sea	9%
China rail	14%
Other	1%



[1] Uralkali financial results including Silvinit results starting from 1 January 2011. For the comparability of the data shown in relation to the pro-forma, the FY 2010 results are combined IFRS of Silvinit and Uralkali

2. Transportation

81% of export sales in 2011 were shipped by sea, mostly through the Company's 100%-owned terminal at Saint Petersburg. Distribution costs for sea export include the railway tariff from Berezniki and Solikamsk to Saint Petersburg, transhipment to the sea port and freight costs (except for deliveries on FOB basis).

About 19% of export sales were transported by rail, including China (17%) and other regions (2%).

Distribution costs for these deliveries include railway tariff costs to China and other regions respectively.

Export structure 2011 (IFRS)

Sea export (through Saint Petersburg)	51%
Sea export (Ventspils)	18%
Sea export (through Nikolaev)	7%
Sea export (through ports)	5%
China rail	17%
Other rail	2%

2.1. Freight

Average freight rates expressed in US dollars were 15% lower than in 2010 per tonne of product shipped by sea, on a CFR basis.

The situation was favourable to the shipping market. The main factors that influenced the decline of freight rates in 2011 were the commencement of operation of a significant number of new ships in all segments and their moderate utilisation. The result of Uralkali's policy is to hedge sea shipping costs using long-term freight contracts, which was another reason for declining freight rates. In 2011 approximately 35% of sea deliveries were carried out using freight contracts for more than 6 month terms.

2.2 Railway tariffs

The Company carries out direct deliveries by rail to customers in North China, Europe and the CIS. Railway tariffs for all destinations are regulated by the State. In 2011 the State increased the RUB denominated tariffs to Saint Petersburg by 8%, to China by 16% from Grodekovo and by 8% from Zabaikalsk. The increase of railway tariffs was consistent with the inflation rate, except for some areas in which there is a unification of tariff rates. The weighted average railway tariff[2] in the direction of Saint Petersburg was 8% higher in 2011 than in 2010 (resulting in an effective increase of 10% in US dollars equivalent) and in the direction of China was 9% higher (resulting in an effective increase of 12% in US dollars equivalent).

Effective freight rates (IFRS) (US$ per tonne)

SPb railway tariff (IFRS) (US$ per tonne)

China railway tariff (IFRS) (US$ per tonne)

3. Net sales

Net sales are defined as the gross revenues for the period net of certain distribution costs – freight costs, railway tariffs and transhipment costs. According to pro-forma data, net sales increased in 2011 by 43% to US$3.6 billion.

[2] The weighted average tariff takes into account the volume of shipments of the Company's direction in the context of railway crossings

4. Total expenses: potash sales

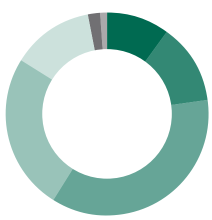
Total expenses for potash sales[1] amounted to US$200 per tonne in 2011 with the increase in costs primarily due to amortisation of mining licences acquired in a business combination. Mining licences were evaluated at fair value as at the date of the combination and amortised on a unit of production method. Total potash sales costs in the domestic market amounted to US$152 per tonne[2].

5. Cash Cost of Goods Sold[3]

According to pro-forma data, sales volumes increased by 644 tonnes (6% of 2010 sales volumes). The cash cost for products sold in 2011 was US$55 per tonne, according to both IFRS and pro-forma. In spite of inflation, the cash cost of goods sold (COGS) was at the same level as last year due to the realisation of synergies from the merger with Silvinit.

Cash COGS structure 2011 (IFRS)

Standardised materials	10%
Other materials	13%
Labour cost	36%
Fuel and energy	25%
Repairs	13%
Transportation between mines	2%
Other	1%



Cash cost of sales per tonne (IFRS) (US$ per tonne)

5.1 Labour

Due to the merger with Silvinit on 17 May 2011, the Group headcount increased by c.10,700. Additionally, the Company acquired control of Solikamsky Stroitelny Trest on 7 October 2011, leading to an increase in numbers of c.1,200. Upon completion of the merger, three newly formed service subsidiaries were separated by the Company acting in areas such as repairs of property, plant and equipment, construction, energy generation and automatisation processes. From the other side, such competitive services as canteen, cleaning, communication and IS services have been outsourced, thereby reducing the number of personnel by c.700.

Following the reorganisation and merger with Silvinit, the Company also reduced production and administration staff by c.1,600.

In 2011 Uralkali made a number of decisions with respect to indexation of average monthly salary in order to align it with the market level. As a result, the average monthly salary increased by 8% in RUB equivalent on the 2010 level. Upon completion of the merger with Silvinit, the average monthly salary is set at the level of approximately US$1,080. Labour compensation costs are fixed due to the social responsibility policy, meaning the Company cannot reduce headcount during a period of temporary reduction in production volume.

Presently c.12,500 people are employed at Uralkali's main production unit.

The staff employed in service divisions (mainly involved in repairs, construction, motor freight and IT services) account for the difference between the headcount of the Group and the headcount of the main production unit.

Headcount of main production unit (period average) employees (IFRS)

Headcount of Uralkali Group (period average) employees (IFRS)

[1] Total expenses of potash sales are calculated according to IFRS and include sales, distribution, general and administrative, and other operating expenses and taxes other than income tax for potash sales (see note 8 to the Consolidated Financial Statement for the year ended 31 December 2011)

[2] Total expenses of potash sales on the domestic market are calculated in accordance with Uralkali's accounting policy and include expenses in lines №2120, 2210, 2220, 2330, 2350, 2410, 2430 of form №2 (see profit and loss statement within Uralkali's accounts for 2011, prepared in line with the Russian accounting standards)

[3] Cash cost of goods sold = cost of goods sold less depreciation

5.2 Fuel and energy

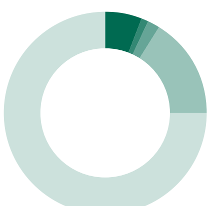
Potash production is an energy-intensive process. For the most part, fuel and energy-related costs are variable and are set in roubles. In 2011, the state regulation of tariffs was cancelled. Energy consumed by Uralkali was either purchased on the open market, or produced by the Company (electricity).

As a result, the effective tariff on gas in 2011 increased by 16% on 2010 (19% in US dollars equivalent) to US$93 per thousand cubic meters. The effective tariff on electricity in 2010 rose a little bit more than 9% (14% in US dollars equivalent) to US$65 per thousand kWh. To minimise the negative effect of the growth in tariffs, the Company has created its own power generation facilities.

For more details see point 7

Fuel and energy cost 2011 (IFRS)

Gas	6%
Fuel oil	1%
Heat	2%
Electricity	16%
Other cash COGS	75%



Gas tariff (US$ 1,000m³) (IFRS)

93

↑19%

Effective electricity tariff (US$ 1,000 kWh) (IFRS)

65

↑14%

[6] Cash general and administrative expenses = general and administrative expenses less depreciation and amortisation

5.3 Other cash costs

Other cash costs include variable costs (such as production materials and transportation between mines) and fixed costs (such as costs related to outsourced repairs and maintenance and materials for repairs and utilities). More than 90% of these costs are in roubles.

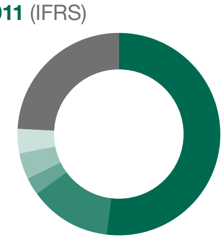
6. General and administrative expenses

Personnel costs account for more than half (52%) of general and administrative costs. As per the pro-forma data, the effective increase of administrative cash costs[6] is 16% of the prior year level, driven mainly by the consulting services relating to the merger, amounting to US$21 million. This is a very low level of costs in relation to the size of the Company and the amount of work performed. Consolidation of acquired companies and the subsequent restructuring and optimisation of staff were the significant factors in influencing general and administrative expenses.

For more details see point 5.1 on page 97

General and administrative costs 2011 (IFRS)

Labour	52%
Consulting	13%
Insurance	3%
Security	4%
Repairs	4%
Other	24%



7. Cost reduction programmes

Power generation programme

During recent years, the Company has created its own power generation facilities. By the end of 2011 Uralkali had reached the final stage of this programme, with construction of four electricity generation turbines at the Berezniki-4 production unit completed.

In the second half of 2012 we expect to put all four electricity generation turbines into usage at the Berezniki-4 production unit, producing 137 million kWh of electricity. We expect to obtain the licences for parallel operation of the turbines in mid-2012.

8. EBITDA

According to pro-forma data, adjusted EBITDA[7] in 2011 increased by 75% to US$2.5 billion. The adjusted EBITDA margin[8] in 2011 would have increased to 69% from 56% in the previous year. The growth of adjusted EBITDA was mainly achieved by the increase of export prices and savings of COGS per tonne at the level of the previous year, adjusted for inflation.

In 2011 adjusted EBITDA increased by 158% to US$2.1 billion. Adjusted EBITDA margin in 2011 increased to 70% from 60% the previous year.

9. Mine flooding costs

As of 31 December 2011, provision of additional expenditures in relation to the construction of a 53-kilometre railway bypass accrued to the amount of US$31 million. To date this provision has not been utilised as the payment process has not been finalised.

As a part of its social responsibility programme, the Company compensated expenses for filling the sinkhole near the railroad station to the sum of US$6.8 million. Moreover, the Company and OJSC TGK-9 concluded an amicable agreement under which the Company compensated expenses due to the flooding of the Mine 1 in the amount of US$16.9 million.

For details see note 5 to the Consolidated Financial Statements for the year ended 31 December 2011

The Board of Directors has 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 raw materials due to the flooding of the Berezniki-1 mine. This will allow the Company to reduce operational costs. The Company ceased production at the plant at the end of 2011 and begin dismantling it. The dismantling is expected to be completed within several years.

10. CAPEX

As per the pro-forma data in 2011, total CAPEX amounted to US$444[9] million (US$400 million as per IFRS data), of which more than a half was spent on expansion. The main projects included increasing production at Berezniki-4 production unit (modernisation of the second production line); designing the shaft for the Ust-Yayvinsky project; implementing the Company's power generation programme and infrastructure development. More than 95% of maintenance costs are in roubles.

Structure of CAPEX expansion 2011 (IFRS)

Berezniki-4 expansion	63%
Granulation expansion at Berezniki-2, 3	6%
Shaft modernisation at Berezniki-2	4%
Carnallite	2%
Combine systems	1%
Hydroshifting complexes	1%
Infrastructure	12%
Ust-Yayva	4%
Polovodovo	2%
Power generation	5%

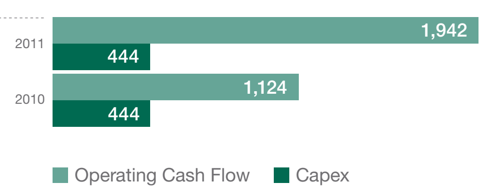
11. Cash flow

Due to increased sales volumes in Uralkali's main markets net cash generated from operations in 2011 increased by approximately 40% on 2010 to US$1.7 billion. As per pro-forma data net cash generated from operations in 2011 is US$1.9 billion.

As of 31 December 2011 Uralkali had net debt of US$2.3 billion. Its cash balance amounted to more than US$1 billion, with bank debt at US$3.3 billion.

During 2011 the Company has used financial instruments (cross-currency interest rate swaps) to optimise the value of the loan portfolio and the conversion of ruble-denominated loans in dollars. The effective interest rate at the end of 2011 amounted to about 3.3%.

Operating cash flow vs. CAPEX (US$ mln)



[7] Adjusted EBITDA represents operating profit plus depreciation and amortisation. Adjusted EBITDA does not reflect the impact of finance income and expenses and mine flooding costs

[8] Adjusted EBITDA margin is calculated as adjusted EBITDA divided by net sales

[9] CAPEX for the period includes additions to property, plant and equipment for the period, adjusted for the changes in balances of letters of credit and prepayments for acquisition of PPE

Independent Auditor's Report

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

1. We have audited the accompanying consolidated financial statements of Open Joint Stock Company "Uralkali" (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as of 31 December 2011 and the consolidated statements of income, comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

10 April 2012
Moscow, Russian Federation

Consolidated Statement of Financial Position

As of 31 December 2011 (in thousands of US dollars, unless otherwise stated)

	Note	31 December 2011	31 December 2010
ASSETS			
Non-current assets:			
Property, plant and equipment	9	**3,169,736**	1,546,876
Prepayments for acquisition of property, plant and equipment		**27,282**	33,534
Letters of credit for acquisition of property, plant and equipment		**10,429**	4,266
Goodwill	10	**1,829,694**	12,009
Intangible assets	11	**5,592,039**	4,659
Investments in associates	13	**12,563**	242
Deferred income tax asset	34	**39,289**	8,465
Other non-current financial assets		**5,273**	7,239
Total non-current assets		**10,686,305**	**1,617,290**
Current assets:			
Inventories	14	**243,603**	115,333
Trade and other receivables	15	**467,999**	235,063
Current income tax prepayments		**33,279**	2,035
Loans issued to related parties	7	**316**	328
Other financial assets at fair value through profit or loss	16	**189,730**	–
Irrevocable bank deposits	17	**8,169**	2,953
Cash and cash equivalents	17	**1,009,450**	481,512
		1,952,546	**837,224**
Non-current assets held for sale	9,18	**28,416**	–
Total current assets		**1,980,962**	**837,224**
TOTAL ASSETS		**12,667,267**	**2,454,514**
EQUITY			
Share capital	19	**37,638**	20,387
Treasury shares	19	**(746)**	(440)
Share premium/(discount)		**6,879,880**	(31,618)
Revaluation reserve		**5,302**	5,302
Currency translation reserve		**(1,144,287)**	(101,589)
Retained earnings		**2,269,362**	1,970,950
Equity attributable to the Company equity holders		**8,047,149**	**1,862,992**
Non-controlling interests		**12,461**	**616**
TOTAL EQUITY		**8,059,610**	**1,863,608**
LIABILITIES			
Non-current liabilities:			
Borrowings	22	**3,017,155**	302,393
Post employment benefits obligations	35	**23,450**	9,253
Deferred income tax liability	34	**716,234**	21,229
Provisions	20	**51,755**	–
Derivative financial liabilities	24	**75,981**	
Total non-current liabilities		**3,884,575**	**332,875**
Current liabilities:			
Borrowings	22	**282,095**	84,950
Trade and other payables	25	**292,895**	114,480
Provisions	5, 20	**66,283**	–
Derivative financial liabilities	24	**21,501**	–
Mine flooding provisions	5, 21	**31,060**	32,811
Current income tax payable		**2,865**	10,040
Other taxes payable		**26,383**	15,750
Total current liabilities		**723,082**	**258,031**
TOTAL LIABILITIES		**4,607,657**	**590,906**
TOTAL LIABILITIES AND EQUITY		**12,667,267**	**2,454,514**

Approved for issue and signed on behalf of the Board of Directors
10 April 2012

Chief Executive Officer

Chief Financial Officer

Consolidated Statement of Income

For the year ended 31 December 2011 (in thousands of US dollars, unless otherwise stated)

	Note	2011	2010
Revenues	26	**3,495,889**	1,699,358
Cost of sales	27	**(888,198)**	(389,661)
Gross profit		**2,607,691**	**1,309,697**
Distribution costs	28	**(631,006)**	(422,237)
General and administrative expenses	29	**(219,487)**	(162,617)
Taxes other than income tax		**(28,584)**	(21,048)
Other operating income and expenses	31	**(37,940)**	(30,205)
Operating profit		**1,690,674**	**673,590**
Mine flooding costs	33	**(26,444)**	(922)
Finance income	32	**48,768**	7,048
Finance expense	32	**(375,653)**	(29,216)
Profit before income tax		**1,337,345**	**650,500**
Income tax expense	34	**(152,260)**	(101,944)
Net profit for the year		**1,185,085**	**548,556**
Profit is attributable to:			
Owners of the Company		**1,184,032**	548,424
Non-controlling interests		**1,053**	132
Net profit for the year		**1,185,085**	**548,556**
Earnings per share – basic and diluted (in US cents)	36	**43.88**	26.12

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011 (in thousands of US dollars, unless otherwise stated)

	2011	2010
Net profit for the period	**1,185,085**	**548,556**
Other comprehensive income/(loss)		
Effect of translation to presentation currency	**(1,042,698)**	(15,802)
Disposal of subsidiary to associate	**–**	33
Total other comprehensive loss for the year	**(1,042,698)**	**(15,769)**
Total comprehensive income for the year	**142,387**	**532,787**
Total comprehensive income for the year attributable to:		
Owners of the Company	**141,334**	532,655
Non-controlling interests	**1,053**	132

Consolidated Statement of Cash Flows

For the year ended 31 December 2011 (in thousands of US dollars, unless otherwise stated)

	Note	2011	2010
Cash flows from operating activities			
Profit before income tax		**1,337,345**	650,500
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets	9, 11	**377,477**	126,780
Losses on disposal and write-off of property, plant and equipment	31	**17,072**	9,190
Reversal of provision for impairment of receivables and income from assignment of accounts receivable and loans issued	31	**(13,920)**	(362)
Loss on disposal of subsidiaries	31	**4,344**	–
Net change in provisions	20	**25,751**	–
Finance income and expense, net		**152,653**	12,714
Foreign exchange losses, net	32	**135,862**	7,411
Operating cash flows before working capital changes		**2,036,584**	**806,233**
Increase in trade and other receivables		**(3,021)**	(36,100)
Decrease/(increase) in inventories		**24,415**	(1,120)
(Decrease)/ increase in accounts payable, accrued expenses and other creditors		**(28,891)**	29,480
Increase in other taxes payable		**12,890**	3,689
Cash generated from operations		**2,041,977**	**802,182**
Interest paid	22	**(97,063)**	(15,252)
Income taxes paid		**(287,209)**	(88,042)
Net cash generated from operating activities		**1,657,705**	**698,888**
Cash flows from investing activities			
Acquisition of intangible assets		**(1,726)**	(1,976)
Acquisition of property, plant and equipment		**(365,237)**	(339,595)
Proceeds from sales of property, plant and equipment		**27,204**	131,490
Purchase of financial assets at fair value through profit or loss		**(296,014)**	(66)
Proceeds from sale of financial assets at fair value through profit or loss and other investments		**104,804**	–
Acquisition of subsidiaries, net of cash acquired	6	**(1,113,990)**	(132)
Loans issued to related party	7	**–**	(18,281)
Loans repaid by related party	7	**–**	69,928
Decrease/(increase) in irrevocable bank deposits	17	**804**	(2,536)
Dividends and interest received		**27,293**	5,731
Net cash used in investing activities		**(1,616,862)**	**(155,437)**
Cash flows from financing activities			
Repayments of borrowings	22	**(1,443,899)**	(478,744)
Proceeds from borrowings	22	**3,134,676**	401,700
Syndication fees paid	22	**(39,319)**	(3,643)
Proceeds from bonds issued	23	**1,028,768**	–
Redemption of bonds issued	23	**(1,028,768)**	–
Payment due to early redemption of bonds	23,32	**(31,172)**	–
Cash proceeds from derivatives	24	**35,733**	–
Cash paid for termination of derivative	24	**(43,826)**	–
Purchase of treasury shares		**(358,768)**	–
Finance lease payments	22, 32	**(1,650)**	(1,614)
Dividends paid to the Company's shareholders		**(742,731)**	(117,755)
Net cash generated from/(used in) financing activities		**509,044**	**(200,056)**
Effect of foreign exchange rate changes on cash and cash equivalents		**(21,949)**	(3,530)
Net increase in cash and cash equivalents		**527,938**	**339,865**
Cash and cash equivalents at the beginning of the year, net of restricted cash	17	**481,512**	**141,647**
Cash and cash equivalents at the end of the year, net of restricted cash	17	**1,009,450**	**481,512**

Consolidated Statement of Equity

For the year ended 31 December 2011 (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 2010	**20,387**	**(440)**	**(31,618)**	**5,302**	**1,536,809**	**(85,787)**	**1,444,653**	**748**	**1,445,401**
Profit for the period	–	–	–	–	548,424	–	548,424	132	548,556
Other comprehensive income/(loss)	–	–	–	–	33	(15,802)	(15,769)	–	(15,769)
Total comprehensive income/ (loss) for the period	**–**	**–**	**–**	**–**	**548,457**	**(15,802)**	**532,655**	**132**	**532,787**
Transactions with owners									
Dividends declared (Note 19)	–	–	–	–	**(114,316)**	–	(114,316)	–	(114,316)
Disposal of non-controlling interest	–	–	–	–	–	–	–	(264)	(264)
Total transactions with owners	**–**	**–**	**–**	**–**	**(114,316)**	**–**	**(114,316)**	**(264)**	**(114,580)**
Balance at 1 January 2011	**20,387**	**(440)**	**(31,618)**	**5,302**	**1,970,950**	**(101,589)**	**1,862,992**	**616**	**1,863,608**
Profit for the period	–	–	–	–	1,184,032	–	1,184,032	1,053	1,185,085
Other comprehensive loss	–	–	–	–		(1,042,698)	(1,042,698)	–	(1,042,698)
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**	**1,184,032**	**(1,042,698)**	**141,334**	**1,053**	**142,387**
Transactions with owners									
Dividends declared (Note 19)	–	–	–	–	(885,620)	–	(885,620)	–	(885,620)
Issue of share capital for the acquisition of a subsidiary (Note 6)	17,251	–	7,356,633	–	–	–	7,373,884	–	7,373,884
Treasury shares acquired in a business combination (Note 6)	–	(205)	(86,420)	–	–	–	(86,625)	–	(86,625)
Purchase of treasury shares	–	(101)	(358,715)	–	–	–	(358,816)	–	(358,816)
Total transactions with owners	**17,251**	**(306)**	**6,911,498**	**–**	**(885,620)**	**–**	**6,042,823**	**–**	**6,042,823**
Non-controlling interest acquired in a business combination (Note 6)	–	–	–	–	–	–	–	15,373	15,373
Disposal of non-controlling interest acquired in a business combination (Note 6)	–	–	–	–	–	–	–	(4,581)	(4,581)
Balance at 31 December 2011	**37,638**	**(746)**	**6,879,880**	**5,302**	**2,269,362**	**(1,144,287)**	**8,047,149**	**12,461**	**8,059,610**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011 (in thousands of US dollars, unless otherwise stated)

1. The Uralkali Group and its operations

Open Joint Stock Company Uralkali (the "Company") and its subsidiaries (together the "Group") produce mineral fertilisers, primarily potassium based, which are extracted and processed in the vicinity of the city of Berezniki, Russia, and which are distributed both on domestic and foreign markets. In May 2011 the Company acquired OJSC Silvinit and related subsidiaries (together the "Silvinit Group") and as a result, the financial position and the results of operations of Silvinit Group have been included in the Group's consolidated financial statements since 17 May 2011. The Group manufactures various types of products, the most significant being a wide range of potassium salts. The Group is a major Russia-based potash manufacturer. For the year ended 31 December 2011 approximately 82% of potash fertilisers was exported (for the year ended 31 December 2010: 87%).

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

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

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

As of 31 December 2011 the Group employed approximately 23.0 thousand employees (31 December 2010: 12.7 thousand).

2. Basis of preparation and significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all the periods presented, unless otherwise stated.

In 2011 the Company changed the presentation currency of the Group from Russian Roubles ("RR") to US dollars ("US$") since the Company's management considers presentation of the financial statements in US$ to be more useful for the users of the financial statements.

2.1. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention except for certain financial instruments that are presented at fair value as described in Note 2.13.

Group companies maintain their accounting records in Russian Roubles and prepare their statutory financial statements in accordance with the Federal Law on Accounting of the Russian Federation, except for Uralkali Trading SA and Uralkali Trading (Gibraltar) Ltd. which maintain their accounting records in US$ and prepare their financial statements in accordance with IFRS. JSC Belarusian Potash Company maintains its accounting records in Belarusian Roubles ("BYR") and in accordance with Belarusian Laws and Regulations. Uralkali Trading Chicago maintains its accounting records in US$ and in accordance with US GAAP. These consolidated financial statements are based on the statutory records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with IFRS.

2.2. Accounting for the effect of inflation

The Russian Federation has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies". IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date. Hyperinflation in the Russian Federation ceased effective from 1 January 2003. Restatement procedures of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date. For these balances, the amounts expressed in the measuring unit current at 31 December 2002 are treated as the basis for the carrying amounts in these consolidated financial statements.

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

2.3. Consolidated financial statements

Subsidiaries are those companies and other entities in which the Group, directly or indirectly, has an interest of more than one-half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain economic benefits.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of all identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the assets transferred. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

2.4. Non-controlling interest

Non-controlling interest is that part of the net results and net assets of a subsidiary, including fair value adjustments, which is attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as an equity transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the consolidated statement of changes in equity.

2.5. Joint ventures

Jointly controlled entities

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control. Investments in joint ventures are accounted for using the equity method of accounting. Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.6. Investments in associates

Associates are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. The Group's share of the post-acquisition profits or losses of associates is recorded in the consolidated statement of income, and its share of post-acquisition movements in reserves is recognised in reserves. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.7. Property, plant and equipment

Property, plant and equipment acquired or constructed prior to 1 January 1997 is recorded at the amounts determined by an independent valuation as of 1 January 1997 less accumulated depreciation and impairment. Property, plant and equipment acquired or constructed subsequent to 1 January 1997 is recorded at cost less accumulated depreciation. Cost includes all costs directly attributable to bringing the asset to its working condition for its intended use.

The amounts determined by the independent valuation represent gross replacement cost less accumulated depreciation to arrive at an estimate of depreciated replacement cost. This independent valuation was performed in order to determine a basis for cost because the historical accounting records for property, plant and equipment required for IFRS consolidated financial statements preparation were not available. Therefore, this independent valuation is not a recurring feature, since it was intended to determine the historical costs. The changes in carrying value arising from this valuation were recorded directly to retained earnings.

For the year ended 31 December 2011 (in thousands of US dollars, unless otherwise stated)

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

At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, the management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss.

An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use and fair value less costs to sell.

Repair and maintenance expenditures are expensed as incurred. Major renewals and improvements are capitalised. Gains and losses on disposals determined by comparing proceeds with the carrying amount are recognised in profit or loss.

Depreciation on property, plant and equipment items is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	10 to 50
Mine development costs	10 to 30
Plant and equipment	2 to 30
Transport	5 to 15
Others	2 to 15
Land	Not depreciated

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

2.8. Non-current assets classified as held for sale

Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the statement of financial position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction (including loss of control of a subsidiary holding the assets) within 12 months after the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than 12 months after the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale property, plant and equipment, investment properties and intangible assets are not depreciated or amortised.

Liabilities directly associated with the disposal group that will be transferred in the disposal transaction are reclassified and presented separately in the consolidated statement of financial position.

2.9. Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss.

2.10. Finance lease liabilities

Where the Group is a lessee in a lease which transfers substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

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

2.11. Goodwill

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

Gains or losses on disposal of an operation within a cash-generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

2.12. Other intangible assets

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

Expenditure on software, patents, trademarks and non-mineral licences are capitalised and amortised using the straight-line method over their useful lives. Mining licences are amortised on a unit of production method.

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less cost to sell.

2.13. Classification of financial assets

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

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

Derivative financial instruments, represented by cross-currency interest rate swaps, are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The income received from currency-interest rate swap transactions is presented in the interest expense line item. The Group does not apply hedge accounting.

Other financial assets at fair value through profit or loss are financial assets, represented by highly liquid corporate bonds and shares, designated irrevocably, at initial recognition, into this category. Management designates financial assets into this category only if: (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Group's management.

Changes in fair value of financial assets at fair value through profit and loss designed as such upon initial recognition are recognised in the line item fair value gains/(losses) on financial assets at fair value through profit or loss and other investments. Coupon income from corporate bonds is recognised in the interest income line item.

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

2.14. Initial recognition of financial instruments

Derivatives and other financial assets at fair value through profit or loss are initially recorded at fair value. All other financial assets and liabilities are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price.

A gain or loss on initial recognition is only recorded if there is a difference between the fair value and the transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All regular way purchases and sales of financial instruments are recognised on the trade date, which is the date that the Group commits to purchase or sell the financial instrument.

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

2.15. Derecognition of financial assets

The Group derecognises financial assets when: (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired: or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets: or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

2.16. Available-for-sale investments

Available-for-sale investments are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are deferred in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is transferred from other comprehensive income to profit or loss.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the current period's profit or loss.

2.17. Income taxes

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the reporting date in the Russian Federation for entities incorporated in the Russian Federation, in Switzerland for Uralkali Trading SA, in Gibraltar for Uralkali Trading (Gibraltar) Ltd, in the USA for Uralkali Trading Chicago and in Belarussia for JSC Belarusian Potash Company. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

The Group's uncertain tax positions are assessed by management at every reporting date. Liabilities are recorded for income tax positions that are determined by management as less likely than not to be sustained if challenged by tax authorities, based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting date. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the reporting date.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences arising on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition or subsequently for goodwill which is not deductible for tax purposes.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post-acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

2.18. Inventories

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on a weighted average basis. The cost of finished products and work in progress comprises raw material, direct labour, other direct costs and related production overhead (based on normal operating capacity) but excludes borrowing costs. The cost of finished goods includes transport expenses that the Company incurs in distributing goods from its factory to sea ports, vessels and overseas warehouses as these are costs incurred in bringing the inventory to its present location. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

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

2.19. Trade and other receivables

Trade and other receivables are carried at amortised cost using the effective interest method. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss.

2.20. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less and deposits with original maturity of more than three months held for the purpose of meeting short-term cash needs that are convertible into known amounts of cash and subject to insignificant risk of changes in value. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flows. Restricted balances being exchanged or used to settle liability at least 12 months after the reporting date are shown separately from cash and cash equivalents for the purposes of the consolidated statement of financial position and are included in non-current assets.

Bank overdrafts which are repayable on demand are included as a component of cash and cash equivalents.

2.21. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares, other than on a business combination, are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented as share premium.

2.22. Treasury shares

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.23. Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements have been authorised for issue.

2.24. Value added tax

Output value added tax is payable to the tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where a provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debt, including VAT.

2.25. Borrowings

Borrowings are initially recognised at fair value less transactions costs. Borrowings are carried at amortised cost using the effective interest method. Borrowing costs are recognised as an expense on a time-proportion basis using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

The Group capitalises borrowing costs relating to assets that take a substantial period of time to prepare for use or sale (qualifying assets) as part of the cost of the asset. The Group considers a qualifying asset to be an investment project with an execution period exceeding one year.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

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

2.26. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain.

The Group made no provision for warranties based on past experience of no warranty claims.

The Group recognises provision for filling cavities in respect of the Group's obligation to replace the earth extracted from the mines. The provision is recognised when the Group has a legal or constructive obligation in accordance with the plan of works agreed with the state mine supervisory body.

2.27. Trade and other payables

Trade payables are accrued when the counterparty has performed its obligations under contract and are carried at amortised cost using the effective interest method.

2.28. Foreign currency transactions

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

Transactions and balances. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end official exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items, including equity investments.

Group companies. The results and financial positions of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated to the presentation currency as follows:

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

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

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

At 31 December 2011, the official rate of exchange, as determined by the The Central Bank of the Russian Federation (CBRF), was US$ 1 = Rouble 32.20 (31 December 2010: US$ 1 = Rouble 30.48). The official Euro to RR exchange rate at 31 December 2011, as determined by the CBRF, was Euro 1 = Rouble 41.67 (31 December 2010: Euro 1 = Rouble 40.33). The average official rate of exchange for the 12 months ended 31 December 2011 was US$ 1 = Rouble 29.39, and Euro 1 = Rouble 40.87 (12 months ended 31 December 2010: US$ 1 = Rouble 30.36, Euro 1 = Rouble 40.28).

2.29. Revenue recognition

Revenues are recognised on the date of risks transfer under the appropriate INCOTERMS specified in the sales contracts, as this is the date when the risks and rewards of ownership are transferred to the customers. For "Free On Board" (FOB) transactions, the title to goods transfers as soon as the goods are loaded on the ship. For "Delivery At Frontier" (DAF) transactions, the title to goods transfers only when goods cross the Russian border. For "Free Carrier" (FCA) terms, the title transfers when goods are loaded on the first carrier (railway carriages). For "Cost and Freight" (CFR) terms, the title transfers when goods pass the rail of the ship in the port of shipment.

Sales of services are recognised in the accounting period in which the services are rendered.

Sales of potash of Belaruskali and Silvinit (prior to its acquisition) are recognised in the line item other operating income and expenses net of all related costs.

Sales are shown net of VAT, export duties and discounts, and after eliminating sales within the Group. Revenues are measured at the fair value of the consideration received or receivable.

2.30. Transhipment costs

Transhipment costs incurred by OJSC Baltic Bulker Terminal ("BBT"), a 100% subsidiary whose activity is related to transhipment of fertilisers produced by the Group, are presented within distribution costs. These costs include depreciation, payroll, material expenses and various general and administrative expenses.

2.31. Employee benefits

Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group.

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

2.32. Social costs

The Group incurs personnel costs related to the provision of benefits such as health services and charity costs related to various social programmes. These amounts have been charged to other operating expenses.

2.33. Pension costs

In the normal course of business the Group contributes to the Russian Federation state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed as incurred.

For defined benefit pension plans, the cost of providing benefits is determined using the Projected Unit Credit Method and is charged to profit or loss so as to spread the cost over the service period of the employees. An interest cost representing the unwinding of the discount rate on the scheme liabilities is charged to profit or loss. The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date. The plans are not externally funded. The defined benefit obligation is calculated annually by the Group. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms of maturity approximating the terms of the relevant pension liability.

All actuarial gains and losses which arise in calculating the present value of the defined benefit obligation are recognised immediately in profit or loss.

2.34. Earnings per share

Earnings per share are determined by dividing the net income attributable to equity holders of the Company by the weighted average number of participating shares outstanding during the reporting year.

2.35. Segment reporting

The Group identifies segments 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 sale of potash fertilisers.

2.36. Research and development costs

Research expenditures are recognised as expenses as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility and if costs can be measured reliably. Other development expenditures are recognised as expenses as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finite useful life that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit.

3. Adoption of new or revised standards and interpretations

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

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

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

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

Improvements to International Financial Reporting Standards (issued in May 2010 and effective for the Group from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow the previous GAAP carrying value to be used as the deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as the deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on the acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business

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

combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of the revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose the carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose the fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 1 was amended to clarify the requirements for the presentation and content of the statement of changes in equity; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in the classification of financial assets or changes in the business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify the measurement of the fair value of award credits. These amendments do not have a material effect on the Group's consolidated financial statements.

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

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

4. New accounting pronouncements

The following new standards, amendments to standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2012 or later periods and which the Group has not 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 statements;
- 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). The Group is currently assessing the impact of the standard on its consolidated financial statements;
- Recovery of Underlying Assets – Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012). The Group is currently assessing the impact of the standard on its consolidated financial statements;
- 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 statements;
- IFRS 11, Joint arrangements (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial statements;
- IFRS 12, Disclosure of interests in other entities (issued in May 2011, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial statements;
- 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 statements;
- 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 statements;
- 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 statements;
- IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The Group is currently assessing the impact of the amended standard on its consolidated financial statements;
- IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The Group is currently assessing the impact of the standard on its consolidated financial statements;
- 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 statements;

4. New accounting pronouncements (continued)

- 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 statements;
- 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 these financial statements. 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 the mining industry. The Group is currently assessing the impact of the interpretation on its consolidated financial statements.

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

5. Critical accounting estimates and judgements in applying accounting policies

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

Fair value of Silvinit Group's net assets. The Group acquired Silvinit Group during the reporting period (Note 6) and applied a number of estimates to determine the fair value of the acquired subsidiaries' net assets. In estimating the fair values of the licences the Group applied the residual method which is based on a discounted cash flows analysis of the estimated future economic benefits attributable to the licences, net of the attributable fixed assets and construction in progress. This method assumes that intangible assets rarely generate income on their own. Thus, cash flows attributable to the licences are those remaining after the return on investment of all of the contributing assets required to generate the projected cash flows. The Group's management also used the best available estimates in determining the fair value of provision for filling cavities and legal provision.

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

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

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

Provision for compensations

In February 2009, the Company decided voluntarily, as a part of its social responsibility, to compensate expenses incurred by different levels of the government for liquidation of flooding consequences including expenses for resettlement of citizens, construction of a 6-kilometre railway bypass, and also partially compensate the construction of a 53-kilometre railway bypass in the total amount of US$ 242,390.

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

In April 2011 TGK-9 filed a lawsuit against the Company in the arbitration court of Perm Region, claiming a compensation of expenses incurred as a result of mine flooding in the amount of US$ 96,489. In September 2011 the parties concluded an amicable agreement under which the Company compensated US$ 16,979 to OJSC TGK-9 and OJSC TGK-9 withdrew all its claims against the Company with regard to the mine flood.

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

Other risks not included in provisions for compensation

The procedure for calculating and compensating for mineral deposits lost as a result of mine flooding is not established by Russian law. However, the Company evaluates the risk that such claims could arise as "possible". In the appendices to the report of the second commission of Rostekhnadzor, there is a calculation of the value of lost mineral resources (from US$ 788,294 to US$ 2,627,710) and a calculation of losses resulting from mineral extraction tax not received by the government due to flooding (from US$ 29,942 to US$ 99,857). The Company analysed the calculations provided in the appendices and evaluated the risk of compensation in the stated amount as "remote".

Remaining useful life of property, plant and equipment. Management assesses the remaining useful life of property, plant and equipment in accordance with the current technical conditions of assets and estimated period during which these assets will bring economic benefit to the Group (Note 9). The estimated remaining useful life of some property, plant and equipment is beyond the expiry date of the relevant operating licences (Note 1). The management believes that the licences will be renewed in due order. However if the licences are not renewed, property, plant and equipment with net book value of US$ 522,038 (31 December 2010: US$ 160,658) should be assessed for impairment in 2013.

Remaining useful life of mining licences. Management assesses the remaining useful life of intangible assets in accordance with the estimated period during which these assets will bring economic benefit to the Group. The estimated remaining useful life of mining licences acquired in the course of business combination (Note 6) is beyond the expiry date of these licences. The management believes that the licences will be renewed in due order. However if the licences are not renewed, intangible assets with net book value of US$ 4,401,484 (31 December 2010: nil) should be assessed for impairment in 2013.

Land. OJSC Baltic Bulker Terminal does not have registered lease rights to the land underlying the shipping complex it operates. The management plans to secure the land where the facilities of OJSC BBT are situated by a long-term rent agreement. If the Group cannot secure long-term use of this land, non-current assets of US$ 65,889 (31 December 2010: US$ 76,451) should be assessed for impairment.

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

The recoverable amount of goodwill is determined based on value in use calculations determined using discounted cash flow projections of the business over a five-year period performed by management with the help of an independent appraiser. Cash flows beyond the second period have been extrapolated using a steady 3% growth rate. This growth rate does not exceed the long-term average growth rate for the business sector of the economy in which the Company operates. Pre-tax discount rate of 13.4% that reflects risks relating to Uralkali Group was used in the calculation of the recoverable value. The Group did not recognise any impairment (Note 10).

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

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

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations (Note 37).

Provision for filling cavities. A provision has been established in the consolidated financial statements for the Group's obligation to replace the earth extracted from the Solikamsk mines (Note 20).

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 consisted with the cavities filling plan agreed with the state mine supervisory body.
- The future unit cost of replacing one cubic metre 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 metre 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 2011.
- Management applied its judgement 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 2011 management applied a discount rate of 7.7%.

For the year ended 31 December 2011 (in thousands of US dollars, unless otherwise stated)

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

Restructuring provision. The Group accrued provision for the abandoning of the ore-treatment plant and carnallite plant subdivision at Berezniki 1 (Note 20).

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 judgement 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 6.22% to 8.28% depending on the timing of expenses.

6. Business combinations

(i) Acquisition of Silvinit Group

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

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

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

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

	Note	Attributed fair value
Assets		
Property, plant and equipment	9	1,850,768
Intangible assets	11	6,460,432
Investments in associates	13	25,875
Other non-current financial assets		11,190
Deferred tax assets	34	118,108
Trade and other receivables		177,861
Inventories	14	150,464
Loans issued		3,633
Irrevocable bank deposits		6,987
Cash and cash equivalents		350,577
Total assets		**9,155,895**
Liabilities		
Borrowings	22	1,323,507
Deferred tax liabilities	34	970,914
Post employment benefits obligations	35	12,486
Provision for filling cavities, long-term	20	52,215
Trade and other payables		52,948
Current income tax payable		5,583
Legal provision	20,37	60,528
Provision for filling cavities, short-term	20	6,597
Total liabilities		**2,484,778**
Total identifiable net assets at fair value		**6,671,117**

The Group has finalised the preliminary purchase price allocation that was reported in its consolidated condensed interim financial information for the six months ending 30 June 2011.

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

For the year ended 31 December 2011 (in thousands of US dollars, unless otherwise stated)

6. Business combinations (continued)

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

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

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

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

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

	Note	US$ thousands
Total identifiable net assets at fair value		6,671,117
Treasury shares acquired		86,625
Goodwill	10	2,067,872
Total purchase consideration		**8,825,614**

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

If the acquisition had occurred on 1 January 2011, Group results for year ended 31 December 2011 would have been:

- Gross revenue – US$ 4,202,656;
- Net profit – US$ 1,527,189;
- Freight, railway tariff, transhipment – US$ 632,245;
- Depreciation and amortisation, financial income and expenses, income tax expense – US$ 906,216;
- Volume sold – 10,648 thousands tonnes.

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

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

The investment in the acquiree (24.41% of ordinary share capital) held prior to the acquisition was remeasured to its fair value at the acquisition date and a loss in the amount of US$ 913 (Note 13) was recognised on disposal of the associate.

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

For the year ended 31 December 2011 (in thousands of US dollars, unless otherwise stated)

6. Business combinations (continued)

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

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

	Note	Attributed fair value
Assets		
Property, plant and equipment	9	42,145
Intangible assets	11	224
Trade and other receivables		3,569
Inventories		25,047
Cash and cash equivalents		2,901
Total assets		**73,886**
Liabilities		
Borrowings	22	5,087
Deferred tax liabilities	34	4,483
Trade and other payables		15,461
Total liabilities		**25,031**
Total identifiable net assets at fair value		**48,855**

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

	Note	US$ thousands
Total identifiable net assets at fair value		48,855
Fair value of the non-controlling interest		(15,373)
Fair value of existing interest in acquiree	13	(11,926)
Goodwill	10	13,819
Total purchase consideration		**35,375**

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

The Group finalised the purchase price allocation.

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

The acquired Company contributed revenue of US$ 5,282 and loss of US$ 6,493 to the Group for the period from the date of acquisition to 31 December 2011. If the acquisition had occurred on 1 January 2011, Group revenue for 2011 would have been US$ 3,511,941 and profit for 2011 would have been US$ 1,180,701.

LLC Solikamskavto and LLC Stroimarket, subsidiaries of SST, were disposed shortly after acquisition of SST for total consideration of US$ 1,810. The loss on disposal of subsidiaries in the amount of US$ 4,344 was recognised in the other operating income and expenses (Note 31).

For the year ended 31 December 2011 (in thousands of US dollars, unless otherwise stated)

7. Related parties

Related parties are defined in 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 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	31 December 2011	31 December 2010
Balances			
Prepayments for acquisition of property, plant and equipment	Associate	1,531	–
Prepayments for acquisition of property, plant and equipment	Other related parties	2,294	–
Trade and other receivables	Associate	26	–
Trade and other receivables	Other related parties	2,752	–
Trade and other payables	Associate	2,414	–
Trade and other payables	Other related parties	423	–
Loans issued to related parties	Associate	316	328
Transactions			
Acquisition of property, plant and equipment	Associate	32,028	–
Acquisition of property, plant and equipment	Other related parties	3,257	–
Acquisition of inventories	Associate	6,648	–
Acquisition of inventories	Other related parties	62	–

Statement of income caption	Nature of relationship	2011	2010
Other domestic revenue	Associate	86	–
Other domestic revenue	Other related parties	10,198	–
Transportation and other revenues	Associate	57	–
Transportation and other revenues	Other related parties	2,906	–
Repairs and maintenance	Associate	3,571	–
Repairs and maintenance	Other related parties	228	–
Other expenses	Associate	2,112	–
Other expenses	Other related parties	167	–
Interest income	Former key management personnel	211	1,449
Interest income	Other related parties	114	–
Liquidation of BRU1	Associate	855	–

Shareholder's equity caption	Nature of relationship	2011	2010
Dividends declared	Former parent company (Note 1)	–	73,207

Cross shareholding

As of 31 December 2011 LLC Kama, a 100% owned subsidiary of the Group, owned 0.81% of the ordinary shares of the Company (31 December 2010: 1.17%).

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

As of 31 December 2011 Enterpro Services Ltd., a 100% owned subsidiary of the Group, owned 1.60% of the ordinary shares of the Company (31 December 2010: nil).

Management compensation

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

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

Total key management compensation represented by short-term employee benefits and included in general and administrative and distribution expenses in the consolidated statement of income were US$ 21,027 and US$ 42,984 for the years ended 31 December 2011 and 2010, respectively.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2011 (in thousands of US dollars, unless otherwise stated)

7. Related parties (continued)

The structure of total key management compensation is set out below:

	2011	2010
Salary and other compensations	21,027	29,743
Termination bonuses	–	13,241
Total key management compensations	**21,027**	**42,984**

The termination bonuses present one-off benefits paid to the members of senior management who left the Company. The termination bonuses were fully paid in 2010.

8. Segment reporting

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

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	2011	2010
Revenue	26	3,495,889	1,699,358
Segment result (Net profit)		**1,185,085**	**548,556**
Depreciation and amortisation		(377,477)	(126,780)
Mine flooding costs	33	(26,444)	(922)
Finance income	32	48,768	7,048
Finance expense	32	(375,653)	(29,216)
Income tax	34	(152,260)	(101,944)

b) Geographical information

The analysis of Group sales by region was:

	2011	2010
Russia	414,162	152,571
Latin America, China, India, South East Asia	2,221,114	994,279
USA, Europe	853,708	538,279
Other countries	6,905	14,229
Total revenue	**3,495,889**	**1,699,358**

The sales are allocated by region based on the destination country.

c) Major customers

The Group had sales in excess of 10% to one customer during the year ended 31 December 2011. Revenue from this customer represented 15% of total Group revenue for the year ended 31 December 2011.

The Group had no external customers which represented more than 10% of the Group's revenues in the year ended 31 December 2010.

For the year ended 31 December 2011 (in thousands of US dollars, unless otherwise stated)

8. Segment reporting (continued)

d) In addition to the above segment disclosure, management is preparing additional information that splits the result of potash segment activity between export potash sales, domestic potash sales and other sales. Direct cost of sales and distribution expenses are allocated proportionally based on revenues. Indirect expenses, such as general and administrative expenses, other operating income and expenses and taxes other than income tax are allocated between categories proportionally based on cost of sales. Some costs are considered as unallocated (loss on disposal of fixed assets, net results on sale of Belaruskali and Silvinit goods, mine flooding costs, finance income and expense, income tax expense). This split for the year ended 31 December 2011 was as follows:

	Export potash sales	Domestic potash sales	Total potash sales	Other sales	Unallocated	Total
Tonnes (thousands)	**7,040**	**1,579**	**8,619**	**–**	**–**	**8,619**
Revenues	3,081,727	322,851	3,404,578	91,311	–	3,495,889
Cost of sales	(687,015)	(154,148)	(841,163)	(47,035)	–	(888,198)
Distribution, general and administrative expenses, other operating income and expenses and taxes other than income tax	(839,190)	(47,591)	(886,781)	(23,141)	(7,095)	(917,017)
Operating profit/(loss)	**1,555,522**	**121,112**	**1,676,634**	**21,135**	**(7,095)**	**1,690,674**
Mine flooding costs					(26,444)	(26,444)
Finance income and expense, net					(326,885)	(326,885)
Profit before income tax						**1,337,345**
Income tax expense					(152,260)	(152,260)
Segment result/Net profit						**1,185,085**

This split for the year ended 31 December 2010 was as follows:

	Export potash sales	Domestic potash sales	Total potash sales	Other sales	Unallocated	Total
Tonnes (thousands)	**4,397**	**682**	**5,079**	**–**	**–**	**5,079**
Revenues	1,546,787	101,846	1,648,633	50,725	–	1,699,358
Cost of sales	(315,517)	(48,913)	(364,430)	(25,231)	–	(389,661)
Distribution, general and administrative expenses, other operating income and expenses and taxes other than income tax	(589,202)	(26,021)	(615,223)	(12,089)	(8,795)	(636,107)
Operating profit/(loss)	**642,068**	**26,912**	**668,980**	**13,405**	**(8,795)**	**673,590**
Mine flooding costs					(922)	(922)
Finance income and expense, net					(22,168)	(22,168)
Profit before income tax						**650,500**
Income tax expense					(101,944)	(101,944)
Segment result/Net profit						**548,556**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2011 (in thousands of US dollars, unless otherwise stated)

9. Property, plant and equipment

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

	Buildings	Mine development costs	Plant and equipment	Transport	Assets under construction	Other	Land	Total
Cost								
Balance as of 31 December 2010	352,726	219,510	827,807	159,695	758,575	30,646	6,267	2,355,226
Additions	–	–	–	16,264	384,021	–	–	400,285
Transfers	37,064	30,048	282,477	–	(353,587)	2,832	1,166	–
Disposals	(12,956)	(903)	(32,894)	(15,231)	(6,243)	(5,604)	(21)	(73,852)
Acquisitions of subsidiaries (Note 6)	518,450	430,538	579,482	156,001	142,062	33,538	32,842	1,892,913
Disposal of subsidiaries (Note 6)	(8,148)	–	(2,024)	(2,569)	–	–	(142)	(12,883)
Non-current assets held for sale (Note 18)	(2,730)	–	(26,712)	(403)	–	(1,400)	–	(31,245)
Write-off of fixed assets (Note 31)	(9,174)	(1,966)	(12,823)	(3)	–	(19)	–	(23,985)
Effect of translation to presentation currency	(81,932)	(68,741)	(136,225)	(28,079)	(60,471)	(5,228)	(4,546)	(385,222)
Balance as of 31 December 2011	**793,300**	**608,486**	**1,479,088**	**285,675**	**864,357**	**54,765**	**35,566**	**4,121,237**
Accumulated Depreciation								
Balance as of 31 December 2010	140,073	165,502	417,201	72,941	–	12,633	–	808,350
Depreciation charge	20,663	26,747	183,108	19,069	–	2,826	–	252,413
Disposals	(3,007)	(548)	(20,668)	(3,386)	–	(2,282)	–	(29,891)
Non-current assets held for sale (Note 18)	(92)	–	(2,547)	(44)	–	(146)	–	(2,829)
Write-off of fixed assets (Note 31)	(5,496)	(761)	(8,884)	(3)	–	(19)	–	(15,163)
Effect of translation to presentation currency	(8,473)	(11,173)	(35,664)	(5,319)	–	(750)	–	(61,379)
Balance as of 31 December 2011	**143,668**	**179,767**	**532,546**	**83,258**	**–**	**12,262**	**–**	**951,501**
Net Book Value								
Balance as of 31 December 2010	**212,653**	**54,008**	**410,606**	**86,754**	**758,575**	**18,013**	**6,267**	**1,546,876**
Balance as of 31 December 2011	**649,632**	**428,719**	**946,542**	**202,417**	**864,357**	**42,503**	**35,566**	**3,169,736**

	Buildings	Mine development costs	Plant and equipment	Transport	Assets under construction	Other	Land	Total
Cost								
Balance as of 31 December 2009	311,828	199,377	695,770	204,271	667,467	21,260	6,249	2,106,222
Additions	–	–	–	4,150	425,334	–	–	429,484
Transfers	44,763	22,893	159,323	–	(236,959)	9,914	66	–
Disposals	(1,318)	(1,153)	(21,443)	(47,332)	(91,799)	(329)	–	(163,374)
Effect of translation to presentation currency	(2,547)	(1,607)	(5,843)	(1,394)	(5,468)	(199)	(48)	(17,106)
Balance as of 31 December 2010	**352,726**	**219,510**	**827,807**	**159,695**	**758,575**	**30,646**	**6,267**	**2,355,226**
Accumulated Depreciation								
Balance as of 31 December 2009	132,092	161,452	341,189	64,343	–	11,573	–	710,649
Depreciation charge	9,816	6,456	98,782	14,164	–	1,416	–	130,634
Disposals	(791)	(1,153)	(19,862)	(5,040)	–	(262)	–	(27,108)
Effect of translation to presentation currency	(1,044)	(1,253)	(2,908)	(526)	–	(94)	–	(5,825)
Balance as of 31 December 2010	**140,073**	**165,502**	**417,201**	**72,941**	**–**	**12,633**	**–**	**808,350**
Net Book Value								
Balance as of 31 December 2009	**179,736**	**37,925**	**354,581**	**139,928**	**667,467**	**9,687**	**6,249**	**1,395,573**
Balance as of 31 December 2010	**212,653**	**54,008**	**410,606**	**86,754**	**758,575**	**18,013**	**6,267**	**1,546,876**

For the year ended 31 December 2011 (in thousands of US dollars, unless otherwise stated)

9. Property, plant and equipment (continued)

Depreciation

For the year ended 31 December 2011 and 2010, respectively, the depreciation was allocated to statement of income as follows:

	Note	2011	2010
Cost of sales	27	**219,083**	103,151
Distribution costs (including transhipment activities – Note 2.30)		**17,129**	12,550
General and administrative expenses	29	**10,660**	7,477
Loss on disposal of property, plant and equipment		**567**	1,745
Total depreciation expense		**247,439**	**124,923**

In 2011 the Group incurred depreciation amounting to US$ 4,974 (2010: US$ 5,711), directly related to the construction of new fixed assets. These expenses were capitalised in accordance with the Group accounting policy and included in assets under construction in the consolidated statement of financial position.

Fully depreciated assets still in use

As of 31 December 2011 and 31 December 2010 the gross carrying value of fully depreciated property, plant and equipment still in use was US$ 298,977 and US$ 252,191, respectively.

Assets pledged under loan agreements

As of 31 December 2011 and 31 December 2010 the carrying value of property, plant and equipment pledged under bank loans was US$ 87,314 and US$ 130,820 (Note 22), respectively.

Property, plant and equipment write-off

During the year ended 31 December 2011 the Group decided to write-off fixed assets with gross book value and accumulated depreciation of US$ 23,985 and US$ 15,163, respectively, due to the abandoning of the ore-treatment plant and carnallite plant at Bereznik 1 (Note 20) (2010: nil), and recognised a loss of US$ 8,822 (2010: nil) (Note 31) in these consolidated financial statements.

10. Goodwill

Movements in goodwill arising on the acquisition of subsidiaries are:

	Note	2011	2010
Gross book value at 1 January		**12,009**	12,101
Accumulated impairment losses at 1 January		**–**	–
Carrying amount at 1 January		**12,009**	**12,101**
Acquisition of subsidiaries	6	**2,081,691**	–
Effect of translation to presentation currency		**(264,006)**	(92)
Carrying amount at 31 December		**1,829,694**	**12,009**
Gross book value at 31 December		**1,829,694**	12,009
Accumulated impairment losses at 31 December		**–**	–
Carrying amount at 31 December		**1,829,694**	**12,009**

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

CGU allocated	Acquisition	2011	2010
Uralkali Group	Silvinit Group (Note 6)	**1,804,376**	–
Uralkali Group	CJSC SST (Note 6)	**13,950**	–
Uralkali Group	OJSC BBT	**11,368**	12,009
Total carrying amount of goodwill		**1,829,694**	**12,009**

The Group did not recognise any impairment (Note 5).

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2011 (in thousands of US dollars, unless otherwise stated)

11. Intangible assets

	Mining licences	Software	Other	Total
Cost as of 1 January 2010	**789**	**15,838**	**399**	**17,026**
Accumulated amortisation	**(64)**	**(12,399)**	**–**	**(12,463)**
Carrying amount as of 1 January 2010	**725**	**3,439**	**399**	**4,563**
Additions	–	1,899	77	1,976
Amortisation charge	(12)	(1,845)	–	(1,857)
Effect of translation to presentation currency	(5)	(15)	(3)	(23)
Cost as of 31 December 2010	**783**	**17,620**	**473**	**18,876**
Accumulated amortisation	**(75)**	**(14,142)**	**–**	**(14,217)**
Carrying amount as of 31 December 2010	**708**	**3,478**	**473**	**4,659**
Additions	–	1,674	–	1,674
Capitalised borrowing costs	67,403	–	–	67,403
Acquisition of subsidiaries (Note 6)	6,458,905	1,751	–	6,460,656
Amortisation charge (Note 27, 29)	(128,178)	(1,860)	–	(130,038)
Effect of translation to presentation currency	(811,946)	(343)	(26)	(812,315)
Cost as of 31 December 2011	**5,703,894**	**19,774**	**447**	**5,724,115**
Accumulated amortisation	**(117,002)**	**(15,074)**	**–**	**(132,076)**
Carrying amount as of 31 December 2011	**5,586,892**	**4,700**	**447**	**5,592,039**

The table below summarises descriptions and carrying amounts of individual material mining licences:

Licensed plot	31 December 2011	31 December 2010
Solikamskiy plot (north part)	**2,192,880**	–
Solikamskiy plot (south part)	**1,997,453**	–
Novo-Solikamskiy plot	**211,150**	–
Polovodovskiy plot	**1,184,723**	–
Total	**5,586,206**	**–**

12. Investments in jointly controlled entity

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

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

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

For the year ended 31 December 2011 (in thousands of US dollars, unless otherwise stated)

13. Investments in associates

The Group has the following investments in associates primarily acquired in the course of acquisition of Silvinit Group (Note 6):

	Country of incorporation	31 December 2011	31 December 2010
OJSC Galurgiya	Russia	**46%**	23%
LLC Mashinostroitelnoe predpriyatie Kurs	Russia	**30%**	15%

CJSC SST was an associate of the Silvinit Group, which was acquired by the Company (Note 6). On 7 October 2011 the Company acquired an additional equity stake of CJSC SST, which became a subsidiary (Note 6).

The table below summarises the movements in the carrying amount of the Group's investment in associates.

	Note	2011	2010
Carrying amount at 1 January		**242**	240
Share of profit of associates		**2,871**	–
Impairment of investments in associates		**–**	–
Share of results of associates		**3,113**	240
Fair value of net assets of associates acquired	6	**25,875**	–
Associate reclassified to subsidiary	6	**(11,926)**	–
Subsidiary reclassified to associate		**–**	24
Revaluation loss at the date of acquisition	6	**(913)**	–
Effect of translation to presentation currency		**(3,586)**	(22)
Carrying amount at 31 December		**12,563**	242

14. Inventories

Inventories consist of the following:

	2011	2010
Raw materials	**106,247**	54,435
Finished products	**120,245**	60,143
Work in progress	**1,105**	755
Other inventories	**16,006**	–
Total inventories	**243,603**	**115,333**

As of 31 December 2011 inventories of US$ 2,353 were pledged as security for bank loans (31 December 2010: nil) (Note 22).

Other inventories mainly represent the residential buildings, which are constructed by SST (Note 6).

15. Trade and other receivables

	2011	2010
Trade receivables	**299,729**	96,795
Other accounts receivable	**39,281**	12,698
Less: provision for impairment of trade and other receivables	**(8,389)**	(6,858)
Total financial receivables	**330,621**	**102,635**
VAT recoverable	**93,064**	67,461
Other taxes receivable	**16,532**	48,364
Advances to suppliers	**27,465**	11,812
Insurance expenses prepaid	**317**	1,280
Other prepayments	**–**	3,511
Total trade and other receivables	**467,999**	**235,063**

As of 31 December 2011 trade receivables of US$ 268,640 (31 December 2010: US$ 95,810), net of provision for impairment, were denominated in foreign currencies. 85% of this balance was denominated in US$ (31 December 2010: 68%) and 15% was denominated in Euro (31 December 2010: 32%). Management believes that the fair value of accounts receivable does not differ significantly from their carrying amount.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2011 (in thousands of US dollars, unless otherwise stated)

15. Trade and other receivables (continued)

Movements of the provision for impairment of trade and other receivables were as follows:

	2011		2010	
	Trade receivables	Other receivables	Trade receivables	Other receivables
As of 1 January	**(3,741)**	**(3,117)**	**(3,604)**	**(3,306)**
Provision accrued	(3,351)	(1,877)	(1,252)	(626)
Provision reversed	471	2,600	988	528
Provision written-off	52	1	99	264
Effect of translation to presentation currency	448	125	28	23
As of 31 December	**(6,121)**	**(2,268)**	**(3,741)**	**(3,117)**

The accrual and reversal of the provision for impairment of receivables have been included in other operating expenses in the consolidated statement of income (Note 31). Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

Analysis by credit quality of trade and other receivables is as follows:

	2011		2010	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Current and not impaired				
Customers from developed countries	89,181	–	37,274	–
Customers from developing countries	106,119	–	35,502	–
Domestic customers	56,757	25,994	2,264	7,022
Total current and not impaired	**252,057**	**25,994**	**75,040**	**7,022**
Past due but not impaired				
less than 45 days overdue	34,885	10,539	16,242	1,805
45 to 90 days overdue	5,307	–	1,641	98
over 90 days overdue	–	281	66	492
Total past due but not impaired	**40,192**	**10,820**	**17,949**	**2,395**
Determined to be impaired (gross)				
45 to 90 days overdue	2,719	397	164	328
over 90 days overdue	4,761	2,070	3,642	2,953
Total gross amount of impaired accounts receivables	**7,480**	**2,467**	**3,806**	**3,281**
Total financial receivable (gross)	**299,729**	**39,281**	**96,795**	**12,698**
Less impairment provision	(6,121)	(2,268)	(3,741)	(3,117)
Total financial receivables	**293,608**	**37,013**	**93,054**	**9,581**

As of 31 December 2011 no trade and other receivables were pledged as collateral (31 December 2010: nil).

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

Other financial assets at fair value through profit and loss are represented by highly liquid US$ denominated corporate bonds neither past due nor impaired at 31 December 2011 (31 December 2010: nil).

Analysis by credit quality of other financial assets at fair value through profit and loss held at 31 December 2011 is as follows:

Rating agency	Rating	2011	2010
Fitch Ratings	BBB-	21,455	–
Fitch Ratings	BBB	13,643	–
Fitch Ratings	BB	6,205	–
Moody's	Baa1	97,086	–
Moody's	Ba2	28,109	–
Moody's	Baa3	18,005	–
Moody's	Ba3	5,227	–
Total other financial assets at fair value through profit or loss		**189,730**	**–**

Coupon income from corporate bonds in the amount of US$ 14,521 is included in interest income (Note 32).

17. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	Interest rates	2011	2010
Cash on hand and bank balances			
RR denominated cash on hand and bank balances	nil (2010: from 0.25% p.a. to 2% p.a.)	58,626	14,732
US$ denominated bank balances		367,045	85,146
EUR denominated bank balances		13,706	16,570
Other currencies denominated balances		1,498	952
Term deposits			
US$ term deposits	0.35% p.a. (2010: from 0.3% to 1.35% p.a.)	21,978	229,321
EUR term deposits	nil (2010: from 0.4% to 1.35% p.a.)	–	117,073
RR term deposits	from 4.95% p.a. to 7.97% p.a. (2010: from 3.13% p.a. to 7% p.a.)	140,995	17,718
Dual currency deposits	from 3.8% to 6% p.a. (2010: nil)	405,602	–
Cash and cash equivalents, net of restricted cash		**1,009,450**	**481,512**
Restricted cash (irrevocable bank deposits)			
From four to five month bank deposits (2010: three month bank deposits)	from 6% to 7.67% p.a. (2010: 4.1% p.a.)	8,169	2,953
Total restricted cash (irrevocable bank deposits)		**8,169**	**2,953**
Total cash and cash equivalents		**1,017,619**	**484,465**

As at 31 December 2011, term deposits, except those included in restricted cash, have various original maturities but may upon request be withdrawn without any restrictions.

18. Non-current assets held for sale

The Group classified a titanium sponge complex acquired in the course of the Silvinit Group acquisition (Note 9) as non-current assets held for sale. Management approved a plan to sell the assets in December 2011 as part of its strategy to divest non-core assets. The Group is actively marketing these assets and expects that the sale be completed by the end of 2012.

19. Shareholders' equity

	Number of ordinary shares (in millions)	Ordinary shares	Treasury shares	Total
At 1 January 2010	2,124	20,387	(440)	19,947
At 31 December 2010	2,124	20,387	(440)	19,947
At 1 January 2011	2,124	20,387	(440)	19,947
Issue of new shares	970	17,251	–	17,251
Treasury shares purchased	–	–	(306)	(306)
At 31 December 2011	**3,094**	**37,638**	**(746)**	**36,892**

In May 2011 the Company issued new shares in conjunction with statutory merger with OJSC Silvinit (Note 6) in the total amount of 970,247,905 ordinary shares with a nominal value per share of 1.778 US cents (0.5 Russian roubles).

The number of unissued authorised ordinary shares is 1,730 million (31 December 2010: 1,500 million) with a nominal value per share of 1.553 US cents (0.5 Russian roubles (31 December 2010: 0.5 Russian roubles)). All shares stated in the table above have been issued and fully paid.

Treasury shares. As of 31 December 2011 treasury shares comprise 24,919,729 ordinary shares of the Company (31 December 2010: 24,868,944) owned by LLC Kama, a wholly owned subsidiary of the Group, and 49,521,048 ordinary shares of the Company (31 December 2010: nil) owned by Enterpro Services Ltd., a wholly owned subsidiary of the Group, and 11,453,502 ordinary shares of the Company (31 December 2010: nil) owned by LLC IK Silvinit-Resource, a wholly owned subsidiary of the Group, with a nominal value per share of 1.553 US cents (0.5 Russian roubles) (Note 7). 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.

For the year ended 31 December 2011 treasury shares comprising 121,229 ordinary shares of the Company were bought back by the Company. The Company does not accrue dividends on these treasury shares.

For the year ended 31 December 2011 (in thousands of US dollars, unless otherwise stated)

19. Shareholders' equity (continued)

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 year ended 31 December 2011, the current period net statutory profit for the Company as reported in the published annual statutory reporting forms was US$ 1,448,567 (for the year ended 31 December 2010: US$ 476,596) and the closing balance of the accumulated profit including the current period net statutory profit totalled US$ 2,466,993 (31 December 2010: US$ 1,461,008). However, this legislation and other statutory laws and regulations are open to legal interpretation and accordingly management believes at present that it would not be appropriate to disclose the amount of the distributable reserves in these consolidated financial statements.

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

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

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

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

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

20. Provisions

	Note	Legal provision	Provision for filling cavities	Restructuring provision	Total
Carrying amount at 1 January 2010		–	–	–	–
Carrying amount at 31 December 2010		–	–	–	–
Carrying amount at 1 January 2011		–	–	–	–
Additions through acquisition of subsidiaries	6	60,528	58,812	–	119,340
Additions charged to profit or loss		–	5,417	20,334	25,751
Utilisation of provision		–	(10,016)	–	(10,016)
Effect of translation to presentation currency		(7,659)	(7,606)	(1,772)	(17,037)
Current liabilities		**52,869**	**8,639**	**4,775**	**66,283**
Non-current liabilities		**–**	**37,968**	**13,787**	**51,755**
Carrying amount at 31 December 2011		**52,869**	**46,607**	**18,562**	**118,038**

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 claims that shares of OJSC Silvinit belonging to him were unlawfully transferred from his account in the register without his consent. After the merger the Company became OJSC Silvinit's legal successor.

The Company's management estimates the possibility of a negative outcome as "probable" and accordingly has recognised a provision in respect of this risk in the full amount of the claim. In case of an adverse outcome, the Company will be seeking to receive compensation from the share registrar.

Provision for filling cavities. A provision of US$ 46,607 (31 December 2010: nil) is recorded in respect of the Group's obligation to replace the earth extracted from the mines.

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

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

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

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

The Group also wrote off fixed assets of the closed plants (Note 9).

For the year ended 31 December 2011 (in thousands of US dollars, unless otherwise stated)

21. Mine flooding

	Note	2011	2010
Carrying amount at 1 January		**32,811**	**33,064**
Additions charged to profit or loss	5, 33	**16,979**	–
Utilisation of provision		**(17,551)**	–
Effect of translation to presentation currency		**(1,179)**	(253)
Carrying amount at 31 December		**31,060**	**32,811**

22. Borrowings

	2011	2010
Bank loans	**3,282,071**	369,230
Long-term company loans	**1,449**	1,477
Finance lease payable	**15,730**	16,636
Total borrowings	**3,299,250**	**387,343**

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

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its interest rate exposures. The Group entered into cross-currency interest rate swap agreements in order to decrease interest rate payments (Note 24).

	2011	2010
Balance as of 1 January	**369,230**	445,143
Bank loans received, denominated in US$	**1,425,000**	401,700
Bank loans received, denominated in RR	**1,709,676**	–
Bank loans repaid, denominated in US$	**(1,438,272)**	(463,295)
Bank loans repaid, denominated in RR	**(5,627)**	(15,449)
Interest accrued	**104,919**	15,125
Interest paid	**(97,063)**	(15,252)
Recognition of syndication fees	**(39,319)**	(3,643)
Acquisition of subsidiaries (Note 6)	**1,328,594**	–
Amortisation of syndication fees	**4,619**	4,114
Capitalisation of syndication fees	**16,703**	–
Foreign exchange loss	**237,798**	1,106
Effect of translation to presentation currency	**(334,187)**	(319)
Balance as of 31 December	**3,282,071**	**369,230**

The table below provides interest rates as of 31 December 2011 and 31 December 2010 and the split of the bank loans into short and long term.

Short-term borrowings	Interest rates	2011	2010
Bank loans in US$: floating interest	From 1 month Libor +1.8% to 1 month Libor +3.5% (2010: from 1 month Libor +1.6% to 1 month Libor +3.5%)	**92,838**	84,950
Bank loans in RR: floating interest	From MosPrime Rate 3M+1.5% to MosPrime Rate 3M+1.9% (2010: nil)	**178,619**	–
Bank loans in RR: fixed interest	From 7.3% to 10.0% (2010: nil)	**10,638**	–
Total short-term bank loans		**282,095**	**84,950**

For the year ended 31 December 2011 (in thousands of US dollars, unless otherwise stated)

22. Borrowings (continued)

Long-term borrowings	Interest rates	2011	2010
Bank loans in US$: floating interest	From 1 month Libor +1.8% to 1 month Libor +3.5% (2010: from 1 month Libor +3.25% to 1 month Libor +3.5%)	**1,584,113**	284,280
Bank loans in RR: floating interest	From MosPrime Rate 3M+1.5% to MosPrime Rate 3M+1.9% (2010: nil)	**370,177**	–
Bank loans in RR: fixed interest	From 7.3% to 10.0% (2010: nil)	**1,045,686**	–
Total long-term bank loans		**2,999,976**	**284,280**

US$ denominated bank loans bear a weighted average interest of 4.04% (31 December 2010: 3.40%).

As of 31 December 2011 and 31 December 2010, loans (including short-term borrowings) were guaranteed by the collateral of property, plant and equipment (Note 9). As of 31 December 2011, other inventories of US$ 2,353 were pledged as security for bank loans (31 December 2010: nil) (Note 14).

Bank loans of US$ 1,676,950 (31 December 2010: US$ 369,230) 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:

	2011	2010
– within 1 year	**282,095**	84,950
– between 2 and 5 years	**2,999,976**	284,280
Total bank loans	**3,282,071**	**369,230**

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 31 December 2011, the leased berths were included in property, plant and equipment with a net book value of US$ 17,307 (31 December 2010: US$ 15,290).

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

	2011	2010
– within 1 year	**1,522**	1,608
– between 2 and 5 years	**6,090**	6,431
– after 5 years	**63,945**	69,955
Minimum lease payments at the end of the year	**71,557**	**77,994**
Less future finance charges	**(55,827)**	(61,358)
Present value of minimum lease payments	**15,730**	16,636

23. Bonds issued

In February 2011, the Group issued US$ 1.03 billion three-year RR-denominated bonds (approx. RR 30 billion) with an annual coupon of 8.25% for the purpose of financing the acquisition of the 20% stake in Silvinit Group (Note 6). Simultaneously with the exchange-traded bond placement, the Company entered into a cross-currency interest rate swap transaction, converting its RR-denominated bond obligations into US$ (Note 24).

On 22 August 2011, the Company bought back all previously issued bonds for US$ 1.06 billion (approx. RR 30.9 billion), which equalled 103% of their nominal value.

Following the bond buyback, the cross-currency interest rate swap transaction was also terminated (Note 24).

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2011 (in thousands of US dollars, unless otherwise stated)

24. Derivative financial liabilities

At of 31 December 2011, the derivative financial liabilities were represented by liabilities arising on the cross-currency interest rate swaps accounted for at a fair value of US$ 97,482 entered in conjunction with RR-denominated loans.

During 2011, the Group entered into US$/RR cross-currency interest rate swap agreements in conjunction with bonds issued by the Company (Note 23) and new RR-denominated loan facilities (Note 22). As a result, the Group pays US$ at fixed rates varying from 2.2 to 5.07 and receives RR at rates of bonds issued and RR-denominated loans (Note 22). Maturity of the swaps is linked to the bonds and loans redemption. Following the bond buyback, the cross-currency interest rate swap transaction was also terminated (Note 23).

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

	Note	2011	2010
Opening balance as at 1 January		**–**	**–**
Cash proceeds from derivatives	32	**35,733**	–
Cash paid for derivative termination		**(43,826)**	–
Changes in the fair value	32	**114,338**	–
Effect of translation to presentation currency		**(8,763)**	–
Closing balance as at 31 December		**97,482**	**–**

25. Trade and other payables

	2011	2010
Trade payables	**66,622**	47,938
Accrued liabilities	**10,046**	5,709
Dividends payable	**135,153**	1,444
Other payables	**18,007**	14,503
Total financial payables	**229,828**	**69,594**
Accrued liabilities	**22,648**	18,276
Advances received	**11,530**	10,237
Deferred consideration for acquisition of subsidiary	**4,317**	4,594
Other payables	**24,572**	11,779
Total trade and other payables	**292,895**	**114,480**

26. Revenues

	2011	2010
Export		
Potassium chloride	**2,186,959**	1,090,294
Potassium chloride (granular)	**894,768**	456,493
Domestic		
Potassium chloride	**322,851**	101,846
Other	**37,640**	8,729
Transportation and other revenues	**53,671**	41,996
Total revenues	**3,495,889**	**1,699,358**

27. Cost of sales

	Note	2011	2010
Depreciation	9	**219,083**	103,151
Labour costs	30	**180,508**	95,192
Amortisation of licences	11	**128,178**	12
Fuel and energy		**126,177**	73,914
Materials and components used		**115,610**	65,811
Cost of finished goods acquired in a business combination	6	**67,515**	–
Repairs and maintenance		**65,098**	44,697
Transportation between mines by railway		**11,493**	10,968
Utilities		**808**	428
Change in provision for filling cavities	20	**(5,417)**	–
Change in work in progress, finished goods and goods in transit		**(24,327)**	(5,896)
Other costs		**3,472**	1,384
Total cost of sales		**888,198**	**389,661**

Expenses of US$ 5,775 (for the year ended 31 December 2010: US$ 4,084) relating to transportation of ore between mines by automotive transport were incurred by CJSC Autotranskali, a 100% subsidiary of the Group, and are mainly represented by labour costs, materials and components used and fuel and energy costs.

Costs of finished goods acquired in a business combination represent the fair value of finished goods received in a business combination (Note 6) and sold during the reporting period.

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28. Distribution costs

	Note	2011	2010
Freight		**196,950**	193,744
Railway tariff		**298,908**	152,538
Transport repairs and maintenance		**35,806**	19,071
Transhipment		**31,841**	15,679
Depreciation		**12,740**	9,420
Labour costs	30	**9,267**	8,004
Commissions		**7,626**	6,686
Customs fees		**3,977**	2,420
Travel expenses		**841**	4,578
Other costs		**33,050**	10,097
Total distribution costs		**631,006**	**422,237**

29. General and administrative expenses

	Note	2011	2010
Labour costs	30	**107,223**	98,025
Consulting, audit and legal services		**28,146**	10,178
Depreciation	9	**10,660**	7,477
Repairs and maintenance		**7,790**	5,632
Security		**8,407**	4,842
Mine-rescue crew		**6,646**	3,953
Insurance		**6,373**	3,096
Travel expenses		**3,866**	2,503
Amortisation of intangible assets	11	**1,860**	1,845
Communication and information system services		**2,478**	1,548
Bank charges		**1,864**	1,087
Other expenses		**34,174**	22,431
Total general and administrative expenses		**219,487**	**162,617**

30. Labour costs

	Note	2011	2010
Labour costs – Cost of sales	27	**180,508**	**95,192**
Wages, salaries, bonuses and other compensations		**134,113**	76,944
Contribution to social funds		**40,165**	16,963
Post employment benefits	35	**6,230**	1,285
Labour costs – Distribution costs	28	**9,267**	**8,004**
Wages, salaries, bonuses, other compensations and contribution to social funds		**9,267**	8,004
Labour costs – General and administrative expenses	29	**107,223**	**98,025**
Wages, salaries, bonuses and other compensations		**94,145**	88,670
Contribution to social funds		**11,067**	8,960
Post employment benefits	35	**2,011**	395
Total labour costs		**296,998**	**201,221**

31. Other operating income and expenses

	Note	2011	2010
Restructuring provision	20	**20,334**	–
Social cost and charity		**16,943**	15,547
Property, plant and equipment write-off	9	**8,822**	–
Loss on disposal of subsidiaries	6	**4,344**	–
Net loss on disposals of property, plant and equipment		**8,250**	9,190
Loss/(gain) on reversal of provision for impairment of receivables	15	**2,157**	(362)
Gain on sale of Belaruskali goods		**(499)**	(395)
Gain on sale of Silvinit goods		**(656)**	–
Income from assignment of accounts receivable and loans issued		**(16,077)**	–
Other (income)/expenses, net		**(5,678)**	6,225
Total other operating income and expenses		**37,940**	**30,205**

For the year ended 31 December 2011 (in thousands of US dollars, unless otherwise stated)

31. Other operating income and expenses (continued)

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

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

Income from assignment of accounts receivable and loans issued represents income from the sale of accounts receivable and loans issued which were acquired in the course of acquisition of Silvinit Group (Note 6).

32. Finance income and expense

The components of finance income and expense were as follows:

	Note	2011	2010
Interest income		**32,042**	5,533
Fair value gain on financial assets at fair value through profit or loss and other investments		**11,961**	1,515
Dividend income		**295**	–
Other financial income		**4,470**	–
Finance income		**48,768**	**7,048**

	Note	2011	2010
Interest expense		**49,671**	13,969
Finance lease expense		**1,650**	1,614
Foreign exchange loss		**135,862**	7,411
Fair value losses on other investments		**–**	66
Syndication fee	22	**4,619**	4,114
Fair value loss on derivative financial liabilities	24	**150,071**	–
Letters of credit fees		**2,608**	2,042
Loss on early redemption of bonds	23	**31,172**	–
Finance expense		**375,653**	**29,216**

The interest expense was reduced by the income received from currency-interest rate swap transactions in the total amount of US$ 35,733 (Note 24).

Interest expense in the total amount of US$ 77,458 was capitalised in the cost of property, plant and equipment and intangible assets for the year ended 31 December 2011 (for the year ended 31 December 2010: US$ 955). The capitalisation rate was 5.93% (for the year ended 31 December 2010: 3.49%).

33. Mine flooding costs

Mine flooding costs include costs associated with flooding at Mine 1 (Note 5, 21):

	Note	2011	2010
Monitoring costs		**2,582**	922
Filling of sinkhole		**6,883**	–
Change in provision for compensations	5, 21	**16,979**	–
Total mine flooding costs		**26,444**	**922**

34. Income tax expense

	2011	2010
Current income tax expense	**299,591**	94,895
Adjustments recognised in the period for current income tax of prior periods	**(54,323)**	–
Deferred income tax	**(93,008)**	7,049
Income tax expense	**152,260**	**101,944**

Adjustments recognised in the period for prior year current income tax represent the adjustments for mine flooding costs recognised in 2008 financial statements that became deductable for corporate income tax purposes in 2011.

Income before taxation and non-controlling interests for financial reporting purposes is reconciled to tax expense as follows:

	2011	2010
Profit before income tax	**1,337,345**	650,500
Theoretical tax charge at statutory rate of 15.5% (2010: 15.5%)	**207,289**	100,828
Tax effect of items which are not deductible or assessable for taxation purposes	**7,503**	5,600
Effect of different tax rates in countries in which the Group operates	**(27,244)**	(3,854)
Adjustments recognised in the period for current income tax of prior periods	**(54,323)**	–
Deferred tax recognised on prior period adjustments to current income tax	**15,033**	–
Other	**4,002**	(630)
Consolidated tax charge	**152,260**	**101,944**

For the year ended 31 December 2011 (in thousands of US dollars, unless otherwise stated)

34. Income tax expense (continued)

The majority of the Group companies are located in the Perm region of the Russian Federation and are taxed at rate of 15.5% on taxable profits for 2011 and 2010.

	31 December 2010	Business combination (Note 6)	(Charged)/ credited to profit or loss	Effect on translation to presentation currency	31 December 2011
Tax effects of taxable and deductable temporary differences:					
Property, plant and equipment	(18,211)	(179,068)	(16,212)	25,078	(188,413)
Intangible assets	–	(1,000,962)	9,062	125,872	(866,028)
Investments	(131)	–	2,284	978	3,131
Inventories	(1,805)	(7,356)	38,984	(3,435)	26,388
Borrowings	(689)	–	(4,891)	1,115	(4,465)
Accounts receivable	230	2,909	30,368	(3,910)	29,597
Accounts payable	1,673	1,626	2,963	427	6,689
Tax loss carry forward	2,789	314,810	29,262	(42,544)	304,317
Finance lease	3,314	–	(4)	(164)	3,146
Provision for filling cavities	–	9,383	1,467	(1,315)	9,535
Other	66	1,369	(275)	(2,002)	(842)
Net deferred tax liability	**(12,764)**	**(857,289)**	**93,008**	**100,100**	**(676,945)**
Reflected in the statement of financial position as follows:					
Deferred income tax asset	8,465				39,289
Deferred income tax liability	(21,229)				(716,234)
Deferred income tax liability, net	**(12,764)**				**(676,945)**

The recognised deferred tax asset in respect of tax losses carried forward acquired in the course of business combination represents income taxes recoverable through future deductions from taxable profits. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable.

The tax effect of the movements in the temporary differences for the year ended 31 December 2010 is:

	31 December 2009	(Charged)/ credited to profit or loss	Charged to equity	Effect on translation to presentation currency	31 December 2010
Tax effects of taxable and deductable temporary differences:					
Property, plant and equipment	(14,515)	(3,821)	–	125	(18,211)
Investments	(231)	99	–	1	(131)
Inventories	(760)	(1,054)	–	9	(1,805)
Accounts receivable	(132)	362	–	–	230
Accounts payable	1,587	99		(13)	1,673
Borrowings	(827)	132	–	6	(689)
Tax loss carry forward	5,158	(2,339)	–	(30)	2,789
Finance lease	3,339	–	–	(25)	3,314
Disposal of subsidiary	198	–	(198)	–	–
Other	573	(527)	–	20	66
Net deferred tax liability	**(5,610)**	**(7,049)**	**(198)**	**93**	**(12,764)**
Reflected in the statement of financial position as follows:					
Deferred income tax asset	8,105				8,465
Deferred income tax liability	(13,715)				(21,229)
Deferred income tax liability, net	**(5,610)**				**(12,764)**

The Group has not recognised a deferred income tax liability in respect of temporary differences associated with investments in subsidiaries in the amount of US$ 240,425 (31 December 2010: US$ 416,611). The Group controls the timing of the reversal of these temporary differences and does not expect their reversal in the foreseeable future.

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35. Post employment benefits obligations

In addition to statutory pension benefits, the Company also has several post employment benefit plans, which cover most of its employees.

The Company provides financial support of a defined benefit nature to its pensioners. The plans provide for the payment of retirement benefits starting from the statutory retirement age, which is currently 55 for women and 60 for men. The amount of benefit depends on a number of parameters, including the length of service in the Company at retirement. The benefits do not vest until and are subject to the employee retiring from the Company on or after the above ages. This plan was introduced in the Collective Bargaining Agreement concluded in 2007. The Company further provides other long-term employee benefits such as lump-sum payments upon death of its current employees and pensioners and a lump-sum payment upon retirement of a defined benefit nature. Benefits provided to the employees of Silvinit Group acquired during the period (Note 6) are stipulated in the agreement between the Company and Silvinit Group's trade union.

As of 31 December 2011 and 31 December 2010 the net liabilities of the defined benefit plan and other post employment benefit plans comprised the following:

	2011	2010
Present value of defined benefit obligations (DBO)	**23,944**	**11,583**
Present value of unfunded obligations	**23,944**	11,583
Unrecognised past service cost	**(494)**	(2,330)
Post employment benefits obligations	**23,450**	**9,253**

The amount of net expense for the defined benefit pension plans recognised in the consolidated statement of income (Note 30) was as follows:

	2011	2010
Current service cost	**1,630**	856
Interest cost	**863**	593
Net actuarial losses (gains) recognised during the year	**5,369**	(66)
Amortisation of past service cost	**379**	297
Post employment benefits	**8,241**	**1,680**

The movements in the liability for post employment benefit plans were as follows:

	Note	2011	2010
Present value of defined benefit obligations (DBO) as of 1 January		**11,583**	**10,812**
Service cost		**1,630**	856
Interest cost		**863**	593
Actuarial loss/(gain)		**5,369**	(66)
Liabilities assumed in a business combination	6	**12,486**	–
Past service cost		**(1,506)**	461
Benefits paid		**(4,085)**	(988)
Effect of translation to presentation currency		**(2,396)**	(85)
Present value of defined benefit obligations (DBO) as of 31 December		**23,944**	**11,583**

As of 31 December 2011 and 2010, respectively, the principal actuarial assumptions for the post employment benefit plans were as follows:

	2011	2010
Discount rate	**8.30%**	8.00%
Salary increase	**7.71%**	8.12%
Inflation	**5.60%**	6.00%
Benefits increase (fixed-amount)	**5.60%**	6.00%
Mortality tables	**Russia (1986-87)**	Russia (1986-87)

Net deficit on the post employment benefit plans and the number of experience adjustments for the years ended 31 December 2011 and 2010, respectively, were as follows:

	2011	2010
Present value of defined benefit obligations (DBO)	**23,944**	11,583
Deficit in plan	**23,944**	**11,583**
Losses arising of experience adjustments on plan liabilities	**7,071**	856

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36. 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 year, excluding treasury shares (Note 19). The Company has no dilutive potential ordinary shares: therefore, the diluted earnings per share equal the basic earnings per share.

	2011	2010
Net profit	1,184,032	548,424
Weighted average number of ordinary shares in issue (millions)	2,698	2,100
Basic and diluted earnings per share (expressed in US cents per share)	**43.88**	**26.12**

37. Contingencies, commitments and operating risks

(i) Legal proceedings

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

Between September and November 2008, a number of purported class action lawsuits were filed in US federal district courts in Minnesota and Illinois. Class actions are civil lawsuits typically filed by a plaintiff seeking monetary damages on behalf of the named plaintiff and all others who are similarly situated. The plaintiffs in the suits filed in Minnesota and Illinois are various corporations and individuals who have filed the suits purportedly on behalf of all direct and indirect purchasers of potash from one of the defendants in the United States. The complaint alleges price fixing violations of the US Sherman Act since 1 July 2003. The Company and BPC (Note 12) were listed among the defendants, as well as certain other potash producers. The plaintiffs in the suits have not claimed any specific amount in damages, and it is premature at this time to assess the Group's potential exposure to the plaintiffs' claims. The management of the Group believes that these suits have no merit and the Group intends to defend its position vigorously.

In February 2011 OJSC Acron and several other Silvinit minority shareholders filed a claim against the Company and Silvinit in the Perm Territory Arbitrage (Commercial) Court seeking to invalidate decisions of the Board of Directors and Extraordinary General Shareholders Meeting of Silvinit held on 4 February 2011, and the merger agreement entered into by the Company and Silvinit. The Perm Territory Arbitrage (Commercial) Court rejected the claim on 31 May 2011. The claimants appealed the decision. On 11 August 2011 the appellate court declined the appeal and reasserted the decision of the Perm Territory Arbitrage (Commercial) Court. The decisions of the Perm Territory Arbitrage (Commercial) Court and the appellate court were reasserted by the Ural District Arbitrage Court on 5 December 2011.

In May 2011 OJSC Acron and several other Silvinit minority shareholders filed another claim in the Perm Territory Arbitrage (Commercial) Court against the Company, the Inter-district Tax Inspectorate in the Perm Territory and the Federal Service on Financial Markets seeking to invalidate the additional issues of the Company's shares and subsequent merger of Silvinit and the Company, seeking to reinstate Silvinit as a legal entity. The Perm Territory Arbitrage (Commercial) Court rejected the claim on 22 August 2011. The claimants appealed the decision. On 2 November 2011 the appellate court declined the appeal and reasserted the decision of the Perm Territory Arbitrage (Commercial) Court.

Therefore, the existing court decisions regarding OJSC Acron and several other minority shareholders' claims confirmed that the Uralkali and Silvinit merger was completed without violation of shareholders' rights, and that such claims have no merit. The Company's management believes the upper courts will support its position with regard to the claims and reassert the existing court decisions.

(ii) Tax legislation

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

Russian transfer pricing legislation enacted during the current period is effective prospectively to new transactions from 1 January 2012. It introduces significant reporting and documentation requirements. The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2011 also provides the possibility for 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%. Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. Significant difficulties exist in interpreting and applying transfer pricing legislation in practice. Any prior existing court decisions may provide guidance, but are not legally binding for decisions by other, or higher level, courts in the future.

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37. Contingencies, commitments and operating risks (continued)

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.

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 31 December 2011 and 31 December 2010, no provision for potential tax liabilities had been recorded. Management will continue to monitor the situation as legislation and practice evolve in the jurisdictions in which the Group operates.

In addition to the above matters, management estimates that the Group has other possible obligations from exposure to other than remote tax risks of US$ 4,193 (2010: nil). These exposures are estimates that result from uncertainties in interpretation of applicable legislation and related documentation requirements. Management will vigorously defend the entity's positions and interpretations that were applied in determining taxes recognised in these financial statements if these are challenged by the authorities.

(iii) Insurance policies

The Company generally enters into insurance agreements when it is required by statutory legislation. The insurance agreements do not cover the risks of damage to third parties' property resulting from the Group's underground activities and the risks reflected in Note 5; 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 position 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 5. The Company's mining activities and the recent mine flooding may cause subsidence that may affect the Company's facilities, and those of the cities of Berezniki and Solikamsk, state organisations and others.

(v) Operating environment of the Group

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

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

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

(vi) Capital expenditure commitments

As of 31 December 2011 the Group had contractual commitments for the purchase of property, plant and equipment from third parties for US$ 88,195 (31 December 2010: US$ 180,727). As of 31 December 2011, the Group had contractual commitments for the purchase of property, plant and equipment from related parties for US$ 18,815 (31 December 2010: nil).

The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover these and any similar such commitments.

(vii) Operating lease commitments

As of 31 December 2011 the Group leased property, plant and equipment. The future minimum lease payments under non-cancellable operating leases are as follows:

	2011	2010
Not later than 1 year	2,058	–
Later than 1 year and not later than 5 years	10,289	–
Later than 5 years	5,144	–
Total operating lease commitments	**17,491**	**–**

(viii) Guarantees

Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. As of 31 December 2011 the Group issued guarantees in favour of third parties in the amount of US$ 10 (31 December 2010: US$ 755).

38. Financial risk management

38.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Overall risk management procedures adopted by the Group focus on the unpredictability of financial and commodity markets and seek to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is different from the functional currency of the companies of the Group.

The Group operates internationally and exports approximately 82% of potash fertilisers produced. As a result the Group is exposed to foreign exchange risk arising from various currency exposures. Export sales are denominated in a hard currency, namely in US$ or Euro. The Group maintains a balance between US$ and Euro sales in order to mitigate the risk of US$/Euro exchange rate fluctuations. The Company is exposed to the risk of RR/US$ and RR/Euro exchange rates fluctuations: however the Company is currently benefiting from the weak exchange rate of the Rouble against the US$ and Euro, since all the Company's major expenses are denominated in Roubles.

As of 31 December 2011, if the RR had weakened/strengthened by 10% against the US$ and Euro with all other variables held constant, the post-tax profit for the year would have been US$ 173,096 lower/higher (31 December 2010: US$ 14,802 higher/lower), mainly as a result of foreign exchange gains/losses on the translation of US$ and Euro denominated trade receivables, cash in bank, deposits and foreign exchange losses/gains on the translation of US$ denominated borrowings.

During 2011 the Group entered into US$/RR cross-currency interest rate swap agreements to partially offset the volatility of its cash flows from any potential appreciation of the RR against the US$ (Note 23).

(ii) Price risk

The Group is not exposed to commodity price risk, since the Group does not enter in any operations with financial instruments whose value is exposed to the value of commodities traded on the public market.

(iii) Interest rate risk

The Group's income and operating cash flows are exposed to market interest rate changes. The Group is exposed to fair value interest rate risk through market value fluctuations of interest bearing short- and long-term borrowings, whose interest rates comprise a fixed component. Borrowings issued at variable rates expose the Group to cash flow interest rate risk (Note 22). The Group has interest-bearing assets which are at fixed interest rates (Note 16).

The objective of managing interest rate risk is to prevent losses due to adverse changes in the market interest rate level. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, the renewal of existing positions and alternative financing.

As of 31 December 2011, if Libor rates on US$ and MosPrime rates on RR denominated borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been US$ 7,216 (31 December 2010: US$ 3,759) and US$ 1,717 (31 December 2010: nil) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk arises from the possibility that counterparties to transactions may default on their obligations, causing financial losses for the Group. The objective of managing credit risk is to prevent losses of liquid funds deposited with or invested in such counterparties. Financial assets, which potentially subject Group entities to credit risk, consist primarily of trade receivables, other financial assets at fair value through profit or loss, cash and bank deposits. The maximum exposure to credit risk resulting from financial assets is equal to the carrying amount of the Group's financial assets – US$ 1,543,559 (31 December 2010: US$ 594,667).

The Group is exposed to concentrations of credit risk. As of 31 December 2011 the Group had 18 counterparties (31 December 2010: eight counterparties) with aggregated receivables balances above US$ 3,106. The total aggregate amount of these balances was US$ 294,675 (31 December 2010: US$ 71,300) or 87% of the gross amount of financial trade and other receivables (31 December 2010: 65%). Cash and short-term deposits are placed in banks and financial institutions which are considered at the time of deposit to have minimal risk of default. The Group has no other significant concentrations of credit risk.

Trade receivables are subject to a policy of active credit risk management which focuses on an assessment of ongoing credit evaluation and account monitoring procedures. The objective of the management of trade receivables is to sustain the growth and profitability of the Group by optimising asset utilisation while at the same time maintaining risk at an acceptable level.

For the year ended 31 December 2011 (in thousands of US dollars, unless otherwise stated)

38. Financial risk management (continued)

The effective monitoring and controlling of credit risk is performed by the Group's corporate treasury function. The credit quality of each new customer is analysed before the Group enters into contractual agreements. The credit quality of customers is assessed taking into account their financial position, past experience, country of origin and other factors. The management believes that the country of origin is one of the major factors affecting a customer's credit quality and makes a corresponding analysis (Note 15). Most customers from developing countries are supplied on secured payment terms. These terms include deliveries against opened letters of credit and arrangements with banks on non-recourse discounting of promissory notes received from customers. Only customers from developed countries with a high reputation are supplied on a credit basis.

Although the collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision already recorded (Note 15).

The table below shows the credit quality of cash, cash equivalents and letters of credit balances neither past due nor impaired on the reporting date, based on the credit ratings of independent agencies (for the cash balances held on accounts in Russia the locally tailored ratings are used) as of 31 December 2011 and 2010, if otherwise not stated in table below:

Rating	2011	2010
Moody's		
A2	**287,141**	–
Aaa.ru	**216,397**	178,201
Aa3	**171,466**	217,082
Baa2.ru	**40,192**	16,242
A3	**22,516**	–
A1	**12,026**	58,405
Aa1	**1,389**	–
B1	**–**	5,480
Aa2	**–**	12,698
Standard & Poor's		
B+	**236,006**	–
C	**3,152**	–
Unrated[1]	**37,763**	623
Total	**1,028,048**	**488,731**

[1] Unrated balance contains cash on hand and other cash equivalents.

(c) Liquidity risk

In accordance with prudent liquidity risk management, the management of the Group aims to maintain sufficient cash in order to meet its obligations. Group treasury aims to maintain a sufficient level of liquidity based on monthly cash flow budgets, which are prepared for the year ahead and continuously updated during the year.

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the time remaining from the reporting to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows at spot rates.

	Note	Less than 1 year	Between 2 and 5 years	Over 5 years
As of 31 December 2011				
Trade and other payables	25	229,828	–	–
Borrowings	22	455,509	3,321,634	–
Provisions	20	66,283	51,755	–
Finance leasing	22	1,522	6,090	63,945
Derivative financial liabilities	24	52,095	24,290	–
As of 31 December 2010				
Trade and other payables	25	69,594	–	–
Borrowings	22	98,402	312,860	–
Finance leasing	22	1,608	6,431	69,955

For the year ended 31 December 2011 (in thousands of US dollars, unless otherwise stated)

38. Financial risk management (continued)

38.2. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to reduce the cost of capital. The Group considers total capital to be total equity as shown in the consolidated statement of financial position.

Prior to 2011, the Group monitored capital on a debt to equity ratio basis. This ratio was calculated as the sum of long- and short-term bank borrowings divided by total equity.

Starting from 2011, the Group monitors capital using the capital employed ratio calculated as the sum of long- and short-term bank borrowings divided by the sum of long- and short-term bank borrowings and total equity.

The capital employed ratios as of 31 December 2011 and 31 December 2010 were as follows:

	31 December 2011	31 December 2010
Total bank borrowings (Note 22)	**3,282,071**	369,230
Total equity and bank borrowings	**11,358,860**	2,232,838
Capital employed ratio	**29%**	**17%**

As of 31 December 2011 management has set a level of 30% capital employed ratio as a long-term strategic goal.

39. Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

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 and Other financial assets at fair value through profit or loss are carried on the consolidated statement of financial position at their fair value.

Fair value of corporate bonds and shares was determined based on prices quoted in an active market. Fair values of derivative financial assets and liabilities were determined using the 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. Estimated fair values of borrowings are presented in Note 22.

40. Events after reporting date

Subsequent to the year end, the Group has begun an internal legal restructuring. The purpose of this is to transfer the research and mining licence for the Polovodovskiy block of the Verkhnekamskoe deposit of potassium and magnesium salts to the parent company Uralkali. This transfer is required to ensure the development and approval of the feasibility study for the Polovodovsky project in compliance with the terms of the licence agreement.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the consolidated financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- this Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board, which approved the making of the responsibility statement for the Company at a Board Meeting on 26 April 2012.

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The Board of Directors
Joint Stock Company Uralkali
63 Pyatiletki Street
Berezniki
618426
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Dear Sirs,

RE: Review of the Mineral Resources and Ore Reserves of Joint Stock Company Uralkali located in the Russian Federation

1. Introduction

This is a letter to confirm that SRK Consulting (UK) Limited (SRK) has reviewed all of the key information on which the most recently (1 January 2012) reported Mineral Resource and Ore Reserve statements for the mining assets of Joint Stock Company Uralkali (Uralkali or the Company) are based. Specifically it sets out SRK's view regarding the tonnes and grade of rock which has the potential to be mined by the existing and planned mining operations (the Mineral Resource), the quantity of product expected to be produced as envisaged by the respective Business Plan (the Ore Reserve) and the work done to derive these.

SRK has not independently re-calculated Mineral Resource and Ore Reserve estimates for Uralkali's operations but has, rather, reviewed the quantity and quality of the underlying data and the methodologies used to derive and classify the estimates as reported by Uralkali and made an opinion on these estimates including the tonnes, grade and quality of the potash planned to be exploited in the current mine plan, based on this review. SRK has then used this knowledge to derive audited resource and reserve statements according to the guidelines and terminology proposed in the JORC Code.

This report presents both the existing Uralkali resource estimates according to Russian standard reporting terminology and guidelines and SRK's audited JORC Code statements. All of these estimates are dated as of 1 January 2012. During 2011 Uralkali merged with JSC Silvinit (Silvinit) and these assets now fall under the ownership of Uralkali. SRK has restricted its assessment to the resources and reserves at Berezniki 2, Berezniki 4 and Ust-Yayvinsky (Uralkali's original assets) and Solikamsk 1, Solikamsk 2, Solikamsk 3 and Polovodovsky (former Silvinit assets now under the ownership of Uralkali).

2. Quantity and Quality of Data

2.1. Original Uralkali Operations

The resource and reserve estimates derived by Uralkali are primarily based on exploration drilling undertaken between 1972 and 1998. A specially laid out drilling programme was developed for each mine with the aim of enabling 10% of the contained resources to be assigned to the A category of resources as defined by the Russian Reporting Code, 20% to the B category and 70% to the C1 category. In 2009, exploration drilling from surface started in the eastern portion of Berezniki 4 with an aim to improve the classification of the resource reported in the C2 category to the C1 category. This work is, however, on-going and has not been incorporated into an updated resource estimate at this stage.

The A category is the highest category in the Russian Reporting Code and only used where the stated tonnage and grade estimates are considered to be known to a very high degree of accuracy. The B, C1 and C2 categories are lower confidence categories, with C2 denoting the least level of confidence in the three categories. All of these categories, apart from C2, are acceptable for use in supporting mining plans and feasibility studies. In the case of Uralkali, blocks are assigned to the A category where the drillhole spacing is less than 1km, to the B category where the drillhole spacing is between 1 and 2km and to the C1 category where the drillhole spacing is 2km. Areas drilled at a larger spacing than this, up to a 4km spacing, are assigned to the C2 category, although only a very small proportion of Uralkali's resources have been categorised as such.

As a result of the above process, each mine is typically drilled on a 2km by 2km grid or less before a decision is taken to develop the mine. This information is, however, then supplemented by underground drilling once the access development is in place. This typically creates a grid of intersections measuring 400m by 200m. Uralkali does not upgrade the categorisation of its resources based on this drilling but rather uses this to optimise the mining layouts.

The drillholes, whether drilled from surface or underground, are sampled at intervals of at least 16cm and the samples are crushed and milled under the control of the geology department to produce an approximate 100g sample prior to submission to the laboratory.

Assaying is carried out at an in-house laboratory. No samples are sent to any independent laboratories, but there is an internal system of check assaying and repeat assaying. Approximately 5% of samples are repeat assayed. All assaying is by classical wet chemistry techniques.

2.2. Former Silvinit Operations

The deposits were discovered in 1925 and each has been subjected to a number of exploration and drilling campaigns as follows:

- Solikamsk 1 – 7 phases between 1925 and 1990 (including exploration outside the current mining lease);
- Solikamsk 2 – 7 phases between 1925 and 2002 (including exploration outside the current mining lease); and
- Solikamsk 3 – 7 phases between 1957 and 1975;

Exploration was generally undertaken by State enterprises based in Solikamsk and Berezniki.

The resource and reserve estimates are primarily based on exploration drilling undertaken between 1925 and 2002. There is no exploration drilling currently being undertaken from surface at the operating mines, however, exploration is currently being undertaken at the Polovodovsky prospect.

The total number of exploration holes and metres drilled at each mine/prospect is as follows:

- Solikamsk 1 – 53 holes for some 18,600m;
- Solikamsk 2 – 192 holes for some 5,700m (of which some 95 are from underground);
- Solikamsk 3 – 117 holes for some 45,250m; and
- Polovodovsky – 152 holes for some 50,800m

The diamond drillholes, whether drilled from surface or underground, were drilled with a diameter of either 92mm or 112mm for surface holes and 76mm for underground holes. Holes were sampled at intervals between 10cm and 6m, averaging between 105cm to 130cm. Core recovery through the sylvinite horizons is reported to be good at an average of 84-85%, while the recovery through the carnallite horizon at Solikamsk 1 is reported to be 74%.

Core is split in half with one half retained for reference and the other half crushed, milled and split under the control of the geology department to produce a small sample (100g) for submission to the laboratory for assay.

Assaying is carried out at an in house laboratory using classical wet chemistry techniques. Approximately 5-6% of samples are repeat assayed internally while a similar percentage are sent to an external laboratory for check assaying, which SRK understands to be at the neighbouring Uralkali mine laboratory.

A total of 423 samples have to date been taken for density measurements using the water displacement method.

In the case of former Silvinit mines, blocks are assigned to the A category where the drillhole spacing is less than 1,200m, to the B category where the drillhole spacing is up to 2,400m and to the C1 category where the drillhole spacing is up to 4,000m. Areas drilled at a larger spacing than this, but on average with a spacing of no less than 4,000m are assigned to the C2 category. Each mine is drilled on an approximate 2.4km by 2.4km grid or less before a decision is taken to develop the mine. This information is, however, then supplemented by underground drilling once the access development is in place. This typically creates a grid of intersections measuring from 100m by 300m or in cases up to 400m by 800m. Silvinit does not upgrade the estimation or categorisation of its resources based on this underground drilling on a regular basis but rather uses this to optimise the mining layouts.

3. Resource Estimation

3.1. Introduction

The most up to date resource statements produced by Uralkali are those derived for the annual 5GR reports produced earlier this year which give the status as of 1 January 2012. The completion of 5GR reports is a statutory requirement. These estimates were produced using standard classical Russian techniques and are essentially based on calculations made in previous years adjusted for mining during 2011. This section therefore comments primarily on these statements.

The first resource estimates undertaken and approved for each of the former Silvinit operations were as follows:

- Solikamsk 1 and 2 – 1952;
- Solikamsk 3 – 1962; and
- Polovodovsky – 1975

The resource estimates at each of the active mines have undergone various updates since this time, the most recent of which was in 2006. These estimates were approved by the State Committee for Reserves and take into account all surface and underground drilling data available at that time. While exploration is ongoing at Polovodovsky, the first estimate produced in 1975 has not been updated since this time.

3.2. Estimation Methodology

Each seam and each mine is treated separately in the resource estimation procedure. In each case the horizons are first divided into blocks such that each sub-divided block has reasonably consistent borehole spacing within it; that is more intensely drilled areas are subdivided from less intensely drilled areas. Each resulting “resource block” is then evaluated separately using the borehole intersections falling within that block only.

Specifically, composited K_2O and MgO grades are derived for each borehole that intersected each block and mean grades are then derived for each block by simply calculating a length weighted average of all of these composited intersections. No top cuts are applied and all intersections are allocated the same weighting.

A separate plan is produced for each seam showing the results of the above calculations, the lateral extent of each sub block, and any areas where the seams are not sufficiently developed. The aerial coverage of each block is then used with the mean thickness of the contained intersections to derive a block volume. The tonnage for each block is then derived from this by applying a specific gravity factor calculated by averaging all of the specific gravity determinations made from samples within that block.

The data for each resulting block is plotted on a Horizontal Longitudinal Projection (HLP). This shows the horizontal projection of the extent of each block as well as its grade and contained tonnage. The HLP also shows the block classification, this being effectively a reflection of the confidence of the estimated tonnes and grade.

3.3. Uralkali Resource Statements

Table 1 below summarises SRK’s understanding of the sylvinite resource statements prepared by Uralkali to reflect the status of its assets as of 1 January 2012. Uralkali’s statements are based on a minimum seam thickness of 2m and a minimum block grade which dependent on the mine varies between 13.2% and 13.9% K_2O. Table 2 below summarises SRK’s understanding of the carnallite resource statement prepared by Uralkali to reflect the status of its assets as of 1 January 2012. Uralkali’s statements are based on a minimum seam thickness of 2m and a minimum block grade of 7.1% MgO.

Table 1: Uralkali Sylvinite Mineral Resource Statement at 1 January 2012

Category	Tonnage (Mt)	K_2O (%)	K_2O (Mt)
Berezniki 2			
A	7.9	33.5	2.6
B	35.5	22.7	8.1
C1	268.1	24.3	65.3
A+B+C1	**311.5**	**24.4**	**76.0**
C2	–	–	–
Berezniki 4			
A	349.3	21.6	75.3
B	435.6	22.6	98.3
C1	1,016.0	20.6	209.5
A+B+C1	**1,800.9**	**21.3**	**383.1**
C2	310.3	26.8	83.3
Ust-Yayvinsky			
A	169.9	19.0	32.3
B	311.0	19.8	61.7
C1	809.7	19.8	160.4
A+B+C1	**1,290.6**	**19.7**	**254.4**
C2	–	–	–
Solikamsk 1			
A	128.2	17.6	22.6
B	15.3	15.3	2.3
C1	86.0	16.3	14.0
A+B+C1	**229.5**	**17.0**	**38.9**
C2	–	–	–
Solikamsk 2			
A	139.1	19.2	26.7
B	84.2	13.9	11.7
C1	277.4	18.6	51.6
A+B+C1	**500.7**	**18.0**	**90.0**
C2	–	–	–
Solikamsk 3			
A	105.4	17.5	18.5
B	66.6	18.8	12.5
C1	1,251.1	17.4	218.2
A+B+C1	**1,423.1**	**17.5**	**249.2**
C2	–	–	–
Polovodovsky			
A	–	–	–
B	694.1	16.7	115.8
C1	2,386.6	17.4	415.2
A+B+C1	**3,080.7**	**17.2**	**531.0**

Table 1: Uralkali Sylvinite Mineral Resource Statement at 1 January 2012 continued

Category	Tonnage (Mt)	K_2O (%)	K_2O (Mt)
C2	260.8	15.3	39.8
Summary All Mines			
A	899.8	19.8	178.0
B	1,642.4	18.9	310.4
C1	6,095.0	18.6	1,134.2
A+B+C1	**8,637.2**	**18.8**	**1,622.6**
C2	571.1	21.6	123.1

Table 2: Uralkali Carnallite Mineral Resource Statement at 1 January 2012

Category	Tonnage (Mt)	MgO (%)	MgO (Mt)
Solikamsk 1			
A	135.5	10.0	13.6
B	32.2	8.8	2.8
C1	–	–	–
A+B+C1	**167.7**	**9.8**	**16.4**
C2	–	–	–

3.4. SRK Audited Mineral Resource Statements

Table 3 and 4 below present SRK's audited resource statement for sylvinite and carnallite respectively. SRK has re-classified the resource estimates using the terminology and guidelines proposed in the JORC Code. In doing this, SRK has reported those blocks classified as A or B by Uralkali as Measured, those blocks classified as C1 as Indicated and those blocks classed as C2 as Inferred. SRK's audited Mineral Resource statements are reported inclusive of those Mineral Resources converted to Ore Reserves. The audited Ore Reserve is therefore a sub set of the Mineral Resource and should not therefore be considered as additional to this.

SRK has not attempted to optimise Uralkali's Business Plan. Consequently, SRK's audited resource statements are confined to those seams that both have the potential to be mined economically and which are currently being considered for mining only.

Table 3: SRK Audited Sylvinite Mineral Resource Statement at 1 January 2012

Category	Tonnage (Mt)	K_2O (%)	K_2O (Mt)
Berezniki 2			
Measured	43.4	24.6	10.7
Indicated	268.1	24.3	65.3
Measured + Indicated	**311.5**	**24.4**	**76.0**
Inferred	–	–	–
Berezniki 4			
Measured	784.9	22.1	173.6
Indicated	1,016.0	20.6	209.5
Measured + Indicated	**1,800.9**	**21.3**	**383.1**
Inferred	310.3	26.8	83.3
Ust-Yayvinsky			
Measured	480.9	19.5	94.0
Indicated	809.7	19.8	160.4
Measured + Indicated	**1,290.6**	**19.7**	**254.4**
Inferred	–	–	–
Solikamsk 1			
Measured	143.5	17.4	24.9
Indicated	86.0	16.3	14.0
Measured + Indicated	**229.5**	**17.0**	**38.9**
Inferred	–	–	–
Solikamsk 2			
Measured	223.3	17.2	38.5
Indicated	227.4	18.6	51.6
Measured + Indicated	**500.7**	**18.0**	**90.1**
Inferred	–	–	-
Solikamsk 3			
Measured	172.0	18.0	31.0
Indicated	1,251.1	17.4	218.2
Measured + Indicated	**1,423.1**	**17.5**	**249.2**
Inferred	–	–	–
Polovodovsky			
Measured	694.1	16.7	115.8
Indicated	2,386.6	17.4	415.2
Measured + Indicated	**3,080.7**	**17.2**	**531.0**
Inferred	260.7	15	3 39.8
Summary All Mines			
Measured	2,542.2	19.2	488.4
Indicated	6,095.0	18.6	1,134.2
Measured + Indicated	**8,637.2**	**18.8**	**1,622.6**
Inferred	571.1	21.6	123.1

Table 4: SRK Audited Carnallite Mineral Resource Statement at 1 January 2012

Category	Tonnage (Mt)	MgO (%)	MgO (Mt)
Solikamsk 1			
Measured	167.7	9.8	16.4
Indicated	–	–	–
Measured + Indicated	**167.7**	**9.8**	**16.4**
Inferred	–	–	–

3.5 SRK Comments

SRK has reviewed the estimation methodology used by Uralkali to derive the above estimates, and the geological assumptions made, and considers these to be reasonable given the information available. SRK has also undertaken various re-calculations both of individual blocks and seams as a whole and has in all cases found no material errors or omissions and has replicated the estimates derived by Uralkali to within 5%.

Overall, SRK considers the resource estimates reported by Uralkali to be a reasonable reflection of the total quantity and quality of material demonstrated to be present at the assets as of 1 January 2012.

The audited Mineral Resource statement as at 1 January 2012 presented above is different to that presented as at 1 January 2011 as a function of mining activity during 2011 and some minor re-assessments completed during the year by Uralkali.

4. Ore Reserve Estimation

4.1. Introduction

Uralkali does not report reserves as these are typically defined by reporting guidelines and terminology developed in Europe, North America and Australia; that is, estimates of the tonnage and grade of total material that is planned to be delivered to the various processing plants over the life of the mine. SRK has therefore derived estimates of such using historical information gained during its site visit regarding the mining losses and dilution experienced during mining to date. SRK has also restricted the resulting estimates to those areas planned to be mined by Uralkali in SRK's adjusted Business Plan during the next 20 years from 2012 to 2031. The Business Plan assumes that Uralkali will successfully re-negotiate its Mining Licences in 2013 and the Ore Reserve Statements therefore also assume this will be the case.

4.2. Modifying Factors

The Modifying Factors applicable to the derivation of reserves comprise estimates for ore losses and planned and unplanned dilution associated with the separation of the ore and waste. This is normally a function of the orebody characteristics and mining methods selected.

The Modifying Factors considered by SRK to be appropriate for the sylvinite and carnallite being mined at each of the assets are shown below in Table 5 below. The Tonnage Conversion Factor takes into account both the percentage of material left behind in pillars and the amount of dilution included when mining the ore and is applied to the in situ resource tonnage to derive the tonnage of material expected to be delivered to the plants. The K2O/MgO Grade Conversion Factor accounts for the difference in grade between the in situ resource and the above plant feed tonnage as a result of incorporation within the latter of waste extracted along with this and is therefore applied to the in situ grade to derive the grade of ore expected to be delivered to the plants.

Uralkali undertakes an annual reconciliation to compare the ore tonnes mined each year with the resource that has been sterilized by this mining and it is these figures for the last three to six years that SRK has reviewed to derive Tonnage Conversion Factor. Similarly Uralkali keeps a record of the in situ grade of the material sterilized by mining each year and SRK has compared these with the grade of material reported to have been fed to the plants over the last three to six years to derive the Grade Conversion Factor. Given this, SRK is confident that the Modifying Factors used reflect the geometry of the orebodies being mined and the mining methods currently being used.

Table 5: SRK Modifying Factors

Description	Tonnage Conversion Factor (%)	Grade Conversion Factor (%)
Solikamsk 1 (sylvinite)	42%	92%
Solikamsk 1 (carnallite)	32%	96%
Solikamsk 2	48%	88%
Solikamsk 3	51%	87%
Berezniki 2	38%	80%
Berezniki 4	47%	83%

4.3. SRK Audited Reserve Statements

As with its audited Mineral Resource statements, SRK's Ore Reserve statements have been re-classified using the terminology and guidelines proposed in the JORC Code. SRK has been provided with actual production and operating cost data for 2009 to 2011 and a revised production forecast for 2012 to 2031 inclusive reflecting Uralkali's current plans regarding the refurbishment of some existing processing facilities and also the installation of additional facilities.

SRK's audited Ore Reserve statement is therefore confined to those seams that are currently being considered for mining within the next 20 years only. Specifically, for the operating mines, SRK has classed that material reported in the tables above as a Measured Mineral Resource, and which is planned to be exploited within the first ten years of the Business Plan, as a Proved Ore Reserve; and that material reported in the tables above as an Indicated Mineral Resource, and which is planned to be exploited within the Business Plan, and also that material reported above as a Measured Mineral Resource, but which is planned to be mined during the following 10 years of the Business Plan, as a Probable Ore Reserve. SRK has been informed by Uralkali that no material events have occurred during 2011 which would change Uralkali's mining and processing plans as presented to SRK.

SRK's Ore Reserve statement does not include any material from either Polovodovsky or Ust-Yayvinsky. In the case of Polovodovsky, the feasibility studies are at a relatively early stage and are on-going. In the case of Ust-Yayvinsky, however, the work has been completed to an advanced stage, detailed project documentation has been completed and the necessary permits are in place. Further, the contract for the construction of the shaft has been signed by both parties and work on this contract has commenced. The Company therefore considers that sufficient information now exists to support the publication of an Ore Reserve as defined by the JORC Code and has asked SRK to mobilise a team to review this with a view to including an Ore Reserve statement for this in the Company's annual report next year.

In addition no Inferred Mineral Resources have been converted to Ore Reserves. SRK can confirm that the Ore Reserve defined in Table 6 and 7 below, for sylvinite and carnallite respectively, have been derived from the resource blocks provided to SRK and incorporates sufficient estimates for ore losses and dilution based on actual historical data. The break-even price required to support this statement is USD175/tonne in January 2012 terms. This is calculated as the price required to cover all cash operating costs including distribution.

Table 6: SRK Audited Sylvinite Ore Reserve Statement at 1 January 2012

Category	Tonnage (Mt)	K_2O (%)	K_2O (Mt)
Berezniki 2			
Proven	16.5	19.7	3.3
Probable	100.4	19.5	19.6
Total	**116.9**	**19.5**	**22.9**
Berezniki 4			
Proven	197.3	18.4	36.3
Probable	198.0	18.2	35.9
Total	**395.3**	**18.3**	**72.2**
Ust-Yayvinsky			
Proven	–	–	–
Probable	–	–	–
Total	**–**	**–**	**–**
Solikamsk 1			
Proven	40.5	16.0	6.5
Probable	41.8	15.5	6.5
Total	**82.3**	**15.7**	**13.0**
Solikamsk 2			
Proven	107.2	15.2	16.3
Probable	121.0	16.4	19.8
Total	**228.2**	**15.8**	**36.1**
Solikamsk 3			
Proven	87.7	15.7	13.7
Probable	284.5	15.2	43.2
Total	**372.2**	**15.3**	**56.9**
Polovodovsky			
Proven	–	–	–
Probable	–	–	–
Total	–	–	–
Summary All Mines			
Proven	449.2	16.9	76.0
Probable	745.7	16.8	125.0
Total	**1,194.9**	**16.8**	**201.0**

Table 7: SRK Audited Carnallite Ore Reserve Statement at 1 January 2012

Category	Tonnage (Mt)	MgO (%)	MgO (Mt)
Solikamsk 1			
Proven	12.6	9.4	1.2
Probable	–	–	–
Total	12.6	9.4	1.2

The large difference between SRK's audited Mineral Resource statement and its audited Ore Reserve statement is partly a function of the relatively low mining recovery inherent in the Room and Pillar mining method employed. It is also partly a function of the fact that SRK has limited the Ore Reserve statement to that portion of the Mineral Resource on which an appropriate level of technical work has been completed. In this case this relates to the period covered by the remaining 20 years of Uralkali's Business Plan.

Notwithstanding this, SRK considers that the actual life of some of the mines will extend beyond the current 20 year period covered by the Business Plan. In particular, at the current assumed expanded production rates, Berezniki 4 and Solikamsk 3 both have the potential to continue production for in the order of 20 years beyond that covered by the current Business Plan.

4.4. SRK Comments

The audited Ore Reserve statement as at 1 January 2012 presented above is different to that presented as at 1 January 2011 as a result of mining during 2011, the extension of the Uralkali Business Plan to 2031 and the revisions to the Mineral Resource statements commented upon earlier in this letter. In addition to this, the 20 year Business Plan includes a number of expansions to both the Uralkali and former Silvinit operations and as such the amount of material planned to be mined over this period has increased which has in turn increased the Ore Reserve reported here compared to that reported previously.

SRK has reviewed the expansions proposed by Uralkali and considers the work proposed and the timeline assumed for the work to be completed to be reasonable and achievable. Further while SRK has not reviewed the capital cost estimates in detail, SRK is confident that these are justified based on Uralkali's current price forecasts. Further, in some cases the expansion projects are already underway and some of the increases to processing capacities are assumed to be achieved by de-bottlenecking the existing facilities in addition to upgrading and adding new equipment and processing lines. SRK notes that in order to achieve these increases in production, Uralkali will need to ensure that sufficient resources, management and staffing are available given that many of these expansions are forecast to be taking place simultaneously.

5. Concluding Remarks

In SRK's opinion the Mineral Resource and Ore Reserve statements as included herein are materially compliant with the JORC Code and are valid as at 1 January 2012. SRK considers that should the Ore Reserves as presented herein be re-stated in accordance with the reporting requirements of the United States Securities and Exchange Commission (the "SEC"), specifically Securities Act Industry Guide 7 ("Industry Guide 7"), such Ore Reserves would not be materially different. SRK however notes that certain terms as used in this letter, such as "resources" are prohibited when reporting in accordance with Industry Guide 7.

Yours faithfully

Dr Mike Armitage
Chairman and Corporate Consultant (Resource Geology)
SRK Consulting (UK) Ltd

Nick Fox
Principal Consultant (Geology/Mineral Economics)
SRK Consulting (UK) Ltd

Terms and abbreviations

Agrifert SA	Principal trading agent of former Silvinit in export markets before 31 December 2011
APC	Arab Potash Company Ltd, Jordan
Canpotex	Canpotex Limited, Canadian potash exporting marketing firm wholly owned by its 3 producers Potash Corp, Mosaic, Agrium
ICL	Israel Chemicals Ltd., Israel
IPC	International Potash Company, Russia, a trading agent of former Silvinit in export markets before 31 December 2011
K+S	K+S Group, Germany
Mosaic	The Mosaic Company, USA
Potash Corp.	Potash Corporation of Saskatchewan, Canada
SQM	Mineral fertilisers producing company (Sociedad Quimica y Minera de Chile), Chile
CFR	"Cost and Freight", title transfers when goods pass the rail of the ship in the port of shipment
FCA	"Free Carrier", title transfers when goods are loaded on the first carrier (railway carriages)
FOB	"Free On Board", title to goods transfers as soon as goods are loaded on the ship
Potassium	Chemical element with the symbol K (from Neo-Latin kalium) and atomic number 19
K_2O	Potassium oxide
KCl	Potassium chloride (1KCl=1.61 K_2O)
NaCl	Sodium chloride
NPK	Nitrogen-phosphorus-potassium fertiliser
Carnallite	A hydrated potassium magnesium chloride with formula: $KMgCl3 \cdot 6(H_2O)$
BBT	Baltic Bulk Terminal, St. Petersburg, Russia
Berezniki-1, 2, 3, 4	Potash production mining department at Berezniki
BPC	Belarusian Potash Company, marketing joint venture organisation of Uralkali and Belaruskali
Production unit	OJSC Uralkali
Solikamsk-1,2,3	Potash production mining department at Solikamsk
BRIC	Brazil, Russia, India, China
CIS	Commonwealth of Independent States
FSU	Former Soviet Union
SEA, SE Asia	South East Asia
COSO	The Committee of Sponsoring Organizations of the Treadway Commission
OECD-FAO	Organisation for Economic Co-operation and Development (OECD) and the United Nation's Food and Agricultural Organization (FAO)
FAPRI	Food and Agriculture Policy Research Institute, USA
Fertecon	Fertiliser Economic Market Analysis and Consultancy, UK
FMB	Fertiliser Market Bulletin, FMB Limited, UK
IFA	International Fertiliser Association, France
IMF	International Monetary Fund, USA
IPNI	International Plant Nutrition Institute, USA
USGS	US Geological Survey, USA
JORC	Joint Ore Reserves Committee standards for public reporting on mineral resources and mineral (ore) reserves, Australia
CUSIP	Committee on Uniform Security Identification Procedures
GDP	Gross Domestic Product
GDR	Global Depositary Receipt
ISIN	International Securities Identification Number
LSE	London Stock Exchange
MICEX	Moscow Interbank Currency Exchange Trading Board
RTS	Russian Trading System
MICEX-RTS	Stock exchange in Russia, officially established on 19 December 2011 through the merger of MTS and RTS
FSFM	Federal Service for Financial Markets of the Russian Federation
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditures
COGS	Cash Cost of Goods Sold
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation. Throughout the report EBITDA means adjusted EBITDA – calculated as Operating Profit plus depreciation and amortisation and does not include mine flooding costs
Pro-forma basis	Includes financial results of Silvinit starting from 1 January of corresponding year
IFRS basis	Includes financial results of Silvinit starting from 17 May 2011, when Silvinit ceased to exist as a legal entity
SG&A	Sales, General and Administrative expenses
c.	Circa = approximately
p.a.	Per annum
bn	billion
mln	million
RUB	Russian rouble, RF
ths.	thousand
US$	US dollar
2012E	Estimated data for 2012

This annual report has been prepared on the basis of the information available to the Open Joint Stock Company Uralkali and its subsidiaries (hereinafter, Uralkali) as at the date hereof.

This annual report contains forward looking statements. All forward looking statements contained herein and all subsequent oral or written forward looking statements attributable to Uralkali or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statements below.

All statements included in this annual report, other than statements of historical facts, may be forward looking statements. Words such as “forecasts”, “believes”, “expects”, “intends”, “plans”, “prediction”, “will”, “may”, “should”, “could”, “anticipates”, “estimates”, “seeks”, “considers”, “assumes”, “continues”, “strives”, “projects”, or any expression or word with similar meaning or the negative thereof, usually indicate the forward looking nature of the statement.

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V.A. Baumgertner
CEO

S.G. Zotova
Chief Accountant

This Uralkali annual report has been approved by the Uralkali Board of Directors on 26 April 2012 (Minutes of Board of Directors No. 265 from 27 April 2012).

The Uralkali Revision commission has confirmed the accuracy of the data included in this annual report.

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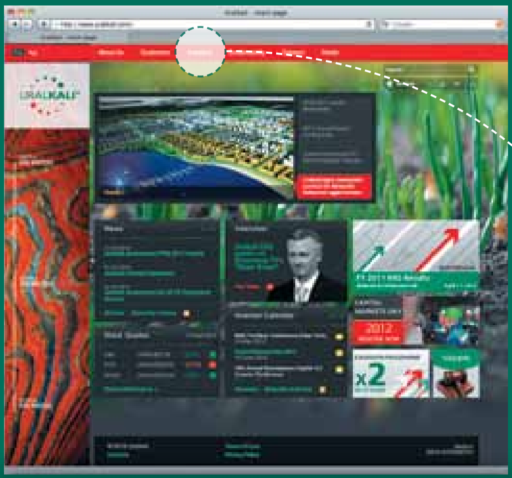

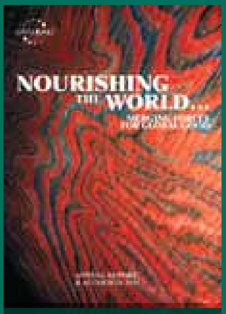

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