



TEMPERATE SOILS

leader to capture growth

TROPIC SOILS

# ANNUAL REPORT 2007

BOREAL SOILS

SUBTROPICS SOILS

POLAR SOILS

Restoring  
nature's  
balance

**OPENING SECTION**

1	Uralkali at a glance	4
1.1	Assets	4
1.2	Operations	4
2	From the Chairman	5
2.1	2007 financial highlights	6
2.2	2007 macro highlights	6
3	From the CEO	7

**MARKET SECTION**

1	What is potash	10
2	Why is potash important to agriculture	10
3	Why demand for potash is rising	10
4	Why supply is currently limited	11
5	Potash demand and supply imbalance	12
6	Geographic market overview and outlook	13
	India	13
	China	14
	Brazil	15
	Southeast Asia	16
	Europe	16
	Russia	17
	USA	17

**STRATEGY SECTION**

1	Pure potash player	20	6	Trading and pricing	26
2	Focus on BRIC markets	21	6.1	Trading	26
3	Ownership of the entire value chain	22	6.2	Pricing	26
4	Production today and tomorrow	23	7	Our people—a valuable resource	27
4.1	Current production	23	8	Environment	27
4.2	Low cost producer	24			
4.3	Capacity additions programme	24			
5	Distribution	25			
5.1	Baltic Bulk Terminal (BBT)	25			
5.2	Rail	25			
5.3	Warehousing	25			

**FINANCIAL MANAGEMENT  
DISCUSSION AND ANALYSIS SECTION**

1	Gross sales	30	4.2.2	Gas	35	9	CAPEX	39
1.1	Price increase	30	4.3	Materials	35	9.1	Ust-Yayvo—Mine-5	40
1.2	Geography of sales	31	4.4	Transportation between mines	36	10	Cash flow	41
2	Transportation	32	5	General and administrative (G&A) expenses	36	11	Dividends	41
2.1	Freight	32	5.1	Labour costs	36			
2.2	Railway tariff	32	5.2	New post-employment benefit plans	36			
2.3	Transshipment	32	5.3	Expenses related to the share offering	37			
3	Net sales	33	6	Cost reduction programme	37			
4	Cash cost of goods sold	33	6.1	Headcount reduction	37			
4.1	Labour	33	6.2	Power generation programme	37			
4.2	Energy	34	7	EBITDA discussion	38			
4.2.1	Electricity	34	8	Mine flooding costs	38			

**OTHER SECTIONS**

IFRS Consolidated Financial Statements and auditor's report for the year ended December 31, 2007	44
Shareholder structure	94
Dividends declared	94
Composition of the Board of Directors	95
Mineral resources and ore reserves	96
Risk factors	102

# Opening section

## 01 Uralkali at a glance

- Operations in Berezniki, Northern Urals
- Company has office in Moscow and port facilities in St. Petersburg
- Focuses on the production of potash fertiliser
- Founded in 1930 as a state-owned enterprise, privatised in 1992

**Uralkali is a potash producer with leading market penetration in the major developing markets for fertiliser consumption. It is a low cost producer with access to a major global distribution platform**

## 1.1 Assets

- 2 mines and rights for an additional mine
- 5 plants, 4 of which process potash and 1 which processes carnallite
- Owner of Baltic Bulk Terminal, fully constructed in 2004
- Joint owner of the trading company Belarusian Potash Company (BPC)<sup>1</sup>, the largest potash trading company in the world by volume, with 33%<sup>2</sup> of world export market

## 1.2 Operations

- 2007 potash production 5.1 million tonnes, or 10.5%<sup>3</sup> of world total
- Brownfield expansion to take potash production to 7 million tonnes by 2010
- Greenfield expansion to take potash production to up to 11 million tonnes
- Produces two potassium based fertiliser products—Granular and Standard
- Exports about 90% of total output, principally to China, Brazil, Southeast Asia and India
- Russian sales account for 10% of output

Uralkali is a potash producer with leading market penetration in the major developing markets for fertiliser consumption. Its reserves are located in the Verkhnekamskoe Deposit, the second-largest known potash deposit in the world. It is a low cost producer with access to a major global distribution platform.

<sup>1</sup> IN MAY 2008, the shareholder structure of JSC «Belarusian Potash Company» has changed and it's currently as follows:  
 □ JSC «Uralkali» owns 50% of the BPC's ordinary shares;  
 □ Republican Unitary Enterprise «PO «Belaruskali» owns 45% of the BPC's ordinary shares; and  
 □ State Corporation «Belarusian Rail Road» owns 5% of the BPC's ordinary shares.

<sup>2</sup> CALCULATED AS THE TOTAL EXPORT volume deliveries from Belaruskali and Uralkali (including railway deliveries to China)

<sup>3</sup> FERTECON



DMITRY RYBOLOVLEV,  
Chairman of the Board of Directors

**I have been in the potash industry for over a decade and possess a strong personal belief in the industry and a solid commitment to it. I am excited by the prospects**

## 02 From the Chairman

I would like to extend a warm welcome to all shareholders in Uralkali. You have invested in the largest publicly-traded company to focus purely on potash, and one of the fastest-growing companies in that industry. I trust we have already demonstrated what an excellent investment opportunity Uralkali is. I have been in the potash industry for over a decade and possess a strong personal belief in the industry and a solid commitment to it. I am excited by the prospects.

The past year, 2007, was a very important year in our industry. We are now in a position very different from the historical situation of steady supply, at what I would call the dawn of a new era in potash. We are at the beginning of a long-term and sustainable growth trend based on the continuing rise in world population and incomes. There are actual and predicted increases in demand for potash, which show no signs of abating.

This bodes well for companies in the potash industry which have the plans or the means to increase their capacity. Uralkali is one such company. If 2007 was an important year for the industry in general, it was a special one for Uralkali. We successfully offered a shareholding on the London

Stock Exchange, and now the world's best and most renowned investors have an interest in our business. We are delighted to share with them the advantages of this financially attractive industry, and of this unique company, which I believe is now positioned to realise its true potential.

## 2.1 2007 financial highlights <sup>1</sup>

<b>Production</b>	<b>5.1 Mt</b>
Net Sales <sup>2</sup>	22.673
EBITDA <sup>3</sup>	12.098
Margin <sup>4</sup>	53%
Net Profit	8.045
Operating Cash Flow	8.195
Capex	6.316

## 2.2 2007 macro highlights <sup>5</sup>

<b>CPI (Dec'07 to Dec'06)</b>	<b>11.9%</b>
PPI (Dec'07 to Dec'06)	10.3% <sup>6</sup>
RUR/US\$ (2007 average)	25.57
RUR/US\$ (2007 year-end)	24.55

Uralkali demonstrates the best financial performance in the industry in all traditional financial measurements. The most important are the lowest cost of goods and highest EBITDA margin. These reflect our competitive advantage of being a Russian company with access to affordable labour and energy, as well as geographic proximity to the main markets. We believe these competitive advantages are sustainable. Production volume increased in 2007 by 21%, net sales increased by 36%, EBITDA by 42%.

While 2007 was a great year, we believe 2008 will be better, as we maintain control over costs and we expect 2007 price increases to remain in full, with further price increases in 2008. In fact we believe the weighted average price for 2008 will more than double from the 2007 figure. In addition, in 2008 we have a bigger exposure to the spot markets, which is more attractive for us in the environment of rising prices, as these will go directly to the bottom line. Therefore we expect our EBITDA margin to rise even higher in 2008.

<sup>1</sup> HERE AND FURTHER in the text — all financial indicators are calculated in million RUR based on IFRS Consolidated Financial Statements unless otherwise stated

<sup>2</sup> BASED ON ADJUSTED sales (sales net of freight, railway tariff and trans-shipment costs)

<sup>3</sup> ADJUSTED EBITDA does not include mine flooding costs

<sup>4</sup> ADJUSTED EBITDA MARGIN is calculated as Adj. EBITDA divided by Net Sales

<sup>5</sup> FEDERAL STATE STATISTICS SERVICE statistical review on social and economic situation in Russian Federation for 2007

<sup>6</sup> FOR MINING INDUSTRY (except of energy producing materials)



VLADISLAV BAUMGERTNER  
CEO

**In this report we are presenting excellent news for our new shareholders, and I share completely the optimism of our Chairman. We have set out our promises, and I accept the responsibility of achieving them on your behalf**

## 03 From the CEO

Both the potash industry as a whole, and Uralkali as part of it, share underlying fundamental strengths which this report will describe in detail. Put simply, the world needs more food and is choosing better food. Farmers are seeking to maximise the productivity of their land by replenishing or maintaining the nutrient content of the soil. Therefore they require more fertiliser, particularly potash. The reasoning behind this sequence of behaviour will not change in the near future.

Yet potash suppliers are stretched to their production limits, and any surplus capacity will be quickly absorbed by the growing demand. The shortfall in supply cannot immediately be rectified. New mines are extremely costly and take over seven years to begin production. Therefore the potash industry is now driven by demand, which is a major transformation. Not only has this led to spectacular price rises, but it has also created an outstanding opportunity for those companies who can expand capacity to meet the shortfall.

In this report we explain how Uralkali is well positioned to capitalise on this scenario and has established a platform for sustainable growth. We are able to add significant annual capacity—two million

tonnes over the next three years—on the cheapest basis in the industry. In addition, our new mine, due to offer an additional annual capacity of almost four million tonnes, is also significantly cheaper per tonne added than the average greenfield project in our industry. We also control the whole value chain from our mines to the end customer, delivering our products more cheaply and quickly than other suppliers. On top of all this, we have unrivalled access to the fast-growing markets of Brazil, Russia, India and China, who will account for approximately 80% of the growth in the market over the coming five years.

For these reasons I believe that in this report we are presenting excellent news for our new shareholders, and I share completely the optimism of our Chairman. We have set out our promises, and I accept the responsibility of achieving them on your behalf.

A handwritten signature in green ink, appearing to read 'V. Baumgertner', with a horizontal line extending from the end of the signature.





Sunflower:  
**729** kt  
 compensation  
 $K_2O$



**Temperate soil facts**  
 21.9 mln. sq. km or  
 16.4% of world total  
 area  
 66.3% reclamation  
 45% world cultivated  
 area

## Temperate soils

**USA**  
**Russia**  
**Brazil**  
**Europe**  
**China**

**Temperate soils — 45% world cultivated area.**

The thermal conditions allow only one harvest a year. Wheat, barley, soybean, sugar beet, sunflower, corn are the major crops.

**Typical soils:** brown forests, chestnut soils, gray-brown soils.



Typical crops	Uptake $K_2O$ kg per 1 t of product	World production, Mt	Annual $K_2O$ compensation, t
Barley	8	132	1,056,000
Soybean	20	220	4,400,000
Sunflower	27	27	729,000

1 t  $K_2O$  (nutrient) is equal to around 1.67 t KCl (product)



# Market section

## 01

### What is potash

Potash is mined from deposits that were formed when ancient oceans evaporated. Potash, along with nitrogen and phosphorus, plays an important role in agriculture, where approximately 95% of world potash production is used as fertiliser, replenishing the natural nutrients lost through continued farming.

### **POTASH IS AN ESSENTIAL SOIL NUTRIENT** PLANT GROWTH REQUIRES POTASH

Once soil is used for agriculture, the balance of its nutritional content is changed drastically, especially if it is intensively farmed. Quite simply, agriculture upsets the balance of the natural ecosystem and depletes the soil of nutrients essential to plant growth by far more than are returned to the soil naturally.

With each harvest the soil loses about 60–70% of its nutritional elements. The effect of average harvests on different soils are varied, and nutrients are depleted in varying amounts: for nitrogen, from 65 to 285 kilograms per hectare; phosphorus, 26 to 67 kg/ha; and **potassium, 45 to 235 kg/ha.**

To preserve the soil's fertility, farmers should compensate for the loss of the nutrients by applying at least the same amount back to the soil. Normally farmers apply nitrogen as a first choice as it facili-

## 02

### Why is potash important to agriculture

- Potassium is found in every cell of plants and animals and is essential for their growth.
- Nearly every aspect of plant development, yield and quality depends on having adequate potash, including water retention, strong stalks, resistance to disease, suitability for transportation, nutritional value—and even taste.
- There is no substitute—the functions potash performs cannot be carried out by other nutrients.
- Potash helps improve the efficiency of other nutrients.
- The above factors all hold true for GMO plants, which need potassium just as much. Since potassium regulates plant water content, it is especially important for drought-resistant GMO crops.

## 03

### Why demand for potash is rising

There will always be a need for food. So the increasing world population, shrinking arable land and changing diets will all put pressure on agricultural yield performance. This, and higher crop prices, motivate farmers to maximise production and purchase fertilisers. Therefore there is an unmistakable long-term trend of growing demand for potash, which is likely to increase still further.





## The potash sector—the global market in which Uralkali operates

tates quick growth, whereas they use potash last, often at the minimum required level. Consequently, farmers are not able to cut significantly the application of potash.

**Therefore the current level of potash consumption can be viewed as an absolute minimum, which cannot be reduced.**

□ World population—this has risen from 2.5 billion people to 6.6 billion people since 1950, and is expected to continue growing by approximately 75 million people a year, mostly in Asia and Africa<sup>1</sup>.

□ Arable land—the population growth and increasing urbanisation is decreasing the available land for agriculture per head of population.

□ Income growth—rising incomes in developing regions are creating a switch to higher meat consumption. More grain will be required as feed for livestock.

□ Potential new sources of demand—while the impact is hard to predict at present, increasing demand for biofuels will add to demand for potash.

Production of biofuels has been growing at record rates, and the crops used in their production are the most potash-intensive crops.

□ Scientific recommendations—In some regions fertilisers have been historically under-utilised when compared to scientific recommendation, and farmers need to redress the balance to improve yields. If potash was consumed an optimal recommended level (NPK ratio of approximately 2 : 1 : 1), world demand would increase 40% from the current level. Regionally, this projected increase in demand would be 43% in China, 75% in Brazil, 80% in India and 200% in Russia<sup>3</sup>.

## 04

### Why supply is currently limited

There are only a small number of potash mining, production and trading companies, and deposits are scarce. These facts, along with high barriers to entry of the industry, combine to create a quantifiable and limited current supply of potash.

□ Highly concentrated industry—the top seven producers account for 85% of global production capacity.

□ Deposits are scarce—only 12 countries produce potash<sup>2</sup>, whereas it is used in

over 160 countries. Almost 70% of proven resources are in Russia and Canada<sup>4</sup>.

□ Barriers to entry—industry calculations estimate that to add a new 'greenfield' capacity of 2 million tonnes would take US\$ 2.5 billion of investment and would take seven to ten years to begin production and cash generation.



<sup>1</sup> ECONOMIST Intelligence Unit data



<sup>2</sup> FERTECON



<sup>3</sup> FERTECON



<sup>4</sup> ERCOSPLAN, IFA, FERTECON, CRU, USGS and Canadian GS, 2008

## 05 Potash demand and supply imbalance

**There is a limited availability of immediate supply, balanced by prices more than doubling in many markets in 2007. A similar situation is envisaged for 2008**

Increases in demand and limitations to supply have led to growing prices, and a mismatch between demand and supply. Thus, the potash industry is in good shape. The shortfall in supply will be met by those producers who can readily extend their production capacity, and these will be able to increase their market share.

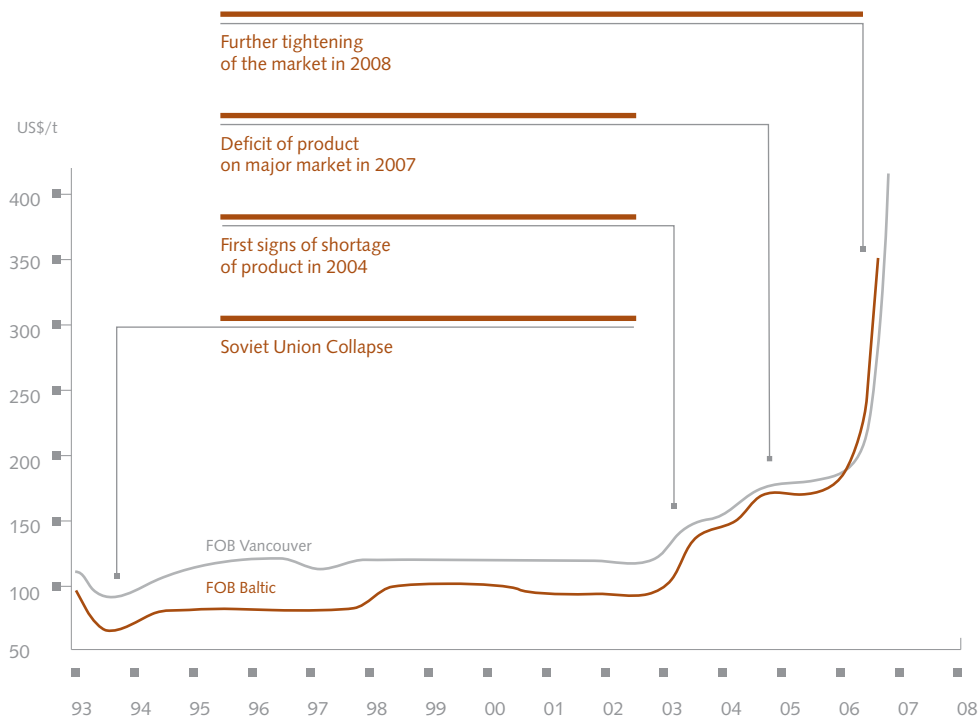
Imbalance—global incremental demand will increase by approximately 10 million tonnes over the next five years. This is a conservative estimate based on both independent figures, and those of our trader, BPC. During the same period, based on all the publicly announced capacity additions by existing players expanding their facilities, global production will increase by 8.7 million tonnes. No newcomers

to the industry are expected due to the long lead times. Therefore, this suggests an imbalance of over 1.2 million tonnes by 2012, which can be met only by price rises.

Price evolution—product shortage has also led to growth in prices. Following the collapse of the Soviet Union, former Soviet producers switched focus from local to export markets and there was a period of stable prices as the market absorbed these extra volumes. By 2004 there was a deficit in major markets and prices doubled. Again now there is a limited availability of immediate supply, balanced by prices more than doubling in many markets in 2007. A similar situation is envisaged for 2008.

### Evolution of potash prices

Source: FERTECON



**K<sub>2</sub>O**1t K<sub>2</sub>O (nutrient)  
is equal to around  
1.67t KCl (product)

Cotton — K<sub>2</sub>O uptake or removal is **10 kg per tonne of product**, world annual production is **119 Mt**, therefore annual compensation required **1,190,000 tonnes of K<sub>2</sub>O**.

**Cultivate actively: India, USA, Brazil.**

**06**

## Geographic market overview and outlook

Seven countries or regions can be said to make up the prime demand for potash. Here we summarise the factors driving potash demand in each market, and future trends. It is worth noting the importance of the BRIC (Brazil, Russia, India, China) countries, which in 2007 accounted for approximately 47%<sup>1</sup> of potash demand.

These four countries together make up half the world's population. Their economies account for approximately 32% of global GDP and are expected to grow at an average of 8–9% over the period 2007—2010.

## India

Market size: **4.5 Mt KCl**<sup>1</sup>

Share of world potash market: **8.1%**<sup>1</sup>

Uralkali sales in 2007: **0.4 Mt KCl**

2008 demand growth: **7.5%**<sup>1</sup>

Population growth: **14.6%**  
(2007—2018)<sup>2</sup>

India's economy is growing at a steady and sustainable pace, and it is politically stable. Already close to 1.1 billion, India's population represents 17.5% of the world's population, in only 2.4% of the world's landmass. The population continues to rise and is expected to overtake China's by 2030. This is creating demand for more food. Coupled with this, the higher spending power of the emerging middle class—estimated at 50–60 million people but expected to reach 583 million by 2025—is creating demand for a more diverse diet. India clearly needs to maximise its agricultural yield<sup>3</sup>.

Traditionally, use of fertilisers has been low. This has affected the nutrient composition of much of the land, and agricultural growth has suffered. India is now responding to this by investing in more mechanised, advanced agriculture practices, and better use of fertilisers—though there is no local production of MOP and no known reserves. Agriculture sector growth is expected to rise to 4–5% in the coming years<sup>4</sup> and there is unused agricultural land available. More organised retail networks indicates better returns for farmers, thus more potential to invest in fertilisers. Some of India's more arid land is now also being used for potash-dependent biofuel plantations.



<sup>1</sup> FERTECON



<sup>2</sup> ECONOMIST  
Intelligence  
Unit data



<sup>3</sup> MC KINSEY REPORT:  
Next big spenders:  
India's middle class



<sup>4</sup> FERTILISER  
Association of India



1t K<sub>2</sub>O (nutrient)  
is equal to around  
1.67t KCl (product)

# K<sub>2</sub>O

Rice — K<sub>2</sub>O uptake or removal 3.2 kg per tonne of product, world annual production 420 Mt, therefore annual compensation required **1,344,000** tonnes of K<sub>2</sub>O.

**Cultivate actively: Vietnam, China, India.**

## China

Market size: **11.7 Mt KCl**<sup>1</sup>

Share of world potash market: **21.4%**<sup>1</sup>

Uralkali sales in 2007: **2.0 Mt KCl**

Population growth: **6%** in 2007<sup>2</sup>

China has the world's largest population, at 1.3 billion<sup>3</sup> and, like India, its population is rising. Similarly, rising incomes are increasing the demand for different foods, especially meat, fruit and vegetables. At the same time, the amount of available arable land in China has been shrinking, largely due to increasing urbanisation, but also due to reforestation in support of eco-systems. In order to feed the population, the Government has taken steps to decrease the speed of shrinking by rigidly protecting arable land. It vows to preserve a minimum limit of 120 million hectares of arable land, a target which it is unlikely to alter before 2020 unless grain yields can be altered dramatically<sup>4</sup>.

For years, China has under-utilised potash, but the need for balanced fertilisation is now better understood. Biofuel production is also driving fertiliser demand — China has currently devoted four million hectares to growing oil-bearing trees, with an expected fruit output of four million tons. With the right fertilisation, 57 million hectares, of what is now underdeveloped wilderness, could be used in this way. In 2007 increased agricultural commodities prices prompted a number of Government measures to encourage domestic grain production — such as cancelled agricultural taxes, greater Government purchases, and subsidies and allowances for transport, seed, machinery and fertiliser purchase.



<sup>1</sup> FERTECON



<sup>2</sup> ECONOMIST Intelligence Unit data



<sup>3</sup> ACCORDING TO MINISTRY of Land and Resources of China



<sup>4</sup> STATE FORESTRY ADMINISTRATION



# K<sub>2</sub>O

1t K<sub>2</sub>O (nutrient)  
is equal to around  
1.67t KCl (product)



**Sugar cane — K<sub>2</sub>O uptake or removal 1.32 kg per tonne of product, world annual production 1,324 Mt, therefore annual compensation required 1,747,680 tonnes of K<sub>2</sub>O. Cultivate actively: India, Brazil.**

## Brazil

Market size: 7.1 Mt KCl <sup>5</sup>

Share of world potash market: 12.7 % <sup>5</sup>

Uralkali sales in 2007: 1.0 Mt KCl

2008 demand growth: 13.8% <sup>5</sup>

Population growth: 13.5% (2007—2018) <sup>6</sup>

Another big producer of crops, Brazil exports much of its produce to Europe, the US, and in more recent years, to China. Thanks to lower production costs, readily available land, labour and water, and advanced farming techniques, Brazil has become the world's largest exporter of many products including sugar, coffee, beef, poultry and orange juice. Brazil looks set to consolidate these positions, as with 60 million hectares under cultivation, it also has the potential of a further 300 million hectares available to be cultivated<sup>7</sup>.

Crop prices are rising, and with the growth in world population predictions, Brazil, as the country best placed to supply the necessary food, is in a favourable situation for agribusiness, which is already modern, efficient and profitable. This is also the case with biofuel production. Brazil is a leading producer and exporter of soybeans, an essential raw material for biodiesel production, and one of the most potash-intensive crops. Brazil is also one of the world's most efficient producers of ethanol. As many key growing areas in Brazil are potassium deficient, using potash will be key to maximising agricultural production.

<sup>5</sup> FERTECON

<sup>6</sup> ECONOMIST Intelligence Unit data

<sup>7</sup> FOOD AND AGRICULTURE organization of United Nations (FAO)

# K<sub>2</sub>O

1t K<sub>2</sub>O (nutrient)  
is equal to around  
1.67t KCl (product)



Palm oil — K<sub>2</sub>O uptake or removal is 13.2 kg per tonne of product, world annual production is 40,6 Mt, therefore annual compensation required **535,920 tonnes** of K<sub>2</sub>O.

**Cultivate actively: Malaysia, Indonesia.**

## Southeast Asia

Market size: 4.6 Mt KCl<sup>1</sup>  
Share of world potash market: 9%<sup>1</sup>  
Uralkali sales in 2007: 0.6 Mt KCl  
2008 demand growth: 3.4%<sup>1</sup>  
Population growth:  
Varies from 12%—21%  
(2007—2018) in major  
countries of the region<sup>2</sup>

As the economy strengthens in many Southeast Asian countries, maximising crop yields has become essential to meet the growing food demand. Biofuel production is also big business in this part of the world. Indonesia has now overtaken Malaysia to become the world's leading producer of palm oil, which is very potash-intensive. The Indonesian and Malaysian governments have policies in place to ensure that biofuels for transport use include a component of crude palm oil. The growing demand for green fuels in Europe is also driving palm oil production in this region.

## Europe

Market size: 7.4 Mt KCl<sup>3</sup>  
Share of world  
potash market: 13.5%<sup>3</sup>  
Uralkali sales in 2007: 0.4 Mt KCl  
2008 demand  
growth: 3%<sup>3</sup>  
Population growth: 1.2%<sup>4</sup>

Severe droughts, followed by heavy rainfall, affected crop yields in much of Europe in 2007. That, together with the increasing demand for cereals as raw materials for biofuels (and EU targets for biofuels in transportation), has boosted crop prices, making the need to maximise yields even greater. There is also no longer a requirement in Europe that a certain ratio of land is agricultural, so the amount of available space for growing crops could be declining. Given all these factors, the use of fertilisers is rising, particularly in Eastern and Central Europe, and the former Soviet Union countries where there are increased investments and subsidies for agriculture. Poland, for example, imported 20% more potash in 2007 than it had in the previous year<sup>5</sup>.

<sup>1</sup> FERTECON

<sup>2</sup> ECONOMIST  
Intelligence  
Unit data

<sup>3</sup> FERTECON

<sup>4</sup> ECONOMIST  
Intelligence  
Unit data

<sup>5</sup> IFA STATISTICS  
and Eurostat

# K<sub>2</sub>O

1t K<sub>2</sub>O (nutrient)  
is equal to around  
1.67t KCl (product)



**Corn — K<sub>2</sub>O uptake or removal 4 kg per tonne of product, world annual production 766 Mt, therefore annual compensation required 3,064,000 tonnes of K<sub>2</sub>O.**

**Cultivate actively: USA, China, Brazil, India.**

## Russia

Market size: 1.4 Mt KCl<sup>6</sup>

Share of world

potash market: 2.5%<sup>7</sup>

Uralkali sales in 2007: 0.5 Mt KCl

2008 demand growth: 13.3%<sup>8</sup>

With a strengthening economy, Russia's agricultural sector is growing. The country has 160 million hectares available to be cultivated, second only to Brazil in this resource. So, as well as producing a large proportion of the world's potash, much of which is exported worldwide, Russia also uses potash domestically—particularly as a raw material in the production of compound fertilisers, but also with applications in oil production. Over the next few years, the Russian Government will be partially subsidising the purchase of agricultural fertilisers with plans to spend around 2.2 billion roubles in 2008 alone. It is expected overall fertiliser consumption will increase by 190 thousand tonnes in 2008<sup>11</sup>.

## USA

Market size: 9.8 Mt KCl<sup>9</sup>

Share of world

potash market: 17.8%<sup>9</sup>

2008 demand growth: 4%<sup>9</sup>

Population growth: 9.9%  
(2007—2018)<sup>10</sup>

Much of the world's food is grown in the United States, with around 40 percent of the global trade in wheat, corn, soybeans and cotton originating from there. As one of the world's most proficient agricultural producers, the critical role of efficient fertilisation is well understood. Crop stocks are on the decline due to competition for acreage between crops, and the weakened dollar stimulating exports. Prices are rising as a result of this and the tight demand/supply balance, and the trend is forecast to continue.

The mounting priority to produce renewable energy is also increasing demand for corn and soybeans for ethanol and biodiesel respectively, and therefore greater fertiliser application, as well as price rises for these crops and competing crops such as cotton and wheat. So while North America provides lower growth than some other export markets, it still offers significant opportunities for fertiliser sales.

<sup>6</sup> URALKALI

<sup>7</sup> URALKALI,  
FERTECON

<sup>8</sup> FERTECON

<sup>9</sup> FERTECON

<sup>10</sup> ECONOMIST  
Intelligence  
Unit data

<sup>11</sup> RUSSIAN  
Ministry for  
Agriculture





Coffee:  
**162.8** kt  
 compensation  
 $K_2O$



**Tropic soils facts**

43.5 mln. sq. km or  
 42.3% of world total  
 area  
 20.8% reclamation  
 23% world cultivated  
 area

# Tropic soils

**South-East Asia**  
**Brazil**  
**Argentina**

**Temperate soils—23% world cultivated area.**

The thermal conditions are perfect for many different crops: coffee, oil palm, rice. It is possible to get three harvests a year.

**Typical soils:** red-yellow, yellow, red, brown soils.



Typical crops	Uptake $K_2O$ kg per 1 t of product	World production, Mt	Annual $K_2O$ compensation, t
Coffee	22	7.4	162,800
Palm Oil	13.2	40.6	535,920
Rice	3.2	420	1,344,000

1 t  $K_2O$  (nutrient) is equal to around 1.67 t KCl (product)



# Strategy section

## 01 Pure potash player

Uralkali has taken a strategic decision to focus purely on potash, rather than the other major fertilisers, nitrogen and phosphate, or a combination of the three. Potash is an industry which offers growth, transparency and stability for the following reasons:

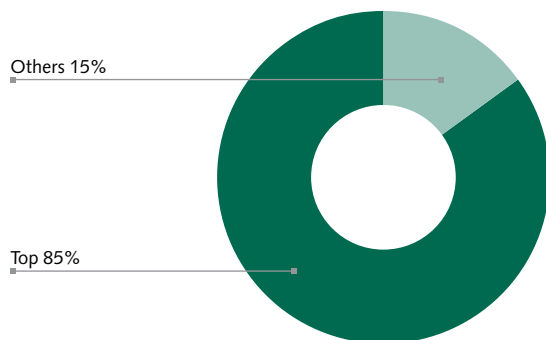
- The potash business is not cyclical—potash is an essential nutrient and there is robust, steady and growing demand.
- Potash has a stable and growing price—two major export associations

ensure stability and the demand/supply imbalance ensures price growth.

- There is not the price volatility associated with other fertilisers such as nitrogen, which is affected by energy prices.
- Potash is unique and cannot be substituted.
- The supply-side factors addressed previously in the market section add to attractiveness of the potash sector—limited geographic availability, high industry concentration and high barriers to entry.

### Potash

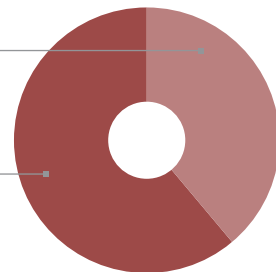
Source:  
ABG research, Uralkali



### Phosphate

Top 39%

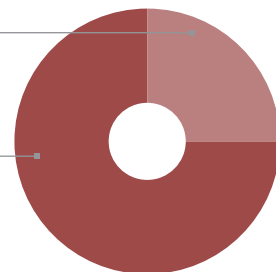
Others 61%



### Nitrogen

Top 25%

Others 75%





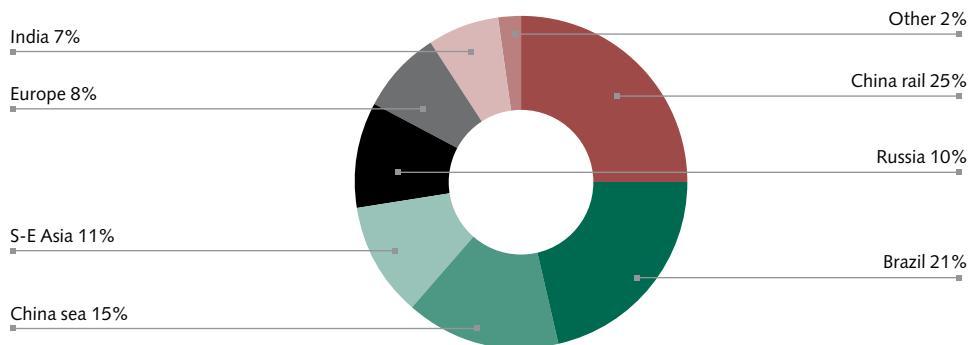
## Uralkali — leader to capture growth

### 02 Focus on BRIC markets

Our focus on the BRIC markets (Brazil, Russia, India and China) allows us a comprehensive exposure to the world's most attractive markets. As described in the market section, the key factors which drive up potash demand—fast-growing population and rising incomes—are evident in these markets. We already have leading positions in these countries and this presents us with the potential to grow faster than producers with less exposure to these markets. The facts are as follows:

- BRIC countries account for nearly half the potash market, and demand is growing at above industry level.
- They will account for more than 80%<sup>1</sup> of market growth over the next five years.
- Sales to BRIC countries accounted for 78% of Uralkali volumes in 2007.
- We are number one by market share in the BRIC markets.
- Potash can be sold at a premium in BRIC markets compared to the mature markets of North America and Europe.
- We are competitive with other players in distribution to these markets, and have the unique advantage of rail delivery to northern China.

#### Uralkali 2007 sales portfolio



<sup>1</sup> FERTECON, BPC

## 03 Ownership of the entire value chain

Uralkali is vertically integrated, controlling the whole chain from reserve potash base to end customer. This is a major differentiator and allows us to manage the business efficiently, control logistics costs and negotiate prices. This value chain is described in the subsequent sections of the report and includes:

□ Two mines developing the world's second largest deposit, and four potash mills. These offer current capacity of 5.1 million tonnes with the possibility to raise capacity to 7 million tonnes by 2010 on the cheapest basis in the industry.

□ Licence for a new mine, with the potential to add almost 4 million tonnes annual capacity for only US \$ 800 per tonne added.

□ The biggest private fleet of rail cars, a wholly-owned sea port facility, and our own warehouses

□ A 50/50 joint venture trading partner, Belarusian Potash Company, the world's number one potash export trader<sup>2</sup>, allowing direct access to customers and price negotiations in major markets.

### Entire Value Chain—from Reserve Base to End Customer

#### PRODUCTION

#### Existing Assets—2 MINES, 4 PLANTS

**1** Plant  
Products:  
Standard

**2** Mine and Plant  
Resources: 359 Mt of ore<sup>1</sup>  
Products: Granular, Standard

← Ore transportation  
(motorway)

**3** Plant  
Products:  
Granular,  
Standard

**4** Mine and Plant  
Resources: 1 895 Mt of ore<sup>1</sup>  
Products: Standard

← Ore transportation  
(railway)

#### New Licence—MINE 5

Resources: 1,300 Mt of ore  
Grade—30%

35 years of reserves

#### PRE-FESIBILITY STUDY RESULTS:

Production volume planned – 3,7 Mt of KCl

CAPEX—US \$ 800 per tonne of production, including:

New mine

New plant at RU-4 of 2,2 Mt

New plant at RU-3 of 1,5 Mt

No additional infrastructure required

Cost efficiency of ~US \$17 mln per annum due to the elimination of ore transportation between mines

#### TRADING

##### Uralkali

Domestic sales  
>4,300 special mineral railcars  
160kt warehouses

##### Baltic Bulk Terminal

Shortest transp. leg  
(from UK mines to St. Petersburg)  
Capacity: 6.2 Mt  
240 kt warehouses

##### Belarussian Potash Company Uralkali Trading

Leading export platform  
with 33% share

<sup>1</sup> JORC  
as of January 1, 2008

<sup>2</sup> IN MAY 2008, the shareholder structure of JSC «Belarusian Potash Company» has changed and it's currently as follows:  
□ JSC «Uralkali» owns 50% of the BPC's ordinary shares;  
□ Republican Unitary Enterprise «PO «Belaruskali» owns 45% of the BPC's ordinary shares; and  
□ State Corporation «Belarusian Rail Road» owns 5% of the BPC's ordinary shares.

# 04

## Production today and tomorrow



### Victor Zapivalov

winning machine operator, RU-4

I am 49. I came to Berezniki from Ordynski District in 1981, with my wife. I now have a grown up son and daughter, and a granddaughter. I knew some people who worked at the Uralkali mine and they said it was a good place, and the wages were the highest, so in 1982, I enrolled in a vocational training school to become an operator of winning machines.

I continued to train-up as time passed. I came to the 4th Mine as Operator Grade 5 of winning machines, and reached level 6. In 2000 I was elected team manager. It was difficult at first. I love it now. The team is superb, closely knit, and works well together. I have clearances for servicing and repairing self-propelled cars and I learned to use a gas analyzer—we are constantly monitoring gas levels.

Uralkali is not standing still. It is always on the move. Ours is a reliable operation with stable wages. There are bonuses as well.

Thanks to Uralkali I can provide material support to my kids. Three years ago I bought an apartment and a car for my son. The family is growing and I think there will be more grandchildren. So my support will come in handy.

## 4.1 Current production

Uralkali budgeted for production of 5 million tonnes in 2007 and produced 100,000 tonnes over this amount due to productivity and debottlenecking programme coming on line early.

Our two mines exploit the Verkhnekamskoe Deposit, the world's second largest:

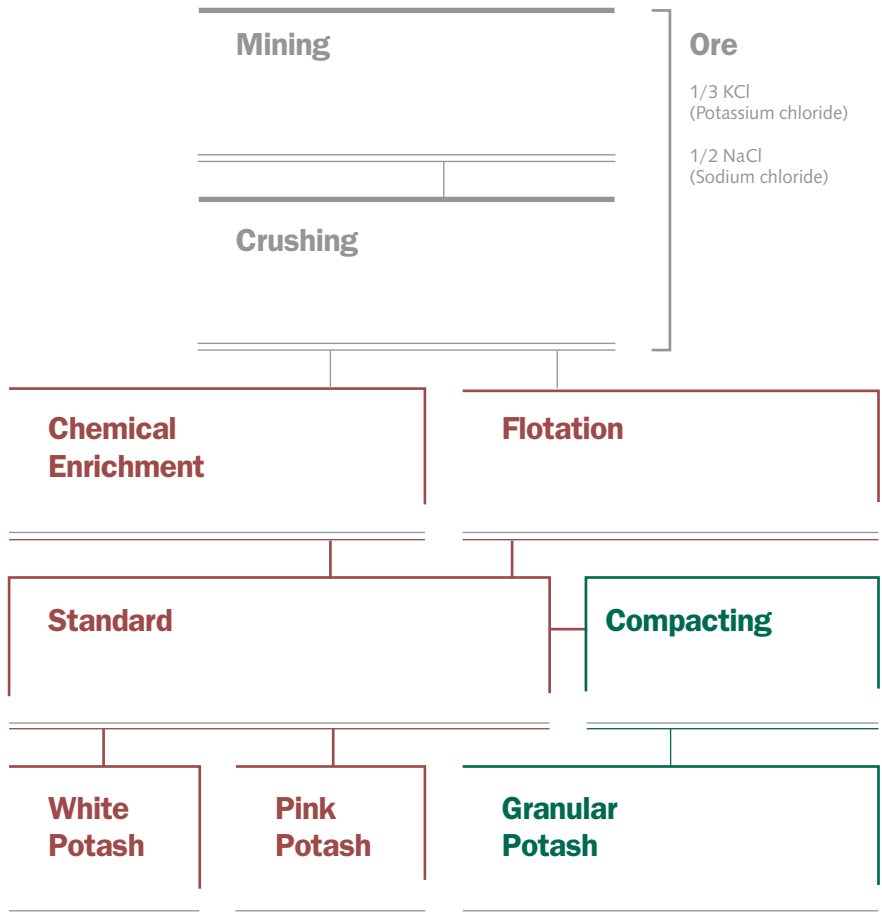
□ Mine 2 at the Durymansky field has been operating since 1970 and has resources of 359 Mt of ore<sup>2</sup>. It has an associated plant, Plant 2.

□ Mine 4 at the Bygelsko-Troitsky field has been operating since 1987 and has resources of 1,895 Mt of ore<sup>3</sup>. It has an associated plant, Plant 4.

□ Plant 1 has a number of different facilities including a potash processing plant supplied by motorway from Mine 4.

□ Plant 3 processes ore delivered by rail from Mine 4.

We produce two major products, Granular and Standard. They vary in potassium content, consistency and production method. Granular is used by countries with advanced fertilisation techniques.



<sup>2</sup> JORC as of January 1, 2008

<sup>3</sup> JORC as of January 1, 2008



## 4.2 Low cost producer

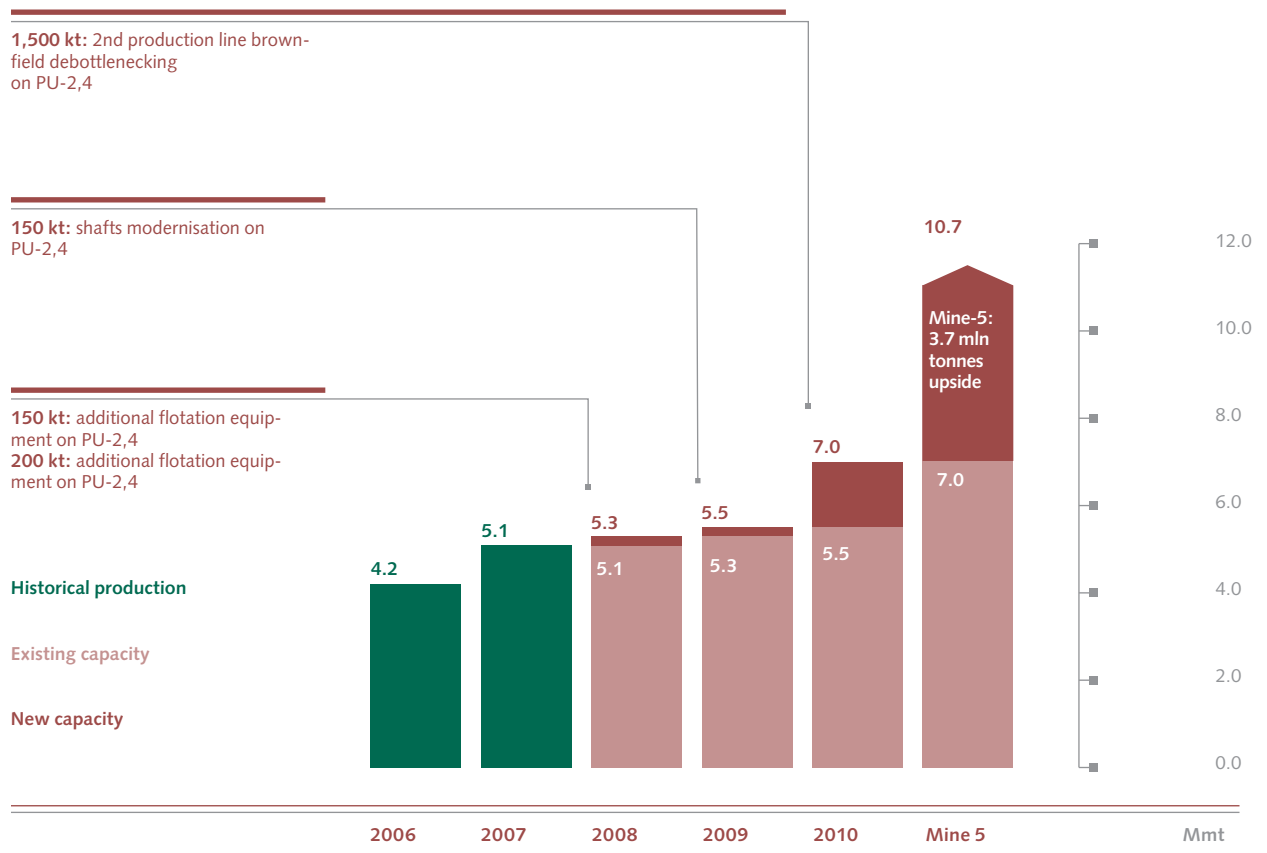
We believe we are the lowest cost potash producer, benefiting from low labour and energy costs, two of the main cost components of our business. Cost of gross sales in 2007 was RUR 1,128 a tonne, significantly below the industry average. In recent years (2003-2007) we have been able to reduce Group head count by 32%, and by 43% at the main production unit. A continuing programme is aiming to reduce this still further, creating further an increase in productivity per employee. In addition we are currently implementing a new power generation programme—we believe we can achieve cost savings by supplying our own electricity and heat from turbines powered by natural gas.

## 4.3 Capacity additions programme

Through modernisations and de-bottlenecking we will add 2 million tonnes of capacity in the coming three years. In addition our new greenfield project, mine 5, has potential to lift our total annual capacity to almost 11 million tonnes.

□ Brownfield projects—we intend to add 2 Mt of capacity on the cheapest basis in the industry, at US\$ 160 per tonne of expansion. The chart shows where and when we expect these expansions to come on line. We have established a new subsidiary, LLC Uralkali Engineering, with a highly regarded German engineering company Ercosplan, to implement the modernisation and the de-bottlenecking plans.

□ Greenfield project, Mine 5—Uralkali was granted the licence for a new greenfield resource in 2004. We expect this to be the most cost-effective greenfield project in the industry—the depth of the deposit is only 400 metres, while the mine is just 30 km from our existing operations, so much of the infrastructure is in place. In fact it will be almost two times cheaper than average industry greenfield projects, at \$US 800 per tonne of expansion. Planned production volume will be up to 3.7 Mt a year.



## 05 Distribution

A fleet of rail cars, warehouse estate and full-owned port facilities in St. Petersburg allow us to control logistics costs, react to peaks in demand and ensure a reliable supply to our customers.

### 5.1 Baltic Bulk Terminal (BBT)

We are the sole owner of JSC Baltic Bulk Terminal, which in turn owns the bulk terminal fully constructed in 2004, a state-of-the-art sea port facility in St. Petersburg designed specifically for handling fertilisers. It is considered one of the best and most efficient fertiliser terminals in the world, with a ship-loading speed of 3,000 tonnes an hour. The 2000 km transportation leg from the mines to the marine port is serviced by rail and is the shortest route available, and the terminal offers the scheduling flexibility of our own warehouses with capacity for 240,000 tonnes.

BBT has an annual throughput capacity of 6.2 million tonnes, providing availability for future capacity additions, as well as generating shipping sales to a third party mixed fertiliser (NPK) producer, one of our potash customers. Ownership of BBT affords us the option to make investments in efficiency where necessary. Importantly, it also offers control over the handling and transportation process, as potash quality can deteriorate if mishandled.

### 5.2 Rail

Rail transportation is vital to Uralkali, mitigating the risk of non-supply, delivering to our bulk terminal for export by sea, and allowing us the competitive advantage of land shipments to northern China. As such, we are one of the largest customers of the Russian Railways. Importantly, we own our own fleet of around 4,500 special railcars so we are not dependent on the availability of those owned by the Russian Railways, for which demand far outstrips supply.

In support of this rail distribution network our logistics management system monitors our rail car movement down to the location of each car, and each processing plant has outlets in the Berezniki train terminal.

### 5.3 Warehousing

Inevitably we need to store potash from time to time to overcome distribution scheduling issues. In addition to our 240,000 tonne warehouse capacity at BBT, our warehouses in Berezniki hold 160,000 tonnes of potash, with separate sections for different products. Each is connected to the rail freight terminal by a conveyor belt system, which is protected from the environment.



#### Ivan Sokolov

##### Project Mechanic, RU-4

I'm 26, married with a 3 year-old daughter. I studied a correspondence course at the Perm State Technical University Berezniki Department, where I majored in Machines and Apparatuses for Production Processes, graduating in 2005. Uralkali has cooperated closely with the university in recent years, taking care of students who may become their future employees.

I started as an apprentice to a pump unit operator at BKPRU-1.

A year ago I was offered a job as a project mechanic for the BKRU-4 Order Department. I took the job and consider it a definite step forward. I still keep in touch with my former colleagues at BKPRU-1. I think that such close relationships are very typical of our company.

Uralkali provides for the compensation of interest payments under the mortgage financing, which is not common practice elsewhere. Uralkali is very dynamic in its development. I can see continual changes in our conveyor system, and if it keeps up with the current rate of retooling, I am sure the company will make significant progress, which will be mean progress and advancement for me as well.

## 06 Trading and pricing

Belarusian Potash Company (BPC) is a 50/50 joint venture between Uralkali and Belaruskali<sup>1</sup>. It delivers us all the advantages of being the number one potash export trading company in the world, with 33% of the export market in 2007.



### Andrey Kharintsev

Deputy Head of Uralkali's  
Department for Technical  
Development of Mining  
Operations

I'm 39, married with three children, originally from Gremyachinsk, Perm Territory, which is a coal-mining area. All my family were connected to coal mining so I didn't imagine any different for me. I graduated from the Perm State Technical University in 1996, majoring in Underground Development of Mineral Deposits.

Coal mines were closing down and, thinking about my prospects, we decided to move to Berezniki. I was hired as an apprentice to an underground electrical fitter at the BKRU-4 mine in 1990. BKRU-4 has an underground passage from the shafts to the mine, and there are benches in the passage. Now, almost 18 years later, I look at them and feel nostalgia, thinking to myself, was it really me who made them? I remember being very inexperienced at work, and I learned a lot from the team of miners I was with. They treated me with understanding and gave me confidence. I still get together with them today.

In 1996 I became a foreman, then from 1997, a deputy head of the unit and in 1999, I was appointed as the unit head. In 2003, I was offered the position of a senior specialist at the Mining Department of Uralkali's Technical Directorate. In 2005, I took up my new position as a deputy head of the Mining Department of the Technical Directorate. Since January 2006 I've held a similar position but at the Production Directorate. Last March I completed training under the Personnel Reserve programme, which helped me feel that the company needed me and that I was noticed. I also finished an MBA programme last year.

In the 1990s, compared with other businesses in Russia and Berezniki, Uralkali paid low wages, but they were stable and that was a big advantage. Now, the serious and long-term intentions of the company are to grow and to develop. This is noticeable to people at every level—equipment replacement, downtime prevention, and a search for optimum patterns of work are all underway. So I'm glad to be a promising employee of a promising, developing company.

### 6.1 Trading

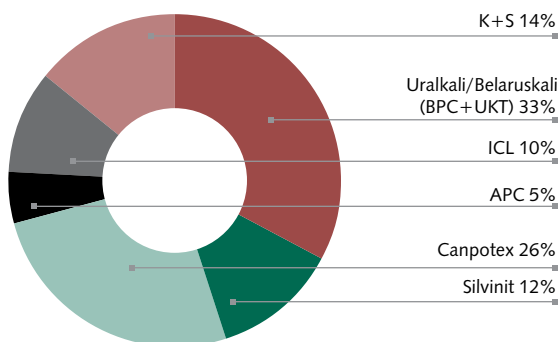
BPC offers us worldwide coverage with sales offices in six countries. Through BPC we have leading positions and can increase share in our target markets of the BRIC countries—and with our partner in BPC we command around 30% of the Chinese market, the biggest potash market in the world. BPC offers the scale and authority that achieves cost efficiencies, increases profitability and crucially, which means it is the chosen price negotiator in the largest markets, including China and India, leading important price negotiations in those countries. This role as a price 'setter' affords us longer visibility and certainty.

### 6.2 Pricing

Our strategy in a demand-driven market is to maintain a balance between spot markets and contract markets. Spot prices are determined by the market, whereas contract prices are determined annually or semi-annually. India and sales to China by sea are contract markets, and our 2007 sales ratio of contract : spot was 40 : 60.

#### Major Potash Players by Export Trading

Source: ABG research, Uralkali



<sup>1</sup> IN MAY 2008, the shareholder structure of JSC «Belarusian Potash Company» has changed and it's currently as follows:  
 □ JSC «Uralkali» owns 50% of the BPC's ordinary shares;  
 □ Republican Unitary Enterprise «PO «Belaruskali» owns 45% of the BPC's ordinary shares; and  
 □ State Corporation «Belarusian Rail Road» owns 5% of the BPC's ordinary shares.

## 07 Our people — a valuable resource

At Uralkali, people are the foundation of our strategy, producing potash and providing our customers worldwide with potash. People are clearly our main assets. But they are also our most scarce assets, as today, such professional people are in great demand. This is because the number of professionals in our industry has been declining for many years, and we are not alone in suffering a shortage of qualified specialists.

Our strategy at Uralkali is one of growth, as described in this report. We have many new projects underway, including the construction of Mine 5. It is critical to our success that these projects are managed and developed by professionals able to meet the challenges with distinction. We have introduced a major new initiative to achieve these objectives. We want people to enjoy working at Uralkali, an employer which not only commands and recognises high performance, but which offers the means for personal growth, fulfilment and a high standard of living.

## 08 Environment

Our products increase the productivity of agricultural land, thus helping feed the world's growing population and reducing the need for deforestation. This is important to the environment, as forests help negate the world's greenhouse gas emissions. However, as a responsible company operating in a global market, we also have a duty to conduct our operations in an environmentally conscientious way. Therefore we run an Environment Protection programme, approved annually, which includes 16 different projects.

In 2007 the programme's projects were aimed at air pollution control, water-resources conservation, waste utilization, and promoting environmental matters to employees. Our efforts are made in accordance with international best practice and standards. In addition our Environment Management System is integrated with the corporate Quality Management System. In 2007 we spent 463 million roubles on environmental measures, almost ten times as much as in 1997.

It is crucial that our management and employees should be environmentally-minded, and we run ecological training for employees, include ecological issues in job descriptions include, and audit employees' environmental knowledge and compliance with the relevant rules and guidelines regularly.

**Air pollution**—In 2007 we conducted air monitoring at our main facilities, which allowed clear identification of their impact on the air condition in Berezniki. We managed to decrease air pollutant emissions significantly by starting to use gas for our Drying Plant and CHPP at Mine Group 4.

**Water pollution**—To control the quality of subterranean and surface waters, specialists from the Department for Environment Protection conduct geological and hydro-geological monitoring in the operational area. Last year, to prevent pollution, we purified the rain pool area at BKPRU-3 and its Salt-Solution Collector.

**Water consumption**—By using stricter technological discipline, we managed to decrease the amount of water used in production by 6%, from 2.45 cu m/tonne in 2006 down to 2.30 cu m/tonne in 2007. We also decreased our waste discharge almost two-fold due to: more rational use of water resources, extensive water recycling and re-circulating systems at our production facilities, and the pumping of brines into the BKPRU-1 mine. As a result, the actual basin waste discharges were 48.6% lower than the permissible level, with the pollutant content in our discharges not exceeding the acceptable value.





Potato:  
**1600** kt  
 compensation  
 $K_2O$

**Boreal soil facts**  
 23.7 mln. sq. km or  
 17.7% of world total  
 area  
 8.4% reclamation  
 15% world cultivated  
 area

## Boreal soils

- USA
- Russia
- Canada
- China
- Europe

**Boreal soils — 15% world cultivated area.**  
 The thermal conditions restrict the ability for cropping. The major crops are rapeseed, potato, sugar beet.  
**Typical soils:** podzolic soils, sod-glay.

Typical crops	Uptake $K_2O$ kg per 1 t of product	World production, Mt	Annual $K_2O$ compensation, t
Rapeseed	9	48	432,000
Potato	5	320	1,600,000
Sugar beet	6.3	420	1,524,600



1 t  $K_2O$  (nutrient) is equal to around 1.67 t KCl (product)



# Financial management discussion and analysis section

## 01 Gross sales

In 2007 Uralkali demonstrated an outstanding growth in sales. Gross sales increased by 32%, achieving a record RUR 29,499M (US\$ 1,153M). Net sales<sup>1</sup> increased by 36% reaching RUR 22,673M (US\$ 887M). The major reasons behind the increase were sales prices increases and a significant increase in sales volumes.

### 1.1 Price increase

Favourably for the Company, global demand growth led to a 1 million tonne world deficit by the end of 2007. This mismatch caused significant global price rises in 2007, that are continuing in 2008. Uralkali's average gross prices were higher in 2007 on average by almost US\$ 40 per tonne (22% year-to-year growth).

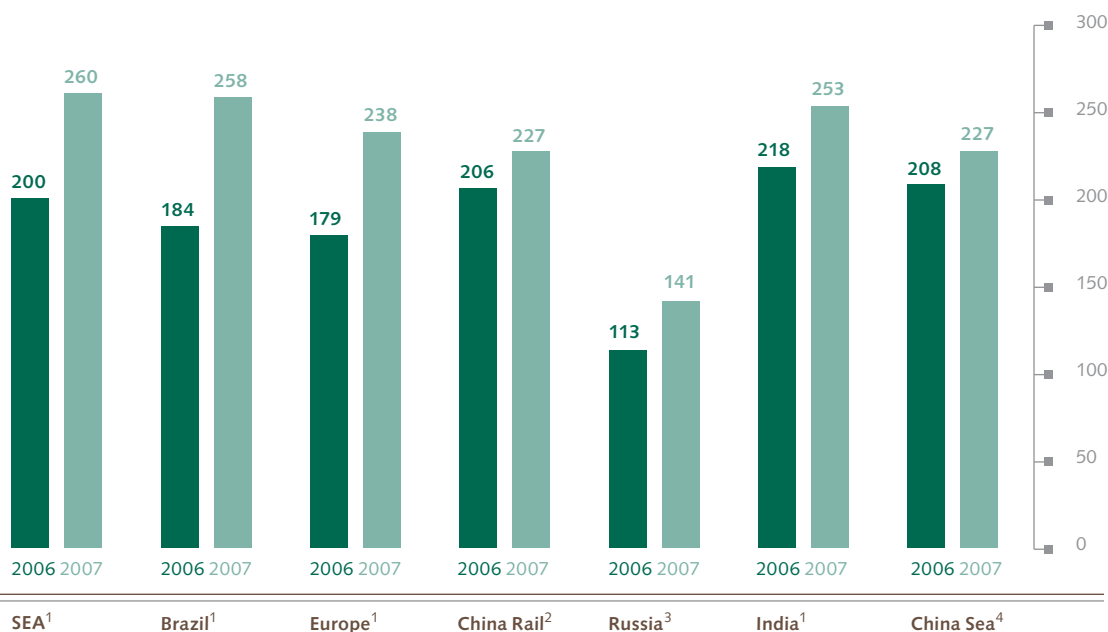
The gross sales growth was also supported by the significant sales volume increase. We produced and sold 5.1 million tonnes of potash, 0.1 million tonnes above our budget. We reached this surplus through the success of the productivity and debottlenecking programme we implemented in 2007.

#### Average gross sales prices for key markets, US\$ per tonne

Notes:

<sup>1</sup> Average CFR price  
<sup>2</sup> Average DAF price  
<sup>3</sup> Average FCA price

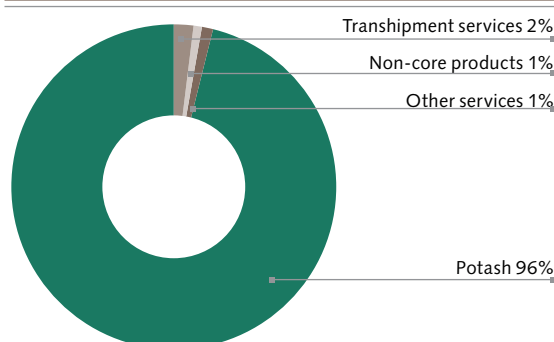
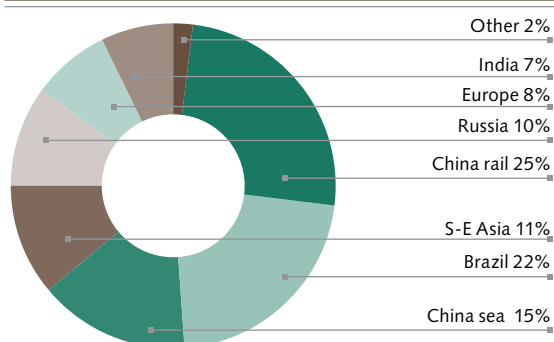
<sup>4</sup> Average FOB price grossed up for average freight rates in the region  
<sup>5</sup> All price are given on the gross basis



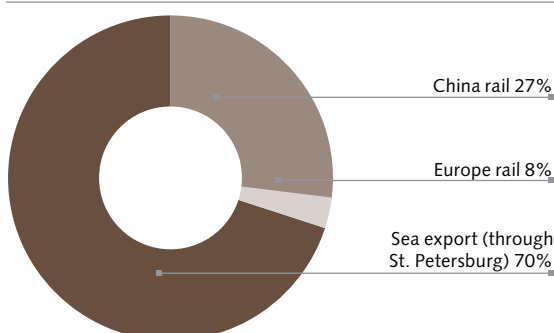
<sup>1</sup> NET SALES = GROSS SALES NET of freight expenses, railway tariff expenses and transshipment expenses

## Uralkali—leader to capture growth

### Potash sales structure, 2007



### Export structure, 2007



## 1.2 Geography of sales

Uralkali sold its products to more than 20 countries. Our major customers are located in developing countries, which provide for more favourable prices compared to mature economies. The four major developing economies (described as the BRIC countries—Brazil, Russia, India, China) accounted for 79% of our sales volume.

In addition, sales recovered in 2007 after prolonged contract negotiations with major Chinese customers in 2006, which have historically accounted for a large proportion of our sales, and this contributed to the gross sales increase.

Other (non-potash) sales increased by 15% in 2007 and achieved RUR 1,104M (US\$ 43M). The major components of such sales include the transhipment services rendered by the Baltic Bulk Terminal to third party mixed fertiliser (NPK) producers, and sales of non-core products (such as sodium chloride, carnallite and carnallite processing).

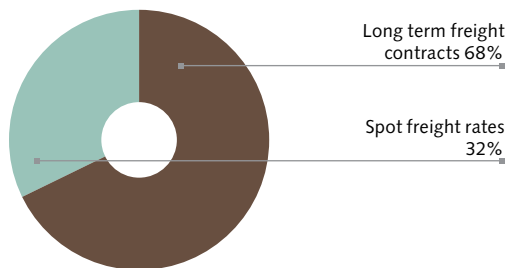
The majority of export sales in 2007 were shipped by sea through St. Petersburg port. Distribution costs for sea export include the railway tariff from Berezniki to St. Petersburg and freight cost (except for deliveries on FOB basis). The second largest part of export sales was made to China by rail and a minor part was sold to European customers by rail. Distribution costs for these deliveries include railway tariff costs to China and Europe respectively.

## 02 Transportation

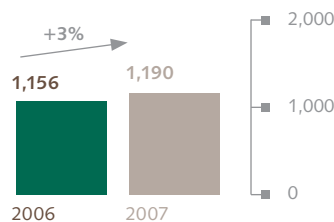
### 2.1 Freight

Global freight rates increased rapidly in 2007, however the effective freight rates to us did not change significantly. This was due to long-term freight contracts for approximately two-thirds of our freight costs that hedged us from the negative trends in this market.

#### Freight cost structure, 2007



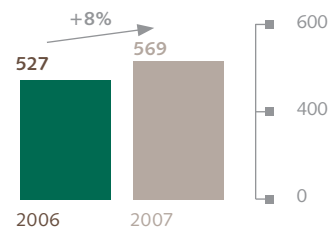
#### Effective freight rates RUR per tonne



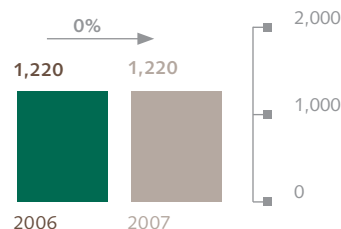
### 2.2 Railway tariff

We exported goods to several main destinations: to several European customers overland, to northern China market overland, and to the rest of the world through our terminal in St. Petersburg. The railway tariffs for all destinations are regulated by the State. The general policy for 2007 was an increase of approximately 8% on tariffs to seaports, while all other destinations were charged at 2006 tariffs.

#### St. Petersburg railway tariff, RUR per tonne



#### China railway tariff, RUR per tonne



### 2.3 Transshipment

All sea exports are processed through our 100% subsidiary Baltic Bulk Terminal (BBT) in St. Petersburg. Due to the high volumes of shipped goods, the effective cost is relatively stable at approximately US\$ 3.5 per tonne.



## 03 Net sales

Net sales are defined as the gross sales for the period net of certain distribution costs—freight costs, railway tariffs and transhipment costs. Despite rise in tariffs and freight costs, the effect of the price increase significantly overlapped this growth and led to 36% increase to RUR 22,673M in 2007.

## 04 Cash cost of goods sold<sup>1</sup>

Average cash COGS per tonne in 2007 increased by 1% compared to 2006 and was RUR 1,128 (US\$ 44) per tonne, significantly below the industry average.

The cash COGS in 2007 included 40% of variable costs and 60% of fixed costs. This structure gives the company flexibility in expanding production capacity without escalation of COGS.

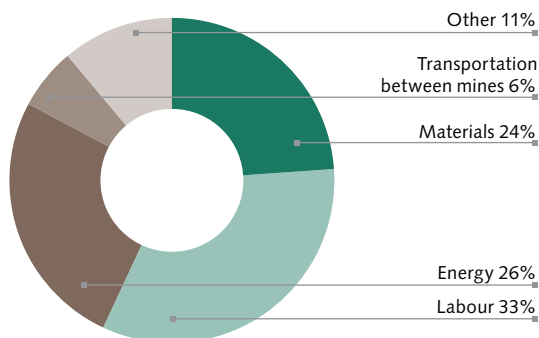
The largest components of Uralkali's cost of sales are labour, materials and energy.

## 4.1 Labour

As a Russian company Uralkali benefits from low labour costs. In 2006 our average monthly labour cost per production employee was RUR 13,000 (cUS\$ 500). To prevent the loss of highly-qualified manpower we have started a programme to align the salary of production employees with the average regional salary. In 2007 our average monthly labour cost per production employee increased by 31% on the 2006 figure, to RUR 17,000 (cUS\$ 670).

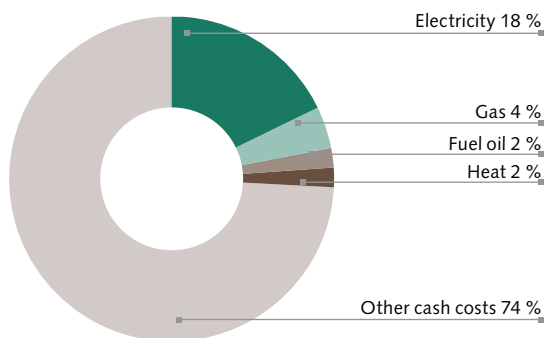
We expect this increase to be offset by headcount reduction in the coming years, achieved as a result of the restructuring programme we are developing, which is covered in the Cost Reduction section of this report.

### Cash COGS

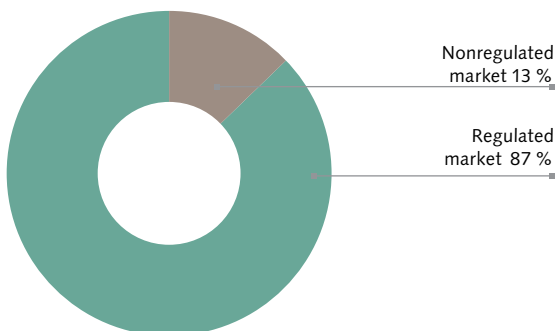


<sup>1</sup> CASH COST OF GOODS  
Sold = cost of goods sold less depreciation

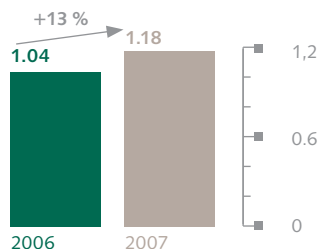
## Fuel and Energy Breakdown (2007)



## Electricity consumption (2007)



## Effective electricity tariff, RUR/kWh



## 4.2 Energy

The potash production process requires significant amounts of electricity and heat energy. Energy-related expenses represented 26% of total cash COGS, the majority of which was attributed to electricity expenses. The next three largest components during the period under review were natural gas, fuel oil and heat expenses.

### 4.2.1 Electricity

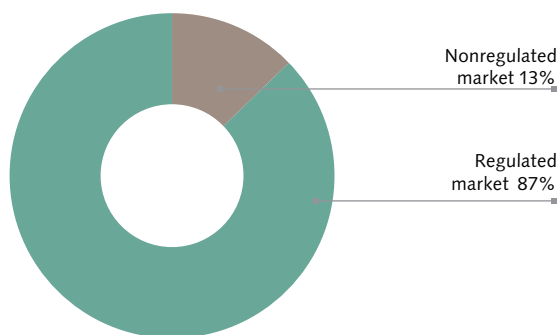
Currently between 90% and 95% of domestic electricity prices are regulated by the Russian Government. The Government is currently implementing a restructuring plan for the power sector aimed at introducing greater competition, liberalising the wholesale electricity market and moving to a market-based system by 2011.

In 2007, our supplier wholesale company purchased from 90% to 95% of electricity from the energy producers on the regulated price basis. The rest (from 5% to 10%) was purchased on the non-regulated market, which historically meant higher prices. The wholesale company charges these costs on to customers. Residential consumers are billed first at the regulated tariffs, and the remainder is charged to industrial customers who, in effect, sponsor residential consumption. Through the Government plans, the percentage of the electricity to be sold through the unregulated market is subject to further increase. In 2007 the electricity tariff on the regulated market was approximately 24% lower than that on the non-regulated market. In 2008 the share of electricity purchased on the non-regulated market is expected to increase. Our average effective electricity price increased in 2007 by 13% compared to 2006, to RUR 1.18 per kWh (US\$ 0.05 per kWh).

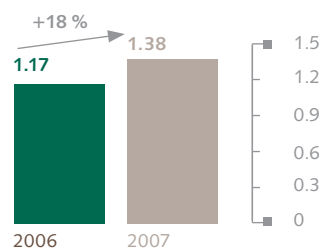
## 4.2.2 Gas

Natural gas is a small part of our cash cost. Our operations require some amounts of natural gas, primarily purchased from subsidiaries of OAO Gazprom. This is a Government-controlled company and the dominant producer and monopoly transporter of natural gas within Russia. Starting from 2007 the Russian Government has fixed the volume of natural gas supplied by Gazprom to industrial consumers on a regulated tariff for the level consumed in 2006. Gas consumed exceeding this level should be purchased on open market. In 2007 the gas price on the open market was 20% higher than the regulated tariff. Our average effective gas price increased in 2007 by 18% compared to 2006, to RUR 1,379 per one thousand m<sup>3</sup> (US\$ 53.93 per one thousand m<sup>3</sup>).

### Gas consumption (2007)



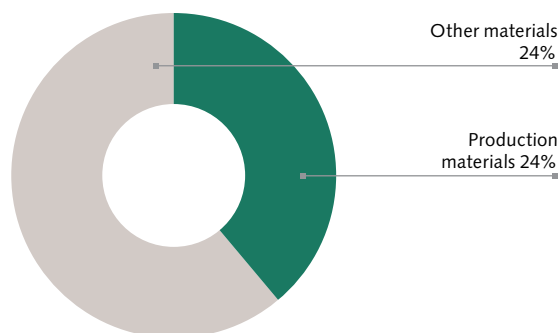
### Effective gas tariff, kRUR/1000m<sup>3</sup>



## 4.3 Materials

Expenses for materials and components include costs related to materials used in the production process (including chemicals reagents needed and spare parts for mining equipment), which are dependent on production volume, and other materials, which include materials and parts used in repairs and maintenance conducted by our in-house repairs and maintenance departments. In general materials and components costs in 2007 increased by 6% compared to 2006, which is less than the inflation rate.

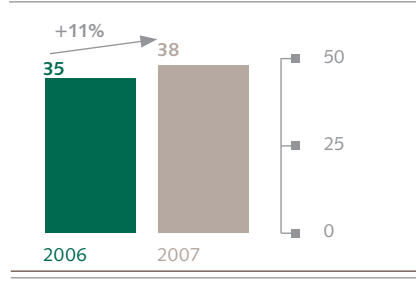
### Materials (2007)



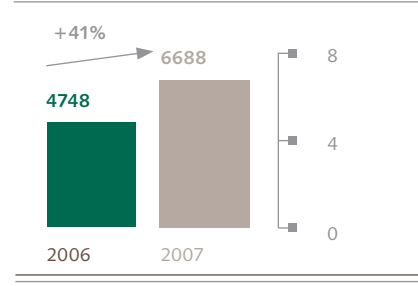
## 4.4 Transportation between mines

We incur these costs in transporting ore by rail from Mine 4 to Plant 3, which does not have an adjoining mine. These costs include railway tariff and corresponding shunting operations. In 2007 they increased by 76% compared to 2006 due to an increase in volume of transported ore, and an increase in the railway tariff. These costs will be eliminated following the start of Ust-Yava operations.

### Effective railway tariff, RUR per tonne



### Volume of ore transported, thousands tonnes



## 05 General and administrative (G&A) expenses

Average cash general and administrative expenses<sup>1</sup> per tonne increased in 2007 by 53% compared to 2006 and were RUR 637 (US\$ 25) per tonne. The increase was mainly explained by one-off expenses relating to our share offering, and new post employment benefits. Without these expenses average cash G&A per tonne in 2007 would have been RUR 452 (US\$ 18) per tonne, an increase of 8% on their 2006 level, which is in line with the inflation rate.

The largest components of our general and administrative expenses are labour costs, costs related to the shares offering, consulting, insurance and security costs.

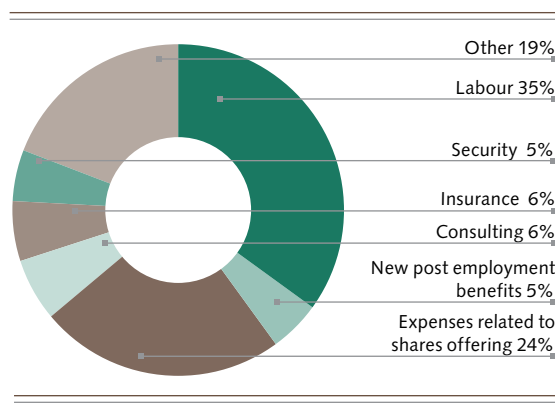
## 5.1 Labour costs

Labour costs include all kind of wages and bonuses, and related social taxes for administrative personnel and senior management. In 2007 the average monthly payroll for managerial and administrative personnel increased by 13% compared to 2006, at RUR 31,200 (app. US\$ 1,220).

## 5.2 New post-employment benefit plans

In 2007 we signed a new Collective Bargaining Agreement with our employees for a three-year term, which introduced several post-employment benefits for employees and pensioners. These plans provide for payment of retirement benefits starting from the statutory retirement age, which is currently 55 for women and 60 for men (a quarterly payment from RUR 250 to 600 depending on the length of service), payment of a lump-sum benefit upon death of current employees and pensioners (RUR 5,000) and a lump-sum payment upon retirement (equivalent to

### General and administrative costs, 2007



<sup>1</sup> CASH GENERAL AND ADMINISTRATIVE expenses — General and administrative expenses less depreciation and amortization.



two monthly payrolls). The major part of 2007 expenses relates to a one-off recognition of past service in benefits payable to current pensioners. The company does not expect the costs related to these post-employment benefits will be significant in forthcoming periods.

## 5.3 Expenses related to the share offering

In October 2007 we made a global offering of shares on London Stock Exchange. One-off expenses related to the offering include fees paid to legal and financial consultants and bonuses paid to senior management upon the successful listing.

## 06 Cost reduction programme

### 6.1 Headcount reduction

We are working continuously on a programme to increase cost efficiency. This programme is expected to be complete by 2010, and will lead to a further reduction of headcount and corresponding increase in productivity

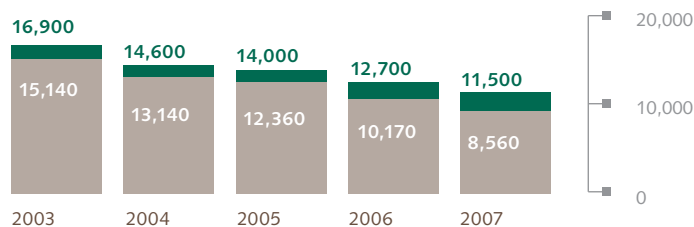
In recent years we have achieved a significant reduction in headcount. From 2003 to 2007 consolidated headcount of the Group decreased by 5,400 employees to 11,500, and headcount of the main production unit by 6,580 employees to 8,560.

### 6.2 Power generation programme

We are currently implementing a power generation programme, which we expect to be fully operational by 2009. We aim to reduce our reliance on external sources of electricity by building our own power generation facility using electricity turbines powered by natural gas.

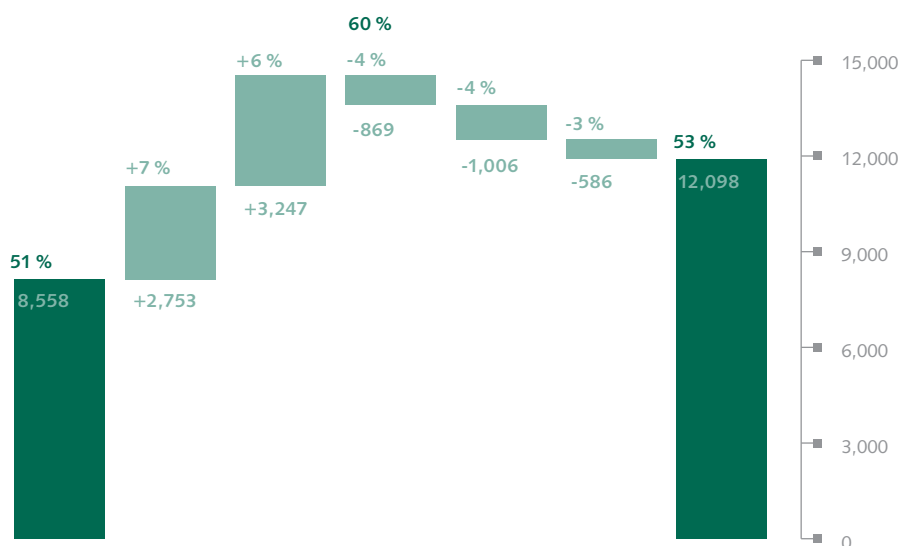
In 1Q2008 we launched the first two electricity generation turbines at Production Unit 4 and we are planning to launch another two in 2009. We estimate that after the full implementation of this programme we will achieve energy cost savings of approximately RUR 50 per tonne of potash production.

### Headcount (period average), employees



Main production unit  
Uralkali group consolidation

## EBITDA discussion



Adj. EBITDA 2006	Volume of sales increase	Price increase	Budgeted costs increase	One-off costs	Increase in Labour in 2H 2007	Adj. EBITDA 2007
8,558	+2,753	+3,247	-869	-1,006	-586	12,098

## 07 EBITDA discussion<sup>1</sup>

In 2007 adjusted EBITDA increased by 41% in comparison to 2006. The main reasons behind this EBITDA growth in 2007 were the growing volumes and prices, partly offset by the budgeted cost increase and one-off costs relating to the successful share offering. These one-off

expenses and increase in labour costs decreased the level of EBITDA margin from 60% down to 53%, which is still a good result. For 2008 and the coming years we believe the EBITDA margin will far exceed the record level of 2005, and this level will be sustainable in the long-term.

## 08 Mine flooding costs

On October 28, 2006 we stopped production operations in Mine 1 due to an increase in the inflow of natural groundwater to the level where we could not control it. According to a governmental commission, the cause of flooding was a previously unknown anomaly of geological structure and has consequently been determined to be beyond the control of the Company (force majeure).

In order to substantially reduce the risk of subsidence within the town of Berezniki, we began the injection of brine into the

cavities in 2006, as advised by the governmental commission and Institute of Geological Sciences. We expect most of the cavities in Mine 1 to be filled with water during the next three years given expected natural groundwater inflow of 3,000 cubic metres per hour. A technical plan for brine injection operations prepared in 2006 for 2007 was based on our maximum brine production capacity. Based on this technical plan and best estimates, the management as at December 31, 2006 estimated a provision for present value of cash out-

<sup>1</sup> ADJUSTED EBITDA REPRESENTS OPERATING profit plus depreciation and amortisation. Adj. EBITDA does not reflect the impact of finance income and expenses and mine flooding costs

flows to be incurred by these brine injection operations.

In 2007 the Group performed brine injection operations pursuant to the plan. However, in October 2007 the natural groundwater inflow increased to 7000–8000 cubic metres per hour. In December 2007 the Institute of Geological Sciences issued an expert opinion that further brine injection operations would be impractical. In December 2007 the management of the Group agreed with the State authorities to cease brine injection operations and re-

leased the remaining balance of the mine flooding provision. The brine injection operations were stopped on January 12, 2008.

Mine flooding costs include the costs related with write-off of fixed assets at Mine 1, dismantling costs, monitoring costs and changes in brine injection provision. In 2007 we recognized income of RUR 274M in respect of mine flooding mainly due to release of the provision for brine injection described above.

## 09 CAPEX

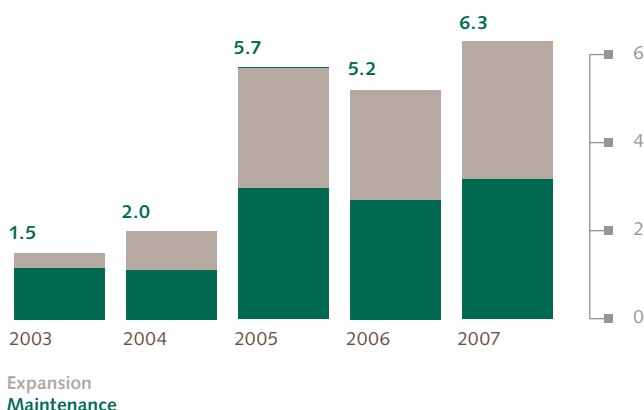
In 2007 Uralkali continued to execute its capital expenditure (CAPEX) programme. Total CAPEX amounted to RUR 6,316M and mainly was attributable to expansion CAPEX, maintenance CAPEX, and cost reduction.

Expansion and cost reduction CAPEX amounted to approximately half of all capital expenditures. Main projects included: second production line on Plant 4; additional flotation equipment at Plant-2; additional granulation capacities, power generation and infrastructure.

The second production line on Plant 4 is one of the major expansion projects, and is expected to increase our production capacity significantly. Plant 4 was constructed in 1987 and has one of the biggest potash mines in the world with potential capacity of 19 million tonnes of ore a year. The first production line was operational from the time of the plant's construction. The plan is for the second to become operational by 2010. This line will contribute an additional 1.5 Mt. of potash production. We plan to achieve this expansion at the cheapest price in industry—only US\$ 160 per tonne of expansion.

Additionally we plan to install new granulation equipment in 2008–2009, which will increase our capacity for granulated product by 470,000 tonnes up to 1.7 Mt per year. We also plan to implement our storage capital expenditure programme to increase warehouse capacity by more than 150,000 tonnes of potash by 2011.

### Capital expenditure<sup>1</sup>, RURbn



In the first half of 2009 we plan to complete a power generation programme, which aims is to reduce energy-related costs by operating our own electricity generation turbines. This power generation programme will cost us US\$ 2,000 per 1 MgW of capacity and will bring cost savings of approximately US\$2 per tonne of potash production in 2011. See “Cost reduction programme—Power Generation Programme” for more details.

In the recent years we have made sustainable capital investments in capacity,

<sup>1</sup> NOT INCLUDING Mine-5 greenfield project. For description of our greenfield project see Ust-Yayvo section

1t K<sub>2</sub>O (nutrient)  
is equal to around  
1.67t KCl (product)

# K<sub>2</sub>O

**Barley — K<sub>2</sub>O uptake or removal 8kg per tonne of product, world annual production 132 Mt, therefore annual compensation required 1,056,000 tonnes of K<sub>2</sub>O.**

**Cultivate actively: USA, Russia, Europe.**



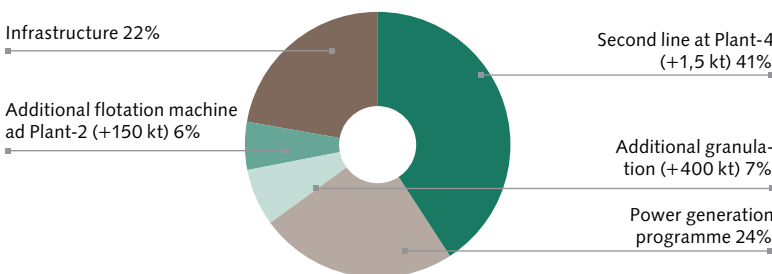
and renewal of equipment. In 2006 we completed the fourth production section on Plant 3, with additional capacity of 440,000 tonnes per year. In 1Q 2007 we completed the installation of additional flotation equipment on Plant 2 with 150,000 tonnes of additional capacity per year. These projects allowed us to produce 5.1 Mt. in 2007 and to raise our production projection for 2008 up to 5.3 Mt. Expansion was achieved on the cheapest

basis in the industry—approximately US\$ 41 per tonne.

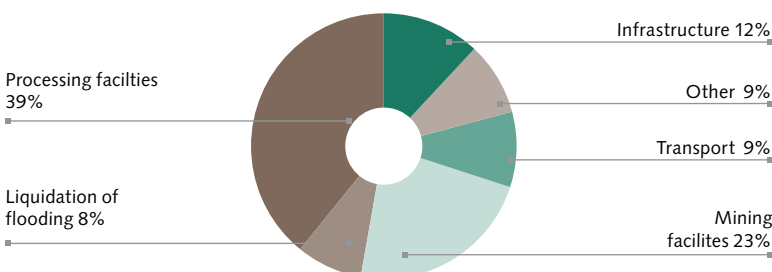
Another part of CAPEX in 2007 was attributed to maintenance and mainly consisted of projects related to processing and mining facilities and infrastructure.

Since we are a strong cash-generating company, our CAPEX is financed by operating cash-flow.

## Expansion CAPEX, 2007



## Maintenance CAPEX, 2007



## 9.1 Ust-Yayvo—Mine-5

We estimate our new greenfield project could be executed at the cost of US\$ 800 per tonne, almost two times cheaper than the average greenfield industry project. Currently we are finalising the feasibility study on the construction of Mine-5 in Ust-Yayva. Based on the pre-feasibility study, we are planning to add 3.7 Mt of new capacity, which will increase our total production capacity up to almost 11 Mt. This project will include construction of a new mine with capacity of 15 Mt of ore per year and two plants at RU-4 and RU-3. We estimate the cost of Mine-5 project on the level of US\$ 3 billion or US\$ 800 per tonne of production capacity. Additionally the new mine will be situated not far from Plant-3 and will supply it with ore, which will allow us to eliminate costs related to ore transportation between mines and increase cost efficiency by US\$ 17 million at current prices.

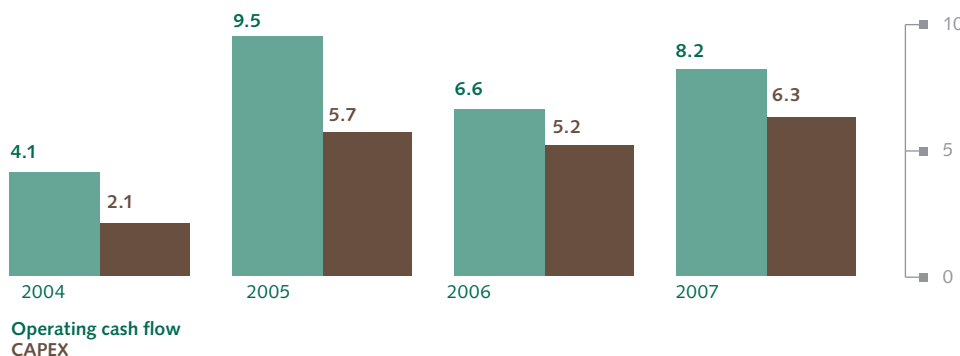
# K<sub>2</sub>O

1t K<sub>2</sub>O (nutrient)  
is equal to around  
1.67t KCl (product)



Soybean — K<sub>2</sub>O uptake or removal 20 kg per tonne of product, world annual production 220 Mt, therefore annual compensation required **4,400,000 tonnes of K<sub>2</sub>O**.  
**Cultivate actively: Brazil, India.**

## Operating cash flow vs. CAPEX, RUR bln



**10**  
Cash flow

Net cash generated from operations increased in 2007 by 24% compared to 2006 up to RUR 8,194M. In recent years the Company has shown strong cash-generating capabilities and has financed its CAPEX programme by operating cash flow. As at the end of 2007 the Company had a net debt position of RUR 3,309M (US\$ 135M).

**11**  
Dividends

From 2006, and for the foreseeable future, we have adopted a policy of declaring and paying annual dividends of not less than 15% of IFRS net income. Dividends for 2007 will be declared at the Annual General Meeting of shareholders, to be held in June 2008. See more in the Report on Payment of Declared (Accrued) Share Dividends section.





Corn:  
**3064** kt  
 compensation  
 $K_2O$



**Subtropic soil facts**  
 25.8 mln. sq. km or 19.3% of world total area  
 52.9% reclamation  
 17.0% world cultivated area

## Subtropics soils

**India**  
**China**  
**USA**  
**Brazil**  
**South-East**  
**Asia**

**Subtropics soils** — 17% world cultivated area. The thermal conditions are perfect for cotton, rice, wheat, corn, sugar cane. It is possible to get two harvests a year.

**Typical soils:** yellow, red, gray brown, gray desert soils, cinnamonic soils.



Typical crops	Uptake $K_2O$ kg per 1 t of product	World production, Mt	Annual $K_2O$ compensation, t
Cotton	10	119	1,190,000
Wheat	8.5	603	5,125,500
Corn	4	766	3,064,000
Sugar cane	1.32	1324	1,747,680

1 t  $K_2O$  (nutrient) is equal to around 1.67 t KCl (product)

# ■ IFRS Consolidated Financial Statements and auditor's report for the year ended December 31, 2007

Independent auditor  
ZAO Pricewaterhouse  
Coopers Audit  
Kosmodamianskaya nab. 52, bld. 5  
115054 Moscow, Russia  
Telephone +7 (495) 967-6000  
Facsimile +7 (495) 967-6001  
[www.pwc.ru](http://www.pwc.ru)

Licence #376 as of 20.05.02  
issued by Ministry of Finance  
of Russian Federation.  
Valid until 20.05.12





ZAO PricewaterhouseCoopers Audit  
 Kosmodamianskaya nab. 52, bld. 5  
 115054 Moscow, Russia  
 Telephone +7 (495) 967-6000  
 Facsimile +7 (495) 967-6001  
 www.pwc.ru

## Independent auditor's report

## To the Shareholders and Board of Directors of Uralkali Group

**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 balance sheet as of December 31, 2007 and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

**2**

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**3**

### Auditor's Responsibility

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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.

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

**4**

### Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*ZAO PricewaterhouseCoopers Audit*  
 Moscow, Russian Federation  
 April 14, 2008

<sup>1</sup> The firm is an authorized licensee of the tradename and logo of PricewaterhouseCoopers.

Note **December 31, 2007**

December 31, 2006

**Uralkali Group****Consolidated balance sheet as of December 31, 2007**

(in millions of Russian Roubles unless otherwise stated)

**Assets****Non-current assets:**

Property, plant and equipment	8	24,205	20,162
Goodwill	10	366	366
Intangible assets	11	147	171
Restricted cash	14	-	80
Related parties loans	6	-	2,659
Financial assets		223	248
<b>Total non-current assets</b>		<b>24,941</b>	<b>23,686</b>

**Current assets:**

Inventories	12	1,522	1,481
Trade and other receivables	13	5,875	4,375
Current income tax prepayments		6	253
Related parties loans	6	-	431
Cash and cash equivalents	14	7,291	2,812
<b>Total current assets</b>		<b>14,694</b>	<b>9,352</b>
<b>Total assets</b>		<b>39,635</b>	<b>33,038</b>

**Equity:**

Share capital	15	648	648
Treasury shares	15	(12)	(9)
Share premium/(discount)		(849)	(514)
Revaluation reserve		150	150
Cumulative translation reserve		(478)	(195)
Retained earnings		25,591	17,549
<b>Equity attributable to the Company's equity holders</b>		<b>25,050</b>	<b>17,629</b>
Minority interest		24	21
<b>Total equity</b>		<b>25,074</b>	<b>17,650</b>

**Liabilities****Non-current liabilities:**

Borrowings	17	6,444	3,555
Post employment benefits obligations	28	247	28
Mine flooding provision	16	23	679
Deferred income tax liability	27	396	423
<b>Total non-current liabilities</b>		<b>7,110</b>	<b>4,685</b>

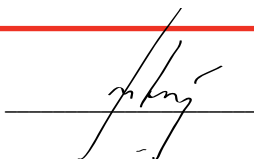
**Current liabilities:**

Borrowings	17	4,621	8,040
Trade and other payables	18	2,400	2,487
Current income tax payable		252	10
Other taxes payable		178	166
<b>Total current liabilities</b>		<b>7,451</b>	<b>10,703</b>
<b>Total liabilities</b>		<b>14,561</b>	<b>15,388</b>
<b>Total liabilities and equity</b>		<b>39,635</b>	<b>33,038</b>

Approved on behalf of the Board  
of Directors

April 11, 2008

President


Finance  
Vice-President




Note

2007

2006

**Uralkali Group****Consolidated statement of income for the year ended December 31, 2007**

(in millions of Russian Roubles unless otherwise stated)

Revenues	19	29,499	22,290
Cost of sales	20	(7,108)	(6,307)
<b>Gross profit</b>		<b>22,391</b>	<b>15,983</b>
Distribution costs	21	(7,957)	(6,691)
General and administrative expenses	22	(3,473)	(2,058)
Taxes other than income tax		(283)	(258)
Other operating expenses	24	(556)	(426)
<b>Operating profit</b>		<b>10,122</b>	<b>6,550</b>
Mine flooding costs	26	274	(2,054)
Finance income	25	1,251	914
Finance expense	25	(1,524)	(1,084)
<b>Profit before income tax</b>		<b>10,123</b>	<b>4,326</b>
Income tax expense	27	(2,078)	(832)
<b>Profit for the year</b>		<b>8,045</b>	<b>3,494</b>
<b>Profit is attributable to:</b>			
Equity holders of the Company		8,042	3,494
Minority interest		3	-
<b>Net profit for the year</b>		<b>8,045</b>	<b>3,494</b>
<b>Earnings per share — basic and diluted (in RR)</b>	<b>29</b>	<b>3,83</b>	<b>1,66</b>

The accompanying notes form an integral part of these consolidated financial statements.

Note

2007

2006

**Uralkali Group****Consolidated statement of cash flows for the year ended December 31, 2007**

(in millions of Russian Roubles unless otherwise stated)

	Note	2007	2006
<b>Cash flows from operating activities</b>			
Profit before income tax and minority interest		10,123	4,326
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment and amortization of intangible assets		1,976	2,008
Net loss/(gain) on disposal of property, plant and equipment	24	215	(2)
Loss on fixed assets disposed on mine flooding	26	64	1,208
Impairment of trade and other receivables	24	13	20
Net change in provision for earth replacement and mine flooding		(656)	483
Finance income and expense, net		523	317
Foreign exchange gains	25	(498)	(286)
<b>Operating cash flows before working capital changes</b>		<b>11,760</b>	<b>8,074</b>
(Increase)/decrease in trade and other receivables		(1,740)	9
Increase in inventories		(41)	(48)
Increase in accounts payable, accrued expenses and other creditors		538	128
Increase/(decrease) in other taxes payable		12	(18)
<b>Cash generated from operations</b>		<b>10,529</b>	<b>8,145</b>
Interest paid	17	(725)	(521)
Income taxes paid		(1,610)	(998)
<b>Net cash generated from operating activities</b>		<b>8,194</b>	<b>6,626</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	11	(47)	(23)
Purchase of property, plant and equipment		(6,073)	(5,232)
Proceeds from sales of property, plant and equipment		22	351
Sale of investments, net		16	27
Decrease/(increase) in restricted cash balances	14	27	(125)
Loans issued to related party		(753)	(4,034)
Repayment of loans issued to related party		3,575	1,194
Dividends and interest received		261	196
<b>Net cash used in investing activities</b>		<b>(2,972)</b>	<b>(7,646)</b>
<b>Cash flows from financing activities</b>			
Repayments of borrowings	17	(8,257)	(3,808)
Proceeds from borrowings	17	8,188	11,891
Acquisition of treasury shares	15	(79)	(234)
Finance lease payments	17	(38)	(38)
Dividends paid to shareholders		(552)	(7,959)
<b>Net cash used in financing activities</b>		<b>(738)</b>	<b>(148)</b>
Effect of foreign exchange rate changes on cash and cash equivalents		(58)	(141)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4,426</b>	<b>(1,309)</b>
<b>Cash and cash equivalents at the beginning of the year, net of restricted cash</b>	<b>14</b>	<b>2,767</b>	<b>4,076</b>
<b>Cash and cash equivalents at the end of the year, net of restricted cash</b>	<b>14</b>	<b>7,193</b>	<b>2,767</b>

The accompanying notes form an integral part of these consolidated financial statements

**Uralkali Group****Consolidated statement of changes in equity for the year ended December 31, 2007**

(in millions of Russian Roubles unless otherwise stated)

**Attributable to equity holders of the Company**

	Share capital (Note 15)	Treasury shares (Note 15)	Share premium/ (discount)	Revaluation reserve	Cumulative translation reserve	Retained earnings	Total attributable to equity holders	Minority interest	Total equity
Balance at January 1, 2006	648	(6)	(288)	150	45	17,409	17,958	21	17,979
Translation movement	-	-	-	-	(240)	-	(240)	-	(240)
Net income recognised directly in equity	-	-	-	-	(240)	-	(240)	-	(240)
Net income for the year	-	-	-	-	-	3,494	3,494	-	3,494
Total recognised income for the year	-	-	-	-	(240)	3,494	3,254	-	3,254
Dividends declared (Note 15)	-	-	-	-	-	(3,354)	(3,354)	-	(3,354)
Acquisition of treasury shares (Note 15)	-	(3)	(226)	-	-	-	(229)	-	(229)
<b>Balance at December 31, 2006</b>	<b>648</b>	<b>(9)</b>	<b>(514)</b>	<b>150</b>	<b>(195)</b>	<b>17,549</b>	<b>17,629</b>	<b>21</b>	<b>17,650</b>
<b>Balance at January 1, 2007</b>	<b>648</b>	<b>(9)</b>	<b>(514)</b>	<b>150</b>	<b>(195)</b>	<b>17,549</b>	<b>17,629</b>	<b>21</b>	<b>17,650</b>
Translation movement	-	-	-	-	(283)	-	(283)	-	(283)
Net income recognised directly in equity	-	-	-	-	(283)	-	(283)	-	(283)
Net income for the year	-	-	-	-	-	8,042	8,042	3	8,045
Total recognised income for the year	-	-	-	-	(283)	8,042	7,759	3	7,762
Acquisition of treasury shares (Note 15)	-	(3)	(335)	-	-	-	(338)	-	(338)
<b>Balance at December 31, 2007</b>	<b>648</b>	<b>(12)</b>	<b>(849)</b>	<b>150</b>	<b>(478)</b>	<b>25,591</b>	<b>25,050</b>	<b>24</b>	<b>25,074</b>

The accompanying notes form an integral part of these consolidated financial statements.

# Notes to the consolidated financial statements for the year ended December 31, 2007

(In Millions of Russian Roubles unless  
Otherwise stated)

## 01 The Uralkali Group and its operations

JSC "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 in domestic and foreign markets. The Group manufactures around 10 types of products, the most significant of which is a wide range of potassium salts. The Group produces approximately 9.2% (for the year ended December 31, 2006: 8.3%) of the global volumes of potassium fertilisers and is one of two major potash manufacturers in the Russian Federation. For the year ended December 31, 2007 approximately 91% (for the year ended December 31, 2006: 90%) of potash fertiliser production is exported.

The Company holds operating licenses for the extraction of potassium, magnesium and sodium salts issued by authorities of Perm region. All the licenses expire in 2013 except for the "Verhnekamskoe" mine "Ust'-Yaivinskoe" license, which expires in 2024, however based on the statutory license regulation and prior experience the management of the Company believes that licenses will be prolonged without any significant cost.

The Company was incorporated as an open joint stock company in the Russian Federation on October 14, 1992. The principal subsidiaries and joint-ventures are disclosed in Note 9. All the companies of the Group are incorporated under the Laws of the Russian Federation with the exception of LLC "SP Terminal", a company incorporated under the Laws of the Ukraine, "Uralkali Trading SA", a company incorporated in Switzerland, "Uralkali Trading (Gibraltar) Ltd.", a company incorporated in Gibraltar. JSC "Belorussian Potash Company" ("BPC") is a company incorporated in Belorussia.

As of December 31, 2007 "Madura Holdings Limited", registered in Cyprus, was a parent company of the Group. The Group is ultimately controlled by Dmitry Rybolovlev.

The registered office of the Company is 63 Pyatiletki, Berezniki, Perm region, Russian Federation. All of the Group's productive capacities and all long-term assets are located in the Russian Federation.

As of December 31, 2007 the Group employed approximately 11.8 thousand employees (December 31, 2006: 11.5 thousand).



## 02 Basis of preparation and significant accounting policies

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

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 2.14.

Group companies maintain their accounting records in Russian Roubles ("RR") and prepare their statutory financial statements in accordance with the Federal Law on Accounting of the Russian Federation, except for "Uralkali Trading SA", "Uralkali Trading (Gibraltar) Ltd.", "SP Terminal". "Uralkali Trading SA" and "Uralkali Trading (Gibraltar) Ltd" maintain its accounting records in US Dollars ("US\$") and prepare their financial statements in accordance with IFRS. "SP Terminal" maintains its accounting records in "Ukrainian hryvnya" ("UAH") and in accordance with Ukraine Laws and Regulations. "BPC" maintains its accounting records in Belorussian Roubles ("BYR") and in accordance with Belorussian Laws and Regulations. 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 balance sheet date. Hyperinflation in the Russian Federation ceased effective from January 1, 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 December 31, 2002 are treated as the basis for the carrying amounts in these consolidated financial statements.

2.3

### Reclassifications

Certain reclassifications have been made to prior year balances in the consolidated balance sheet, statement of income and cash flows to conform to the current period presentation.

2.4

### 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 purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The date of exchange is the acquisition date where a business combination is achieved in a single transaction, and is the date of each share purchase where a business combination is achieved in stages by successive share purchases.

The excess of the cost of acquisition over the fair value of the net assets of the acquiree at each exchange transaction represents goodwill. The excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired over cost ("negative goodwill") is recognised immediately in profit or loss. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized 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.

2.5

## Minority interest

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

Difference, if any, between the carrying amount of a minority interest and the amount paid to acquire the relevant share is recognized as goodwill.

Disposals to minority interests result in gains and losses for the Group that are recorded in statement of income.

2.6

## 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 by the equity method of accounting. Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.7

## 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 by the equity method of accounting and are initially recognized 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 recognized 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 recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

2.8

## Property, plant and equipment

Property, plant and equipment acquired or constructed prior to January 1, 1997 is recorded at the amounts determined by an independent valuation as of January 1, 1997 less accumulated depreciation and impairment. Property, plant and equipment acquired or constructed subsequent to January 1, 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, which were required for the purposes of IFRS 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.

At each reporting date management assess 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 the statement of income. 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 expenditure is expensed as incurred. Major renewals and improvements are capitalised. Gains and losses on disposals determined by comparing proceeds with 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	30 to 45
Mine development costs	10 to 30
Plant and equipment	4 to 15
Transport	5 to 15
Others	5 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. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 the consolidated statement of income.

2.10

## Finance lease liabilities

Where the Group is a lessee in a lease which transferred 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 the income statement 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.

2.11

## Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the acquirer's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the date of exchange. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated balance sheet. Goodwill on acquisitions of associates is included in the investment in associates. 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 group of units represent the lowest level at which the Group monitors goodwill and are not larger than a 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

Expenditure on software, patents, trademarks, mineral and non-mineral licences is capitalised and amortised using the straight-line method over their useful lives.

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: trading, available-for-sale, held to maturity and loans and receivables.

Trading investments are securities or other financial assets, which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are included in a portfolio in which a pattern of short-term trading exists.

The Group classifies financial assets into trading investments if it has an intention to sell them within a short period after acquisition. Trading investments are not reclassified out of this category even when the Group's intentions subsequently change.

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.

Held to maturity classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at each balance sheet date.

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



2.14

## Initial recognition of financial instruments

Trading investments and derivatives 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 fair value and 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.

Change in fair value is recognized in profit or loss for trading investments and in equity for assets classified as available for sale.

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

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. All other elements of changes in the fair value are deferred in equity until the investment is derecognised or impaired at which time the cumulative gain or loss is removed from equity 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 equity 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 current period's profit or loss.

2.17

## Income taxes

Income taxes have been provided for in the consolidated financial statements in accordance with legislations enacted or substantively enacted by the balance sheet date in the Russian Federation for entities incorporated in the Russian Federation, in Switzerland for "Uralkali Trading SA", in Gibraltar for "Uralkali Trading (Gibraltar) Limited", in Ukraine for "SP Terminal" and in Belorussia for "Belorussian Potash Company". The income tax charge comprises current tax and deferred tax and is recognised in the consolidated statement of income unless it relates to transactions that are recognised, in the same or a different period, directly in equity.

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 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 of goodwill and subsequently for goodwill which is not deductible for tax purposes.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet 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. Cost of inventory is determined on the 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.

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

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 the consolidated statement of income.

2.20

## Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. 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 statement of cash flows. Restricted balances being exchanged or used to settle liability for at least twelve months after the balance sheet date are shown separately from cash and cash equivalents for the purposes of the balance sheet and included in non-current assets.

Bank overdrafts which are repayable on demand form 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 a 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 balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the consolidated financial statements are authorised for issue.

2.24

## Value added tax

Output value added tax is payable to 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 recognized in the balance sheet on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

2.25

## Borrowings

Borrowings are initially recognized 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. The Group does not capitalise borrowing costs. 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 balance sheet date.

2.26

## Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and 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, for example by a grant from the local authorities in Berezniki, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Earth replacement costs were accrued specifically in relation to cavities resulting from the extraction of ore beneath the town of Berezniki during mining activities (Note 5).

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

2.27

## Trade and other payables

Trade payables are accrued when the counterparty performed its obligations under the 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 and the Group's presentation currency is the national currency of the Russian Federation, Russian Roubles ("RR").

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 recognized in the statement of income. 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 balance sheet presented are translated at the closing rate at the date of that balance sheet;

(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 as a separate component of equity.

At December 31, 2007, the official rate of exchange, as determined by the The Central Bank of the Russian Federation (CBRF), was US dollar 1 = Rouble 24.55 (December 31, 2006: US dollar 1 = Rouble 26.33). The official Euro to RR exchange rate at December 31, 2007, as determined by the CBRF, was Euro 1 = Rouble 35.93 (December 31, 2006: Euro 1 = Rouble 34.69).

2.29

## Revenue recognition

Revenues are recognised on the date of risks transfer under 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 title to goods transfers as soon as the goods are loaded on the ship. For "Delivery At Frontier" (DAF) transactions title to goods transfers only when goods cross the Russian border. For "Free Carrier" (FCA) terms title transfers when goods are loaded on the first carrier (railway carriages). For "Cost and Freight" (CFR) terms title transfers when goods pass the rail of the ship in the port of shipment.

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

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

2.30

## Transshipment costs

Transshipment costs incurred by JSC "Baltic Bulker Terminal" ("BBT"), a 100% subsidiary whose activity is related to transshipment of fertilisers produced by the Group, presented by the Group 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.



2.32

### Social costs

The Group incurs employee 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 when incurred.

For defined benefit pension plans, the cost of providing benefits is determined using the Projected Unit Credit Method and is charged to the consolidated statement of income so as to spread the service cost over the service lives of the employees. An interest cost representing the unwinding of the discount rate on the scheme liabilities is charged to the consolidated statement of income. The liability recognized in the consolidated balance sheet, in respect of defined benefit pension plans, is the present value of the defined benefit obligation at the balance sheet 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 a currency in which the benefits will be paid and that have terms of maturity approximating to 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 recognized immediately in the consolidated statement of income.

2.34

### Earnings per share

Earnings per share is 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

A geographical segment is engaged in providing products within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments.

2.36

### Research and development costs

Research expenditure is recognised as an expense 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 costs can be measured reliably. Other development expenditures are recognised as an expense 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.

## 03 Adoption of new or revised standards and interpretations

Certain new IFRSs became effective for the Group from January 1, 2007. Listed below are those new or amended standards or interpretations which are or in the future could be relevant to the Group's operations and the nature of their impact on the Group's accounting policies.

**IFRS 7, Financial Instruments: Disclosures and a complementary Amendment to IAS 1, Presentation of Financial Statements—Capital Disclosures (effective from January 1, 2007).** The IFRS introduced new disclosures to improve the information about financial instruments, including about quantitative aspects of risk exposures and the methods of risk management. The new quantitative disclosures provide information about the extent of exposure to risk, based on information provided internally to the entity's key management personnel. Qualitative and quantitative disclosures cover exposure to credit risk, liquidity risk and market risk including sensitivity analysis to market risk. IFRS 7 replaced IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and some of the requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The Amendment to IAS 1 introduced disclosures about the level of an entity's capital and how it manages capital. The new disclosures are made in these consolidated financial statements.

**Other new standards or interpretations.** The following revised and issued standards were adopted in accordance with their transitional provisions and effective date and have no material impact on these consolidated financial statements:

- IFRIC 7, Applying the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary Economies" (effective for periods beginning on or after March 1, 2006, that is from January 1, 2007).
- IFRIC 8, Scope of IFRS 2 (effective for periods beginning on or after May 1, 2006, that is from January 1, 2007).
- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after June 1, 2006).
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after November 1, 2006).

## 04 New accounting pronouncements

Certain new standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after January 1, 2008 or later periods and which the entity has not early adopted:

**IFRS 8, Operating Segments (effective for annual periods beginning on or after January 1, 2009).** The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information. The Group is currently assessing what impact the standard will have on segment disclosures in the consolidated financial statements.

**Puttable financial instruments and obligations arising on liquidation—IAS 32 and IAS 1 Amendment (effective from January 1, 2009).** The amendment requires classification as equity of some financial instruments that meet the definition of a financial liability. The Group does not expect the amendment to affect its consolidated financial statements.

**IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after January 1, 2009).** The revised IAS 23 was issued in March 2007. The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset.

The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after January 1, 2009. The Group is currently assessing what impact the standard will have the consolidated financial statements.

**IAS 1, Presentation of Financial Statements (revised September 2007; effective for annual periods beginning on or after January 1, 2009).** The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Group expects the revised IAS 1 to affect the presentation of its financial statements but to have no impact on the recognition or measurement of specific transactions and balances.

**IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after July 1, 2009).** The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Group does not expect the amendment to affect its consolidated financial statements.

**IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 3, 2009).** The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or on the same basis as US GAAP (at fair value). The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill will be measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

**Vesting Conditions and Cancellations—Amendment to IFRS 2, Share-based Payment (issued in January 2008; effective for annual periods beginning on or after January 1, 2008).** The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group does not expect the amendment to affect its consolidated financial statements.

**IFRIC 13, 'Customer loyalty programmes' (issued in June 2007; effective for annual periods beginning on or after July 1, 2008).** IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components

of the arrangement using fair values. IFRIC 13 is not relevant to the Group's operations because no Group companies operate any loyalty programmes.

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

- IFRIC 11, IFRS 2—Group and Treasury Share Transactions (effective for annual periods beginning on or after March 1, 2007);
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after January 2008);
- IFRIC 14, IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 1, 2008).

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

## 05 Critical accounting estimates, and judgements in applying accounting policies

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

**Estimated impairment of goodwill.** The Group tests goodwill for impairment at least annually. The recoverable amounts of cash-generating units have been determined based on future cash flow projections. These calculations require the use of estimates (Note 10).

**Tax legislation.** Russian tax, currency and customs legislation is subject to varying interpretations (Note 30).

**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 8). The estimated remaining useful life of some property, plant and equipment is beyond expiry date of the operating licenses (Note 1). The management believes that the licenses will be renewed in due order however if the licenses are not renewed, property, plant and equipment with net book value of RR 482 (December 31, 2006: RR 471) should be assessed for impairment in 2013.

**Land.** All facilities of JSC "BBT" situated on land occupied on an annual lease basis, but the management plans to purchase the land under the right provided by statutory legislation or to secure the assets by long-term rent agreement with municipal authorities. If the Group can not secure long-term use of this land, non-current assets of RR 2,870 (December 31, 2006: RR 3,084) should be assessed for impairment.

**Provisions for earth replacement and mine flooding.** From 2002 to the end of October 2006 the Group accrued for site restoration and reclamation costs specifically related to cavities resulting from the extraction of ore beneath the town of Berezniki during mining activities (Note 16). The provision was estimated as the present value of the present obligation based on future additional cash outflows relating to the Group's earth replacement operations under the town of Berezniki. At the end of each year the provision was reassessed to account for earth replaced during the year, changes in the estimates of future cash outflows and passage of time. The change in provision was charged to the statement of income in the year when it occurs. The discount rate used by the Group in determining the fair value of the earth replacement reserve in 2006 was 9.99%. The provision for earth replacement contains "change in estimates" as a component of calculation. The "change in estimates" consists of changes in anticipated vol-



ume and timing of the earth replacement work and changes in the associated costs.

On October 28, 2006 the Group stopped production operations in Mine 1 due to natural groundwater inflow increase to the level when it can not be controlled by the Group. According to the act of a governmental commission, the cause of flooding was a previously unknown anomaly of geological structure and has consequently been determined to be beyond the control of the Group (force majeure).

Following the closure of the Mine 1 on October 28, 2006, the Group ceased the earth replacement operations. However, in order to substantially reduce the risk of subsidence within the town Berezniki the Group as advised by the governmental commission and Institute of Geological Sciences, started injection of brine into the cavities in 2006. Most of the cavities in Mine 1 were expected to be filled with water during the next 3 years given expected natural groundwater inflow volume of 3,000 cubic metres per hour. A technical plan for brine injection operations prepared in 2006 for 2007 was based on the Group's maximum brine production capacity and was expected to be updated annually. Based on this technical plan and its best estimates, the management as at December 31, 2006 estimated a provision for present value of cash outflows to be incurred in connection with brine injection operations (Note 16).

In 2007 the Group performed brine injection operations pursuant to the above mentioned plan. However starting from October 2007 the volume of natural groundwater inflow increased to 7000-8000 cubic metres per hour. In December 2007 the Institute of Geological Sciences issued an expert opinion, that further brine injection operation would be impractical. In December 2007 the management of the Group agreed with the state authorities to cease brine injection operations and released remaining balance of the mine flooding provision (Note 16). The brine injection operations were stopped on January 12, 2008.

Management believes that no obligation exists at the year end other than disclosed in these consolidated financial statements and therefore no new provision has been made. Management will continue to assess mine flooding risks, consequences and costs the Group can incur in the future from subsidence within the town Berezniki and contiguous areas. Due to the complexity of the risks, management could not reasonably assess at December 31, 2007 the amount of expenses the Group can incur in the future in relation to mine flooding risks, however the amount could be significant for the Group.

**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 can be +/- 4 -6%. At the reporting date the carrying amount of finished products can vary within this range.

**Trade and other receivables.** 100% impairment provision is accrued for trade and other receivables overdue over 90 days, receivables overdue for more than 45 days, but less than 90 days are provided for 50% of its carrying amount.

## 06 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 Company's immediate parent and ultimate controlling parties are disclosed in Note 1.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at December 31, 2007 and 2006, respectively, are detailed below.

Balance sheet caption	Relationship	December 31, 2007	December 31, 2006
Other payables	Entities under common control	25	26
Loans to related parties	Entities under common control	-	431
Loans to related parties	Parent company	-	2,659
Financial assets	Entities under common control	-	19
<hr/>			
Shareholder's equity caption	Relationship	2007	2006
Dividends declared	Parent company	-	2,701
<hr/>			
Statement of income caption	Relationship	2007	2006
Interest income	Parent company	109	122
Interest income	Entities under common control	19	18

### Loans to related parties

In December 2007 LLC "Permgeologodobycha" repaid to the Group RR denominated, unsecured, 4 to 6% annual interest loans which were outstanding at December 31, 2006.

### Loans to parent company

In November 2007 Madura Holdings Limited, parent company, repaid to the Group US\$ denominated, unsecured, 5% loan which was outstanding at December 31, 2006 in the amount of RR 2,659 and US\$ denominated, unsecured, 5% loan received in 2007 in the amount of RR 753.

### Financial assets

In December 2007 LLC "Permgeologodobycha" repaid to the Group RR denominated, interest free promissory notes which were outstanding at December 31, 2006.

### Cross shareholding

At December 31, 2007 LLC "Kama", a 100% owned subsidiary of the Group, owned 1.16% of the ordinary shares of the Company (December 31, 2006: 0.85%). Shares owned by LLC "Kama" are accounted for as treasury shares, but retain their voting rights and rights to dividends.

### Managements' compensation

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

Total key management personnel's compensation is represented by short-term employee benefits and included in general and administrative expenses in the consolidated statement of income amounted to RR 650 and RR 163 for the periods ended December 31, 2007 and 2006, respectively.

## 07 Segment reporting

### Primary reporting format — geographical segments

The Group sells its products to customers located in three main geographical segments: domestic, export to developing and export to developed countries that are summarised in the table below. Revenues in the domestic market are to customers located in the Russian Federation, exports to developing countries are to the customers mainly located in China, Brazil, South Eastern Asia and India and exports to developed countries are mainly to the customers located in USA and European countries.

The segments results for year ended December 31, 2007 were as follows:

	Export			Domestic			Unallocated	Total
	Developing countries	Developed countries	Total export	Potash sales	Other sales	Total domestic		
Tons (thousands)	4,177	398	4,575	485	-	485	-	5,060
Revenues	24,424	2,266	26,690	1,705	1,104	2,809	-	29,499
Segment result/operating profit	8,293	962	9,255	648	421	1,069	(202)	10,122
Finance income and expense, net	-	-	-	-	-	-	(273)	(273)
Mine flooding costs (Note 26)	-	-	-	-	-	-	274	274
Profit before income tax							-	10,123
Income tax expense							(2,078)	(2,078)
<b>Net profit</b>								<b>8,045</b>

The segments results for the year ended December 31, 2006 were as follows:

	Export			Domestic			Unallocated	Total
	Developing countries	Developed countries	Total export	Potash sales	Other sales	Total domestic		
Tons (thousands)	3,369	536	3,905	438	-	438	-	4,343
Revenues	17,456	2,574	20,030	1,304	956	2,260	-	22,290
Segment result/operating profit	5,222	836	6,058	381	104	485	7	6,550
Finance income and expense, net	-	-	-	-	-	-	(170)	(170)
Mine flooding costs (Note 26)	-	-	-	-	-	-	(2,054)	(2,054)
Profit before income tax							-	4,326
Income tax expense							(832)	(832)
<b>Net profit</b>								<b>3,494</b>

The total depreciation and amortization costs included in the statement of income for the year ended December 31, 2007 and December 31, 2006 were as follows:

	Export			Domestic	Unallocated	Total
	Developing countries	Developed countries	Total export			
Year ended December 31, 2007	1,671	159	1,830	194	-	2,024
Year ended December 31, 2006	1,576	250	1,826	204	-	2,030

The total loss on disposal of fixed assets at nil consideration included in the statement of income for the year ended December 31, 2007 and December 31, 2006 was as follows:

	Export	Domestic	Unallocated	Total
Year ended December 31, 2007	-	-	279	279
Year ended December 31, 2006	-	-	1,367	1,367

The segment assets and liabilities as at December 31, 2007 and December 31, 2006 and capital expenditure for the year ended December 31, 2007 and December 31, 2006 were as follows:

	Developing countries	Developed countries	Domestic	Unallocated	Total
December 31, 2007					
Assets	2,974	1,093	35,339	229	39,635
Liabilities	-	(905)	(1,943)	(11,713)	(14,561)
Capital expenditure	-	269	6,047	-	6,316

	Developing countries	Developed countries	Domestic	Unallocated	Total
December 31, 2006					
Assets	1,440	3,276	24,731	3,591	33,038
Liabilities	(35)	(724)	(2,601)	(12,028)	(15,388)
Capital expenditure	-	74	5,124	-	5,198

Certain assets and liabilities were allocated to geographical segments on the basis of revenues. Property, plant and equipment and capital expenditures are allocated to Russia where the assets are physically located and are not allocated to geographical segments as such allocation could be made only on an arbitrary basis.

Segment assets consist primarily of property, plant and equipment, goodwill, intangible assets, investments accounted for using the equity method, inventories, receivables and cash. Capital expenditure comprises additions to property, plant and equipment. Segment liabilities comprise operating liabilities. Financial assets, related parties loans, deferred and current income taxes, borrowings (including finance lease payable) and finance costs are unallocated components.



**Secondary reporting format – business segments**

At December 31, 2007 and December 31, 2006 the Group is organized in one operating segment: extraction, manufacture and sale of potassium fertilisers.

The segment assets and capital expenditure for years ended December 31, 2007 and December 31, 2006 can be presented based on the location of the assets as follows:

	Russia	Switzerland	Unallocated	Total
December 31, 2007				
Assets	35,726	3,680	229	39,635
Capital expenditure	6,047	269	-	6,316

	Russia	Switzerland	Unallocated	Total
December 31, 2006				
Assets	25,013	4,434	3,591	33,038
Capital expenditure	5,124	74	-	5,198

## 08 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
<b>Cost</b>								
Balance as of December 31, 2006	8,036	5,284	11,379	3,876	6,952	437	179	36,143
Additions	-	-	-	363	5,953	-	-	6,316
Transfers	95	185	2,578	-	(2,932)	74	-	-
Disposals	(82)	(152)	(672)	(143)	(115)	(11)	-	(1,175)
Balance as of December 31, 2007	8,049	5,317	13,285	4,096	9,858	500	179	41,284
<b>Accumulated Depreciation</b>								
Balance as of December 31, 2006	3,409	4,582	6,650	1,094	-	246	-	15,981
Depreciation charge	252	141	1,225	318	-	36	-	1,972
Disposals	(57)	(122)	(581)	(108)	-	(6)	-	(874)
Balance as of December 31, 2007	3,604	4,601	7,294	1,304	-	276	-	17,079
<b>Net Book Value</b>								
Balance as of December 31, 2006	4,627	702	4,729	2,782	6,952	191	179	20,162
Balance as of December 31, 2007	4,445	716	5,991	2,792	9,858	224	179	24,205

	Buildings	Mine development costs	Plant and equipment	Transport	Assets under construction	Other	Land	Total
<b>Cost</b>								
Balance as of December 31, 2005	8,476	5,962	12,632	3,454	4,580	457	174	35,735
Additions	-	-	-	931	4,259	-	8	5,198
Transfers	14	62	1,474	-	(1,563)	13	-	-
Disposals	(454)	(740)	(2,727)	(509)	(324)	(33)	(3)	(4,790)
Balance as of December 31, 2006	8,036	5,284	11,379	3,876	6,952	437	179	36,143
<b>Accumulated Depreciation</b>								
Balance as of December 31, 2005	3,443	4,967	7,422	1,144	-	230	-	17,206
Depreciation charge	262	194	1,224	298	-	35	-	2,013
Disposals	(296)	(579)	(1,996)	(348)	-	(19)	-	(3,238)
Balance as of December 31, 2006	3,409	4,582	6,650	1,094	-	246	-	15,981
<b>Net Book Value</b>								
Balance as of December 31, 2005	5,033	995	5,210	2,310	4,580	227	174	18,529
Balance as of December 31, 2006	4,627	702	4,729	2,782	6,952	191	179	20,162

### Depreciation

For the year ended December 31, 2007 and 2006, respectively, the depreciation was allocated to statement of income as follows:

	2007	2006
Cost of sales	1,399	1,441
Distribution costs (including transshipment activities – Note 2.30)	328	320
General and administrative expenses	178	183
Loss on disposal of fixed assets and brine injection costs (Note 26)	48	22
<b>Total depreciation expense</b>	<b>1,953</b>	<b>1,966</b>

In 2007 the Group incurred depreciation amounting to RR 19 (2006: RR 47) directly related to construction of new fixed assets. These expenses were capitalized on the consolidated balance sheet in accordance with the Group accounting policy and included in assets under construction.

### Fully depreciated assets still in use

As of December 31, 2007 and December 31, 2006 the gross carrying value of fully depreciated property, plant and equipment still in use was RR 6,737 and RR 6,752, respectively.

### Assets pledged under loan agreements

As of December 31, 2007 and December 31, 2006 the carrying value of property, plant and equipment pledged under bank loans was RR 8,197 and RR 8,142 (Note 17), respectively.

## 09 Principal subsidiaries and joint-ventures

The principal subsidiaries consolidated within the Group are as follows:

Entity	Country of Incorporation	Activity	December 31, 2007 % share	December 31, 2006 % share
<b>Subsidiaries</b>				
"Uralkali Trading SA"	Switzerland	Trading	100	100
"Uralkali Trading (Gibraltar) Limited"	Gibraltar	Administrative services	100	100
LLC "Kama"	Russia	Finance services and leasing	100	100
LLC "BshSU"	Russia	Construction	100	100
LLC "Uralkali-Technology"	Russia	Research and development	100	100
JSC "BBT"	Russia	Maritime terminal	100	100
LLC "Autotranskali"	Russia	Transportation	100	100
LLC "Vagonnoe Depo Balakhonzi"	Russia	Repairs	100	100
LLC "Novaya Nedvizhimost'"	Russia	Repair and maintenance	100	100
"SP Terminal"	Ukraine	Dormant	98	98
LLC "Depo"	Russia	Repairs	75	75
LLC "Satellit-Service"	Russia	IT services	51	51
LLC "Uralkali Engineering"	Russia	Research and development	51	51
<b>Joint-ventures</b>				
JSC "Belorussian Potash Company"	Belorussia	Trading	50	50

In October 2005, the Company acquired a 50% interest in "BPC", the remaining 50% of which is owned by "Belaruskali". The principal activity of "BPC" is marketing and exporting as agent potash fertilisers produced by its two participants.

The "BPC" charter provides for separate accounting of the operations of each participant, including separate accounting for the sales of the participants' goods and related cost of sale and distribution costs. Administrative expenses incurred by "BPC" are shared 50 : 50. Distribution of net income to each participant is on the basis of their relevant results, after administrative costs unless both participants decide not to distribute. Operations of the Group through "BPC", assets and liabilities of the Group located in "BPC" in which the Group has direct interest are fully consolidated in these financial statements. The statement of income reflects the revenue from sales by "BPC" of Uralkali's products, together with the related costs of sale and distribution and administrative costs.

# 10

## Goodwill

	2007	2006
Carrying amount at January 1	366	336
Impairment loss	-	-
<b>Carrying amount at December 31</b>	<b>366</b>	<b>366</b>
Gross book value at December 31	366	366
Accumulated impairment losses at December 31	-	-
<b>Carrying amount at December 31</b>	<b>366</b>	<b>366</b>

### Goodwill Impairment Test

The goodwill primary relates to expected reduction of transportation costs to be incurred from synergies with the Company when exporting potash by the Baltic Sea. Therefore the goodwill is allocated to cash generated unit JSC "Uralkali":

	2007	2006
JSC "Uralkali"	366	366
<b>Total carrying amount of goodwill</b>	<b>366</b>	<b>366</b>

The recoverable amount of the goodwill is determined based on cash flow projections approved by management covering a five-year period and analysis of synergies performed by independent appraiser. Cash flows beyond that five-year period have been extrapolated using a steady 4% growth rate. This growth rate does not exceed the long-term average growth rate for the markets in which the Group operates (Note 7).

Pre-tax discount rate of 10.5% that reflects risks relating to JSC "Uralkali" was used in the calculation of the recoverable value.



# 11

## Intangible assets

	Software	Other	Total
Cost at January 1, 2006	304	20	324
<b>Accumulated amortization</b>	<b>(112)</b>	<b>-</b>	<b>(112)</b>
<b>Carrying amount at January 1, 2006</b>	<b>192</b>	<b>20</b>	<b>212</b>
Additions	23	-	23
Amortization charge	(64)	-	(64)
<b>Cost at December 31, 2006</b>	<b>327</b>	<b>20</b>	<b>347</b>
<b>Accumulated amortization</b>	<b>(176)</b>	<b>-</b>	<b>(176)</b>
<b>Carrying amount at December 31, 2006</b>	<b>151</b>	<b>20</b>	<b>171</b>
Additions	47	-	47
Amortization charge	(71)	-	(71)
<b>Cost at December 31, 2007</b>	<b>374</b>	<b>20</b>	<b>394</b>
<b>Accumulated amortization</b>	<b>(247)</b>	<b>-</b>	<b>(247)</b>
<b>Carrying amount at December 31, 2007</b>	<b>127</b>	<b>20</b>	<b>147</b>

The balances of intangible assets reported in these consolidated financial statements at December 31, 2007 and 2006 respectively mainly represent management information and accounting system costs and fees charged by an external consultant for the installation of this software. The costs of the software are amortized over the period not exceeding 5 years.

Other intangible assets are mainly represented by licenses (Note 1).

# 12

## Inventories

Inventories consist of the following:

	2007	2006
Raw materials	964	1,063
Finished products	525	398
Work in progress	33	20
<b>Total inventories</b>	<b>1,522</b>	<b>1,481</b>

At December 31, 2007 and 2006, respectively, the balance of finished goods includes inventories bought for resale. As of December 31, 2007 the value of circulating finished goods valued at market prices pledged as security for bank loans was RR 4 (December 31, 2006: RR 1,322) (Note 17).

# 13

## Trade and other receivables

	2007	2006
Trade receivables	3,391	1,752
Other accounts receivables	206	421
Less: provision for impairment of trade and other receivables	(90)	(106)
<b>Total financial receivables</b>	<b>3,507</b>	<b>2,067</b>
VAT recoverable	1,145	1,330
Other taxes receivables	692	536
Advances to suppliers	339	354
Insurance expenses prepaid	112	32
Other prepayments	80	56
<b>Total trade and other receivables</b>	<b>5,875</b>	<b>4,375</b>

At December 31, 2007 trade receivables of RR 3,340 (December 31, 2006: RR 1,732) net of provision for impairment of trade and other receivables denominated in foreign currency, mainly 71% in US\$ (December 31, 2006: 74%), 21% in Euro (December 31, 2006: 21%). Management believes that the fair value of accounts receivable does not differ significantly from their carrying amounts.

Movements on the provision for impairment of trade and other receivables are as follows:

	2007		2006	
	Trade receivables	Other receivables	Trade receivables	Other receivables
<b>As of January 1</b>	<b>(20)</b>	<b>(86)</b>	<b>(35)</b>	<b>(64)</b>
Provision accrued	(35)	(30)	(10)	(30)
Provision reversed	4	48	16	4
Provision written off	-	29	9	4
<b>As of December 31</b>	<b>(51)</b>	<b>(39)</b>	<b>(20)</b>	<b>(86)</b>

The accrual and reversal of provision for impaired receivables have been included in other operating expenses in the consolidated statement of income (Note 24). 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:

	2007		2006	
	Trade receivables	Other receivables	Trade receivables	Other receivables
<b>Current and not impaired</b>				
Customers from developed countries	464	6	440	-
Customers from developing countries	2,557	-	1,212	-
Domestic customers	264	161	41	332
<b>Total current and not impaired</b>	<b>3,285</b>	<b>167</b>	<b>1,693</b>	<b>332</b>
<b>Past due but not impaired</b>				
less than 45 days overdue	8	-	34	-
60 to 90 days overdue	13	-	-	-
over 90 days overdue	22	-	-	-
<b>Total past due but not impaired</b>	<b>43</b>	<b>-</b>	<b>34</b>	<b>-</b>
<b>Determined to be impaired (gross)</b>				
45 to 90 days overdue	24	-	10	6
over 90 days overdue	39	39	15	83
<b>Total gross amount of impaired accounts receivables</b>	<b>63</b>	<b>39</b>	<b>25</b>	<b>89</b>
<b>Total financial receivables (gross)</b>	<b>3,391</b>	<b>206</b>	<b>1,752</b>	<b>421</b>
<b>Less impairment provision</b>	<b>(51)</b>	<b>(39)</b>	<b>(20)</b>	<b>(86)</b>
<b>Total financial receivables</b>	<b>3,340</b>	<b>167</b>	<b>1,732</b>	<b>335</b>

As of December 31, 2007 no trade and other receivables were pledged as collateral (December 31, 2006: nil).

# 14

## Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2007	2006
RR denominated cash on hand and bank balances (interest rate: from 1.25% p.a. to 6.0% p.a. (2006: from 0.5% p.a. to 6.2% p.a.))	260	1,404
US\$ denominated bank balances	306	607
Other currencies denominated balances	719	26
US\$ term deposits (interest rate: from 4.3% p.a. to 5.21% p.a. (2006: from 2.5% p.a. to 4.95% p.a.))	388	430
RR term deposits (interest rate: from 8.5% to 9% p.a. (2006: 8% p.a.))	5,520	300
<b>Cash and cash equivalents, net of restricted cash</b>	<b>7,193</b>	<b>2,767</b>
<b>Restricted cash</b>		
Limited guarantee deposit	78	80
Three month bank deposits (interest rate: 6.77% p.a. (2006: from 4.8% p.a. to 6.19% p.a.))	20	45
<b>Total restricted cash</b>	<b>98</b>	<b>125</b>
<b>Total cash and cash equivalents</b>	<b>7,291</b>	<b>2,892</b>

Term deposits have original maturities of less than three months.

# 15

## Shareholders' equity

	Number of ordinary shares (in millions)	Ordinary shares	Treasury shares	Total
<b>At January 1, 2006</b>	<b>2,124</b>	<b>648</b>	<b>(6)</b>	<b>642</b>
Treasury shares purchased	-	-	(3)	(3)
<b>At December 31, 2006</b>	<b>2,124</b>	<b>648</b>	<b>(9)</b>	<b>639</b>
<b>At January 1, 2007</b>	<b>2,124</b>	<b>648</b>	<b>(9)</b>	<b>639</b>
Treasury shares purchased	-	-	(3)	(3)
<b>At December 31, 2007</b>	<b>2,124</b>	<b>648</b>	<b>(12)</b>	<b>636</b>

The number of unissued authorised ordinary shares is 1,500 mln. (December 31, 2006: 1,500 mln.) with a nominal value per share of 0.5 Roubles. All shares stated in the table above have been issued and fully paid.

**Treasury shares.** At December 31, 2007 treasury shares comprise 24,601,344 ordinary shares of the Company (December 31, 2006: 17,966,905) with a nominal value per share of 0.5 Roubles owned by LLC "Kama", wholly owned subsidiary of the Group (Note 6). Purchase price of shares acquired during the year ended December 31, 2007 amounted to RR 338 (for the year ended December 31, 2006: RR 229), comprised consideration paid in cash of RR 79 and non-cash of RR 259 (for the year ended December 31, 2006: all shares have been fully paid in cash). These ordinary shares carry voting rights in the same proportion as other ordinary shares. Voting rights of ordinary shares of the Company held by the entities within the Group are effectively controlled by the management of the Group.



**Profit distribution.** In accordance with Russian legislation, the Company distributes profits as dividends or transfers them to reserves (fund accounts) on the basis of financial statements prepared in accordance with Russian Accounting Rules.

The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the net profit. For the year ended December 31, 2007, the current period net statutory profit for the Company as reported in the published annual statutory reporting forms was RR 6,013 (for the year ended December 31, 2006: RR 3,706) and the closing balance of the accumulated profit including the current period net statutory profit totalled RR 18,449 (December 31, 2006: RR 12,440). However, this legislation and other statutory laws and regulations are open to legal interpretation and accordingly management believes at present it would not be appropriate to disclose an amount of the distributable reserves in these consolidated financial statements.

**Dividends.** In December 2006 the General Meeting of Shareholders of the Company approved dividends (based on the financial results for the first nine months of 2006) amounting to RR 3,378 (1.59 Roubles per share).

## 16 Mining provisions

### Earth replacement provision

	Note	2007	2006
<b>Balance as of January 1</b>		-	<b>196</b>
Reduction of provision for cavities filled during the year		-	(146)
Change in estimate		-	(69)
Increase in provision as a result of passage of time	25	-	19
<b>Balance as of December 31</b>		-	-

During the year ended December 31, 2006 the local authorities in Berezniki and regional authorities in Perm reimbursed a part of the operating costs incurred by the Group in filling-up cavities under the city of Berezniki (Note 2.26) pursuant to the Law of the Perm Region W381-69 passed on October 25, 2002. The reimbursement amounted to RR 55 (December 31, 2006: RR 57).

Due to mine flooding which occurred in October 2006 the Group ceased its earth replacement activities (Note 5).

### Mine flooding provision

	Note	2007	2006
<b>Balance as of January 1</b>		<b>679</b>	-
Increase in provision as a result of passage of time	25	67	-
Reduction of provision for cavities filled during the year	26	(353)	-
Accrual of provision	26	-	679
Release of provision	26	(370)	-
<b>Balance as of December 31</b>		<b>23</b>	<b>679</b>

The Group stopped brine injection operations on January 12, 2008 (Note 5) and released corresponding provision. Balance of provision as of December 31, 2007 relates to present obligation based on expenses actually incurred by the Group in connection with brine injection operations in 2008.

# 17

## Borrowings

	2007	2006
Bank loans	10,600	11,088
Company loans	137	179
Finance lease payable	328	328
<b>Total borrowings</b>	<b>11,065</b>	<b>11,595</b>

As at December 31, 2007 and December 31, 2006 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.

Company loans are represented by a short-term unsecured, interest-free loan from JSC "St. Petersburg Sea Port" in the amount of RR 45 (December 31, 2006: RR 45) and a short-term US\$ denominated, unsecured, LIBOR six months plus 1% per annum interest bearing bridge loan from Dessault Aviation S.A in the amount of RR 92 (December 31, 2006: RR nil). The loan is repayable in September 2008. The loan was obtained to postpone the downpayments under capital construction agreement between "Dessault Aviation S.A" and the Group in the non-cash form. In 2007 the Group reconsidered repayment schedule for the loan from JSC "St. Petersburg Sea Port" from December 31, 2007 to December 31, 2008.

Company loan from "Ermina Ventures Limited" of RR 134 which was outstanding at December 31, 2006 was repaid in 2007.

JSC "BBT" leases a berth No. 107 from FGUP "Rosmorport" under a finance lease for 49 years. As of December 31, 2007 the leased dock was included in buildings, with a net book value of RR 280 (December 31, 2006: RR 286) (Note 8).

	2007	2006
<b>Balance at January 1</b>	<b>11,088</b>	<b>3,484</b>
Bank loans received, denominated in US\$	8,112	11,664
Bank loans received, denominated in RR	94	270
Bank loans repaid, denominated in US\$	(7,884)	(3,688)
Bank loans repaid, denominated in RR	(239)	(120)
Interest accrued	698	560
Interest paid	(725)	(521)
Recognition of syndication fees	(18)	(43)
Amortization of syndication fees	30	10
Currency translation difference	(556)	(528)
<b>Balance at December 31</b>	<b>10,600</b>	<b>11,088</b>

Table below provides interest rates at December 31, 2007 and December 31, 2006 and split of the bank loans between short-term and long-term.

	Interest rates	2007	2006
<b>Short-term borrowings</b>			
Bank loans in US\$ – fixed interest	7.5% (2006: from 7.6% to 8%)	1,759	1,781
Bank loans in US\$ – floating interest	from Libor +1.95% to Libor +2.5% (2006: from Libor +2% to Libor +3%)	2,720	5,
Bank loans in RR – fixed interest	13% (2006: 9.60%)	5	150
<b>Total short-term bank loans</b>		<b>4,484</b>	<b>7,861</b>

	Interest rates	2007	2006
<b>Long-term borrowings</b>			
Bank loans in US\$—floating interest	Libor + 1.95% (2006: from Libor + 2.25% to Libor + 3%)	6,116	3,227
<b>Total long-term bank loans</b>		<b>6,116</b>	<b>3,227</b>

US\$ denominated bank loans bear a weighted average interest of 7.12% (December 31, 2006: 7.81%).

During the year ended December 31, 2007 the Group received borrowings from the following banks:

Lender	Maturity date	Amount, RR
International Moscow Bank	May–November 2010	6,265
Sberbank	April—May 2008	1,908
Bank Ural FD	March 2008	33
<b>Total bank loans received</b>		<b>8,206</b>

During the year ended December 31, 2007 the Group repaid the following loans:

Lender	Maturity date	Amount, RR
ABN AMRO Bank	March 2008	1,298
International Moscow Bank	February–September 2007, March 2008	2,514
Sberbank	March–May 2007, April 2008	1,953
Bank of Moscow	July 2007	2,331
Bank Ural FD	March 2008	27
<b>Total bank loans repaid</b>		<b>8,123</b>

As at December 31, 2007 and December 31, 2006 loans, including short-term borrowings, are guaranteed by collateral of equipment (Note 8) and finished goods (Note 12).

The Group's bank borrowings mature as follows:

	2007	2006
within 1 year	4,484	7,861
between 2 and 5 years	6,116	3,227
<b>Total bank loans</b>	<b>10,600</b>	<b>11,088</b>

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

	2007	2006
within 1 year	38	38
between 2 and 5 years	152	152
after 5 years	1,485	1,523
Minimum lease payments at the end of the year	1,675	1,713
Less future finance charges	(1,347)	(1,385)
<b>Present value of minimum lease payments</b>	<b>328</b>	<b>328</b>

## 18 Trade and other payables

	2007	2006
Trade payables	1,181	695
Accrued liabilities	593	781
Dividends payable	80	632
Other payables	306	198
<b>Total financial payables</b>	<b>2,160</b>	<b>2,306</b>
Advances received	106	38
Deferred consideration of subsidiary acquisition	134	143
<b>Total trade and other payables</b>	<b>2,400</b>	<b>2,487</b>

## 19 Revenues

	2007	2006
<b>Export</b>		
Potassium chloride	18,559	14,949
Potassium chloride (granular)	8,131	5,081
<b>Domestic</b>		
Potassium chloride	1,705	1,304
Karnalite	-	303
Other	122	154
Transportation and other revenues	982	499
<b>Total revenues</b>	<b>29,499</b>	<b>22,290</b>

During the year ended December 31, 2007 and 2006, respectively, the Group's export sales were primarily on Cost and Freight (CFR), Free on Board (FOB) or Delivered At Frontier (DAF) terms. All domestic sales were carried out on FCA Berezniiki terms.



## 20

### Cost of sales

	Note	2007	2006
Labour costs		1,898	1,665
Fuel and energy		1,473	1,307
Depreciation		1,399	1,441
Materials and components used		1,385	1,301
Repairs and maintenance		746	312
Transportation between mines		306	174
Utilities		28	25
Change in earth replacement provision	16	-	(137)
Change in work in progress, finished goods and goods in transit	12	(140)	188
Other costs		13	31
<b>Total cost of sales</b>		<b>7,108</b>	<b>6,307</b>

## 21

### Distribution costs

	2007	Total
Railway tariff	3,553	3,050
Freight	2,986	2,218
Transport repairs and maintenance	417	251
Transshipment	287	349
Depreciation	246	215
Travel expenses	99	110
Labor costs	105	100
Commissions	21	37
Other	243	361
<b>Total distribution costs</b>	<b>7,957</b>	<b>6,691</b>

## 22 General and administrative expenses

	2007	2006
Labour costs	1,929	774
Consulting, audit and legal services	329	269
Depreciation and amortization	249	247
Insurance	181	177
Communication and IS services	88	84
Security	85	85
Mine-rescue crew	81	72
Bank charges	29	34
Other	502	316
<b>Total general and administrative expenses</b>	<b>3,473</b>	<b>2,058</b>

## 23 Labor costs

	Note	2007	2006
<b>Labor costs—Cost of sales</b>		<b>1,898</b>	<b>1,665</b>
Wages, salaries, bonuses and other compensations		1,487	1,351
Unified social tax		343	317
Post employment benefits	28	68	(3)
<b>Labor costs—Distribution costs</b>		<b>105</b>	<b>100</b>
Wages, salaries, bonuses and other compensations		105	100
<b>Labor costs—General and administrative expenses</b>		<b>1,929</b>	<b>774</b>
Wages, salaries, bonuses and other compensations		1,601	651
Unified social tax		164	123
Post employment benefits	28	164	-
<b>Total labor costs</b>		<b>3,932</b>	<b>2,539</b>

## 24 Other operating expenses

	2007	2006
Loss/(gain) on disposal of fixed assets	215	(2)
Social cost and charity	289	236
Provision for impairment of receivables	13	20
Net result on sale of Belaruskali goods	(14)	(5)
Other expenses	53	177
<b>Total other operating expenses</b>	<b>556</b>	<b>426</b>

The Group entered in sales agreement with "BPC" for processing of sales of "Belaruskali" goods through "Uralkali Trading SA" in 2007 and 2006, respectively, to overcome certain drawbacks in Belorussian export legislation.

## 25 Finance income and expense

The components of finance income and expense were as follows:

	Total	2007	2006
Interest income		223	215
Fair value gains on investments		20	131
Foreign exchange gain		1,008	568
<b>Finance income</b>		<b>1,251</b>	<b>914</b>
Interest expense		728	576
Change in provision as a result of passage of time	16	67	19
Finance lease expense		38	38
Foreign exchange loss		510	282
Fair value losses on investments		-	49
Letters of credit fees		181	120
<b>Finance expense</b>		<b>1,524</b>	<b>1,084</b>

## 26 Mine flooding costs

Mine flooding costs include costs associated with flooding at Mine 1 (Note 5):

	Note	2007	2006
Dismantling costs		87	-
Loss on disposal of fixed assets		64	1,300
State financing		(55)	-
Brine injection costs		353	153
Change in provision for mine flooding	16	(723)	601
<b>Total mine flooding costs</b>		<b>(274)</b>	<b>2,054</b>

Dismantling costs are mainly represented by labour costs, depreciation expenses and costs paid to service organisations for dismantling of equipment in shafts on Mine 1.

At December 31, 2006 loss on disposal of fixed assets included VAT reversed of RR 92.

## 27 Income tax expense

	2007	2006
Current income tax expense	2,105	1,284
Deferred tax	(27)	(452)
<b>Income tax expense</b>	<b>2,078</b>	<b>832</b>

Income before taxation and minority interests for financial reporting purposes is reconciled to tax expense as follows:

	2007	2006
Profit before income tax	10,123	4,326
Theoretical tax charge at effective statutory rates	2,430	1,038
Tax effect of items which are not deductible or assessable for taxation purposes:		
non-deductible expenses	289	185
non-taxable income	-	(5)
Difference in tax rates*	(327)	(161)
Regional tax allowance	(314)	(225)
<b>Consolidated tax charge</b>	<b>2,078</b>	<b>832</b>

In March 2006 the parliament of the Perm region in the Russian Federation, where the Company is located, approved an amendment to the regional law on Perm regional part of the income tax. The amendment provides for a reduced to 20% income tax rate for companies with average number of personnel exceeding 10 persons and income, calculated in accordance with the statutory Tax Code exceeding RR 0,1. Previously reduced income tax rate was allowed to the companies with capital expenditures of more than 20% of annual taxable net income.

In 2007 and 2006 the Company met all requirements specified above that qualifies for reduced to 20% income tax rate approved by the parliament of the Perm region.

\* Profit before taxation on Switzerland, Gibraltar and Belorussian operations is assessed based on effective rate of 7% (December 31, 2006: 8%).



As the Company qualified for the above amendments it was taxed during the year ended December 31, 2007 and 2006, respectively, at a rate 20% instead of standard rate of 24%. Deferred tax has been computed in these consolidated financial statements using the standard rate applicable for future periods (i.e. 24%) as it is not certain whether the Company will meet the requirements established by the statutory law to qualify for reduced rates in future years.

	December 31, 2006	Charged/ (credited) to profit or loss	December 31, 2007
<b>Tax effects of taxable temporary differences:</b>			
Property, plant and equipment	(659)	121	(538)
Investments	(54)	(1)	(55)
Inventories	(59)	(1)	(60)
Borrowings	(25)	20	(5)
	(797)	139	(658)
<b>Tax effects of deductible temporary differences:</b>			
Finance lease	79	-	79
Mine flooding reserve	163	(158)	5
Accounts receivable	10	-	10
Accounts payable	57	51	108
Other	65	(5)	60
	374	(112)	262
<b>Total net deferred tax liability</b>	<b>(423)</b>	<b>27</b>	<b>(396)</b>

	December 31, 2005	Charged/ (credited) to profit or loss	December 31, 2006
<b>Tax effects of taxable temporary differences:</b>			
Property, plant and equipment	(909)	250	(659)
Investments	(15)	(39)	(54)
Inventories	(87)	28	(59)
Borrowings	(28)	3	(25)
	(1,039)	242	(797)
<b>Tax effects of deductible temporary differences:</b>			
Finance lease	79	-	79
Earth replacement reserve	47	(47)	-
Mine flooding reserve	-	163	163
Accounts receivable	8	2	10
Accounts payable	-	57	57
Other	30	35	65
	164	210	374
<b>Total net deferred tax liability</b>	<b>(875)</b>	<b>452</b>	<b>(423)</b>

The Group has not recognized a deferred tax liability in respect of temporary differences associated with investments in subsidiaries in the amount of RR 39 (December 31, 2006: RR 39). The Group controls the timing of the reversal of those temporary differences and does not expect their reversal in the foreseeable future.

## 28 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 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-mentioned 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.

As at December 31, 2007 and December 31, 2006 the net liabilities of defined benefit plan and other post-employment benefit plans comprised the following:

	2007	2006
<b>Present value of defined benefit obligations (DBO)</b>	<b>324</b>	<b>28</b>
Present value of unfunded obligations	324	28
Unrecognised past service cost	(77)	-
<b>Post employment benefits obligations</b>	<b>247</b>	<b>28</b>

The amount of net expense for the defined benefit pension plans recognized in the consolidated statement of income (Note 23) was as follows:

	2007	2006
Current service cost	9	4
Interest cost	15	2
Net actuarial losses/(gains) recognised during the year	63	(9)
Amortization of past service cost	4	-
Immediate recognition of vested prior service cost	106	-
Other	35	-
<b>Post employment benefits</b>	<b>232</b>	<b>(3)</b>

The movements in the liability for post-employment benefit plans were as follows:

	2007	2006
<b>Present value of defined benefit obligations (DBO) as of January 1</b>	<b>28</b>	<b>37</b>
Service cost	9	4
Interest cost	15	2
Actuarial loss/(gain)	63	(9)
Past service cost	187	-
Benefits paid	(13)	(6)
Other	35	-
<b>Present value of defined benefit obligations (DBO) as of December 31</b>	<b>324</b>	<b>28</b>

As at December 31, 2007 and 2006, respectively, the principle actuarial assumptions for the post-employment benefit plans were as follows:

	2007	2006
Discount rate	6.60%	6.80%
Salary increase	8.12%	7.10%
Inflation	6.00%	5.00%
Benefits increase (fix-amounted)	6.00%	5.00%
<b>Mortality tables</b>	<b>Russia (1986-87)</b>	<b>Russia (1986-87)</b>

Net deficit on the post-employment benefit plans and the amount of experience adjustments for the years ended December 31, 2007 and 2006, respectively, were as follows:

	2007	2006
Present value of defined benefit obligations (DBO)	324	28
<b>Deficit in plan</b>	<b>324</b>	<b>28</b>
<b>Losses/(gains) arising of experience adjustments on plan liabilities</b>	<b>5</b>	<b>(9)</b>

## 29 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 15).

The Company has no dilutive potential ordinary shares, therefore, the diluted earnings per share equals the basic earnings per share.

	2007	2006
Net profit	8,045	3,494
Weighted average number of ordinary shares in issue (millions)	2,102	2,110
<b>Basic and diluted earnings per share (expressed in RR per share)</b>	<b>3.83</b>	<b>1.66</b>

# 30 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. In March 2006, the prosecutor's office of St.-Petersburg filed a claim with the Arbitration Court of St.-Petersburg and Leningrad Region seeking to render nul and void an agreement between JSC "BBT" and FGUP "Rosmorport", pursuant to which JSC "BBT" currently leases one of its berths, on the grounds that this lease agreement was executed without appropriate consent of state authorities and in violation of established procedures. At court hearing held on August 21, 2007 the Arbitration Court of St.-Peterburg and Leningrad region dismissed the prosecutor's claim. The court decision came into force in February 2008 after the prosecutor's appeal was defeated.

In April 2007 the Federal Antimonopoly Service concluded that the Group breached the Federal Law "On defence of competition" law by abusing its dominant position and establishing monopolistically high domestic potash prices in 2007. Based on these findings, the FAS sought to set a maximum average weighted domestic potash price for 2007 and required "Uralkali" to pay approximately RUR 62 million to the federal budget for the first quarter of 2007. The FAS findings, prescriptions and penalties were invalidated by the Russian arbitration court in October 2007. However, the FAS appealed this decision and the parties have agreed to sign a settlement agreement to resolve the dispute. According to the settlement agreement, which was approved by the Russian arbitration court on March 12, 2008, the Group has agreed to pay RUR 49 million to the federal budget in respect of domestic potash prices for the nine months ended September 30, 2007. The FAS has acknowledged in the agreement that Group's domestic potash prices for the fourth quarter of 2007 were compliant with Russian anti-monopoly law. In addition, the Group and the FAS have agreed a formula for determining Group's domestic potash prices going forward. The formula links domestic prices to certain minimum export market prices (currently — FOB China), while adjusting for certain export costs. According to the agreement, this formula will be effective for five years, subject to an automatic extension for a further five years if neither party objects to the extension.

On the basis of its own estimates and both internal and external professional advice the Management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

## ii Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. The Supreme Arbitration Court issued guidance to lower courts on reviewing tax cases providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authorities scrutiny. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing rules, which were introduced from January 1, 1999, provide the possibility for the Russian tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect to certain controllable transactions, provided that the tax authorities prove that the transaction price established by the parties differs from the market price by more than 20%.

The controllable transactions include transactions with interdependent parties 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. There is no formal guidance as to how these rules should be applied in practice. In the past, the arbitration court practice with this respect has been contradictory.

The form of the Uralkali Group intercompany and related party (Note 6) transactions would generally meet the literal requirements of the applicable tax legislation and as such have not been challenged in the past. However, it is possible with the evolution of the interpretation of the Russian transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such past transactions could potentially be challenged in the future by relevant local and federal tax authorities. Given the brief nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reasonably estimated, however it may be significant. The management believes that the tax position taken by the Group in respect of such transactions complies with the relevant legislation and therefore is defensible in the event of a challenge by the tax authorities. The management believes that no significant additional taxes, penalties, and interest would be imposed by the tax authorities.

The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. Accordingly, at December 31, 2007 and December 31, 2006 no provision for potential tax liabilities had been recorded. Management will continue to monitor the situation as legislation and practice evolve in the jurisdictions in which the Group operates.

### iii Insurance policies

The Company holds an insurance policy with CJSC "AIG Russia Insurance Company" and JSC "Russia Insurance Company". These agreements cover main risks relating to Company's assets situated above and under ground, risks relating to suspension of production and risks related to civil responsibility. However risks reflected in Note 5 are not covered, therefore no losses from the flooding of the Mine 1 are expected to be compensated.

The insurance agreements do not cover the risks of damage to third parties' property resulting from the Group's underground activities.

The total insurance premium related to abovementioned agreements of RR 181 was recognized as an expense for the year ended December 31, 2007 (for the year ended December 31, 2006: RR 177) (Note 22).

### iv Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in the existing regulations, civil litigation or legislation, cannot be estimated.

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. Provision for site restoration and reclamation costs was created for the constructive obligation attributable to earth replacement and brine injection activities under the town of Berezniki. No provision is recognized for cavities excavated in other areas, not located under the town of Berezniki.

The Company's mining activities and the recent mine flooding may cause subsidence that may affect the Company's facilities, and those of the city of Berezniki, State organizations and others. The Company has no claims from state organisations and others against it, nor expects any, but can not estimate the likelihood or amount of the economic outflows arising from subsidence, which could be significant.



**v Operating environment of the Group**

Whilst there have been improvements in economic trends in the Russian Federation, the country continues to display certain characteristics of an emerging market. These characteristics include, but are not limited to, the existence of

a currency that is in practice not convertible in most countries outside of the Russian Federation and relatively high inflation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently.

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

**vi Capital expenditure commitments**

At December 31, 2007 the Group had contractual commitments for the purchase of property, plant and equipment from third parties for RR 1,390 (December 31, 2006: RR 879).

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 this and any similar such commitments.

**vii Guarantees**

Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. At December 31, 2007 the Group issued guarantees in favour of third parties in the amount of RR 25 (December 31, 2006: RR 12).

**viii Registration of rights for berth No. 106**

JSC "BBT" has no registered rights in respect of berth No. 106, which is essential for its operations. Effective operation of JSC "BBT" depends on its access to berths No. 107 and No. 106, the only two berths available to JSC "BBT" for loading mineral fertilisers to sea vessels. Both berths are owned by the Russian Federation. From August 2005 JSC "BBT" has been operating berth No. 106 without having any right to such berth registered and without a clear legal background to utilise such berth under the so-called "regime of experimental operation," the legal status of which is not regulated by Russian law and remains highly uncertain. JSC "BBT" intends to enter into a lease agreement in respect of berth No. 106 but the conclusion of the lease agreement was complicated because FGUP "Rosmorport" has not completed in time the necessary formalities to register the berth as a real estate unit and perform market valuation of this asset. Registration of the berth as a real estate was obtained by FGUP "Rosmorport" only in 2007 and its valuation is expected to be completed in 2008. JSC "BBT" is now negotiating with FGUP "Rosmorport" with respect to entering into a lease agreement on berth No. 106 and expects it to be concluded in 2008.

# 31

## Financial risk management

31.1

### 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

The Group operates internationally and exports approximately 91% of potash fertilisers produced. As a result the Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Export sales are denominated in hard currency and settlements are made primarily in US\$.

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. Management of the Group believes that the exposure to the foreign exchange risk is partially mitigated by the fact that both most of the Group's borrowings (Note 17) and most of the Group's export revenue proceeds are denominated in US\$. In addition from March 2007 the Group has certain arrangements with banks to hedge the Group's foreign exchange risk exposure covering mainly future export revenue exercisable during the period ending February 2008.

As of December 31, 2007, if the RR had weakened/strengthened by 5% against US\$ with all other variables held constant, post-tax profit for the year would have been RR 366 lower/higher (December 31, 2006: 370 lower/higher), mainly as a result of foreign exchange gains/losses on translation of US\$ denominated trade receivables, cash in bank, deposits and foreign exchange losses/gains on translation of US\$ denominated borrowings. Equity would have been RR 218 (December 31, 2006: RR 151) lower/higher, due to change in translation reserve arising from Group companies, which functional currency is US\$.

##### (ii) Price risk

The Group is not exposed to commodity price risk because the Group does not enter in any operations with financial instruments whose value is exposed to value of commodities traded on the public market.

##### (iii) Interest rate risk

The Group's income and operating cash flows are exposed to changes in market interest rates. The Group is exposed to fair value interest rate risk through market value fluctuations of interest bearing short-term and long-term borrowings, whose interest rates comprise a fixed component (Note 17). The Group has interest-bearing assets which are at fixed interest rates (Note 6, 14).

The objective of managing interest rate risk is to prevent losses due to adverse changes in market interest rate level. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing.

At December 31, 2007, if LIBOR rates on US\$ denominated borrowings had been 10 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been RR 75 (December 31, 2006: RR 56) lower/higher, 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 principally of trade receivables, 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. The Group has no other significant concentrations of credit risk.

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.

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 whilst maintaining risk at an acceptable level.

The effective monitoring and controlling of credit risk is performed by the corporate treasury function of the Group. The credit quality of each new customer is analyzed before the Group enters into contractual agreements. The credit quality of other 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 credit quality of the customer and makes corresponding analysis (Note 13). Most of the customers from developing countries are supplied on prepayment basis on the 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 high reputation are supplied on 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 13).

The table below shows the credit quality of cash and cash equivalents balances on the balance sheet date:

Banks	Agency	Rating	2007	2006
Sberbank	Moody`s	Aaa.ru	2,251	1,271
Vneshtorgbank	S&P	ruAA+	2,020	78
Ural FD	Moody`s	Baa2.ru	1,027	330
Hypovereinsbank	Moody`s	A1	630	254
Unrated			1,363	959
<b>Total</b>			<b>7,291</b>	<b>2,892</b>

**(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 sufficient level of liquidity basing 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 balance sheet 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
<b>As of December 31, 2007</b>				
Trade and other payables	18	2,160	-	-
Borrowings		5,163	6,744	-
Finance leasing	17	38	152	1,485
<b>As of December 31, 2006</b>				
Trade and other payables	18	2,306	-	-
Borrowings		8,622	3,251	-
Finance leasing	17	38	152	1,523

31.2

### 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 balance sheet.

Consistent with others in the industry, the Group monitors capital on a debt to equity ratio basis. This ratio is calculated as sum of long-term and short-term bank borrowings divided by total equity.

The debt to equity ratios as of December 31, 2007 and December 31, 2006 were as follows:

	December 31, 2007	December 31, 2006
Total bank borrowings (Note 17)	10,600	11,088
Total equity	25,074	17,650
<b>Debt to equity ratio</b>	<b>42%</b>	<b>63%</b>

As of December 31, 2007 management has set a level of 30% D/E ratio as strategic goal. Ratios as at December 31, 2007 and 2006, respectively, exceed the strategic goal level due to the considerably high dividend payout in 2006 and preceding periods.

## 32 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 instruments carried at fair value.** Trading and available-for-sale investments are carried on the consolidated balance sheet at their fair value. Cash and cash equivalents are carried at amortised cost which approximates current fair value.

Fair values were determined based on quoted market prices except for certain investment securities available for sale for which there were no available external independent market price quotations. These securities have been fair valued by the Group on the basis of results of recent sales of equity interests in the investees between unrelated third parties, consideration of other relevant information such as discounted cash flows and financial data of the investees and application of other valuation methodologies. Valuation techniques required certain assumptions that were not supported by observable market data. Changing any such used assumptions to a reasonably possible alternative would not result in a significantly different profit, income, total assets or total liabilities.

**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 credit risk of the counterparty. Carrying amounts of trade receivables approximate fair values.

**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 17.



## 33 Events after balance sheet date

### Results of the auction for rights to develop “Verkhnekamskoe Potash Deposit”

The auction for licenses to develop “Verkhnekamskoe Potash Deposit” in Perm Region took place on March 12, 2008. Three licences, two of which were for “Talitski” and “Polovodovski” sections of the “Verkhnekamskoe Potash Deposit”, were auctioned. Given the Group’s positioning to develop the fields, the Company saw them as potentially interesting. Group’s unique position and ability to explore these fields encouraged it to take part in the auction and the Group was ready to offer a premium. However, none of these licences were acquired by the Group during the auctions.

### Export duties

In March 2008 the Government of the Russian Federation introduced duties, effective from April 2008, on exports of potassium chloride destined for countries outside the CIS members of the customs union with the Russian Federation. The duty applicable to Uralkali’s potassium chloride is 5% of the declared customs value, which the Group expects to be charged on almost all of the Group’s potassium chloride exports.

The Group does not expect the Export Duties Resolution to have a materially adverse impact on its business, prospects, financial condition or strategy. However, the Group expects the Export Duties Resolution to be an additional factor affecting prices of potassium chloride in the international market.

### Borrowings

In January-February 2008 the Group entered into two short-term loan agreements with “Sberbank” for approximately RR 2,450 (US\$ 100 million).

In January 2008 the Group has also entered into renewable credit line agreement with “Sberbank” for RR 2,450, of which RR 2,400 is repayable in January 2009 and the rest progressively until January 2011.

### Social commitments

In February 2008 the Company committed to finance the construction of a health center and a kindergarten in Berezniki and signed a coresponding agreement with the authorities of the town. Currently the construction price estimate is being prepared by the subcontractors of the Company. Basing on preliminary estimation the construction cost could amount to RR 300.

# Shareholder structure

In 2007, the charter capital of Uralkali remained unchanged and as of December 31, 2007 was equal to 1,062,195,000 rubles. The charter capital of Uralkali is split into 2,124,390,000 registered ordinary shares, each having a nominal value of 0,5 RUR.

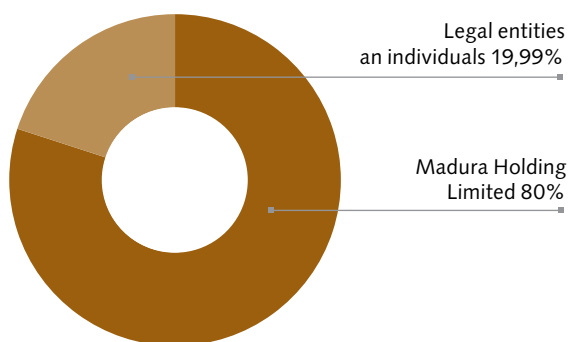
Directive of the Federal Commission for the Securities Market of Russia No. 04-81/r, dated January 16, 2004, united the additional issuances of securities of Uralkali. As a result, the state registration number 1-01-00296A was assigned to the issuances of registered ordinary shares of Uralkali issued in non-documentary form.

On August 1, 2006, the Extraordinary General Meeting of Shareholders of Uralkali approved the execution of an underwriting agreement by Uralkali. In August 2006, Uralkali signed a depository agreement with The Bank of New York under which the issue of Global Depository Receipts (GDRs) began in 2007. The shares in Uralkali are converted into GDRs on a 5 : 1 ratio.

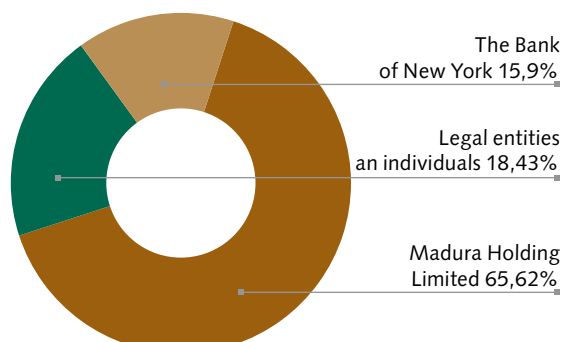
## Trading floors:

As of December 31, 2007, the ordinary shares in Uralkali and global depository receipts certifying the right in respect of the ordinary shares in Uralkali are traded on the following trading floors: RTS; MICEX; LSE.

### Shareholders structure January 1, 2007



### 2 Shareholders structure December 31, 2007



# Dividends declared

In 2007, the General Meeting of Shareholders of Uralkali did not adopt a resolution on the payment of dividends. In the accounting year, the Company paid dividends accrued for the Company's performance in previous years to shareholders whose client accounts were assigned the status of "securities of a non-identified person" and shareholders that failed to specify yield payment method. The Company discloses information about the amount of dividends actually paid for the above-mentioned periods in the issuer's quarterly reports available to each shareholder from the website of the Company.

## Composition of the Board of Directors<sup>1</sup>



4

<sup>1</sup> **DMITRY Y. RYBOLOVLEV**  
Chairman of the Board of Directors since 1999.

Born in 1966. Obtained a degree in General Medicine from the Perm Medical Institute. D. E. Rybolovlev is a member of the Audit Committee under the Board of Directors of Uralkali. Member of the Russian Union of Industrialists and Entrepreneurs.



5

<sup>2</sup> **ANATOLY A. LEBEDEV**  
Member of the Board of Directors since 2004.  
Deputy Chairman of the Board of Directors since 2006. Vice President for Legal Matters since 2004.

Born in 1974. In 1996, he obtained a degree in Law from the Moscow State University. Member of the Information Disclosure Committee of the Board of Directors of Uralkali.



6

<sup>3</sup> **VLADISLAV A. BAUMGERTNER**  
Member of the Board of Directors since 2004.  
President since 2004.  
General Director and Chairman of the Board of managers since 2005

Born in 1972. In 1994, he obtained a degree in Power Plants and the qualifications of Electrical Engineer from the Urals State Technical University. In 2000, he obtained an MBA from Kingston Business School; in 2003, MSc in Financial Management from the University of London.



7

<sup>4</sup> **ILYA A. YUZHANOV**  
Member of the Board of Directors since 2006.

Born in 1960. In 1982, he graduated from Zhdanov Leningrad State University as economist. Holds a Ph.D. in Economics.

I. A. Yuzhanov chairs the Audit Committee of the Board of Directors of Uralkali.

Since 2000, he has been a member of the Board of Directors and since 2004 chairman of the Appraisal Committee of RAO UES of Russia.

Since 2006, he has been a member of the Board of Directors of Novatek, Kirovskiy Zavod and the Supervisory Board of Joint-Stock Investment and Commercial Bank Novaya Moskva (Nomos Bank).



8

<sup>5</sup> **YURI V. GAVRILOV**  
Member of the Board of Directors since 2000.

Born in 1969. In 1994, he obtained a degree in Mechanical Engineering and Research from the Perm State Technical University.

Chairman of the Information Disclosure Committee of the Board of Directors of Uralkali and member of the Audit Committee of the Board of Directors of Uralkali.

Since 1999, he has held the position of Director General of IK Finansovy Dom.



9

<sup>6</sup> **ALEXANDER R. ZUEV**  
Member of the Board of Directors since 2002.  
Vice President for Regional Development since 2005.

Born in 1957. In 1988, he obtained a degree in Law from the Perm State University.

Member of the Audit Committee of the Board of Directors of Uralkali.



1



2



3

<sup>7</sup> **KUZMA V. MARCHUK**  
Member of the Board of Directors since 2007. Vice President for Finance since 2004.

Born in 1973. In 1996, he obtained a degree in Physics from the Moscow State University. In 1995, he obtained a degree in Foreign Economic Activities of Enterprises and Organizations and the qualifications of International Business Expert from the Plekhanov Russian Academy of Economics.

<sup>8</sup> **ALEXEY N. STARKOV**  
Member of the Board of Directors since 2007.

Born in 1962. In 1988, he obtained a degree in Aircraft Engines from the Perm Polytechnical Institute. Member of the Information Disclosure Committee of the Board of Directors of Uralkali.

Since 1995, he has held the position of Executive Director of Kapital Private Pension Fund.

Since 1998, he has held the position of Director General of Kamenny Poyas.

<sup>9</sup> **VLADIMIR A. SHEVTSOV**  
Member of the Board of Directors since 2000.

Born in 1951. In 1982, he obtained a degree in History and Social Science from V. I. Lenin Military and Political Academy. Holds a Ph.D. in Economics.

<sup>1</sup> THE DATA as of December 31, 2007

The membership of the Board of Directors was approved by the resolution of the Annual General Meeting of Shareholders of Uralkali of June 21, 2007. The previous membership approved in June 2006 was as follows: D. E. Rybolovlev (Chairman), M. P. Bakshinsky, V. A. Baumgartner, Yu. V. Gavrilov, A. R. Zuev, V. A. Karpov, A. A. Lebedev, V. A. Shevtsov, I. A. Yuzhanov.

# Mineral resources and ore reserves

## Introduction

This report gives SRK's understanding of the resource and reserve estimates reported by Uralkali, the work done to derive these and 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) and also the quantity of product expected to be produced as envisaged by the respective Business Plan (the Ore Reserve).

SRK has not independently re-calculated Mineral Resource and Ore Reserve estimates for Uralkali's operation but it 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 2008. SRK has restricted its assessment to the resources and reserves at Mine 2, Mine 4 and Mine 5. Mine 1 and 3 have been excluded as these have no realistic potential to be reopened in the foreseeable future. The resources to the south of Mine 5 have not been included as these licences have not yet been made available for acquisition.

## Quantity and quality of data

The resource and reserve estimates derived by Uralkali are primarily based on exploration drilling undertaken between 1972 and 1989. There is no exploration drilling currently being undertaken from surface. 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.

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 1 km, to the B category where the drillhole spacing is between 1 and 2 km and to the C1 category where the drillhole spacing is 2 km. Areas drilled at a larger spacing than this, up to a 4 km spacing, are assigned to the C2 category, though only a very small proportion of Uralkali's resources have been categorised as such.

As a result in the above process, each mine is drilled on a 2 km by 2 km 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 400 m by 200 m. 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 16 cm and the samples

are crushed and milled under the control of the geology department to produce an approximate 100 g 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.

SRK considers that the exploration approach followed by Uralkali has been appropriate and specifically aimed at collecting the data appropriate to the estimation of potash resources and that sufficient data of sufficient quality has been collected to support the resource estimates as derived by Uralkali and as presented here.



## Resource estimation introduction

### 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 January 1, 2008. 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 2007. This section therefore comments primarily on these statements.

### Uralkali 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 subdivided 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, composite  $K_2O$  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.

### Uralkali resource statements

Table 1 below summarises SRK's understanding of the resource statements prepared by Uralkali to reflect the status of its assets as of January 1, 2008. In addition to this material, Uralkali also extracts and sells a certain amount of carnallite, which is a requirement of Uralkali's licence agreements, and also a very small amount of halite and so-called mixed salts. The revenues from the sale of these products is, however, not material to Uralkali's cash flows and has not therefore been included in these tables or commented on in any detail in this report. Uralkali's statements are based on a minimum mining width of 2 m and a minimum block grade of 13%  $K_2O$ .

### 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 three assets as of January 1, 2008.

**Tab. 1. Uralkali sylvinite mineral resource**

Statement as of January 1, 2008

Category	Tonnage (Mt)	K <sub>2</sub> O (%)	K <sub>2</sub> O (Mt)
<b>Mine 2</b>			
A	10.4	31.1	3.2
B	52.5	22.7	11.9
C1	296.5	24.7	73.2
C2	-	-	-
<b>A+B+C1</b>	<b>359.4</b>	<b>24.6</b>	<b>88.3</b>
<b>Mine 4</b>			
A	435.0	21.6	93.9
B	442.4	22.6	99.9
C1	1,017.3	20.6	209.8
C2	310.3	26.8	83.3
<b>A+B+C1</b>	<b>1,894.7</b>	<b>21.3</b>	<b>403.6</b>
<b>Mine 5</b>			
A	173.5	19.1	33.1
B	311.5	19.8	61.8
C1	816.3	19.8	161.6
C2	-	-	-
<b>A+B+C1</b>	<b>1,301.4</b>	<b>19.7</b>	<b>256.5</b>
<b>All Mines</b>			
A	618.9	21.0	130.3
B	806.4	21.5	173.6
C1	2,130.1	20.9	444.5
C2	310.3	26.8	83.3
<b>Grand Total A+B+C1</b>	<b>3,555.5</b>	<b>21.1</b>	<b>748.4</b>

## SRK audited mineral resource statements

Table 2 below presents SRK's audited resource statement. 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 Uralka-

li'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.

basis to review the mining layout and pillar configuration and it remains possible that this material may be re-introduced into the resource statement at some time in the future as a result of this.

## SRK comments

The audited Mineral Resource statement as at January 1, 2008 presented above is different to that presented as at January 1, 2007 partly because of mining during 2007 and partly because these have been derived using revised protocols. Notably some 400 Mt of material previously reported as a resource at Mine 4 has been removed from the updated statement even though still estimated to be present in the ground. Notwithstanding this, work is being undertaken on an ongoing

**Tab. 2. SRK audited sylvinite mineral resource**

Statement as of January 1, 2008

Category	Tonnage (Mt)	K <sub>2</sub> O (%)	K <sub>2</sub> O (Mt)
<b>Mine 2</b>			
Measured	62.9	24.1	15.1
Indicated	296.5	24.7	73.2
Inferred	-	-	-
<b>Measured + indicated</b>	<b>359.4</b>	<b>24.6</b>	<b>88.3</b>
<b>Mine 4</b>			
Measured	877.3	22.1	193.9
Indicated	1,017.3	20.6	209.8
Inferred	310.3	26.8	83.3
<b>Measured + indicated</b>	<b>1,894.7</b>	<b>21.3</b>	<b>403.6</b>
<b>Mine 5</b>			
Measured	485.0	19.6	94.9
Indicated	816.3	19.8	161.6
Inferred	-	-	-
<b>Measured + indicated</b>	<b>1,301.4</b>	<b>19.7</b>	<b>256.5</b>
All mines			
Measured	1,425.3	21.3	303.9
Indicated	2,130.1	20.9	444.5
Inferred	310.3	26.8	83.3
<b>Total measured + indicated</b>	<b>3,555.5</b>	<b>21.1</b>	<b>748.4</b>

## Ore reserve estimation

### 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 visits 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's Business Plan during the next 18 years. This 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.

### Modifying factors

The Modifying Factors applicable to the derivation of reserves comprise estimates for ore losses and dilution associated with the separation of the ore and waste. This is normally a function of the ore-body characteristics and mining methods selected. The Modifying Factors considered by SRK to be appropriate for the sylvinite being mined at each of the assets is shown in Table 3 below. The ore losses primarily comprise material left behind in pillars while the grade factor represents the relationship between the grade of the ore delivered to the plant and the in-situ grade. 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 that SRK has reviewed to derive the ore loss factors. 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 to derive the grade factors. Given

**Tab. 3. SRK modifying factors**

Description	Units	Mine 2	Mine 4
Ore loss	(%)	65	63
Extraction rate	(%)	35	37
Grade factor	(%)	85	85

this SRK is confident that the Modifying Factors used reflect the geometry of the ore-bodies being mined and the mining methods currently being used.

## SRK audited ore 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 not been provided with an updated Business Plan and has therefore based its review on the on the Business Plan it audited in October 2007. Consequently, SRK's audited Ore Reserve statements are confined to those seams that are currently being considered for mining within the next 18 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 8 years of the Business Plan, as a Probable Ore Reserve.

SRK has been informed by Uralkali that no material events have occurred during 2007 which would change Uralkali's mining and processing plans and has confirmed that the mining and processing performance during 2007 matched that assumed by the Business plan for this period in all material respects.

While SRK understands that a Pre-Feasibility Study has now been prepared for Mine 5, SRK has not had the opportunity to audit this and has therefore not transferred any of the reported Measured or Indicated Mineral Resource to Ore Reserve status. In addition no Inferred Mineral Resources have been converted to Ore Reserve.

SRK can confirm that the Ore Reserve defined in Table 4 below has been derived from the resource blocks provided to SRK and incorporates sufficient estimates for ore losses and dilution based on actual historical data.

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 Uralkali's 18 year Business Plan.

## SRK Comments

The audited Ore Reserve statement as at January 1, 2008 presented above is different to that presented as at January 1, 2007 as a result of mining during 2007. The Ore Reserve statement is not affected by the material adjustment to the Mineral Resource commented upon above in Section 1.3 because the Ore Reserve relates to the remaining 18 year life of the Business Plan which is unaffected by this adjustment.

**Tab. 4. SRK audited sylvinitic ore reserve**

Statement as of January 1, 2008

Category	Tonnage (Mt)	K <sub>2</sub> O (%)	K <sub>2</sub> O (Mt)
<b>Mine 2</b>			
Proved	22.0	20.4	4.5
Probable	103.8	21.0	21.8
<b>Total</b>	<b>125.8</b>	<b>20.9</b>	<b>26.3</b>
<b>Mine 4</b>			
Proved	171.7	18.8	32.3
Probable	151.9	18.8	28.6
<b>Total</b>	<b>323.6</b>	<b>18.8</b>	<b>60.8</b>
<b>All mines</b>			
Proved	193.7	19.0	36.8
Probable	255.7	19.7	50.3
<b>Grand total</b>	<b>449.4</b>	<b>19.4</b>	<b>87.1</b>

# Risk factors

This section describes the main risks that could have a significant effect on Uralkali's business, financial condition and results of operations. All estimates and forecasts presented in this Annual Report should be considered in connection with the risk factors described in this section. Other risks that Uralkali is currently not aware of or believes to be immaterial, could become material in future and also have a material adverse effect on Uralkali's business, financial condition and results of operations.

## Uralkali's mining operations are subject to significant natural risks.

Uralkali's mining operations are subject to hazards and risks normally associated with the exploration, development and production of natural resources. In particular, hazards associated with Uralkali's underground mining operations include:

- potential flooding;
- cave-ins or ground falls;
- underground fires and explosions, including those caused by flammable gas;
- discharges of gases;
- sinkhole formation and ground subsidence;
- other accidents and conditions resulting from drilling, blasting and removing and processing material from an underground mine; and
- seismic activity.

If any of such risks materialises, it could have a material adverse effect on Uralkali's business, financial condition and results of operations.

## Demand for potash is affected by macroeconomic factors, and a downturn in such factors could have an adverse effect on Uralkali's business.

A number of macroeconomic factors, including changes in world population, availability of arable land per capita and income growth, drive demand for potash.

The relationship between population and demand for potash is closely linked. Rising population numbers increase demand for food, including crops and meat. Increased demand for crops helps drive demand for potash because potash can help increase yield from available arable land. Increased demand for meat drives demand for grain to provide animal feed, which in turn drives demand for potash. Population levels in certain markets that are important to Uralkali, such as China, India, Brazil and Southeast Asia, have been growing. However, annual population growth rates in China, for example, have been below global population growth rates since 2000. Furthermore, population levels in the EEA and in Russia have been shrinking. The population trends in China, the EEA and Russia could have a material adverse effect on Uralkali's business, financial condition and results of operations.

Arable landmass per capita may grow if forests are felled or undeveloped land is cultivated for farming, therefore reducing demand for potash by alleviating the pressure to increase crop yields from existing farmed land.

Rising income levels help drive potash demand. Rising income levels enable people to afford better diets, which are more likely to include meat. Increased demand for meat generally drives demand for grain and therefore potash, as explained above. In addition, stronger economic conditions put farmers in a better position to be able to afford potash. In addition, farmers can suspend or reduce application of potash, which can have a negative effect on potash demand. Economic conditions have historically moved in cycles, and downturns of the type the world and particular economies have undergone in the past, or more or less severe downturns, could have a material adverse effect on Uralkali's business, financial condition and results of operations.

**Prices for potash are affected significantly by the levels of supply and expansion of available production and/or structural capacity of potash producers, and either oversupply or overcapacity could have an adverse effect on Uralkali's business.**

Industry-wide capacity has a key impact on potash prices. The greater the available production and/or the structural capacity, the greater the potential for downward pressure on potash prices. Increases in the global available production and/or structural capacity could have a material adverse effect on Uralkali's business, financial condition and results of operations.

## Uralkali's production costs could increase.

Uralkali currently has what it believes to be one of the lowest costs of production in the industry. However, its costs of production may increase significantly, particularly as Russia's economic environment comes in line with those of Western countries.

## Sustained periods of high inflation could increase Uralkali's costs and decrease Uralkali's operating margins.

Uralkali's production activities are located in Russia, and the majority of Uralkali's direct costs are incurred in Russia. Russia has experienced high levels of inflation since the early 1990s. Inflation increased dramatically after the 1998 financial crisis, reaching a rate of 84.4% in that year, according to the Russian Federal State Statistics Service ("Rosstat"). Notwithstanding recent reductions in the inflation rate, which, according to Rosstat, was approximately 11.9% in 2007<sup>1</sup>, Uralkali is exposed to inflation-driven increases in certain of its costs.

However, Uralkali may not be able to increase the prices for its products sufficiently in order to preserve operating margins, particularly for its export sales, when such inflation is accompanied by real appreciation of the rouble against the US dollar. Accordingly, increase of rates of inflation in Russia could increase Uralkali's costs and decrease its operating margins and consequently have an adverse effect on Uralkali's business, financial condition and results of operations.



**Uralkali is subject to regulatory risks and risks of political instability associated with its international distribution, which could have an adverse effect on its export sales.**

Uralkali is subject to numerous risks and uncertainties relating to international sales and operations, including:

- difficulties and costs associated with complying with a wide variety of complex laws, treaties and regulations;
- changes in regulatory environments;
- increased government control and regulation in the markets Uralkali's products are sold;
- political and economic instability, including the possibility for civil unrest;
- the imposition of export duties, antimonopoly and/or antidumping measures; and
- the imposition of tariffs, exchange controls or other restrictions.

The occurrence of the events above could limit Uralkali's ability to conduct its business and could have a material adverse effect on Uralkali's financial condition and results of operations.

**Uralkali is subject to the economic, political and social instability risks of doing business in developing economies.**

During the year 2007, the major part of Uralkali's total revenues was attributable to sales in developing economies such as China, Brazil, and India. Financial turmoil in any developing market country tends to adversely affect all developing market countries as investors move their money to more stable, developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in developing markets could dampen foreign investment in the developing economies on which Uralkali relies and adversely affect those economies. As a result, during such times, companies, such as Uralkali, whose operations involve developing markets can face severe liquidity constraints as foreign funding sources are withdrawn. Thus, financial turmoil in any emerging market country could materially adversely affect Uralkali's business, prospects, financial condition and results of operations.

**Uralkali's analysis of Uralkali's reserves and resources may be materially different from mineral quantities that Uralkali may actually recover and market price fluctuations and changes in operating and capital costs may render certain ore reserves or mineral deposits uneconomical to mine.**

Uralkali's analysis of Uralkali's ore reserves represent quantities of ore and minerals that under present and anticipated conditions and anticipated extensions of certain licences have the potential to be economically mined and processed by the extraction of their mineral content. However, reserve engineering is a subjective process of estimating underground deposits of minerals that cannot be measured in an exact manner and the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgment.

Fluctuations in the market price of minerals, reduced recovery rates increased production costs due to inflation or other factors or failure to obtain licence extensions may render proved and probable reserves containing relatively lower grades of mineralisation uneconomic to exploit and may ultimately result in a restatement of reserves which could have a material adverse effect on Uralkali's business, prospects, financial condition and results of operations.

**The environmental regulations to which Uralkali is subject, as well as its potential environmental liabilities, may have an adverse effect on its business.**

Uralkali's operations and properties are subject to environmental, health and safety and other laws and regulations in the jurisdictions in which it operates, principally in Russia. For instance, Uralkali's operations generate air emissions, wastewater discharges and large amounts of by-products, including waste salt, mine tailings and other waste materials, some of which are hazardous. The discharge, storage and disposal of such waste is subject to environmental regulations, some of which require the clean-up of contamination and reclamation. Additionally, under current Russian environmental legislation, Uralkali must make payments for

air emissions, water discharges and waste disposals. Any increase in the amount of payments or amendments to the existing regulation could have a material adverse effect on Uralkali's business, financial condition and results of operations.

**Uralkali's operations are dependent on having received the required licences, permits and approvals from governmental authorities. A decision by a government agency to deny any of Uralkali's licenses, permits and approvals or to impose restrictive conditions on Uralkali with respect to these licences, permits and approvals may have an adverse effect on its business.**

Uralkali's business depends on the continuing validity of its licences, the issuance to it of new licences and its compliance with the terms of its licences, including subsoil licences for Uralkali's mining operations in Russia. Regulatory authorities exercise considerable discretion in the timing of licence issuance and renewal and in monitoring licensees' compliance with licence terms. Requirements imposed by these authorities may be costly and time-consuming and may result in delays in the commencement or continuation of exploration or production operations. In addition to Uralkali's mining licences, Uralkali is required to obtain from various Russian governmental authorities numerous licences, authorisations and permits of routine nature. The right to subsoil use may be early terminated, suspended or limited if the government authorities find that Uralkali has violated the "significant" or "material" terms of the licence. This could have a material adverse effect on Uralkali's business prospects, financial condition and results of operations.

<sup>1</sup> STATISTICAL SURVEY of the Russian Federation State Statistics Committee on the social and economic situation in Russia.

## Contact Details

**JSC Uralkali**  
63 Pyatiletka Street, Berezniki  
Perm Territory, Russia 618426  
E-mail: [uralkali@uralkali.com](mailto:uralkali@uralkali.com)

**Uralkali Moscow Office**  
23A Taras Shevchenko Embankment, 21st Floor  
Moscow, 121151  
Tel.: +7 (495) 730-2371, 730-6677, 730-2372  
Fax: +7 (495) 730 2393, 730 2394  
E-mail: [msc@msc.uralkali.com](mailto:msc@msc.uralkali.com)