



LONG TERM VALUES

RESPONSIBLE
GROWTH



About this report

IN AN EFFORT TO KEEP OUR INTEGRATED REPORT RELEVANT AND SUCCINCT, WE HAVE INCLUDED LINKS TO FURTHER INFORMATION AND OUR WEBSITE WITHIN THE REPORT. THIS INTEGRATED REPORT WAS PREPARED IN ACCORDANCE WITH THE G4 GLOBAL REPORTING INITIATIVE SUSTAINABILITY REPORTING STANDARD (HEREINAFTER THE "GRI G4 STANDARD") AND THE MINING AND METALS SECTOR DISCLOSURES. THE LEVEL OF DISCLOSURE IS CORE. THERE WERE NO SIGNIFICANT CHANGES IN THE SCOPE OR ASPECT BOUNDARIES IN THE REPORTING PERIOD.

THE REPORT COVERS THE ENTIRE URALKALI GROUP, INCLUDING PJSC URALKALI AND COMPANIES THAT ARE INCLUDED IN THE CONSOLIDATION PERIMETER. A SUPPLEMENTARY GRI TABLE CONTAINING ADDITIONAL INFORMATION ON GRI INDICATORS DISCLOSURE IS AVAILABLE ON OUR WEBSITE.

OUR INTEGRATED ANNUAL REPORT IS ALSO AVAILABLE ONLINE AND IN THE MOBILE APP. WWW.URALKALI.COM



INTEGRATED REPORT

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Our mission statement

We produce potash fertilisers to ensure that people all over the world are provided with food, and to support the growth of our Company and the welfare of our employees and local communities, through efficient and responsible development of unique potash deposits.



Our vision

- THE COMPANY IS ONE OF THE WORLD'S LEADING POTASH PRODUCERS
- WE ARE EXPANDING OUR PRODUCTION CAPACITY TO SATISFY GROWING DEMAND FOR OUR PRODUCTS IN THE LONG TERM
- OUR PRODUCTION PRIORITIES REMAIN ZERO ACCIDENTS AND CASUALTIES, REDUCING OUR ENVIRONMENTAL FOOTPRINT AND ENSURING THE HIGH QUALITY OF OUR PRODUCTS
- WE ARE THE MOST COST-EFFICIENT COMPANY IN OUR INDUSTRY
- OUR WORK IS BASED ON PRINCIPLES OF CLEAR DIVISION OF RESPONSIBILITIES, KPI-BASED MANAGEMENT AND RISK MINIMISATION
- THE COMPANY IS THE MOST ATTRACTIVE EMPLOYER IN THE PERM REGION AND, POTENTIALLY, THE MINING INDUSTRY AS A WHOLE
- WE ATTACH GREAT IMPORTANCE TO OUR PEOPLE: WE DEVELOP AND PROMOTE OUR BEST EMPLOYEES
- WE PLAY AN ACTIVE ROLE IN THE DEVELOPMENT OF BEREZNIKI AND SOLIKAMSK
- WE STRIVE TO INCREASE THE COMPANY'S VALUE AND ITS INVESTMENT ATTRACTIVENESS
- THE COMPANY OPERATES TRANSPARENTLY FOR ALL STAKEHOLDERS

See more about our business model on [page 16](#)

Our values

OUR VALUES UNITE ALL OF THE GROUP'S EMPLOYEES, REGARDLESS OF THEIR PRODUCTION FACILITY, DEPARTMENT, ROLE OR RESPONSIBILITIES. OUR VALUES PROVIDE US WITH STRENGTH AND SUPPORT TO DRIVE FURTHER DEVELOPMENT.

OUR ACTIVITIES ARE GUIDED BY THE FOLLOWING VALUES:

- **SAFETY:**
WE PERSONALLY OBSERVE SAFETY RULES AND DO NOT TOLERATE VIOLATIONS
- **RESPONSIBILITY:**
WE ALWAYS COMPLETE WHAT WE PROMISED TO COMPLETE ON TIME
- **EFFECTIVENESS:**
WE AIM TO ATTAIN THE HIGHEST RESULTS WHILE EXPENDING THE LOWEST COSTS
- **TEAMWORK**
WE RESPECT AND TRUST ONE ANOTHER AND KNOW THAT ONLY BY WORKING TOGETHER WILL WE ACCOMPLISH OUR RESULTS



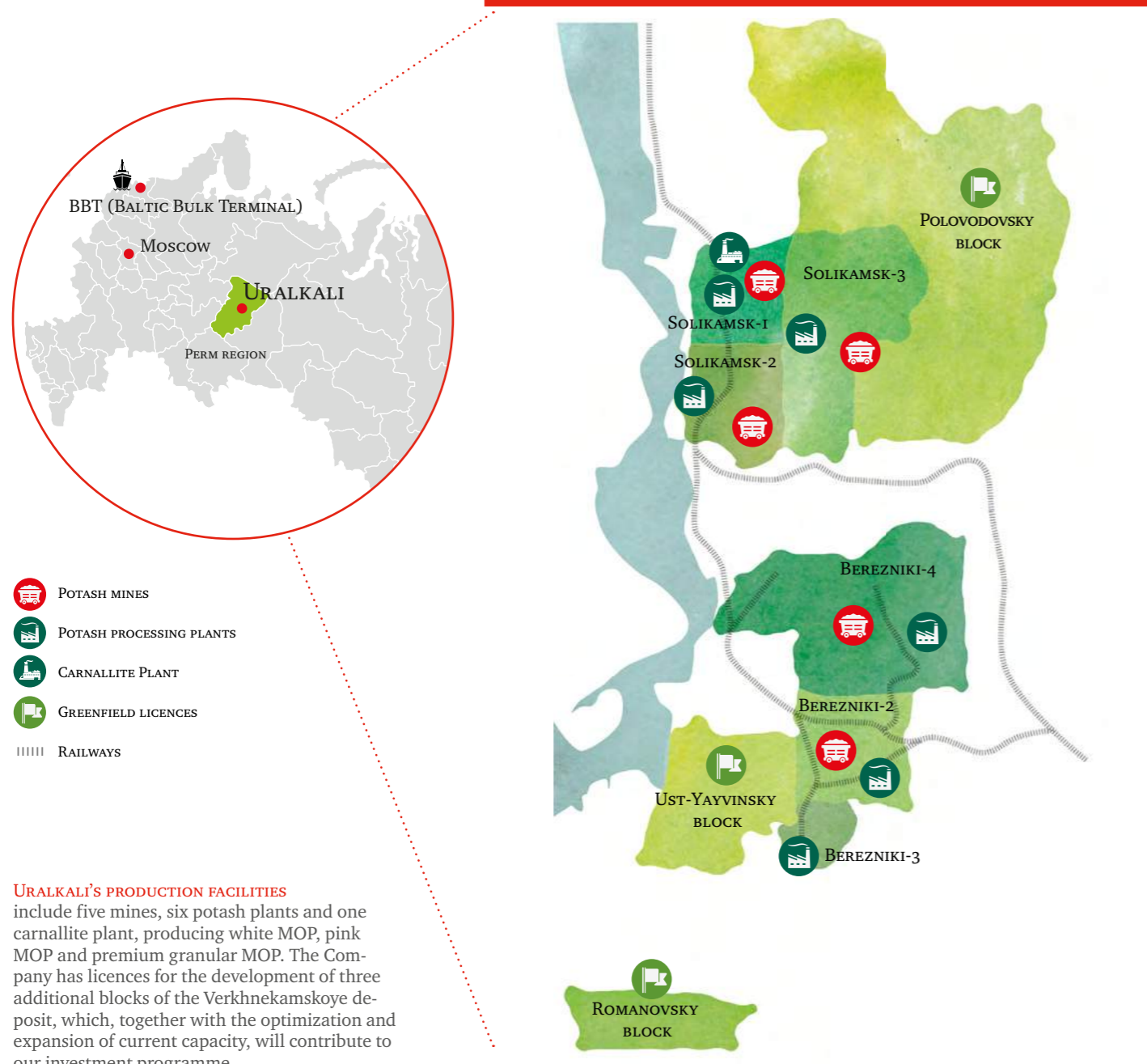
URALKALI AT A GLANCE

About Uralkali

URALKALI is a leading producer and exporter of potash, which is an essential component for the growth and development of all living organisms. In 2015, the Company accounted for 18% of global potash sales. PJSC Uralkali controls its entire production chain, from potash ore mining to the supply of potassium chloride to customers. Vertical integration helps the Company maintain one of the lowest production costs in the industry.

The Verkhnekamskoye potassium and magnesium salt field developed by the Company is the world's second-largest deposit in terms of ore reserves. Uralkali's production facilities include five mines, six potash plants and one carnallite plant, situated in the towns of Berezniki and Solikamsk, in the Perm region of Russia. PJSC Uralkali has licences for the development of three additional blocks of the deposit, Ust-Yayva, Romanovsky and Polovodovsky. The Company employs around 11,000 people in its main production unit.

Our assets



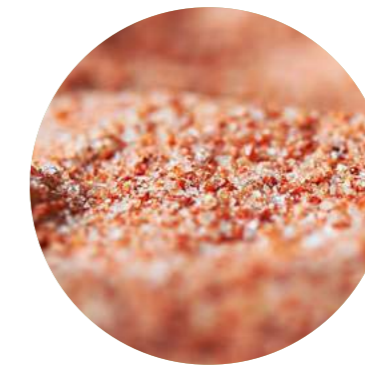
What we produce

1 STANDARD WHITE MOP



STANDARD WHITE MOP is applied directly to the soil and used to produce compound NPK fertilisers, as well as for other industrial needs. We supply this product mainly to China, Russia and Europe. White MOP is produced in the following varieties: 95% and 98%.

2 STANDARD PINK MOP



STANDARD PINK MOP Pink MOP is applied directly to the soil and we supply it primarily to India and South East Asia.

3 GRANULAR MOP



GRANULAR MOP Granular MOP is a premium product bought in countries using advanced soil fertilisation methods. Granulation slows down the absorption of fertiliser nutrients into the soil, thus prolonging their action. We export our granular MOP to Brazil, the USA and EMEA, where it is applied directly to the soil or blended with nitrogen and phosphate fertilisers.

MINERAL RESOURCE STATEMENT / as of 1 January 2016 /

ALL MINES	TONNAGE (MLN TONNES)	K ₂ O (%)	K ₂ O (MLN TONNES)
MEASURED	2,046.5	19.5	400.0
INDICATED	5,230.9	18.4	963.7
TOTAL MEASURED + INDICATED	7,277.4	18.7	1,363.7
INFERRED	310.3	26.8	83.3

¹ Potassium oxide, KCl = 1,61K₂O.

URALKALI AT A GLANCE

Year highlights

In 2015, the deteriorating market conditions led to a decline in sales by 9% to 11.2 million tonnes. Net revenue decreased by 5% to US\$2.6 billion. High capacity utilisation, an efficient business model and the rouble devaluation led to a 30% decrease in cash COGS and an EBITDA margin increase to 72%.

See more about our Key Performance Indicators on [page 42](#)



SALES

PRODUCTION

AVERAGE EXPORT POTASH PRICES, FCA

UNIT CASH COGS

NET REVENUE

NET DEBT/LTM EBITDA

EBITDA MARGIN

LOST TIME INJURY FREQUENCY RATE

11.2

/ mln tonnes KCl

11.4

/ mln tonnes KCl

245

/ US\$ per tonne KCl, FCA

33

/ US\$ per tonne KCl

2,645 2.81

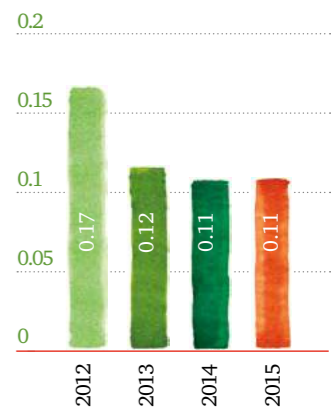
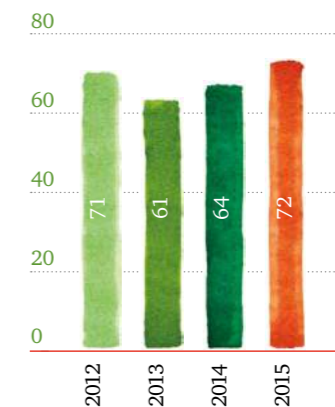
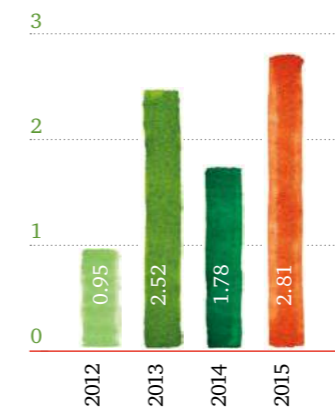
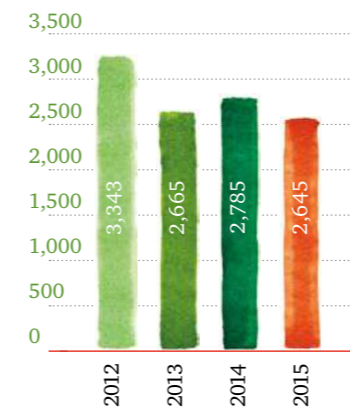
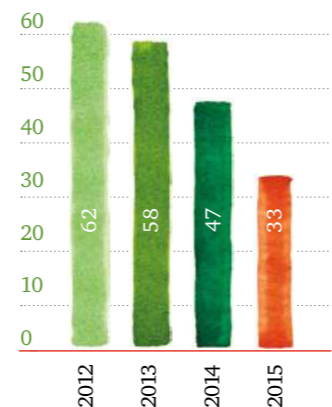
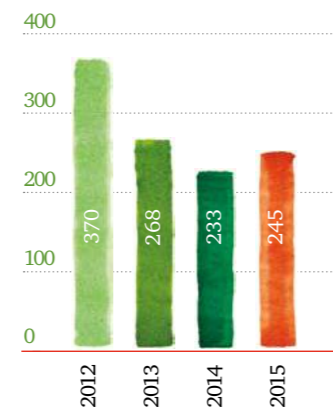
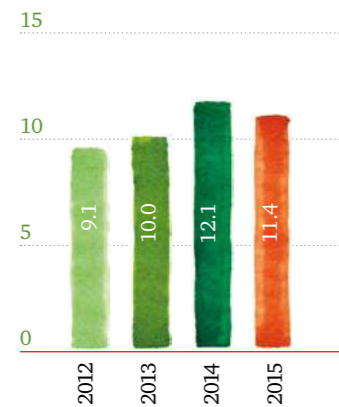
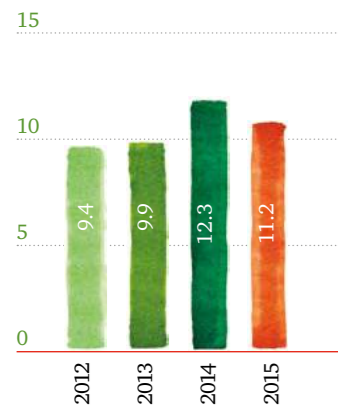
/ US\$ mln

72

/ %

0.11

/ LTIFR



ABOUT URALKALI

Major developments in 2015

In early 2015, Uralkali decided to adopt a 6-year capacity expansion programme. Upon completion, the programme will result in an increased capacity of up to 14.4 million tonnes by 2020.*

Over the past year, Uralkali successfully raised external funding. The Company received a syndicated loan from international banks amounting to US\$655 million and opened a credit line with Sberbank for US\$1.5 billion for a period of 5 years.



MARCH
05.03

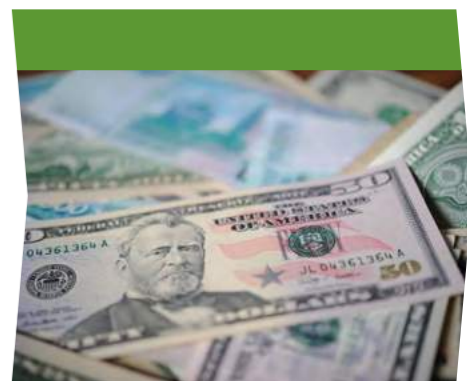
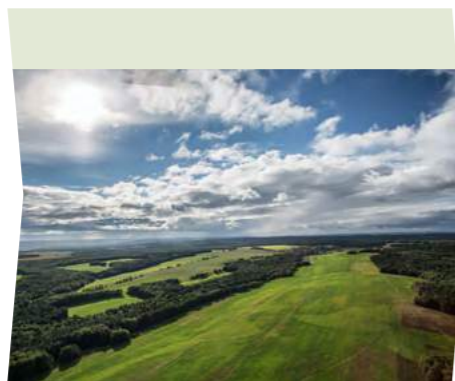
APRIL
07.04

APRIL
10.04

APRIL
20.04

MAY
01.05

JUNE
11.06



ADOPTION OF URALKALI'S UPDATED CAPACITY EXPANSION STRATEGY FOR 2015-2020

The Board of Directors of Uralkali approved an updated development strategy for Uralkali for the period of 2015-2020, providing for investment of US\$4.5 billion in the development programme.

LICENSE RECEIVED FOR SUBSOIL USE OF THE NOVO-SOLIKAMSKIY PLOT OF THE VERKHNEKAMSKOYE FIELD UNTIL 2035

A license for subsoil use of the western part of the Novo-Solikamsky plot of the Verkhnekamskoye potassium and magnesium salt field, with the right to extract magnesium salts (carnallite rock), was received until 6 April 2035. Its cost was 10.5 million roubles (about US\$186,000 at the time of receipt).

Recoverable reserves at the new plot are estimated at 55.7 million tonnes of carnallite, which increases the Company's total reserves of carnallite to 1,540 million tonnes.

URALKALI CONCLUDED AN AGREEMENT FOR THE SUPPLY OF POTASSIUM CHLORIDE TO CHINA IN 2015

Uralkali signed a contract to supply 850,000 tonnes of potassium chloride (not including options) to China in April-December 2015 at a price of US\$315, on a CFR basis. The contract was signed with a consortium of Chinese importers consisting of Sinochem, CNAMPGC and CNOOC.

URALKALI SIGNED AN AGREEMENT WITH INTERNATIONAL BANKS FOR A LOAN OF UP TO US\$655 MILLION

Uralkali received a syndicated loan amounting to US\$530 million for a period of 4 years with the possibility of increasing the loan amount to US\$800 million. In June, the Company increased the loan amount to US\$655 million.

URALKALI CONCLUDED AN AGREEMENT FOR THE SUPPLY OF POTASSIUM CHLORIDE TO INDIA IN 2015-2016

Uralkali signed a contract to supply 800,000 tonnes of potassium chloride to India in May 2015-March 2016. The contract was signed with IPL, India's largest importer of mineral fertilisers.

COMPLETION OF THE FIRST BUYBACK OF COMMON SHARES AND GDRs

The buyback programme implemented in the period from 24 April to 11 June 2015 resulted in the purchase of 11.56% of Uralkali's shares for US\$1.09 billion. As a result, approximately 23.35% of Uralkali's shares remained in free float. The buyback of shares was carried out to provide shareholders with the possibility of raising funds in the absence of the Company's dividend payments.

* Subject to annual verification

MAJOR DEVELOPMENTS IN 2015 / CONTINUED

In the end of 2015, the Uralkali Board of Directors decided to delist Uralkali's GDRs from the London Stock Exchange (LSE). The Company announced the delisting on 22 December. The decision was made taking into account the low liquidity of the GDRs on the LSE and a reduced number of free-floating GDRs.

See more about
Uralkali's securities
» page 96



AUGUST
06.08



REGISTRATION OF AN EXCHANGE TRADED BONDS PROGRAMME WORTH UP TO 100 BILLION ROUBLES

The Moscow Exchange registered Uralkali's exchange traded bonds programme with a nominal value of up to 100 billion roubles for a period of 20 years from the date on which the identification number is assigned. The programme provides for any offering in any currency, with a maturity of up to 10 years.

SEPTEMBER
10.09



OPENING OF A CREDIT LINE WITH SBERBANK

In September, Uralkali and Sberbank signed an agreement to open a non-revolving credit line for US\$1.5 billion with a five-year maturity period and a half availability period.

SEPTEMBER
23.09



URALKALI-TECHNOLOGY AND VTB CAPITAL SIGNED A REPO AGREEMENT

JSC Uralkali-Technology, a subsidiary of Uralkali, raised US\$800 million under a REPO transaction agreement with VTB Capital, transferring Uralkali's shares totalling 12.61% of share capital under the REPO agreement and GDRs totalling 7.38% of share capital under a pledge agreement. These funds were used to buy back ordinary shares and GDRs of the Company under the buyback programme of 25 August 2015.

OCTOBER
16.10



COMPLETION OF THE SECOND BUYBACK OF ORDINARY SHARES AND GDRS

The second buyback programme implemented in the period from 25 August 2015 to 16 October 2015 resulted in the purchase of 21.98% of the Company's shares for US\$2.07 billion. An application for 12.5% of shares was received from Chengdong Investment Corporation. As a result, the number of shares held by minority shareholders amounted to approximately 13.9% of the share capital of the Company. The buyback of shares was carried out to provide shareholders with the possibility of raising funds in the absence of the Company's dividend payments.

NOVEMBER
23.11



URALKALI LAUNCHED AN OPEN-MARKET BUYBACK PROGRAMME

In November the Board of Directors of the Company approved the programme to buy back up to 6.5% of Uralkali's share capital on the open market. The programme expired on 31 March 2016. The Company intends to eventually cancel the shares purchased under the buyback programme. As a result of the completion of the programme the Company purchased 4.89% of its share capital.

DECEMBER
22.12



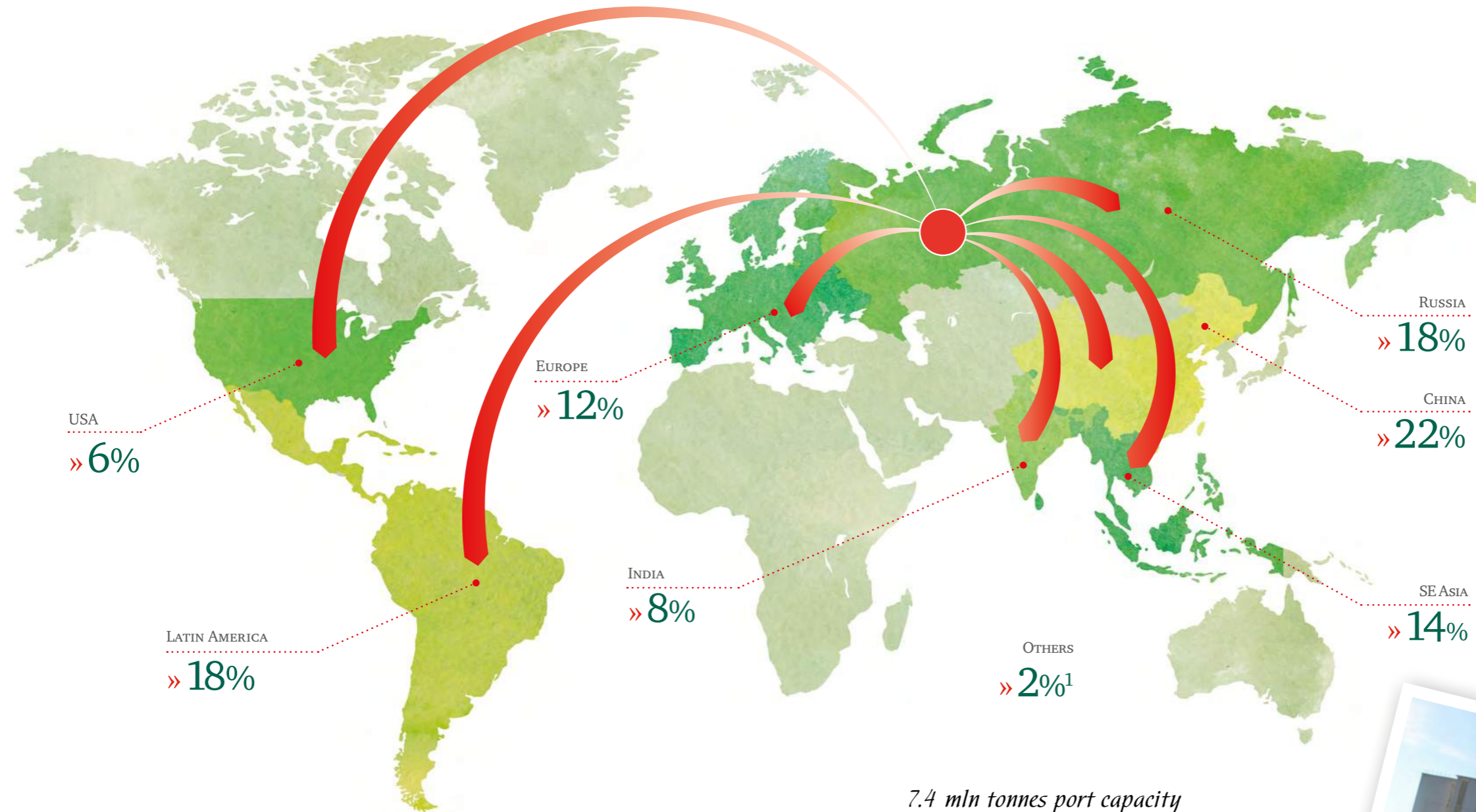
DELISTING OF URALKALI'S GDRS FROM THE LSE

Uralkali announced a delisting and terminated trading of its GDRs on the London Stock Exchange (LSE) given the low liquidity of the GDRs on the LSE and the reduction of the number of free-floating GDRs to less than 3.5% of the Company's share capital (excluding GDRs owned by major shareholders and subsidiaries of the Company).

URALKALI AT A GLANCE

Our sales markets

OUR STRATEGIC GOAL is to ensure food security through sustainable supply of potash fertilisers to all key markets. Flexible utilisation of production capacities, developed logistics, and a global trading network enable us to be a reliable partner in any situation.



TOTAL SALES

11.2

/ mln tonnes

- 7.4 mln tonnes port capacity
- >8,000 railcars
- 7 trading offices in key markets
- >70 countries



¹ Includes Middle East, Africa and former Soviet Union countries.

See more about our sales » page 27-29

URALKALI AT A GLANCE

Business model

Vertical integration

Capital> **Production**> **Logistics**> **Sales**> **Value created**

- FINANCIAL CAPITAL**
- Financial structure
 - Robust financing
- BUSINESS CAPITAL**
- Mines
 - Carnallite and potash plants
 - Greenfield expansion projects
 - Railcar fleet
 - Baltic transshipment terminal
 - Traders' offices
- INTELLECTUAL CAPITAL**
- Corporate governance system
 - Risk management
 - Internal management and control systems

- HUMAN CAPITAL**
- Employees
 - Health and safety
 - Know-how and skills
 - Experience
- SOCIAL AND RELATIONSHIP CAPITAL**
- Relationship with stakeholders
- NATURAL CAPITAL**
- Potash reserves
 - Carnallite reserves
 - Biodiversity and ecosystems
 - Water, air, soil

Our existing assets include five mines, one carnallite plant and six potash plants where we make standard white and pink potash, as well as the premium granular potash. We have three greenfield licences that, together with optimisations and capacity growth in our existing operations, will contribute to our investment programme. We also benefit from the lowest cash costs in the industry, which is important for us to maintain our leadership position.

- OUR STRENGTHS**
- Low cost leadership
 - Strong asset base

For more information about our production capabilities see » pages 30-33

- 5 mines
- 6 potash plants
- 1 carnallite plant

We have the advantage of one of the shortest transportation routes from mine to port. We deliver via our own 8,000 specialised railcar fleet and Baltic transshipment terminal. Developed logistics enables us to build on our market-leading position, optimise storage at our warehouses and expand capacity in the short and medium term.

- OUR STRENGTHS**
- Global reach to markets
 - Focus on broadening relationships with international customers

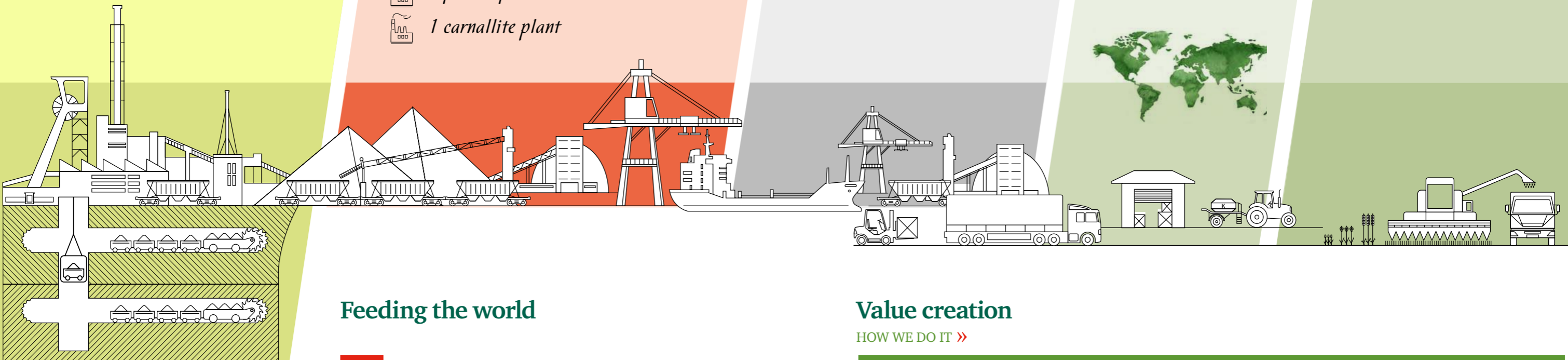
8,000 railcars

We are focused on building strong relationships with our customers in more than 70 countries. Our strategy is aimed at maximising revenue and sustaining our historical market share. The revenue maximisation strategy allows the Company to more effectively use its competitive advantages, including a leading position in the industry in terms of production cost and production capacities.

- OUR STRENGTHS**
- Global scale of the business
 - Foreign currency revenue ensuring stability of cash flow

>70 countries

- CUSTOMERS AND PARTNERS**
- Quality product
 - Reliability of supply
 - Support for local economy
- EMPLOYEES**
- Job creation
 - Salaries and social benefits
 - Training and career development
- TRADE UNIONS**
- Employee satisfaction
 - Compliance with health & safety regulations
- GOVERNMENT & LOCAL AUTHORITIES**
- Contribution to GDP
 - Tax revenue
- LOCAL COMMUNITIES**
- Education and healthcare facilities, infrastructure development and modernisation
 - Quality of life
 - Sports and cultural events development
- PUBLIC RELATIONS**
- Clear understanding of Uralkali's business



Feeding the world

As the global population grows together with the need for agriculture products, our leadership position and capacity development programme enable us to react quickly and adjust our shipment volumes in line with changes in consumer demand. Moreover, we share agronomic expertise with our customers to provide them with the knowledge to use our products in the most efficient way for optimal yields.

Value creation

HOW WE DO IT >>

CORPORATE GOVERNANCE SYSTEM See more on » page 82	RISK MANAGEMENT See more on » page 49	SUSTAINABLE DEVELOPMENT See more on » page 60	ECONOMIC STABILITY See more on » page 34
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STATEMENTS

Chairman's statement

“Despite all difficulties, thanks to the well-coordinated work of our team, Uralkali showed consistent financial growth.”



DEAR SHAREHOLDERS,

As you know, Uralkali is one of the leaders of the world potash industry, accounting for about 20% of global potash fertiliser production. However, the year 2015 was not easy for the Company. A drop in global food prices and a difficult macroeconomic situation in most regions led to a decrease in demand for our products. Nevertheless, despite all difficulties, thanks to the well-coordinated work of our team, Uralkali showed consistent financial growth.

In 2015, the Board of Directors approved the Company's Development Strategy for 2015-2020, and continued to improve corporate governance practices and the risk management system. The Company achieved great

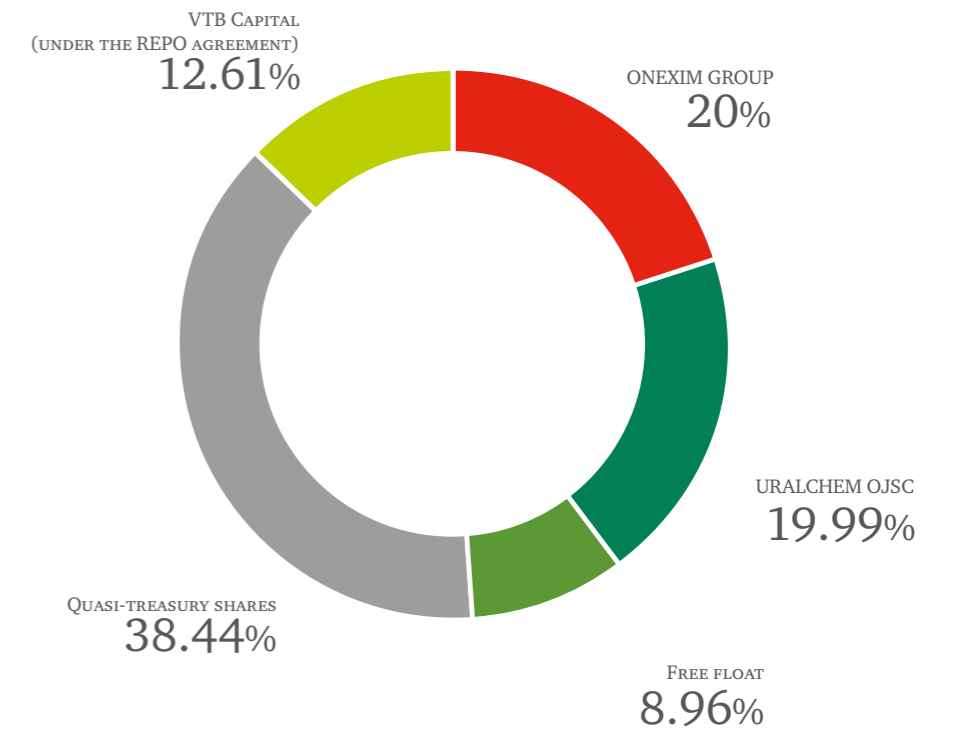
success in increasing cost competitiveness, successfully attracted external financing and pursued an active social policy. As one of the largest enterprises of the Perm region, Uralkali takes an active part in the development of the towns of Berezniki and Solikamsk, contributes to improving the living standards of their inhabitants, successfully implementing numerous social and infrastructure projects.

High product quality, and labour, industrial and environmental safety remain top priorities for Uralkali. In 2015, the Company continued to implement a comprehensive programme for the prevention of occupational accidents. Now, all Uralkali's mines are staffed with mining and technical inspec-

SHARE CAPITAL
STRUCTURE

/ %

The shareholdings are based on data as of 14 April 2016.



tors, responsible for the audit and control of safety rules. The Company is committed to the care of the environment through compliance with environmental legislation, sustainable use of natural resources and continuous improvement of environmental activities.

Important changes have been introduced to our dividend policy. From now on, the Board of Directors of Uralkali will determine the amount of dividends based on the financial position of the Company and general economic situation in the country. The Company also decided to provide the holders of Uralkali's securities with a possibility to return their funds through the buyback of its ordinary shares and global depository receipts (GDRs). Two buyback programmes were completed in June

and October 2015. As a result, the Company bought back 33.54 percent of its share capital, amounting to more than US\$3 billion. The third buyback programme on the open market in respect of 6.5% of the share capital of Uralkali, was launched at the end of 2015.

The share buyback resulted in the reduction of the number of Uralkali's GDRs traded on the London Stock Exchange. In November, with that in mind, the Board of Directors decided to delist the Company's GDRs from this international stock exchange. Ordinary shares of Uralkali are still listed on the Moscow Exchange, although in the medium term we do not rule out that the Russian stock exchange can decrease the listing level of our securities.

That said, the Company stays committed to the highest standards of transparency and corporate governance, and is aimed at mutually beneficial cooperation with shareholders, investors and all stakeholders.

I want to thank all employees of Uralkali for their significant contribution to the development of the Company and ensuring its leading position in such a competitive sector of the economy as the potash industry. I would also like to express my appreciation to shareholders, investors and partners for their trust and support.

SERGEY CHEMEZOV

CHAIRMAN OF THE BOARD OF DIRECTORS

STATEMENTS

CEO's statement



“The expansion of existing production capacity, coupled with the introduction of new technologies, will help us to meet effective demand in key markets.”

DEAR SHAREHOLDERS,

Throughout 2015, Uralkali operated in challenging macroeconomic conditions. A decrease in demand for potash fertilisers in key markets, as well as the decline in production due to the accident at the Solikamsk-2 mine in 2014 had a negative impact on the Company's operating activities in 2015.

Despite this, Uralkali has maintained its leading position and produced 11.4 million tonnes of potash. Thanks to the depreciation of the rouble and optimisation of production, Uralkali reaffirmed its status as the most cost-efficient manufacturer in the industry, which resulted in EBITDA of US\$1,913 and EBITDA margin of 72%.

CONSUMER MARKETS

Despite a decline of demand for potash in 2015, we strongly believe in industry's solid fundamentals and expect a gradual demand recovery amid global inventory levels getting in line with historical averages and reduction of economic uncertainty in developing markets. Long term potash demand will continue to be driven by increasing world population and a reduction of new arable land availability. The Company continues its active presence in markets where purchases are handled through long term supply contracts as well as in the markets operating on a spot basis. While trying to meet the needs of our long-term international customers, Uralkali is fully committed to satisfy the demand for its products in the Russian fertiliser market, which is of strategic importance for the company. Uralkali closely monitors the market situation and is always ready to respond quickly to any changes.

INVESTMENT STRATEGY

In March 2015, Uralkali's Board approved a new investment strategy aimed at expanding the Company's capacity in 2015-2020 with a significant amount of investment – about US\$4.5 billion. The strategy includes the implementation of projects to increase load at Berezniki-4, complete the fourth shaft at Solikamsk-3, expand granulated potash capacity and build new shafts at Solikamsk-2.

All these activities, as well as the construction of the Ust-Yayva mine, will help the Company boost its production capacity from 11.4 million to 14.4 million per year by 2020, and in future to 17.2 million per year, significantly strengthening our position on the global potash market.

FINANCING

The reduction in liquidity of Uralkali's securities caused by the share buyback programmes, as well as the unfavourable situation on the potash market led to the lowering of the Company's investment ratings. Nonetheless, Uralkali retained access to long-term financing on favourable terms.

In April 2015, the Company signed an agreement with eight international banks for a syndicated loan worth US\$655 million, with an option to increase to US\$800 million.

In the summer of 2015, the Moscow Exchange registered Uralkali's exchange traded bond programme worth up to 100 billion roubles. Under this programme, Uralkali can place any number of bonds in any currency with a maximum maturity up to 10 years.

Uralkali is also actively using credit lines provided by the largest Russian financial institutions. In September 2015 Uralkali and PJSC Sberbank signed an agreement on a nonrevolving credit line for US\$1.5 billion with a maturity of 5 years and 1.5 years availability period (until March 2017). In addition, on 24 March 2016 the Company signed an agreement to open two nonrevolving credit lines with PJSC Sberbank in the amount of US\$3.9 billion for 7 and 10 years. These nonrevolving credit lines will be available from the end of 2017 till the beginning of 2020 and will be used for refinancing earlier loans from PJSC Sberbank and for other Company goals.

Companies of the Group also attracted debt financing last year. Uralkali-Technology, which holds the Company's quasi-treasury shares, raised financing in the amount of US\$800 million by transferring to VTB Capital Uralkali shares (12.61% of Uralkali's share capital) under a repurchase agreement and Uralkali GDRs (7.38% of the Company's share capital) under a pledge agreement.

OUTLOOK

Despite the difficult situation in the potash industry, our mission to produce potash fertilisers to ensure global food security is unchanged, as are our values: the life and health of employees, professionalism and efficiency.

The expansion of existing production capacity, coupled with the introduction of new technologies, will help us to meet effective demand in key markets, while maintaining a leading position in the industry and among socially responsible companies, the largest taxpayers and most attractive employers in the area of our operations.

I would like to thank all those who believe in our Company. I am convinced that by working in a responsible manner, setting ambitious goals and consistently achieving them we will maintain our leading position in the industry for our mutual benefit.

DMITRY OSIPOV

CHIEF EXECUTIVE OFFICER

MARKET AND SALES

What is potash and why is it important?

POTASH is a vitally important element, necessary for the functioning of all living organisms. It is a natural component of soils and, along with phosphorus and nitrogen, an irreplaceable nutrient for plants and agricultural crops. Balanced plant nutrition can only be ensured by regular and timely application of these three main macronutrients.

WHY IS THERE GROWING DEMAND FOR POTASH

Uralkali capitalises on long-term market fundamentals. Demand for potash is expected to be stable in the long term, as agriculture remains the key source of food, an important provider of fibre for the textile industry and biofuel for the world's constantly growing population.

- DEMAND FOR HIGHER/OPTIMAL YIELDS
- INCREASING GLOBAL POPULATION
- DECREASING ARABLE LAND AREA
- INCOME GROWTH IN DEVELOPING COUNTRIES
- BIOFUELS AND BEST AGRONOMIC PRACTICE

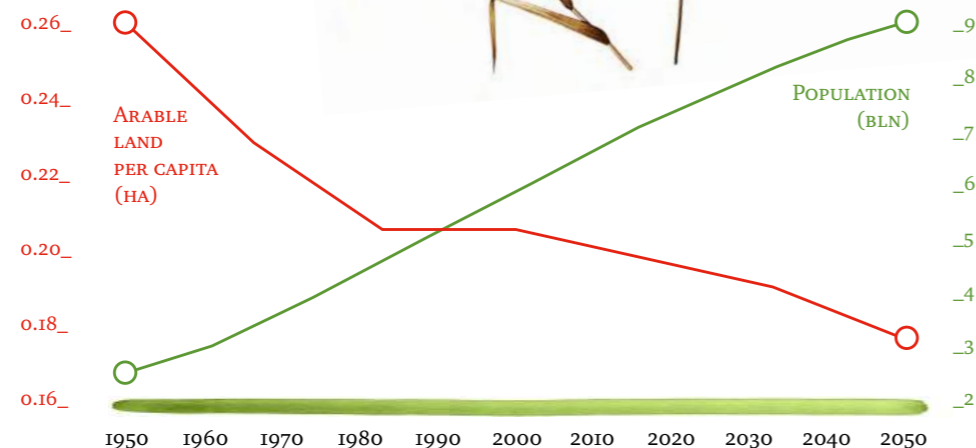
WHY IS THE POTASH SUPPLY LIMITED?

- SUBSTANTIAL BARRIERS TO ENTRY
- FEW TOP PLAYERS
- MINERAL SCARCITY
- NO OTHER PRODUCTS CAN SUBSTITUTE POTASH
- HIGH CAPEX REQUIREMENTS
- HIGH INDUSTRY CONCENTRATION



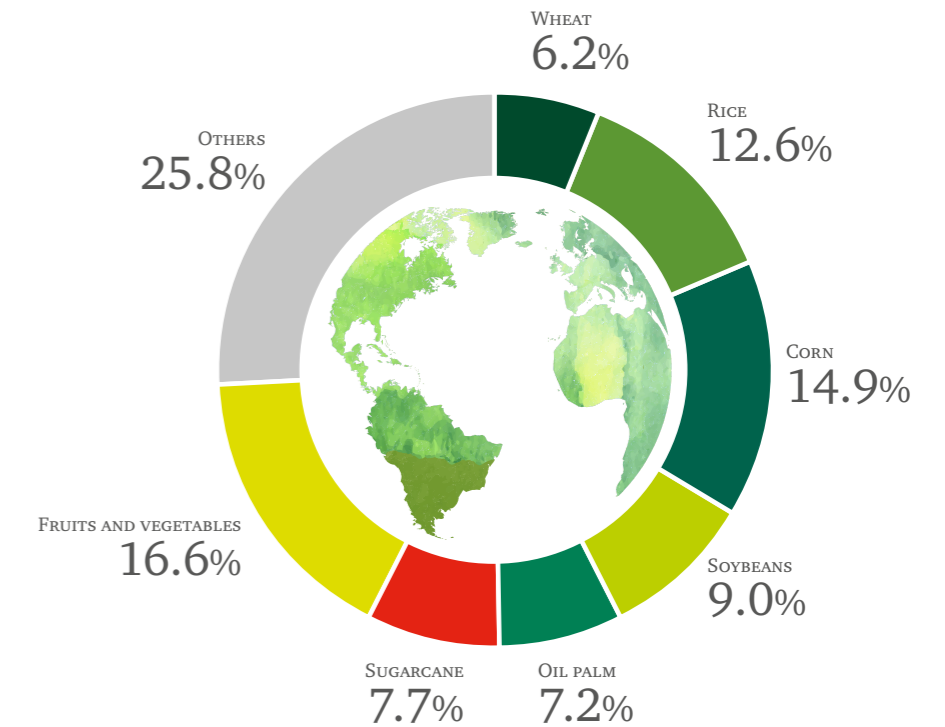
GROWING POPULATION VS ARABLE LAND PER CAPITA

Source: IFA



REMOVAL OF POTASH FROM THE SOIL / %

Source: IFA



WHY DO PLANTS NEED POTASH?

- INCREASES THE NUTRIENT LEVEL, IMPROVES THE TASTE, COLOUR AND STRUCTURE OF FRUITS
- IMPROVES RESISTANCE TO CROP DISEASES
- IMPROVES RESISTANCE TO DROUGHT AND FROST
- INCREASES THE RATE OF NITROGEN ASSIMILATION

WHY DO FARMERS USE POTASH?

- CONSISTENTLY HIGH YIELD
- MAXIMISING THE EFFICIENCY OF COMPLEX FERTILISERS
- CONSISTENTLY HIGH PRODUCT QUALITY
- MAINTAINING THE NATURAL BALANCE OF MINERALS AND MINIMUM IMPACT ON THE SOIL

THUS POTASH, WHEN PROPERLY USED, DOES NOT POLLUTE THE ENVIRONMENT AND DOES NOT REDUCE THE QUALITY OF NATURAL DRINKING WATER.

WHY MANKIND CANNOT DO WITHOUT POTASH

The world's population is growing, while the arable land per capita is declining, so people feel the need for higher yields.

Scientific studies show that a maximum yield with a consistently high quality of crop can only be achieved by providing plants with all necessary nutrients in the required amounts, including potash.

WHY DO PEOPLE NEED POTASH?

- IMPROVES THE SUPPLY OF OXYGEN TO THE BRAIN
- INVOLVED IN THE TRANSMISSION OF NERVE IMPULSES
- COMPOUNDS ACTIVATE ENZYMES
- NORMALISES THE HEART RHYTHM
- BENEFICIAL EFFECT ON KIDNEYS
- REGULATES THE WATER BALANCE IN CELLS AND TISSUES
- REGULATES METABOLIC PROCESSES
- BENEFICIAL EFFECT ON SKIN
- REGULATES THE ACID-BASE BALANCE OF BLOOD
- PREVENTS ACCUMULATION OF SODIUM IN CELLS
- STIMULATES THE REMOVAL OF TOXINS AND CHEMICAL WASTE FROM THE BODY



MARKET AND SALES

Potash demand in 2015

Challenging potash fundamentals affected potash demand in 2015.

A number of factors had an impact on the potash market in 2015, including inventory draw down over the first quarter, currency headwinds, continued macroeconomic volatility and limited credit availability in some regions. In 2015, agriculture commodity prices were on a downward trend due to surging global crop supplies, the slump in crude oil prices and US\$ strength. Low agriculture returns became a significant concern for global farmers and were impacting farmer purchasing decisions throughout the year. Demand in all spot markets was under pressure throughout the year. A combination of weak demand in emerging economies due to strong US\$, weaker farmer balance sheets and strong competition among suppliers resulted in significant pressure on potash prices over 2015. By the end of 2015, spot prices in major markets fell below the Chinese and Indian contract prices. With potash demand not recovering in 2H 2015, the potash industry faced a wave of production cuts and advanced turnarounds being announced for Q4 2015.

Shipments to China were very strong throughout the year. China outperformed other markets in terms of volumes. Potash imports reached 9.4 million tonnes, up 18% on the previous year. However, the introduction of 13% VAT, low oil-seed and cereal prices and slowing economic growth limited potash consumption in the fourth quarter of 2015. With strong buying over 2015, which followed exceptionally large 2014 buying, potash inventories hit an estimated record 6 million metric tonnes by the end of 2015.

In India, subsidy issues and rupee depreciation against US\$ remained a challenge for potash demand growth in 2015. While potash imports increased by 15% in 1H 2015 compared to the corresponding period in the previous year, the second half of 2015 was much more challenging. A weak monsoon season slowed the movement of potash around the country. In Q3, India was trying to renegotiate the contract prices, citing sharp devaluation of the rupee as a major driving point of the renegotiations. In Q4, importers started delaying shipments. By the

end of the year, potash inventories are estimated to have increased to 1.1 million tonnes. Full-year demand is estimated to have declined to 3.9 million tonnes compared to 4.5 million tonnes in 2014.

Local currency weakness and palm oil price volatility negatively impacted demand and prices in South East Asia. The devaluation of the Malaysian ringgit and Indonesian rupiah has driven local prices of potash higher for farmers and hurt demand in the two biggest markets in the region. In Q4, tenders were delayed due to expectations of further price erosion, which discouraged customers from buying potash. Potash imports in 2015 are estimated at 9.3 million tonnes, decreasing 9% over 2014.

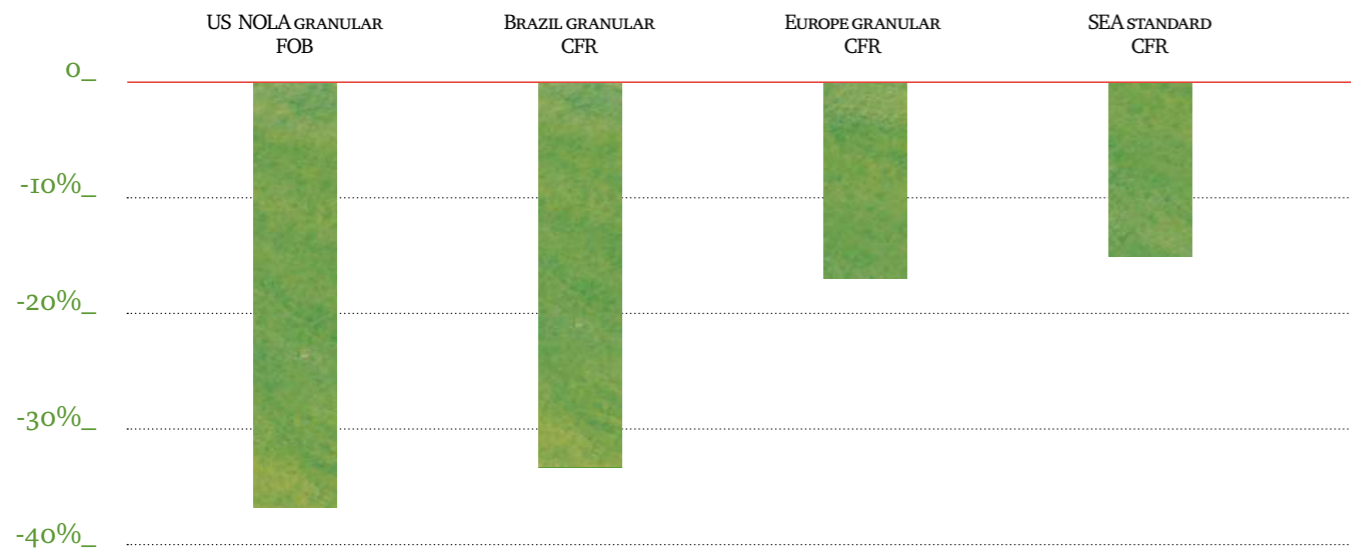
In Latin America a multitude of factors put downward pressure on farmer demand during 2015. Some of the factors that negatively affected demand in the region included limited credit availability, weak crop prices, currency volatility versus the US dollar and inventory destocking in Q1 2015. In Brazil, volumes remained dismal, also due to inventory draw downs, specifically in 1H 2015. Potash demand in the region is estimated to have fallen by 3-4% to 11.3 million tonnes.

The North American market has been under heavy pressure for nearly all of 2015. Potash demand was below historic averages mainly due to a delayed planting season, high potash price volatility because of escalating competition, and lower corn planted acreage. Lower demand in neighboring major markets (incl. Brazil) put heavy downward pressure on potash prices. The US market saw its price premium to other markets melt away in 2015. Demand is estimated to have contracted 23% year-on-year to 8.0 million tonnes.

EMEA & FSU demand is estimated to have been flat year-on-year in 2015 and totalled 12.0 million tonnes. The potash demand drop in Western and Central Europe was offset by a demand increase in Africa & FSU.

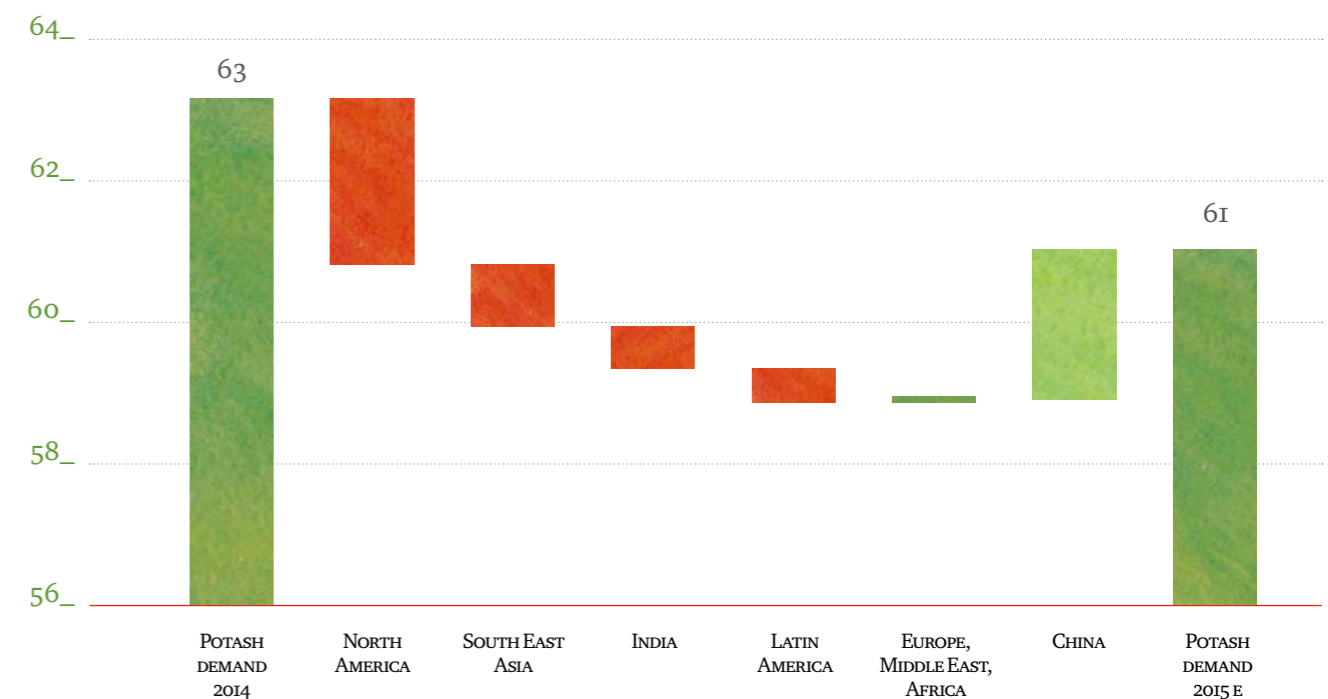
2015 global potash demand is estimated to have contracted 3-4% compared to 2014 and totalled approximately 61 million tonnes. The combination of large supply and potash demand weakness put the market into imbalance and was likely to have resulted in lower operating rates in 2015.

POTASH PRICES SLUMPED IN 2015 (YEAR-ON-YEAR DYNAMIC)



Source: CRU, Profercy

GLOBAL POTASH DEMAND DECLINED IN 2015 / million tonnes KCl



Source: IFA, Uralkali estimates

MARKET AND SALES / CONTINUED

2016 outlook

Global potash demand for 2016 is expected to range between 58-60 million tonnes compared to 61 million tonnes last year.

Owing to high end-year inventories, Chinese demand is expected to be below the 2015 record level of 17 million tonnes.

In India, the potash subsidy is largely unchanged for the 2016/2017 financial year. The government may also reduce the maximum retail price, so that farmers are encouraged to buy more potash compared to 2015. However, owing to elevated potash carryover stocks, potash imports are expected to be below the 2015 level.

We hope for a rebound in Brazil potash consumption, which saw a step back in 2015 following many years of sequential

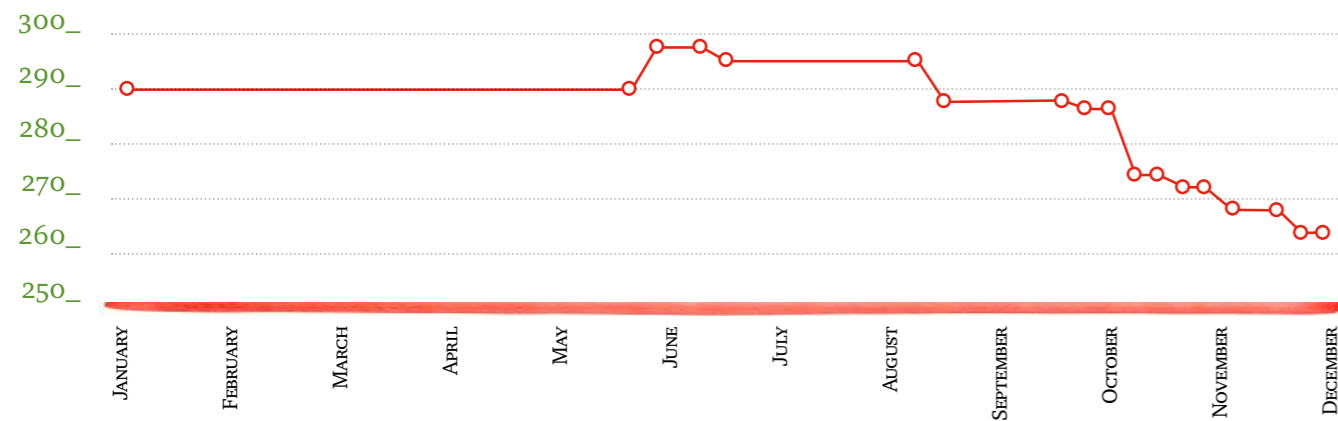
increases. However, a rebound could be modest due to slower economic growth, higher end-year inventory (1.4 million tonnes), and credit availability issues.

In South East Asia, importer economics is highly sensitive to changes in FOREX and could limit potential upside to potash demand in 2016. We believe the pace of dollar strengthening is likely to be slower and more moderate in 2016. Palm oil prices have shown strength recently and may support potash demand growth in the region.

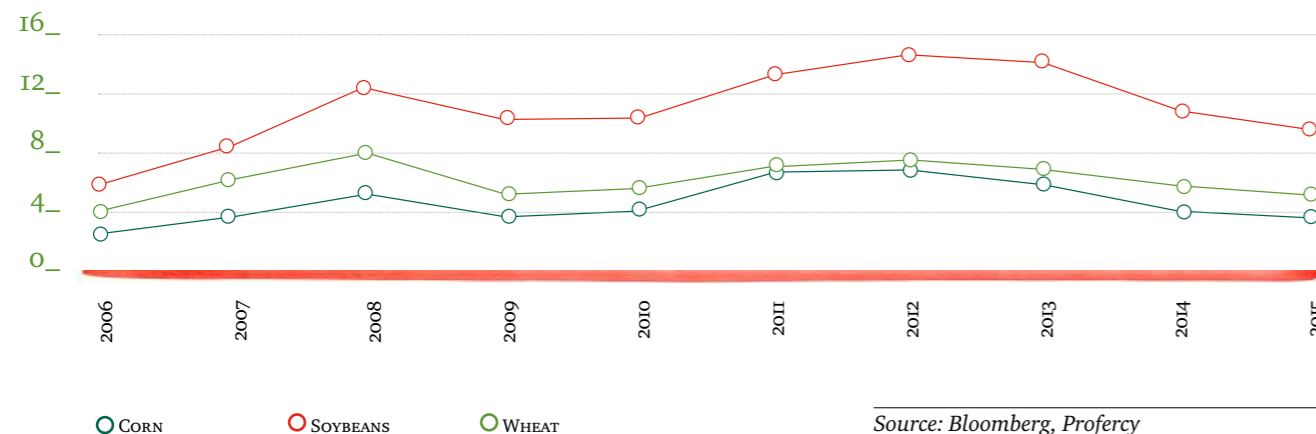
We expect a slight rebound in EMEA & FSU demand driven by demand growth in Eastern Europe. Demand upside in Western Europe may be limited due to high potash carry-over stocks.

In North America, lower nutrient levels after an extremely weak 2015 could be the catalyst for potash demand in 2016.

AVERAGE MONTHLY SPOT PRICES FOR STANDARD KCl, FSU FOB / (US\$/t)



MULTI-YEAR DOWNTURN IN KEY CROP PRICES / (US\$/bu)



Source: Bloomberg, Profercy

MARKET AND SALES Export sales

“The Company's export sales were adversely affected by the challenging potash market environment and diminishing production capability in Solikamsk-2 mine.”



VLADISLAV LYAN
DIRECTOR OF EXPORT SALES

Historically, exports account for the majority of Uralkali output. Export shipments accounted for 82% of total Company sales in 2015.

Uralkali products are distributed through a global sales network which combines access to all the main regions of potash consumption with the flexibility to adjust supply to a particular market in response to seasonal fluctuations in demand. Uralkali Trading exports its products to more than 70 countries. Uralkali has a worldwide presence selling its products through Uralkali Trading.

Uralkali's sales portfolio is balanced between spot and contract markets. Maintaining a balance between spot and contract markets allows the Company to be flexible and to respond to changes in the market quickly.

2015 URALKALI EXPORT SHIPMENTS
In 2015, the Company experienced a drop of 12% in potash exports to 9.2 million tonnes.

Uralkali export sales in 2015 reflected the world potash market situation to a large extent: industry destocking, cautious demand environment, currency weakness and macroeconomic concerns in some regions. The year-on-year decline in the Company's export sales also reflects Uralkali's diminished production capability due to the accident at Solikamsk-2 in autumn 2014.

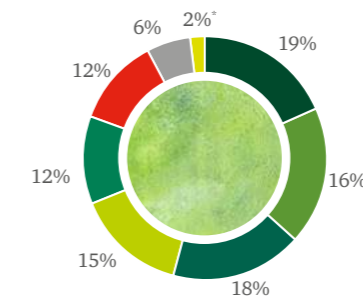
For 2015, the majority of Uralkali's deliveries were to China (22%), Latin America (18%), Russia (18%) and South East Asia (14%). We expect to maintain our export market share in line with historic averages.

In 2016, we will continue to implement flexible strategy taking into account market environment.

EXPORT SHIPMENTS

9.2
/ million tonnes of KCl

URALKALI'S SALES PORTFOLIO IN 2014 / %

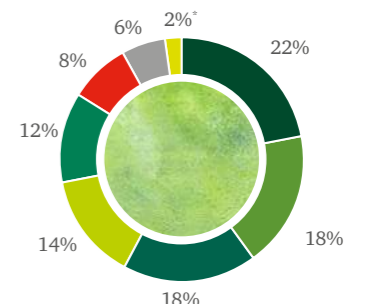


* Africa, Middle East, FSU

- China
- Russia
- Latin America
- South East Asia
- Europe
- India
- USA
- Other markets*

Source: Company data

URALKALI'S SALES PORTFOLIO IN 2015 / %



- China
- Russia
- Latin America
- South East Asia
- Europe
- India
- USA
- Other markets*

Source: Company data

MARKET AND SALES

Domestic sales

“In 2015, domestic sales amounted to 2.05 million tonnes, 4% higher than in 2014.”



ALEXEY STRAKHOV
DIRECTOR OF DOMESTIC SALES

On the Russian market, potassium chloride (KCl) is mainly used as a raw material in compound (NPK) and mixed fertilisers and other chemical products, as a component of drilling fluids at oil-production enterprises and as a single-component fertiliser for direct application to the soil. Potassium chloride is also used in small amounts in the non-ferrous metals industry and the food industry.

The major domestic consumers of the Company's products are traditionally compound fertiliser (NPK) manufacturers. KCl supplied to them in 2015 amounted to about 1.77 million tonnes, 12% higher than the previous year.

Agricultural producers consumed about 0.12 million tonnes of KCl in 2015. The major regional consumers were Krasnodar, Kursk, Lipetsk, Belgorod, Oryol and Voronezh regions.

The Russian agricultural market has huge potential. Russia accounts for about 10% of the world's arable land, and more than half of the land is planted with crops that require increased potash application, including wheat, sunflower, corn and sugar beet. Total potash consumption by Russian agricultural producers (including consumption of potash as part of NPK) in 2015 amounted to 0.5 million tonnes. Russia consumes a disproportionately small amount of potash fertiliser compared to other countries with similar climates.

Another group of traditional industrial consumers – petroleum, chemical and nuclear enterprises – bought 0.16 million tonnes of potassium chloride for specific production processes in 2015.

In addition to potassium chloride, Uralkali sold 0.33 million tonnes of enriched carnallite and 0.76 million tonnes of industrial salt on the domestic market in 2015. The main consumers of enriched carnallite are OJSC Solikamsk Magnesium Plant and PJSC VSMPO-AVISMA Corporation, which use it for the production of magnesium.

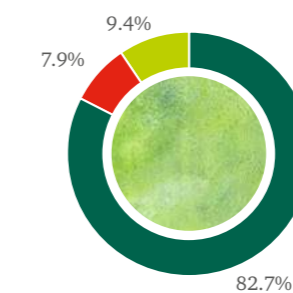
Positioning a company as an industry leader presupposes a high level of expertise and social responsibility. Today it is not enough simply to produce high quality products; it is also important to introduce international scientific expertise into the daily practices of farmers, as the end consumers, in order to ensure optimal crop yield. Uralkali is a member of Russian and international associations such as the International Fertiliser Industry Association (IFA) and Russian Association of Fertiliser Producers (RAFP), and serves on the scientific committees of recognised international institutes engaged in applied research in agricultural chemistry such as the International Plant Nutrition Institute (IPNI) and The Fertiliser Institute (TFI).

DOMESTIC PRICING

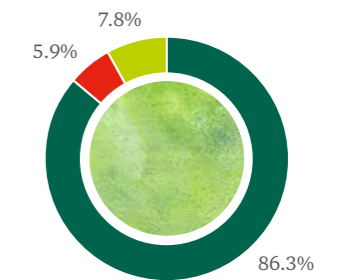
The Company strictly complies with its obligations to ensure non-discriminatory access for consumers of potash fertilisers. In November 2010, the Federal Antimonopoly Service (FAS) of Russia approved rules, according to which, starting from 2011, the potash price for NPK producers is based on the weighted average price on the foreign market with the lowest price before transport and other logistics costs (minimum export price). Since October 2013, prices have been calculated on a monthly basis, enabling the Company to respond promptly to changes in international prices. When calculating selling prices for 2015, NPK producers were provided with an additional discount of US\$27 (in rouble equivalent).

Since 1 July 2013, potash prices for Russian agricultural producers have been calculated according to the minimum export price formula in line with FAS recommendations to ensure non-discriminatory access for consumers of potash fertilisers on the Russian market.

When calculating prices for petroleum, chemical and nuclear enterprises, Uralkali also goes by the formula based on the minimum export price.

URALKALI'S SALES
STRUCTURE IN 2014
/ %

- NPK fertiliser producers
- Agricultural producers
- Industrial consumers

URALKALI'S SALES
STRUCTURE IN 2015
/ %

- NPK fertiliser producers
- Agricultural producers
- Industrial consumers

Source: Company data

URALKALI'S DOMESTIC
SALES

2.05

/ million tonnes of KCl

OPERATIONAL REVIEW

Investing in the future

URALKALI maintained its leading position in the global industry in 2015 despite a decline in buying activity. The Company produced 11.4 million tonnes of potash, 6% less than in the previous year. The incident at Solikamsk-2 in November 2014 reduced available capacity, but this effect was offset and actual production surpassed projections for 2015 thanks to the optimisation and increased capacity utilisation at the Company's other production facilities.

In Q1 2015 Uralkali approved a capacity development programme that involves investment of about US\$4.5 billion and capacity expansion to 14.4 million tonnes a year by 2020. Taking into account the Polovodovsky project, which is currently at the design stage, production volumes may reach 17.2 million tonnes per year. Maximum production capacity for 2016 is estimated at 12.2 million tonnes.

The Company plans to realise its investment programme in accordance with the current market conditions and expected changes in the potash market.

The revised programme includes projects to ensure trouble-free operation and increase the load on the production lines of Berezniki-3 and Berezniki-4; complete the fourth shaft at Solikamsk-3; construct new shafts at Solikamsk-2; construct the Ust-Yayva block and expand granular potash capacity.

The current Solikamsk-2 mine continues to operate in order to enable backfilling of worked out areas. To replace the decreasing capacity of Solikamsk-2, the Company plans to commission a new mine with capacity of 2.3 million tonnes. At the same time, work is underway at Solikamsk-3, which is expected to reach capacity of 3.3 million tonnes in 2018.

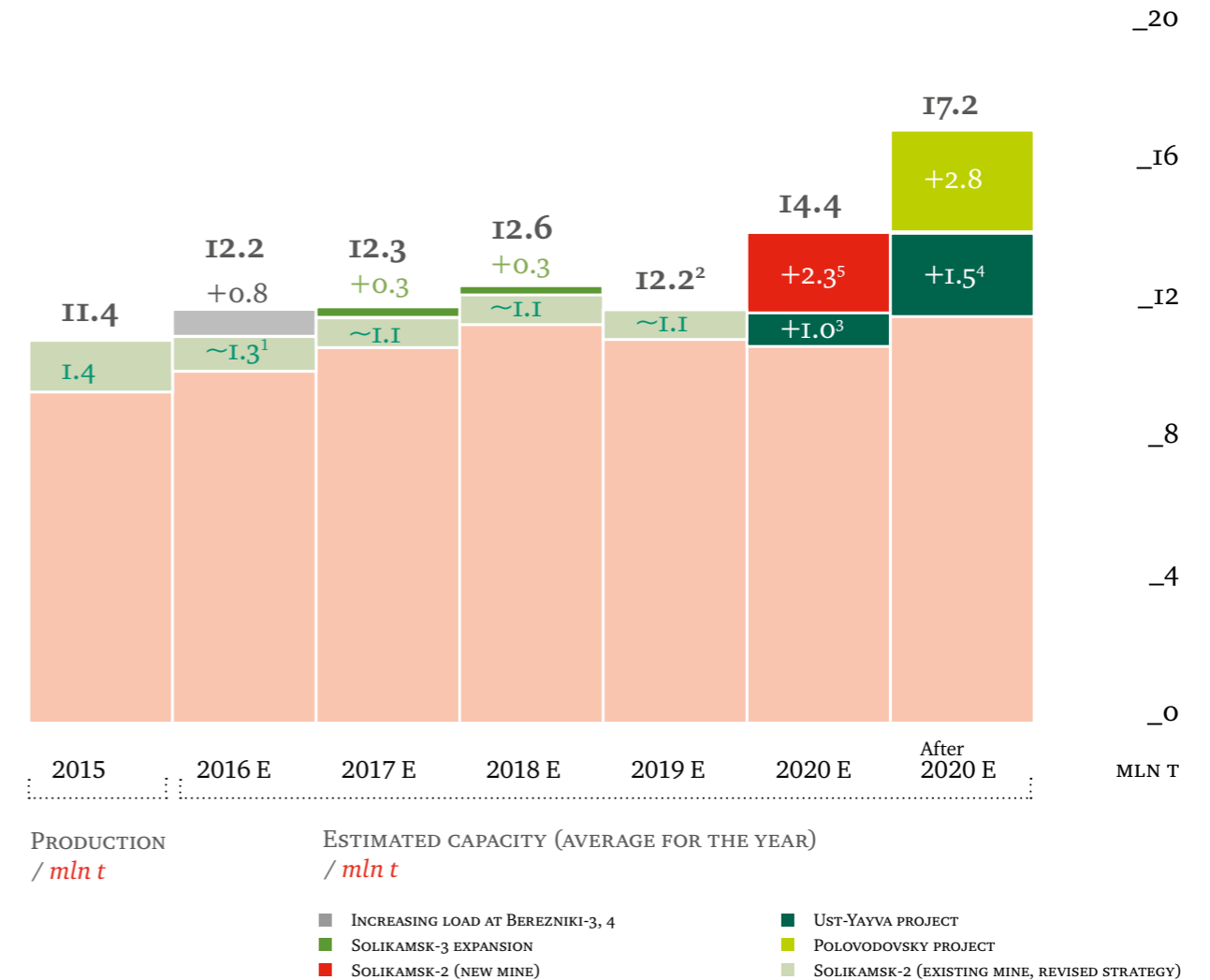
The Company also continued the construction of a new mine at Ust-Yayva. The Ust-Yayva mine will replace the decommissioning of Berezniki-2, the reserves of which will be depleted after 2022. Starting from 2020, the capacity of the Ust-Yayva mine will be gradually increased to 2.5 million tonnes a year. The potash ore mined at Ust-Yayva will be processed at Berezniki-3. The flow of ore from Berezniki-4 will be redirected to Berezniki-2 instead of Berezniki-3.

As part of the Polovodovsky project, which may increase the Company's capacity by 2.8 million tonnes, survey work was performed last year and design documentation for the main facilities was developed.

The Company also executes capacity maintenance projects.



The investment programme is revised on an annual basis in accordance with market conditions and capacity utilisation.



EXPANSION PROJECTS	PROJECT CAPACITY (MLN T KCl)	PLANNED INVESTMENT (US\$ MLN)	COMMISSIONING
BEREZNIKI-3, 4: LOAD INCREASE	0.8	87	2016
UST-YAYVA PROJECT	2.5	1,191	2020
SOLIKAMSK-3 EXPANSION	0.6	135	2017
POLOVODOVSKY PROJECT	2.8	1,905	After 2020
SOLIKAMSK-2 (NEW MINE)	2.3	723	2020

¹ The expected life of Solikamsk-2 mine depends on the brine inflow and the demand for backfilling of worked out areas.

² Decrease in capacity by 0.4 million tonnes is caused by depleting capacity at Berezniki-2 mine starting from 2019.

³ Replacement of decrease in capacity at Berezniki-2 mine and additional capacity of 0.5 million tonnes at Berezniki-3 due to additional ore from Ust-Yayva.

⁴ Complete replacement of capacity of Berezniki-2 mine (1.5 million tonnes).

⁵ Replacement of existing mine Solikamsk-2, the commissioning deadline may be extended to 2022, according to the mining schedule.

OPERATIONAL REVIEW / CONTINUED

In Q1 2015 Uralkali approved a capacity development programme.



Increasing load at Berezniki-3,4

In 2015, project work included technology stabilisation at Berezniki-4. 90 dump cars were purchased to transport ore to Berezniki-3. In total, 20 out of 48 activities at Berezniki-4 were completed, including the installation of new condensers, furnaces and thickeners.

CAPACITY
0.8
/ million tonnes of KCl

INVESTMENTS IN 2015
29
/ US\$ mln

TOTAL INVESTMENTS
87
/ US\$ mln



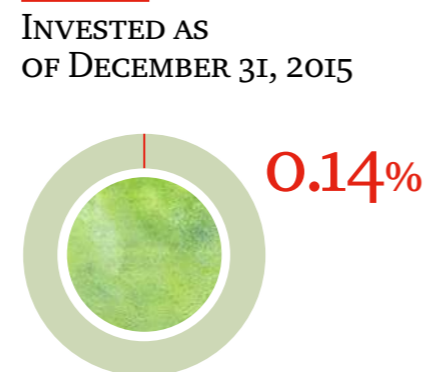
Solikamsk-2 (new mine)

Construction of a new mine with two shafts to mine the remaining reserves at Solikamsk-2 processing facility started in 2015. It will help to safely mine the remaining reserves of the field. At the moment, the design of shafts is under way and drilling of check holes has been completed. The contractor has been selected and a contract was signed for construction of shafts by 2020.

CAPACITY
2.3
/ million tonnes of KCl

INVESTMENTS IN 2015
1
/ US\$ mln

TOTAL INVESTMENTS
723
/ US\$ mln



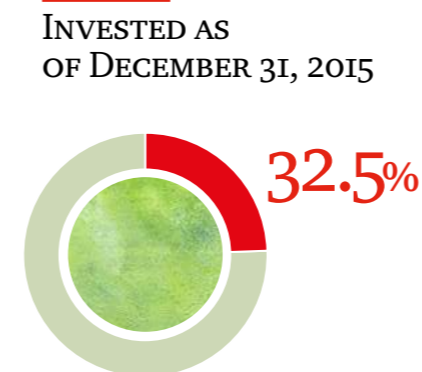
Ust-Yayva project

In 2015, Uralkali proceeded with the construction of a new mine at Ust-Yayva. Shaft bottom construction of Shaft 1 was begun; tubbing is being installed at Shaft 2. The Company started the construction of the surface complex and permanent power supply facilities. Work on the road to Berezniki-3 was completed.

CAPACITY
2.5
/ million tonnes of KCl

INVESTMENTS IN 2015
66
/ US\$ mln

TOTAL INVESTMENTS
1,191
/ US\$ mln



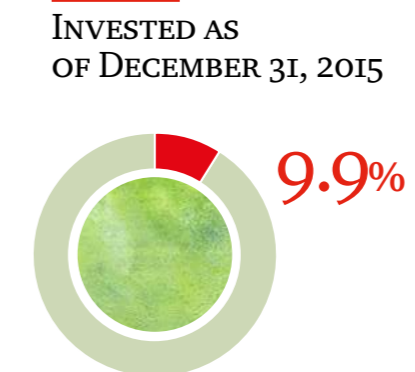
Solikamsk-3 expansion

The Company restored the constructed part of Shaft 4, developed surface complex documentation, ordered winding machines and headframe, and began preparatory work required for shaft sinking.

CAPACITY
0.6
/ million tonnes of KCl

INVESTMENTS IN 2015
4
/ US\$ mln

TOTAL INVESTMENTS
135
/ US\$ mln



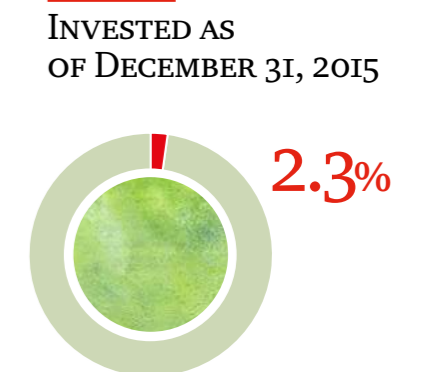
Polovodovsky project

The development of design documentation for the main facilities is now in the final stages. Drilling of check holes and the design of shafts has been completed. A final decision on the construction of the Polovodovsky plant will be made after the development of project documentation in 2017.

CAPACITY
2.8
/ million tonnes of KCl

INVESTMENTS IN 2015
6
/ US\$ mln

TOTAL INVESTMENTS
1,905
/ US\$ mln



FINANCIAL MANAGEMENT DISCUSSION AND ANALYSIS

Ensuring financial stability

In 2015, the market for potash fertilisers saw negative demand and price dynamics. Falling prices for agricultural products, the use of stocks accumulated by customers in 2014, devaluation of currencies against the US dollar in major markets, the lack of liquidity in Brazil, the introduction of 13% VAT for potash fertilisers in China and more aggressive competition among suppliers led to a drop in demand and lower potash prices.

COMPARED TO 2014, URALKALI'S CONSOLIDATED RESULTS WERE AS FOLLOWS:

- Sales volumes were 9% lower year-on-year
- Gross revenues decreased to US\$3.12 billion in 2015 from US\$3.56 billion in 2014, representing a 12% drop compared to the prior year
- The average export price on a delivery basis was 3% lower in 2015 in US\$
- The average export price was 5% higher in 2015 on an FCA¹ basis in US\$ due to lower freight costs and the reduction of railway costs due to ruble devaluation
- Cash cost of realised products was 30% lower in 2015 compared to 2014 and equal to US\$33 per tonne
- Adjusted EBITDA increased by 7% from US\$1.78 billion in 2014 to US\$1.91 billion in 2015
- CAPEX decreased by 6% from US\$364 million in 2014 to US\$343 million in 2015

GROSS SALES

Slumping global demand for potash fertilisers had a negative impact on Uralkali's export sales in 2015. In addition, the accident at Solikamsk-2 reduced the production and sales volumes of the Company in 2015. The Company's sales volumes decreased by 9% compared to 2014. The average export price of Uralkali's products on a delivery basis in US\$ fell by 3% compared to 2014. Taken together, these factors led to a decrease in total revenues compared to the previous year by 12%, to US\$3.1 billion.

Other sales (sodium chloride solution, enriched carnallite and pit-run industrial sodium) accounted for around 2% of total revenues in 2015, or US\$65 million.

TRANSPORTATION

83% of export sales in 2015 were shipped by sea, mostly through the Company's fully-owned terminal in St. Petersburg. Distribution costs for sea export include the railway tariff from Berezniki and Solikamsk to transshipment ports, transshipment at the seaport and freight costs (except for deliveries on an FOB basis).

About 17% of export sales were transported by rail, including to China (14%) and other regions (3%).

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

FREIGHT

Average freight rates expressed in US dollars in 2015 were 23% lower than in 2014 per tonne of product shipped by sea, on a CFR basis, and totalled US\$30 per tonne.

The freight market continued to decline in 2015, because of the excess number of ships in all segments and reduced volumes of maritime transport in bulk, above all, coal. Falling oil prices also contributed to the decrease in freight tariffs. In Q4 2015, the freight market hit historic lows.

The Company abandoned river transportation on Russia's waterways in 2015 to optimize transport costs.

The Company also incurred expenses on barge freight in the US, which were less significant compared to sea freight.

RAILWAY TARIFFS

The Company carries out direct deliveries by rail to customers in North China, Europe and the CIS. The weighted average railway tariff² in the direction of St. Petersburg increased by 19% (decreased by 25% in US\$ equivalent). The China tariff was 20% higher than in 2014 (24% lower in US\$ equivalent) mainly due to tariff indexation and increased percentage of shipments along the more expensive route through Grodekovo.

TRANSSHIPMENT

In 2015, transshipment costs decreased by 43% compared to 2014 and amounted to US\$25.68 million.

NET SALES

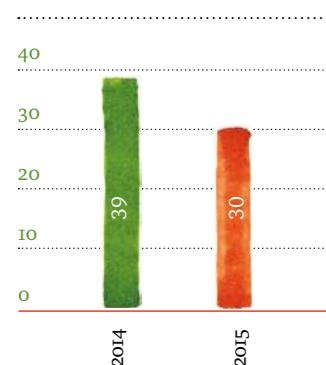
Net sales are defined as the gross revenues for the period net of variable distribution costs – freight costs, railway tariffs and transshipment costs.

Net sales decreased in 2015 by 5% compared to 2014, to US\$2.65 billion in accordance with IFRS, due to a sales volume decrease of 9%, partially offset by a 5% increase in export prices on an FCA basis.

EFFECTIVE SEA FREIGHT

30

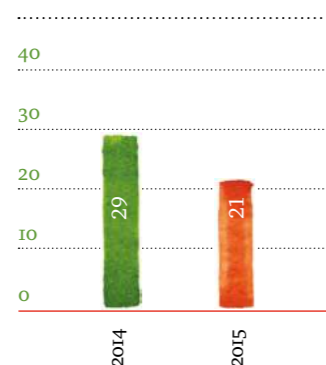
/US\$ per tonne



SPB RAILWAY TARIFF

21

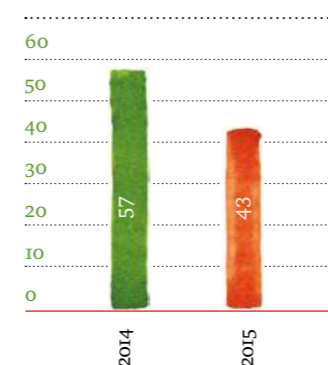
/US\$ per tonne



CHINA RAILWAY TARIFF

43

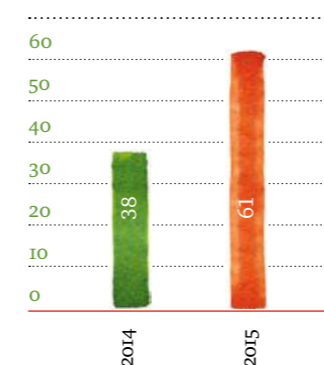
/US\$ per tonne



ANNUAL AVERAGE US\$/RUB EXCHANGE RATE

61

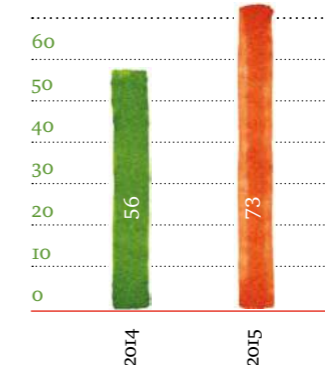
/US\$/RUB



US\$ EXCHANGE RATE AT THE REPORTING DATE

73

/RUB



¹ The average export price on an FCA basis is the average export price on a delivery basis less the transport component: railway tariffs, freight and transshipment costs.

² Weighted average tariff takes into account the volume of shipments of the Company's direction.

FINANCIAL MANAGEMENT DISCUSSION AND ANALYSIS / CONTINUED

CASH COST OF GOODS SOLD³

The cash cost of goods sold (COGS) in 2015 was US\$33 per tonne, 30% lower than in 2014. COGS decreased compared to last year mainly due to the devaluation of the rouble (in which cash cost of goods sold is mainly expressed) in 2015.

LABOUR

Compared to 2014, the average monthly salary in roubles across the Group, excluding key management compensation, increased by 12% (fell by 30% in US\$ equivalent due to the rouble devaluation). The average monthly salary across the Group, excluding key management compensation, amounted to US\$897 compared to US\$1286 in 2014. The key factor of salary growth in RUB was salary indexation due to inflation.

The Group employed about 21,000 people in 2015.

FUEL AND ENERGY

Potash production is an energy-intensive process. Fuel and energy-related costs mostly depend on production volume and are set in roubles. Electricity and gas consumed by Uralkali was purchased at non-regulated tariffs. At the same time, electricity and gas transmission service costs were regulated by the state. The Company's power requirements were partly met by its own power generation (electricity).

As a result, the effective tariff on gas in roubles increased by 4% in 2015 (35% decrease in US\$ equivalent) to US\$60 per thousand cubic metres. The effective tariff on electricity in 2015 in roubles rose by 2% (36%

decrease in US\$ equivalent) to US\$40 per thousand kW*h.

OTHER CASH COSTS

Other cash costs are costs of materials, repairs, transportation between mines, etc. Other cash costs include variable costs (such as production materials and transportation between mines) and fixed costs (such as costs related to outsourced repairs and maintenance and materials for repairs).

³ Cash cost of goods sold = Cost of goods sold less depreciation and amortisation.

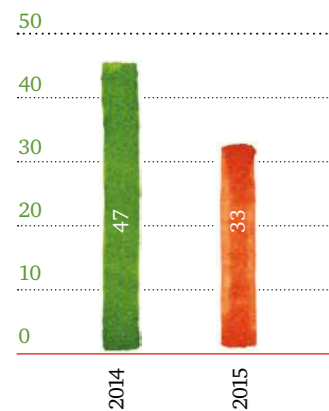
CALCULATION OF ADJUSTED EBITDA / US\$ mln/

	2015	2014	
OPERATING PROFIT	1,725	1,358	OPERATING PROFIT
ADJUSTED FOR DEPRECIATION AND AMORTISATION	220	371	ADJUSTED FOR DEPRECIATION AND AMORTISATION
ONE-OFF (PROFITS)			ONE-OFF EXPENSES
REVERSAL OF SOLIKAMSK-2 IMPAIRMENT	(27)	38	SOLIKAMSK-2 IMPAIRMENT
REVERSAL OF PROVISION DUE TO THE ACCIDENT AT SOLIKAMSK-2	(5)	16	PROVISION DUE TO THE ACCIDENT AT SOLIKAMSK-2
ADJUSTED EBITDA	1,913	1,784	ADJUSTED EBITDA

CASH COST OF SALES PER TONNE

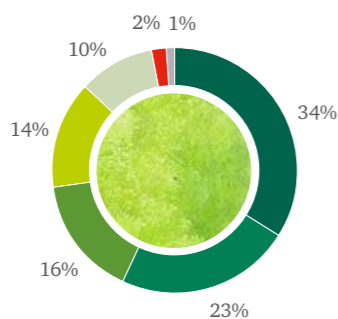
33

/ US\$ per tonne



CASH COGS STRUCTURE 2015

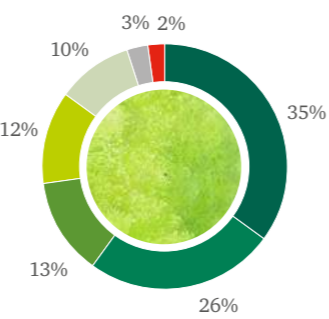
/ %



- Labour cost – 34%
- Fuel and energy – 23%
- Repairs and maintenance – 16%
- Other materials – 14%
- Standardised materials – 10%
- Transportation between mines – 2%
- Other – 1%

CASH COGS STRUCTURE 2014

/ %

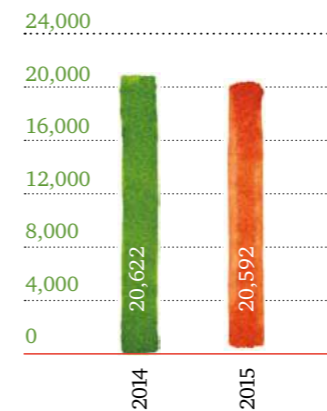


- Labour cost – 35%
- Fuel and energy – 26%
- Repairs and maintenance – 13%
- Other materials – 12%
- Standardised materials – 10%
- Transportation between mines – 2%
- Other – 2%

HEADCOUNT OF URALKALI GROUP (PERIOD AVERAGE)

/ employees

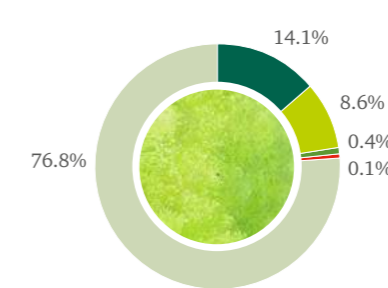
20,592



■ Average headcount: whole group, employees

FUEL AND ENERGY COSTS 2015

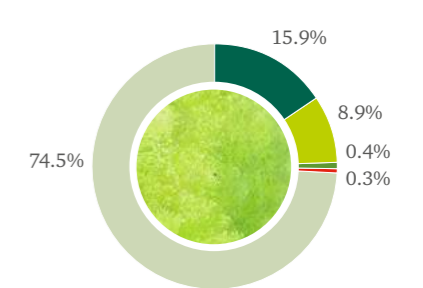
/ %



- Electricity – 14.1%
- Gas – 8.6%
- Fuel – 0.4%
- Heat – 0.1%
- Other cash COGS – 76.8%

FUEL AND ENERGY COSTS 2014

/ %



- Electricity – 15.9%
- Gas – 8.9%
- Fuel – 0.4%
- Heat – 0.3%
- Other cash COGS – 74.5%

FINANCIAL MANAGEMENT DISCUSSION AND ANALYSIS / CONTINUED

GENERAL AND ADMINISTRATIVE EXPENSES

Compared to 2014, cash general and administrative expenses⁴ decreased by 26% in US\$ equivalent in 2015, but in roubles increased by 1.39 billion roubles. The main component of cash general and administrative expenses is labour costs (60%).

FINANCE INCOME AND EXPENSES

The devaluation of the rouble in 2015 by 30% led to a foreign exchange loss in the amount of US\$1.04 billion and a fair value loss on derivative financial instruments in the amount of US\$0.23 billion.

ADJUSTED EBITDA

In 2015, adjusted EBITDA⁵ increased by 7% to US\$1.91 billion in comparison with 2014. The adjusted EBITDA margin⁶ was 72% in 2015.

In November 2014, Uralkali detected a higher level of brine inflow, as well as a sinkhole to the east of the Solikamsk-2 production site. Upon completion of a technical investigation of the cause of the accident at Solikamsk-2 carried out by a committee appointed by the West Ural Administration of Rostekhnadzor, the Company evaluated the potential costs of remediation.

As of 31 December 2014, the Company accrued a provision in the amount of US\$20.85 million to cover the estimated costs of addressing the consequences, of which US\$16.41 million were charged to other operating expenses and US\$4.44 million were capitalised. The Company also impaired its fixed assets in the amount of US\$30.48 million and construction in progress in the amount of US\$7.57 million. The impairment loss of US\$38.05 million, as well as the provision to cover the estimated costs of US\$16.41 million were considered as one-off expenses and were not included in the total expenses to calculate EBITDA in 2014.

As of 31 December 2015, the provision amount was reduced by US\$5.49 million (excluding the effect of conversion to the presentation currency); impairment of fixed assets and construction in progress in the amount of US\$27.25 million were reversed, due to an improvement in the mine forecast life. For the purposes of calculating EBITDA, those profits in the amount of US\$32.74 million were considered as one-off profits and did not increase EBITDA.

CAPEX

Total CAPEX⁷ for 2015 amounted to US\$343 million, of which 47% was spent on expansion. The main expense in 2015 was spending on the Ust-Yayva project. Other projects included the increase in output in production sections, expansion of granulation capacity and expansion of carnallite production. The Company proceeded with the design of the Polovodovsky potash plant in 2015 and launched a new project – the construction of a new Solikamsk-2 mine.

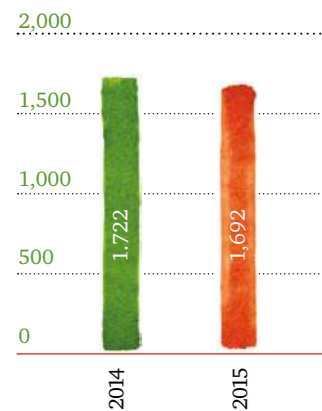
CASH FLOW

Due to the weakening of the rouble, net cash generated from operating activities in 2015 increased by approximately 29% from 2014 to US\$1.78 billion. As of 31 December 2015, Uralkali had net debt of US\$5.38 billion. The Company's cash balance, including deposits, amounted to US\$1.11 billion, with total debt at US\$6.49 billion. The devaluation of the rouble led to a fair value loss on cross-currency interest rate swaps concluded in 2011-2013. The loss in 2015 amounted to US\$0.23 billion. The effective interest rate on loans at the end of 2015 amounted to around 4% (including cross-currency interest rate swaps). In May-December 2015, the Company's subsidiaries bought back 1,055 million ordinary shares of the Company, including shares on which GDRs were issued, which is approximately 36% of outstanding shares. The total amount of funds spent by the Company on the buyback of its shares and GDRs in 2015 is US\$3.37 billion.⁸

ELECTRICITY CONSUMPTION

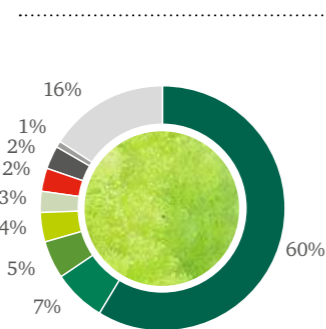
1,692

/ mln KWh



GENERAL AND ADMINISTRATIVE EXPENSES IN 2015

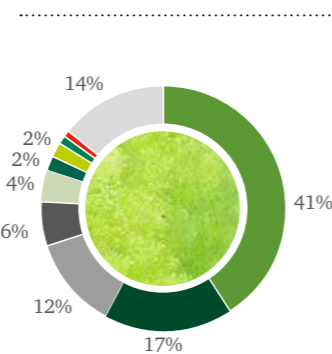
/ %



- Labour costs – 60%
- Consulting – 7%
- Security – 5%
- Materials and fuel – 4%
- Repairs – 3%
- Communication – 2%
- Insurance – 2%
- Rent – 1%
- Other expenses – 16%

STRUCTURE OF EXPANSION CAPEX IN 2015

/ %

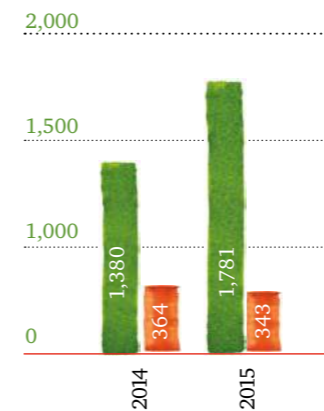


- Ust-Yayva – 41%
- Load increase at Berezniki-4 – 17%
- Granulation – 12%
- Carnallite – 6%
- Polovodovo – 4%
- Load increase at Berezniki-2, 3, Solikamsk-3 – 2%
- Expansion of Solikamsk-3 – 2%
- New railcars – 1%
- New Solikamsk-2 construction – 1%
- Other projects – 14%

OPERATING CASH FLOW AND CAPEX

/ US\$ mln

1,781/343



- Operating cash flow
- CAPEX

⁴ Cash general and administrative expenses = General and administrative expenses less depreciation and amortisation.

⁵ Adjusted EBITDA represents operating profit plus depreciation and amortisation and one-off expenses and incomes.

⁶ Adjusted EBITDA margin is calculated as adjusted EBITDA divided by Net Sales.

⁷ CAPEX includes acquisition of property, plant and equipment and intangible assets based on IFRS Cash flow statement.

⁸ According to IFRS Cash flow statement.



STRATEGY AND RISK MANAGEMENT

Delivering on our strategy

See more about our production capacities » page 30

	1	2	3
	MAINTAIN INDUSTRY LEADERSHIP POSITIONS	FOCUS ON ENHANCED RELATIONSHIPS WITH END CUSTOMERS	MAINTAIN CASH COST LEADERSHIP POSITIONS
	<ul style="list-style-type: none"> We aspire to sustain a leading market position in the global fertiliser industry and contribute to the global food supply We are focused on meeting the world's growing demand for food. We seek to take advantage of our best-in-class resource base by selectively expanding production capacity 	<ul style="list-style-type: none"> We ensure secure and risk-free routes to market through enhanced distribution capabilities from the mines to the farmers 	<ul style="list-style-type: none"> We seek to maintain our leading position in cost-efficiency among potash producers
VISION			
	<ul style="list-style-type: none"> Maximise revenue to create maximum value for all shareholders Stimulate growing demand for potash Increase potash capacity on the lowest cost basis in the industry; option to add more volumes if economically viable Focus on products of the highest quality, increase in production volumes of granular potash 	<ul style="list-style-type: none"> Strengthen customer relationships and reliability of supply Enhance logistics platform to secure long-term supply in key markets Focus on efficient distribution in key markets 	<ul style="list-style-type: none"> Ensure operating performance and efficiency to provide continued industry leadership Invest in existing capacity and infrastructure in order to ensure maximised margin through the commodity price cycle
PRIORITIES			
	<ul style="list-style-type: none"> Potash price decrease Potash demand decline Political, legal and regulatory risks 	<ul style="list-style-type: none"> Loss of share in specific markets Reduction in production and capacity Lack of specific products Political, legal and regulatory risks 	<ul style="list-style-type: none"> Inflation and currency fluctuations Non-fulfilment of obligations by contractors or suppliers Expenditure increase
RISKS			
	STAKEHOLDERS ENGAGED	STAKEHOLDERS ENGAGED	STAKEHOLDERS ENGAGED

	4	5	6
	BALANCE INVESTMENT IN GROWTH WITH SHAREHOLDER RETURNS	FOCUS ON PEOPLE, COMMUNITIES, SAFETY AND ENVIRONMENT	CONTINUED FOCUS ON BEST CORPORATE GOVERNANCE PRACTICES
	<ul style="list-style-type: none"> We are committed to retaining a robust capital structure and maximising total shareholder return 	<ul style="list-style-type: none"> We aim to be the employer of choice among CIS companies and in the mining industry We are pursuing the highest level of health and safety practices to protect our employees We take significant steps to minimise the environmental impact of our operations The Company participates actively in the development of the cities and local communities in which it operates 	<ul style="list-style-type: none"> We are guided by the principles of openness, transparency and risk minimisation for all stakeholders and are committed to continuous improvement in our corporate governance practices
	<ul style="list-style-type: none"> Retain an efficient capital structure; medium-term target net debt value at the level of 3x LTM EBITDA Maintain balanced approach to capital investment and robust capital discipline Return to shareholders through the buyback of ordinary shares in the event of non-payment of dividends 	<ul style="list-style-type: none"> Seek to be regional and industry employer of choice Focus on workplace safety, employee and community development Operate in a socially responsible manner, maximising environmental impact of operations 	<ul style="list-style-type: none"> Remain committed to openness, transparency and risk mitigation for all stakeholders
	<ul style="list-style-type: none"> Failure to meet targets set for investment projects Inflation and currency fluctuations 	<ul style="list-style-type: none"> Lack of qualified employees Non-compliance with environmental and health and safety regulations Environmental risks and risks related to mining operations Risks related to the incidents at Berezniki-1 and Solikamsk-2 	<ul style="list-style-type: none"> Political, legal and regulatory risks Compliance with applicable legislation and internal policies
	STAKEHOLDERS ENGAGED	STAKEHOLDERS ENGAGED	STAKEHOLDERS ENGAGED



- Legend
- Customers and partners
 - Shareholders and financial community
 - Employees
 - Trade unions
 - Government and local authorities
 - Local communities
 - Media

STRATEGY AND RISK MANAGEMENT

Key performance indicators



“Despite the challenging macroeconomic environment, Uralkali, one of the most cost-efficient manufacturers in the world, maintained its leading position in the industry. The Company produced 11.4 million tonnes of potash, which enabled it to reach EBITDA of US\$1,913 million and an EBITDA margin of 72%.”

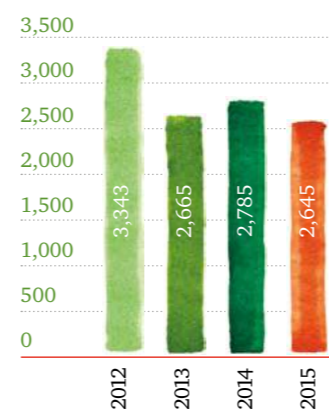
DMITRY OSIPOV
CHIEF EXECUTIVE OFFICER

1

MAINTAIN INDUSTRY LEADERSHIP POSITIONS

NET REVENUE

2,645
/ US\$ mln



RELEVANCE TO THE STRATEGY

Net revenue is the key financial metric that measures the success of the revenue maximisation strategy. We use net revenue to eliminate the effect of trading operations and transportation costs in order to provide for better cross-industry comparison.

MEASUREMENT

Net revenue represents revenue net of freight, railway tariff and transshipment costs.

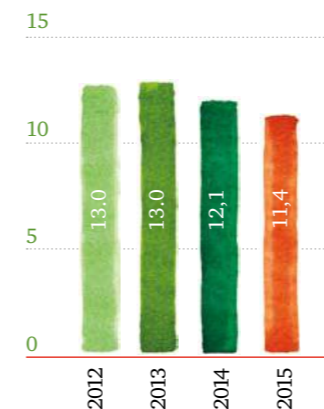
PERFORMANCE OVERVIEW

Despite the fall in global demand for potash fertilisers, the Company maintained decent net revenue.

For more information please see » page 34

ACHIEVED PRODUCTION

11.4¹
/ mln t KCl



RELEVANCE TO THE STRATEGY

Achieved capacity demonstrates the progress of our strategic investment programme and reflects the maximum achievable production level.

MEASUREMENT

The maximum production that could be achieved in the calendar year taking into account projected stoppages for planned repairs and maintenance.

PERFORMANCE OVERVIEW

Due to the Solikamsk-2 accident in November 2014, our operational capacity decreased. We continued to implement an updated expansion programme to offset this decline.

¹ Achieved production in 2015

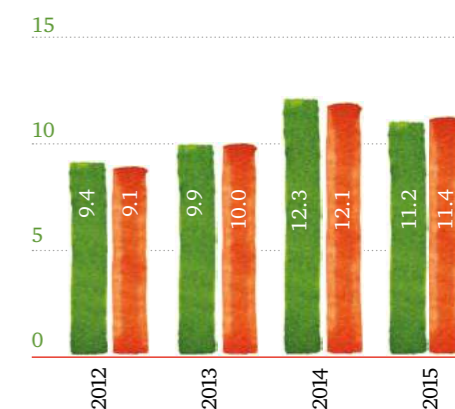
For more information please see » page 30

2

FOCUS ON ENHANCED RELATIONSHIPS WITH END CUSTOMERS

SALES VOLUME / PRODUCTION VOLUME

11.2/11.4
/ mln t KCl



RELEVANCE TO THE STRATEGY

Difference between production and sales volumes is one of the indicators representing the efficiency of our logistics, trading performance and route to market.

MEASUREMENT

The amount of potash sold within the period. The amount of potash produced within the period.

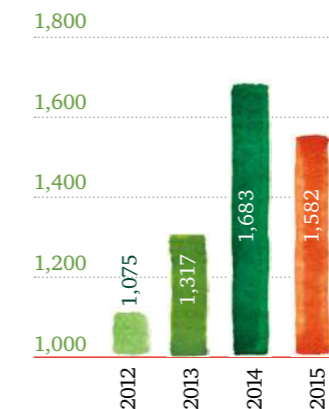
PERFORMANCE OVERVIEW

Despite adverse market conditions, the Company maintained a slight difference between production and sales volume in line with the historical range.

For more information please see » page 27

MANPOWER PRODUCTIVITY

1,582
/ t/person



RELEVANCE TO THE STRATEGY

Output per capita (production personnel) measures manpower productivity and how efficiently we can produce our product.

MEASUREMENT

Potash output divided by average production personnel headcount.

PERFORMANCE OVERVIEW

Reduced production due to the Solikamsk-2 accident in November 2014 and the unfavourable situation in the world market of potash fertilisers did not significantly influence this indicator.

For more information please see » page 30

KEY PERFORMANCE INDICATORS / CONTINUED

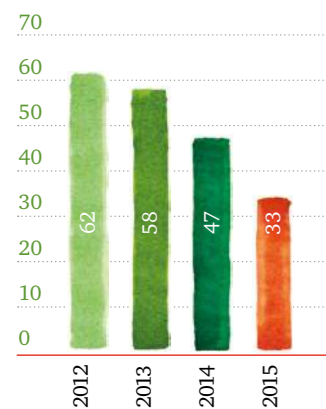
3

MAINTAIN CASH COST LEADERSHIP POSITIONS

CASH COGS PER TONNE

33

/ US\$ per tonne



RELEVANCE TO THE STRATEGY

Cash cost of goods sold (COGS) per tonne measures our competitive cost position in the industry.

MEASUREMENT

COGS less depreciation and amortisation per tonne.

PERFORMANCE OVERVIEW

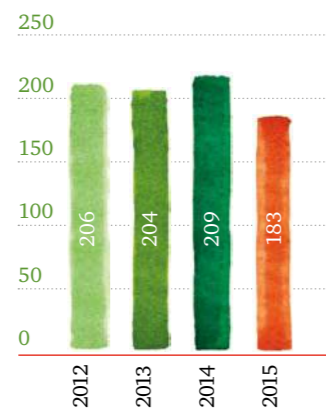
In 2015, our cash costs remained the lowest in the industry and further decreased due to the depreciation of the rouble

For more information please see » page 34

MAINTENANCE CAPEX

183

/ US\$ mln



RELEVANCE TO THE STRATEGY

Sustenance CAPEX measures how efficiently we can sustain our assets post commissioning.

MEASUREMENT

Capital expenditures aimed at maintaining the current production facilities in sound technical condition.

PERFORMANCE OVERVIEW

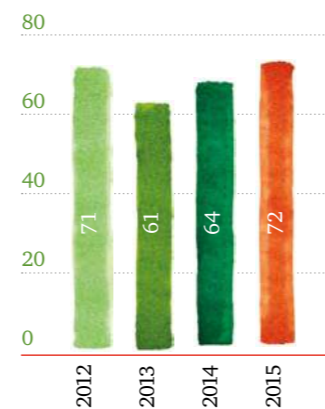
The continued depreciation of the rouble had a positive impact on our sustenance CAPEX.

For more information please see » page 30

EBITDA MARGIN

72

/ %



RELEVANCE TO THE STRATEGY

The EBITDA margin demonstrates our pricing success, cost efficiency, advantages of being a pure-potash producer, and reflects the attractive fundamentals of our business.

MEASUREMENT

Adjusted EBITDA divided by Net revenue. Adjusted EBITDA is Operating Profit plus depreciation and amortisation and does not include one-off expenses. Net revenue is revenue less railway tariff, freight and transshipment.

PERFORMANCE OVERVIEW

Our EBITDA margin in 2015 increased by 8 ppt compared to last year's, reaching its highest level since 2008. This is explained by the effective work of management to reduce costs, finding new sales channels, earlier investments in capacity expansion and the continuing depreciation of the rouble.

For more information please see » page 34



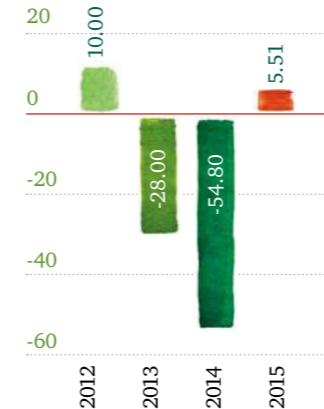
4

BALANCE INVESTMENT IN GROWTH WITH SHAREHOLDER RETURNS

TOTAL SHAREHOLDER RETURN (TSR)

5.51

/ TSR, %



RELEVANCE TO THE STRATEGY

TSR measures Uralkali's strategy performance and creation of shareholder value. We also monitor relative TSR performance against other global potash/fertiliser companies.

MEASUREMENT

TSR calculation reflects generation of shareholder value through share price appreciation and dividends paid over the reporting period.

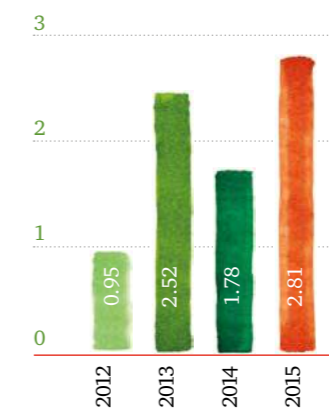
PERFORMANCE OVERVIEW

In 2015, TSR returned to positive values and was significantly better than that of other large fertiliser producers (with a mean TSR of -30%) due to an increase in the Company's share price, partly caused by the buyback of Uralkali's ordinary shares.

For more information please see » page 98

NET DEBT/LTM EBITDA

2.81



RELEVANCE TO THE STRATEGY

Net debt/LTM EBITDA measures how robust our capital structure is and how we manage our balance sheet.

MEASUREMENT

Net debt = Debt (including bank loans and bonds) less cash and deposits.

PERFORMANCE OVERVIEW

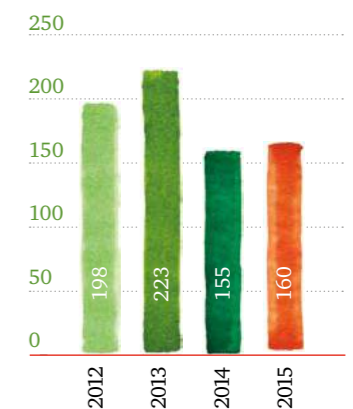
The rise in the Net debt/EBITDA ratio was caused by the borrowing of funds necessary for the buyback of Uralkali's ordinary shares.

For more information please see » page 34

EXPANSION CAPEX

160

/ US\$ mln



RELEVANCE TO THE STRATEGY

Expansion CAPEX reflects how efficiently we bring new potash capacity on line.

MEASUREMENT

Capital expenditures attributable to the expansion programme.

PERFORMANCE OVERVIEW

In 2015, we continued to implement our expansion programme. Our expansion CAPEX in 2015 was lower than the anticipated budget due to the additional time needed to select contractors. The decrease of this figure in US\$ compared to 2012-2013 can also be explained by RUB devaluation.

For more information please see » page 34

KEY PERFORMANCE INDICATORS / CONTINUED

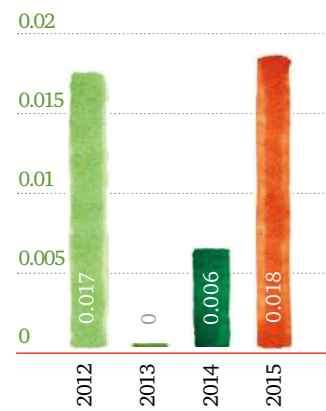
5

FOCUS ON PEOPLE, COMMUNITIES, SAFETY AND ENVIRONMENT

WORK-RELATED FATAL INJURY
FREQUENCY RATE (FIFR)

0.018

/ FIFR



RELEVANCE TO THE STRATEGY

FIFR is the core indicator of responsible health and safety management. It is central to our focus on operational excellence.

MEASUREMENT

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

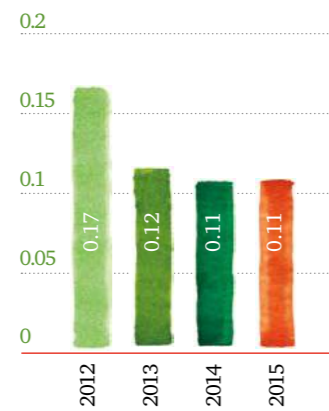
PERFORMANCE OVERVIEW

We regret to report that three employees tragically died at Uralkali facilities in 2015. Although an independent investigation led by Rostekhnadzor cleared the Company of any wrongdoing, all necessary measures were taken to prevent such accidents in the future.

LOST TIME INJURY
FREQUENCY RATE (LTIFR)

0.11

/ LTIFR



RELEVANCE TO THE STRATEGY

LTIFR reflects work-related injury frequency. The rate helps us to measure the efficiency of our health and safety initiatives and controls across our operations.

MEASUREMENT

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

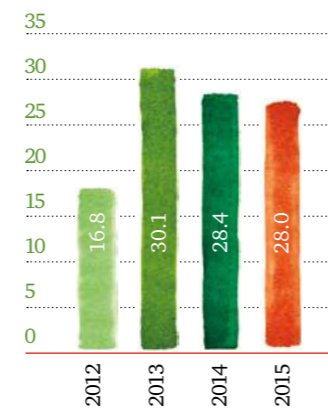
PERFORMANCE OVERVIEW

The LTIFR rate has been consistently declining following the implementation of the Cardinal Rules in 2012.

SOCIAL
INVESTMENTS

28

/US\$ mln



RELEVANCE TO THE STRATEGY

Social investments demonstrate and reflect the Company's important role in the community in which we operate.

MEASUREMENT

Total amount of social expenditures including charity, support of infrastructure and sport.

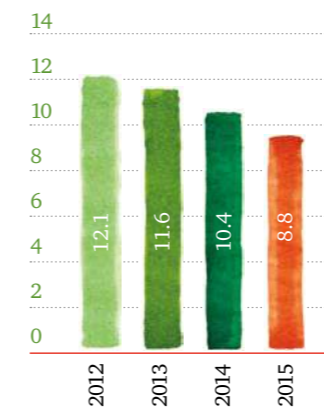
PERFORMANCE OVERVIEW

In 2015, Uralkali continued to support sport activities, donate to charity and contribute to the development of the region where we operate.

VOLUNTARY LABOUR
TURNOVER

8.8

/ %



RELEVANCE TO THE STRATEGY

Labour turnover represents the ability to retain our people, which is key to the Company's strategy to be positioned as an employer of choice.

MEASUREMENT

Turnover is the number of permanent employee resignations as a percentage of total employees (excl. transfer to another employer).

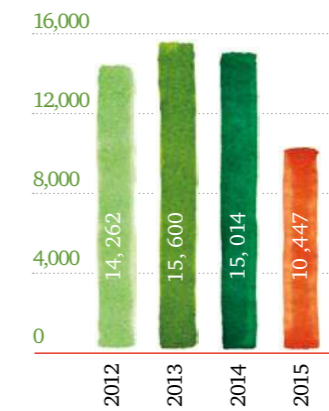
PERFORMANCE OVERVIEW

The effectiveness of the Company's HR policy aimed at increasing employees' loyalty helped to further decrease the Voluntary Labour Turnover rate in 2015.

AVERAGE ANNUAL WAGES
(IN THE MAIN PRODUCTION
UNIT)

10,447

/ US\$



RELEVANCE TO THE STRATEGY

Average annual wages per employee in the main production unit measures how competitive we are in the market in relation to attraction and retention of the best people.

MEASUREMENT

The annual payroll is divided by the average number of employees in the main production unit, excluding top managers and the Moscow office.

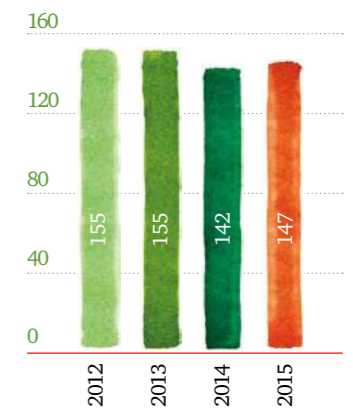
PERFORMANCE OVERVIEW

In 2015, average annual wages denominated in US\$ further decreased because of a strong RUB devaluation. In RUB average annual wages increased by 12%, but the average annual depreciation of the rouble led to a decrease by 30.2% in US dollars. Uralkali constantly monitors salary rates and pays the utmost attention to retaining people through ensuring its salary levels remain attractive.

ENERGY CONSUMPTION

147

/ kW*h/t



RELEVANCE TO THE STRATEGY

Energy utilisation as a result of a number of mitigating actions demonstrates how the Company reacts to climate change.

MEASUREMENT

Energy consumed (electricity) per tonne of production for industrial needs.

PERFORMANCE OVERVIEW

Lower production volumes and energy efficiency programmes resulted in a slight increase in energy consumption per tonne in 2015.

KEY PERFORMANCE INDICATORS / CONTINUED

6

CONTINUED FOCUS ON
CORPORATE GOVERNANCEMAINTAINING OF CREDIT
RATINGS

2015:
Stable credit outlook maintained

2014:
Investment-grade ratings maintained

2012, 2013:
Investment-grade ratings received and maintained

RELEVANCE TO THE STRATEGY

Stable credit outlook acknowledges that Uralkali is a first-class borrower with strong industry position, balanced financial policy, prudent risk management, and adherence to leading corporate governance standards.

MEASUREMENT

Type of ratings assigned to the Company by three rating agencies: Fitch, Moody's and Standard & Poor's.

PERFORMANCE OVERVIEW

In December 2015, Standard & Poor's downgraded the Company's rating to BB-, Stable. Fitch lowered the Company's rating to BB-, Stable. Moody's lowered Uralkali's rating to Ba2, Stable.

THE COMPANY'S GOVERNANCE
AND TRANSPARENCY ARE NOT NEGATIVELY CITED
BY THE RATING AGENCIES / REGULATORS

2015:
Uralkali continued to pursue a consistent policy of enhancing its corporate governance and information transparency. No claims made by regulators.

2014:
Uralkali continued to pursue a consistent policy of enhancing its corporate governance and information transparency. No claims made by regulators.

2013:
The Company pursued a consistent policy of enhancing its corporate governance and information transparency. This included improving the information uploaded to its website and the quality of public reporting. No claims made by regulators.

RELEVANCE TO THE STRATEGY

The corporate governance system, based on the best international standards, is the backbone of shareholders' trust.

MEASUREMENT

Any defects in the Company's corporate governance, transparency, disclosure or ethical standards, practices or procedures cited by any rating agency or regulator with jurisdiction over the Company's securities as a reason for an adverse decision with respect to the Company.

PERFORMANCE OVERVIEW

Corporate governance continued to be one of the top priorities for the Company in 2015. The decision-making process in the Company is strictly in line with legal and regulatory requirements and in full accordance with the best international corporate governance practices.



STRATEGY AND RISK MANAGEMENT

Improving risk
management

“Given the significant opportunities and challenges that we face, a consistent approach to the development of the risk management and internal control system is crucial for timely identification and assessment of risks, decreasing their probability or minimising their negative effect.”



PAUL OSTLING
CHAIRMAN OF THE AUDIT COMMITTEE

The development of an effective risk management and internal control system is one of the Company's most important strategic objectives. These activities ensure that events that may adversely affect Uralkali's achievement of its goals are identified promptly and to take adequate response measures by distributing responsibilities between decision-makers.

In 2015, the Company continued its risk management activities as part of COSO ERM, an integrated risk management concept, and ISO 31000 Standard.

KEY RISK FACTORS

This section describes only the major and most significant risk factors, which may have a considerable impact on the financial and operating performance of PJSC Uralkali. All estimates and forecasts contained herein should only be viewed taking these risks into account.

Other risks, of which PJSC Uralkali is unaware or which are not currently deemed significant, may become material in the future and have a considerable adverse effect on the Group's commercial, financial and operating performance.

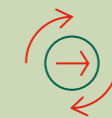
The Integrated Report does not aim to give an exhaustive description of all risks that may impact the Company. PJSC Uralkali will disclose any necessary information in a timely manner according to the applicable laws.

Our risk management approach is based on understanding of our current risk exposure, appetite and dynamics.

Year in review

ACTIVITIES COMPLETED
IN 2015:

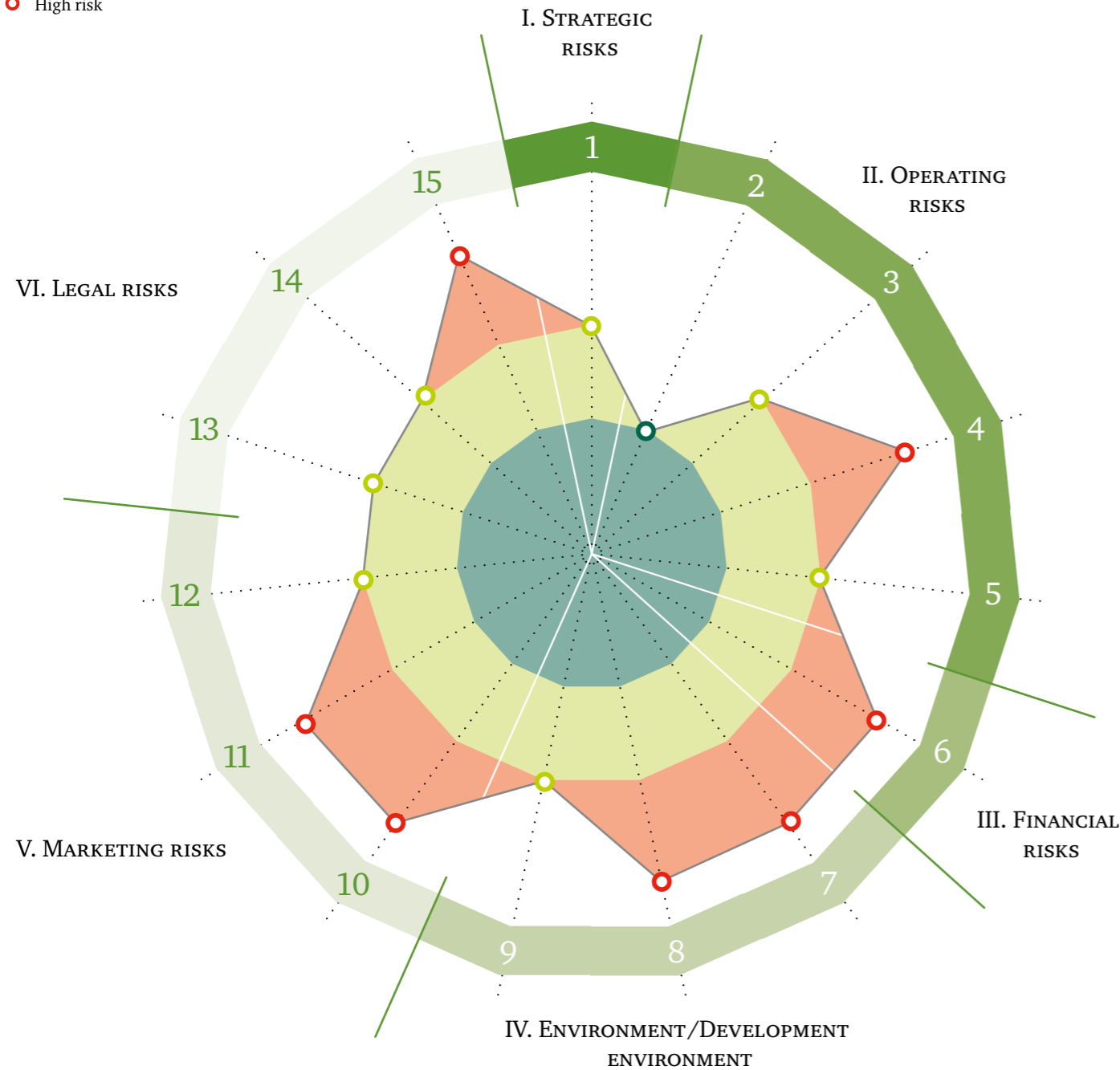
1. Finalisation of the internal control system for financial reporting accuracy
2. Introduction of a corruption prevention system and a compliance system in foreign affiliated companies and representative offices
3. Review of methods and approaches to the formalisation and visualisation of the risks, their description

PLANS
FOR 2016:

1. Implementation of a current risk monitoring system
2. Integration of risk management in the operational management at a deeper level with the development of risk management policies in specific areas of business
3. Further integration of risk management processes and formalisation of risk management development, implementation and monitoring practices for key risk areas

URALKALI'S RISK MAP FOR 2015

- Low risk
- Medium risk
- High risk



I. STRATEGIC RISKS
1. Failure to meet targets set for investment projects

II. OPERATING RISKS
2. Lack of qualified employees
3. Reduction in production/capacity
4. Non-fulfilment of obligations by contractors or suppliers
5. Expenditure increase

III. FINANCIAL RISKS
6. Inflation and currency fluctuations

IV. ENVIRONMENT/DEVELOPMENT ENVIRONMENT
7. Environmental risks and risks related to mining operations
8. Risks related to the incidents at Berezniki-1 and Solikamsk-2
9. Non-compliance with environmental and health and safety regulations

V. MARKETING RISKS
10. Potash demand decline
11. Potash price decrease
12. Lack of specific products

VI. LEGAL RISKS
13. Risks, connected with the licensing of use of natural resources
14. Political, legal and regulatory risks
15. Compliance with applicable legislation and internal policies



IMPROVING RISK MANAGEMENT/ CONTINUED

RISK	DESCRIPTION	RISK LEVEL	DYNAMICS	DESCRIPTION OF CHANGE	RISK MINIMISATION MEASURES
STRATEGIC RISKS FAILURE TO MEET TARGETS SET FOR INVESTMENT PROJECTS	<ul style="list-style-type: none"> • Risks that investment projects' timeframes and budgets will be exceeded. • Risks that the capacity expansion and other projects' technical parameters will not be achieved. 	● ● ● MEDIUM	◀▶	The Company continues to implement its investment programme in line with previously adopted plans.	<ul style="list-style-type: none"> • The Company makes investment decisions based on market outlook; it selects the most economically efficient projects and determines optimal implementation periods. • The Company uses project management principles during project implementation. • Major investments are made after the design stage activities have been completed and after the timeframe, costs and feasibility of the projects have been confirmed.
OPERATING RISKS LACK OF QUALIFIED EMPLOYEES	<ul style="list-style-type: none"> • Challenges in recruiting and retaining sufficiently qualified personnel. • Additional time and financial costs to increase staff qualifications. 	● ● ● LOW	◀	There has been a large influx of skilled personnel into the labour market during the economic downturn.	The Company constantly monitors the state of the labour market and promptly hires qualified personnel to meet its staffing needs.
REDUCTION IN PRODUCTION CAPACITY	<ul style="list-style-type: none"> • Internal factors such as equipment failures, deterioration of infrastructure, etc. • External factors such as lower ore quality or reduced capacity following technology modifications due to regulatory changes, etc. 	● ● ● MEDIUM	◀▶	Production capacity decreased in connection with the accident at Solikamsk-2.	The Company continues to expand its production capacity and replace retired assets.
NON-FULFILMENT OF OBLIGATIONS BY CONTRACTORS OR SUPPLIERS	The failure of key partners, relations with whom are strategically important, to meet their contractual obligations.	● ● ● HIGH	▶	The Company's activities depend on monopolistic energy suppliers and the Russian railways. In the context of macroeconomic instability, suppliers and contractors can raise the price of their products and services.	The Company strives to ensure alternative suppliers are available for all its needs.



- ● ● Low risk
- ● ● Medium risk
- ● ● High risk

- ◀ Probability of the risk decreased
- ▶ Probability of the risk increased
- ◀▶ Probability of the risk unchanged





IMPROVING RISK MANAGEMENT / CONTINUED

RISK	DESCRIPTION	RISK LEVEL	DYNAMICS	DESCRIPTION OF CHANGE	RISK MINIMISATION MEASURES
OPERATING RISKS (CONTINUED)					
EXPENDITURE INCREASE	Production costs may increase due to the wear-and-tear of production equipment, utilisation of obsolete technologies, or inefficient spending on operating activities.	 MEDIUM		The Company continues its risk prevention activities in line with previously approved plans.	The Company is implementing programmes to increase productivity and reduce operating expenditures.




FINANCIAL RISKS



INFLATION AND CURRENCY FLUCTUATIONS	Additional costs through more expensive materials, resources and services (e.g. transport services) created by inflation and exchange rate fluctuations.	 HIGH		Macroeconomic instability both in Russia and abroad increases risks in the short term.	<ul style="list-style-type: none"> The Company mitigates the impact of exchange rate fluctuations by hedging. It also takes necessary measures to maintain its strong credit position.
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ENVIRONMENT/DEVELOPMENT ENVIRONMENT







ENVIRONMENTAL RISKS AND RISKS RELATED TO MINING OPERATIONS	Uralkali's mining operations are exposed to risks associated with exploration, extraction and processing of minerals, which include flooding, fire and other types of incidents and may create unforeseen costs and reduce the Company's operational efficiency.	 HIGH		Given unpredictable natural factors associated with mining, the Company takes a conservative approach to mitigating environmental risks.	<ul style="list-style-type: none"> The Company follows its previously developed mining plan, which includes an extensive safety section. The Company regularly audits the effectiveness of measures aimed at minimising mining risks.
RISKS RELATED TO THE INCIDENTS AT BEREZNIKI-1, SOLIKAMSK-2	The flooding of Berezniki-1 in October 2006 as well as an accident at Solikamsk-2 in 2014 had a significant impact on the size of mineral reserves and may lead to additional costs, losses and obligations.	 HIGH		The Company adheres to its safety and social responsibility policies and adopts a conservative approach.	The Company follows its social responsibility policy, under which it maintains a constructive and consistent relationship with state authorities to respond to any issues in a timely manner.

 Low risk
 Medium risk
 High risk

 Probability of the risk decreased
 Probability of the risk increased
 Probability of the risk unchanged

RISK	DESCRIPTION	RISK LEVEL	DYNAMICS	DESCRIPTION OF CHANGE	RISK MINIMISATION MEASURES
ENVIRONMENT/DEVELOPMENT ENVIRONMENT (CONTINUED)					
NON-COMPLIANCE WITH ENVIRONMENTAL AND HEALTH AND SAFETY REGULATIONS	<ul style="list-style-type: none"> Uralkali's operations and the use of its property are governed by various environmental and health and safety laws and regulations, which may be interpreted in various ways. Additional costs and obligations created by compliance with these laws and regulations. 	 MEDIUM		In 2015, the Company implemented comprehensive programmes to minimise such risks.	<ul style="list-style-type: none"> PJSC Uralkali has developed and applied system of safety standards. The Company conducts regular staff safety training and implements measures to prevent occupational diseases. The Company pays special attention to compliance and improving performance.

MARKETING RISKS

POTASH DEMAND DECLINE	Macroeconomic factors, including global population changes, insufficient cultivated land per capita, decreases in personal income and difficulties in raising loans to purchase potash fertilisers, may weaken global demand for potash.	 HIGH		Due to macroeconomic and geopolitical instability, the potash demand growth rate does not match current market supply.	<ul style="list-style-type: none"> Uralkali's management is developing a marketing strategy to promote potash and actively supports agricultural producers (e.g. by updating farmers' calculators). Uralkali's management is actively monitoring and supporting all key markets. We estimate future demand for our products and try to comply with it.
POTASH PRICE DECREASE	Producers' pursuit of high capacity utilisation together with insufficient demand may result in excessive supply and a subsequent drop in global potash prices, reducing the Company's revenue and profit.	 HIGH		A mismatch between the potash demand growth rate and current market supply affects sales prices.	
LACK OF SPECIFIC PRODUCTS	With its production capacity fully utilised, the Company may face a deficit of a particular product for a specific market.	 MEDIUM		The accident at Solikamsk-2 temporarily increases the risk of a shortage of a particular product.	In 2015, the Company balanced its production capacity.

IMPROVING RISK MANAGEMENT/ CONTINUED

RISK	DESCRIPTION	RISK LEVEL	DYNAMICS	DESCRIPTION OF CHANGE	RISK MINIMISATION MEASURES
LEGAL RISKS					
RISKS, CONNECTED WITH THE LICENSING OF USE OF NATURAL RESOURCES	<ul style="list-style-type: none"> Legislative changes or decisions by regulators to terminate or restrict the licences. The Company's operations depend on the continued validity of its licences and its compliance with licence terms. 	<p>○ ● ○</p> <p>MEDIUM</p>	◀▶	In 2013 Uralkali has extended its main mining licences.	<ul style="list-style-type: none"> The Company has a plan to maintain existing licences. The Company has introduced internal controls to follow up on the plan and respond promptly to any deviations.
POLITICAL, LEGAL AND REGULATORY RISKS	<ul style="list-style-type: none"> The Russian market and a number of developing markets where PJSC Uralkali operates are exposed to higher risks than more developed markets, including significant legal, economic and political risks. The Company could breach applicable laws or regulations. Certain measures of governmental bodies or increased regulation could lead to additional costs, as well as affect investors' expectations. Additional obligations, costs and restrictions for Uralkali due to audits by tax authorities, the federal health and safety agency (Rostekhnadzor) and other regulators. 	<p>○ ● ○</p> <p>MEDIUM</p>	◀▶	PJSC Uralkali is registered in Russia and operates in a number of developing markets, which are exposed to higher risks than more developed markets, including legal, economic and political risks, i.e. rapidly changing legislation and legal practice.	<ul style="list-style-type: none"> The Company has developed a set of connected measures to ensure its compliance with statutory rules and norms. The Company also monitors any relevant legislative changes in all applicable jurisdictions and liaises with supervisory authorities to promptly adjust its activities where necessary.
COMPLIANCE WITH APPLICABLE LEGISLATION AND INTERNAL POLICIES	<ul style="list-style-type: none"> Non-compliance with the legislation of Russia and other jurisdictions, including anti-monopoly laws. Claims, including anti-monopoly claims, may create additional costs for the Company. 	<p>○ ○ ●</p> <p>HIGH</p>	◀▶	Uralkali is subject to special state regulations in various jurisdictions. Due to macroeconomic instability, regulators can increase their requirements.	The Company is developing a set of measures and internal controls to ensure its legal compliance, including compliance with anti-monopoly laws.

● ● ● Low risk
○ ○ ○ Medium risk
○ ○ ○ High risk

◀ Probability of the risk decreased
▶ Probability of the risk increased
◀▶ Probability of the risk unchanged

URALKALI AND COMMUNITIES

Our focus areas

The principle of sustainable development is a fundamental component of Uralkali's strategy, which ensures an optimal balance between the interests of the Company, its employees, customers, shareholders, partners, local communities, authorities and other stakeholders.

In 2014, Uralkali moved to a new sustainability reporting standard, GRI G4, and began to utilise multi-step materiality analysis.

Based on the analysis results, Uralkali's strategic priorities were grouped into four key areas:

- economic sustainability
- employees
- environmental impact
- stakeholder impact

The Company will use these aspects to define, review and prioritise its sustainable development initiatives.

ECONOMIC SUSTAINABILITY

- Focus on corporate governance by remaining committed to openness, transparency and risk mitigation for all stakeholders
See more on » page 82
- High total shareholder returns for Uralkali's shareholders was enabled due to an effective capital structure: optimal debt levels and return of funds to shareholders through the buyback of ordinary shares
See more on » page 98
- Business model focuses on maintaining cost leadership, vertical integration, capacity development, production optimisation and premium products
See more on » page 16
- Market position sustained by leading market share through established customer relations
See more on » page 24

See more in Strategic Priorities section on » page 40 1 4 5 6

ENVIRONMENTAL IMPACT

- Geological safety focuses on safety monitoring of operational and idle mines in cooperation with R&D institutes
- Water utilisation includes wastewater treatment and minimisation, water intake and recycling
- Waste management focuses on the reduction of waste disposal and land reclamation research
- Energy efficiency includes energy consumption optimisation
See more on » page 64

See more in Strategic Priorities section on » page 40 5

STAKEHOLDER IMPACT

- Business ethics implies corporate culture code compliance along with corruption and fraud management
- Compliance management implies compliance with all applicable laws and regulations
- Local community relations include social investments, charity and sponsorship, relocation programme
See more on » page 76

See more in Strategic Priorities section on » page 40 2 5 6

EMPLOYEES

- Recruitment and retention of talent includes cooperation with educational institutions, talent pool development, grievance mechanism
- Occupational H&S implies adherence to cardinal rules by direct and contractor employees aimed at reduction of occupational accident risks
- Personnel development focuses on KPIs, training, employee satisfaction surveys
See more on » page 72

See more in Strategic Priorities section on » page 40 5



COMPANY AND SOCIETY

Stakeholder engagement

1

CUSTOMERS
AND PARTNERS

As a vital element of the Company's strategy, the reliable and transparent relationship with our customers and partners drives the Company's performance.

Positioned as an industry leader, Uralkali aims to sustain this mutually beneficial partnership to ensure progress and promote development in all spheres.

2

SHAREHOLDERS
AND FINANCIAL
COMMUNITY

As a publicly listed company we need to provide open, timely and transparent information to help our investors make informed decisions about our financial and non-financial performance.

3

EMPLOYEES



Every aspect of our strategy is based on the commitment of our people. Their knowledge, their willingness to work and their satisfaction are the keys to the Company's successful operations. We put an emphasis on creating the conditions for professional and career growth for our people. It strengthens their loyalty to the business.

4

TRADE UNIONS



Efficient cooperation with trade unions is essential for the Company in understanding and fulfilling employees' expectations.

Trade unions help monitor the implementation of all health and safety rules and other important agreements.

WHY WE ENGAGE

KEY FOCUS AREAS

WHAT WE ARE DOING

- CUSTOMERS**
- The quality of goods and services provided
 - Reliability of supplies
 - Mandatory compliance with contract provisions and legal requirements
 - Client support for the use of the Company's products

- PARTNERS**
- Procurement standards outlined in all tenders
 - Rigorous due diligence of all partners to establish their integrity and solvency

- Publication of regular market bulletins on the website
- Meetings with customers, including industry conferences, round tables and workshops
- Master classes and practical training in mineral fertiliser use
- Customer surveys
- Procurement standards and information on the Company's tenders and procurement plans
- Meetings with (potential) suppliers and business partners
- Conclusion of supply contracts for products and monitoring performance of requirements for counterparties

- Corporate governance
- Financial and non-financial results
- Potash market developments
- Strategy and KPIs
- Risks
- Sustainable development

- Presentations, webcasts and conference calls between management and financial community
- Website publication of relevant AGM/EGM documents
- Management's presentations at industry and regional conferences
- Meetings between management and the financial community, including industry conferences
- Investor and analyst days, including site visits
- General meetings of shareholders
- Perception studies among investor and financial community
- Press releases on material issues and key Company events

- Principles of social partnership
- Mutual respect and trust that underpin HR Policy
- Financial and non-financial incentives
- Learning and development opportunities
- Health, safety and environmental standards

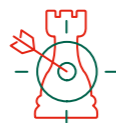
- Employing HR Policy and Health and Safety Policy
- The system of internal communication and feedback
- Regular meetings between management and employees
- Feedback on hotline messages
- Ensuring safety in the workplace
- Implementation of social programmes and financial incentive programmes
- Employee satisfaction and employee engagement surveys

- Employees' loyalty
- Compliance with health and safety regulations
- Feedback from employees
- Important decisions on social issues

- Reports on execution of the provisions and development of the Collective Bargaining Agreements and health and safety agreements
- Regular face-to-face meetings with management and trade union members
- Collecting written opinions on material and social issues



We are constantly improving interaction with our key stakeholders, carefully studying their needs and expectations and striving to maintain a mutually beneficial relationship.



WHY WE ENGAGE

KEY FOCUS AREAS

WHAT WE ARE DOING

5 GOVERNMENT AND LOCAL AUTHORITIES 

The Company strictly follows industry standards and complies with local and international laws and regulations. Uralkali aims to establish and maintain stable and constructive relations with national and local government authorities, based on the principles of accountability, good faith and mutual benefit.

- Reporting to regulators
- Taxation
- Planning and implementing local community development projects and social projects
- Maintaining a dialogue with government authorities on current legislative and regulatory issues
- Corporate philanthropy

- Information disclosure and reporting
- Dialogue with government authorities on legislative and regulatory issues
- Development of partnership agreements
- Participation in workshops and expert panels
- Implementation of joint projects
- Local community development planning

6 LOCAL COMMUNITIES 

The development of the Company needs to be supported by the local communities wherever it operates. Sustainability of ecosystems, biodiversity and a healthy environment are vital conditions for the wellbeing of future generations. A better quality of life for our people and local communities through our social and cultural projects contributes to regional social and economic development and ensures the sustainability of our operations, helping us fulfil our commitments as an industry leader.

- Environmental safety and mitigation of the consequences of industrial accidents
- Housing infrastructure development and modernisation
- Social infrastructure development and modernisation
- Sports development
- Supporting cultural events
- Support for disadvantaged sections of the community

- Meetings with representatives of local communities
- Economic, environmental and social initiatives
- Implementation of CSR projects and local community development programmes
- Assisting in the design of development plans for the regions in which Uralkali operates
- Publications in local media
- Public hearings
- Maintaining contact with NGOs

7 MASS MEDIA 

The Company needs accurate and timely coverage by the various media channels when disclosing its financial and operational results, key external and internal events, community activities and involvement, participation in industry conferences, international and local exhibitions, etc. The adequate perception of Uralkali and its strategy by all stakeholders is mutually beneficial for the Company and its target audiences.

- Accurate media coverage of the Company's strategic messages, corporate events and news
- Getting feedback from society and media
- Maintaining the relationship with stakeholders at all levels

- Press releases on material issues and key events
- Interviews with management
- Press tours and press conferences
- Relationship building events for media
- Perception studies among target media

SUSTAINABLE DEVELOPMENT

Chairman of the CSR Committee statement



SIR ROBERT MARGETTS
SENIOR INDEPENDENT DIRECTOR,
CHAIRMAN OF CSR COMMITTEE

Throughout recent history up to the present day, the principles of sustainable development have been among the main priorities in the formulation of development strategies for Uralkali. On the basis of these principles, we take into account the interests of all stakeholders (employees, partners, investors, shareholders, government bodies, NGOs, the media and the residents of the surrounding region). We know that people expect stability, responsibility, openness and respect for the environment. And we strive to meet these expectations by consistently implementing our sustainable development strategy. By pre-planning our work for decades in advance, we are concerned about the welfare of future generations, and undertake these obligations voluntarily. In implementing the sustainable development strategy, we also rely on the company's values that unite all employees, regardless of what division and at which enterprise they work. Safety, responsibility, efficiency and teamwork are the foundation that allows us to move forward with confidence.

ENVIRONMENT AND INDUSTRIAL SAFETY

The activities of Uralkali are inextricably linked to the environment in which it operates. That is why, whilst fully being aware of its responsibility, the Company is strictly committed to the principles of environmental responsibility through compliance with environmental legislation, the rational use of natural resources and the continuous improvement of environmental protection activities and measures. The production activities of any mining company are associated with risks of negatively affecting the external environment. However, our main task is to carefully and fully implement risk-management and risk-minimisation measures in this regard. This is achieved by utilising advanced wastewater treatment technologies, optimising production and waste management systems, as well as supporting private initiatives by volunteers. In 2015, in parallel with the development of production capacity, the Company continued to invest in measures aimed at protecting the environment. In addition to current expenditure on the protection of air, water and land resources, Uralkali is investing in the modernisation of existing equipment and the installation of new purification equipment, personnel training, and the development of internal systems for monitoring and control, as well as carrying out research work. Our activities are primarily aimed at providing geological safety, energy efficiency and minimising impact on the climate, together with the protection of air and water resources and waste management. In 2015 alone, about 1.5 billion roubles was spent on environmental protection projects.

Geological safety is a critical factor in the development of the potash deposits and mining operations.

Uralkali constantly monitors the geological environment at all operated mine fields. Uralkali staff, experts and specialists work closely with independent Russian and international consultants and research institutes in this field.

OCCUPATIONAL HEALTH AND SAFETY

One of the Company's top priorities is to ensure the absence of injuries, incidents, accidents and occupational health problems. We are aware of our responsibility, not only towards employees, but also towards their families and society as a whole. Therefore, we strive to create the best environment and systems for the conduct of work. However, achieving a zero rate of accidents is only possible if each worker adheres to the principal safety requirements which, after their introduction in 2013, have proven themselves to be effective in reducing injuries. In 2015, we were dismayed to incur three fatalities but the overall accidents frequency rate remained at the 2014 level. In 2015, the comprehensive program for the prevention of occupational accidents was enhanced. At all the mines of the Company, a mining and technical inspector was present continuously to audit and control safety rules. In 2015, in order to prevent occupational health problems associated with hearing loss among miners, the company purchased a batch of innovative headphones, equipped with an active noise-reduction system. In addition, a number of other initiatives were implemented during the year, including the implementation of further industrial and fire safety measures, preventive health measures, education and personnel training.

INTERACTION WITH LOCAL COMMUNITIES

Uralkali operates in two cities of the Perm Region - Berezniki and Solikamsk. More than 99% of over 21,000 employees of the Uralkali Group of Companies have permanent residence in these towns and nearby communities. The wellbeing of our employees is our natural duty as a responsible employer, but we are also striving for corporate responsibility. An essential part of our activity is increasing the level and quality of life in the surrounding region. In 2015, we continued to work, both independently and in collaboration with local authorities, to fund a vari-

ety of projects aimed at improving city social infrastructure. In 2015, the total amount of social investment amounted to about US\$28 million. As part of the programme for the resettlement of residents from old and dilapidated housing, the Company is working closely with regional and Russian federal authorities. In 2015, as part of its obligations under the programme's funding, the Company transferred 1.29 billion roubles to the budget of the Perm Region. The company also undertakes projects aimed at the promotion of a healthy lifestyle. In 2015, as in previous years, the Company is funding its own programme for the development of basketball.

In addition, with the assistance of the Company, a number of sporting events were held. Once again, in the city of Solikamsk, a judo national youth tournament was organised, as well as Greco-Roman wrestling national youth competitions. In addition, an open Sambo tournament was held, as well as a regional-level boxing tournament and a city festival of martial arts. Thanks to Uralkali support, Solikamsk kickboxers performed successfully during the World Cup Tournament in the City of Anapa. Disabled athletes also competed in the Russian National Team at the world championship in Poland, and triumphantly returned to their native city, Solikamsk. We continue to cooperate with leading regional educational institutions, and provide support in the form of personal scholarships to talented students of Berezniki and Solikamsk. The Company's employees actively participate in projects initiated by the Company, as well as independently in other initiatives such as citywide cleaning events for urban areas and surrounding regions, which are regularly held in the cities in which the Company operates.

GLOBAL FOOD SECURITY

As a leader in the potash industry, we recognise the need for our involvement in one of the global challenges facing humanity - food security. The Company aims to not only produce potash fertilisers to meet the requirements of agricultural producers, but also to improve the efficiency of their use. In cooperation with international organisations and research institutions, Uralkali is carrying out a number of projects to improve crop yields in Russia and abroad. In addition, we regularly organise seminars bringing together experts, advisors and journalists to promote best agricultural practice.

I would like to thank Uralkali's Board of Directors, management and employees for all their efforts in the development and implementation of the best global practices in social responsibility. We will continue to work in all areas related to sustainable development for the benefit of the Company and society as a whole.



SUSTAINABLE DEVELOPMENT

Independent assurance statement by ZAO Deloitte & Touche Cis ('Deloitte') to the board of directors of Uralkali Open Joint Stock Company on the selected performance indicators disclosed in Integrated Report and stated in GRI Tables 2015 for the year ended 31 December 2015



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SCOPE OF OUR WORK AND ASSURANCE STANDARDS WE USED

We have been engaged by Uralkali Public Joint Stock Company ("Uralkali") to provide limited assurance on the selected performance indicators disclosed in Integrated Report and stated in GRI Tables 2015 available on the website of Uralkali.

We carried out limited assurance procedures in accordance with International Standard on Assurance Engagements 3000 (Revised) ("ISAE 3000 (Revised)"). To achieve limited assurance ISAE 3000 (Revised) requires that we review the processes and systems used to compile the areas on which we provide limited assurance. It does not include detailed testing of source data or the operating effectiveness of processes and internal controls. This provides less assurance and is substantially less in scope than a reasonable assurance engagement.

The evaluation criteria used for our assurance are the GRI G4 reporting guidelines.

OUR KEY ASSURANCE PROCEDURES

To form our conclusions, we undertook the following procedures:

- interviewed management and those with operational responsibility in relevant areas;
- understood, analysed and tested on a sample basis the key processes, procedures and controls relating to the collation, aggregation, validation and reporting processes of the selected performance indicators;
- reviewed the contents of the Integrated Report against the findings of the aforementioned procedures and, as necessary, provided recommendations for improvement.

We planned and performed our work to obtain all the information and explanations we considered necessary to provide sufficient evidence to support our assurance conclusion. Our work was planned to mirror Uralkali's own compilation processes, tracing how data for each indicator within our limited assurance scope was collected, collated and validated and included in the Integrated Report and GRI Tables 2015.

ROLES AND RESPONSIBILITIES

The Directors are responsible for the preparation of the Integrated Report and GRI Tables 2015 and for the information and statements contained within it. They are responsible for determining the goals, performance and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.

Our responsibility is to independently express a conclusion on the selected performance indicators included in the GRI Tables 2015 and disclosed in the Integrated Report as defined within the scope of work above to Uralkali in accordance with our letter of engagement. Our work has been undertaken so that we might state to Uralkali those matters we are required to state to them in this statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Uralkali for our work, for this statement, or for the conclusions we have formed.

OUR INDEPENDENCE

We complied with Deloitte's independence policies, which address and, in certain cases, exceed the requirements of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants in their role as independent auditors.

CONCLUSION

Based on the scope of our work and the assurance procedures we performed we conclude that nothing has come to our attention that causes us to believe that selected performance indicators stated in the GRI Tables 2015 available on the website of Uralkali and disclosed in the Integrated Report for the year ended 31 December 2015 is not prepared, in all material respects, in accordance with the applicable criteria.



ZAO Deloitte & Touche CIS

Moscow, Russia
13 April 2016

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SUSTAINABLE DEVELOPMENT

Environmental protection

In 2015, while expanding its production capacity, the Company continued to invest in initiatives to protect the environment. In addition to current expenditures associated with protecting the atmosphere, water and land resources, Uralkali is investing in the modernisation of existing machinery and the installation of new pollution control equipment, staff training, and the development of internal monitoring and control systems, as well as scientific research. The Company invested over 1.4 billion roubles in environmental protection in 2015 (relative to over 1.3 billion roubles in 2014).

OUR APPROACH

PJSC Uralkali focuses on measures to minimise the negative impact of its activities on the environment. Responsibility for preservation of the environment is an integral part of doing business.

The Company fully adheres to the requirements of environmental legislation, uses natural resources responsibly, and constantly introduces new environmental protection measures.

KEY PRIORITIES

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

WHY THESE ISSUES ARE IMPORTANT TO US

The highest level of production organisation and the use of advanced technologies enable PJSC Uralkali to successfully achieve its sustainable development goals. These include the efficient use of non-renewable resources and adherence to the highest environmental protection standards, aimed at minimising the impact of the Company's business on the environment.

Sustainability of ecosystems, biodiversity and a healthy environment are vital conditions for the wellbeing of future generations.

STAKEHOLDERS ENGAGED

- Employees
- Trade unions
- Government and local authorities
- Local communities



The Company strictly complies with the requirements of environmental legislation and internal environmental standards, constantly assessing environmental risks and ensuring transparency and openness of its operations.

GEOLOGICAL SAFETY

The Company carries out the extraction of minerals at the Verkhnekamskoye deposit on the basis of technical specifications developed in accordance with applicable regulations and subject to examination and approval prescribed by the legislation of the Russian Federation.

The main condition for the development of the Verkhnekamskoye deposit is safe mining and preservation of the functional state of the undermined areas.

According to the legal requirements, the Company applies mining protection measures in the mined-out areas of mines, where it is technically possible.

In case of any restrictions in the use of mining protection measures, Uralkali takes advantage of its own complex monitoring system to identify potentially hazardous sections in a timely manner and to ensure protection for the local population.

The Company surveys and carries out visual monitoring of and undertakes geophysical and hydrogeological research in all its mines.

The frequency of monitoring is determined for each facility individually, and is in full compliance with all applicable safety requirements.

Uralkali cooperates closely with R&D institutes to perform in-depth studies into the environmental impact of its operations in the regions where it is present.

Uralkali has implemented special monitoring of the potentially dangerous area in the Solikamsk-2 minefield since 5 January 1995, when an earthquake led to the destruction of pillars and the formation of a soil subsidence area. To minimise the consequences of the accident, the Company backfilled areas around the collapsed zone.

On 18 November 2014, Uralkali detected higher levels of brine inflow in the Solikamsk-2 mine and immediately introduced an emergency plan. All employees were evacuated from the mine. On 18 November 2014, at around 16:00, a sinkhole with a diameter of approximately 30x40m was discovered east of the Solikamsk-2 production site, outside the metropolitan area. The area around the sinkhole was immediately fenced off.

According to the Act of the technical investigation of the accident cause, the fresh water inflow into the worked-out areas of the Solikamsk-2 mine in November 2014 was the consequence of the mass collapse of rock in the mine during the accident in 1995. Thus, the cause of the accident on 18 November 2014 at the Solikamsk-2 mine was an emergency that was unavoidable under the given circumstances.

Currently the Company is implementing a number of engineering and other arrangements to minimise the impact of the accident and reduce suprasalt water inflows into the mine. To reduce water inflow into the mine, a dewatering system is arranged around the sinkhole, supplemented by plugging of the voids. To prevent adverse effects of the accident, the danger area within the mine of Solikamsk-2 has been outlined and outside such danger area backfilling operations are carried out with further monitoring of the situation. The enhanced monitoring is supplemented by a series of operational methods.

ENERGY AND CLIMATE

As a result of the energy audit, a new Energy Saving Programme, which includes a set of organisational and technical measures aimed at reducing energy consumption, was approved. The programme started with the establishment of an energy-saving commission and the development of an incentive scheme. Investment projects with expected completion dates in 2017-2018 were initiated.

At the end of 2015, over 1,100 employees received awards for their performance in 2014 for conserving energy as part of the incentive scheme. Some of the money saved on energy in 2014 was allocated for rewarding employees.

In 2015, the implementation of technical measures aimed at reducing energy consumption continued. This work included the installation of over 66 frequency shifters for pumps and ventilation equipment. More than 24 condensate traps were mounted in the steam networks.

Uralkali continued to work on project documentation for previously initiated projects. Construction and installation work continued for some projects. In 2015, the Company increased power generation using its own facilities. The actual amount of electricity generated increased by 24% compared to 2014.

As a result of energy-saving measures, the Company conserved 106,721 MWh of electricity and 2.734 million m³ of water.



INDEPENDENT ASSURANCE REPORT ENVIRONMENTAL PROTECTION / CONTINUED

**USE OF ASSOCIATED PETROLEUM GAS**

As part of the Energy Saving Programme, the Company uses associated petroleum gas, which it purchases from oil and gas companies of the Perm region. This approach makes it possible not only to reduce natural gas consumption and to lower costs, but also to prevent the flaring of associated gas by oil companies, thus reducing global greenhouse gas emissions.

In 2015, the volume of associated gas used across the Group totalled 70.9 million m³.

GREENHOUSE GAS EMISSIONS

Uralkali recognises that its operations are inextricably linked to energy consumption and result in greenhouse gas emissions. Greenhouse gas emissions from fertiliser production account for less than 1% of the global total.

In 2012, we joined the international Carbon Disclosure Project (CDP), which is the most authoritative source of data on global climate change, and has since been providing information on our activities to reduce greenhouse gases.

In the reporting period, emissions of CO₂-equivalent gases across the Group amounted to 1.763 million tonnes, compared to 1.852 million tonnes in 2014, due to a decrease in potash production output, fuel consumption and total energy consumption.

ATMOSPHERIC EMISSIONS

The Company's enterprises have environmental protection departments which are responsible for emissions of pollutants into the atmosphere.

As part of the Company's programme to expand its existing production facilities in 2015, Uralkali is upgrading its waste treatment equipment. As a result, the operational efficiency of treatment facilities is increasing, thus reducing the Company's environmental impact.

In the reporting period, Uralkali's pollutant emissions increased from 5.49 to 5.75 thousand tonnes year-on-year due to increased

consumption of backup fuel (fuel oil storage tank cleanup before repair work). All atmospheric emissions from stationary sources are within the regulated limits.

WATER RESOURCES

In 2015, total water intake for industrial needs and utility services at Uralkali decreased by 11.4% compared to 2014 and amounted to 18.65 million m³ (Not including water intake for third parties). The water intake from surface sources totalled 14.2 million m³ (not including water intake for third parties). Reduced water consumption is explained by the lease of Berezniki-1 to OJSC BSZ.

The Company aims to reduce consumption of water for industrial needs and minimise the impact of wastewater disposal on the environment.

The volume of water recycled and reused at PJSC Uralkali totalled 104.057 million m³ (the total volume of reused water in the system including industrial brines).

WASTE MANAGEMENT

Uralkali's mining activities generate significant amounts of secondary resources and waste. Effective waste management begins with the adoption of measures to prevent environmental pollution. Preventative measures include refusal of or reduction of operating practices that pollute the soil, atmosphere and water bodies. The Company is guided by this principle in the design and operation of its facilities, as well as in business planning.

In 2015, Uralkali continued to implement measures to achieve higher levels of waste management efficiency. Such measures included:

- the introduction of state-of-the-art production solutions at both existing and new facilities to increase the recovery ratio of valuable components from ore, resulting in significant reductions in waste
- the backfilling of the mined-out areas of mines, thus reducing the environmental impact

The amount of waste intended for use in own production has increased by 10% in the past three years, to 11.25 million tonnes in 2015, from 10.43 million tonnes in 2014 and 10.23 million tonnes in 2013.

- ongoing crushing of concrete slabs at a mobile crushing-and-sorting plant (16,608 tonnes crushed in 2014, 12,600 tonnes crushed in 2015)

Berezniki shaft construction administration, a subsidiary of Uralkali, acquired a mobile crushing plant to process large concrete slabs into crushed stone.

The introduction of this technology will reduce the burden on solid waste landfills and will enable the Company to reuse materials that remain after major maintenance of buildings and structures. The resulting crushed stone can be utilised for the bedding of temporary roads, dams and other waterworks and for temporary construction sites.

Previously, concrete slabs were disposed of at landfill sites; now the process is much simpler and more environmentally friendly. The new measures reduce the Company's adverse impact on land resources (by decreasing the amount of waste sent to the landfill in Berezniki).

In 2015, the Company's enterprises produced 31.3 million tonnes of waste (in 2014 – 34.77 million tonnes). More than 99% of this is industrial waste of hazard class V (halite waste and clay-salt slurries). Wherever possible, we look for ways to minimise waste by improving the relevant processes, including waste recycling.

Thus, halite waste is used for the production of:

- saline solution, which is used in the production of soda
- industrial sodium chloride
- mineral concentrate "halite"

Halite waste and clay-salt slurries are also used for filling the mined-out areas of mines. In 2015, the disposal of halite waste and clay-salt slurries at waste disposal facilities operated by the Company decreased by 36% (11,237 thousand tonnes) due to their use.

In the reporting period, waste disposal at the landfill decreased by 1% compared to 2014 and amounted to 37.37 thousand tonnes (the decrease has been observed over the past three years: in 2014 – 38.81 thousand tonnes, in 2013 – 41.88 thousand tonnes; compared to 2013, it amounts to 10.7%). This decrease is due to lower amounts of construction waste from the reconstruction of buildings and structures (using the crushing plant). Also, over the past three years there has been an increase in the tonnage of waste intended for own production use: in 2015 – 11.25 million tonnes, in 2014 – 10.43 million tonnes, in 2013 – 10.23 million tonnes (an increase of 10% compared to 2013).

Uralkali aims to increase the amount of hazardous waste transferred for use. In 2015, 54.9 thousand tonnes of I-V hazard class waste was transferred for re-use by the Company (in 2014 – 39 thousand tonnes, an increase by 40.1%).

PUBLIC ENVIRONMENTAL MEASURES

Uralkali actively engages with local communities in various environmental campaigns.

As part of its continued efforts to increase environmental awareness in communities, the Company took part in a number of projects in 2015, including:

- Participation of employees in environmental campaigns ("Protection from Environmental Hazard Days", "Give Life to a Tree 2015", "Clean Banks for our Rivers and Lakes!")
- Financing the environmental campaign "Protection and Preservation of Water Bodies"
- Children's environmental workshops at the "Ural Gems" summer camp, and others.

As a result, we delivered nearly 300 tonnes of waste to the landfill and sent 3 tonnes of waste paper for recycling.

Based on the results of the "Protection from Environmental Hazard Days", the Company was awarded by the Berezniki town administration for the active participation in the 2015 campaign.

In 2015, at the Company's request, juvenile sterlet (sturgeon) was bred in the territory of LLC Dobryansky Hatchery Centre. According to environmentalists, this species of fish should play a positive role in the ecological balance of the River Kama. The total weight of more than 76 thousand juvenile fishes was about 230 kilograms.

IN 2015, TOTAL WATER INTAKE FOR INDUSTRIAL NEEDS AND UTILITY SERVICES AT URALKALI DECREASED BY

11.4
/ %

IN 2015, THE VOLUME OF ASSOCIATED GAS USED ACROSS THE GROUP AMOUNTED TO

70.9
/ mln m³

I-V HAZARD CLASS WASTE TRANSFERRED FOR RE-USE IN 2015 AMOUNTED TO

54.9
/ thousand tonnes



SUSTAINABLE DEVELOPMENT

Health & safety

In 2012, the Company adopted the HSE Policy. When adopting this document, Uralkali stated that health, safety and the environment are key priorities that should be taken into account in all actions and decisions, regardless of the line of work to which they relate.

OUR APPROACH

Safety is an unconditional value that must be an integral part of any action and decision. We understand that careless, thoughtless and irresponsible actions may have tragic implications not only for ourselves and our colleagues, but also for our families and friends. No achievement or economic benefit can justify loss of life or damage to a person's health.

KEY PRIORITIES

- Absence of fatalities and incidents
- Absence of accidents

WHY THESE ISSUES ARE IMPORTANT TO US

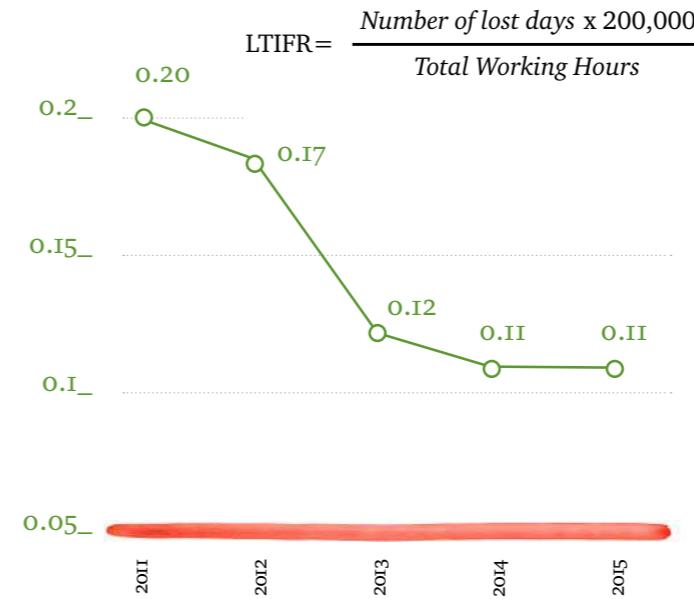
Absence of fatalities, incidents, accidents and occupational diseases is one of the key goals of an efficient business. Each employee expects to work in a healthy environment. At the same time, the Company expects its employees to follow the safety rules. Jointly supporting these principles, we will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

STAKEHOLDERS ENGAGED

- Employees
- Trade unions
- Local communities
- Media



LOST TIME INJURY FREQUENCY RATE / LTIFR



POLICY AND STRATEGY

In 2012, the Company adopted the HSE Policy. When adopting this document, Uralkali stated that health, safety and the environment are key priorities that should be taken into account in all actions and decisions, regardless of the line of work to which they relate.

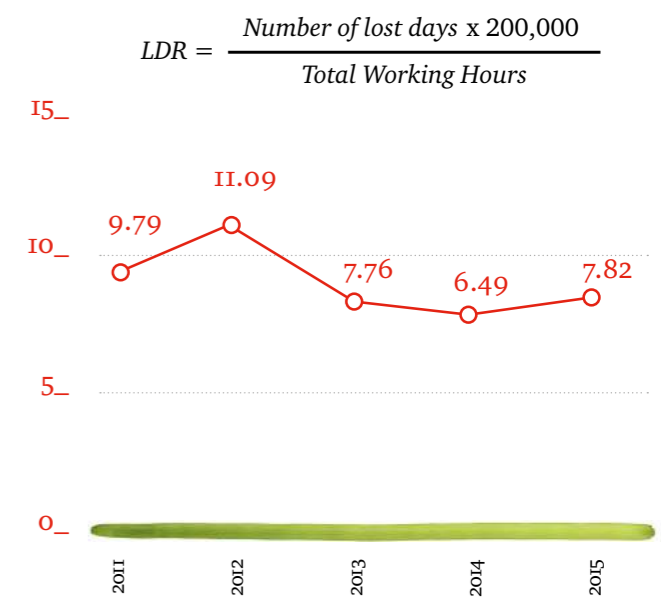
PERFORMANCE INDICATORS

In 2015, the number of accidents at the Company's facilities totalled 18. We regret to report three fatal accidents (two accidents happened at PJSC Uralkali and one at LLC Uralkali-Remont). All accidents were investigated and the Company adopted the necessary measures to prevent similar incidents.

The Group's lost time injury frequency rate (LTIFR) has not changed compared to 2014.

In 2015, the lost days rate (LDR) across the Group increased by 20% compared to 2014.

LOST DAYS RATE / LDR



ORGANISATIONAL AND TECHNICAL MEASURES

OCCUPATIONAL SAFETY

- 1) Following the investigation of accidents that occurred in 2015, the Company decided to toughen penalties for the violation of health and safety rules. The adopted Regulation of Disciplinary Action provided for tougher penalties for the heads of departments where violators work for non-compliance with the disciplinary procedure. The Company introduced a special procedure for the examination of violations that may lead to accidents, according to which Uralkali's Commission decides on the degree of culpability of all violators, including the heads of departments.
- 2) All mines were examined for unauthorised equipment.
- 3) In 2015, in accordance with the Special Assessment Law, the Company initiated assessment of working conditions for the occupations and jobs involving harmful and hazardous production factors at new workplaces in the Company's functional and production units.
- 4) The Group records all incidents that do not lead to temporary loss of working capacity, but just require first aid.
- 5) The hotline for reporting possible violations of health and safety rules continues to operate.

HEALTH & SAFETY/ CONTINUED



INDUSTRIAL SAFETY

- 1) Due to legislative changes, the Company developed new and updated existing internal regulations.
- 2) Three industrial safety declarations for hazardous production facilities (hazard class II) were developed and approved.
- 3) In 2015, Uralkali received the Certificate of qualification of mine rescue crews issued by the Ministry of Industry and Trade. Those crews were formed from employees of Uralkali's mines who were qualified as rescuers.
- 4) At the Company's mines, a system of personnel positioning was installed and commissioned.
- 5) The Company completed the scheduled examination of industrial safety of technical devices, buildings and structures used at Uralkali's hazardous production facilities.

FIRE SAFETY, CIVIL DEFENCE AND EMERGENCIES

In 2015, no fire or emergency situations were registered at the Company's facilities. The number of fire outbreaks decreased by 41% and totalled 12 cases.

- 1) In September-October 2015, an independent fire safety audit of the Company's facilities was conducted. Based on the proposals of the auditors, the Company is developing plans for 2016-2018 aimed at reducing the risk of fires breaking out and spreading at the Company's facilities.
- 2) Over 800 existing fire alarm and fire extinguishing systems and installations for the surface complex, as well as warning systems for civil defence and emergencies, were serviced.
- 3) As part of the technical re-equipment of professional rescue units engaged in mine rescue and fire protection operations at the Company's facilities, a fire tanker mounted on the chassis of an Ural off-road truck (AC-3.0-40 (43206)) was purchased.
- 4) The Company continued pilot operation of an alternative automatic fire-extinguishing unit based on mist-sprayed water, "Typhoon-60UK" at Berezniki-4.
- 5) The Company carried out maintenance of primary fire extinguishing means (fire extinguishers). During the year, over 25,000 fire extinguishers were tested, repaired and recharged.
- 6) The certification of existing systems for monitoring and control of engineering systems of buildings and structures (ESM) was completed. In 2015, the Company developed three certificates with descriptive and graphical parts for Berezniki- 2, Solikamsk-2 and Solikamsk-3.
- 7) The Company completed work to form, train and assess emergency response units. The Industry and Trade Ministry issued certificates for gas rescue units (NASF) consisting of more than 60 employees of the surface complex employed at Berezniki-2, Berezniki-3, Berezniki-4, Solikamsk-1, Solikamsk-2, Solikamsk-3 of PJSC Uralkali.
- 8) Scheduled comprehensive exercises were conducted to prepare employees for natural and man-made emergency situations and civil defence warning signals.
- 9) The Company maintained its civil defence structures in proper working order, adopted and scheduled measures to improve their protective properties. Based on the results of local review competitions, the Company's civil defence structures received awards and were recognised as superior to similar structures of Perm region.

Making employees aware of the latest health and safety requirements and developing a culture of compliance play a key role in ensuring workplace safety.

HEALTH

In 2015, the Federal Scientific Centre for Medical and Preventative Health Risk Management Technologies examined the study group (56 employees) of Berezniki-2 and the control group (67 employees) of the engineering and technical personnel of the Company's administration.

As a result, the scientists identified two genes with the greatest pathogenic significance for the studied deterioration of health that are diagnostic markers of conditions prior to the development of hypertension. A programme of primary prevention of hypertension was proposed, and preventive measures were taken in respect of workers involved in enrichment processes. A set of measures will reduce the risk of hypertension and, as a consequence, the number of temporary disability cases.

TRAINING AND BRIEFING

Making employees aware of the latest health and safety requirements and developing a culture of compliance play a key role in ensuring workplace safety. Before starting work at Uralkali's production facilities, the Company's employees receive workplace training. Ensuring workplace safety and monitoring employee compliance with safety requirements are part of the responsibilities of all foremen and supervisors.

Training and certification in 2015:

- In the field of industrial safety – 7,663 employees
- In the field of occupational safety – 1,881 employees
- In the field of emergency situations and civil defence – over 3,500 employees
- In the field of fire safety – 8,613 employees

OUR PLANS FOR 2016

Re-licensing of the Company's operations at explosive and chemically hazardous production facilities (hazard classes 1, 2, 3).

Collection and compilation of data on the number of technical devices, buildings and structures at the Company's hazardous production facilities, subject to examination of industrial safety to extend the period of safe operation, as well as the preparation of a strategic plan for expert examination of industrial safety.

Development of the safety case for deviation from the requirements of the Federal Regulations "Safety Rules for Mining and Processing of Solid Minerals", which are technically unjustified, due to the specifics of potassium-magnesium salt extraction by underground methods.

Development of the procedure for identification and assessment of accident risks; planning of measures according to the risk level at hazardous production facilities of the Company.

Preparation of hazardous production facilities of the Company for a planned inspection by Rostekhnadzor's central bodies in September 2016.

Continued phased upgrade of rescue and firefighting machinery and equipment in professional units, as well as non-professional teams for the continuous performance of rescue functions in accordance with the applicable laws.

Protection of hydraulic structures of processing plants Berezniki-2 and Solikamsk-3 using local warning systems (LWS) in the event of emergencies.

CERTIFIED IN THE FIELD
OF INDUSTRIAL SAFETY

7,663

/ employees

CERTIFIED IN THE FIELD OF
OCCUPATIONAL SAFETY

1,181

/ employees



SUSTAINABLE DEVELOPMENT
Our people



RUSLAN ILYASOV
HUMAN RESOURCES DIRECTOR

“ It is important not only to motivate and develop our personnel, but also to organise its activities in the most efficient way. We strive to consistently improve the productivity of each employee.

One way to achieve this goal is through our "Programme 2020", aimed at the most optimal use of all types of resources, introduction of new technologies, efficient labour organisation to maintain our leading position in the market.”

OUR APPROACH

As one of the most attractive employers in Russia and an acknowledged leader in the global potash market, Uralkali creates an environment for the career and professional growth of its employees, as well as actively working to increase staff engagement and efficiency within the Company (the development of initiatives, benefits package and competitive salaries). We are chosen by those who seek professional development and strive for self-improvement. We, for our part, welcome talented young people and professionals who are ready to share their experience and knowledge.

Uralkali implements programmes to increase employee loyalty, offering competitive salaries, a comprehensive benefits package, and a variety of training and development programmes.

POLICY AND STRATEGY

Our functional strategy in human resources management aims to increase productivity and provide the business with qualified people. Part of our strategy at all levels is talent management, which allows Uralkali to control staff turnover.

This is connected with the ongoing tight labour market situation in Berezniki and Solikamsk, where the Company's main production facilities are situated: low unemployment levels and a reduced working-age population complicate the search for and attraction of new professionals and mean that we compete for the most qualified employees. Both attracting and retaining staff are important to the Company.

ACTIVITIES AND RESULTS

OUR TEAM

The total number of Group employees amounted to 21,294 people (as of December 2015). Uralkali's production facilities are located in the towns of Berezniki and Solikamsk (Perm region, Russia), that is why 99.6% of the Group's employees come from the local population.

MOTIVATION

Uralkali's compensation system is built upon uniform principles, i.e. based on personnel grades and taking into account the complexity and importance of each role. Thus, employees and their direct supervisors can influence the amount of remuneration.

The evaluation of the Company's employees and business units is based on key performance indicators (KPIs).

Each year, Uralkali assesses wage levels in the Perm region. The results of this analysis are taken into account when deciding the rate of annual indexation of staff salaries, as stipulated in the Collective Agreement.

PROFESSIONAL AND CAREER GROWTH

One of the reasons for Uralkali's status as an attractive employer is the potential for professional and career growth within the Company. The most popular educational opportunities include programmes such as "Talent Pool" and the "Foreman's Academy", the "Supervisor's Academy", "Coaching and Facilitation Institute" and a training programme for future mid-level managers, as well as a training centre owned by the Company.

This year, the Company organised its second "Development and Career Week", which was attended by employees and students from schools and colleges. Each group had its own set of activities.

In 2015, we launched innovative projects to provide employees with opportunities for personal fulfilment and making their own contribution to the Company's development:

- "Initiative", aimed at engaging personnel in solving complex production issues
- "TRIZ", intellectual project, which allows to "calculate" new ideas, find unconventional solutions to complex production and strategic problems

The Company has also implemented a highly efficient system of organisation and rationalisation of workplaces – 6C. The project involves production units, office buildings of the Company and its subsidiaries.

In 2015, Uralkali opened its Corporate University, bringing together all training programmes, so that employees can use any learning formats – classroom and online – and develop their potential, build up competence.

The students from schools and colleges enjoyed vocational activities, through which they were able to learn more about Uralkali and the types of candidates it looks to hire.

WHY THESE ISSUES ARE IMPORTANT TO US

The successful realisation of a business strategy is entirely dependent on people: their management skills, professional knowledge and commitment to the Company's values and corporate ethos. Therefore, Uralkali creates ideal conditions for professional growth and career progression and develops ways to build and strengthen Company loyalty and team efficiency.

KEY PRIORITIES

- Increase workforce productivity
- Develop management skills to ensure the stability of our management team
- Maintain favourable working conditions to protect the life and health of employees

STAKEHOLDERS ENGAGED

- Employees
- Trade unions
- Government and local authorities
- Local communities



OUR PEOPLE / CONTINUED



SOCIAL BENEFITS

In 2014, employer and employee representatives decided to extend the term of the Collective Agreement for the next three years and maintain the social benefits and guarantees.

The employment benefits provided by Uralkali include: an optional health insurance programme, periodical and extensive medical examinations; reimbursement of meal costs; health resort offers for employees; a housing improvement programme; summer holidays for children of employees; partial compensation for the cost of sports; corporate Olympiad events; free transportation to work and back; Christmas gifts for children of employees; financial assistance in various situations; lump sum remuneration in connection with retirement and the "Attention and Care" programme for retired former Uralkali employees. Our social programmes cover the entire Group of companies.

In 2015, the Company organised traditional Health Days. Each employee received important information about available preventive services and treatments, and participated in various activities.

CORPORATE CULTURE

The professional attitude to work demonstrated by each member of our team contributes greatly to the leadership position of Uralkali. The development of a close-knit and effective team is the responsibility of each employee. The corporate culture is the foundation that holds the team together and makes it a single entity. That is why all divisions of the Company participate in its development. The basic rules of interaction within the Company are reflected in the Code of Corporate Culture – a binding document for all Group companies. In addition, the corporate culture is formed and maintained by means of large-scale events for employees and an efficient communication system. The tools of internal communications include corporate events, a well-developed network of information channels, etc.

In 2015, in connection with the new business environment, a need to transform the corporate culture so that it can better meet the needs of our business became apparent. New values were presented to our employees for consideration. All the Company's units were involved in this work. Currently we are preparing a new version of the Code of Corporate Culture with revised values.

The professional attitude to work demonstrated by each member of our team contributes greatly to the leadership position of Uralkali. The development of a close-knit and effective team is the responsibility of each employee.



The corporate culture is the foundation that holds the team together and makes it a single entity. That is why all divisions of the Company participate in its development. The basic rules of interaction within the Company are reflected in the Code of Corporate Culture.

FEEDBACK

Group companies arrange regular informational meetings for personnel. These include meetings with Uralkali's CEO, Directors of subsidiaries and affiliates, as well as Directors of the Company's mines.

The activities, during which employees can learn a lot about the Company and ask questions of interest, are very popular.

The Group also runs its Call-centre and an ethical representation working group that enhance the Company's efficiency, improve the operations of all business units, as well as mitigate the risk of conflicts and violations in the Company, and in some cases prevent them.



THE AVERAGE ANNUAL SALARY IN THE MAIN PRODUCTION UNIT (INCLUDING ANNUAL BONUS)

10,447
/US\$

HRS OF TRAINING PER GROUP EMPLOYEE IN 2015

51.72
/ hours

UP TO 70% OF WORK MEAL COSTS PAID FOR BY THE COMPANY

70
/ %

COMPENSATION OF SKI CENTRES COSTS

100
/ %

50% OF SPORTS AND FITNESS CENTRE COSTS

50
/ %

THE SHARE OF EMPLOYEES FROM THE PREVIOUS TALENT POOL APPOINTED TO HIGHER POSITIONS

8
/ %

SUSTAINABLE DEVELOPMENT

Our communities

In 2015, the Company continued its work with the local authorities through partnership agreements aimed at ensuring the long-term effect from investments in key social projects in the field of socio-economic development of the territories. A number of Uralkali's employees participate in the work of local government, such as the Berezniki Town Duma and Solikamsk Town Duma. At a regional level, the Company collaborates with the governor's office and the government of the Perm region.

ACTIVITIES AND RESULTS

In 2015, Uralkali continued to implement its social investment policy aimed at sustainable development in the regions where it operates. Social investments in 2015 amounted to about US\$28 million.

SOCIAL AND ECONOMIC DEVELOPMENT IN THE TOWNS WHERE WE OPERATE

In addition to providing stable employment and meeting its tax obligations, the Company undertakes voluntary commitments to create comfortable living conditions in Berezniki and Solikamsk, where its main production facilities are located.

ENCOURAGING SPORTS

In 2015, Uralkali continued to support the development of physical education and sports in the regions where it operates.

With the Company's assistance, a number of sports competitions were held. An all-Russia judo tournament among teenagers was once again organised in Solikamsk, together with a nation-wide youth competition in Greco-Roman wrestling. During the year, Uralkali also supported volleyball and hockey teams from Solikamsk to participate in regional competitions, and local figure skaters to prepare for the championship of the Volga Federal District and the Russian championship.

The Company provided financial assistance to the Swimming Federation of the Perm region in the arrangement of a training camp for leading athletes of the Perm region and the organisation of all-Russia competitions in the region. The Company also supported the All-Russia Football Association in the town of Berezniki, so that young players could participate in a competition in the city of Nizhny Novgorod.

OUR APPROACH

Uralkali regards its involvement in the social development of the regions where it operates as vital to the successful growth of the business. In all activities, the Company aims to strike a balance between its own interests and those of its employees and stakeholders.

KEY PRIORITIES

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

WHY THESE ISSUES ARE IMPORTANT TO US

Realisation of major projects is a very demanding task without an open dialogue within society, as we work for sustainable development in the territories where the Company operates. We improve the living standards of local communities and create a close partnership with society.

STAKEHOLDERS ENGAGED

- Employees
- Government and local authorities
- Local communities



The Company provided material and technical support to sports organisations.

In Berezniki, we implemented a large-scale project including the arrangement of recreation areas, which included a "street workout" area and a children's playground. Such facilities were installed in 8 residential districts of the town, supplemented by a playground at the Solikamsk Orphanage.

As part of the project to develop basketball as a mass sport for children and teenagers in Berezniki and Solikamsk, in 2015 Uralkali supported 28 basketball centres which trained 1,570 children. More than 100 teams participated in town streetball championships.

RESETTLEMENT PROGRAMME

The Company's representatives are working closely with regional and federal authorities to implement a programme for the resettlement of residents from buildings in disrepair.

In 2015, Uralkali transferred US\$21.2 million¹ to the budget of the Perm region. The total amount of Uralkali's support provided to the programme for the resettlement of Berezniki residents in 2013-2015 totalled US\$56.6 million². Thus, the Company has fully fulfilled its part of funding obligations.

The budget of the Perm region also provides for funds in the amount of US\$56.6 million² for the implementation of measures to resettle Berezniki residents. A comparable sum will be allocated from the federal budget, including US\$20.5 million³ in 2015. The funds will be used for the relocation of people living in 97 buildings with a total area of 247 thousand m². In the coming years, it is planned to build more than 250 thousand m² of new housing on the right bank of the Kama River in Berezniki.



CULTURE AND EDUCATION

Year after year, Uralkali encourages creative development and takes care of the education of the younger generation. For several years, the Company has supported the competition "Teacher of the Year" in Solikamsk, as well as the "Formula of Success" ceremony, which recognises the achievements of talented children and teachers of the town. With the help of the Company, a project for the development of vocal art and search for talented young performers "Voice. Children. Solikamsk" was implemented in 2015.

The International Theatre Festival "Post Efremov Space" was a big event for Berezniki. Funds allocated by Uralkali made it possible to complete the equipment of Solikamsk and Berezniki schools with video surveillance systems to ensure safety in educational institutions.

Preparing for the celebration of the 70th anniversary of the Victory in the Great Patriotic War, the Company helped renovate the Memorial to those who died of wounds in the hospitals of Solikamsk, and allocated funds for the Veterans' Council to organise celebrations.

SUPPORT FOR MUNICIPALITIES

In 2015, Uralkali supported municipalities in solving local problems:

- road repairs in the Solikamsk area
- vehicle purchase for the transport connection with remote communities of the Solikamsk municipal area, as well as for municipal needs of the Rodnikovskoye rural settlement of the Solikamsk district
- repair of the Basim community center (Basim village Solikamsk district)
- continued construction of a gas pipeline between Solikamsk and Chertezh

In addition, the Company allocated funds for the purchase of medical and general-purpose furniture for the children's hospital of Solikamsk.



SUPPORT FOR NGOs AND RELIGIOUS ORGANISATIONS

Uralkali regards the activity of NGOs and religious organisations as an important element of the social environment, which serves to maintain stability in the territories where the Company operates.

In 2015, Uralkali allocated funds to the church in honour of the Praise of the Holy Virgin Theotokos, in the village of Orel, Usolsk district, to construct a Sunday school. During 2015, the Company actively supported the construction of St. Nicholas church, which will be attended by over 1,500 churchgoers.

CHARITY AND SPONSORSHIP

As part of the international exhibition "Chemistry-2015", bringing together over 500 delegates from Russia, CIS countries and abroad, Uralkali acted as the official sponsor of the III Moscow International Chemical Forum, organise with the support of the Ministry of Industry and Trade of the Russian Federation.

In 2015, Uralkali supported the Perm National Research Polytechnic University, in particular, funded the erection of monuments to prominent people in the field of science and education as part of the University's anniversary celebration.

The Company assisted the Perm Cadet Corps of the Volga Federal District named after the Hero of Russia F. Kuzmin in purchasing equipment and preparing a new building for the comfortable stay of students.

In 2015, the Company allocated funds for the Town Days in Berezniki and Solikamsk.

Uralkali regularly supports disadvantaged groups of the population. In particular, in 2015 the Company paid for the development of design and estimate documentation for the overhaul of a building of the Solikamsk Orphanage.

¹ Commitment is determined in RUB and amounts to 1.29 billion (for the conversion the average exchange rate for 2015 was used: 60.96 US\$/RUB).

² Commitment is determined in RUB and amounts to 2.54 billion (for the conversion of each payment the average exchange rates were used for 2013, 2014 and 2015, respectively).

³ Commitment is determined in RUB and amounts to 1.25 billion (for the conversion the average exchange rate for 2015 was used: 60.96 US\$/RUB).

CORPORATE GOVERNANCE

Board of Directors



SERGEY CHEMEZOV

CHAIRMAN OF THE BOARD OF DIRECTORS
INDEPENDENT DIRECTOR

ELECTION

First elected to the Board of Directors in March 2014 and re-elected several times since then.

EDUCATION

University degree, Irkutsk Institute of National Economy.

SKILLS AND EXPERIENCE

SINCE 1980, Sergey Chemezov has been holding executive positions in various state-owned structures including Promexport and Rosoboronexport.

1996-1999: Head of the foreign economic department of the Presidential Affairs Office.

IN DECEMBER 2007, he was appointed as the general director of Rostekhnologii, the state corporation to support development, manufacturing and export of high-tech industrial products.

COMMITTEE MEMBERSHIP

Does not serve on Board committees.

EXTERNAL APPOINTMENTS

Chairman of the Board of Directors in the following companies: Rosoboronexport, VSMPO-AVISMA, KAMAZ, Almaz - Antey. Deputy Chairman of the Board of Directors at AVTOVAZ. Member of the Board of Directors at United Aircraft Corporation, Aeroflot, International Financial Club and several other companies.



SIR ROBERT MARGETTS

DEPUTY CHAIRMAN OF THE BOARD
OF DIRECTORS
SENIOR INDEPENDENT DIRECTOR

ELECTION

First elected to the Board of Directors in June 2011 and repeatedly re-elected since then.

EDUCATION

University degree, Cambridge University.

SKILLS AND EXPERIENCE

1998-2010: Member of the Board of Directors at Anglo American PLC, Wellstream PLC, Chairman of the Board of Directors of Legal & General PLC, British Oxygen Company PLC. He was previously an Executive Vice-Chairman of Imperial Chemical Industries PLC.



COMMITTEE MEMBERSHIP

Chairman of the CSR Committee and the Investment and Development Committee. A member of the Audit Committee and the Appointments and Remuneration Committee.

EXTERNAL APPOINTMENTS

Chairman of the Board of Directors of the Energy Technologies Institute, Ensus Ltd., Ordnance Survey, Lithe Hill Park Limited and Lithe Hill Park Properties Limited. a non-executive director at Huntsman Corporation LLC.



DMITRY MAZEPIN

DEPUTY CHAIRMAN OF THE BOARD OF DIRECTORS
NON-EXECUTIVE DIRECTOR

ELECTION

First elected to the Board of Directors in March 2014 and re-elected several times since then.

EDUCATION

University degree, Moscow Institute of Foreign Relations (MGIMO).

SKILLS AND EXPERIENCE

SINCE THE MID-1990S, Dmitry Mazepin has held senior executive positions in state-owned structures and large companies such as Tyumen Petroleum Company, Nizhnevartovskneftegaz, Kuzbassugol, and Russian Federal Property Fund.

2002-2003: President of AK Sibur.

2007: Chairman of the Board of Directors of URALCHEM and its management company URALCHEM Holding P.L.C.

COMMITTEE MEMBERSHIP

Does not serve on Board committees.

EXTERNAL APPOINTMENTS

Chairman of the Board of Directors of URALCHEM and its management company URALCHEM Holding P.L.C., member of Board of Directors of CI-CHEMICAL INVEST LIMITED.



DMITRY OSIPOV

MEMBER OF THE BOARD OF DIRECTORS
CHIEF EXECUTIVE OFFICER OF URALKALI

ELECTION

First elected to the Board of Directors in March 2014 and re-elected several times since then.

EDUCATION

University degree, Gorkiy State University.

SKILLS AND EXPERIENCE

2005-2007: CEO of Kirovo-Chepetsk Chemical Plant.

2007-2011: CEO of URALCHEM.

2007-2013: a member of the Board of Directors of URALCHEM.

2011-2013: Deputy Chairman of the Board of Directors of URALCHEM.

24 DECEMBER 2013: CEO of Uralkali.



COMMITTEE MEMBERSHIP

A member of the CSR Committee and the Investment and Development Committee.

EXTERNAL APPOINTMENTS

A member of the Board of Directors of a number of Uralkali's affiliates.



PAUL OSTLING

MEMBER OF THE BOARD OF DIRECTORS
INDEPENDENT DIRECTOR

ELECTION

First elected to the Board of Directors in June 2011 and repeatedly re-elected since then.

EDUCATION

University degree, Fordham University.

SKILLS AND EXPERIENCE

1977-2007: Held various management positions at Ernst & Young, most recently as Global Chief Operating Officer.

2007-2011: Worked at Kungur — Oil & Gas Equipment and Services, first as the CEO, and from 2010 to 2013 as a member of the Board of Directors.

SINCE 2010: Member of the Board of Directors at Promsviazbank, URALCHEM Holding Plc, MTS, Datalogix Inc.



COMMITTEE MEMBERSHIP

Chairman of the Audit Committee (financial expert) and the Appointments and Remuneration Committee. A member of the CSR Committee and the Investment and Development Committee.

EXTERNAL APPOINTMENTS

Member of the Board of Directors of Brunswick Rail Management Ltd., NSD and several other companies.



DMITRY RAZUMOV

MEMBER OF THE BOARD OF DIRECTORS
NON-EXECUTIVE DIRECTOR

ELECTION

First elected to the Board of Directors in March 2014 and re-elected several times since then.

EDUCATION

University degree, Moscow State Institute of International Relations (MGIMO).

SKILLS AND EXPERIENCE

1994-1997: a lawyer at Clifford Chance (international law firm).

1997-1998: Deputy Head of Investment Banking in Renaissance Capital Bank.

1998-2003: Managing director of LV Finance (an independent company specialising in corporate finance and direct investments mainly in telecommunications). Also had executive positions and served on the Board of Directors of several companies including Sonic Duo, MegaFon, MMC Norilsk Nickel, United Company RUSAL PLC, International Financial Club. Since 2007: the CEO of ONEXIM Group.

COMMITTEE MEMBERSHIP

Does not serve on Board committees.

EXTERNAL APPOINTMENTS

Chairman of the Board at PJSC OPIN, PJSC RBC, Insurance Company Soglasiey, LLC yo-AUTO, Brooklyn Basketball Holdings LLC and other companies. Member of the Board of Directors at LLC Management Company Intergeo and Ukrainian Agrarian Investments S.A.



DMITRY KONYAEV

MEMBER OF THE BOARD OF DIRECTORS
NON-EXECUTIVE DIRECTOR

ELECTION

First elected to the Board of Directors in March 2014 and re-elected several times since then.

EDUCATION

University degree, Lomonosov Moscow State University.

SKILLS AND EXPERIENCE

SINCE 1998, he has held senior management positions at large production and trade companies: Sederrot International AB, Mineral Trading, Uralkali Trading SA (Singapore).

2007-2011: Head of Commerce at URALCHEM.

SINCE 2011, Dmitry has been the CEO of URALCHEM.



COMMITTEE MEMBERSHIP

A member of the CSR Committee, the Investment and Development Committee, and the Appointments and Remuneration Committee.

EXTERNAL APPOINTMENTS

A member of the Board of Directors at URALCHEM and several of its affiliates.



MICHAEL SOSNOVSKY

MEMBER OF THE BOARD OF DIRECTORS
NON-EXECUTIVE DIRECTOR

ELECTION

First elected to the Board of Directors in June 2015.

EDUCATION

University degree, Moscow State Institute of International Relations (MGIMO).

SKILLS AND EXPERIENCE

IN 2000-2003, Chief Legal Counsel and Vice President at the investment company LB Finance. Also worked at the following law firms: Akin Gump Strauss Hauer & Feld, Eckstein & Partners and Firestone and Duncan Legal Services Ltd., held positions of Vice President and Advisor to General Director at OJSC Norilsk Nickel, member of the Board of Directors at Gold Fields.

SINCE 2007, Deputy General Director at ONEXIM Group.

IN 2008-2012 served on the boards of directors at OJSC ACB International Financial Club and OJSC RBC.



COMMITTEE MEMBERSHIP

Member of the Investment and Development Committee, CSR Committee and the Audit Committee.

EXTERNAL APPOINTMENTS

Member of the board of directors at PJSC Quadra, PJSC OPIN, CJSC Profotek, Renaissance Financial Holdings limited.



JIAN CHEN

MEMBER OF THE BOARD OF DIRECTORS
NON-EXECUTIVE DIRECTOR

ELECTION

First elected to the Board of Directors in March 2014. Re-elected in June 2014 and June 2015 by the annual general shareholders meeting. In October 2015, announced his decision to retire from the Board of Directors and has not been taking part in meetings since then.

EDUCATION

University degree, Beijing Institute of the Second Foreign Language.



SKILLS AND EXPERIENCE

2008-2013: Deputy Minister of Trade of the People's Republic of China.

2011-2014: a non-executive director at China Investment Corporation.

COMMITTEE MEMBERSHIP

A member of the Investment and Development Committee.

EXTERNAL APPOINTMENTS

A member of the National Committee of the Chinese People's Consultative Conference.

COMMITTEES OF THE BOARD OF DIRECTORS

- Audit Committee
- Appointments and Remuneration Committee
- Corporate Social Responsibility Committee
- Investment and Development Committee

CORPORATE GOVERNANCE

Corporate Governance

2015 saw a number of major corporate events for Uralkali, the most significant being the termination of the listing of the Company's GDRs on the London Stock Exchange. The Board of Directors' decision to de-list had a number of reasons but was mainly driven by unfavourable economic conditions in Russia and global geopolitical factors, as well as by low liquidity on the exchange.

The Board had a busy year in 2015. Whilst the number of the Board's meetings was relatively normal, the Audit Committee was extremely active. The Company maintained high standards of corporate governance and ensured full transparency of its activities. A crucial role was played by our independent directors applying their professionalism and global expertise, which allowed the Company to proceed with its corporate actions in compliance with the best corporate practices in 2015.

At all times, the Company kept its shareholders, investors and other stakeholders updated about the latest developments and decisions.

THE BOARD OF DIRECTORS' COMPOSITION AND BALANCE

As of 31 December 2015, the Board of Directors has the composition that was determined by the annual general meeting held on June 15th, 2015: Sergey Chemezov (Chairman and an independent director), Dmitry Mazepin (Deputy Chairman), Sir Robert John Margetts (Deputy Chairman and the Senior Independent Director), Dmitry Konyaev, Dmitry Osipov (the CEO), Paul Ostling (an independent director), Dmitry Razumov, and Michael Sosnovsky.

Formally, the Board also includes Mr Jian Chen, a nominee from Chengdong Investment Corporation (CIC). However, as CIC sold its shareholding in Uralkali during the buyback programme in September 2015, Mr Chen announced he would no longer take part in the work of the Board. Accordingly, since October 2015 Mr Chen has not been involved in the Board's activities.

The Board continues to have all the necessary expertise to serve the interests of the Company and its shareholders with a balance of independent and non-executive directors,

where independent directors take one third of the Board's composition.

THE BOARD'S ROLE AND FUNCTIONS, REVIEW OF THE BOARD'S PERFORMANCE

The Board of Directors provides an overall guidance to activities of the Company. In particular, it sets and follows up strategic objectives, mid-term and short-term targets for the management; it also approves financial statements and performs other functions within the remit in the Charter of the Company.

The Board has 4 committees, which hold preliminary discussions and reviews of the matters falling under the Board's competence. Committees' resolutions do not create legal implications for the Company; however, their recommendations are considered by the Board when final decisions are made. Two of the Board committees – the Audit Committee and the Appointments and Remuneration Committee – are a requirement of the Listing Rules of the Moscow Exchange.

Distribution of functions within the Board remained the same and in line with best corporate governance practices:

- The roles of the Chairman of the Board and the Chief Executive Officer are split so that the Board's Chairman is responsible for leading the Board and ensuring it effectively handles all aspects of the Company's activities, while the CEO is involved in day-to-day management of the Company
- The Senior Independent Director represents the team of independent directors; he interacts with investors on behalf of the Board and conveys views of shareholders, including minority shareholders, to the Board
- Independent directors chair and play an active part in the Board committees.

Their task is to ensure that decisions are impartial and respect the interests of all shareholders. The independent directors also facilitate adoption by the Board of the best global standards in corporate governance

- The Corporate Secretary arranges the work of the Board and its committees. She creates work plans and meeting agendas for the Board, follows up on previous instructions issued by the Board, acts as an interface between the Board and the management, and helps organise general meetings

In March 2016, the Appointments and Remuneration Committee considered a suggestion to review the Board's performance in 2015 and approved the questionnaire for directors. As was instructed by the Committee, the performance review was completed by April 20th, 2016. Following the appraisal, an action plan was developed to improve the work of the Board. In particular, the recommendations included improving the quality of information materials provided to the Board and informing the Board about the Company's activities more often and in more detail. On the whole, directors gave a very good assessment of how meetings are organised.

PLANNING OF THE BOARD'S WORK

The work plan of the Board and its commit-

tees for the 2015 calendar year was approved by the Board in December 2014. However, as several unscheduled projects were launched in the course of 2015 – which related to a number of reasons including unfavourable economic conditions in Russia, global geopolitical issues, a drop in liquidity on the London Stock Exchange mentioned above, as well as the consequences of an accident at one of the Company's mines, and approval of the new corporate long-term investment strategy – the initial work plan had to be adjusted to satisfy the anticipated workload of the Board and its committees.

BOARD'S ACTIVITIES IN 2015

Traditionally, a Board's annual work plan is based on current practices of the Company and typical matters falling under the Board's competence: approval of international statements, convocation of general meetings, discussion of strategic issues, approval of major and related-party transactions, supervision of the management's performance, and consideration and approval of investment projects.

Starting from April 2015, the Board focussed on the buyback programmes, which required considerable attention and supervision from the Board. For the buyback programmes, external financial and legal advisers were engaged, and additional meetings of both the Board and the Audit Committee were

held. Preparing for and implementing the programmes required an unprecedented level of involvement and commitment by the independent directors. The biggest workload was imposed on the Audit Committee Chairman, who not only spearheaded the preparation, as was instructed by the Board, but also took part in the management's conference call with investors to share the outcomes of the programmes.

It is also worth mentioning that in April 2015 the Board approved the new version of the Dividend Policy to introduce a discretionary approach to the level of dividends subject to the financial health of the Company and the overall financial environment.

In June 2015, the Board held its traditional strategic session, where directors and the management jointly discussed the key aspects of the Company's strategy, including the situation at Solikamsk-2, which suffered an emergency in November 2014, existing and additional geological safety measures, work plans of several directorates, health & safety programmes, and the situation in the global potash market. The strategic session was attended by the Management Board in full and several other senior executives. The management team received a set of actions for subsequent implementation with the reports on results provided to the committees and the Board of Directors.

TOTAL NUMBER OF MEETINGS OF THE BOARD AND ITS COMMITTEES IN 2015. ATTENDANCE RATE¹.

NAME	THE BOARD OF DIRECTORS (10 MEETINGS) ²	THE AUDIT COMMITTEE (11 MEETINGS)	THE APPOINTMENTS AND REMUNERATION COMMITTEE (5 MEETINGS)	THE INVESTMENT AND DEVELOPMENT COMMITTEE (7 MEETINGS)	THE CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (4 MEETINGS)
SIR ROBERT JOHN MARGETTS	All	All	All	All	All
PAUL JAMES OSTLING	All	All	All	All	All
DMITRY MAZEPIN	All	N/A	N/A	N/A	N/A
SERGEY CHEMEZOV	All	N/A	N/A	N/A	N/A
DMITRY RAZUMOV	All	N/A	N/A	N/A	N/A
VALERY SENKO ³	All	All	N/A	All	All
DMITRY KONYAEV	All	N/A	All	All	All
DMITRY OSIPOV	All	N/A	N/A	All	All
CHEN JIAN	All	N/A	N/A	All	N/A
MICHAEL SOSNOVSKY ⁴	All	All	N/A	All	All ⁴

¹ "Attendance" means participation of directors in meetings by way of physical presence (for meetings held in presentia), voting by filling voting ballots (for meetings held in absentia), and submission of a written opinion in relation to agenda items if physical presence is impossible.

² One out of ten meetings of the Board of Directors was held in absentia.

³ Mr. Senko was a board member until June 15th, 2015.

⁴ "All" refers to the number of Board/Committee meetings where a director had to be present either before the termination of the director's term of office or before announcement about withdrawal from the Board/Committee or following his/her election to the Board/Committee.

⁴ Michael Sosnovsky was elected to the Board at the annual general meeting on June 15th, 2015.



CORPORATE GOVERNANCE / CONTINUED

COMMITTEES OF THE BOARD OF DIRECTORS

In 2015, the Board had four Committees: the Audit Committee, the Appointments and Remuneration Committee, the Investment and Development Committee, and the Corporate Social Responsibility Committee. All four Committees were actively involved in the development of the Company.

In total, there were 27 Committee meetings in 2015, in which over 80 different matters were reviewed.

THE AUDIT COMMITTEE'S REPORT FOR 2015

The Audit Committee had a very busy time in 2015: it held 11 formal meetings versus the original plan of 6, and dozens of conference calls, consultations and discussions on top of that. The Chairman of the Committee also held several meetings with the Company's finance team, internal auditors and external consultants.

As the competence of the Audit Committee includes corporate governance, it received, and followed, the Board's instructions to prepare and implement the buyback programmes, and also provided the Board with its recommendations on the programmes, all of which were accepted and implemented.

Another important highlight of the Committee's work was that in August 2015 the Board approved the new version of the Committee's Regulations. The new document reflected a number of changes to ensure that the Audit Committee's activities are in line with the new requirements of the Moscow Exchange that will come into force on October 3rd, 2016 and to introduce a special working procedure (the so-called Special Committee) should the Company enter into a strategic transaction (which was also defined in the new version of the Regulations). For more details, please see the Regulations on the Audit Committee on the official web site of the Company at www.uralkali.com.

A special working procedure was used in 2015, when the Special Committee – comprised of independent directors only – developed recommendations for the Board to protect the interests of all shareholders amid a fall in liquidity on the London Stock Exchange. Based on these recommendations, in November 2015 the Board resolved to launch a buyback programme of up to 6.5% of Uralkali's shares on the open market by March 31st, 2016.

As of December 31st, 2015, the Audit Committee had the following members:

- Paul Ostling (Chairman, an independent director and a financial expert)
- Sir Robert John Margetts (the senior independent director)
- Michael Sosnovsky (a non-executive director)

CHARTS.

MATTERS CONSIDERED BY THE BOARD COMMITTEES

THE AUDIT COMMITTEE	
RISK MANAGEMENT AND INTERNAL CONTROL	11.1%
EXTERNAL AUDIT	16.7%
INTERNAL AUDIT	16.7%
REPORTING	19.4%
CORPORATE GOVERNANCE AND INSTRUCTIONS FROM THE BOARD, INCLUDING INSTRUCTIONS RELATED TO THE BUYBACK PROGRAMMES	30.5%
MONITORING OF KPIS	5.6%
THE APPOINTMENTS AND REMUNERATION COMMITTEE	
ACHIEVEMENT OF KPIS AND RECOMMENDATIONS TO APPROVE KPIS	11.8%
HR PROJECTS	17.6%
APPRAISAL OF THE BOARD'S PERFORMANCE	11.8%
OTHER MATTERS	58.8%
THE INVESTMENT AND DEVELOPMENT COMMITTEE	
STRATEGY AND INVESTMENT PROJECTS	38.1%
BUDGETING	14.2%
DIVIDENDS	4.8%
OTHER MATTERS	38.1%
STRATEGIC ISSUES	4.8%
THE CORPORATE SOCIAL RESPONSIBILITY COMMITTEE	
OCCUPATIONAL SAFETY AND HEALTH, AND ENVIRONMENT PROTECTION	27.3%
ENERGY EFFICIENCY	9%
CSR-RELATED RISKS	18.2%
ACCIDENTS AND INCIDENTS	27.3%
ACTIVITY PLANS AND REPORTS	18.2%

Although a considerable part of the Committee's time was given to special projects, it still followed its normal work plan on the key areas of its competence: public reporting, internal and external audit, risk management and internal control, corporate governance and compliance.

In 2015, Nikolai Morozov, head of the internal audit department since April 2014, left the Company and was replaced with Nikolai Ivanov. The internal audit department's reports are regularly reviewed in meetings of the Committee. The Audit Committee made

a number of recommendations to improve the structure of the directorate's reports to ensure that the Committee has a full understanding of the results of completed audits and whether its recommendations were completed.

In March-April 2015, the Audit Committee led a tender to select auditors for the Company's International Financial Reporting Standards and Russian Accounting Standards statements.

For the IFRS auditor, the Committee received offers from three of the Top 4 global auditors, reviewed the presentations and recommended to appoint CJSC Deloitte & Touche CIS. The Board of Directors supported the recommendations.

As part of the RAS auditor selection process, requests for quotations were sent to the Top 10 auditors from the RAEX rating agency's 2013 ranking. Offers were received from six firms, and the Audit Committee and the Board agreed that the best proposal was made by CJSC Energy Consulting.

Both appointment recommendations were raised with shareholders of the Company, and on June 15th, 2015 the general meeting approved CJSC Deloitte & Touche CIS as the IFRS auditor and CJSC Energy Consulting as the RAS auditor.

In August 2015, the Board of Directors, following a recommendation made by the Audit Committee, approved the first consolidated IFRS statements audited by CJSC Deloitte & Touche CIS. Traditionally, representatives of the auditor took part in the meeting of the Audit Committee, in which the statements were approved. The invitees made a number of recommendations to improve the reporting preparation process, which included several amendments to internal documents of the Company. The recommendations were duly noted and implemented.

The fees of CJSC Deloitte & Touche CIS for 2015 were approved by the Board in the amount of 27,750,000 roubles (excluding VAT and including overheads) and the fees of CJSC Energy Consulting were approved in the amount of 6,949,152.54 roubles (excluding VAT).

The actual amount paid in 2015 to the previous IFRS auditor (CJSC PriceWaterhouseCoopers Audit) and its affiliates was 41,836,143 roubles, including:

COMPANY	PAYMENTS FOR AUDIT SERVICES, RUB	PAYMENTS FOR CONSULTING SERVICE, RUB
CJSC PRICEWATERHOUSECOOPERS AUDIT	20 886 000	18 032 972
PRICEWATERHOUSECOOPERS RUSSIA B.V.	-	2 256 702
LLC PRICEWATERHOUSE CONSULTING	-	660 469
TOTAL:	20 886 000	20 950 143

The ratio between the fees for the audit and consulting services was 49.92% to 50.08% respectively.

The actual amount paid in 2015 to the new IFRS auditor (CJSC Deloitte & Touche CIS) and its affiliates was 63,750,751 roubles, including:

COMPANY	PAYMENTS FOR AUDIT SERVICES, RUB	PAYMENTS FOR CONSULTING SERVICE, RUB
CJSC DELOITTE & TOUCHE CIS	27 053 860	30 526 345
LLC DELOITTE CONSULTING	-	6 125 536
TOTAL:	27 053 860	36 651 891

The ratio between the fees for the audit and consulting services was 42.47% to 57.53% respectively.

In order to monitor provision of non-audit services, the Regulations on the Audit Committee, the current version of which was approved in August 2015, includes a provision stating that all non-audit services provided by auditors of the Company's financial statements have to be pre-approved by the CFO. Individual contracts for non-audit services exceeding US\$500,000 have to be pre-approved by the Chairman of the Audit Committee.

Auditors of the Company's financial statements must at least once per year inform the Committee about consulting (non-audit) services rendered to the Company. Taking into account the internal policies and practices adopted by auditors in order to ensure their independence and to avoid conflicts of interests, the Company is reasonably assured that the provision of non-audit (consulting) services does not threaten the auditors' independence in terms of the provided audit services. Following a review of non-audit services, all of which were considered by the Committee in its meeting held on March 2nd, 2016, the Committee concluded that the cost ratio between audit and non-audit services presented above did not challenge the impartiality and independence of the auditors of the Company's financial statements.

The Audit Committee's work plan for 2016 will in principle be similar to what the Committee was doing in 2015 and will cover internal and external audit, risk management, corporate governance, compliance issues, and consistent focus on the quality of new and existing systems and processes in the Company with full support from the management team.



CORPORATE GOVERNANCE / CONTINUED

RISK MANAGEMENT AND INTERNAL CONTROL

The risk management and internal control system adopted by the Company is based on principles incorporated in ERM (Enterprise Risk Management), an integrated risk management system developed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The ERM:

- Is a continuous process that covers all of the Company and is implemented by its employees at every level
- Is used in the development of the Company's strategy
- Is applied in the whole organisation and includes a corporate-level review of the risk portfolio
- Aims to identify events that may affect the organisation and develop measures to minimise this potential impact
- Provides the management and the Board of Directors with a reasonable confidence in achieving the goals

In September 2012, the Board of Directors approved the Risk Management and Internal Control Policy, which specified risk management and internal control responsibilities and roles of Uralkali's management bodies and employees as follows:

MANAGEMENT BODIES AND EMPLOYEES OF THE COMPANY	ROLES OF MANAGEMENT BODIES AND EMPLOYEES OF THE COMPANY
BOARD OF DIRECTORS	Responsible for the efficiency of the risk management process and for the development and maintenance of the corporate Risk Management and Internal Control System (RMICS).
AUDIT COMMITTEE	Considers the most material risks and corresponding management techniques applied by the Company's executive bodies.
CEO	Provides an overall guidance of the risk management process.
MANAGEMENT BOARD	Is an expert authority of the CEO for risk management and internal control.
EXECUTIVE DIRECTORS	Ensure regulation of business processes within their area of activity; identify the processes' objectives and assess key risks.
RISK MANAGER	Coordinates the risk management process and the development of consolidated information about the risk management process and internal control system at all levels for the Audit Committee, the Board of Directors, the CEO and the Management Board.
INTERNAL AUDIT DEPARTMENT	Monitors compliance with the internal control procedures, informs the Audit Committee of identified violations, identifies areas of potential improvements, and provides consultations on corrective measures related to risk management, internal controls and corporate governance.
EMPLOYEES	Duly perform duties assigned to them by the RMICS; timely inform their management about risks identified during current activities.

USE OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM IN THE DEVELOPMENT OF FINANCIAL STATEMENTS

Transparency and reliability of financial reporting is one of the crucial principles of corporate governance, and ensuring the proper quality of financial statements is a key function of the Board of Directors, and so this process is always given special attention. Uralkali has a number of control procedures aimed at ensuring the adequacy and reliability of collected and processed data. The process of preparing financial statements involves employees, officers, management bodies and external auditors of the Company, who have the following roles:

MANAGEMENT BODIES AND EMPLOYEES OF THE COMPANY	ROLES OF MANAGEMENT BODIES AND EMPLOYEES OF THE COMPANY
CHIEF FINANCIAL OFFICER	Ensures: <ul style="list-style-type: none"> • Availability and reliability of information in the enterprise resource management system • Interaction with auditors • Inventory count of the property
REVISION COMMISSION	Assures: <ul style="list-style-type: none"> • Data in Uralkali's annual reports • Periodic annual accounting statements • Reports sent to statistical and government authorities and assessment of the internal control system
AUDIT COMMITTEE	Preliminarily considers: <ul style="list-style-type: none"> • Uralkali's financial statements • Draft reports of the external auditor Monitors: <ul style="list-style-type: none"> • Fullness and integrity of financial statements Recommends: <ul style="list-style-type: none"> • External auditor candidates to the Board of Directors for subsequent proposals for the general meeting
EXTERNAL AUDITORS	Audit: <ul style="list-style-type: none"> • RAS accounting statements • IFRS annual and six months consolidated financial statements
BOARD OF DIRECTORS	Approves financial statements taking into account recommendations made by the Audit Committee

THE APPOINTMENTS AND REMUNERATION COMMITTEE'S REPORT FOR 2015

The Appointments and Remuneration Committee has three members including two independent directors.

As of December 31st, 2015, the Committee is represented by:

- Paul James Ostling (an independent director, chairman of the committee)
- Sir Robert John Margetts (the senior independent director)
- Dmitry Konyaev (a non-executive director)

In the course of 2015, the management team of Uralkali had several new appointments, and individual nominees were reviewed by the Committee. In particular, Oleg Petrov, who has been the Company's head of sales and marketing in charge of both domestic and export sales for around 10 years, left Uralkali in 2015. In the wake of his departure, the sales directorate was changed to only cover the domestic market. In October 2015, Aleksey Strakhov was appointed as director of domestic sales. All export sales are managed by a subsidiary of the Company – Uralkali Trading SIA – which is now headed by Vladislav Lyan.

Another new appointment was Eduard Avetisyan, who heads government relations.

Other organisational changes that took place in 2015 include restructuring of the chief engineer's directorate. On 24th of April 2015, the directorate was renamed as the technical directorate and is led by the chief technical officer Evgeny Kotlyar, formerly the chief engineer of the Company. The technical directorate includes a maintenance department headed by Dmitry Ivanov. Also there was established the capital construction directorate under the CEO. The directorate is headed by Vladimir Nitsulenko.

In 2015, the Board considered several matters, including HR initiatives, labour efficiency and organisational structure. These areas will be subject to more detailed and specific discussions in 2016 to ensure alignment with the corporate strategy, which includes a number of major investment projects aimed at further developing Uralkali's production capacity.

PROCEDURE TO PREVENT CONFLICTS OF INTERESTS

Russian legislation provides for a number of mechanisms to prevent conflicts of interests among the Company's directors and members of executive bodies, which, for instance, may be related to their employment in managerial positions by competitors of the Company. One of the mechanisms is directors' and officers' duty to inform the Company of any positions and/or of any equity ownership they may hold in other organisations. Also, a director is obliged to refrain from voting on a transaction if he or she may be interested in the Company entering into this transaction. Thirdly, a director must inform the Company of any parties in relation to which the director may be deemed a related party if entering into a transaction. Accordingly, when the Board approves a related party transaction, any director who is deemed a related party for the transaction, does not vote.



CORPORATE GOVERNANCE / CONTINUED

The Company also has a number of internal controls to identify a conflict of interests. In particular, a director is obliged to inform the Company of any persons in relation to which the director is an affiliate. Also, the corporate information system has a list of related parties (updated regularly), which is used to select transactions that have to be raised to the Board of Directors or the general meeting of the Company.

As mentioned earlier, in 2015 a new version of the Regulations on the Audit Committee was approved. The new document introduces a special working procedure for the Audit Committee in the event of a strategic transaction to be entered into by the Company. As strategic transactions mean a transfer of ownership or control in relation to a significant number of voting rights over voting shares of the Company or an acquisition by Uralkali or a member of Uralkali Group of significant blocks of shares, only a special committee comprised solely of independent directors is authorised to issue recommendations pertaining to such transactions (including their terms, conditions and procedures) in order to respect the interests of all shareholders and avoid a conflict of interest on the part of one or several directors who may be associated with major shareholders.

In 2015, Uralkali or other members of Uralkali Group did not grant loans to directors of the Company.

MAJOR AND RELATED PARTY TRANSACTIONS

In 2015, the Company entered into a number of transactions, which were deemed major and/or related party transactions pursuant to the Russian Federal Law "On joint-stock companies" (the Law). The Law also stipulates that such transactions must be approved by the general meeting or the Board of Directors depending on the value of transactions, the identity and number of related parties, and explains the approval procedure.

Most of the transactions in question were approved by the AGM as related party transactions and as transactions which can be entered into in the future in the ordinary course of business within the established limits (transactions with Uralkali's subsidiaries). All the listed transactions were approved following the procedure stipulated by the Law, and so the transactions do not create any conflict of interests.

Also in 2015, the annual general meeting approved a traditional transaction, under which all directors were deemed related parties, namely, the Directors' & Officers' liability insurance agreement, which is negotiated and approved each year.

Aside from the AGM held on June 15th, 2015, three extraordinary general meetings took place in 2015.

The EGM held on August 7th, 2015 approved, inter alia, a major related-party transaction (a series of interconnected transactions) between Uralkali and one of its subsidiaries (JSC Uralkali-Technology). The total value of the transaction was more than 2% but less than 25% of the book value of the Company's assets. Under this transaction, the EGM approved acquisition by Uralkali of shares issued by JSC Uralkali-Technology as part of an additional equity issue in the total amount of 150 billion roubles.

On August 25th, 2015 Uralkali, on the one part, and Barclays Bank PLC and VTB Capital PLC (the Banks) as dealer managers, on the other part, signed an Indemnity Deed, which was approved by the Board of Directors on August 24th, 2015. The deed was related to the services provided by the Banks in relation to and in connection with the buyback programme, which was launched by the Board on August 24th, 2015. The Company's liability under the deed did not exceed 2% of the Company's book value as of the latest reporting date.

The EGM held on November 17th, 2015 approved a major transaction to secure financing from PJSC Sberbank. The amount of the transaction was more than 25% but less than 50% of the Company's book value. The general meeting also approved Addendum 1 to the Indemnity Deed with banks (see above) to increase the Company's liability under the Indemnity Deed to within 25% of the Company's book value.

Then, another EGM took place on December 9th, 2015, which approved Addendum 2 to the Indemnity Deed with banks to exclude the limits of the Company's liability. The size of this transaction, related to the series of transactions, exceeded 50% of the Company's book value.

Shareholders also approved a major transaction to raise financing from PJSC Sberbank, a deal worth over 50% of the Company's book value if combined with credit facility agreements with the bank, as well as a number of other major related-party transactions (a series of interconnected transactions): framework agreements with the Company's trading organisation – Uralkali Trading SIA – in the total amount of more than 25% but less than 50% of the Company's book value, and a transaction to purchase additional shares issued by JSC Uralkali-Technology, the aggregate value of which (combined with previously approved transactions) exceeded 50% of the Company's book value.

EXECUTIVE BODIES OF THE COMPANY**THE CHIEF EXECUTIVE OFFICER AND THE MANAGEMENT BOARD**

The Chief Executive Officer is the sole executive body of Uralkali, whose competence is determined by the Company's Charter. The CEO is also the head of the Management Board.

Since December 24th, 2013, Uralkali's CEO is Dmitry Osipov.

The Management Board is a collective executive body of the Company. Its quantitative and personal composition is determined by the Board of Directors.

In 2015, the composition of the Management Board was changed several times, and as of December 31st, 2015 it had 9 members:

- Dmitry Osipov (Chairman)
- Anton Vischanenko
- Nikolai Ivanov
- Ruslan Ilyasov
- Nadezhda Kiryanova
- Evgeny Kotlyar
- Stanislav Seleznev
- Boris Serebrennikov
- Marina Shvetsova

In 2015, the Management Board had 11 meetings.

COMMITTEES UNDER THE CEO (WORKING GROUPS)

In 2011, the Company started a process to create committees (or working groups) directly reporting to the CEO to focus on the key aspects of the Company's activities. To date, there are 7 Working Groups:

- The Health, Safety, Environment and Corporate Social Responsibility Working Group
- The Risk and Internal Control Working Group
- The Procurement Working Group
- The Investments Working Group
- The Subsidiary Management Working Group
- The Mine Safety Working Group
- The Compensation and Benefits Working Group

The Working Groups were formed to ensure a single approach to decision-making in these areas of activity. Every group is represented by senior executives and is personally led by the CEO. The Working Groups' competence includes monitoring and review of relevant information; preliminary discussions and risk analysis; and follow-up of scheduled activities. This approach ensures a continuous dialogue with the management team and a two-way flow of information about the most crucial aspects of the Company's activities. In 2015, around 50 meetings of the Working Groups were held.

REMUNERATION PAYABLE TO THE MANAGEMENT BOARD AND BOARD OF DIRECTORS

Members of the Board of Directors receive remuneration in line with the Regulations on directors' remuneration and reimbursement. The Regulations only provide for remuneration for independent directors and at the same time specify director independence criteria.

An independent director's remuneration consists of the base part and a separate part for additional duties as a committee member or chairperson or as a deputy chairperson of the Board of Directors. Both parts of remuneration are fixed values.

Remuneration payable to the Chairman of the Board of Directors is governed by a specific section of the Regulations on directors' remuneration and compensation. The Chairman's remuneration is also fixed and is paid on a monthly basis in equal amounts.

In 2015, three independent directors received remuneration: Sergey Chemezov, Sir Robert Margetts and Paul Ostling.

In December 2015, the general meeting of the Company approved the new version of the remuneration regulations. As the actual time and effort contributed by directors in 2015 considerably exceeded the original work plan, the new document allowed for a one-time increase in the annual base remuneration for independent directors subject to the increase being capped at the amount of base remuneration and subject to the Company implementing a strategic transaction in the respective year.

According to the new remuneration regulations, the annual base remuneration for all independent directors was increased once in December 2015.

Shareholders also deemed reasonable and satisfied a Board's suggestion to increase the size of remuneration for chairing the committees required by the Moscow Exchange's Listing Rules (i.e. the Audit Committee and the Appointments and Remuneration Committee).

Several other amendments were introduced to the remuneration structure, all of which are published on Uralkali's official web site.

In accordance with the the Regulations on directors' remuneration and reimbursement Members of the Board of Directors are reimbursed for their travel expenses (travel to and from the location of the meeting of the Board of Directors), accommodation costs and costs not related to participation in Board meetings but connected with the business of the Company. Members of the Board of Directors are reimbursed for the expenses incurred by them within reasonable limits.

In total payments to directors in 2015 were as follows:

	In RUB	In US\$**
REMUNERATION	188,929,294	3,099,234
EXPENSES	7,763,171	127,349
TOTAL:	196,692,465	3,226,583

* Based on the average RUB/US\$ exchange rate in 2015 - 60.96 RUB/1 US\$.

Remuneration payable to members of the Management Board consists of two parts: a monthly salary, the size of which is specified in individual employment contracts, and an annual bonus. The amount of the bonus depends on the achievement of individual annual KPIs, which reflects the contribution of a member of the management team to the achievement of strategic and operating goals of the Company. Members of the Management Board do not receive any additional remuneration for their work in the Management Board.

Currently, the Company does not have a long-term management incentive programme, and so senior executives of the Company are not paid additional bonuses.

The total amounts paid to the Management Board for 2015 were as follows:

	In RUB	In US\$**
SALARY	347,889,968	5,706,856
ANNUAL BONUS	167,167,449	2,742,248
TOTAL:	515,057,417	8,449,104

* After personal income tax.

**Based on the average RUB/US\$ exchange rate in 2015 - 60.96 RUB/1 US\$.



CORPORATE GOVERNANCE / CONTINUED

INFORMATION ABOUT MANAGEMENT'S EQUITY OWNERSHIP

According to JSC Independent Registrar, as of December 31st, 2015 there are no directors (Board of Directors and Management Board members) who currently hold or previously held positions in management bodies of Uralkali in 2015 in the Company's share register both as of January 1st, 2015 and as of December 31st, 2015. There is no record of any transactions made by members of Uralkali's management bodies to acquire or alienate shares of the Company, including dates and essence of transactions, the category (type) and number of Uralkali shares, which were the subject matter of such transactions from January 1st, 2015 until December 31st, 2015. The share register has no records of nominee shareholders as of January 1st, 2015 and December 31st, 2015.

THE ANTI-FRAUD AND ANTI-CORRUPTION COMPLIANCE SYSTEM

In 2011, the Company adopted an anti-fraud programme, which sets a mechanism to prevent corporate fraud. The programme covers internal, economic and information security and provides for a hotline service to receive messages about suspected fraudulent activities. The Security Directorate works in close contact with the Company's compliance officer to identify conflicts of interests and respond to any identified noncompliance. In 2015, the programme remained in force, and a number of activities were implemented.

In 2013, the Company started a project to create an anti-corruption system. As of the end of 2015, the compliance system includes anti-trust compliance, ethical compliance and sanctions compliance components, all of which are closely monitored to avoid breaching any applicable regulations. The Company holds regular training workshops and online knowledge assessments, and develops new controls as becomes necessary.

ACTIVITIES OF THE BOARD COMMITTEES

BOARD COMMITTEE	MEMBERS	KEY FUNCTIONS	TARGETS FOR 2015
THE AUDIT COMMITTEE	Paul Ostling (Chairman), Sir Robert John Margetts, Michael Sosnovsky	<ul style="list-style-type: none"> risk management and internal control external and internal audit corporate governance legal compliance 	<ul style="list-style-type: none"> implementation of projects related to the buyback programmes; participation in implementation of strategic transactions development of recommendations to approve the IFRS annual and semi-annual reports and the annual report participation in the selection of new IFRS and RAS auditors
THE CSR COMMITTEE	Sir Robert John Margetts (Chairman), Paul Ostling, Dmitry Konyaev, Dmitry Osipov, Michael Sosnovsky	Consideration of health, safety, environment and social responsibility issues to develop an effective management system for these areas.	<ul style="list-style-type: none"> consideration of issues related to production waste management monitoring of the Company's HSE activities and performance review and monitoring of the energy saving programme consideration of mine safety issues
THE APPOINTMENTS AND REMUNERATION COMMITTEE	Paul Ostling (Chairman), Sir Robert John Margetts, Dmitry Konyaev	Engagement of qualified specialists for the management of the Company; development of necessary incentives to facilitate a successful functioning of the Company's management bodies to implement strategic plans and ensure succession in management.	<ul style="list-style-type: none"> assessment of the management's 2015 performance charts monitoring of headcount issues development of recommendations on key appointments to management bodies of the Company
THE INVESTMENT AND DEVELOPMENT COMMITTEE	Sir Robert John Margetts (Chairman), Paul Ostling, Dmitry Konyaev, Dmitry Osipov, Michael Sosnovsky, Jian Chen	Consideration of the Company's strategic development, budgeting process and major investment projects.	<ul style="list-style-type: none"> consideration of the current long-term strategy of the Company; development of recommendations for the Board monitoring of the project to optimise the repair and maintenance system monitoring of investment projects' efficiency and the budgeting process; consideration of proposals on new investment projects.



CORPORATE GOVERNANCE

Management Board



DMITRY OSIPOV
GENERAL DIRECTOR (CEO),
CHAIRMAN OF THE MANAGEMENT BOARD

APPOINTMENT

A member of the Management Board since 2013.

EDUCATION

University degree, Gorkiy State University.

SKILLS AND EXPERIENCE

SINCE THE MID-1990S Dmitry Osipov has held senior positions in major chemical companies: OJSC Chemprom (Volgograd), OJSC Sibur-Chemprom.

IN 2005-2007 – General Director of OJSC Kirovo-Chepetsk Chemical Plant

FROM 2007-2011 – General Director of OJSC UCC URALCHEM

IN 2007-2013 – member of the Board of Directors of OJSC UCC URALCHEM

2011-2013 – Deputy Chairman of the Board of Directors of OJSC UCC URALCHEM

IN DECEMBER 2013 appointed as General Director of PJSC Uralkali

EXTERNAL APPOINTMENTS

A member of the Board of Directors of a number of Uralkali's affiliates.



BORIS SEREBRENNIKOV
DIRECTOR OF MINE

APPOINTMENT

A member of the Management Board since 2012.

EDUCATION

University degree, Perm Polytechnic Institute.

SKILLS AND EXPERIENCE

FROM 1994 TO 2011, Boris Serebrennikov held various executive positions at Sylvinit. In 2011, he became the head of the Solikamsk-1 mine.

IN 2012-2015 was the Production Director of Uralkali.

IN APRIL 2015 he was appointed the Director of Mine.

EXTERNAL APPOINTMENTS

Does not have executive positions in other companies.



ANTON VISCHANENKO
CHIEF FINANCIAL OFFICER

APPOINTMENT

A member of the Management Board since 2014.

EDUCATION

University degree, Moscow State Aviation Institute.

SKILLS AND EXPERIENCE

SINCE 2000, Anton Vischanenko has held specialist and executive positions at Wimm-Bill-Dann, Mechel and OJSC UCC URALCHEM.

IN 2012, he was appointed Deputy General Director - CFO of the Novorossiysk Commercial Sea Port.

IN OCTOBER 2014, Anton became Uralkali's CFO.

EXTERNAL APPOINTMENTS

A member of the Board of Directors of a number of Uralkali's affiliates.



EVGENY KOTLYAR
CHIEF TECHNICAL OFFICER

APPOINTMENT

A member of the Management Board since 2011.

EDUCATION

University degree, Perm Polytechnic Institute.

SKILLS AND EXPERIENCE

FROM 2000 TO 2007 AND THEN FROM 2010 TO JUNE 2011, Evgeny was the head of production at Sylvinit. Following the merger with Uralkali he was appointed the head of production of the combined company.

IN 2012-2015 he was the Chief Engineer of Uralkali.

IN APRIL 2015 he was appointed the Technical Director of Uralkali.

EXTERNAL APPOINTMENTS

A member of the Board of Directors of a number of Uralkali's affiliates.

IN 2015, OUR MANAGEMENT BOARD proved their ability to effectively organise the business processes of the Company during rather unfavourable market conditions, which allowed the Company to retain a leading position in the industry.



NADEZHDA KIRYANOVA
DIRECTOR FOR PROCUREMENT

APPOINTMENT

A member of the Management Board since 2014.

EDUCATION

University degree, Perm Polytechnic Institute.

SKILLS AND EXPERIENCE

1982-2014: a long stint at Azot, where Nadezhda rose from a PC operator to the head of commerce at the Azot branch of URALCHEM. Also, for 16 years she has been a teacher at the Berezniki branch of the Perm National Research Institute, at the Ural Economic University, and the Higher School of Economics.

IN APRIL 2014, Nadezhda was appointed the director for procurement at Uralkali.

EXTERNAL APPOINTMENTS

Does not have executive positions in other companies.



STANISLAV SELEZNEV
HEALTH, SAFETY AND ENVIRONMENT DIRECTOR

APPOINTMENT

A member of the Management Board since 2011.

EDUCATION

University degree, Higher Naval Engineering Institute named after V.I. Lenin in St. Petersburg.

SKILLS AND EXPERIENCE

IN 2007-2010: head of HSE at Lafarge Cement.

IN 2010, Stanislav was appointed the HSE Director at Uralkali.

EXTERNAL APPOINTMENTS

Does not have executive positions in other companies.



NIKOLAI IVANOV
DIRECTOR FOR INTERNAL AUDIT

APPOINTMENT

A member of the Management Board since 2015.

EDUCATION

University degree, MGIMO.

SKILLS AND EXPERIENCE

IN 2008-2015 – Vice President and member of the Management Board at NGO “Russian Risk-Management Society”

IN 2010-2013 – Head of Internal Audit at CJSC Polyus

IN 2013-2015 – Director for Internal Control at CJSC Polyus

SINCE OCTOBER 2015 – Director for Internal Audit at PJSC Uralkali

EXTERNAL APPOINTMENTS

Does not have executive positions in other companies.



MARINA SHVETSOVA
LEGAL AND CORPORATE AFFAIRS DIRECTOR

APPOINTMENT

A member of the Management Board since 2005.

EDUCATION

University degree, Perm State University named after A.M. Gorky.

SKILLS AND EXPERIENCE

FOR THE PERIOD 1999 – 2006, Marina Shvetsova lectured at Perm State University.

BETWEEN 2001 AND 2005, Ms Shvetsova worked at CJSC Sibur-Khimprom holding various positions, including Head of the Legal Department.

IN 2005, Ms Shvetsova was appointed Director of Legal and Corporate Affairs and Member of the Management Board of Uralkali.

SINCE 2006 Marina has been the the Legal and Corporate Affairs Director.

EXTERNAL APPOINTMENTS

A member of the Board of Directors of a number of Uralkali’s affiliates.



RUSLAN ILYASOV
HUMAN RESOURCES DIRECTOR

APPOINTMENT

A member of the Management Board since 2014.

EDUCATION

University degree, Military Institute of the Ministry of Defence.

SKILLS AND EXPERIENCE

1997-2002: various executive positions at Coca Cola, Yukos RM, Sun Interbrew, Alfa-Bank, Alcoa, Eldorado.

IN 2012, he was appointed the general director of Zole Trading House.

Ruslan was repeatedly elected as Chairman of the HR Committee of the American Chamber of Commerce; he was also the Chairman of the Russian HR Association for a year.

IN 2008-2013, he was a member of the Board of Directors of AK BARS Bank.

SINCE DECEMBER 2014: HR Director at Uralkali.

EXTERNAL APPOINTMENTS

Does not have executive positions in other companies.

CORPORATE GOVERNANCE

Information for shareholders and investors

In 2015 Uralkali continued to act in compliance with best practices in its relations with investors, aimed at transparency and availability of information.

ORDINARY SHARES

Uralkali's share capital amounts to 1,468,007,945.5 roubles divided into 2,936,015,891 ordinary registered shares with a face value of 0.50 roubles each. As at the date of this report, the Company's share capital has remained unchanged since 1 August 2012.

GLOBAL DEPOSITARY RECEIPTS (GDRs)

Global Depositary Receipts (GDRs) are issued in respect of ordinary shares at a ratio of five registered ordinary shares per one GDR. The GDRs were traded on the London Stock Exchange* until 22 December 2015, following which the GDRs were delisted. The Company's depository bank is The Bank of New York Mellon.

As of 31 December 2015, GDRs represented approximately 24.7% of Uralkali's share capital.**

Due to a very small size of remaining 144A GDR programme the Company decided to cancel it starting from 12 January 2016.

STOCK EXCHANGES

As of 31 December 2015, Uralkali's ordinary shares and GDRs were traded on the Moscow Exchange. Uralkali's GDRs had been traded on the London Stock Exchange up to their delisting on 22 December 2015.

* The Company's GDR delisting from London Stock Exchange took place on December 22

** Rule 144A GDR program was closed on January 12, 2016

TRADING FLOORS OF URALKALI'S SHARES AND GDRs

TRADING FLOOR	TICKER CODE
MOSCOW EXCHANGE	URKA
LONDON STOCK EXCHANGE (LSE)*	URKA

URALKALI'S SECURITIES IDENTIFICATION NUMBERS

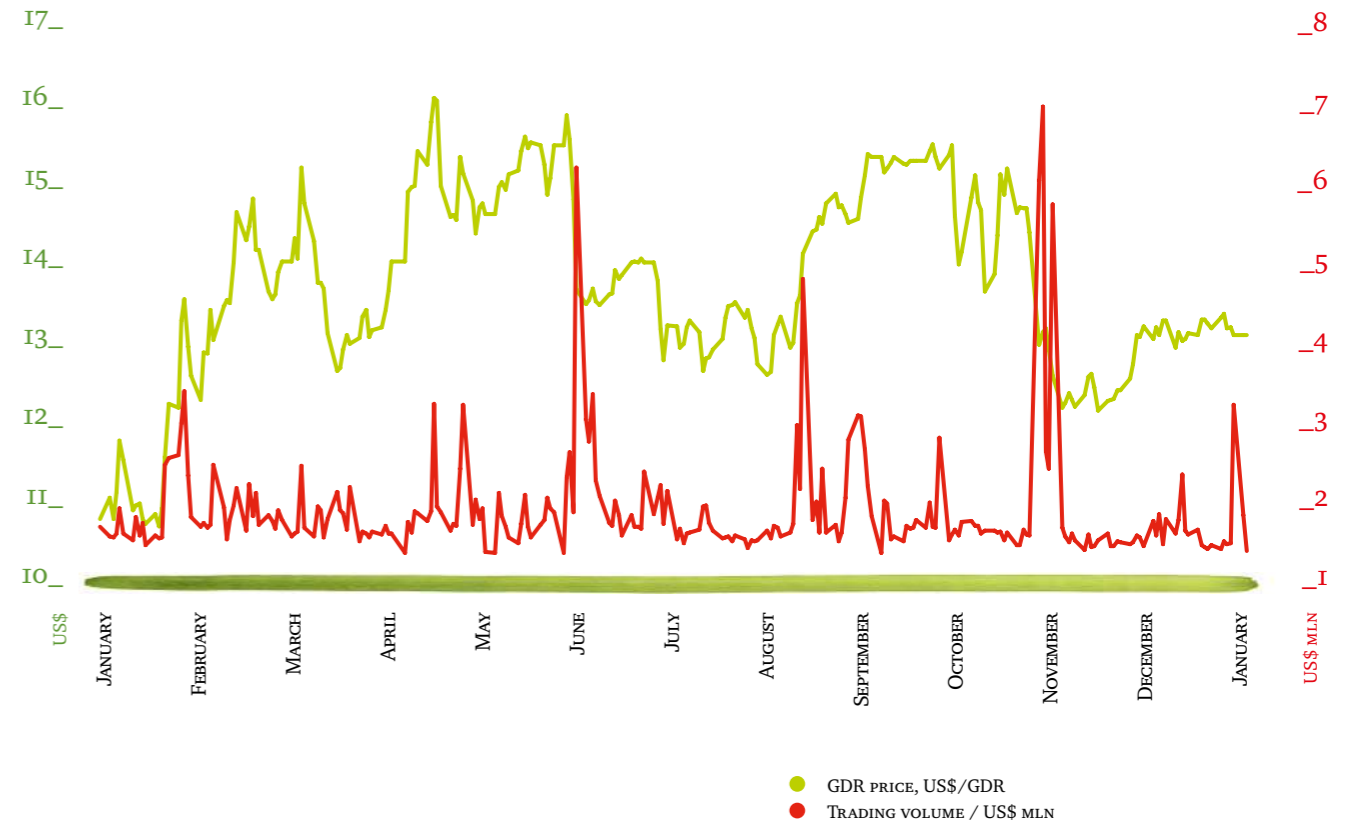
CUSIP¹:	
- REGULATION S GDRs	91688E206
- RULE 144A GDRs**	91688E107
ISIN²:	
- REGULATION S GDRs	US91688E2063
- RULE 144A GDRs**	US91688E1073 RU0007661302

¹ CUSIP (Committee on Uniform Security Identification Procedures) – identification number is given to the issue of shares for the purposes of facilitating clearing.

² ISIN (International Securities Identification Number) – international identification number of the share.

TRADING VOLUMES ON THE LSE IN 2015*

LONDON STOCK EXCHANGE (URALKALI GDRs)



● GDR PRICE, US\$/GDR
● TRADING VOLUME / US\$ MLN

Source: Bloomberg

TRADING VOLUMES ON THE MOSCOW EXCHANGE IN 2015*

MOSCOW EXCHANGE (URALKALI SHARES)



● SHARE PRICE, RUB/SHARE
● TRADING VOLUME / MLN RUB

* As of December 2015

Source: Bloomberg



INFORMATION FOR SHAREHOLDERS AND INVESTORS / CONTINUED

URALKALI GDRs AND ORDINARY SHARES TRADING INFORMATION / MARKET TRANSACTIONS, BLOOMBERG/

	LSE* (GDRs, US\$)		MOSCOW EXCHANGE (SHARES, RUB)	
	2014	2015	2014	2015
ANNUAL MAXIMUM PRICE	27.5	16.27	185.9	215.25
ANNUAL MINIMUM PRICE	9	10.37	116.7	126.20
YEAR-END PRICE	11.79	13.00	128.4	177.00
TRADING VOLUME (MILLION UNITS)	255	168	991.5	825.0

CREDIT RATINGS

	S&P	MOODY'S	FITCH
CREDIT RATING	BB-	Ba2	BB-
OUTLOOK	Stable	Stable	Stable
LAST RATING DATE	9 December 2015	9 October 2015	4 September 2015

TOTAL SHAREHOLDER RETURN³

	URALKALI	PEER AVERAGE
TSR 2015	5.51%	-30%
TSR 2014	-54.8%	5,3%
TSR 2013	-27.9%	-15.5%

URALKALI'S SHARE IN MAJOR INDICES

MICEX	0.97%
RTS	0.97%
MARKET VECTORS RUSSIA	1.52%
MARKET VECTORS AGRIBUSINESS	0.41%

* On 22 December 2015, due to the delisting of the Company's GDRs from the London Stock Exchange, the disclosure of information on the website of the London Stock Exchange was suspended.

³ For Uralkali and its competitors, Total Shareholder Return is calculated based on change in share price for the period and taking into account dividends announced in the period.

Source: Moscow Exchange, MSCI, Market Vectors

ANALYST COVERAGE

More than 15 equity research analysts from leading banks, including Credit Suisse, Goldman Sachs, HSBC, JP Morgan, UBS, VTB Capital and Sberbank CIB, follow the Company on a regular basis.

Uralkali's IR team routinely monitors and communicates analyst consensus to the Company's Board of Directors and top management.

For more information please see: www.uralkali.com/investors/analysts/

CREDIT RATINGS

In June 2012, the Company received investment grade credit ratings from three international rating agencies: Fitch, Standard & Poor's and Moody's.

In January 2015, Fitch affirmed Uralkali's BBB- rating and changed its outlook from Stable to Negative following the downgrade of the Russian sovereign rating. Dynamics of the Company's credit ratings in 2015:

- On 15 May, S&P lowered Uralkali's credit rating from BBB- to BB+ with a negative outlook
- On 7 July, Fitch lowered Uralkali's credit rating from BBB- to BB+ with a negative outlook
- On 1 September, S&P lowered Uralkali's credit rating from BB+ to BB with a stable outlook
- On 5 October, Fitch lowered Uralkali's credit rating from BB+ to BB- with a stable outlook
- On 12 October, Moody's lowered Uralkali's credit rating from Ba1 to Ba2 with a stable outlook
- On 9 December, S&P lowered Uralkali's credit rating from BB to BB- with a stable outlook

For more information please see: www.uralkali.com/investors/financial_income/

DIVIDENDS

TAXATION

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

- for legal entities:
 - 0% for tax residents of the Russian Federation, if such an entity owns over 50% of the Company's share capital for a period of more than 365 days
 - 13% for other Russian residents
 - 15% tax for non-residents
- for individuals
 - 13% for Russian tax residents
 - 15% for tax non-residents

Should the recipient of a dividend be a tax resident of a state with which the Russian Federation has signed a treaty on avoidance of double taxation, the tax payments must be made in compliance with the tax rate indicated under the relevant treaty (subject to the conditions set forth in the treaty).

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

DIVIDEND PAYMENTS

PERIOD	RECORD DATE	DATE OF ADOPTION OF DECISION ON DIVIDEND PAYMENT	AMOUNT OF DIVIDEND PER ORDINARY SHARE/GDR (RUB)	AMOUNT OF ACCRUED DIVIDENDS (RUB, 000)
2013	20.06.2014	09.06.2014	1,63/8,15	4 785 705,90
INTERIM DIVIDENDS	29.10.2013	18.12.2013	2,21/0,34	6 488 595,10
2012	25.04.2013	04.06.2013	3,9/19,5	11 450 461,97
INTERIM DIVIDENDS	06.11.2012	13.12.2012	4,71/23,55	13 828 634,85
2011	26.04.2012	07.06.2012	4,0/20,0	12 378 551,62
INTERIM DIVIDENDS	02.11.2011	08.12.2011	4,0/20,0	12 378 066,30
2010	24.05.2011	29.06.2011	4,55/22,75	14 080 050,40

INFORMATION FOR SHAREHOLDERS AND INVESTORS / CONTINUED

DIVIDEND POLICY

The payment of dividends is regulated by the legislation of the Russian Federation. Dividends are paid from the profits of the Company after taxation (net profit). The net profit size is determined on the basis of the Company's accounting (financial) statements.

Pursuant to the applicable laws, and Uralkali's Charter and the Regulations on the Dividend Policy, the Company has the right to decide (declare) to pay dividends based on the results of the financial year, as well as of the first quarter, six months and nine months of the financial year (interim dividends).

For more information please see: http://www.uralkali.com/investors/shareholder_inf/dividends/

INVESTOR RELATIONS

COMMUNICATIONS AND DIALOGUE

Transparent communications with all shareholders is one of Uralkali's top priorities. The Company's management maintains regular dialogue with institutional investors and sell-side analysts through participation in meetings, presentations, international conferences, webcasts and conference calls, during which it discusses the Company's financial results and provides an overview of the potash market.

Uralkali understands the importance of keeping the investment community informed of the latest developments and provides updated outlooks in order to build an understanding of the Company's investment case.

In 2014, Uralkali maintained active communications with investors through the following activities:

- Roadshows involving senior management to meet with institutional investors in the USA, UK and Europe
- Participation of the Company's management in a number of leading international market and industry conferences and forums focused on emerging markets
- Meetings between the Company's Independent Directors and current and potential investors to share their views and listen to concerns
- A Capital Markets Day, which included meetings with operational senior management, as well as visits to Uralkali's main business units
- Conference calls and webcasts on financial results and an overview of the potash market

Last year, Uralkali held over 215 meetings with the investment community and more than 50 investors and analysts attended the Company's Capital Markets Day.

BOARD OVERSIGHT

The Board regularly receives investor relations reports covering key meetings, activities and shareholders' feedback. Analyst coverage reports are also circulated on a regular basis. During the year, Uralkali conducts perception studies analysing opinions within the investment community on the Company's strategy, corporate governance practices, information disclosure in the area of sustainable development and other key issues. The survey results are presented to the Board of Directors.

INFORMATION DISCLOSURE

The Company takes great care to ensure that any relevant information is released to all shareholders and analysts at the same time, in accordance with the transparency principles.

Generally, the information is distributed through the following channels:

- **London Stock Exchange website:*** the Company posts price-sensitive information on the LSE site through the information disclosure system (RNS)*
- **Uralkali website:** the Company publishes releases on important events and financial results, as well as providing regular updates in relation to Uralkali's operations and the status of the capacity expansion programme. Any interested parties can subscribe online to receive news updates by registering online

Uralkali posts its annual reports on its website www.uralkali.com on the day of the report's official publication, and sends out a press release to announce the publication. Hard copies of the annual reports are available upon request via the website.

For more information please see: www.uralkali.com/ru/investors
The website is regularly updated.

- **Social media:** Uralkali selectively uses social media as an additional channel of information disclosure and to distribute Company and industry news, as well as to highlight publications in the Russian and foreign media.
For more information please visit Uralkali's official Facebook page at www.facebook.com/UralkaliURKA and Twitter www.twitter.com/UralkaliNEWS

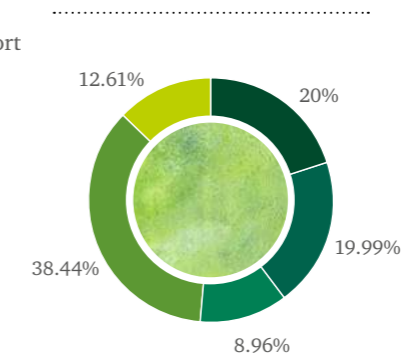
- **E-mail**
The Investor Relations Department can be contacted with respect to any queries at ir@msc.uralkali.com

AWARDS

In 2015, the Company participated in a number of contests for the best annual report for 2014:

- Best international report – IR Society (winner)
- RA Expert: Best design and printing of an annual report (non-financial sector) (winner)
- CorpComms Awards 2014: Best annual report – private sector (nominee)
- The 18th Annual Report Competition organised by the Moscow Exchange:
 - Best annual report from the industrial sector of the economy (nominee)
 - Best annual report from a company with a market capitalisation of more than RUB 100 billion (nominee)
 - Best design and printing of an annual report (nominee)
 - Best disclosure of corporate governance in an annual report (nominee)

SHARE CAPITAL STRUCTURE⁴
/ %

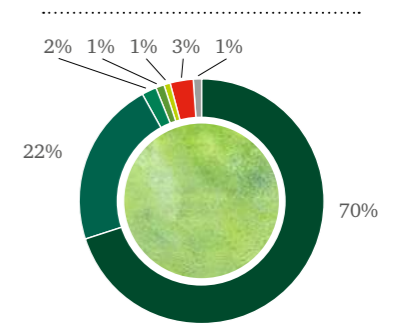


- ONEXIM Group 20%⁵
- URALCHEM OJSC 19.99%
- Free float 8.96%
- Treasury shares 38.44%
- VTB Capital (under the REPO agreement) 12.61%

⁴ The shareholdings are based on data as of 14 April 2016.

⁵ According to information from ONEXIM Group (<http://www.onexim.ru>)

GEOGRAPHY OF URALKALI'S SHAREHOLDERS⁶
/ %



- Russian Federation 70%
- Cyprus 22%
- USA 2%
- UK 1%
- Singapore 1%
- Rest of World 3%
- Rest of Europe 1%

⁶ Free float excluding treasury shares as of December 2015.



* On 22 December 2015, due to the delisting of the Company's GDRs from the London Stock Exchange, the disclosure of information on the website of the London Stock Exchange was suspended.

URALKALI GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2015

Independent Auditor's Report

Deloitte.

ZAO Deloitte & Touche CIS
5 Lesnaya Street
Moscow, 125047
Russia
Tel: +7 (495) 787 06 00
Fax: +7 (495) 787 06 01
www.deloitte.ru

TO: SHAREHOLDERS AND BOARD OF DIRECTORS OF PUBLIC JOINT STOCK COMPANY "URALKALI"

We have audited the accompanying consolidated financial statements of Public Joint Stock Company "Uralkali" and its subsidiaries (collectively - the "Group"), which comprise the consolidated statement of financial position as of 31 December 2015, and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for 2015 year and notes comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT OF THE GROUP IS RESPONSIBLE FOR THE PREPARATION AND FAIR PRESENTATION OF THESE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS, AND FOR SUCH INTERNAL CONTROL AS MANAGEMENT DETERMINES IS NECESSARY TO ENABLE THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS THAT ARE FREE FROM MATERIAL MISSTATEMENT, WHETHER DUE TO FRAUD OR ERROR.

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 RUSSIAN FEDERAL AUDITING STANDARDS AND INTERNATIONAL STANDARDS ON AUDITING. THOSE STANDARDS REQUIRE THAT WE COMPLY WITH ETHICAL REQUIREMENTS AND PLAN AND PERFORM THE AUDIT TO OBTAIN REASONABLE ASSURANCE ABOUT WHETHER THE CONSOLIDATED FINANCIAL STATEMENTS ARE FREE FROM MATERIAL MISSTATEMENT. AN AUDIT INVOLVES PERFORMING PROCEDURES TO OBTAIN AUDIT EVIDENCE ABOUT THE AMOUNTS AND DISCLOSURES IN THE CONSOLIDATED FINANCIAL STATEMENTS. THE PROCEDURES SELECTED DEPEND ON THE AUDITOR'S JUDGMENT, INCLUDING THE ASSESSMENT OF THE RISKS OF MATERIAL MISSTATEMENT OF THE CONSOLIDATED 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 CONSOLIDATED 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 CONSOLIDATED FINANCIAL STATEMENTS. WE BELIEVE THAT THE AUDIT EVIDENCE WE HAVE OBTAINED IS SUFFICIENT AND APPROPRIATE TO EXPRESS AN OPINION ON THE FAIR PRESENTATION OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

OPINION

IN OUR OPINION, THE CONSOLIDATED FINANCIAL STATEMENTS PRESENT FAIRLY, IN ALL MATERIAL RESPECTS, THE FINANCIAL POSITION OF THE GROUP AS OF 31 DECEMBER 2015, AND ITS FINANCIAL PERFORMANCE AND CASH FLOWS FOR 2015 IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS.

ZAO DELOITTE & TOUCHE CIS
11 APRIL 2016
MOSCOW, RUSSIAN FEDERATION

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms. Please see www.deloitte.ru/en/about for a detailed description of the legal structure of Deloitte CIS.

Independent Auditor: ZAO "Deloitte & Touche CIS" Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992. Primary State Registration Number: 1027700425444 Certificate of registration in the Unified State Register № 77 004840299 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39. Certificate of membership in "NP "Audit Chamber of Russia" (auditors' SRO) of 20.05.2009 № 3026, ORNZ 10201017407.

Audited entity: Public Joint Stock Company "Uralkali" State Registration Certificate No. 1128 issued on 14 October 1992 by the Berezniki Administration, Perm region Certificate of registration in the Unified State Register of Legal Entities No. 1025901702188 issued on 11 September 2002 Location: 63 Pyatiletki ul., Berezniki, 618426, the Perm region

URALKALI GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2015
(in thousands of US dollars, unless otherwise stated)

	NOTE	31 DECEMBER 2015	31 DECEMBER 2014
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,682,974	1,899,108
Prepayments for acquisition of property, plant and equipment and intangible assets		134,408	129,981
Goodwill	9	809,397	1,048,573
Intangible assets	10	2,424,983	3,192,065
Deferred income tax asset	29	56,721	14,644
Income tax prepayments	11	82,218	128,983
Other non-current assets		2,810	970
Investment in associate		20,110	21,300
TOTAL NON-CURRENT ASSETS		5,213,621	6,435,624
CURRENT ASSETS:			
Inventories	12	130,231	143,374
Trade and other receivables	13	407,576	455,283
Advances to suppliers		21,091	25,844
Income tax prepayments		87,671	76,610
Derivative financial assets	21	-	12,994
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	14	67,599	61,209
RESTRICTED CASH	15	200,000	-
DEPOSITS	15	-	300,000
CASH AND CASH EQUIVALENTS	15	1,111,878	2,155,247
		2,026,046	3,230,561
NON-CURRENT ASSETS HELD FOR SALE		-	3,672
TOTAL CURRENT ASSETS		2,026,046	3,234,233
TOTAL ASSETS		7,239,667	9,669,857
EQUITY			
Share capital	16	35,762	35,762
Treasury shares	16	(23,953)	(5,759)
Share premium		1,012,662	4,361,346
Currency translation reserve		(3,706,496)	(3,609,136)
Retained earnings		2,057,321	1,879,243
EQUITY ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS		(624,704)	2,661,456
Non-controlling interests		11,670	9,383
TOTAL EQUITY		(613,034)	2,670,839
LIABILITIES			
NON-CURRENT LIABILITIES:			
Borrowings	19	3,579,194	4,418,632
Bonds	20	580,883	580,125
Post-employment and other long-term benefit obligations		28,343	30,967
Deferred income tax liability	29	377,132	459,223
Provisions	17	74,798	45,003
Asset retirement obligations	18	35,084	-
Derivative financial liabilities	21	358,123	525,257
TOTAL NON-CURRENT LIABILITIES		5,033,557	6,059,207

URALKALI GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2015
(in thousands of US dollars, unless otherwise stated) / CONTINUED

	NOTE	31 DECEMBER 2015	31 DECEMBER 2014
CURRENT LIABILITIES:			
Borrowings	19	2,325,470	628,030
Bonds	20	3,785	3,847
Trade and other payables	22	204,148	163,858
Advances received		23,166	31,723
Provisions	17	11,176	48,567
Derivative financial liabilities	21	227,480	42,634
Current income tax payable		1,758	694
Other taxes payable		22,161	20,458
Total current liabilities		2,819,144	939,811
TOTAL LIABILITIES		7,852,701	6,999,018
TOTAL LIABILITIES AND EQUITY		7,239,667	9,669,857

Approved for issue and signed on behalf of the Board of Directors on
11 April 2016.

Dmitry OSIPOV
Chief Executive Officer



Anton VISHANENKO
Chief Financial Officer



URALKALI GROUP CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2015
(IN THOUSANDS OF US DOLLARS, UNLESS OTHERWISE STATED)

	NOTE	2015	2014
Revenues	23	3,123,302	3,559,292
Cost of sales	24	(568,758)	(915,967)
GROSS PROFIT		2,554,544	2,643,325
Distribution costs	25	(604,264)	(932,771)
General and administrative expenses	26	(156,884)	(209,466)
Taxes other than income tax		(24,826)	(40,826)
Other operating income and expenses, net	27	(43,329)	(102,291)
OPERATING PROFIT		1,725,241	1,357,971
Finance income	28	61,278	26,967
Finance expense	28	(1,578,920)	(2,138,318)
PROFIT/(LOSS) BEFORE INCOME TAX		207,599	(753,380)
Income tax (expense)/benefit	29	(23,831)	122,524
NET PROFIT/(LOSS) FOR THE YEAR		183,768	(630,856)
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Owners of the Company		181,242	(627,305)
Non-controlling interests		2,526	(3,551)
NET PROFIT/(LOSS) FOR THE YEAR		183,768	(630,856)
Weighted average number of ordinary shares in issue (million)		2,199	2,568
EARNINGS/(LOSS) PER SHARE – BASIC AND DILUTED (IN US CENTS)		8.24	(24.43)

URALKALI GROUP CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015
(in thousands of US dollars, unless otherwise stated)

	2015	2014
NET PROFIT/(LOSS) FOR THE YEAR	183,768	(630,856)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that will not be reclassified to profit or loss:		
Remeasurement of post-employment benefit obligations	(3,164)	1,545
ITEMS THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS:		
Effect of translation to presentation currency	(97,360)	(2,307,812)
TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR	(100,524)	(2,306,267)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	83,244	(2,937,123)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:		
Owners of the Company	80,718	(2,933,572)
Non-controlling interests	2,526	(3,551)

URALKALI GROUP CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015
(in thousands of US dollars, unless otherwise stated)

	NOTE	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before income tax		207,599	(753,380)
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets	8, 10	220,346	371,292
Expenses related to mine flooding provision	27	10,113	16,408
(Reversal)/Write off of Solikamsk-2 property, plant and equipment	27	(27,248)	38,049
Loss on disposals of property, plant and equipment and write-off of prepayments for acquisition of property, plant and equipment and intangible assets	27	24,804	27,676
Loss on impairment of property, plant and equipment and assets under construction	27	1,558	-
Write-off of bank deposits	27	-	2,857
Accrual of provision for impairment of receivables	27	8,337	3,034
Change in provisions, net		(33,782)	-
Income from redemption of bonds	28	-	(2,364)
Fair value loss on derivative financial liabilities, net	28	232,759	748,936
Foreign exchange loss, net	28	1,038,810	1,166,924
Other finance income and expense, net	28	246,073	179,875
OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES		1,929,369	1,799,307
Decrease/(increase) in trade and other receivables and advances to suppliers		132,993	(52,192)
(Increase)/decrease in inventories		(29,742)	3,440
Increase/(decrease) in trade and other payables and advances received		77,447	(32,317)
Increase in other taxes payable		11,664	2,196
CASH GENERATED FROM OPERATIONS		2,121,731	1,720,434
Interest paid	19, 20	(278,042)	(258,841)
Income taxes paid net of refunds received		(62,601)	(81,117)
NET CASH GENERATED FROM OPERATING ACTIVITIES		1,781,088	1,380,476

**URALKALI GROUP CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 DECEMBER 2015 (in thousands of US dollars, unless otherwise stated) / CONTINUED**

	NOTE	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of intangible assets		(3,461)	(14,220)
Acquisition of property, plant and equipment		(339,169)	(349,411)
Proceeds from sales of property, plant and equipment		-	1,766
Purchase of other financial assets at fair value through profit or loss		(7,792)	(130,790)
Proceeds from sale of other financial assets at fair value through profit or loss		8,367	60,575
Acquisition of other non-current assets		-	(13,263)
Decrease in deposits		370,000	-
Increase in deposits		(70,000)	(296,945)
Increase in restricted cash		(200,000)	-
Deferred payment for the share in associate		(4,000)	-
Interest received		36,632	23,898
NET CASH USED IN INVESTING ACTIVITIES		(209,423)	(718,390)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings	19	(929,885)	(2,119,682)
Proceeds from borrowings	19	1,924,709	3,398,756
Syndication fees and other financial charges paid		(32,678)	(28,926)
Purchase of bonds issued	20	-	(65,736)
Purchase of non-controlling interest		-	(733)
Cash proceeds from derivatives	21	49,621	87,744
Cash paid for derivatives	21	(94,337)	(221,651)
Purchase of treasury shares	16	(3,366,878)	(10,506)
Finance lease payments		(476)	(1,326)
Dividends paid to non-controlling interests		(246)	(5,509)
Dividends paid to the Company's shareholders		(259)	(284,570)
NET CASH (USED IN) / GENERATED FROM FINANCING ACTIVITIES		(2,450,429)	747,861
Effect of changes in foreign exchange rate changes		(164,605)	(184,868)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(1,043,369)	1,225,079
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	15	2,155,247	930,168
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	15	1,111,878	2,155,247

**URALKALI GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
31 DECEMBER 2015 (in thousands of US dollars, unless otherwise stated)**

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY						NON-CONTROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL	TREASURY SHARES	SHARE PREMIUM / (DISCOUNT)	RETAINED EARNINGS	CURRENCY TRANSLATION RESERVE	TOTAL ATTRIBUTABLE TO OWNERS OF THE COMPANY		
BALANCE AT 1 JANUARY 2014	35,762	(5,722)	4,371,815	2,626,946	(1,301,324)	5,727,477	14,133	5,741,610
Loss for the period	-	-	-	(627,305)	-	(627,305)	(3,551)	(630,856)
Other comprehensive loss	-	-	-	1,545	(2,307,812)	(2,306,267)	-	(2,306,267)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	-	-	-	(625,760)	(2,307,812)	(2,933,572)	(3,551)	(2,937,123)
TRANSACTIONS WITH OWNERS								
Dividends declared (Note 16)	-	-	-	(121,943)	-	(121,943)	-	(121,943)
Purchase of treasury shares	-	(37)	(10,469)	-	-	(10,506)	-	(10,506)
TOTAL TRANSACTIONS WITH OWNERS	-	(37)	(10,469)	(121,943)	-	(132,449)	-	(132,449)
Disposal of non-controlling interest	-	-	-	-	-	-	(1,199)	(1,199)
BALANCE AT 31 DECEMBER 2014	35,762	(5,759)	4,361,346	1,879,243	(3,609,136)	2,661,456	9,383	2,670,839
Profit for the period	-	-	-	181,242	-	181,242	2,526	183,768
Other comprehensive loss	-	-	-	(3,164)	(97,360)	(100,524)	-	(100,524)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	-	-	-	178,078	(97,360)	80,718	2,526	83,244
TRANSACTIONS WITH OWNERS								
Dividends declared	-	-	-	-	-	-	(239)	(239)
Purchase of treasury shares (Note 16)	-	(18,194)	(3,348,684)	-	-	(3,366,878)	-	(3,366,878)
TOTAL TRANSACTIONS WITH OWNERS	-	(18,194)	(3,348,684)	-	-	(3,366,878)	(239)	(3,367,117)
BALANCE AT 31 DECEMBER 2015	35,762	(23,953)	1,012,662	2,057,321	(3,706,496)	(624,704)	11,670	(613,034)

URALKALI GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (in thousands of US dollars, unless otherwise stated)

1 THE URALKALI GROUP AND ITS OPERATIONS

Public Joint Stock Company Uralkali (the “Company”) and its subsidiaries (together the “Group”) produce mineral fertilisers, which are extracted and processed in the vicinity of the cities of Berezniki and Solikamsk, Russia. They are distributed both on domestic and foreign markets. The Group manufactures various types of products, the most significant being a wide range of potassium salts. The Group is a major Russia-based potash manufacturer. For the year ended 31 December 2015 approximately 82% of total volume of the potash fertilisers was exported (for the year ended 31 December 2014: 84%). The Company holds operating licences, issued by the Perm regional authorities for the extraction of potassium, magnesium and sodium salts from the Durimanskiy, Bigelsko-Troitsky, Solikamskiy (north and south parts) and Novo-Solikamskiy plots of the Verkhnekamskoye field. The licences were prolonged on 1 April 2013 till 2018 – 2021 at nominal cost. The Company also owns a licence for the Ust’-Yaivinskiy plot of the Verkhnekamskoye field, which expires in 2024, and for the Polovodovski plot of the Verkhnekamskoye field, which expires in 2028.

As of 31 December 2015 and 31 December 2014 the Group had no ultimate controlling party.

The Company was incorporated in the Russian Federation on 14 October 1992 and has its registered office at 63 Pyatiletki St., Berezniki, Perm region, Russian Federation. Almost all of the Group’s production capacities and all long-term assets are located in the Russian Federation. As of 31 December 2015 the Group employed approximately 21.3 thousand employees (31 December 2014: 21.4 thousand).

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

Certain prior year balances have been reclassified to conform to the current period presentation (Note 21).

2.1 BASIS OF PREPARATION AND PRESENTATION

Compliance with International Financial Reporting Standards
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Going concern

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

In making this assessment management considered the Group’s financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the situation in the financial markets on the operations of the Group (Note 30.5).

As of 31 December 2015 short-term liabilities of the Group exceeded its current assets by US\$ 793,098. Working capital deficit is explained by the devaluation of the Russian Rouble, which led to the breach of financial covenant included in several loan agreements. Prior to the date of the approval of the consolidated financial statements the Group received waivers from the banks confirming that no event of default has occurred (Note 19).

Based on above-stated, the management concluded that the Group is a going concern in the foreseeable future. Accordingly, these con-

solidated financial statements do not include any adjustments related to the sale of assets and early settlement of liabilities, which would have been necessary in case the Group will not continue in operation within twelve months after the date of approval of these financial statements.

Basis of presentation

The Company and its subsidiaries maintain their books and records in accordance with statutory accounting and taxation principles and practices applicable in respective jurisdictions. The accounting principles and financial reporting procedures in these jurisdictions may differ substantially from these generally accepted under IFRS. Accordingly, such financial information has been adjusted to ensure that the consolidated financial statements are presented in accordance with IFRS.

2.2 CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and their subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.3 NON-CONTROLLING INTEREST

Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to a parent.

Non-controlling interests are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from parent shareholders’ equity.

2.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less accumulated depreciation. Cost includes all costs directly attributable to bringing the asset to its working condition for its intended use. Property, plant and equipment acquired through business combinations are recorded at fair value determined by independent valuation at the date of acquisition, less accumulated depreciation since acquisition date.

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

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

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

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

	USEFUL LIVES IN YEARS
Buildings	10 to 60
Mining assets*	5 to 30
Plant and equipment	2 to 30
Transport vehicles	5 to 15
Other	2 to 15
Land	Not depreciated

* Mining assets include mine infrastructure and present value of future decommissioning and filling cavities costs. Depreciation methods applied to these mining assets as well as their useful lives are stated in Note 2.23.

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

2.5 OPERATING LEASES

Leases where substantially all 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 on a straight line basis over the lease term to the profit or loss. Operating leases include long-term leases of land with rental payments contingent on cadastral values regularly reviewed by the government.

2.6 FINANCE LEASE LIABILITIES

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

reasonably certain that it will obtain ownership by the end of the lease term.

2.7 GOODWILL

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

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

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

2.8 INTANGIBLE ASSETS

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

Expenditure on software, patents, trademarks and non-mineral licences are capitalised and amortised using the straight-line method over their useful lives. Mining licences are amortized under a unit of production method. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less cost to sell.

2.9 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial instruments traded in an active market are measured with reference to the quoted price for the individual asset or liability and the quantity held by the entity.

The Group classifies its financial assets into the following measurement categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets at fair value through profit or loss which are recognised in this category from the date of the initial recognition.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. Other financial assets at fair value through profit or loss recognised as such upon initial recognition represents derivative financial instruments and other financial assets at fair value through profit or loss.

Derivative financial instruments, represented by cross-currency interest rate swaps, are carried at their fair value. All derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of

URALKALI GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (in thousands of US dollars, unless otherwise stated) / CONTINUED

derivative instruments are included in profit or loss for the year. The income received from currency-interest rate swap transactions reduces interest expense. The Group does not apply hedge accounting.

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

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

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

Financial liabilities have the following measurement categories: (a) held for trading, which also includes financial derivatives and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year (as finance income or finance costs) in the period in which they arise. Other financial liabilities are carried at amortised cost.

2.10 FINANCIAL INSTRUMENTS – KEY MEASUREMENT TERMS

Depending on their classification, financial instruments are carried at fair value, cost or amortised cost, as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Financial instruments measured at fair value are analysed by levels of the fair value hierarchy as follows:

- (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
- (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
- (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).

2.11 INITIAL RECOGNITION OF FINANCIAL INSTRUMENTS

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

A gain or loss on initial recognition is only recorded if there is a difference between the fair value and the transaction price which can be evidenced by other observable current market transactions in the

same instrument or by a valuation technique whose inputs include only data from observable markets. All regular way purchases and sales of financial instruments are recognised on the trade date, which is the date that the Group commits to purchase or sell the financial instrument.

2.12 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and liabilities are offset and net amount is presented in the statement of financial position only when there is a legally enforceable right to set-off the recognised amounts, and there is intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. The right to offset (1) must not be contingent on a future event and (2) must be legally enforceable in all of the following circumstances: (a) in the normal course of business activities, (b) in the event of default and (c) in the case of insolvency or bankruptcy.

2.13 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.

2.14 INCOME TAXES

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the reporting date in each of the jurisdictions where the Group's entities are incorporated. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

The Group's uncertain tax positions are assessed by management at every reporting date. Liabilities are recorded for income tax positions that are determined by management as less likely than not to be sustained if challenged by tax authorities, based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting date. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the reporting date. Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences arising on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition or subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only

to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

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

2.15 INVENTORIES

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on a weighted average basis. The cost of finished products and work in progress comprises raw material, direct labour, other direct costs and related production overhead (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. Distribution costs include transportation expenses that are incurred while distributing goods from the production warehouses to customers. The Group has capitalized distribution costs incurred relating to product inventory stored at production warehouses and terminal facilities in the cost of finished goods.

2.16 TRADE AND OTHER RECEIVABLES

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

2.17 CASH AND CASH EQUIVALENTS

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

Bank overdrafts which are repayable on demand are included as a component of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

2.18 SHARE CAPITAL

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

2.19 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.

2.20 DIVIDENDS

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

2.21 VALUE ADDED TAX

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

2.22 BORROWINGS

Borrowings are measured 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 capitalises borrowing costs relating to assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) as part of the cost of the asset. The Group considers a qualifying asset to be an investment project with an implementation period exceeding one year.

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

2.23 PROVISIONS

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

Net present value of provisions is determined by discounting future real cash outflows associated with the specific past event. The Group determined the yield to maturity of the Russian government bonds as a discount factor for discounting the future real cash outflows associated with provisions to reflect the time value of money.

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

The estimated future filling cavities costs, discounted to net present value, are accounted together with the respective items of property, plant and equipment and corresponding obligations. The additions of property, plant and equipment are depreciated on a straight-line basis over the useful life of the corresponding asset. A change in present value of the obligation is recognised in profit or loss as part of finance costs. Changes to estimated future costs are recognised in the consolidated statement of financial position by either increasing or decreasing the provision for filling cavities and asset to which it re-

URALKALI GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (in thousands of US dollars, unless otherwise stated) / CONTINUED

lates. The Group reassesses its estimation of filling cavities provision as of the end of each reporting period.

Provision for asset retirement obligations. The company recognises provisions for decommissioning obligations (also known as asset retirement obligations) primarily related to mining activities (Note 18). The major categories of asset retirement obligations are restoration costs at its potash mining operations, including decommissioning of underground and surface operating facilities and general cleanup activities aimed at returning the areas to an environmentally acceptable condition.

The present value of a liability for a decommissioning obligation is recognised in the period in which it is incurred if a reasonable estimate of present value can be made. The associated costs are capitalised as a separate part of the property, plant and equipment and then depreciated over the estimated remaining useful life of mine. The best estimate of the amount required to settle the obligation is reviewed at the end of each reporting period and updated to reflect changes in the discount and inflation rates and the amount and/or timing of the underlying cash flows. Changes to estimated future costs are recognised in the consolidated statement of financial position by either increasing or decreasing the provision for asset retirement obligations and asset to which it relates. The unwinding of the discount of decommissioning obligations due to the passage of time is included in the consolidated statement of profit or loss as finance costs.

2.24 TRADE AND OTHER PAYABLES

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

2.25 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency. Functional currency of each company of the Group is the national currency of the Russian Federation, Russian Rouble (“RR”). The presentation currency of these Consolidated Financial Statements is US dollar (“US\$”).

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

Translation to the presentation currency. 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:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of profit or loss and cash flows 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 and cash flows are translated at the dates of the transactions);
- components of equity are translated at the historic rate; and
- all resulting exchange differences are recognised in other comprehensive income.

Foreign currency exchange rates

The official rates of exchange, as determined by the Central Bank of the Russian Federation (CBRF):

	AS AT 31 DECEMBER 2015		AS AT 31 DECEMBER 2014	
	US\$	EURO	US\$	EURO
Official rate of exchange	72.88	79.70	56.26	68.34
Average official rate of exchange for the 12 months	60.96	67.78	38.42	50.82

2.26 REVENUE RECOGNITION

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods under the appropriate INCOTERMS specified in the sales contracts;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Revenue from sales of products other than potassium chloride (such as carnallite, salts, etc.) is recognised as Other revenue.

2.27 TRANSHIPMENT AND TRANSPORT REPAIRS AND MAINTENANCE COSTS

Most of the transshipment costs are incurred by OJSC Baltic Bulker Terminal (“BBT”), a 100% subsidiary whose activity is related to the transshipment of fertilisers produced by the Group, and presented within distribution costs. In addition to this distribution costs include transport repairs and maintenance costs which are incurred by LLC “Vagon Depo Balahonzi”, a 100% subsidiary of the Group. These costs include depreciation, payroll, material expenses and various general and administrative expenses.

2.28 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.

2.29 SOCIAL COSTS

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

2.30 PENSION COSTS

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

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

2.31 EARNINGS PER SHARE

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

2.32 SEGMENT REPORTING

The Group identifies and presents segments in accordance with the criteria set forth in IFRS 8, Operating segments, and based on the way the operations of the Company are regularly reviewed by the chief operating decision maker to analyse performance and allocate resources. The chief operating decision-maker has been determined as Chief Executive Officer (hereinafter – “CEO”). It was determined, that the Group has one operating segment – the extraction, production and sales of potash fertilisers.

3 ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

The following new standards, amendments to standards and interpretations became effective for the Group from 1 January 2015:

NEW OR AMENDED STANDARD OR INTERPRETATION	EFFECTIVE DATE - FOR ANNUAL PERIODS BEGINNING ON OR AFTER
Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions	1 January 2015
Annual Improvements to IFRSs 2010-2012 Cycle	1 January 2015
Annual Improvements to IFRSs 2011-2013 Cycle	1 January 2015

The application of these amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

4 NEW ACCOUNTING PRONOUNCEMENTS

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

NEW OR AMENDED STANDARD OR INTERPRETATION	EFFECTIVE DATE ¹ - FOR ANNUAL PERIODS BEGINNING ON OR AFTER
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IFRS 11 - Accounting for Acquisition of Interests in Joint Operations	1 January 2016
Amendments to IAS 1 – Disclosure Initiative	1 January 2016
Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined by the IASB ²
Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to IAS 27 - Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

¹ Early adoption is permitted for all new or amended standards and interpretations. IFRS 16 can be early adopted if IFRS 15 Revenue from Contracts with Customers has also been applied

² The amendment was initially issued in September 2014 with the effective date on 1 January 2016. In December 2015 the IASB deferred the effective date of the amendments indefinitely until the research project on the equity method has been concluded.

The Group is currently assessing the impact of all new and revised IFRSs that have been issued but are not yet effective on its consolidated financial statements.

URALKALI GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (in thousands of US dollars, unless otherwise stated) / CONTINUED

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Provisions for mine Solikamsk-2 flooding

On 18 November 2014, a burst of suprasalt water was detected into the mined-out area of Solikamsk-2, which was caused by the negative development of the 1995 accident related to a mass collapse of the rock and subsequent substantial destruction of the water-proof layer – emergency circumstances which could not be prevented.

Comprehensive mitigation plan was developed immediately and has been executed throughout the 2015.

In line with the accident mitigation plan, the Group continues to comprehensively monitor the situation. Currently the Group is implementing a number of engineering and other arrangements to minimise the impact of the accident and reduce suprasalt water inflows into the mine.

During the twelve months ended 31 December 2015, the Group re-estimated costs required for liquidation of the accident consequences and updated provision for future expenses as of 31 December 2015 (Note 17).

As of the date of approval of consolidated financial statements there are no lawsuits against the Group for reimbursement of expenses resulting from the negative impact of the accident in the Solikamsk-2 mine.

Management believes that there are no liabilities relating to the Solikamsk-2 flooding other than those disclosed in the consolidated financial statements for the year ended 31 December 2015.

Provisions for mine Berezniki-1 flooding

On 28 October 2006, the Group ceased production operations at the Berezniki-1 mine due to natural groundwater inflow that reached a level which could not be properly controlled by the Group. In January 2007 the Government Committee for the prevention of negative consequences of the accident caused by the flooding of a mine in the Verkhnekamskoye field in Perm Region was set up. The Committee is still working, and a series of measures to prevent any negative consequences of the accident in Berezniki-1 are in place. PJSC Uralkali conducts constant monitoring of the mined-out area and is involved in other monitoring and prevention activities. Management believes that as of 31 December 2015 there are no liabilities relating to the Berezniki-1 flooding which are not recorded or not disclosed in the consolidated financial statements for the year ended 31 December 2015.

Remaining useful life of property, plant and equipment and mining licences.

Management assesses the remaining useful life of property, plant and equipment in accordance with the current technical condition of assets and estimated period during which these assets will be bringing economic benefits to the Group (Note 8).

The Group holds operating mining licences for the production of po-

tassium salts, magnesium and sodium which were extended till 2018-2021 upon their expiry on 1 April 2013. Management assesses the remaining useful life of mining licences on the basis of the expected mining reserves (Note 10).

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

Goodwill.

The Group tests goodwill for impairment at least annually. The main assumptions used in value-in-use calculations are described in Note 9.

Mining licences.

Management makes estimates, judgements and significant assumptions to assess whether the recoverable amount of the licences exceeds their carrying value. This largely depends on the estimates about a range of technical and economic factors, including technology for construction of the mines, the level of capital expenditure needed to develop the deposit, the expected start of the production, the future potash prices and exchange rates. Since the assumptions used to estimate the above factors might change from period to period, the results of management estimates might also change from period to period.

As of 31 December 2015, management tested the carrying value of the mining licences for impairment due to the Solikamsk-2 flooding and deterioration in the Russian economic environment (Note 30.5). The recoverable amount was assessed with reference to value-in-use models. The key assumptions used to determine value-in-use, to which the calculation is most sensitive, include future potash prices, US\$ exchange rates, the discount rate and the expected start date of production for greenfield projects.

Based on the testing results, the recoverable amounts of intangible assets at 31 December 2015 exceeded their carrying amounts.

Provision for filling cavities.

A provision has been established in the consolidated financial statements for the Group's obligation to replace the ore and waste extracted from the Solikamsk mines and Berezniki-4 mine (Note 17).

Management performs regular mine surveys to measure the volume of cavities created as a result of underground mining activities. The Group calculates and records provision only for the legal liabilities for cavity filling as per the conditions of mining licences. Remeasurement of an existing amount of these cavities that result from changes in estimates of mine surveys is recorded as an asset and is depreciated over its useful life using the straight-line method of depreciation. Unwinding of the discount is recognised in profit or loss in finance income and finance costs. The amount of expenses incurred due to voluntary filling of the cavities is recognised in the current period in the consolidated statement of profit or loss.

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

- The extent of the filling cavities work which will have to be performed in the future may vary depending on the actual environmental situation. Management believes that the legal obligation to replace the ore and waste mined is consistent with the cavities filling plan agreed with the State Mine Supervisory Body;
- The future unit cost of replacing one cubic meter of the ore and waste mined may vary depending on the technology and the cost

of methods utilised. Management estimates that the unit cost of replacing a cubic meter of waste and ore mined in future years, for the period of the current filling cavities plan, adjusted for the effect of inflation, will not be materially different from the actual cost incurred in the current period; and

- In 2015 management applied discount rates within the range of 9.7% - 10.1% for different periods (in 2014: 12.7% - 14.8%).

Restructuring provision.

The Group accrued a provision for the closing down of the processing and carnallite plants subdivision at Berezniki 1 (Note 17).

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

- Estimates were used to determine the costs of dismantling and restoration works for the dismantling of the processing and carnallite plants at Berezniki 1; and
- In the current period, management applied a discount rate of 10.1% (in 2014: 12.7%).

Provision for asset retirement obligations.

The Group has recorded a provision relating to asset retirement obligations (Note 18), which will be settled at the end of estimated lives of mines, therefore requiring estimates to be made over a long period. Environmental laws, regulations and interpretations by regulatory authorities, as well as circumstances affecting the Group's operations could change, either of which could result in significant changes to its current mining plans. The recorded provision is based on the best estimate of costs required to settle the obligations, taking into account the nature, extent and timing of current and proposed restoration and closure techniques in view of present environmental laws and regulations. It is reasonably possible that the ultimate costs could change in the future and that changes to these estimates could have a material effect on the Group's consolidated financial statements.

The estimation of asset retirement obligation costs depends on the development of environmentally acceptable closure and post-closure plans. The Group uses appropriate technical resources, including internal consultants from scientific institutes OJSC Galurgia and VNII Galurgia, to develop specific site closure and post-closure plans in accordance with the requirements of the legislation of the Russian Federation.

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

- Mine life estimates. Cash flow payments are expected to occur principally between 2026 and 2069. These estimates are based on the management's current best assessment of the Group's current reserves.
- The extent of the restoration works which will have to be performed in the future may vary depending on the actual environmental situation. Management believes that the legal obligation for decommissioning of the underground and surface complex is consistent with the terms of licences; and
- The future unit cost of decommissioning works may vary depending on the technology and the cost of resources used, as well as the inflation rate.

Management applied a discount rate ranging from 9.3% to 9.52% in a current period.

Income tax prepayment.

The Group has recorded an income tax prepayment recoverable after more than 12 months in the consolidated financial statements. There is an uncertainty in terms of using this payment to cover current liabilities of the Company to pay income taxes. As a consequence, the asset carrying amount may vary depending on the Company's financial performance in future periods.

Tax legislation.

Russian tax, currency and customs legislation is subject to varying interpretations (Note 30.2).

6 RELATED PARTIES

Related parties include shareholders, associates and entities under common ownership and control of the Group's major shareholders and key management personnel. The Company and its subsidiaries, in the ordinary course of their business, enter into various sale, purchase and service transactions with related parties. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

OUTSTANDING BALANCES	NATURE OF RELATIONSHIP	31 DECEMBER 2015	31 DECEMBER 2014
Cash and cash equivalents	Related party through significant shareholder	400,423	3,056
Restricted cash	Related party through significant shareholder	200,000	-
Trade and other payables	Associate	12,760	-
Trade and other payables	Related party through significant shareholder	896	187
Prepayments for acquisition of property, plant and equipment and intangible assets	Related party through significant shareholder	605	-
Advances received	Related party through significant shareholder	158	630
Trade and other receivables	Related party through significant shareholder	26	53
Advances to suppliers	Related party through significant shareholder	-	35

Cash and cash equivalents as of 31 December 2015 comprise cash on the brokerage account.

**URALKALI GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2015 (in thousands of US dollars, unless otherwise stated) / CONTINUED**

TRANSACTIONS	NATURE OF RELATIONSHIP	2015	2014
Domestic revenue	Related party through significant shareholder	22,243	59,648
Other expenses	Associate	12,760	200
Transshipment	Associate	4,931	7,558
Acquisition of inventories	Related party through significant shareholder	3,745	3,756
Transportation expenses	Related party through significant shareholder	2,743	1,171
Commission for brokerage services	Related party through significant shareholder	1,300	-
Other expenses	Related party through significant shareholder	104	-

Onexim Group participated in a programme to purchase PJSC Uralkali's ordinary shares and Global Depositary Receipts ("GDR") ("Tender Offer") which was approved on 24 April 2015 (Note 16) and as a result, Onexim Group's shareholding in the Company decreased to 20.00%.

Cross shareholding

As of 31 December 2015, JSC Uralkali-Technologia (UK-Technologia) and Enterpro Services Ltd. (Enterpro), wholly owned subsidiaries of the Group, owned 47.58%, 12.61% of which are transferred under the REPO agreement (Note 19) and 0.97% of the ordinary shares of the Company, respectively (31 December 2014: 12.61% and 0.00%).

Key management's compensation

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

Key management compensation is presented below:

	2015		2014	
	EXPENSE	ACCRUED LIABILITY	EXPENSE	ACCRUED LIABILITY
Short-term employee benefits	9,021	2,822	18,167	7,444
Termination benefits	272	-	1,952	-
TOTAL	9,293	2,822	20,119	7,444

7 SEGMENT INFORMATION

The Group evaluates performance and makes investment and strategic decisions based on a review of the profitability of the Group as a whole, and based on operating segments. The company's operating segment has been determined based on reports reviewed by CEO, assessed to be Company's chief operating decision maker ("CODM"), that are used to make strategic decisions.

It was determined, that the Group has one operating segment – the extraction, production and sales of potash fertilisers.

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

The CODM performs an analysis of the operating results based on the measurements of:

- revenues;
- revenues net of freight, railway tariff and transshipment costs;
- tonnes of potash sold, in thousands;
- cash cost ("CC") per unit sold (cost of sales adjusted for depreciation and amortisation); and
- cash capital expenditures net of VAT ("Cash CAPEX").

Business segment assets and liabilities are not reviewed by the CODM and therefore are not disclosed in these consolidated financial statements.

a) The following is an analysis of the Group's revenue and results from continuing operations for reportable segment.

	NOTE	2015	2014
Revenues	23	3,123,302	3,559,292
Revenues net of freight, railway tariff and transshipment costs	23, 25	2,645,414	2,785,343
Tonnes of potash sold in thousands		11,205	12,282
Cash cost per unit sold (US\$ per tonne)		33	47
Cash CAPEX		342,630	363,631

The measurement of Cash Cost per tonne of potash sold reconciles to the IFRS reported figures on a consolidated basis as follows:

	NOTE	2015	2014
Cost of sales	24	568,758	915,967
Adjusted for:			
Depreciation and amortization	24	(195,268)	(338,052)
CC		373,490	577,915
Tonnes of potash sold, in thousands		11,205	12,283
CC per tonne of potash sold (US\$ per tonne)		33	47

b) Geographical information

The analysis of Group sales by region was:

	2015	2014
Russia	406,378	388,313
Latin America, China, India, South East Asia	2,007,743	2,335,990
USA, Europe	628,016	746,214
Other countries	81,165	88,775
Total revenue	3,123,302	3,559,292

The sales are allocated by region based on the destination country.

c) Major customers

The Group had no external customers which represented more than 10% of the Group's revenues in the year ended 31 December 2015 and 2014.

**URALKALI GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2015 (in thousands of US dollars, unless otherwise stated) / CONTINUED**

8 PROPERTY, PLANT AND EQUIPMENT

	BUILDINGS	MINING ASSETS	PLANT AND EQUIPMENT	TRANSPORT	ASSETS UNDER CONSTRUCTION	OTHER	LAND	TOTAL
COST								
BALANCE AS OF 1 JANUARY 2014	923,212	824,808	1,687,938	322,783	865,583	44,134	8,652	4,677,110
Additions	-	-	67	16,342	335,403	131	-	351,943
Changes in estimates added to property, plant and equipment (Note 17)	-	23,092	-	-	-	-	-	23,092
Commissioning of assets and transfers	32,908	77,804	134,575	-	(246,353)	640	103	(323)
Disposals	(14,303)	(1,735)	(27,830)	(4,686)	(15,773)	(549)	(53)	(64,929)
Effect of translation to presentation currency	(392,060)	(373,382)	(738,718)	(139,013)	(385,770)	(18,614)	(3,653)	(2,051,210)
BALANCE AS OF 31 DECEMBER 2014	549,757	550,587	1,056,032	195,426	553,090	25,742	5,049	2,935,683
Additions	66	-	345	7,431	338,988	279	2,838	349,947
Changes in estimates added to property, plant and equipment (Note 17)	-	33,646	-	-	-	-	-	33,646
Recognition of asset related to decommissioning obligations (Note 18)	-	35,084	-	-	-	-	-	35,084
Commissioning of assets and transfers	83,245	141,353	27,839	5,315	(258,916)	1,148	16	-
Disposals	(6,651)	(2,634)	(24,689)	(7,218)	(6,742)	(591)	(16)	(48,541)
Effect of translation to presentation currency	(137,501)	(126,204)	(242,487)	(45,480)	(137,892)	(6,000)	(1,616)	(697,180)
BALANCE AS OF 31 DECEMBER 2015	488,916	631,832	817,040	155,474	488,528	20,578	6,271	2,608,639
ACCUMULATED DEPRECIATION								
BALANCE AS OF 1 JANUARY 2014	189,084	265,310	851,560	122,152	-	13,548	-	1,441,654
Depreciation charge	26,835	58,517	159,695	21,962	-	2,259	-	269,268
Disposals	(4,007)	(914)	(21,784)	(1,788)	-	(242)	-	(28,735)
Transfers	-	(5,642)	5,642	-	-	-	-	-
Impairment (Note 27)	651	34,199	9,786	-	11,088	-	-	55,724
Effect of translation to presentation currency	(87,128)	(138,604)	(407,917)	(57,771)	(3,520)	(6,396)	-	(701,336)
BALANCE AS OF 31 DECEMBER 2014	125,435	212,866	596,982	84,555	7,568	9,169	-	1,036,575
Depreciation charge	19,177	43,325	90,833	14,403	-	1,591	-	169,329
Disposals	(1,613)	(839)	(16,841)	(6,628)	-	(230)	-	(26,151)
Transfers	(864)	64,096	(63,232)	-	-	-	-	-
(Reversal of impairment)/impairment (Note 27)	(427)	(21,539)	1,706	-	(5,430)	-	-	(25,690)
Effect of translation to presentation currency	(30,822)	(34,884)	(139,242)	(20,553)	(589)	(2,308)	-	(228,398)
BALANCE AS OF 31 DECEMBER 2015	110,886	263,025	470,206	71,777	1,549	8,222	-	925,665
NET BOOK VALUE								
BALANCE AS OF 1 JANUARY 2014	734,128	559,498	836,378	200,631	865,583	30,586	8,652	3,235,456
BALANCE AS OF 31 DECEMBER 2014	424,322	337,721	459,050	110,871	545,522	16,573	5,049	1,899,108
BALANCE AS OF 31 DECEMBER 2015	378,030	368,807	346,834	83,697	486,979	12,356	6,271	1,682,974

In current reporting period the impairment of assets under construction and fixed assets are presented as part of Accumulated depreciation, whereas in 2014 they were presented as write-offs in Gross book value and Accumulated depreciation. Prior year balances have been reclassified accordingly to conform to the current period presentation.

ALLOCATION OF DEPRECIATION CHARGE FOR THE PERIOD:	2015	2014
Cost of sales (Note 24)	144,932	232,107
Distribution costs (Note 25)	13,162	20,353
General and administrative expenses (Note 26)	7,731	10,768
Capitalised within assets under construction	3,504	6,040
TOTAL	169,329	269,268

Fully depreciated assets still in use

As of 31 December 2015 and 31 December 2014 the gross carrying value of fully depreciated property, plant and equipment still in use was US\$ 301,321 and US\$ 318,997, respectively.

Property, plant and equipment write-off due to the accident at Solikamsk-2

In 2015, due to decision to continue mining at Solikamsk-2, the Group reversed the impairment of fixed assets and construction in progress with a gross carrying value and accumulated depreciation of US\$ 39,247 and US\$ 11,999, respectively, and recognised an impact of this reversal of US\$ 27,248 in the consolidated statement of income due to the flooding in the Solikamsk-2 mine (Note 27).

9 GOODWILL

	2015	2014
Gross carrying value at 1 January	1,048,573	1,802,398
CARRYING AMOUNT 1 JANUARY	1,048,573	1,802,398
Effect of translation to presentation currency	(239,176)	(753,825)
CARRYING AMOUNT AT 31 DECEMBER	809,397	1,048,573
Gross carrying value at 31 December	809,397	1,048,573
CARRYING AMOUNT AT 31 DECEMBER	809,397	1,048,573

The goodwill is primarily attributable to the expected future operational and marketing synergies arising from the business combinations with Silvinit Group and not to individual assets of the subsidiaries and was allocated to cash-generating unit (CGU) – PJSC Uralkali.

estimated growth rates. The growth rates do not exceed the long-term average growth rate for the industry in which the Group operates. Management determined budgeted gross margin based on past performance and its market expectations. The weighted average growth rates used are consistent with the forecasts included in industry reports.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period are extrapolated using

Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

	2015	2014
RR/US\$ exchange rate (till 2040)	From 67 to 129	From 72 to 147
Growth rate beyond one year	3% p.a.	3% p.a.
US\$ weighted average cost of capital	12.7% p.a.	12.8% p.a.
Long-term inflation rate	From 3% to 7.5% p.a.	From 3% to 13% p.a.

The Group did not recognise any impairment of goodwill in the consolidated financial statements for the years ended 31 December 2015 and 31 December 2014.

**URALKALI GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2015 (in thousands of US dollars, unless otherwise stated) / CONTINUED**

10 INTANGIBLE ASSETS

	NOTE	MINING LICENCES	SOFTWARE	OTHER	TOTAL
Cost as of 1 January 2014		5,807,302	23,510	18,770	5,849,582
Accumulated amortisation		(372,596)	(19,238)	(449)	(392,283)
BALANCE AS OF 1 JANUARY 2014		5,434,706	4,272	18,321	5,457,299
Additions		9,215	1,617	1,253	12,085
Capitalised borrowing costs		120,225	-	-	120,225
Disposals		-	(11,401)	(49)	(11,450)
Amortisation charge	24, 25, 26	(105,945)	(1,476)	(1,036)	(108,457)
Disposals of accumulated amortisation		-	11,359	113	11,472
Effect of translation to presentation currency		(2,279,688)	(1,840)	(7,581)	(2,289,109)
Cost as of 31 December 2014		3,465,410	5,119	11,803	3,482,332
Accumulated amortisation		(286,897)	(2,588)	(782)	(290,267)
BALANCE AS OF 31 DECEMBER 2014		3,178,513	2,531	11,021	3,192,065
Additions		-	6,927	988	7,915
Disposals		-	(518)	(89)	(607)
Amortisation charge	24, 25, 26	(50,336)	(1,961)	(2,224)	(54,521)
Disposals of accumulated amortisation		-	504	89	593
Effect of translation to presentation currency		(716,762)	(1,483)	(2,217)	(720,462)
Cost as of 31 December 2015		2,674,962	9,354	9,961	2,694,277
Accumulated amortisation		(263,547)	(3,354)	(2,393)	(269,294)
BALANCE AS OF 31 DECEMBER 2015		2,411,415	6,000	7,568	2,424,983

The table below summarises descriptions and carrying amounts of individually material mining licences, except for fully amortised:

LICENCED PLOT		31 DECEMBER 2015	31 DECEMBER 2014
Solikamskiy plot (south part)	SKRU-2	865,333	1,135,013
Novo-Solikamskiy plot	SKRU-3	805,646	1,071,431
Solikamskiy plot (north part)	SKRU-1	61,849	92,555
Polovodovskiy plot (south part)		170,769	221,639
Polovodovskiy plot (north part)		503,345	652,080
Romanovskiy plot		4,473	5,795
TOTAL		2,411,415	3,178,513

The Group temporarily suspended capitalisation of interest expense and foreign exchange loss to Polovodovskiy plot (north part) since 1 January 2015 until recommencement of construction of mining facilities.

II INCOME TAX PREPAYMENTS

On 16 April 2013 the Company concluded an agreement with the government of Perm Region to maintain minimum income tax payments at certain minimum amount per year in 2013-2015. On 27 August 2015 the Company signed an Addendum to the agreement which determined minimum income tax payments for 2015 at the amount of 2,750 RR mln per year (US\$ 37,732 at the exchange rate

on 31 December 2015). Payments for the period of 2016–2017 will be agreed subsequent to the year-end in a new addendum. As a result the Company will utilize its existing income tax prepayments in several years.

As of 31 December 2015 income tax prepayments recoverable in more than 12 months was recorded at amortised cost using the discount rate of 10.1%. As of 31 December 2015 the carrying value of income tax prepayments recoverable in more than 12 months was US\$ 82,218 (31 December 2014: US\$ 128,983 at discount rates from 13.1% to 13.6%).

12 INVENTORIES

	31 DECEMBER 2015	31 DECEMBER 2014
Raw materials and spare parts	63,589	73,329
Finished products	59,862	62,395
Work in progress	2,933	2,327
Other inventories	3,847	5,323
TOTAL INVENTORIES	130,231	143,374

Other inventories mainly consist of residential buildings constructed by the Group for resale.

13 TRADE AND OTHER RECEIVABLES

	31 DECEMBER 2015	31 DECEMBER 2014
Trade receivables	348,223	366,043
Other accounts receivable	12,067	21,757
Less: provision for doubtful debt	(13,191)	(8,052)
TOTAL FINANCIAL RECEIVABLES	347,099	379,748
VAT recoverable	51,265	43,354
Other taxes recoverable	2,327	21,259
Other prepayments	6,885	10,922
TOTAL NON-FINANCIAL RECEIVABLES	60,477	75,535
TOTAL TRADE AND OTHER RECEIVABLES	407,576	455,283

As of 31 December 2015 trade receivables of US\$ 334,724 (31 December 2014: US\$ 353,050), net of provision for impairment, were denominated in foreign currencies; 85% of this balance was denominated in US\$ (31 December 2014: 83%) and 15% was

denominated in Euro (31 December 2014: 17%). Management believes that the fair value of accounts receivable does not differ significantly from their carrying amount. Movements of the provision for doubtful debt were as follows:

	2015		2014	
	TRADE RECEIVABLES	OTHER RECEIVABLES	TRADE RECEIVABLES	OTHER RECEIVABLES
As of 1 January	(4,693)	(3,359)	(6,905)	(2,658)
Provision accrued	(6,808)	(2,838)	(1,488)	(3,055)
Provision reversed	837	472	1,431	78
EFFECT OF TRANSLATION TO PRESENTATION CURRENCY	2,032	1,166	2,269	2,276
AS OF 31 DECEMBER	(8,632)	(4,559)	(4,693)	(3,359)

The accrual and reversal of the provision for impairment of receivables have been included in other operating expenses in the consolidated statement of profit or loss (Note 27). Amounts charged to the provision account are written off when there is no expectation of recovering additional cash.

URALKALI GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (in thousands of US dollars, unless otherwise stated) / CONTINUED

Analysis by credit quality of trade and other receivables is as follows:

	31 DECEMBER 2015		31 DECEMBER 2014	
	TRADE RECEIVABLES	OTHER RECEIVABLES	TRADE RECEIVABLES	OTHER RECEIVABLES
CURRENT AND NOT IMPAIRED				
Insured	64,649	-	54,054	-
Not insured or factored	242,019	4,399	242,683	17,455
TOTAL CURRENT AND NOT IMPAIRED	306,668	4,399	296,737	17,455
PAST DUE BUT NOT IMPAIRED				
less than 45 days overdue	15,510	1,408	37,097	942
45 to 90 days overdue	2,102	31	16,797	18
over 90 days overdue	15,311	1,670	9,510	-
TOTAL PAST DUE BUT NOT IMPAIRED	32,923	3,109	63,404	960
IMPAIRED (LESS OF PROVISION)				
45 to 90 days overdue	336	46	356	36
over 90 days overdue	8,296	4,513	5,546	3,306
TOTAL AMOUNT OF IMPAIRED ACCOUNTS RECEIVABLE (LESS OF PROVISION)	8,632	4,559	5,902	3,342
TOTAL FINANCIAL RECEIVABLES (GROSS)	348,223	12,067	366,043	21,757
Impairment provision	(8,632)	(4,559)	(4,693)	(3,359)
TOTAL FINANCIAL RECEIVABLES	339,591	7,508	361,350	18,398

As of 31 December 2015 and 2014 no trade and other receivables were pledged as collateral.

As of 31 December 2015 and 2014 accounts receivable classified as "Not insured or factored" included receivables from key and prominent customers.

As of 31 December 2015, the Group had a residual exposure to factored accounts receivables that had a carrying value of US\$

953 (as of 31 December 2014: US\$ 11,361), immediately after they were factored for US\$ 9,526 (as of 31 December 2014: US\$ 113,607).

14 OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
Other financial assets at fair value through profit or loss are represented by highly liquid corporate bonds which are neither past due nor impaired. Analysis by credit quality of other financial assets at fair value through profit or loss is as follows:

RATING AGENCY	RATING	31 DECEMBER 2015	31 DECEMBER 2014
Fitch Ratings	BB+	28,855	25,991
Fitch Ratings	BBB-	38,744	35,218
TOTAL OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		67,599	61,209

15 CASH AND CASH EQUIVALENTS, DEPOSITS, RESTRICTED CASH

	INTEREST RATES	31 DECEMBER 2015	31 DECEMBER 2014
CASH ON HAND AND BANK BALANCES			
RR denominated cash on hand and bank balances		12,876	53,581
US\$ denominated bank balances		551,739	1,357,881
EUR denominated bank balances		97,308	112,911
Other currencies denominated balances		11,509	16,479
TERM DEPOSITS			
US\$ term deposits	0.43% (2014: from 1.01% to 4.05 % p.a.)	387,700	556,588
EUR term deposits	2014: 2.00%	-	612
RR term deposits	from 8.49% p.a. to 10.8% p.a. (2014: from 2.14% p.a. to 25% p.a.)	50,746	57,195
TOTAL CASH AND CASH EQUIVALENTS		1,111,878	2,155,247
US\$ deposits	from 4.26% to 4.27 %		300,000
TOTAL DEPOSITS			300,000
RESTRICTED CASH			
Current restricted cash		200,000	-
TOTAL CASH AND CASH EQUIVALENTS AND DEPOSITS		1,311,878	2,455,247

As of 31 December 2015 and 31 December 2014, term deposits have various original maturities but may upon request be withdrawn without any restrictions. Restricted cash is cash reserved on the accounts of a related party as of 31 December 2015 for the purchase of treasury shares under Company's open market buyback programme (Notes 6, 16).

16 EQUITY

	NUMBER OF ORDINARY SHARES (IN MILLIONS)	NUMBER OF TREASURY SHARES (IN MILLIONS)	ORDINARY SHARES	TREASURY SHARES	TOTAL
AT 1 JANUARY 2014	2,936	(367)	35,762	(5,722)	30,040
Treasury shares purchased	-	(3)	-	(37)	(37)
AT 1 JANUARY 2015	2,936	(370)	35,762	(5,759)	30,003
Treasury shares purchased	-	(1,055)	-	(18,194)	(18,194)
AT 31 DECEMBER 2015	2,936	(1,425)	35,762	(23,953)	11,809

The number of unissued authorised ordinary shares is 1,730 million (31 December 2014: 1,730 million) with a nominal value per share of 0.686 US cents (0.5 RR) (31 December 2014: 0.889 US cents (0.5 RR)). All shares stated in the table above have been issued and fully paid.

Treasury shares. On 23 April 2015 Group approved a tender offer to purchase Company's ordinary shares (including ordinary shares represented by GDRs) in the amount of up to 468,750,000 ordinary shares at a price of US\$ 3.2 per ordinary share (US\$ 16.0 per GDR). Tender offer results were announced on 25 May 2015.

Then on 24 August 2015 Group approved another tender offer to purchase Company's ordinary shares (including ordinary shares represented by GDRs) in the amount of up to 411,042,224 ordinary shares at a price of US\$ 3.2 per ordinary share (US\$ 16.0 per GDR). On 25 September 2015 the Group resolved to increase the maximum number of securities

to be purchased to 704,643,813 ordinary shares. Second tender offer results were announced on 28 September 2015.

As a result of two tender offers ordinary shares in the number of 984,649,841 (including ordinary shares represented by GDRs) were purchased in May-June and September-October 2015, which constitutes in the aggregate approximately 33.54% of Company's outstanding ordinary shares.

On 23 November 2015, the Company's Board of Directors approved an open market buyback programme in respect of shares and GDRs. The programme commenced on 24 November 2015 and expired on 31 March 2016. Since the start of the open market buyback programme an aggregate of 28,428,735 shares and 8,430,936 GDRs, constituting in total 2.4% of the Company's share capital have been purchased by 31 December 2015.

URALKALI GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (in thousands of US dollars, unless otherwise stated) / CONTINUED

Total amount spent on purchase of ordinary shares and GDRs of the Company equalled to US\$ 3,366,878 including transaction costs directly attributable to the acquisition for the year ended 31 December 2015. The difference between the purchase price of US\$ 3,366,878 and the nominal value of the shares of US\$ 18,194 was accounted for as a decrease in Share premium.

Treasury shares as of 31 December 2015 comprise 1,425,357,033 ordinary shares represented by shares and GDRs of the Company (370,123,777 of which were transferred under the REPO agreement (Note 19)) owned by JSC Uralkali-Technologia and Enterpro, wholly owned subsidiaries of the Group (31 December 2014: 370,123,777).

The listing and admission to trading of the Company's Rule 144A and Regulation S GDRs on the London Stock Exchange have been cancelled with effect from start of trading on 22 December 2015.

Dividends. In 2015, the General Meeting of Shareholders of the Company did not approve any dividends.

In June 2014 the General Meeting of Shareholders of the Company approved dividends (based on 2013 financial results) amounting to US\$ 142,302 (5 US cents per share).

All dividends are declared and paid in RR. In April 2015 the Company adopted a new dividend policy providing flexibility to the Board of Directors in determining the amount of dividend payments.

17 PROVISIONS

	NOTE	PROVISION FOR FILLING CAVITIES	RESTRUCTURING PROVISION	RESETTLEMENT PROVISION	MINE FLOODING PROVISION	TOTAL
CARRYING AMOUNT AT 1 JANUARY 2014		56,659	12,168	58,287	-	127,114
Changes in estimates added to property, plant and equipment	8	23,092	-	-	-	23,092
Changes in estimates		-	-	2,394	-	2,394
Accrual of provision		-	-	-	20,852	20,852
Utilisation of provision		(11,400)	(2,394)	(18,479)	-	(32,273)
Unwinding of the present value discount		3,514	(911)	-	-	2,603
Effect of translation to presentation currency		(26,899)	(4,041)	(19,272)	-	(50,212)
CURRENT LIABILITIES		7,726	1,005	22,930	16,906	48,567
NON-CURRENT LIABILITIES		37,240	3,817	-	3,946	45,003
CARRYING AMOUNT AT 31 DECEMBER 2014		44,966	4,822	22,930	20,852	93,570

	ПРИМ.	PROVISION FOR FILLING CAVITIES	RESTRUCTURING PROVISION	RESETTLEMENT PROVISION	MINE FLOODING PROVISION	LEGAL PROVISION	TOTAL
CARRYING AMOUNT AT 1 JANUARY 2015		44,966	4,822	22,930	20,852	-	93,570
Changes in estimates added to property, plant and equipment	8	33,646	-	-	-	-	33,646
Changes in estimates		-	4,675	-	-	-	4,675
Accrual of provision		-	-	-	22,310	17,031	39,341
Utilisation of provision		(10,975)	(2,772)	(21,162)	(24,655)	-	(59,564)
Reversal of provision		-	-	-	(7,546)	-	(7,546)
Unwinding of the present value discount		5,528	361	-	-	-	5,889
Effect of translation to presentation currency		(14,869)	(1,475)	(1,768)	(3,138)	(2,787)	(24,037)
CURRENT LIABILITIES		9,678	438	-	1,060	-	11,176
NON-CURRENT LIABILITIES		48,618	5,173	-	6,763	14,244	74,798
CARRYING AMOUNT AT 31 DECEMBER 2015		58,296	5,611	-	7,823	14,244	85,974

Provision for filling cavities.

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

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

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

Restructuring provision.

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

Resettlement provision.

In 2013 the Government of the Perm Region and the Administration of the town of Berezniki signed an agreement outlining the financing plan for the period between 2013 and 2015 for the relocation of people living in inadequate housing facilities in Berezniki, including the construction of new infrastructure facilities and demolition of the vacated buildings. The agreement was effected pursuant to the State programme on "Securing quality housing and facilities for the citizens of the Perm Region" and was in line with the decisions adopted by the Governmental Commission on 24 May 2013. As part of its commitment to corporate social responsibility, the Group had undertaken to provide to the

Perm Region and the town of Berezniki with a total of US\$ 34,851 (RUB 2,540 mln at the exchange rate on 31 December 2015) by instalments in 2013-2015. In 2015 the liability was paid out in full.

Mine flooding provision. During the twelve months ended 31 December 2015, the Group re-estimated costs required for liquidation of the accident consequences and updated the provision for future expenses to the amount of US\$ 7,823 as of 31 December 2015.

18 ASSET RETIREMENT OBLIGATIONS

During 2015, the Group completed its assessment of future costs needed to fulfil its decommissioning obligations for the mines located in Berezniki and Solikamsk. Total estimated provision for asset retirement obligations amounts to US\$ 35,084 as of 31 December 2015 (2014: nil).

Key assumptions used in estimation of decommissioning obligations were as follows:

	2015
Risk-free rates	9.3% - 9.52%
Expected closure date of mines	2026 – 2069
Expected inflation over the period from 2016 to 2019	5.0% - 7.3%
Expected inflation over the period from 2020 onwards	5.0%

19 BORROWINGS

	2015	2014
BANK LOANS		
Short-term bank loans	2,325,387	628,030
Long-term bank loans	3,572,040	4,409,664
TOTAL BANK LOANS	5,897,427	5,037,694
FINANCE LEASE PAYABLE		
Short-term finance lease payable	83	-
Long-term finance lease payable	7,154	8,968
TOTAL FINANCE LEASE PAYABLE	7,237	8,968
TOTAL BORROWINGS	5,904,664	5,046,662

Bank loans

As of 31 December 2015 and 31 December 2014 the fair value of the current and non-current borrowings is not materially different from their carrying amounts.

The Group uses cross-currency interest rate swaps to reduce interest payments (Note 21). The Group does not use hedge accounting.

	NOTE	2015	2014
BALANCE AT 1 JANUARY		5,037,694	4,380,953
Bank loans received, denominated in US\$		1,761,317	3,252,534
Bank loans received, denominated in RR		163,392	146,222
Bank loans repaid, denominated in US\$		(672,371)	(1,061,897)
Bank loans repaid, denominated in RR		(257,514)	(1,057,785)
Interest accrued		269,269	238,509
Interest paid		(254,929)	(235,200)
Recognition of syndication fees and other financial charges		(14,405)	(28,926)
Syndication fees and other financial charges	28	8,010	15,705
Foreign exchange loss, net		1,399,028	1,721,039
Effect of translation to presentation currency		(1,542,064)	(2,333,460)
BALANCE AT 31 DECEMBER		5,897,427	5,037,694

URALKALI GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (in thousands of US dollars, unless otherwise stated) / CONTINUED

The table below shows interest rates as of 31 December 2015 and 31 December 2014 and the split of the bank loans into short-term and long-term.

SHORT-TERM BANK LOANS	INTEREST RATES	31 DECEMBER 2015	31 DECEMBER 2014
Bank loans in US\$: floating interest	From 1 month Libor +2.15% to 6 month Libor +5.2% (31 December 2014: From 1 month Libor +1.8% to 3 month Libor +3.1%)	2,108,341	513,554
Bank loans in US\$: fixed interest	2.67%	28,495	-
Bank loans in RR: floating interest	MosPrime Rate 3M+2.59% (31 December 2014: From MosPrime Rate 3M+1.5% to MosPrime Rate 3M+2.59%)	188,551	114,476
TOTAL SHORT-TERM BANK LOANS		2,325,387	628,030
Long-term borrowings			
Bank loans in US\$: floating interest	From 3 month Libor +3.1% to 6 month Libor +5.2% (31 December 2014: From 1 month Libor +1.8% to 3 month Libor +3.1%)	3,310,399	3,839,689
Bank loans in RR: floating interest	MosPrime 3M + 2.59% (31 December 2014: From MosPrime 3M +1.5% to MosPrime 3M +2.59%)	261,641	569,975
TOTAL LONG-TERM BANK LOANS		3,572,040	4,409,664

As of 31 December 2015 no equipment or inventories were pledged as security for bank loans. As of 31 December 2015, bank loans amounting US\$ 1,268,998 (31 December 2014: US\$ 894,550) were collateralised by future sales proceeds of the Group under export contracts with certain customers.

On 23 September 2015 the Group signed a master agreement and confirmation with respect to a REPO transaction regarding ordinary shares of the Company. As a result of the entry into the REPO transaction the Group obtained financing for a total amount of US\$ 800,000, after transferring 370,123,777 ordinary shares of the Company under the REPO agreement, which constitutes 12.61% of the Company's share capital. The Group also signed a pledge agreement for 43,335,594 GDRs

representing 216,677,970 ordinary shares of the Company.

On 9 September 2015, the Company signed an agreement to open a non-revolving US\$ 1.5-billion credit line. Funds under the committed credit line are available for utilisation from 9 September 2015 till 3 March 2017. The availability period of the loan assumes proportional increase of the limit in accordance with the Company's cash flows projections and the need in credit resources during 2016-2017. The final maturity date of the facility is 7 September 2020. As of 31 December 2015, the Company has not yet utilised the facility.

The Group's bank borrowings mature as follows:

	31 DECEMBER 2015	31 DECEMBER 2014
Not later than 1 year	2,325,387	628,030
Later than 1 year and not later than 5 years	3,322,040	4,058,461
Later than 5 years	250,000	351,203
TOTAL BANK LOANS	5,897,427	5,037,694

Due to the Russian Rouble devaluation as at 31 December 2015, financial covenants that require the Group to maintain a certain net debt/net worth ratio were breached, consequently loans which were subject to this restrictive covenant, in the amount of US\$ 1,528,573 were reclassified from non-current liabilities to current liabilities in the consolidated statement of financial position.

The lenders did not request accelerated repayment of the loans. The Group is in the process of amendment of the definition of the covenant to eliminate effect of the devaluation. Prior to the date of approval of these consolidated financial statements, the Group received waiver letters from the banks, confirming that no event of default has occurred.

20 BONDS

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

	NOTE	2015	2014
BALANCE AT 1 JANUARY		583,972	650,068
Purchase of bonds denominated in US\$		-	(68,100)
Interest accrued		21,963	23,641
Interest paid		(23,113)	(23,641)
Amortisation of syndication fees	28	422	779
Foreign exchange loss		160,820	366,161
Effect of translation to presentation currency		(159,396)	(364,936)
BALANCE AT 31 DECEMBER		584,668	583,972

During 2014 year bonds with a nominal value of US\$ 68,100 were purchased by the Group for the amount of US\$ 65,736. The fair value of the outstanding bonds issued at 31 December 2015 was US\$ 545,531 according to Irish Stock Exchange quotations (31 December 2014: US\$ 521,586).

21 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

At 31 December 2015, the derivative financial liabilities were represented by the cross-currency interest rate swaps, entered into in conjunction with RR-denominated loans in the notional amount of US\$ 444,052 (31 December 2014: US\$ 677,232).

Discounted cash flows from cross-currency interest rate swaps at the reporting date generated during next 12 months are represented as a current liability. Discounted cash flows from cross-currency interest rate swaps after 12 months are classified as a non-current liability.

The prior year balance has been reclassified accordingly to conform to the current period presentation.

The Group pays US\$ at fixed rate 3.23% and floating rate USD-ISDA+4.2% (31 December 2014: fixed rate 3.23% and floating rate USD-ISDA+4.2%) and receives RR at floating rates MosPrime-NFEA 3m+1.5% and MosPrime 3m+2.59% (31 December 2014: floating rates MosPrime-NFEA+1.5% and MosPrime 3m+2.59%). Maturity of the swaps is linked to loans redemption (2016 and 2018).

	31 DECEMBER 2015	31 DECEMBER 2014
ASSETS		
Current derivative financial assets	-	12,994
LIABILITIES		
Current derivative financial liabilities	(227,480)	(42,634)
Non-current derivative financial liabilities	(358,123)	(525,257)
TOTAL NET DERIVATIVE FINANCIAL LIABILITIES	(585,603)	(554,897)

URALKALI GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (in thousands of US dollars, unless otherwise stated) / CONTINUED

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

	NOTE	2015	2014
BALANCE AS OF 1 JANUARY		554,897	133,383
Cash proceeds from derivatives		49,621	87,744
Cash paid for derivatives		(94,337)	(221,651)
Changes in the fair value	28	232,759	748,936
Effect of translation to presentation currency		(157,337)	(193,515)
BALANCE AS OF 31 DECEMBER		585,603	554,897

22 TRADE AND OTHER PAYABLES

	31 DECEMBER 2015	31 DECEMBER 2014
Trade payables	39,721	20,669
Accrued liabilities	99,200	78,310
Other payables	26,207	20,686
TOTAL FINANCIAL PAYABLES	165,128	119,665
Other non-financial payables	39,020	44,193
TOTAL NON-FINANCIAL PAYABLES	39,020	44,193
TOTAL TRADE AND OTHER PAYABLES	204,148	163,858

As of 31 December 2015 trade and other accounts payable of US\$ 113,809 (31 December 2014: US\$ 99,695) were denominated in foreign currencies: 94% of this balance was denominated in US\$ (31 December 2014: 93%) and 6% was denominated in Euro (31 December 2014: 7%).

23 REVENUES

	2015	2014
EXPORT		
Potassium chloride	1,815,532	2,119,681
Potassium chloride (granular)	901,392	1,051,304
DOMESTIC		
Potassium chloride	341,153	291,213
Other revenues	65,225	97,094
TOTAL REVENUES	3,123,302	3,559,292

24 COST OF SALES

	NOTE	2015	2014
Depreciation	8	144,932	232,107
Employee benefits		126,070	204,225
Materials and components		91,436	126,539
Fuel and energy		86,595	147,356
Repairs and maintenance		59,667	74,200
Amortisation of licences	10	50,336	105,945
Transportation between mines by railway		8,081	11,327
Change in work in progress, finished goods and goods in transit		452	8,485
Other costs		1,189	5,783
TOTAL COST OF SALES		568,758	915,967

25 DISTRIBUTION COSTS

	NOTE	2015	2014
Railway tariff and rent of wagons		234,862	365,980
Freight		217,348	362,886
Transport repairs and maintenance		31,269	39,214
Transshipment		25,678	45,083
Employee benefits		17,349	19,728
Commissions and marketing expenses		15,999	38,280
Depreciation	8	9,816	14,917
Other costs		51,943	46,683
TOTAL DISTRIBUTION COSTS		604,264	932,771

Depreciation in the amount of US\$ 3,346 and amortisation in the amount of US\$ 171 is included into Transport repairs and maintenance and Transshipment costs (2014: US\$ 5,436 and nil respectively).

26 GENERAL AND ADMINISTRATIVE EXPENSES

	NOTE	2015	2014
Employee benefits		87,531	114,341
Consulting, audit and legal services		9,853	8,889
Depreciation	8	7,731	10,768
Security		6,574	10,993
Materials and fuel		5,572	6,934
Mine rescue crew		4,891	7,194
Repairs and maintenance		4,226	6,801
Amortisation of intangible assets	10	4,014	2,512
Labour protection		3,228	3,769
Insurance		3,095	5,249
Communication and information system services		2,963	5,136
Rent		1,456	5,745
Bank charges		1,254	1,214
Other expenses		14,496	19,921
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES		156,884	209,466

URALKALI GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (in thousands of US dollars, unless otherwise stated) / CONTINUED

27 OTHER OPERATING INCOME AND EXPENSES, NET

	NOTE	2015	2014
Loss on disposals of property, plant and equipment and write-off of prepayments for acquisition of property, plant and equipment and intangible assets		24,804	27,676
Accrual of legal provision	17	17,031	-
Expenses related to mine flooding		10,113	16,408
Social cost and charity		8,452	9,560
Accrual of provision for impairment of receivables	13	8,337	3,034
Loss on impairment of property, plant and equipment and assets under construction		1,558	-
Write-off of bank deposits		-	2,857
(Reversal of impairment)/Impairment of Solikamsk-2 property, plant and equipment	8	(27,248)	38,049
Other expense, net		282	4,707
TOTAL OTHER OPERATING INCOME AND EXPENSES, NET		43,329	102,291

28 FINANCE INCOME AND EXPENSES

	NOTE	2015	2014
Interest income		36,368	24,364
Fair value gain on investments		24,910	-
Income from redemption of bonds		-	2,364
Income from associates		-	239
TOTAL FINANCE INCOME		61,278	26,967
		2015	2014
Foreign exchange loss		1,038,810	1,166,924
Interest expense		270,841	173,835
Fair value loss on derivative financial liabilities	21	232,759	748,936
Syndication fee and other financial charges		23,401	24,703
Unwinding of the present value discount and effect of changes in discount rates		8,063	6,448
Letters of credit fees		4,167	5,748
Finance lease expense		812	1,326
Loss from associate		67	-
FAIR VALUE LOSSES ON INVESTMENTS		-	10,398
TOTAL FINANCE EXPENSES		1,578,920	2,138,318

Coupon income from corporate bonds classified as other financial assets at fair value through profit or loss in the amount of US\$ 3,789 is included in interest income (2014: US\$ 3,083). Capitalised interest expense and foreign exchange loss in the cost of

property, plant and equipment and intangible assets were as follows:

	2015	2014
Interest expense	20,391	94,735
Foreign exchange loss	19,332	88,140
TOTAL CAPITALISED BORROWING COSTS	39,723	182,875

29 INCOME TAX EXPENSE

	2015	2014
Current income tax expense	47,058	31,812
Adjustments recognised in the period for current income tax of prior periods	3,986	(9,411)
Deferred income tax benefit	(27,213)	(144,925)
INCOME TAX EXPENSE/(BENEFIT)	23,831	(122,524)

Income before taxation and non-controlling interests for consolidated financial statements purposes is reconciled to income tax as follows:

	2015	2014
PROFIT/(LOSS) BEFORE INCOME TAX	207,599	(753,380)
Theoretical tax charge/(benefit) at statutory rate of 15.5%	32,178	(116,774)
Corrections of profit tax for prior years	3,986	(9,411)
Tax effect of expenses which are not deductible or assessable for taxation purposes	1,301	6,637
Effect of different tax rates in countries	(9,088)	2,853
Other	(4,546)	(5,829)
INCOME TAX EXPENSE/(BENEFIT)	23,831	(122,524)

In the years ended 31 December 2015 and 2014, respectively, most companies of the Group were registered in the Russian Federation, Perm region and were taxed at the rate of 15.5% on taxable profits. However, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the end of the reporting period. In 2015, a new law was adopted by Legislative Assembly of Perm region which changed the income tax rate from 15.5% to 17% for 2016 and 18.5% for 2017. However, for those taxpayers which make significant capital investments and/or donate to charity on the territory of Perm region, the tax rate can be decreased by a certain percentage (which is calculated using the formula stated in the law). The decreased tax rate cannot be lower than 15.5% (tax rate for 2015).

The management of the Group performed the analysis using the forecasts of capital expenditure and profits based on which they expect to utilize the tax benefit in full for the Company and the majority of its subsidiaries registered in Perm region. Insignificant part of other entities of the Group registered in Perm region will be subject to the new tax rate with no decrease.

In 2015 and 2014, foreign subsidiaries were taxed applying respective national income tax rates.

The tax effect of the movements in the temporary differences for the year ended 31 December 2015 was the following:

	31 DECEMBER 2014	RECOGNIZED IN PROFIT OR LOSS	EFFECT OF TRANSLATION TO PRESENTATION CURRENCY	31 DECEMBER 2015
TAX EFFECTS OF TAXABLE AND DEDUCTIBLE TEMPORARY DIFFERENCES:				
Property, plant and equipment	(107,107)	(25,772)	28,657	(104,222)
Intangible assets	(493,680)	7,300	111,421	(374,959)
Inventories	4,416	32,350	(6,279)	30,487
Borrowings	(3,179)	(1,690)	1,000	(3,869)
Trade and other receivables	4,367	(8,284)	336	(3,581)
Derivative financial instruments	86,009	29,135	(24,382)	90,762
Trade and other payables	24,394	(21,786)	(2,018)	590
Tax loss carry-forward	28,234	1,706	(6,725)	23,215
Provisions	6,970	15,995	(4,209)	18,756
Other	4,996	(1,741)	(845)	2,410
TOTAL NET DEFERRED TAX LIABILITY	(444,580)	27,213	96,956	(320,411)

URALKALI GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (in thousands of US dollars, unless otherwise stated) / CONTINUED

The tax effect of the movements in the temporary differences for the year ended 31 December 2014 was the following:

	31 DECEMBER 2013	(CHARGED)/ CREDITED TO PROFIT OR LOSS	EFFECT OF TRANSLATION TO PRESENTATION CURRENCY	31 DECEMBER 2014
TAX EFFECTS OF TAXABLE AND DEDUCTIBLE TEMPORARY DIFFERENCES:				
Property, plant and equipment	(189,928)	3,723	79,098	(107,107)
Intangible assets	(845,738)	(2,137)	354,195	(493,680)
Inventories	6,807	726	(3,117)	4,416
Borrowings	11,329	(19,995)	5,487	(3,179)
Trade and other receivables	7,130	(645)	(2,118)	4,367
Derivative financial instruments	20,694	95,330	(30,015)	86,009
Trade and other payables	21,730	18,102	(15,438)	24,394
Tax loss carry-forward	2,853	34,733	(9,352)	28,234
Provisions	8,782	2,573	(4,385)	6,970
Other	2,445	12,515	(9,964)	4,996
TOTAL NET DEFERRED TAX LIABILITY	(953,896)	144,925	364,391	(444,580)

Deferred tax balances presented in consolidated statement of financial position were as follows:

	31 DECEMBER 2015	31 DECEMBER 2014
Deferred income tax asset	56,721	14,644
Deferred income tax liability	(377,132)	(459,223)
DEFERRED INCOME TAX LIABILITY, NET	(320,411)	(444,579)

The Group has not recognised a deferred income tax liability in respect of taxable temporary differences associated with investments in subsidiaries in the amount of US\$ 199,444 (31 December 2014: US\$ 193,713). The Group controls the timing of the reversal of these temporary differences and does not expect their reversal in the foreseeable future.

30 CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

30.1 LEGAL PROCEEDINGS

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

30.2 TAX LEGISLATION

Laws and regulations affecting business in the Russian Federation continue to change rapidly. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for three calendar years preceding the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has provided adequately for tax

liabilities based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects on the financial statements could be significant.

Starting from January 1st, 2015 according to the amendments introduced into the Russian tax legislation, the 2015 undistributed profits of the Group foreign subsidiaries, recognized as controlled foreign companies, may result in an increase of the tax base of the controlling entities in 2016. Despite the fact that the Group has developed a tax planning strategy with regard to the legislation on controlled foreign companies applicable to the Group foreign subsidiaries, the management of the Group does not exclude the fiscal approach of regulating authorities to the order of determination of taxable profits in controlling entities of the Group in Russia.

30.3 INSURANCE POLICIES

The Company generally enters into insurance agreements when it is required by statutory legislation. The insurance agreements do not cover the risks of damage to third parties' property resulting from the Group's underground activities and the risks reflected in Note 5.

30.4 ENVIRONMENTAL MATTERS

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage due to legal requirements except for those mentioned in Note 5. The Group's mining activities and the recent mine flooding may cause subsidence that may affect the Group's facilities, and those of the cities of Berezniki and Solikamsk, State organisations and others.

30.5 OPERATING ENVIRONMENT OF THE GROUP

Emerging markets such as the Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly; tax and regulatory frameworks are subject to varying interpretations. The future economic direction of the Russian Federation is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

The Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014-2015, the oil price decreased significantly, which led to substantial decrease of the Russian Rouble exchange rate. Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. In December 2014, the Central Bank of the Russian Federation significantly increased its key interest rate, which resulted in growth of interest rates on domestic borrowings. In the first quarter of 2015 international credit agencies downgraded Russia's long-term foreign currency sovereign rating to the speculative level with the negative outlook.

The above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, slackening of the economic growth rates and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

30.6 CAPITAL EXPENDITURE COMMITMENTS

As of 31 December 2015 the Group had contractual commitments for the purchase of property, plant and equipment and intangible assets for US\$ 480,484 (31 December 2014: US\$ 277,452) and US\$ 1,760 (31 December 2014: US\$ 5,486) from third parties, respectively. As of 31 December 2015, the Group had contractual commitments for the purchase of property, plant and equipment from related parties in amount of US\$ 835 (31 December 2014: US\$ 1,115).

	NOTE	31 DECEMBER 2015	31 DECEMBER 2014
FINANCIAL ASSETS			
Trade and other receivables	13	347,099	379,748
Derivative financial assets	21	-	12,994
Other financial assets through profit or loss	14	67,599	61,209
Deposits	15	-	300,000
Cash and cash equivalents	15	1,111,878	2,155,247
Restricted cash	15	200,000	-
FINANCIAL LIABILITIES			
Borrowings	19	5,904,664	5,046,662
Bonds	20	584,668	583,972
Derivative financial liabilities	21	585,603	567,891
Trade and other payables	22	165,128	119,665

31.3 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. Market risk is the possibility that currency exchange rates, reduction in the prices of potash products and changes in interest rates will adversely affect the value of assets, liabilities or expected future cash flows. Overall risk management procedures adopted by the Group focus on the unpredictability of financial and commodity markets and seek to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is different from the functional currency of the companies of the Group.

The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover these and any similar commitments.

30.7 OPERATING LEASE COMMITMENTS

As of 31 December 2015 and 2014 the Group leased property, plant and equipment, mainly land plots. The future minimum lease payments under non-cancellable operating leases are as follows:

	2015	2014
Not later than 1 year	1,677	2,357
Later than 1 year and not later than 5 years	6,960	10,793
Later than 5 years	29,188	38,405
TOTAL OPERATING LEASE COMMITMENTS	37,825	51,555

31 FINANCIAL RISK MANAGEMENT

31.1 CAPITAL 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.

31.2 CATEGORIES OF FINANCIAL INSTRUMENTS

The Group operates internationally and exports approximately 82% of potash fertilisers sales (2014 – 84%). As a result the Group is exposed to foreign exchange risk arising from various currency exposures. Export sales are primarily denominated in US\$ or Euro. The Group is exposed to the risk of significant RR/US\$ and RR/Euro exchange rates fluctuations. The Group's operating profit benefits from the weak exchange rate of the RR against the US\$ and Euro, since all the Group major operating expenses are denominated in RR. The net profit suffers from the weak Rouble exchange rate mainly due to the foreign exchange differences on the Group's loans which are predominantly denominated in US\$.

For the year ended 31 December 2015, if during the year the RR had strengthened/weakened by 30% against the US\$ and Euro with all other variables held constant, the foreign exchange loss for the

URALKALI GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (in thousands of US dollars, unless otherwise stated) / CONTINUED

year would have been US\$ 1,410,094 lower/higher (year ended 31 December 2014: US\$ 923,590 lower/higher), mainly as a result of foreign exchange gains/losses on the translation of US\$ and Euro denominated trade receivables, cash in bank, deposits, foreign exchange losses/gains on the translation of US\$ denominated borrowings and bonds issued and changes of fair value of derivative financial assets and liabilities.

(ii) Price risk

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

(iii) Interest rate risk

The Group's income and operating cash flows are exposed to market interest rates changes. The Group is exposed to fair value interest rate risk through market value fluctuations of interest bearing short- and long-term borrowings, whose interest rates comprise a fixed component. Borrowings issued at variable rates expose the Group to cash flow interest rate risk (Note 19, 20). 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, the renewal of existing positions and alternative financing.

For the year ended 31 December 2015, if LIBOR and ISDA rates on US\$ denominated borrowings had been 200 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been US\$ 85,842 lower/higher (year ended 31 December 2014: the post tax loss – US\$ 76,992 higher/lower). For the year ended 31 December 2015, if MosPrime rates on RR denominated borrowings had been 1,500 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been US\$ 73,372 higher/lower (year ended 31 December 2014: the post tax loss – US\$ 49,406 lower/higher).

The effect is mainly as a result of higher/lower interest expense on floating rate borrowings and changes of fair value of derivative financial assets and liabilities with floating rates terms.

(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 or invested in such counterparties. Financial assets, which potentially subject Group entities to

credit risk, consist primarily of trade receivables, other financial assets at fair value through profit or loss, derivative financial assets, 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 of US\$ 1,726,576 (31 December 2014: US\$ 2,909,198). The Group is exposed to concentrations of credit risk. As of 31 December 2015 the Group had forty one counterparties (31 December 2014: twenty nine), each of them having receivables balances above US\$ 1,372. The total aggregate amount of these balances was US\$ 309,393 (31 December 2014: US\$ 323,654) or 89% of the total amount of financial trade and other receivables (31 December 2014: 85%). Cash and short-term deposits are placed in banks and financial institutions, which are considered at the time of deposit to have optimal balance between rate of return and risk of default. The Group has no other significant concentrations of credit risk.

Trade receivables are subject to a policy of active credit risk management which focuses on an assessment of ongoing credit evaluation and account monitoring procedures. The objective of the management of trade receivables is to sustain the growth and profitability of the Group by optimising asset utilisation while at the same time maintaining risk at an acceptable level.

The effective monitoring and controlling of credit risk is performed by the Group's corporate treasury function. The credit quality of each new customer is analysed before the Group enters into contractual agreements. The credit quality of customers is assessed taking into account their financial position, past experience, country of origin and other factors. The management believes that the country of origin is one of the major factors affecting a customer's credit quality and makes a corresponding analysis (Note 13). Most customers from developing countries are supplied on secured payment terms, including letters of credit or factoring arrangements. These terms include deliveries against opened letters of credit and arrangements with banks on non-recourse discounting of promissory notes received from customers. 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, cash equivalents, letters of credit and deposits balances neither past due nor impaired on the reporting date, based on the credit ratings of independent agencies (for the cash balances held on accounts in Russia the locally tailored ratings are used) as of 31 December 2015 and 2014, if otherwise not stated in table below:

RATINGS – MOODY'S, FITCH, STANDARD&POOR'S	2015	2014
From AAA / Aaa to A- / A3	155,572	32,157
From BBB+ / Baa1 to BBB- / Baa3	53,123	428,544
From BB+ / Ba1 to B- / B3	496,943	1,981,225
Unrated*	606,240	13,321
TOTAL CASH, CASH EQUIVALENTS, DEPOSITS AND RESTRICTED CASH NOT PAST DUE NOR IMPAIRED	1,311,878	2,455,247

* Unrated balance contains cash on hand and other cash equivalents.

(c) Liquidity risk

In accordance with prudent liquidity risk management, the management of the Group aims to maintain sufficient cash in order to meet its obligations. Group treasury aims to maintain sufficient level of liquidity based on monthly cash flow budgets, which are prepared for the year ahead and continuously updated during the year. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the time remaining from the reporting to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows at spot rates.

AS OF 31 DECEMBER 2015	NOTE	LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Trade and other payables	22	165,128	-	-	165,128
Bank borrowings		2,591,286	3,858,044	337,422	6,786,752
Bonds		20,588	677,356	-	697,944
Finance lease liabilities	19	744	2,976	28,687	32,407
Derivative financial liabilities		218,468	321,713	-	540,181
TOTAL		2,996,214	4,860,089	366,109	8,222,412

AS OF 31 DECEMBER 2014	NOTE	LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	ИТОГО
Trade and other payables	22	119,665	-	-	119,665
Bank borrowings		840,332	4,448,201	398,799	5,687,332
Bonds		25,662	630,521	-	656,183
Finance lease liabilities	19	871	3,485	33,981	38,337
Derivative financial liabilities		(1,485)	347,628	-	346,143
TOTAL		985,045	5,429,835	432,780	6,847,660

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 assets and liabilities carried at fair value. Derivatives (Level 2) and other financial assets at fair value through profit or loss (Level 1) are carried in the consolidated statement of financial position at their fair value. Fair values of corporate bonds and shares were determined based on prices quoted in an active market. Fair values of derivative financial assets and liabilities were determined using discounting cash flows valuation techniques with inputs (discount rates for RR and US\$) observable in markets.

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

Liabilities carried at amortised cost. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. As of 31 December 2015 and 31 December 2014, the estimated fair value of the current and non-current borrowings, trade and other payables is not materially different from their carrying amounts.

URALKALI GROUP NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (in thousands of US dollars, unless otherwise stated) / CONTINUED

33 PRINCIPAL SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had the following principal subsidiaries as of 31 December 2015:

NAME	NATURE OF BUSINESS	PERCENTAGE OF VOTING RIGHTS	PERCENTAGE OF OWNERSHIP	COUNTRY OF REGISTRATION
SUBSIDIARIES:				
LLC "SMT "BHSU"	Construction	100.00%	100.00%	Russia
LLC "Vagon Depo Balahonzi"	Repair and maintenance	100.00%	100.00%	Russia
LLC "Uralkali-Remont"	Repair and maintenance	100.00%	100.00%	Russia
CJSC "Avtotranskali"	Transportation	100.00%	100.00%	Russia
OJSC "Baltic Bulk Terminal"	Sea terminal	100.00%	100.00%	Russia
LLC "Satellit-Service"	IT services	100.00%	100.00%	Russia
CJSC VNII Galurgii	Scientific institute	80.00%	80.00%	Russia
OJSC Galurgia	Scientific institute	85.25%	85.25%	Russia
Uralkali Trading S.A.	Trading	100.00%	100.00%	Switzerland
Uralkali Trading SIA	Trading	100.00%	100.00%	Latvia
Uralkali Trading Chicago	Trading	100.00%	100.00%	USA

34 EVENTS AFTER REPORTING DATE

31 March 2016, the Group completed an open market buyback programme in respect of Company's ordinary shares (including ordinary shares represented by GDRs). As result of the open market buyback programme 4.89% of the Company's shares has been purchased (Note 16).

The Company's Rule 144A GDR programme was terminated with effect from 12 January 2016 (Note 16).

24 March 2016 the Group signed agreements to obtain two non-renewable credit lines from PJSC "Sberbank" in the total amount of up to US\$ 3.9 billion due in 2023 and 2026. These non-renewable credit lines will be available starting from the end of 2017 to the beginning of 2020 and will be used for refinancing of existing loans received from the bank as well as for other general corporate purposes. 20.0% of the Company's ordinary shares (including ordinary shares represented by GDRs), were pledged as a security of these credit lines. The Group also has an additional obligation to pledge not less than 8.6% of Company's ordinary shares before 1 August 2016.

DIRECTORS' RESPONSIBILITY STATEMENT

WE CONFIRM THAT TO THE BEST OF OUR KNOWLEDGE:

- the consolidated financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- this Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

ON BEHALF OF THE BOARD, WHICH APPROVED THE MAKING OF THE RESPONSIBILITY STATEMENT FOR THE COMPANY AT A BOARD MEETING ON 20.04.2016.

CORPORATE GOVERNANCE

Report on compliance with the principles and recommendations of the Code of Corporate Governance

This report on compliance with the principles and recommendations of the Code of Corporate Governance was reviewed by the Board of Directors of PJSC Uralkali on 20 April 2016.

The Board of Directors confirms that this report contains complete and reliable information regarding the company's compliance with the principles and recommendations of the Code of Corporate Governance in 2015.

#	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA USED TO EVALUATE WHETHER THE PRINCIPLE IS OBSERVED	STATUS OF COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	EXPLANATION OF DEVIATION FROM COMPLIANCE / NON-COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE
1.1	THE COMPANY SHOULD ENSURE THE EQUAL AND FAIR TREATMENT OF ALL ITS SHAREHOLDERS IN THE COURSE OF THEIR EXERCISING THEIR RIGHTS TO PARTICIPATE IN THE MANAGEMENT OF THE COMPANY.			
1.1.1	The company should create the most favorable conditions possible for its shareholders, enabling them to participate in the general meetings and to develop informed positions on the issues forming its agenda, as well as providing them with the opportunity to coordinate their actions and express their opinions regarding the issues under discussion	<ol style="list-style-type: none"> The internal document of the company which regulates the procedure of convening, preparing and holding general shareholders meetings, and which was approved by the general shareholders meeting, should be available within the public domain. During the period of preparation for the meeting, the company shall establish the necessary organisational and technical conditions to ensure that shareholders may pose questions to members of the company's executive bodies and board of directors, as well as to publicly express their opinions on the meeting's agenda items. To this end, a company with a large number of shareholders is recommended to support a special telephone line (hotline) for communication with shareholders, to establish a special email address, and to provide a forum for discussion of the meeting agenda on its website 	✓ observed	
1.1.2	Procedures for notification of the general meeting and provision of materials for it should enable the shareholders to properly prepare themselves for participation therein.	<ol style="list-style-type: none"> A notice announcing a general shareholders meeting should be published on the website of the company at least 30 days before the date of the meeting. In addition to the information which under the law must be contained in the notice of the general meeting, it is recommended to specify therein the exact location of the general meeting, including details of the room in which it will be conducted and information on documents required for admission to the premises on which the general meeting is to be held. Information about who has proposed each item or nominated a particular candidate to a management body or other body of the company is of great importance for shareholders wishing to form an objective opinion on an agenda item. 	✓ partially observed	The shareholders are not informed of who proposed agenda items for the AGM or nominated candidates for election to the bodies of the company. This has to do with the fact that the majority of items proposed to the shareholders in 2015 were (in compliance with the law and charter of the company) proposed by the board of directors with the board's recommendation to approve the indicated issues. The board of directors accepts shareholders' proposals and provides shareholders with extracts from meeting minutes as part of the materials provided to shareholders in preparation for the general meeting. As far as candidates nominated for election are concerned, the company discloses detailed biographical data about the candidates, their current places of employment, and their positions, as well as their current status (independent, non-executive or executive director).

#	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA USED TO EVALUATE WHETHER THE PRINCIPLE IS OBSERVED	STATUS OF COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	EXPLANATION OF DEVIATION FROM COMPLIANCE / NON-COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE
1.1.3	During the preparation for and holding of the general meeting, the shareholders should be able to freely and in a timely manner receive information about the meeting and its materials, to pose questions to members of the company's executive bodies and board of directors, and to communicate with each other.	<ol style="list-style-type: none"> During the relevant reporting period shareholders should be provided with an opportunity to pose questions to members of the company's executive bodies and board members before and during the annual general meeting. The materials set out the positions of the board of directors regarding the general meeting's agenda, as well as dissenting opinions of board members on each item therein. Such materials are recommended for inclusion into the minutes of a meeting of the board of directors where such opinions have been expressed. The company is recommended to provide those shareholders who are entitled to review the list of persons authorized to participate in the meeting with the opportunity to review it starting from the date when the company receives such information. 	✓ partially observed	<p>The charter of the company and the Law do not make it obligatory for board members to be present at the AGM; however board members can be invited to participate in the general meeting. Traditionally, the attendance at general shareholders meetings, despite the fact that these meetings are held at the location of most shareholders of the company (Berezniki, Perm Region), is very low and the presence of board members seems excessive and unnecessary as most members of the Management Board including the CEO (General Director), are present and willing to answer any questions that the shareholders might have. Shareholders also have the opportunity to pose their questions to board members (for example, via e-mail) and to members of the Management Board at any time during preparation for and the actual holding of the meeting.</p> <p>The position of the board of directors on agenda items is stated in the decisions adopted by the board of directors themselves. Notices of material corporate actions (significant facts) disclosed by the Company reflect the number of votes cast by board members present at the meeting in support of a particular decision. There were no dissenting opinions of board members which had to be recorded in the minutes and subsequently disclosed. The board of directors is a collective body whose decisions are adopted by a quorum determined by the Law and the Charter.</p>
1.1.4	There should be no unjustified difficulties preventing shareholders from exercising their right to demand that a general meeting be convened, nominate candidates to the company's governing bodies, and to place proposals on its agenda.	<ol style="list-style-type: none"> The shareholders have the opportunity to propose items to be included in the agenda of its annual general meeting within a 60-day period following the end-date of the respective calendar year. If there are typos and other insignificant flaws in shareholder proposals, it is not recommended that the company refuse to include these proposals on the agenda or refuse to allow the proposed candidate to claim his/her place on the list of nominees for election as long as the contents of the proposal as a whole are sufficient to determine the will of the shareholder and to confirm his right to submit the proposal. 	✓ observed	
1.1.5	Each shareholder should be able to freely exercise his right to vote in a straightforward and most convenient way.	1. To rule out any abuse, the company should include in its internal documents a provision whereby a person filling out a voting ballot may, until the end of the general meeting, request that a copy of the ballot filled out thereby be certified by the company's counting commission (or representatives of the registrar who carry out the functions of such counting commission).	✓ not observed	No such provisions are made in the internal documents of the company; however, in reality no shareholder has ever been refused a copy of a ballot filled by this shareholder and certified by the company's counting commission if ever such request was made by a shareholder.
1.1.6	Procedures for holding a general meeting set by the company should provide equal opportunity to all persons present at the general meeting to express their opinions and ask questions that might be of interest to them.	<ol style="list-style-type: none"> The general meeting should be conducted in such a way as to enable the shareholders to make informed and reasoned decisions on all matters on the agenda. In order to do so, a sufficient time for reports on the agenda should be provided and there should be sufficient time to discuss these issues. The company should invite candidates nominated to its board of directors and internal audit commission to attend the respective general meeting (and such candidates are recommended to attend the same) so that shareholders will be able to ask them questions and make their judgments about such candidates. The board of directors considered the use of telecommunication systems to provide the shareholders with remote access to their general meetings (for example, by broadcasting its proceedings via the company's website or by using video conferencing). 	✓ partially observed	Refer to comment to p. 1.1.3

REPORT ON COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CODE OF CORPORATE GOVERNANCE / CONTINUED

#	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA USED TO EVALUATE WHETHER THE PRINCIPLE IS OBSERVED	STATUS OF COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	EXPLANATION OF DEVIATION FROM COMPLIANCE / NON-COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE
1.2	SHAREHOLDERS SHOULD HAVE EQUAL AND FAIR OPPORTUNITIES TO PARTICIPATE IN THE PROFITS OF THE COMPANY BY MEANS OF RECEIVING DIVIDENDS.			
1.2.1	The company should develop and put in place a transparent and clear mechanism for determining the amount of dividends and their payment.	1. The company has developed and disclosed its dividend policy approved by the board of directors. 2. If the dividend policy of the company utilizes indicators from the financial statements of the company to determine the size of the dividend, the relevant provisions of the dividend policy should include the consolidated indicators of financial statements.	✓ observed	The dividend policy of the company was approved by the board of directors and disclosed on the official website of the company. The dividend policy is not linked to a specific financial indicator of the company's financial statements.
1.2.2	The company should not make a decision on the payment of dividends if such decision, without formally violating limits set by law, is nevertheless unjustified from the economic point of view and might lead to the formation of false assumptions about the company's activity.	1. The dividend policy of the company should contain clear indications of financial/economic circumstances which prohibit the company from paying dividends.	✓ observed	
1.2.3	The company should not allow deterioration of dividend rights of its existing shareholders.	1. The company has not taken any actions which would allow for the deterioration of dividend rights of existing shareholders in the reporting period.	✓ observed	
1.2.4	The company should strive to rule out any means through which its shareholders can obtain profit or gain at the company's expense other than dividends and distributions of its liquidation value.	1. The company has established appropriate control mechanisms in its internal documents to prevent its controlling persons from deriving a profit (income) from the company in ways other than dividends or liquidation value. Internal documents of the company contain provisions establishing control mechanisms for timely identification and approval of transactions with affiliated parties and major shareholders (persons entitled to control votes attached to voting shares) in cases when the law does not formally recognize these transactions as interested-party transactions.	✓ partially observed	In 2015, for objective reasons, the company was unable to pay dividends due to several financial and accounting limitations imposed by the law, which could have led to the deterioration of the financial status of the company. The internal documents of the company (Regulations on the Audit Committee) provide for a specific procedure of the Committee's work in cases of strategic transactions which, inter alia, may include transactions with the company's substantial shareholders. Such transactions are concluded once a special committee comprised exclusively of independent directors has issued an appropriate recommendation. In 2015, the company twice initiated programmes to repurchase shares and global depository receipts which enabled the shareholders to sell their securities at market value.
1.3	THE SYSTEM AND PRACTICES OF CORPORATE GOVERNANCE SHOULD ENSURE EQUAL TERMS AND CONDITIONS FOR ALL SHAREHOLDERS OWNING SHARES OF THE SAME CLASS (CATEGORY) IN A COMPANY, INCLUDING MINORITY AND FOREIGN SHAREHOLDERS. EQUAL TREATMENT SHOULD BE UNILATERAL AND BEYOND DISPUTE.			
1.3.1	The company should create conditions which would force its governing bodies and controlling personnel to treat each shareholder fairly, especially in the area of negating the possibility of any abuse of minority shareholders by major shareholders.	1. During the reporting period the procedures adopted for management of potential conflict between major shareholders were effective, and the board of directors paid sufficient attention to conflicts, if any, between shareholders.	✓ observed	
1.3.2	The company should not perform any acts which would or could result in artificial reallocation of corporate control therein.	1. There were no quasi-treasury shares or they did not participate in voting during the course of the reporting period.	✓ observed	

#	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA USED TO EVALUATE WHETHER THE PRINCIPLE IS OBSERVED	STATUS OF COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	EXPLANATION OF DEVIATION FROM COMPLIANCE / NON-COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE
1.4	THE SHAREHOLDERS SHOULD BE PROVIDED WITH RELIABLE AND EFFICIENT MEANS OF RECORDING THEIR RIGHTS IN SHARES AS WELL AS WITH THE OPPORTUNITY TO FREELY DISPOSE OF SUCH SHARES IN A NON-ONEROUS MANNER.			
1.4.1	The shareholders should be provided with reliable and efficient means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner.	1. The quality and reliability of the work performed by the registrar of the company answers the requirements of the company and its shareholders.	✓ observed	
2.1	THE BOARD OF DIRECTORS SHALL BE IN CHARGE OF STRATEGIC MANAGEMENT OF THE COMPANY, DETERMINE MAJOR PRINCIPLES OF AND APPROACHES TO CREATION OF A RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM WITHIN THE COMPANY, MONITOR THE ACTIVITY OF THE COMPANY'S EXECUTIVE BODIES, AND CARRY OUT OTHER KEY FUNCTIONS.			
2.1.1	The board of directors should be responsible for decisions to appoint and remove members of executive bodies, including taking action in response to failure of the latter to properly perform their duties. The board of directors should also guarantee that the company's executive bodies act in accordance with an approved development strategy and the main business goals of the company.	1. According to the charter of the company, the board of directors has the authority to appoint, dismiss and determine the terms and conditions of contracts with members of executive bodies of the company. 2. During the reporting period the board heard reports of the one-person executive body and members of the collective executive body on the implementation of the strategy, with particular attention to conformity with the company's performance in targeting indicators set forth by the company's strategy.	✓ partially observed	According to the charter, the board of directors has the authority to appoint, terminate the appointment, and to determine the terms and conditions of the employment contract only in relation to the General Director (one-person executive body) of the company. Members of the Management Board are appointed and dismissed by the board of directors; however, the terms and conditions of their employment contracts are not determined by the board of directors in compliance with the Law and the charter of the company. The Appointments and Remuneration committee is charged with the preparation of recommendations regarding the principles and criteria of establishing the size of the remuneration payable to members of the Management Board. The board of directors regularly reviews reports of the General Director on the results of the company's activities (quarterly), which also include information about the status of implementation of the strategy of the company. In addition, the company has a practice of holding annual strategic sessions.
2.1.2	The board of directors should establish basic long-term targets of the company's activity, evaluate and approve its key performance indicators and principal business goals, as well as evaluate and approve its strategy and business plans in respect of its principal areas of operations.	1. During the reporting period the board of directors has reviewed matters related to the status of execution of the strategy of the company, approval of its financial plan (budget) and the review of criteria and indicators (including interim) pertaining to the execution of the strategy and business plans of the company.	✓ observed	
2.1.3	The board of directors should determine principles of and approaches to creation of the risk management and internal control system in the company.	1. The board of directors has determined the principles and approaches to creation of the risk management and internal control system in the company. 2. The board of directors has evaluated the risk management and internal control system during the reporting period.	✓ observed	
2.1.4	The board of directors should determine the company's policy on remuneration due to and/or reimbursement of costs incurred by its board members, members of its executive bodies and other key managers.	1. The company has developed and implemented a policy (policies) on remuneration and/or reimbursement of costs incurred by its board members, members of executive bodies and other key managers. This policy (policies) was approved by the board of directors. 2. During the reporting period the board of directors reviewed matters related to the indicated policy (policies).	✓ partially observed	The company developed and implemented Regulations on Remuneration and Reimbursement of Members of the Board of Directors, which were approved by the general shareholders meeting. Over the course of the reporting period there was no need to update or adjust documents related to remuneration and reimbursement of executive bodies or key managers of the company.

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#	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA USED TO EVALUATE WHETHER THE PRINCIPLE IS OBSERVED	STATUS OF COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	EXPLANATION OF DEVIATION FROM COMPLIANCE / NON-COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE
2.1.5	The board of directors should play a key role in prevention, detection and resolution of internal conflicts between the company's bodies, shareholders and employees.	1. The board of directors plays a key role in prevention, detection and resolution of internal conflicts. 2. The company has created a system of identification of transactions related to a conflict of interest and a system of measures intended to resolve such conflicts.	✓ observed	
2.1.6	The board of directors should play a key role in ensuring that the company is transparent, discloses information in full and in due course, and provides its shareholders with unhindered access to its documents.	1. The board of directors has approved a regulation on information policy. 2. The company has appointed persons in charge of the implementation (enforcement) of the information policy.	✓ observed	
2.1.7	The board of directors should monitor the company's corporate governance practices and play a key role in its material corporate events.	1. During the reporting period the board of directors reviewed the corporate governance practices in the company	✓ observed	
2.2 THE BOARD OF DIRECTORS SHOULD BE ACCOUNTABLE TO THE COMPANY'S SHAREHOLDERS.				
2.2.1	Information about the board of directors' work should be disclosed and provided to the shareholders.	1. The annual report of the company for the reporting period contains information regarding the directors' attendance at board and committee meetings. 2. The annual report contains information about the key results of the evaluation of the work of the board of directors in the reporting period.	✓ observed	
2.3 THE BOARD OF DIRECTORS SHOULD BE AN EFFICIENT AND PROFESSIONAL GOVERNING BODY OF THE COMPANY WHICH IS ABLE TO MAKE OBJECTIVE AND INDEPENDENT JUDGMENTS AND PASS RESOLUTIONS IN THE BEST INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS.				
2.3.1	Only persons with impeccable business and personal reputation should be elected to the board of directors; such persons should also have knowledge, skills, and experience necessary to make decisions that fall within the jurisdiction of the board of directors and to perform all such functions efficiently.	1. The performance assessment procedure for the board of directors adopted in the company includes the evaluation of professional qualifications of board members. 2. In the reporting period, the board of directors (or its nominations committee) evaluated candidates nominated to the board in terms of their experience, knowledge, business and personal reputation, absence of conflicts of interest etc.	✓ partially observed	The company has put a procedure in place to assess the performance of the board of directors; however, it does not include an assessment of professional qualifications of board members. In addition, over the course of the reporting period the board of directors did not evaluate candidates nominated to the board of directors in terms of their experience, knowledge, business reputation or absence of a conflict of interest, because 1) candidates to the board are nominated and elected by shareholders and the Law does not provide for a procedure of refusal to accept candidates or to appoint candidates to the board of directors due to their not possessing certain knowledge or skills, 2) a potential conflict of interest is identified at the stage of nomination of candidates due to the fact that candidates are obliged to provide certain information about themselves including information about any persons with whom the candidate is affiliated, 3) the possibility of a conflict of interest after a candidate's election to the board is minimized by the fact that members of the board of directors who are interested parties for the purpose of the company's transactions do not take part in voting on these transactions and the fact that the law provides for the obligation of a board member to inform the company of his/her being an interested party.

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2.3.2	Board members should be elected pursuant to a transparent procedure enabling the shareholders to obtain information about respective candidates sufficient for them to get an idea of the candidates' personal and professional qualities.	1. Biographical data on all candidates nominated to the board of directors, and the results of the evaluation of such candidates conducted by the board of directors (or its nominations committee), information regarding the candidate's conformity with independence criteria in accordance with recommendations 102-107 of the Code, and the candidates' written consent to be elected to the board, were provided to shareholders in preparation for all meetings where the election of board members was on the agenda.	✓ partially observed	The results of the evaluation of candidates conducted by the board of directors or the Appointments and Remuneration Committee in 2015 were not provided to shareholders; however, detailed biographies of candidates indicating their status (independent, non-executive, executive) were made available to them.
2.3.3	The composition of the board of directors should be balanced, in particular in terms of qualifications, expertise, and the business skills of its members. The board of directors should enjoy the confidence of the shareholders.	1. During the procedure of assessment of the work of the board of directors conducted in the reporting period, the board analyzed its composition in terms of qualifications and expertise of its members.	✓ not observed	Refer to comment to p. 2.3.1
2.3.4	The membership of the board of directors of the company must enable the board to organise its activities in the most efficient way possible, in particular, to create committees of the board of directors, as well as to enable substantial minority shareholders of the company to put forth a candidate to the board of directors for whom they would vote.	1. During the procedure of assessment of the work of the board of directors conducted in the reporting period, the board of directors analyzed the conformity of its membership to the needs of the company and its shareholders.	✓ not observed	Such an assessment procedure was not carried out by the board of directors. The issue of conformity of the board's membership with the needs of the company and interest of shareholders has never been raised as the company has never had any shareholders' request to change the board's composition or to provide any information confirming that the number of board members does not correlate with the interests of the company or its shareholders. The number of board members is in line with the law.
2.4 THE BOARD OF DIRECTORS SHOULD INCLUDE A SUFFICIENT NUMBER OF INDEPENDENT DIRECTORS.				
2.4.1	An independent director should mean any person who has the required professional skills and expertise and is sufficiently able to have his/her own position and make objective and bona fide judgments, free from the influence of the company's executive bodies, any individual group of its shareholders or other stakeholders. It should be noted that, under normal circumstances, a candidate (or an elected director) may not be deemed to be independent, if he/she is associated with the company, any of its substantial shareholders, material trading partners or competitors, or the government.	1. During the reporting period all independent board members answered all requirements of recommendations 102-107 of the Code or were deemed independent pursuant to a decision of the board of directors.	✓ observed	

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2.4.2	It is recommended to evaluate whether candidates nominated to the board of directors meet the independence criteria as well as to review, on a regular basis, whether or not independent board members meet the independence criteria. When carrying out such evaluation, substance should take precedence over form.	1. During the reporting period the board of directors (or its nominations committee) issued an opinion regarding the independence of each candidate nominated to the board and provided the shareholders with the appropriate conclusion. 2. At least once in the reporting period the board of directors (or its nominations committee) evaluated the independence of current members of the board of directors indicated by the company in the annual report as independent directors. 3. The company has developed procedures indicating the actions which must be taken by a board member once he/she ceases to be independent including their obligation to inform the board of directors of these circumstances in a timely fashion.	✓ partially observed	Refer to comment to p. 2.3.1. The company does not have any special procedures determining what actions must be taken by board members in cases when they cease to be independent. The Law "On Joint Stock Companies" and the Regulation on the Board of Directors of the company sufficiently regulate this issue by providing that board members must notify the board of directors (supervisory board) of the company, the revision commission and/or auditor of the company of the following: Of legal entities where they independently or together with their affiliates own 20% or more of voting shares (stakes); Of legal entities where they are members of governance bodies; Of all current or potential transactions where they may be deemed to be interested parties.
2.4.3	Independent directors should account for at least one-third of all directors elected to the board of directors.	1. Independent directors should account for at least one-third of all directors elected to the board of directors.	✓ observed	
2.4.4	Independent directors should play a key role in prevention of internal conflicts in the company and performance by the latter of material corporate actions.	1. Independent directors (with no conflict of interest) should preliminarily review material corporate actions related to a potential conflict of interest and a document setting out the results of such evaluation should be made available as part of materials to be provided in connection with a board meeting where a respective matter is to be considered.	✓ observed	

2.5 THE CHAIRPERSON OF THE BOARD OF DIRECTORS SHOULD HELP IT CARRY OUT THE FUNCTIONS IMPOSED THEREON IN A MOST EFFICIENT MANNER.

2.5.1	It is recommended to either elect an independent director to the position of chairperson of the board of directors or identify the senior independent director among the company's independent directors who would coordinate work of the independent directors and liaise with the chairperson of the board of directors.	1. The chairperson of the board of directors is an independent director or a senior independent director who was appointed from among the independent directors ³⁹ . 2. The role, rights and responsibilities of the chairperson of the board (and, if applicable, of the senior independent director) are clearly determined in the internal documents of the company.	✓ partially observed	The chairperson of the board of directors is an independent director. Also, the board of directors has elected a senior independent director; however his role, rights and obligations are not determined under any internal document. Nevertheless, every year, the company discloses information about the role of the senior independent director in the annual report.
2.5.2	The board chairperson should ensure that board meetings are held in a constructive atmosphere and that any items on the meeting agenda are discussed freely. The chairperson should also monitor fulfillment of decisions made by the board of directors.	1. The performance of the chairperson of the board of directors was evaluated within the framework of the board performance assessment procedure in the reporting period.	✓ partially observed	The individual role of the chairperson was not evaluated separately within the framework of the assessment; however, the work of the board as a team and its effectiveness as a whole was evaluated. According to the Law, the chairperson of the board of directors organise the work of the board of directors, and, overall, it was deemed to be effective.

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2.5.3	The chairperson of the board of directors should take any and all measures as may be required to provide the board members in a timely fashion with information required to make decisions on issues on the agenda.	1. The obligation of the chairperson of the board of directors to take any and all measures to provide the board members in a timely fashion with information required to make decisions is stipulated in the internal documents of the company.	✓ observed	
2.6	BOARD MEMBERS MUST ACT REASONABLY AND IN GOOD FAITH IN THE BEST INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS, BEING SUFFICIENTLY INFORMED, WITH DUE CARE AND DILIGENCE.			
2.6.1	Acting reasonably and in good faith means that board members should make decisions considering all available information, in the absence of a conflict of interest, treating shareholders of the company equally, and assuming normal business risks.	1. Internal documents of the company should stipulate that if a board member has a conflict of interest, he/she should promptly inform the board of directors (through its chairman or the company's corporate secretary) both of the existence of and grounds for such conflict of interest. In any case, such notification shall be made before the issue is discussed at a meeting of the board of directors or by any of its committees at which such board member is present 2. According to internal documents of the company, if a board member has a conflict of interest, he/she may not take part in decision-making. He/she should abstain from voting on any issues in which he/she has a conflict of interest. 3. The company should provide for a procedure (and a related budget) enabling board members to receive, at the expense of the company, professional advice on issues relating to the jurisdiction of the board of directors.	✓ partially observed	According to p. 3.3 of the Regulations on the Board of Directors, board members must inform the board of directors, the revision commission and the authority of the company of information specified in Article 82 of the Federal Law "On Joint Stock Companies", inform the board of any changes in the indicated information in a timely fashion. It is not required that board members must refrain from voting on any matter where he/she has a conflict of interest; however, the company has never had a case of voting when there was a conflict of interest. The absence of such provision in the company's internal documents is, in our opinion, compensated, by the provisions of p. 3.3 of the Regulations on the Board of Directors of PJSC Uralkali, which obliges board members to act reasonably, in good faith and with appropriate consideration for the company. Pursuant to p. 3.1 of the Regulations on the Board of Directors, board members have the right to request that experts and consultants be retained by the company at the expense of the company whenever the need arises. The procedure of retention of such experts is not formalized, but, as a rule, board members who wish to retain a consultant address their requests (as with any other matter related to the work of the board of directors) to the Corporate Secretary of the company who, in compliance with the Regulations on the Corporate Secretary of PJSC Uralkali, provides organisational support to the board of directors and ensures effective coordination between board members and the company's management.
2.6.2	Rights and duties of board members should be clearly stated and documented in the company's internal documents.	1. The company adopted and published an internal document whereby the rights and duties of board members are clearly stated.	✓ observed	
2.6.3	Board members should have sufficient time to perform their duties.	1. Individual attendance at board and committee meetings and time devoted to the preparation for the participation in meetings was considered during the procedure of assessment of the board of directors in the reporting period. 2. In accordance with internal documents of the company, board members should notify the company's board of directors of their intention to take a position in management bodies of other entities and, immediately after their election (appointment) to the management bodies of such other entities, of such election (appointment).	✓ partially observed	The company's internal documents do not require that board members notify the board of directors of their intention to take a position in management bodies of other entities. Board members must inform the board of directors of the fact of their appointment (election) to the management bodies of other entities in compliance with the Law and p. 3.3 of the Regulations on the Board of Directors. Imposing an obligation on board members to inform the company of their intentions seems excessive for the following reasons: 1) until the moment of their appointment this information may constitute insider information and cannot be made known to the company; 2) their appointment may not be finalized for various reasons.

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#	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA USED TO EVALUATE WHETHER THE PRINCIPLE IS OBSERVED	STATUS OF COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	EXPLANATION OF DEVIATION FROM COMPLIANCE / NON-COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE
2.6.4	All board members should have equal opportunity to access the company's documents and information. Newly elected board members should be provided with sufficient information about the company and work of its board of directors as soon as possible.	1. In accordance with internal documents of the company, board members are given an opportunity to obtain any and all information required to perform their duties, including information on legal entities controlled by the company. The duty of the company's officials to provide the board members with such information is set forth by the company's internal documents. 2. The company has a formal induction programme for newly elected board members.	✓ observed	
2.7	MEETINGS OF THE BOARD OF DIRECTORS, PREPARATION FOR THEM, AND PARTICIPATION OF BOARD MEMBERS THEREIN SHOULD ENSURE EFFICIENT WORK OF THE BOARD.			
2.7.1	It is recommended to hold meetings of the board of directors as needed, with due account of the company's scope of activities and its then current goals.	1. The board of directors held at least 6 meetings in the reporting period.	✓ observed	
2.7.2	It is recommended to develop a procedure for preparing for and holding meetings of the board of directors and setting it out in the company's internal documents. The above procedure should enable the shareholders to prepare themselves properly for such meetings.	1. The company has an internal document in place regulating the procedure of preparation and holding of board meetings which, inter alia, requires that the notice of a meeting must be made, as a rule, at least 5 days before the date of the meeting.	✓ observed	Note: The company's internal documents require that notices of meetings and materials thereto must be provided to board members not later than 3 business days before the meeting (5 calendar days at the most).
2.7.3	The form of a meeting of the board of directors should be determined with due account of the importance of the issues on the agenda of the meeting. Most important issues should be decided at the meetings held in person.	1. According to the charter or an internal document of the company, the most important issues (in accordance with the list provided in recommendation 168 of the Code) must be considered and decided at meetings held in person.	✓ partially observed	The Regulations on the Board of Directors determine a list of issues which cannot be reviewed at absentee meetings; however, formally this list does not answer the requirements of p. 168 of the Code. Nevertheless, almost all issues listed in p. 168 of the Code are reviewed at meetings in person.
2.7.4	Decisions on most important issues relating to the company's business should be made at a meeting of the board of directors by a qualified majority vote or by a majority vote of all elected board members.	1. According to the charter of the company, the most important issues as described by recommendation 170 of the Code must be decided by a qualified majority vote of at least three quarters of the votes or by a majority vote of all elected board members.	✓ partially observed	The charter of the company does not provide for the issues listed in recommendation 170 of the Code to be decided by a qualified majority. According to the Law, all members of the board of directors must vote unanimously to adopt decisions pertaining to the conclusion of major transactions which fall within the purview of the board of directors. Other matters (except interested-party transactions) are decided by a majority vote of board members present at the respective meeting, as required by the law. This approach conforms to the law and it seems excessive to establish another quorum for decision-making at board meetings. Considering the fact that board meetings enjoy almost a 100% attendance by board members, almost all decisions are adopted by the majority vote of all elected board members.

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2.8	THE BOARD OF DIRECTORS SHOULD FORM COMMITTEES FOR PRELIMINARY CONSIDERATION OF THE MOST IMPORTANT ISSUES OF THE COMPANY'S BUSINESS.			
2.8.1	For the purpose of preliminary consideration of any matters of control over the company's financial and business activities, it is recommended to form an audit committee comprised of independent directors.	1. The board of directors formed an audit committee comprised exclusively of independent directors. 2. The objectives of the audit committee, including the objectives listed in recommendation 172 of the Code, are determined in the internal documents of the company. 3. At least one member of the audit committee, who is an independent director, has experience and knowledge of preparation, analysis, evaluation and audit of accounting (financial) statements. 4. Meetings of the audit committee were held at least once every quarter during the reporting period.	✓ partially observed	Most members of the Audit Committee are independent directors, which is in line with the Listing Rules of the Moscow Exchange. For objective reasons the company cannot form the Audit Committee exclusively of independent directors as the chairperson of the board of directors of the company is not a member of board committees and oversees only the board of directors as a whole. All other recommendations are fully observed.
2.8.2	For the purpose of preliminary consideration of any matters of development of efficient and transparent remuneration practices, it is recommended to form a remuneration committee comprised of independent directors and chaired by an independent director who should not concurrently be the board chairperson.	1. The board of directors formed a remuneration committee comprised exclusively of independent directors. 2. The committee is chaired by an independent director who is not the board chairperson at the same time. 3. The objectives of the remuneration committee, including the objectives listed in recommendation 180 of the Code, are determined in the internal documents of the company.	✓ partially observed	Most members of the Appointments and Remuneration Committee are independent directors, which is in line with the requirements of the Listing Rules of the Moscow Exchange. For objective reasons the company cannot form the Appointments and Remuneration Committee exclusively of independent directors as the chairperson of the board of directors of the company is not a member of board committees and oversees only the board of directors as a whole. All other recommendations are fully observed. At present, the Regulations on the Appointments and Remuneration Committee have not been fully brought in line with the recommendations; however, the Company is planning to bring the Regulations in line with the Listing Rules of the Moscow Exchange within the next few months.
2.8.3	For the purpose of preliminary consideration of any matters relating to human resources planning (making plans regarding successor directors), professional composition and efficiency of the board of directors, it is recommended to form a nominating committee (a committee on nominations, appointments and human resources) with a majority of its members being independent directors.	1. The board of directors formed a nominations committee (or its objectives indicated in recommendation 186 of the Code are implemented by a different committee), with a majority of its members being independent directors. 2. The objectives of the nominations committee (or the relevant committee performing these functions) including the objectives indicated in recommendation 186 of the Code are determined in the internal documents of the company.	✓ partially observed	Combined with the Appointments and Remuneration Committee. See comment to p. 2.8.2.
2.8.4	Taking account of its scope of activities and levels of related risks, the company should form other committees with its board of directors, in particular, a strategy committee, a corporate governance committee, an ethics committee, a risk management committee, a budget committee or a committee on health, security and environment, etc.	1. In the reporting period the board of directors considered the conformity of the composition of its committees to the objectives of the board of directors and of the company. Additional committees were either formed or were deemed unnecessary.	✓ observed	In addition: the company has additionally formed an Investment and Development Committee and a Corporate Social Responsibility Committee.

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2.8.5	The composition of the committees should be determined in such a way that it would allow a comprehensive discussion of issues being considered on a preliminary basis with due consideration of differing opinions.	1. Board committees are chaired by independent directors. 2. Given the specific nature of issues considered by the audit committee, the nominating committee and the remuneration committee, persons who are not members of the above committees can attend their meetings only at the invitation of their chairpersons.	✓ partially observed	Board committees are chaired by independent directors. At the same time, committee chairpersons always welcome other board members, who are not members of a particular board committee, to attend committee meetings. This is standard practice for board committees despite the fact that this is not formalized in the company's internal documents.
2.8.6	Committee chairpersons should inform the board of directors and its chairperson of the work of their committees on a regular basis.	1. During the reporting period chairpersons of board committees presented regular reports to the board of directors on their activities.	✓ observed	
2.9	THE BOARD OF DIRECTORS SHOULD MAKE AN EXHAUSTIVE EVALUATION OF THE QUALITY OF ITS WORK AND THAT OF ITS COMMITTEES AND BOARD MEMBERS.			
2.9.1	Evaluation of quality of the board of directors' work should be aimed at determining how efficiently the board of directors, its committees and board members work and whether their work meets the company's needs, as well as at making their work more intensive and identifying areas of improvement.	1. Self-evaluation or external evaluation of the work of the board of directors in the reporting period included the evaluation of the work of the board committees, separate members of the board of directors and of the board of directors as a whole. 2. The results of the self-evaluation or external evaluation of the board of directors in the reporting period were reviewed by the board of directors at meetings held in person.	✓ partially observed	The self-evaluation did not include an assessment of individual board members – at this stage the company does not deem this to be necessary. The results of the evaluation were reviewed at a board meeting held in person.
2.9.2	Quality of work of the board of directors, its committees and board members should be evaluated on a regular basis, at least once a year. To carry out an independent evaluation of the quality of the board of directors' work, it is recommended to retain a third party entity (consultant) on a regular basis, at least once every three years.	1. An external organisation (consultant) was retained to evaluate the work of the board of directors at least once in the last three reporting periods.	✓ not observed	No external consultant was invited by the company. The culture of performance assessment is being developed by the company gradually. In March 2014, almost the entire composition of the board was changed and at this stage retaining an external consultant seems premature.
3.1	THE COMPANY'S CORPORATE SECRETARY SHALL BE RESPONSIBLE FOR EFFICIENT INTERACTION WITH ITS SHAREHOLDERS, COORDINATION OF THE COMPANY'S ACTIONS DESIGNED TO PROTECT THE RIGHTS AND INTERESTS OF ITS SHAREHOLDERS, AND SUPPORT OF EFFICIENT WORK OF ITS BOARD OF DIRECTORS.			
3.1.1	The corporate secretary should have knowledge, experience, and qualifications sufficient for performance of his/her duties, as well as an impeccable reputation and should enjoy the trust of the shareholders.	1. The company has adopted and disclosed an internal document – regulation on the corporate secretary. 2. The company disclosed on its website and in its annual report information on the corporate secretary which is as detailed as that required to be disclosed in relation to board members and members of the executive bodies of the company.	✓ partially observed	The biography of the corporate secretary was not disclosed on the website or in the Annual Report as the disclosure of this information was not a priority in accordance with the information policy of the company in 2015.

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3.1.2	The corporate secretary should be sufficiently independent of the company's executive bodies and be vested with powers and resources required to perform his/her tasks.	1. The board of directors approves the appointment, termination of appointment, and additional remuneration of the corporate secretary.	✓ observed	
4.1	THE LEVEL OF REMUNERATION PAID BY THE COMPANY SHOULD BE SUFFICIENT TO ENABLE IT TO ATTRACT, MOTIVATE, AND RETAIN PERSONS HAVING REQUIRED SKILLS AND QUALIFICATIONS. REMUNERATION DUE TO BOARD MEMBERS, THE EXECUTIVE BODIES, AND OTHER KEY MANAGERS OF THE COMPANY SHOULD BE PAID IN ACCORDANCE WITH A REMUNERATION POLICY APPROVED BY THE COMPANY.			
4.1.1	It is recommended that the level of remuneration paid by the company to its board members, executive bodies, and other key managers should be sufficient to motivate them to work efficiently and enable the company to attract and retain knowledgeable, skilled, and duly qualified persons. The company should avoid setting the level of remuneration any higher than necessary, nor allowing for an excessively large gap between the level of remuneration of any of the above persons and that of the company's employees.	1. The company has adopted an internal document (documents) – a remuneration policy (policies) in relation to its board members, members of executive bodies and other key managers whereby the approaches to the remuneration of the indicated persons are clearly determined.	✓ observed	
4.1.2	The company's remuneration policy should be developed by its remuneration committee and approved by the board of directors. With the help of its remuneration committee, the board of directors should monitor implementation of and compliance with the remuneration policy by the company and, should this be necessary, review and amend the same.	1. During the reporting period the remuneration committee reviewed the remuneration policy (policies) and the practice of its (their) implementation and, when necessary, provided the board of directors with the relevant recommendations.	✓ not observed	The board of directors did not see the need to revise the policy in relation to the company's executive bodies and key managers in 2015.
4.1.3	The company's remuneration policy should provide for transparent mechanisms to be used to determine the amount of remuneration due to members of the board of directors, the executive bodies, and other key managers of the company, as well as to regulate any and all types of payments, benefits, and privileges provided to any of the above persons.	1. The remuneration policy (policies) of the company contains (contain) transparent mechanisms to be used to determine the amount of remuneration due to members of the board of directors, executive bodies and other key managers of the company and regulates (regulate) all types of payments, benefits and privileges provided to any of the indicated persons.	✓ observed	

REPORT ON COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CODE OF CORPORATE GOVERNANCE / CONTINUED

#	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA USED TO EVALUATE WHETHER THE PRINCIPLE IS OBSERVED	STATUS OF COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	EXPLANATION OF DEVIATION FROM COMPLIANCE / NON-COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE
4.1.4	The company is recommended to develop a policy on reimbursement of expenses which would contain a list of reimbursable expenses and specify service levels provided to members of the board of directors, the executive bodies, and other key managers of the company. Such policy can form part of the company's policy on compensations.	1. The remuneration policy (policies) of the company or other internal documents of the company set forth the rules of reimbursement of expenses of board members, members of executive bodies and other key managers of the company.	✓ observed	
4.2	THE SYSTEM OF REMUNERATION OF BOARD MEMBERS SHOULD ENSURE HARMONY BETWEEN THE FINANCIAL INTERESTS OF THE DIRECTORS AND THE LONG-TERM FINANCIAL INTERESTS OF THE SHAREHOLDERS.			
4.2.1	A fixed annual fee shall be a preferred form of monetary remuneration of the board members. It is not advisable to pay a fee for participation in individual meetings of the board of directors or its committees. It is not advisable to use any form of short-term incentives or additional financial incentives in respect of board members.	1. A fixed annual fee has been the only form of monetary remuneration of board members for their services on the board in the reporting period.	✓ observed	
4.2.2	Long-term ownership of shares in the company contributes most to aligning the financial interests of board members with the long-term interests of the company's shareholders. However, it is not recommended to make the right to dispose of shares dependent on the achievement by the company of certain performance results; nor should board members take part in the company's option plans.	1. If the company has a practice (policy) of paying remuneration to the board members in the form of its shares, its policy (internal document) of remuneration payable to the board members should set out clear and transparent rules regulating the ownership of shares by the board members. These rules should encourage them to increase their shareholdings and own the shares on a long-term basis.	✓ observed	Board members do not own company shares. The information about share ownership by the company's directors is disclosed in the Annual Report of the company.
4.2.3	It is not recommended to provide for any additional allowance or compensation in the event of early dismissal of board members in connection with a change of control over the company or other circumstances.	1. The company does not provide for any additional allowance of compensation in the event of early dismissal of board members in connection with a change of control over the company or other circumstances.	✓ observed	

#	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA USED TO EVALUATE WHETHER THE PRINCIPLE IS OBSERVED	STATUS OF COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	EXPLANATION OF DEVIATION FROM COMPLIANCE / NON-COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE
4.3	THE SYSTEM OF REMUNERATION DUE TO THE EXECUTIVE BODIES AND OTHER KEY MANAGERS OF THE COMPANY SHOULD PROVIDE THAT THEIR REMUNERATION IS DEPENDENT ON THE COMPANY'S PERFORMANCE RESULTS AND THEIR PERSONAL CONTRIBUTIONS TO THE ACHIEVEMENT THEREOF.			
4.3.1	Remuneration due to the executive bodies and other key managers of the company should be set in such a way as to procure a reasonable and justified ratio between its fixed portion and its variable portion that is dependent on the company's performance results and employees' personal (individual) contributions to the achievement thereof.	1. In the reporting period annual key performance indicators approved by the board of directors were used to determine the amount of variable remuneration of members of executive bodies and other key managers of the company. 2. During the last evaluation of the system of remuneration of members of executive bodies and other key managers of the company the board of directors (remuneration committee) made sure that the company used an effective ratio between the fixed and variable remuneration. 3. The company has a procedure ensuring that any award/bonus funds wrongfully obtained by members of executive bodies or managers are repaid to the company.	✓ partially observed	Recommendation 1 – observed Recommendation 2 – the system of remuneration was not reviewed in 2015 by the board of directors (Appointments and Remuneration Committee). In the opinion of the board of directors, in 2015, there was no need to revise this system. Recommendation 3 – the company does not have a formalized procedure for having wrongfully obtained award/bonus funds returned to the company by members of executive bodies and key managers, because bonuses are paid on the basis of approved performance charts where the real KPI result is shown, which makes wrongful payments impossible. Should any such error occur in the future, the necessary repayments will be made in compliance with the law.
4.3.2	Companies whose shares are admitted to trading at organised markets are recommended to put in place a long-term incentive program for the company's executive bodies and other key managers involving the company's shares (or options or other derivative financial instruments the underlying assets for which are the company's shares).	1. The company has put in place a long-term incentive program for the company's executive bodies and other key managers of the company (financial instruments for which the company's shares are the underlying assets). 2. The long-term incentive program should provide that the right to dispose of shares or exercise options shall arise no earlier than in three years from the date when such shares were provided. In addition, the right to dispose of the same, upon the expiration of a respective period, should be made conditional on the achievement of certain targets by the company, including non-financial targets, if applicable.	✓ not observed	The company does not have a long-term incentive program because at this moment the company believes that such a program would be untimely.
4.3.3	The amount of severance pay (so-called "golden parachute") payable by the company in the event of early dismissal of an executive body or other key manager at the initiative of the company, provided that there have been no bad faith actions on the part of such person, should not exceed double the fixed portion of his/her annual remuneration.	1. The amount of severance pay (golden parachute) payable by the company in the event of early dismissal of an executive or other key manager at the initiative of the company, provided that there have been no bad faith actions on the part of such persons did not exceed double the fixed portion of his/her annual remuneration.	✓ observed	The policies of the company do not provide for the payment of "golden parachutes".
5.1	THE COMPANY SHOULD HAVE IN PLACE AN EFFICIENT RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM DESIGNED TO PROVIDE REASONABLE CONFIDENCE THAT THE COMPANY'S GOALS WILL BE ACHIEVED.			
5.1.1	The board of directors should determine the principles of and approaches to creation of the risk management and internal control system in the company.	1. The functions of various governance bodies and divisions of the company in the risk management and internal control system are clearly determined in the internal documents of the company/policy of the company approved by the board of directors.	✓ observed	

REPORT ON COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CODE OF CORPORATE GOVERNANCE / CONTINUED

#	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA USED TO EVALUATE WHETHER THE PRINCIPLE IS OBSERVED	STATUS OF COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	EXPLANATION OF DEVIATION FROM COMPLIANCE / NON-COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE
5.1.2	The company's executive bodies should ensure the establishment and continuing operation of the efficient risk management and internal control system in the company.	1. The company's executive bodies ensured the distribution of functions and authority in relation to risk management and internal control among managers (heads) of divisions and departments subordinate to them.	✓ observed	
5.1.3	The company's risk management and internal control system should enable all concerned to obtain an objective, fair and clear view of the current condition and prospects of the company, integrity and transparency of its accounts and reports, and reasonableness and acceptability of risks being assumed by the company.	1. The company has a corruption prevention policy in place. 2. The company has developed a procedure of informing the board of directors or the audit committee of violations of the law, internal procedures and the ethics code of the company.	✓ observed	
5.1.4	The board of directors is recommended to take required and sufficient measures to guarantee that the existing risk management and internal control system of the company is consistent with the principles of and approaches to its creation as set forth by the board of directors and that it operates efficiently.	1. During the reporting period the board of directors reviewed the organisation, operation, and efficiency of the risk management and internal control system and, if necessary, made recommendations toward its improvement. The results of such review of the system's efficiency were communicated to the shareholders as part of the annual report of the company.	✓ observed	
5.2	TO INDEPENDENTLY EVALUATE, ON A REGULAR BASIS, THE RELIABILITY AND EFFICIENCY OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM AND CORPORATE GOVERNANCE PRACTICES, THE COMPANY SHOULD ARRANGE FOR INTERNAL AUDITS.			
5.2.1	It is recommended that internal audits be carried out by a separate structural division (internal audit department) to be created by the company or through retaining an independent third-party entity. To ensure the independence of the internal audit department, it should have separate lines of functional and administrative reporting. Functionally, the internal audit department should report to the board of directors, while from the administrative standpoint, it should report directly to the company's one-person executive body.	1. A separate structural division (internal audit department) that reports directly to the board of directors or the audit committee was created in the company; an external independent organisation with the same status was retained to conduct the audit.	✓ observed	
5.2.2	When carrying out an internal audit, it is recommended to evaluate the efficiency of the internal control system and the risk management system, as well as to evaluate corporate governance and apply generally accepted standards of internal auditing.	1. In the reporting period, within the framework of internal audit procedures, the efficiency of the internal control system and the risk management system was evaluated. 2. The company uses generally accepted approaches to internal control and risk management.	✓ observed	

#	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA USED TO EVALUATE WHETHER THE PRINCIPLE IS OBSERVED	STATUS OF COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	EXPLANATION OF DEVIATION FROM COMPLIANCE / NON-COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE
6.1	THE COMPANY AND ITS ACTIVITIES SHOULD BE TRANSPARENT TO ITS SHAREHOLDERS, INVESTORS, AND OTHER STAKEHOLDERS.			
6.1.1	The company should develop and implement an information policy enabling the company to efficiently exchange information with its shareholders, investors, and other stakeholders.	1. The board of directors approved an information policy developed in compliance with the recommendations of the Code. 2. The board of directors (or one of its committees) reviewed the company's compliance with the information policy at least once in the reporting period.	✓ observed	
6.1.2	The company should disclose information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of this Code.	1. The company discloses information on its corporate governance system and the corporate governance principles applied in the company on its official website. 2. The company discloses information regarding the composition of its executive bodies and the board of directors, independence of board members and their membership in board committees (in compliance with the Code). 3. If there is a person who controls the company, that person sets its plans with respect to the company in a special memorandum which is then disclosed.	✓ observed	Note: The company does not have a controlling person.
6.2	THE COMPANY SHOULD DISCLOSE, ON A TIMELY BASIS, FULL, UPDATED AND RELIABLE INFORMATION ABOUT ITSELF SO AS TO ENABLE ITS SHAREHOLDERS AND INVESTORS TO MAKE INFORMED DECISIONS.			
6.2.1	The company should disclose information in accordance with the principles of regularity, consistency and timeliness, as well as accessibility, reliability, completeness and comparability of disclosed data.	1. The information policy of the company determines the approaches and criteria of identifying information which may substantially affect the standing of the company and the value of its securities and the procedures which ensure that such information is disclosed in a timely fashion. 2. If the company's securities are traded on international organised markets, material information is disclosed both in the Russian Federation and on such markets in the same amount and at the same time or within the reporting period. 3. If foreign shareholders own a substantial number of shares in the company, the company discloses information not only in Russian, but in one of the most commonly-used foreign languages as well.	✓ observed	
6.2.2	The company is advised against using a formalistic approach to information disclosure; it should disclose material information on its activities, even if disclosure of such information is not required by law.	1. During the course of the reporting period the company disclosed annual and semiannual financial statements prepared in compliance with IFRS. The annual report of the company for the reporting period contains annual financial IFRS statements and the relevant audit report. 2. The company discloses full information about the structure of the capital of the company in compliance with Recommendation 290 of the Code in the annual report and on the website of the Company on the Internet.	✓ partially observed	The disclosure of information about the structure of share capital by the company is not fully in line with the Recommendation 290 of the Code; however, in the opinion of the company, the current scope of disclosure provides sufficient information about the structure of the share capital, and greater detail is not required.

REPORT ON COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CODE OF CORPORATE GOVERNANCE / CONTINUED

#	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA USED TO EVALUATE WHETHER THE PRINCIPLE IS OBSERVED	STATUS OF COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	EXPLANATION OF DEVIATION FROM COMPLIANCE / NON-COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE
6.2.3	The company's annual report, as one of the most important tools of its information exchange with its shareholders and other stakeholders, should contain information enabling one to evaluate the company's performance results for the year.	1. The annual report of the company contains information about the key aspects of the company's operational activities and financial results. 2. The annual report of the company contains information about the environmental and social aspects of the company's activities.	✓ observed	
6.3	THE COMPANY SHOULD PROVIDE INFORMATION AND DOCUMENTS REQUESTED BY ITS SHAREHOLDERS IN ACCORDANCE WITH THE PRINCIPLE OF EQUAL AND UNHINDERED ACCESSIBILITY.			
6.3.1	Exercise by the shareholders of their right to access the company's documents and information should not be unreasonably burdensome.	1. The procedure of information provision to shareholders (including information about the organisational controlled by the company) upon their request is not unreasonably burdensome.	✓ observed	
6.3.2	When providing information to its shareholders, the company should maintain a reasonable balance between the interests of individual shareholders and its own interests related to the fact that the company is interested in keeping confidential sensitive business information that might have a material impact on its competitiveness.	1. During the reporting period the company did not deny shareholders' requests to provide information or such refusals were justified. 2. In cases specified in the information policy of the company shareholders are warned of the confidential nature of the information and undertake to protect its confidentiality.	✓ observed	
7.1	ANY ACTIONS WHICH WILL OR MAY MATERIALLY AFFECT THE COMPANY'S SHARE CAPITAL STRUCTURE AND ITS FINANCIAL POSITION AND, ACCORDINGLY, THE POSITION OF ITS SHAREHOLDERS ("MATERIAL CORPORATE ACTIONS") SHOULD BE TAKEN ON FAIR TERMS AND CONDITIONS ENSURING THAT THE RIGHTS AND INTERESTS OF THE SHAREHOLDERS AS WELL AS OTHER STAKEHOLDERS ARE OBSERVED.			
7.1.1	Material corporate actions shall be deemed to include reorganisation of the company, acquisition of 30 or more percent of its voting shares (takeover), entering by the company into any material transactions, increasing or decreasing its share capital, listing and delisting of its shares, as well as other actions which might result in material changes in the rights of its shareholders or violation of their interests. It is recommended to include in the company's articles of association a list of (criteria for identifying) transactions or other actions falling within the category of material corporate actions and provide therein that decisions on any such actions should fall within the jurisdiction of the company's board of directors.	1. The company's articles of association (charter) include a list of (criteria for identifying) transactions or other actions falling within the category of material corporate actions and provide therein that decisions on any such actions fall within the jurisdiction of the company's board of directors. In cases when the indicated actions are within the purview of the general shareholders meeting in compliance with the requirements of the law, the board of directors issues recommendations to the shareholders. 2. The charter of the company determines the following (as a minimum) as material corporate actions: reorganisation of the company, acquisition of 30% and more of voting shares (takeover), major transactions, increase or reduction of the charter capital of the company as well as the listing or delisting of the company's shares.	✓ partially observed	The charter of the company does not provide a list of material corporate actions and transactions. Nevertheless, the Regulation on the Audit Committee provide for a special procedure of work on strategic transactions which are described (criteria are provided) in the text of the Regulations.

#	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA USED TO EVALUATE WHETHER THE PRINCIPLE IS OBSERVED	STATUS OF COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	EXPLANATION OF DEVIATION FROM COMPLIANCE / NON-COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE
7.1.2	The board of directors should play a key role in passing resolutions or making recommendations relating to material corporate actions; for that purpose, it should rely on the opinions of the company's independent directors.	1. The company has a procedure in place whereby independent directors state their position/opinion on material corporate actions prior to their approval.	✓ observed	
7.1.3	When taking any material corporate actions which would affect the rights or legitimate interests of the company's shareholders, equal terms and conditions should be ensured for all of the shareholders; if statutory mechanisms designed to protect the shareholder rights prove to be insufficient for that purpose, additional measures should be taken with a view to protecting the rights and legitimate interests of the company's shareholders. In such instances, the company should not only seek to comply with the formal requirements of law but should also be guided by the principles of corporate governance set out in this Code.	1. The company's articles of association (charter) establish lower criteria than those specified under the law for the categorization of the company's transactions as material corporate actions. 2. During the reporting period all material corporate actions were subject to approval prior to their execution.	✓ partially observed	Refer to p. 7.1.1. Recommendation 2 is observed by the company.
7.2	THE COMPANY SHOULD HAVE IN PLACE SUCH A PROCEDURE FOR TAKING ANY MATERIAL CORPORATE ACTIONS THAT WOULD ENABLE ITS SHAREHOLDERS TO RECEIVE FULL INFORMATION ABOUT SUCH ACTIONS IN DUE COURSE AND THUS BE IN A POSITION TO INFLUENCE THEM, AND WHICH WOULD ALSO GUARANTEE THAT THE SHAREHOLDERS' RIGHTS ARE OBSERVED AND DULY PROTECTED IN THE EVENT OF TAKING SUCH ACTIONS.			
7.2.1	When disclosing information about material corporate actions, it is recommended to give explanations concerning reasons for, conditions and consequences of such actions.	1. During the course of the reporting period the company disclosed information (in detail) about material corporate actions in a timely fashion, including the reasons for, conditions and consequences of such actions.	✓ observed	
7.2.2	Rules and procedures in relation to material corporate actions taken by the company should be set out in its internal documents.	1. The company's internal documents specify a procedure for the retention of the services of an independent appraiser to determine the value of the property being transferred or acquired under a major transaction or an interested-party transaction. 2. The company's internal documents specify a procedure for the retention of the services of an independent appraiser to determine the purchase or buyback value of the shares of the company. The documents of the company provide an extended list of reasons to deem members of the board of directors and other persons specified by the law to be interested parties in the transactions of the company.	✓ partially observed	The company's internal documents do not provide for a special procedure applicable to the retention of an independent appraiser; the company retains an appraiser in cases specified by the law and, also, if necessary, in cases when the company is taking material corporate actions because this is in line with the high standards of corporate governance adopted in the company.

REVIEW OF THE MINERAL RESOURCES

The Board of Directors
Joint Stock Company Uralkali
63 Pyatiletki Street
Berezniki
618426
Perm Territory
Russian Federation



DEAR SIRs,

RE: REVIEW OF THE MINERAL RESOURCES AND ORE RESERVES OF PUBLIC JOINT STOCK COMPANY URALKALI LOCATED IN THE RUSSIAN FEDERATION

1. INTRODUCTION

This is a report to confirm that SRK Consulting (UK) Limited (SRK) has reviewed all of the key information on which the most recently (1 January 2016) reported Mineral Resource and Ore Reserve statements for the mining assets of Public Joint Stock Company Uralkali (Uralkali or the Company) are based. Specifically it sets out SRK's view regarding the tonnes and grade of rock which has the potential to be mined by the existing and planned mining operations (the Mineral Resource), the quantity of product expected to be produced as envisaged by the respective Business Plan (the Ore Reserve) and the work done to derive these. SRK has not independently re-calculated Mineral Resource and Ore Reserve estimates for Uralkali's operations but has, rather,

reviewed the quantity and quality of the underlying data and the methodologies used to derive and classify the estimates as reported by Uralkali and made an opinion on these estimates including the tonnes, grade and quality of the potash planned to be exploited in the current mine plan, based on this review. SRK has then used this knowledge to derive audited resource and reserve statements according to the guidelines and terminology proposed in the JORC Code (2012 version). 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 2016. During 2011, Uralkali merged with JSC Silvinit (Silvinit) and the assets owned by Silvinit now fall under the ownership of Uralkali. SRK has restricted its assessment to the resources and reserves at Berezniki 2, Berezniki 4 and Ust-Yayvinsky (Uralkali's original assets) and Solikamsk 1, Solikamsk 2, Solikamsk 3 and Polovodovsky (the former Silvinit assets now under the ownership of Uralkali).

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In addition to this, Uralkali acquired an exploration licence during 2014, termed Romanov, which covers an area to the south of the current Berezniki operations. SRK understands this licence area was explored historically and is currently estimated to have resources classified in the Russian P1 and P2 categories. SRK understands that Uralkali has plans in place to undertake further exploration drilling on this licence and to then re-estimate the resources based on this drilling in due course and with a view to increasing the confidence in the assigned classification. SRK considers there to be insufficient data currently available to report these P1 and P2 resources as Mineral Resources as defined by the JORC Code in this case and therefore this licence is not discussed any further in this report. Table 11: Uralkali Licence Summary below summarises the current licence status for each of the assets noted above.

SRK has been provided with copies of the licences above and has confirmed that the Mineral Resources and Ore Reserves stated in this report fall within the boundaries of such licences. SRK notes that all licences have been re-issued during 2015 with new licence numbers due to a re-naming of the Company to Public Joint Stock Company Uralkali, however, Uralkali has confirmed that the expiry dates and terms and conditions of these are unchanged. Further, SRK notes that a new licence for mining of carnalite ore has been issued during 2015 (#2541) which relates to an area adjacent to Solikamsk-1 and the extreme western portion of Solikamsk-3. Uralkali has indicated that this material would be accessed for mining of carnalite from the existing infrastructure of Solikamsk-1 and therefore SRK has reported this material in the estimates given for this mine. The licenses for all of the operating and development mines will expire within the term of the 20 year Business Plan, even though some of these mines are planned to continue operating beyond this time and have resources and reserves to support this. SRK, however, considers it reasonable to assume that Uralkali will obtain extensions to these licences in due course on application as long as it continues to fulfil its licence obligations.

2. QUANTITY AND QUALITY OF DATA

2.1 ORIGINAL URALKALI OPERATIONS

The resource and reserve estimates derived by Uralkali are primarily based on exploration drilling undertaken between 1972 and 1998. A specially laid out drilling programme was developed for each mine with the aim of enabling 10% of the contained resources to be assigned to the A category of resources as defined by the Russian Reporting Code, 20% to the B category and 70% to the C1 category. 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 the Uralkali assets, blocks have been assigned to the A category where the drillhole spacing is less than 1km, to the B category where the drillhole spacing is between 1 and 2km and to the C1 category where the drillhole spacing is 2km. Areas drilled at a larger spacing than this, up to a 4km spacing, have been assigned to the C2 category, although only a very small proportion of Uralkali's resources have been categorised as such.

As a result of the above process, each mine is typically drilled on a 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. While Uralkali does not regularly upgrade the categorisation of its resources based on this drilling, which it rather uses to optimise the mining layouts, it does periodically undertake a re-estimation calculation on specific areas and will take into account the available data from this underground drilling in doing this where relevant. The most recent update of the estimation for Berezniki-4 for example was undertaken in 2006. The drillholes, whether drilled from surface or underground, are sampled at intervals of at least 16cm and the samples are crushed and milled under the control of the geology department to produce an approximate 100 g sample prior to submission to the laboratory. Assaying is carried out at an in-house laboratory. Approximately 5-6% of samples are repeat assayed internally while a similar percentage are sent to an independent third party external laboratory located in Berezniki (JSC Persil) for check assaying. All assaying is by classical wet chemistry techniques.

2.2 FORMER SILVINIT OPERATIONS

These deposits were discovered in 1925 and each has been subjected to a number of exploration and drilling campaigns as follows:

- Solikamsk-1 – 7 phases between 1925 and 1990 (including exploration outside the current mining lease);
- Solikamsk-2 – 7 phases between 1925 and 2002 (including exploration outside the current mining lease); and
- Solikamsk-3 – 7 phases between 1957 and 1975;

The resource and reserve estimates are therefore primarily based on exploration drilling undertaken between 1925 and 2002. There is no exploration drilling currently being undertaken from surface at the operating mines, however, exploration drilling has recently been undertaken at the Polovodovsky prospect and the resource estimate for this asset has been updated in two phases of work during 2013 and 2014 and this updated estimated supersedes the original estimate undertaken in 1975. Exploration has generally been undertaken by State enterprises based in Solikamsk and Berezniki although the recent drilling at Polovodovsky has been undertaken by a third party contractor.

The total number of exploration holes and metres drilled at each mine/prospect is as follows:

- Solikamsk-1 – 53 holes for some 18,600 m;
- Solikamsk-2 – 192 holes for some 5,700 m (of which some 95 are from underground);
- Solikamsk-3 – 117 holes for some 45,250 m; and
- Polovodovsky – 152 holes for some 50,800 m up to 1975 and 36 holes for some 12,650m between 2009 and 2012.

The diamond drillholes, whether drilled from surface or underground, were drilled with a diameter of either 92 mm or 112 mm for surface holes and 50-76 mm for underground holes. Holes were sampled at intervals between 10 cm and 6 m, averaging between 105 cm to 130 cm. Core recovery through the sylvinit horizons is reported to be good at an average of 84-85%, while the recovery through the carnallite horizon at Solikamsk 1 is reported to be 74%. Core is split in half with one half retained for reference and the other half crushed, milled and split under the control of the geology department to produce a small sample (100 g) for submission to the laboratory for assay. Assaying is carried out at an in house laboratory using classical wet chemistry techniques. Approximately 5-6% of samples are repeat assayed internally while a similar percentage are sent to an independent third party external laboratory located in Berezniki (JSC Persil) for check assaying, which SRK understands to be at the neighbouring Uralkali mine laboratory. A total of 423 samples have to date been taken for density measurements using the water displacement method. In the case of these former Silvinit mines, blocks have been assigned to the A category where the drillhole spacing is less than 1,200m, to the B category where the drillhole spacing is up to 2,400m and to the C1 category where the drillhole spacing is up to 4,000 m. Areas drilled at a larger spacing than this, but on average with a spacing of no less than 4,000 m have been assigned to the C2 category. Each mine is drilled on an approximate 2.4km by 2.4km grid or less before a decision is taken to develop the mine. This information is, however, then supplemented by underground drilling once the access development is in place. This typically creates a grid of intersections measuring from 100m by 300m or in cases up to 400 m by 800 m. As is the case with Uralkali, Silvinit did not upgrade the estimation or categorisation of its resources based on this underground drilling on a regular basis but rather used this to optimise the mining layouts. Notwithstanding this, a full re-estimation calculation was undertaken by Silvinit in 2006 (see below) for the Solikamsk mines and this took into account the available data from underground drilling where relevant.

TABLE I-1: URALKALI LICENCE SUMMARY

DEPOSIT	REGISTRATION No.	EXPIRY DATE	LICENCE TYPE	AREA (km ²)
BEREZNIKI 2	2546	1 st January 2021	Mining ²	67.25
BEREZNIKI 4	2545	1 st January 2018	Mining ¹	183.60
UST-YAYVINSKY	2543	15 th April 2024	Exploration and Mining ³	83.31
SOLIKAMSK 1	2547	1 st January 2018	Mining ¹	44.47
SOLIKAMSK 2	2548	1 st January 2021	Mining ²	50.38
SOLIKAMSK 3	2549	1 st January 2018	Mining ²	110.01
POLOVODOVSKY	2551	1 st July 2028	Exploration and Mining ²	381.01
ROMANOV	2550	25 th July 2039	Exploration and Mining ³	58.07
SOLIKAMSK 1	2541	6 th April 2035	Exploration and Mining ⁴	8.58

¹ Potassium salts, magnesium salts and rock salt

² Potassium salts and rock salt

³ Potassium and magnesium salt

⁴ Magnesium salt

REVIEW OF THE MINERAL RESOURCES / CONTINUANCE

TABLE 3-1: URALKALI SYLVINITE MINERAL RESOURCE STATEMENT AT 1 JANUARY 2016

MINE	CATEGORY	TONNAGE (Mt)	K ₂ O (%)	MgO (%)
BEREZNIKI 2	A	7.7	33.7	2.6
	B	47.6	23.2	11.0
	C1	175.5	25.1	44.1
	A+B+C1	230.8	25.0	57.7
	C2	-	-	-
BEREZNIKI 4	A	236.8	22.1	52.3
	B	411.1	22.6	92.8
	C1	1,003.1	20.6	206.8
	A+B+C1	1,651.0	21.3	351.8
	C2	310.3	26.8	83.3
UST-YAYVINSKY	A	169.9	19.0	32.3
	B	311.0	19.8	61.7
	C1	809.7	19.8	160.4
	A+B+C1	1,290.6	19.7	254.4
	C2	-	-	-
SOLIKAMSK 1	A	96.1	18.0	17.3
	B	13.3	15.8	2.1
	C1	165.4	17.1	28.4
	A+B+C1	274.8	17.4	47.8
	C2	-	-	-
SOLIKAMSK 2	A	77.6	19.0	14.7
	B	77.7	13.9	10.8
	C1	842.8	17.5	147.7
	A+B+C1	998.1	17.4	173.2
	C2	-	-	-
SOLIKAMSK 3	A	98.1	17.6	17.3
	B	196.8	16.8	33.1
	C1	1,005.0	17.2	172.8
	A+B+C1	1,299.9	17.2	223.2
	C2	-	-	-
POLOVODOVSKY	A	-	-	-
	B	312.8	17.1	53.6
	C1	1,262.9	16.6	210.0
	A+B+C1	1,575.7	16.7	263.5
	C2	-	-	-
SUMMARY ALL MINES	A	686.3	19.9	136.5
	B	1,370.3	19.3	265.1
	C1	5,264.4	18.4	970.0
	A+B+C1	7,320.9	18.7	1,371.6
	C2	310.3	26.8	83.3

TABLE 3-2: URALKALI CARNALITE MINERAL RESOURCE STATEMENT AT 1 JANUARY 2016

MINE	CATEGORY	TONNAGE (Mt)	MgO (%)	K ₂ O (Mt)
SOLIKAMSK 1	A	110.3	10.1	11.1
	B	19.5	8.8	1.7
	C1	55.1	8.1	4.5
	A+B+C1	184.9	9.3	17.3
	C2	-	-	-

3. RESOURCE ESTIMATION

3.1 INTRODUCTION

The most up to date resource statements produced by Uralkali are those derived for the annual 5GR reports produced this year which give the status as of 1 January 2016. 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 and adjusted for mining during 2015. Given the current estimates reported herein are being produced before the end of 2015 and formal submission of 5GR reports by Uralkali, SRK notes that for the purposes of these estimates the depletion for mining is based on actual data for January to October inclusive and forecast data for November and December. This section therefore comments primarily on these statements.

The first resource estimates undertaken and approved for each of the former Silvinit operations were as follows:

- Solikamsk 1 and 2 – 1952;
- Solikamsk 3 – 1962; and
- Polovodovsky – 1975

The resource estimates at each of the active mines have undergone various updates since this time, the most recent of which was in 2006. These estimates were approved by the State Committee for Reserves and take into account all surface and underground drilling data available at that time. As noted above, additional exploration drilling has recently been undertaken at Polovodovsky, and the original estimate produced in 1975 has been updated during 2013 and 2014.

3.2 ESTIMATION METHODOLOGY

Each seam and each mine is treated separately in the resource estimation procedure. In each case the horizons are first divided into blocks such that each sub-divided block has reasonably consistent borehole spacing within it; that is more intensely drilled areas are subdivided from less intensely drilled areas. Each resulting “resource block” is then evaluated separately using the borehole intersections falling within that block only.

Specifically, composited K₂O and MgO grades are derived for each borehole that intersected each block and mean grades are then derived for each block by simply calculating a length weighted average of all of these composited intersections. No top cuts are applied and all intersections are allocated the same weighting.

A separate plan is produced for each seam showing the results of the above calculations, the lateral extent of each sub block, and any areas where the seams are not sufficiently developed. The aerial coverage of each block is then used with the mean thickness of the contained intersections to derive a block volume. The tonnage for each block is then derived from this by applying a specific gravity factor calculated by averaging all of the specific gravity determinations made from samples within that block.

The data for each resulting block is plotted on a Horizontal Longitudinal Projection (HLP). This shows the horizontal projection of the extent of each block as well as its grade and contained tonnage. The HLP also shows the block classification, this being effectively a reflection of the confidence of the estimated tonnes and grade.

3.3 URALKALI RESOURCE STATEMENTS

Table 3-1: Uralkali Sylvinit Mineral Resource Statement at 1 January 2016 below summarises SRK’s understanding of the sylvinit resource statements prepared by Uralkali to reflect the status of its assets as of 1 January 2016. Uralkali’s statements are based on a minimum seam thickness of 2m and a minimum block grade which, dependent on the mine, varies between 11.4% K₂O (Polovodovsky) and 15.5% K₂O (Ust-Yayvinsky). Table 32 below summarises SRK’s understanding of the carnalite resource statement prepared by Uralkali to reflect the status of its assets as of 1 January 2016. Uralkali’s carnalite statements (Solikamsk-1 only) are based on a minimum seam thickness of 2m and a minimum block grade of 7.2% MgO.

SRK notes that while Mineral Resources for carnalite are only shown in this report at Solikamsk-1, as this is the only operation that is currently mining and processing such and where there is a plan to mine this in the future as is reflected in the Business Plan, there is carnalite present at other Uralkali sites, in particular at Ust-Yayvinsky. This has been estimated by Uralkali and been assigned generally to B and C1 classification categories, however, as there is no plan currently to exploit this material at present then this mineralisation has been excluded from this report.

REVIEW OF THE MINERAL RESOURCES / CONTINUANCE

TABLE 3-3: SRK AUDITED SYLVINITE MINERAL RESOURCE STATEMENT AT 1 JANUARY 2016

CATEGORY	TONNAGE (Mt)	K ₂ O (%)	K ₂ O (Mt)
BEREZNIKI 2			
MEASURED	55.3	24.6	13.6
INDICATED	175.5	25.1	44.1
MEASURED + INDICATED	230.8	25.0	57.7
INFERRED	-	-	-
BEREZNIKI 4			
MEASURED	647.9	22.4	145.0
INDICATED	1,003.1	20.6	206.8
MEASURED + INDICATED	1,651.0	21.3	351.8
INFERRED	310.3	26.8	83.3
UST-YAYVINSKY			
MEASURED	480.9	19.5	94.0
INDICATED	809.7	19.8	160.4
MEASURED + INDICATED	1,290.6	19.7	254.4
INFERRED	-	-	-
SOLIKAMSK I			
MEASURED	109.4	17.8	19.4
INDICATED	165.4	17.1	28.4
MEASURED + INDICATED	274.8	17.4	47.8
INFERRED	-	-	-
SOLIKAMSK 2			
MEASURED	145.3	16.5	24.0
INDICATED	809.2	17.5	141.4
MEASURED + INDICATED	954.5	17.3	165.3
INFERRED	-	-	-
SOLIKAMSK 3			
MEASURED	294.9	17.1	50.4
INDICATED	1,005.0	17.2	172.8
MEASURED + INDICATED	1,299.9	17.2	223.2
INFERRED	-	-	-
POLOVODOVSKY			
MEASURED	312.8	17.1	53.6
INDICATED	1,262.9	16.6	210.0
MEASURED + INDICATED	1,575.7	16.7	263.5
INFERRED	-	-	-
SUMMARY ALL MINES			
MEASURED	2,046.5	19.5	400.0
INDICATED	5,230.9	18.4	963.7
MEASURED + INDICATED	7,277.4	18.7	1,363.7
INFERRED	310.3	26.8	83.3

TABLE 3-4: SRK AUDITED CARNALITE MINERAL RESOURCE STATEMENT AT 1 JANUARY 2016

CATEGORY	TONNAGE (Mt)	MgO (%)	MgO (Mt)
SOLIKAMSK I			
MEASURED	129.8	9.9	12.8
INDICATED	55.1	8.1	4.5
MEASURED + INDICATED	184.9	9.3	17.3
INFERRED	-	-	-

3.4 SRK AUDITED MINERAL RESOURCE STATEMENTS

Table 3-3: SRK Audited Sylvinitic Mineral Resource Statement at 1 January 2016 and Table 3-4 below present SRK's audited Mineral Resource statements for sylvinitic and carnalite respectively. SRK has re-classified the resource estimates using the terminology and guidelines proposed in the JORC Code. In doing this, SRK has reported those blocks classified as A or B by Uralkali as Measured, those blocks classified as C1 as Indicated and those blocks classified 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 be considered as additional to this.

SRK has not attempted to optimise Uralkali's Business Plan. Consequently, SRK's audited resource statements are confined to those seams that both have the potential to be mined economically and which are currently being considered for mining by Uralkali only.

3.5 SRK COMMENTS

SRK has reviewed the estimation methodology used by Uralkali to derive the above estimates, and the geological assumptions made, and considers these to be reasonable given the information available. SRK has also undertaken various re-calculations both of individual blocks and seams as a whole and has in all cases found no material errors or omissions. Overall, SRK considers the resource estimates reported by Uralkali to be a reasonable reflection of the total quantity and quality of material demonstrated to be present at the assets and which has potential to be exploited as of 1 January 2016. The audited Mineral Resource statement as at 1 January 2016 presented above is different to that presented as at 1 January 2015. This is partly a function of mining activity during 2015 and some minor re-assessments completed during the year by Uralkali. The most significant change to the Mineral Resource statement, however, relates to the inclusion of additional carnalite resources falling within the new licence (#2541) acquired during the year. For the purposes of the carnalite Mineral Resources presented above, this is now the combined total of licence #2541 and #2547. For the purposes of SRK's reporting of the Mineral Resource in Table 3-3: SRK Audited Sylvinitic Mineral Resource Statement at 1 January 2016 in accordance with the JORC Code, it is noted that there is a difference of some 43.6Mt between this and the Mineral Resource as reported by Uralkali in Table 3-1: Uralkali Sylvinitic Mineral Resource Statement at 1 January 2016 for Solikamsk-2. SRK has reduced the Mineral Resource of Solikamsk-2 by this amount as a result of the water inflow incident which is described further below in Section 4.4. The removal of this material relates to the area where a new inter-mine isolation pillar will be left to protect the southernmost area of Solikamsk-2.

REVIEW OF THE MINERAL RESOURCES / CONTINUANCE

4. ORE RESERVE ESTIMATION

4.1 INTRODUCTION

Uralkali does not report reserves as these are typically defined by reporting guidelines and terminology developed in Europe, North America and Australia; that is, estimates of the tonnage and grade of total material that is planned to be delivered to the various processing plants over the life of the mine. SRK has therefore derived estimates of such using historical information supplied by Uralkali and 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 in its Business Plan during the next 20 years from 2016 to 2035 inclusive. The Business Plan assumes that Uralkali will successfully re-negotiate its Licences and the Ore Reserve Statements therefore also assume this will be the case.

4.2 MODIFYING FACTORS

The Modifying Factors applicable to the derivation of reserves comprise estimates for ore losses and planned and unplanned dilution associated with the separation of the ore and waste. This is normally a function of the orebody characteristics and mining methods selected.

The Modifying Factors considered by SRK to be appropriate for the sylvinite and carnalite being mined at each of the assets are shown below in Table 4-1: SRK Modifying Factors below. The Tonnage Conversion Factor takes into account both the percentage of material left behind in pillars and the amount of dilution included when mining the ore and is applied to the in situ resource tonnage to derive the tonnage of material expected to be delivered to the plants. The K₂O/MgO Grade Conversion Factor accounts for the difference in grade between the in situ resource and the above plant feed tonnage as a result of incorporation within the latter of waste extracted along with this and is therefore applied to the in situ grade to derive the grade of ore expected to be delivered to the plants.

TABLE 4-1: SRK MODIFYING FACTORS

DESCRIPTION	TONNAGE CONVERSION FACTOR (%)	GRADE CONVERSION FACTOR (%)
SOLIKAMSK 1 (SYLVINITE)	41%	92%
SOLIKAMSK 1 (CARNALITE)	31%	97%
SOLIKAMSK 2	46%	88%
SOLIKAMSK 3	51%	88%
BEREZNIKI 2	36%	82%
BEREZNIKI 4	44%	88%
UST-YAYVINSKY	37%	85%

Uralkali undertakes an annual reconciliation to compare the ore tonnes mined each year with the resource that has been sterilised by this mining and it is these figures for the last 8 to 10 years that SRK has reviewed to derive Tonnage Conversion Factor. Similarly Uralkali keeps a record of the in situ grade of the material sterilised by mining each year and SRK has compared these with the grade of material reported to have been fed to the plants over the last 8 to 10 years to derive the Grade Conversion Factor. Given this, SRK is confident that the Modifying Factors used reflect the geometry of the orebodies being mined and the mining methods currently being used.

4.3 SRK AUDITED RESERVE STATEMENTS

As with its audited Mineral Resource statements, SRK's Ore Reserve statements have been re-classified using the terminology and guidelines proposed in the JORC Code. To facilitate this, SRK has been provided with actual production and operating cost data for 2009 to 2015 and a revised production forecast for 2016 to 2035 inclusive reflecting Uralkali's current plans regarding the refurbishment of some existing processing facilities and also the installation of additional facilities.

SRK's audited Ore Reserve statement is therefore confined to those seams that are currently being considered for mining within the next 20 years only. Specifically, 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 second 10 years of the Business Plan, as a Probable Ore Reserve.

SRK's Ore Reserve statement does not include any material from Polovodovsky, however, it does include an Ore Reserve for Ust-Yayvinsky which is currently under construction. In the case of Polovodovsky, the feasibility studies are on-going. In the case of Ust-Yayvinsky, however, the work has been completed to an advanced stage, detailed project documentation has been completed and the necessary permits are in place. Furthermore, work on shaft construction has commenced and is in progress. SRK has derived Ore Reserve estimates for Ust-Yayvinsky using information obtained from Uralkali but also taking cognisance of the historical information regarding the mining losses and dilution experienced during mining to date at Uralkali's existing operations.

SRK can confirm that the Ore Reserve Statements presented in Table 4-2: SRK Audited Sylvinitic Ore Reserve Statement at 1 January 2016 and Table 43 below, for sylvinite and carnalite respectively, have been derived from the resource blocks provided to SRK and incorporate sufficient estimates for ore losses and dilution based on actual historical data. The break-even price required to support this statement over the period of the business plan is between US\$60-75/tonne product produced, in January 2016 terms. This is calculated as the price required to cover all cash operating costs but excluding distribution costs (i.e. all on site mining, processing, maintenance and G&A operating costs). SRK notes that the break-even price has reduced significantly in US\$ terms from that estimated historically by SRK and this is a result of the significant change in inflation and exchange rates during the course of 2014 and 2015. SRK estimates that if these both returned to levels seen before 2014 then the break-even price would be in the region of US\$90-110/tonne product.

TABLE 4-2: SRK AUDITED SYLVINITE ORE RESERVE STATEMENT AT 1 JANUARY 2016

CATEGORY	TONNAGE (MT)	K ₂ O (%)	K ₂ O (MT)
BEREZNIKI 2			
PROVEN	19.9	20.2	4.0
PROBABLE	61.8	20.6	12.7
TOTAL	81.7	20.5	16.8
BEREZNIKI 4			
PROVEN	162.1	19.7	31.9
PROBABLE	163.0	19.3	31.5
TOTAL	325.1	19.5	63.4
UST-YAYVINSKY			
PROVEN	53.8	16.6	8.9
PROBABLE	110.0	16.7	18.4
TOTAL	163.8	16.7	27.3
SOLIKAMSK 1			
PROVEN	44.9	16.3	7.3
PROBABLE	47.1	15.8	7.4
TOTAL	91.9	16.1	14.8
SOLIKAMSK 2			
PROVEN	66.8	14.5	9.7
PROBABLE	101.6	15.4	15.6
TOTAL	168.4	15.1	25.3
SOLIKAMSK 3			
PROVEN	133.6	15.0	20.1
PROBABLE	137.4	15.1	20.8
TOTAL	271.0	15.1	40.9
POLOVODOVSKY			
PROVEN	-	-	-
PROBABLE	-	-	-
TOTAL	-	-	-
SUMMARY ALL MINES			
PROVEN	481.1	17.0	82.0
PROBABLE	620.8	17.1	106.4
TOTAL	1,102.0	17.1	188.4

REVIEW OF THE MINERAL RESOURCES / CONTINUANCE

TABLE 4-3: SRK AUDITED CARNALITE ORE RESERVE STATEMENT AT 1 JANUARY 2016

CATEGORY	TONNAGE (Mt)	MgO (%)	MgO (Mt)
SOLIKAMSK 1			
PROVEN	12.8	9.6	1.2
PROBABLE	-	-	-
TOTAL	12.8	9.6	1.2

SRK can also confirm that no Inferred Mineral Resources have been converted to Ore Reserves and notes that the Mineral Resource statements reported above are inclusive of, and therefore include, those Mineral Resources used to generate the Ore Reserves.

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 and partly a function of the fact that SRK has limited the Ore Reserve statement to that portion of the Mineral Resource on which an appropriate level of technical work has been completed. In this case this relates to the period covered by the 20 years of Uralkali's Business Plan.

Notwithstanding this, SRK considers that the actual life of some of the mines will extend beyond the current 20 year period covered by the Business Plan. In particular, at the currently assumed production rates, the following mines have the potential to extend beyond that covered by the current 20 year Business Plan approximately as follows:

- Berezniki 4: 22 years
- Solikamsk 1: 5 years
- Solikamsk 2: 27 years
- Solikamsk 3: 28 years

Furthermore, Ust-Yayvinsky is assumed to commence production in 2020, and while it is therefore operational over 16 years of the 20 years covered by the Business Plan, at the currently assumed forecast steady state production rates it has the potential to continue production for an additional 16 years beyond this.

4.4 SRK COMMENTS

While the overall audited Ore Reserve statement as at 1 January 2016 presented above has a similar total tonnage to that presented as at 1 January 2015, individual differences at each individual mine are as a result of mining during 2015, the extension of, and revisions to, the forecast mined tonnages in the Uralkali Business Plan to 2035 and the revisions to the Mineral Resource statements commented upon earlier in this report.

While the previous Ore Reserve statement as at 1 January 2015 had a significant change compared to the prior statement as at 1 January 2014, due to the water inflow incident at Solikamsk-2, SRK understands that this is now under control and as such the Business Plan which influences the current Ore Reserve statement is largely the same as the Business Plan which influenced the previous Ore Reserve statement. The current Business Plan reflects a reduction in the assumed mined tonnages between 2016 and 2021 to account for this incident.

With regards to the reduction in mined tonnages at Solikamsk-2 noted above, on 18 November 2014, a sudden water inflow event occurred underground in Solikamsk-2 associated with a collapse in the overlying strata and development of a sinkhole at surface. This occurred in the northern extremity of the Solikamsk-2 licence area. A number of responses by Uralkali included:

- Revisions to the overall mine planning and scheduling;
- Installation of a groundwater dewatering ring at surface (commissioned February 2015);
- A change in the mine development plan at Solikamsk-2 with a "new Solikamsk-2" mine now planned to be established which will be fully separated from the Solikamsk-2 mine by an inter-mine isolation pillar. This has resulted in the requirement for a new shaft to service the "new Solikamsk-2" mine;
- Further measures to reinforce the existing bulkheads between Solikamsk-2 and Solikamsk-1 mines to prevent water ingress between the two in the event of complete flooding of the former;

- Backfilling measures in order to minimise potential future subsidence impacts to surface infrastructure including railway lines;
- Measures to minimise water inflow including the installation of a surface conveyor delivering clay material in to the sinkhole to fill the void to a certain level and the drilling of additional holes around the sink hole into which a mixture of clay and cement is pumped to fill voids; and
- Increased surface monitoring of the collapse zone and new underground seismograph monitoring stations.

On-going monitoring during 2015 has indicated that the measures put in place have controlled the inflow and that with these measures in place, Uralkali is confident it can continue mining the Solikamsk-2 mine from the existing infrastructure for another 6 to 7 years. Although SRK understands that the Solikamsk-2 sinkhole has occurred in an area of old workings and has not directly affected the production areas currently located in the southern part of the licence area, production capacity has been impacted by:

- The installation of emergency pumping facilities at the shaft;
- Working areas being restricted to those panels located immediately north of inter-mine isolation pillar noted above;
- Stopping development into new working areas located south of the southern barrier pillar; and
- A preference to mitigate against future production losses in the event that production from Solikamsk-2 has to be halted completely.

For the purposes of the current Business Plan, Uralkali has therefore assumed that for the next 6 years, mine production from Solikamsk-2 will be restricted to 4.8Mtpa compared to a potential current capacity of 10Mtpa. By 2022 it is assumed that the mine production will increase to 10Mtpa following the sinking of a new shaft complex to service the "new Solikamsk-2" mine. While SRK accepts the changes made to the current Business Plan to reflect this issue, SRK considers there remains a risk that the flooding event cannot be fully controlled over the full duration of the next 6 years which would result in the current shaft at Solikamsk-2 becoming inoperable. Were this to occur, then the Ore Reserve at Solikamsk-2 could reduce further than reported herein and no production would be able to occur from this mine until the new shaft complex has been constructed, which will take some 6-7 years to complete. Uralkali has assumed that a new shaft complex can be constructed and be operational by 2022, which while SRK considers to be aggressive, could be achievable assuming no issues arise during the design, permitting and construction process and given that Uralkali can apply its recent experience on such undertakings for the construction of the Ust-Yayvinsky mine which is currently underway.

In addition to the above, the 20 year Business Plan includes a number of expansions to both the Uralkali and former Silvinit operations (the capital costs of which have been taken into account in Uralkali's Business Plan and which SRK has taken account of in determining the economics of the operations) and as such the Ore Reserve reported here takes into account the additional amount of material planned to be mined over this period. SRK notes that the forecast production assumptions at some of the mines and processing facilities are somewhat higher than that actually achieved in the last few years but understands that this reduced production rate has primarily been driven by the prevailing market conditions rather than capacity constraints at the various operations. SRK therefore assumes that the forecast increase in production levels at each of the facilities is warranted and justified based on Uralkali's market expectations going forward.

SRK has reviewed the expansions proposed by Uralkali and considers the work proposed and the timeline assumed for the work to be completed to be generally reasonable and achievable. Further, while SRK has not reviewed the capital cost estimates in detail, SRK is confident that these are justified based on Uralkali's current price forecasts. In some cases, the expansion projects are already underway and some of the increases to processing capacities are assumed to be achieved by de-bottlenecking the existing facilities in addition to upgrading and adding new equipment and processing lines. SRK notes that in order to achieve these increases in production, Uralkali will need to ensure that sufficient resources, management and staffing are available given that many of these expansions are forecast to take place simultaneously and alongside major construction projects, such as that underway at Ust-Yayvinsky.

5. CONCLUDING REMARKS

In SRK's opinion the Mineral Resource and Ore Reserve statements as included herein are materially compliant with the JORC Code and are valid as at 1 January 2016. In accordance with additional reporting requirements of the latest version of the JORC Code (2012), included in an Appendix to this report are the JORC checklist tables which include additional details and commentary on "Sampling Techniques and Data", "Estimation and Reporting of Mineral Resources" and "Estimation and Reporting of Ore Reserves".

SRK considers that should the Ore Reserves as presented herein be re-stated in accordance with the reporting requirements of the United States Securities and Exchange Commission (the "SEC"), specifically Securities Act Industry Guide 7 ("Industry Guide 7"), such Ore Reserves would not be materially different. SRK however notes that certain terms as used in this letter, such as "resources" are prohibited when reporting in accordance with Industry Guide 7.

Yours Faithfully

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(Geology/Mineral Economics),
SRK Consulting (UK) Limited



REVIEW OF THE MINERAL RESOURCES / CONTINUANCE

SECTION I SAMPLING TECHNIQUES AND DATA

CRITERIA	JORC CODE EXPLANATION	COMMENTARY
Sampling techniques	Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling. Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.	The Mineral Resource and Ore Reserve estimates derived for Berezniki projects are primarily based on surface exploration drilling undertaken between 1972 and 1998. The Mineral Resource and Ore Reserve estimates derived for Solikamsk projects are primarily based on surface exploration drilling undertaken between 1925 and 2012. Exploration was generally undertaken by State enterprises based in Solikamsk and Berezniki. Further underground drilling is taking place at the operating mines and data from this is also used to update the Resource Estimates from time to time.
Drilling techniques	Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).	The diamond drillholes drilled from surface and underground were drilled with a diameter of either 92 mm or 112 mm for surface holes and 50-76 mm for underground holes. In all cases holes were sampled at intervals between 10 cm and 6 m, averaging between 105 cm and 130 cm.
Drill sample recovery	Method of recording and assessing core and chip sample recoveries and results assessed. Measures taken to maximise sample recovery and ensure representative nature of the samples. Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	Core recovery through the sylvinite horizons is reported to be good at an average of 84-85%, while the recovery through the carnallite horizon at Solikamsk 1 is reported to be 74%.
Logging	Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography. The total length and percentage of the relevant intersections logged.	Drill core samples are subject to the follow analysis: <ul style="list-style-type: none"> detailed description based on visual identification of units, seams and layers; field identification of mineral and lithological composition; photography (recent years); assaying (see below); geophysical logging (for all holes since 1952); During drilling from the surface, the following geophysical analysis is undertaken: <ul style="list-style-type: none"> gamma-logging; neutron gamma-logging; caliper logging; inclinometer survey; electric logging; resistivity metering; thermometric measurements; gas logging. For Berezniki operating mines some 76,600m of core from exploration holes have been logged. For Solikamsk operating mines some 69,600m of core from exploration holes have been logged.
Sub-sampling techniques and sample preparation	If core, whether cut or sawn and whether quarter, half or all core taken. If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry. For all sample types, the nature, quality and appropriateness of the sample preparation technique. Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. Whether sample sizes are appropriate to the grain size of the material being sampled.	Core is split in half with one half retained for reference and the other half crushed, milled and split under the control of the Company geology department to produce a small sample (100 g) for submission to the laboratory for assay. Assaying is carried out at an in house laboratory using classical wet chemistry techniques. Approximately 5-6% of samples are repeat assayed internally while a similar percentage are sent to an external laboratory for check assaying.

CRITERIA	JORC CODE EXPLANATION	COMMENTARY
Quality of assay data and laboratory tests	The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.	See comments above.
Verification of sampling and assaying	The verification of significant intersections by either independent or alternative company personnel. The use of twinned holes. Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. Discuss any adjustment to assay data.	See comments above. Given that most of the quoted Mineral Resource and Ore Reserve relates to operating mines, verification is undertaken by means of annual reconciliations of actual production compared to the resource model. This informs the modifying factors used to derive the Ore Reserves (see Section 4).
Location of data points	Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. Specification of the grid system used. Quality and adequacy of topographic control.	Since 1939, topographic and geodesic surveys have been undertaken to generate topographic maps scales 1:10,000 and 1:5,000. Topographic and geodesic surveys are performed by specialist organisations under the instruction of Uralkali. At present, the hole coordinate location is performed using satellite double-frequency and single-frequency instruments based on the State Geodesic Polygonal Grid Class 4, in static mode, within 20 minutes, under plane accuracy 5 mm and height accuracy 10 mm.
Data spacing and distribution	Data spacing for reporting of Exploration Results. Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. Whether sample compositing has been applied.	The general drill spacing of surface drill holes relative to Russian Resource classification categories (see Section 3 below) is as follows: BEREZNIKI MINES A Category: less than 1,000m B Category: between 1,000m and up to 2,000m C1 Category: between 2,000m and 4,000m C2 Category: ~4,000m (or greater) spacing SOLIKAMSK MINES A Category: less than 1,200m B Category: between 1,200m and up to 2,400m C1 Category: between 2,400m and 4,000m C2 Category: ~4,000m (or greater) spacing In addition to the above, underground drilling is undertaken at the operating mine on a general spacing of approximately 400m.
Orientation of data in relation to geological structure	Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.	All drill holes have been drilled vertically through a flat lying/gently dipping and undulating orebody, which SRK considers is appropriate.
Sample security	The measures taken to ensure sample security.	Core samples taken from surface holes are kept in covered storage, until the state Examination is passed, after which this is discarded. Of the core material taken from underground holes, samples are prepared for chemical assays and physical and mechanic studies. Sample duplicates are kept in underground storages and are discarded after panels (blocks) are completely mined out.
Audits or reviews	The results of any audits or reviews of sampling techniques and data.	The work undertaken by SRK represents an audit of the Mineral Resource estimates derived by Uralkali. SRK considers the sample collection and assaying techniques to be appropriate for the style of geometry and style of mineralisation and the data is suitable for use in the Mineral Resource and Ore Reserve estimates. The Russian State authority RosGeoFond also reviews reports on resource re-estimations (via the SGR statement submitted annually by Uralkali). The Russian State Reserves Commission (GKZ) also undertakes audits and reviews of the resources statements.

REVIEW OF THE MINERAL RESOURCES / CONTINUANCE

SECTION 3 ESTIMATION AND REPORTING OF MINERAL RESOURCES

CRITERIA	JORC CODE EXPLANATION	COMMENTARY
Database integrity	<ul style="list-style-type: none"> Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes. Data validation procedures used. 	SRK has reviewed the drill logs/assay results, plan view geological and resource block interpretations and resulting block listings and resource calculations and undertaken check calculations and found no material errors or omissions.
Site visits	<ul style="list-style-type: none"> Comment on any site visits undertaken by the Competent Person and the outcome of those visits. If no site visits have been undertaken indicate why this is the case. 	SRK has undertaken an annual site visit since 2007 to the operating mines, processing plants and associated surface infrastructure facilities.
Geological interpretation	<ul style="list-style-type: none"> Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit. Nature of the data used and of any assumptions made. The effect, if any, of alternative interpretations on Mineral Resource estimation. The use of geology in guiding and controlling Mineral Resource estimation. The factors affecting continuity both of grade and geology. 	<p>High confidence in the geological interpretation of the deposit based on various phases of exploration and first hand observation from underground mining operations.</p> <p>The upper and lower limits of the mineralisation are well defined.</p>
Dimensions	<ul style="list-style-type: none"> The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource. 	<p>Each deposit is flat lying/gently dipping and with minor undulations:</p> <p>Berezniki Mine 2 (Durmanski Licence Area). This licence extends some 7.9km north-south and 7.7km east-west and covers an area of about 67km². The average depth of the seams mined is about 345m and the average thickness between 2.5m and 4.5m.</p> <p>Berezniki Mine 4 (Bygelso-Troitski Licence). This licence extends some 12km north-south and 17km east-west and covers an area of about 183km². The average depth of the seams mined is about 320m and they have an average thickness of 3m.</p> <p>Ust-Yayvinsky Mine (Ust-Yayvinsky Licence). This is currently under construction. The licence extends up to some 10.8km by 10.3km and covers an area of about 83km². The average depth of the seams to be mined is about 390m and they have an average thickness of between 3and 5m.</p> <p>Solikamsk Mine 1 (Solikamsk Lease Northern Part). This licence extends some 6.3km by 6.3km and covers an area of about 44km². The depth of the seams mined is between 260 and 350m with they have a thickness of between 3 and 5.5m.</p> <p>Solikamsk Mine 2 (Solikamsk Lease Southern Part). This licence extends some 8.6km by 7.3km and covers an area of about 50km². The depth of the seams mined is between 200 and 300m and they have a thickness of between 4.5 and 6m.</p> <p>Solikamsk Mine 3 (Novo-Solikamsk Licence). This licence extends some 16.4km by 8.9km and covers an area of about 110km². The depth of the seams mined is between 250 and 380m with they have a thickness of between 3and 4m.</p> <p>Polovodovsky. This licence extends up to some 30km by 29km and covers an area of about 381km². The average depth of the seams is about 270m and they have a thickness of between 3.4-4.2m. The Polovodovsky licence contains Mineral Resources only while all other licences have declared Ore Reserves (see Section 4 below).</p>

CRITERIA	JORC CODE EXPLANATION	COMMENTARY
Estimation and modeling techniques	<ul style="list-style-type: none"> The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used. The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data. The assumptions made regarding recovery of by-products. Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation). In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed. Any assumptions behind modelling of selective mining units. Any assumptions about correlation between variables. Description of how the geological interpretation was used to control the resource estimates. Discussion of basis for using or not using grade cutting or capping. The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available. 	<p>Each seam and each mine is treated separately in the resource estimation procedure. In each case the horizons are first divided into blocks such that each sub-divided block has reasonably consistent borehole spacing within it; that is more intensely drilled areas are subdivided from less intensely drilled areas. Each resulting "resource block" is then evaluated separately using the borehole intersections falling within that block only.</p> <p>Specifically, composited K₂O 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.</p> <p>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.</p> <p>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 in the estimated tonnes and grade.</p> <p>SRK considers the Mineral Resource estimation methodology to be appropriate for the geometry and style of mineralisation and available data.</p>
Moisture	<ul style="list-style-type: none"> Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content. 	The resource estimates are expressed on a dry tonnage basis and in-situ moisture content is not estimated.
Cut-off parameters	<ul style="list-style-type: none"> The basis of the adopted cut-off grade(s) or quality parameters applied. 	Uralkali's sylvinite Mineral Resource statements are based on a minimum seam thickness of 2m and a minimum block grade which dependent on the mine varies between 11.4% and 15.5% K ₂ O. Uralkali's carnalite Mineral Resource statements are based on a minimum seam thickness of 2m and a minimum block grade of 7.2% MgO.
Mining factors or assumptions	<ul style="list-style-type: none"> Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made. 	<p>Five of the seven areas with a reported Mineral Resource are underground mines (room and pillar) which have been operating for a number of years.</p> <p>Ust-Yayvinsky is under construction and studies have been undertaken to determine the economic viability of this. A Room and Pillar mining method is also planned for this mine. Refer to Section 4 for mining factors and assumptions for conversion to Ore Reserves.</p> <p>Polovodovsky is currently reported as a Mineral Resource only and feasibility studies are underway for the development of this.</p>
Metallurgical factors or assumptions	<ul style="list-style-type: none"> The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made. 	Refer to comment above regarding mining factors and assumptions and also to Section 4 regarding Ore Reserves.
Environmental factors or assumptions	<ul style="list-style-type: none"> Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made. 	Existing infrastructure is in place at the operating mines including facilities to dispose of salt and slimes waste. Expansion of these facilities or construction of new ones can take place as required.

REVIEW OF THE MINERAL RESOURCES / CONTINUANCE

CRITERIA	JORC CODE EXPLANATION	COMMENTARY
Bulk density	<ul style="list-style-type: none"> Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples. The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc.), moisture and differences between rock and alteration zones within the deposit. Discuss assumptions for bulk density estimates used in the evaluation process of the different materials. 	Bulk density measurements are taken from historical drill core samples and also actual measurements during the course of operations.
Classification	<ul style="list-style-type: none"> The basis for the classification of the Mineral Resources into varying confidence categories. Whether appropriate account has been taken of all relevant factors (i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data). Whether the result appropriately reflects the Competent Person's view of the deposit. 	<p>SRK has reclassified the Russian classification categories in accordance with the JORC Code.</p> <p>Generally, SRK has reported those blocks classified as A or B per the Russian classification system as Measured, those blocks classified as C1 as Indicated and those blocks classed as C2 as Inferred.</p> <p>SRK considers the quantity and quality of data that underpins the estimation and classification given to be appropriate for the categories used.</p>
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of Mineral Resource estimates. 	<p>The work undertaken by SRK represents an audit of the Mineral Resource estimates derived by Uralkali. SRK considers the sample collection and assaying techniques to be appropriate for the style of geometry and style of mineralisation and the data is suitable for use in the Mineral Resource and Ore Reserve estimates.</p> <p>The Russian State authority RosGeoFond also reviews reports on resources re-estimations (via the 5GR statement submitted annually by Uralkali). The Russian State Reserves Commission (GKZ) also undertakes audit and reviews of the resources statements.</p>
Discussion of relative accuracy/ confidence	<ul style="list-style-type: none"> Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate. The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available. 	<p>The Mineral Resource estimates have been prepared and classified in accordance with the Russian system of reporting resources and have been re-classified by SRK using the terminology and guidelines of the JORC Code (2012).</p> <p>The resource quantities should be considered as global estimates.</p> <p>Five of the seven areas with Mineral Resources are operating mines and also have Ore Reserves declared. Uralkali undertakes annual reconciliations and SRK has used this information in deriving appropriate Modifying Factors for conversion to Ore Reserves (Refer to Section 4 below).</p>

SECTION 3 ESTIMATION AND REPORTING OF ORE RESERVES

CRITERIA	JORC CODE EXPLANATION	COMMENTARY
Mineral Resource estimate for conversion to Ore Reserves	<ul style="list-style-type: none"> Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve. Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves. 	<p>The Mineral Resource estimates as presented in Table 3-3: SRK Audited Sylvinitic Mineral Resource Statement at 1 January 2016 and Table 3-4: SRK Audited Carnalite Mineral Resource Statement at 1 January 2016 of this report have been used as the basis for conversion to Ore Reserves as presented in Table 4-2: SRK Audited Sylvinitic Ore Reserve Statement at 1 January 2016 and Table 4-3: SRK Audited Carnalite Ore Reserve Statement at 1 January 2016 respectively.</p> <p>The Mineral Resources presented are inclusive of those Mineral Resources converted to Ore Reserves.</p> <p>SRK has restricted the Ore Reserves to the material planned to mined during the next 20 years.</p>
Site visits	<ul style="list-style-type: none"> Comment on any site visits undertaken by the Competent Person and the outcome of those visits. If no site visits have been undertaken indicate why this is the case. 	SRK has undertaken an annual site visit since 2007 to the operating mines, processing plants and associated surface infrastructure facilities.
Study status	<ul style="list-style-type: none"> The type and level of study undertaken to enable Mineral Resources to be converted to Ore Reserves. The Code requires that a study to at least Pre-Feasibility Study level has been undertaken to convert Mineral Resources to Ore Reserves. Such studies will have been carried out and will have determined a mine plan that is technically achievable and economically viable, and that material Modifying Factors have been considered. 	<p>Berezniki Mines 2 and 4 and Solikamsk Mines 1, 2 and 3 are all operating mines and have a 20 year mine plan. SRK has verified that the mine plans are both technically and economically feasible for each mine.</p> <p>Ust-Yayvinsky is currently under construction and has been the subject of Feasibility Studies to determine the technical and economic viability of this.</p> <p>No Ore Reserves are declared for the Polovodovsky site.</p>
Cut-off parameters	<ul style="list-style-type: none"> The basis of the cut-off grade(s) or quality parameters applied. 	Refer to Section 3 above.
Mining factors or assumptions	<ul style="list-style-type: none"> The method and assumptions used as reported in the Pre-Feasibility or Feasibility Study to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate factors by optimisation or by preliminary or detailed design). The choice, nature and appropriateness of the selected mining method(s) and other mining parameters including associated design issues such as pre-strip, access, etc. The assumptions made regarding geotechnical parameters (eg pit slopes, stope sizes, etc), grade control and pre-production drilling. The major assumptions made and Mineral Resource model used for pit and stope optimisation (if appropriate). The mining dilution factors used. The mining recovery factors used. Any minimum mining widths used. The manner in which Inferred Mineral Resources are utilised in mining studies and the sensitivity of the outcome to their inclusion. The infrastructure requirements of the selected mining methods. 	<p>All mines are operated by room and pillar methods using continuous miners which is a proven method for this type of deposit and has been used at these operations for many years.</p> <p>The Modifying Factors applicable to the derivation of Ore Reserves comprise estimates for ore losses and planned and unplanned dilution associated with the separation of the ore and waste. This is normally a function of the orebody characteristics and mining methods selected. The Modifying Factors considered by SRK to be appropriate for the sylvinitic and carnalite being mined at each of the assets are shown in Table 4-1: SRK Modifying Factors of this report. These have been derived by SRK from analysis of actual production data.</p> <p>No Inferred Mineral Resources are included within the Mine Plan</p> <p>Each mine requires access via shafts and is supported by appropriate surface infrastructure.</p> <p>A new shaft complex is currently under construction for the Ust-Yayvinsky mine.</p>
Metallurgical factors or assumptions	<ul style="list-style-type: none"> The metallurgical process proposed and the appropriateness of that process to the style of mineralisation. Whether the metallurgical process is well-tested technology or novel in nature. The nature, amount and representativeness of metallurgical test work undertaken, the nature of the metallurgical domaining applied and the corresponding metallurgical recovery factors applied. Any assumptions or allowances made for deleterious elements. The existence of any bulk sample or pilot scale test work and the degree to which such samples are considered representative of the orebody as a whole. For minerals that are defined by a specification, has the ore reserve estimation been based on the appropriate mineralogy to meet the specifications? 	<p>There are 6 processing facilities in operation to process the mined material from the various mining operations. These utilise existing and proven technology and have been operating for a number of years. This gives a high level of confidence in the assumed plant feed tonnages and recoveries to final product assumed in the 20 year mine plans.</p> <p>Mined material from Ust-Yayvinsky will be processed in one of the existing processing facilities located in Berezniki.</p>

REVIEW OF THE MINERAL RESOURCES / CONTINUANCE

CRITERIA	JORC CODE EXPLANATION	COMMENTARY
Environmental	<ul style="list-style-type: none"> The status of studies of potential environmental impacts of the mining and processing operation. Details of waste rock characterisation and the consideration of potential sites, status of design options considered and, where applicable, the status of approvals for process residue storage and waste dumps should be reported. 	<p>Waste in the form of salt residue and slimes waste are disposed of in existing waste storage facilities and have remaining capacity and/or can be expanded as necessary.</p> <p>Uralkali has confirmed that all environmental permits required for all current and future operations are in place. This includes permits related to:</p> <ul style="list-style-type: none"> Harmful (polluting) emissions into atmospheric air; Discharges of polluting substances and micro-organisms into water bodies; Resolutions regarding use of water bodies; Documents establishing limits of wastes generation and wastes disposal. <p>When the validity of issued permits expires, new permits are obtained as required.</p>
Infrastructure	<ul style="list-style-type: none"> The existence of appropriate infrastructure: availability of land for plant development, power, water, transportation (particularly for bulk commodities), labour, accommodation; or the ease with which the infrastructure can be provided, or accessed. 	<p>The area around the Berezniki and Solikamsk mines and processing facilities are serviced with adequate power, water, transportation and accommodation infrastructure for existing and planned future operations.</p>
Costs	<ul style="list-style-type: none"> The derivation of, or assumptions made, regarding projected capital costs in the study. The methodology used to estimate operating costs. Allowances made for the content of deleterious elements. The source of exchange rates used in the study. Derivation of transportation charges. The basis for forecasting or source of treatment and refining charges, penalties for failure to meet specification, etc. The allowances made for royalties payable, both Government and private. 	<p>Forecast operating costs are based on actual costs incurred and adjusted as required.</p> <p>Project capital costs are derived on a project by project basis in-house from first principles by a team of experienced engineers.</p>
Revenue factors	<ul style="list-style-type: none"> The derivation of, or assumptions made regarding revenue factors including head grade, metal or commodity price(s) exchange rates, transportation and treatment charges, penalties, net smelter returns, etc. The derivation of assumptions made of metal or commodity price(s), for the principal metals, minerals and co-products. 	<p>For the purpose of the 20 year Business Plan, Uralkali assumes a long term commodity price of USD235/t (weighted average of domestic and export prices).</p>
Market assessment	<ul style="list-style-type: none"> The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future. A customer and competitor analysis along with the identification of likely market windows for the product. Price and volume forecasts and the basis for these forecasts. For industrial minerals the customer specification, testing and acceptance requirements prior to a supply contract. 	<p>Detailed analysis on demand, supply and stocks for the potash sector are widely available in the public domain.</p> <p>Uralkali has been successfully producing and selling potash products for a number of years.</p>
Economic	<ul style="list-style-type: none"> The inputs to the economic analysis to produce the net present value (NPV) in the study, the source and confidence of these economic inputs including estimated inflation, discount rate, etc. NPV ranges and sensitivity to variations in the significant assumptions and inputs. 	<p>Uralkali has produced a real terms 20 year Business Plan in USD for the existing operations and the new Ust-Yayvinsky mine and this has been reviewed by SRK to confirm the economic viability of the operations.</p> <p>Forecast operating costs are based on operating experience and actual historical costs, adjusted as required. Project capital costs have been derived from first principles in-house.</p>
Social	<ul style="list-style-type: none"> The status of agreements with key stakeholders and matters leading to social licence to operate. 	<p>Uralkali's social obligations are established by subsoil use terms and conditions (license agreements) to subsoil use licenses. Uralkali complies to the subsoil use terms and conditions established.</p>

CRITERIA	JORC CODE EXPLANATION	COMMENTARY
Other	<ul style="list-style-type: none"> To the extent relevant, the impact of the following on the project and/or on the estimation and classification of the Ore Reserves: Any identified material naturally occurring risks. The status of material legal agreements and marketing arrangements. The status of governmental agreements and approvals critical to the viability of the project, such as mineral tenement status, and government and statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and discuss the materiality of any unresolved matter that is dependent on a third party on which extraction of the reserve is contingent. 	<p>The main technical risk to underground potash mines is through water ingress. Uralkali has historically closed two mines due to previous flooding incidents. Berezniki Mine 1 operated from 1954 but flooded late in 2006 while Berezniki 3 operated from 1973 until flooding in 1986.</p> <p>Solikamsk-2 experienced water ingress in November 2014 and this has been taken into account of in the current Business Plan. Measures put in place by Uralkali in late 2014 and during 2015 indicate this incident is currently under control.</p> <p>Uralkali sells its product on both the domestic and international markets. The majority of sales are performed through off-take agreements with customers and these are typically renegotiated on an annual basis in terms of both quantity and price. Uralkali has an established marketing team that is responsible for all legal and marketing issues related to off-take agreements with customers.</p> <p>The status of each Exploration and Mining Licence is summarised in Table 11: Uralkali Licence Summary of this report. The licenses for the operating and development mines will expire within the term of the 20 year Business Plan, even though some of these mines are planned to continue operating beyond this time and have Mineral Resources and Ore Reserves to support this. SRK considers it reasonable to expect that Uralkali will obtain extensions to these licences in due course on application as long as it continues to fulfil its licence obligations.</p>
Classification	<ul style="list-style-type: none"> The basis for the classification of the Ore Reserves into varying confidence categories. Whether the result appropriately reflects the Competent Person's view of the deposit. The proportion of Probable Ore Reserves that have been derived from Measured Mineral Resources (if any). 	<p>SRK's audited Ore Reserve statement is confined to those seams that are currently being considered for mining within the next 20 years only.</p> <p>Specifically, SRK has classed that material reported 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 as an Indicated Mineral Resource, and which is planned to be exploited within the Business Plan, and also that material reported as a Measured Mineral Resource, but which is planned to be mined during the following 10 years of the Business Plan, as a Probable Ore Reserve.</p>
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of Ore Reserve estimates. 	<p>SRK has derived the Ore Reserve estimates presented in this report.</p>
Discussion of relative accuracy/confidence	<ul style="list-style-type: none"> Where appropriate a statement of the relative accuracy and confidence level in the Ore Reserve estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the reserve within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate. The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. Accuracy and confidence discussions should extend to specific discussions of any applied Modifying Factors that may have a material impact on Ore Reserve viability, or for which there are remaining areas of uncertainty at the current study stage. It is recognised that this may not be possible or appropriate in all circumstances. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available. 	<p>The break-even price required to support this statement is between USD60-75/tonne in January 2016 terms and based on current expectation of inflation and exchange rates. This is calculated as the price required to cover all cash operating costs excluding distribution. Finally, SRK can also confirm that no Inferred Mineral Resources have been converted to Ore Reserves.</p> <p>The large difference between SRK's audited Mineral Resource statement and its audited Ore Reserve statement is partly a function of the relatively low mining recovery inherent in the Room and Pillar mining method employed. It is also partly a function of the fact that SRK has limited the Ore Reserve statement to that portion of the Mineral Resource on which an appropriate level of technical work has been completed. In this case this relates to the period covered by the remaining 20 years of Uralkali's Business Plan.</p> <p>Notwithstanding this, SRK considers that the actual life of some of the mines will extend beyond the current 20 year period covered by the Business Plan.</p>

GLOSSARY

2016F	FORECAST DATA FOR 2016
BBT	BALTIC BULK TERMINAL, ST. PETERSBURG, RUSSIA
BEREZNIKI-1, 2, 3, 4	POTASH PRODUCTION UNITS IN BEREZNIKI
GDR	GLOBAL DEPOSITARY RECEIPT
THE GROUP	PJSC URALKALI AND ITS SUBSIDIARIES
IFRS BASIS	INCLUDES FINANCIAL RESULTS OF URALKALI STARTING FROM 1 JANUARY 2011 AND SILVINIT STARTING FROM 17 MAY 2011, WHEN SILVINIT CEASED TO EXIST AS A LEGAL ENTITY
PRO-FORMA BASIS	INCLUDES FINANCIAL RESULTS OF URALKALI AND SILVINIT STARTING FROM 1 JANUARY OF CORRESPONDING YEAR
US\$	US DOLLAR
CARNALLITE	A HYDRATED POTASSIUM MAGNESIUM CHLORIDE WITH FORMULA: $KMgCl_3 \cdot 6(H_2O)$
CSR	CORPORATE SOCIAL RESPONSIBILITY
KPI	KEY PERFORMANCE INDICATOR
IFRS	INTERNATIONAL FINANCIAL REPORTING STANDARDS
MLN	MILLION
BLN	BILLION
MOSCOW EXCHANGE	MOSCOW EXCHANGE GROUP, RUSSIA
VAT	VALUE ADDED TAX
SKIP SHAFT INSET	
AGM	ANNUAL GENERAL MEETING
HSE	HEALTH, SAFETY AND ENVIRONMENT
LS	LABOUR SAFETY
IS	INDUSTRIAL SAFETY
RAFP	RUSSIAN ASSOCIATION OF FERTILISER PRODUCERS
RAS	RUSSIAN ACCOUNTING STANDARDS
RUB	RUSSIAN ROUBLE, RF
ICS	INTERNAL CONTROL SYSTEM
SKIP SHAFT	
CIS	COMMONWEALTH OF INDEPENDENT STATES
SOLIKAMSK-1, 2, 3	POTASH PRODUCTION UNITS IN SOLIKAMSK
THOUS.	THOUSAND
UKT	URALKALI TRADING, S.A., SWITZERLAND
FAS	FEDERAL ANTIMONOPOLY SERVICE
SE ASIA	SOUTH EAST ASIA
AGRIUM	COMPANY – FERTILISER PRODUCER, AGRIUM INC., CANADA
APC	COMPANY – FERTILISER PRODUCER, ARAB POTASH COMPANY LTD, JORDAN
BELARUSKALI	OJSC BELARUSKALI, BELARUS
EGM	EXTRAORDINARY GENERAL MEETING
CAGR	COMPOUND ANNUAL GROWTH RATE


CANPOTEX	CANPOTEX LIMITED, CANADA. EXPORTER OF POTASH FERTILISERS PRODUCED BY POTASH CORP, MOSAIC, AGRIUM
CDP	CARBON DISCLOSURE PROJECT
CFR	COST AND FREIGHT, TITLE TRANSFERS WHEN GOODS PASS THE RAIL OF THE SHIP IN THE PORT OF SHIPMENT
COSO ERM	ENTERPRISE RISK MANAGEMENT INTEGRATED FRAMEWORK DEVELOPED BY THE COMMITTEE OF SPONSORING ORGANIZATIONS OF THE TREADWAY COMMISSION
CUSIP	COMMITTEE ON UNIFORM SECURITY IDENTIFICATION PROCEDURES
EBITDA	EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION. THROUGHOUT THE REPORT EBITDA MEANS ADJUSTED EBITDA THAT DOES NOT INCLUDE ONE-OFF EXPENSES
EMEA	EUROPE, MIDDLE EAST AND AFRICA
FAO	FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS
FERTECON	FERTILISER ECONOMIC MARKET ANALYSIS AND CONSULTANCY, UK, PROVIDER OF MARKET INFORMATION AND ANALYSIS OF THE FERTILISER MARKET
FCA	FREE CARRIER, TITLE TRANSFERS WHEN GOODS ARE LOADED ON THE FIRST CARRIER (RAILWAY CARRIAGES)
FIFR	WORK RELATED FATAL INJURY FREQUENCY RATE
FMB	FERTILISER MARKET BULLETIN, FMB LIMITED, UK
FOB	FREE ON BOARD, TITLE TO GOODS TRANSFERS AS SOON AS GOODS ARE LOADED ON THE SHIP
FSA	FINANCIAL SERVICES AUTHORITY, UK
FSU	FORMER SOVIET UNION
GRI	GLOBAL REPORTING INITIATIVE
ICL	COMPANY – FERTILISER PRODUCER, ISRAEL CHEMICALS LTD., ISRAEL
IFA	INTERNATIONAL FERTILISER INDUSTRY ASSOCIATION, FRANCE
IMF	INTERNATIONAL MONETARY FUND, USA
IPI	INTERNATIONAL POTASH INSTITUTE, USA
IPNI	INTERNATIONAL PLANT NUTRITION INSTITUTE, USA
ISIN	INTERNATIONAL SECURITIES IDENTIFICATION NUMBER
JORC	JOINT ORE RESERVES COMMITTEE STANDARDS FOR PUBLIC REPORTING ON MINERAL RESOURCES AND MINERAL (ORE) RESERVES, AUSTRALIA
K ₂ O	POTASSIUM OXIDE
K+S	K+S GROUP, GERMANY
LSE	LONDON STOCK EXCHANGE, UK
LTIFR	LOST TIME INJURY FREQUENCY RATE
MOSAIC	COMPANY – FERTILISER PRODUCER, THE MOSAIC COMPANY, USA
MSCI RUSSIA	MORGAN STANLEY CAPITAL INTERNATIONAL RUSSIA INDEX
NPK	NITROGEN-PHOSPHORUS-POTASSIUM FERTILISER
POTASH CORP.	COMPANY – FERTILISER PRODUCER, POTASH CORPORATION, CANADA
SQM	COMPANY – FERTILISER PRODUCER, SOCIEDAD QUIMICA Y MINERA DE CHILE, CHILE
TSR	TOTAL SHAREHOLDER RETURN
USGS	U.S. GEOLOGICAL SURVEY

DISCLAIMER

This Annual Report has been prepared on the basis of the information available to the Public Joint Stock Company Uralkali and its subsidiaries (hereinafter, Uralkali) as at the date hereof. This Annual Report contains forward looking statements. All forward looking statements contained herein and all subsequent oral or written forward looking statements attributable to Uralkali or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statements below. All statements included in this Annual Report, other than statements of historical facts, may be forward looking statements. Words such as “forecasts”, “believes”, “expects”, “intends”, “plans”, “prediction”, “will”, “may”, “should”, “could”, “anticipates”, “estimates”, “seeks”, “considers”, “assumes”, “continues”, “strives”, “projects”, or any expression or word with similar meaning or the negative thereof, usually indicate the forward looking nature of the statement. Forward looking statements may include statements relating to Uralkali’s operations, financial performance, earnings, economic indicators, results of operation and production activities, dividend policies, capital expenditures, as well as trends relating to commodity prices, production and consumption volumes, costs, expenses, development prospects, useful lives of assets, reserves, the commencement and completion dates of certain production projects, and the acquisition, liquidation or disposal of certain entities, and

other similar factors and economic projections with respect to Uralkali’s business, as well as the industry and markets in which it operates. Forward looking statements are not guarantees of future performance. They involve numerous assumptions regarding the present and future strategies of Uralkali and the environment in which it operates and will operate in the future and involve a number of known and unknown risks, uncertainties and other factors that could cause Uralkali’s or its industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward looking statements. Uralkali provides no assurance whatsoever that its or its industry’s actual results, levels of activity, performance or achievements will be consistent with the future results, levels of activity, performance or achievements expressed or implied by any forward looking statements contained in this Annual Report or otherwise. Uralkali accepts no responsibility for any losses whatsoever that may result from any person’s reliance on any such forward looking statements. Except where required by applicable law, Uralkali expressly disclaims any obligation or undertaking to disseminate or publish any updates or amendments to forward looking statements to reflect any change in expectations or new information or subsequent events, conditions or circumstances.

URALKALI 2015 ANNUAL REPORT APPROVAL



D.V. Osipov
CEO



A.V. Orlova
Chief Accountant

This Uralkali Annual Report was approved by Uralkali Board of Directors on 20 April 2016 (Minutes of the Board of Directors No 316 dated 20 April 2016).

The Uralkali Revision Commission has confirmed the accuracy of the data included in this Annual Report.

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