Nourishing the Earth

URALKALI®

Annual Report 2009

Disclaimer

This annual report has been prepared on the basis of the information available to the Open Joint Stock Company Uralkali and its subsidiaries (hereinafter, Uralkali) as at the date hereof.

This annual report contains forward looking statements. All forward looking statements contained herein and all subsequent oral or written forward looking statements attributable to Uralkali or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statements below.

All statements included in this annual report, other than statements of historical facts, may be forward looking statements. Words such as “forecasts”, “believes”, “expects”, “intends”, “plans”, “prediction”, “will”, “may”, “should”, “could”, “anticipates”, “estimates”, “seeks”, “considers”, “assumes”, “continues”, “strives”, “projects”, or any expression or word with similar meaning or the negative thereof, usually indicate the forward looking nature of the statement.

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 a 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.

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Chairman's Statement

Dmitry Rybolovlev
Chairman of the Board of Directors

Dear Shareholders,

2009 will go down in Uralkali's history as a challenging and transformational year. Around the world, the agricultural industry was profoundly affected by the global economic upheaval, and demand for potash fertilizer fell sharply for the first time in years. Uralkali was forced to cut spot prices as early as the first quarter in response to the reduced buying power of the main potash importers. The Company also scaled back production, at several points throughout the year operating at less than a quarter of its full capacity. However, Uralkali managed to get through the critical first six months of the year, and in the second half secured long-term contracts in the industry's two vital markets – China and India.

It was a difficult year not only for the key potash consumers around the world, but also for Russian farmers. Mindful of the need to support domestic agriculture, the Company boosted supply to the Russian market and voluntarily set a ceiling price of 3,700 rubles per tonne for potassium chloride supplied to Russian agricultural producers for the whole year 2009. Furthermore, in a move intended to aid the domestic agricultural sector, we set a temporary price of 3,955 rubles per tonne for Russian producers of complex fertilizers. These prices were a fraction of global prices for potash.

Despite the adverse economic conditions, we remained committed to our responsibilities as a good corporate citizen. This included volunteering to compensate the local, regional and federal authorities for costs related to the 2006 accident at the Company's Mine 1, a total of around 2.8 billion rubles. We also agreed to contribute to the development of a 53-kilometre railway bypassing the Verkhnekamskoye potash-magnesium salts deposit, as well as meeting the 5 billion ruble funding gap for the construction of the road. In total, we voluntarily paid around 7.8 billion rubles in costs associated with the accident.

During this challenging year we were particularly conscious of the need to look after Uralkali's main asset, our staff. In order to avoid redundancies, the Company had to suspend monthly bonuses. However, there was a salary increase for all Uralkali staff which took effect on 1 August 2009.

We also paid bonuses to all our employees at year end, in recognition of their hard work, achievements and loyalty during the financial crisis.

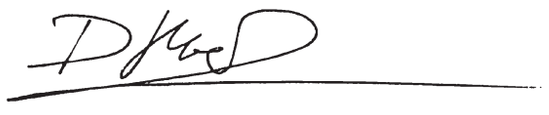
Despite the adverse economic situation in 2009, we maintained our programme of developing the social infrastructure of our home city, Berezniki. The Company spent 400 million rubles supporting a range of social projects across the city. These included a new kindergarten, a medical centre, assistance to educational institutions, and a programme to tackle street crime.

The year was the test of resilience for all those working at Uralkali and of management's ability to make the right decisions. To meet our new goals, and adapt to the changing economic environment, we have made a number of changes to our management structure and the way we operate. This includes the appointment of Denis Morozov as President of Uralkali at the end of 2009. Denis has extensive mining industry management expertise. He has successfully led several major projects, both domestic and international. As Uralkali's President and CEO Mr. Morozov will supervise all the company's key business areas. With him on board we plan to achieve the highest international standards of corporate governance.

Effective 1 July 2010, Mr. Morozov will be appointed Uralkali's Director General, while maintaining the posts of President and Chief Executive Officer. Uralkali's current Director General, Vladislav Baumgertner, will resign effective 30 June 2010.

During his time at Uralkali, Mr. Baumgertner has successfully delivered major strategic goals for the company including the successful listing of the company's shares on the London Stock Exchange in 2007. On behalf of Uralkali's Board of Directors I would like to thank him for contributing to the company's development and wish him well for the future.

The changes we are implementing at Uralkali aim to deliver greater value to shareholders and to make the Company even more attractive to international investors. Our strategic goals include expanding production capacity and modernizing existing facilities. With those goals achieved, we will be able to respond more effectively to new demand as the global potash market recovers, thereby safeguarding our Company's future.



CEO's Statement

Denis Morozov
President & CEO

Dear Shareholders,

I was offered the job of President of Uralkali towards the end of 2009. At that time I already had experience in the Russian mining sector so the opportunity to get involved with the leading Russian producer of mineral fertilizer appealed to me professionally. In my view the potash industry is unique and has enormous potential for further growth. Potash is an essential nutrient for people. So, the future of mankind will, to a significant extent, depend on the companies that will be able to meet its needs.

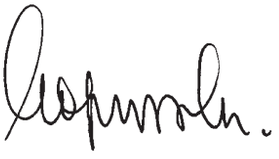
Uralkali is one of the leaders in the potash industry and the first Russian fertilizer company to list its shares abroad and win the acclaim of a broad range of investors. It is the confidence shown in the company by investors that has helped Uralkali achieve the highest market capitalization of the Russian mineral fertilizer producers.

Ultimately, my top priority in this job is serving the interests of all shareholders – whether large or small – and, to that end, continuing to strengthen the corporate management structure and practices at the company as much as possible. My guiding principle at Uralkali will be ensuring transparency in the company's dealings with all its stakeholders. It is only strict adherence to that principle that can ensure the steady growth of shareholder value and the sustainable development of Uralkali as a Russian company with a truly global perspective.

Uralkali has ambitious growth plans and I am determined to apply all my previous experience to help Uralkali successfully achieve its strategic goals. Those goals include maintaining the company's existing capacity and continuing to pursue the large-scale expansion programme, including the development of a new mine which will allow us to significantly upgrade and enhance the current production base.

I look forward to our cooperation and am confident we will be able to achieve excellent results. We need to consolidate what has already been accomplished and to scale new heights.

I am grateful to Uralkali's Board of Directors for their confidence in me. I also want to thank all of you for your decision to invest in Uralkali's business.



Director General's Statement

Vladislav Baumgertner
Director General & COO

Dear Shareholders,

2009 was a testing year for the global economy, and the potash industry was no exception. We had to withstand pressure from a deteriorating market throughout the period. The decline in demand and falling potash prices in world markets forced Uralkali to operate at a reduced capacity utilization rate last year. Uralkali's annual potash production capacity is 5.5 million tonnes, but 2009 production was less than half of that at slightly over 2.6 million tonnes.

The first half of the year was particularly challenging. The situation improved slightly in the second half, after an important contract to supply potassium chloride to India was signed in the middle of the year. Potash demand began to recover towards the end of the year, and in November 2009 Uralkali's potash production was 45% higher than in November 2008. The long-term contract with China, signed in December, raised production to a level 54% higher than in December 2008.

We were able to turn the unusual market situation to our advantage, taking the opportunity to launch a full-scale upgrade of existing production facilities. We also commenced installation of the second processing line at Uralkali's Production Unit 4 (BKPRU-4), part of the expansion plan to increase capacity to 7 million tonnes in 2012. This was not the only project carried out at Mine 4. Other achievements include the assembly of new power units, the continued replacement and addition of new bulk conveyers, and the design of associated gas pipeline. In total, more than 3.9 billion rubles was invested in modernizing Mine 4 during 2009. We also invested over 400 million rubles in the development of the second shaft at Mine 2, where the lifting machine was replaced. Work on expanding capacity is continuing through 2010.

In addition, we enlarged our storage facilities in Berezniki from 160,000 to 300,000 tonnes of potash. The additional storage comprises three inflatable warehouses, each holding 45,000 to 50,000 tonnes.

We have revised our investment programme timetable in response to market conditions, postponing the launch of new production capacity from 2011 to 2012.

The proposed expansion, which would enable us to produce 7 million tonnes of potassium chloride, would be the most cost-effective in the industry, requiring investment of just US$400 per tonne of additional capacity, net of infrastructure costs. In our expansion plans, we are always mindful of the need to invest into the maintenance of existing production facilities. As a result, we have increased production investment in 2010-2012 to an average of some 12.5 billion rubles annually.

The figures outlined so far do not include investment in the Company's major greenfield project, the development of the Ust-Yaivinsky field. The decision to build a new mine was taken in 2009, and production there is expected to start in 2015. By 2018 the mine should already have reached full capacity, producing between 8 and 11 million tonnes of ore per annum.

Uralkali operated at only 48% of its production capacity in 2009. Despite this, the Company's financial position has held up well, with total sales in excess of US$1 billion. This was achieved because the average price for potassium chloride in 2009 was US$405 per tonne, surpassing the average for previous years, and second only to 2008 prices. The EBITDA margin achieved by the Company in 2009 was 56%, higher than in 2007 and 2006.

Uralkali remains one of the most cost-efficient producers, with cost per tonne of US$80 net of depreciation.

In 2009 we allocated 14.1 billion rubles to our investment programme, of which the majority was spent on the project to improve infrastructure and expand capacity from 5.5 to 7.0 million tonnes in 2012. This number also includes 6.6 billion rubles spent on maintaining existing production.

In spite of the challenges of 2009, we look forward to the future with confidence. Uralkali has turned adverse market conditions to its advantage and laid solid foundations for future growth. We regard the potash industry as unique in its exceptionally strong future prospects. We believe the market is certain to improve and see ourselves as well positioned to respond to the anticipated growth in demand.

Uralkali Key Figures

Key Financial Indicators[I]

	2005	2006	2007	2008	2009
Revenues	**27,976**	**22,290**	**29,499**	**62,798**	**33,809**
Net Sales[II]	20,489	16,673	22,673	54,355	29,314
Cost of Sales (COGS)	(5,497)	(6,307)	(7,108)	(9,410)	(8,878)
COGS to Net Sales %	27%	38%	31%	17%	30%
Gross Profit	**22,479**	**15,983**	**22,391**	**53,388**	**24,931**
Distribution Cost	(8,544)	(6,691)	(7,957)	(9,840)	(6,075)
General and Administrative Expenses	(1,286)	(2,058)	(3,473)	(3,204)	(3,838)
EBITDA[III]	**13,585**	**8,558**	**12,098**	**41,349**	**16,375**
EBITDA Margin[IV]	66%	51%	53%	76%	56%
Net Income	**9,429**	**3,494**	**8,045**	**21,943**	**9,095**
Net Income Margin[V]	46%	21%	35%	40%	31%
CAPEX	5,728	5,198	6,316	14,341	14,105
Debt (bank loans)	3,484	11,088	10,600	13,987	13,463
Equity	17,979	17,650	25,074	34,620	43,716
Cash and Cash Equivalents	4,076	2,892	7,291	16,174	4,297

(RUR mln)

Notes

I. All financial indicators are based on IFRS Consolidated Financial Statements and are given in million RUR unless otherwise stated.

II. Net Sales is calculated as sales net of freight, railway tariff and transshipment costs.

III. Throughout the report EBITDA means adjusted EBITDA – calculated as Operating Profit plus depreciation and amortization and does not include mine flooding costs.

IV. EBITDA Margin is calculated as EBITDA divided by Net Sales.

V. Net Income Margin is calculated as Net Income divided by Net Sales.

Key Operation Indicators

	2005	2006	2007	2008	2009
Sales Volume	**5,338**	**4,343**	**5,060**	**4,668**	**2,497**
Export	4,871	3,905	4,575	4,141	1,895
Domestic	467	438	485	527	602
Production Volume	**5,379**	**4,165**	**5,119**	**4,793**	**2,621**

(ths. tonnes)

Macro Economic Figures for 2009[I]

Consumer Price Index (CPI) (Dec. 2009 – Dec. 2008)	8.8%[II]
Consumer Price Index for food (CPI) (Dec. 2009 – Dec. 2008)	4.9%
Producer Price Index (PPI) (Dec. 2009 – Dec. 2008)	(1.0%)[III]
RUR/US$ (average for 2009)	31.8[IV]
RUR/US$ (average as of the end of 2009)	30.2[V]

SRK audited mineral resource statement as of 1 January 2010

	Mln tonnes	K_2O, %	K_2O, mln tonnes
All Mines			
Measured	1,370.2	21.3	292.0
Indicated	2,088.8	20.8	435.0
Inferred	310.3	26.8	83.3
Total Measured + Indicated	**3,459.0**	**21.0**	**727.0**

Notes

I. Federal State Statistics Service statistical review on socio-economic situation in the Russian Federation for 2009.

II. Includes food and non-food merchandize, as well as services, in the Russian Federation.

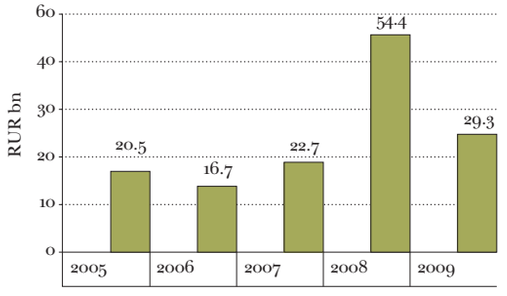
III. For the Mining Industry (excludes minerals for fuel/power sector).

IV. Average Exchange Rate of Central Bank of the Russian Federation for the period from 31 January to 31 December 2009.

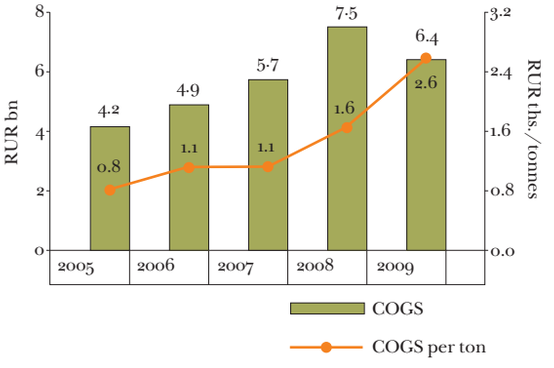
V. Official Exchange Rate set by Central Bank of the Russian Federation as of 31 December 2009.

Key Financial Indicators

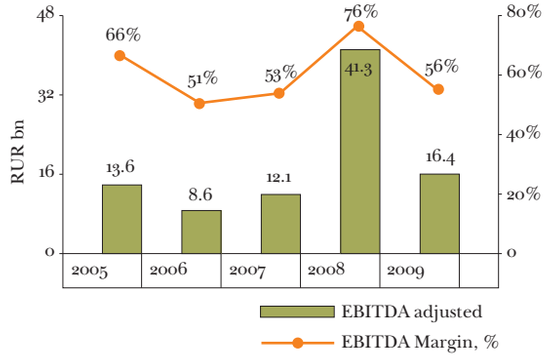
Net Sales



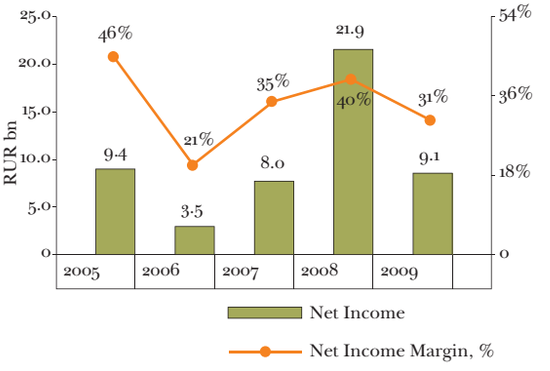
Cash Cost of Goods Sold [I]



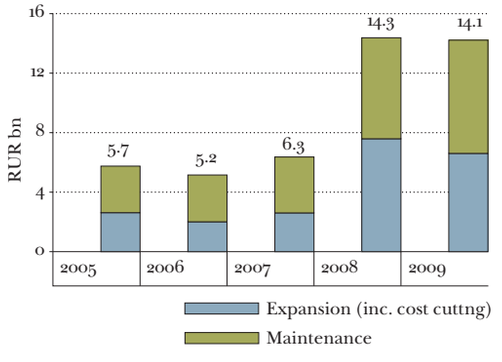
EBITDA, Margin %



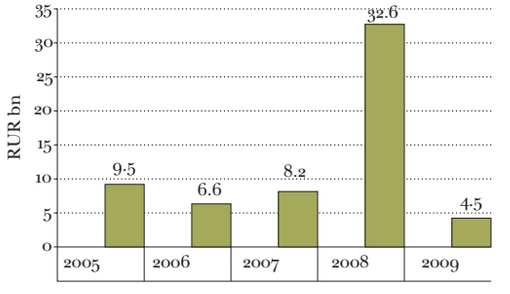
Net Income, Margin %



CAPEX Evolution



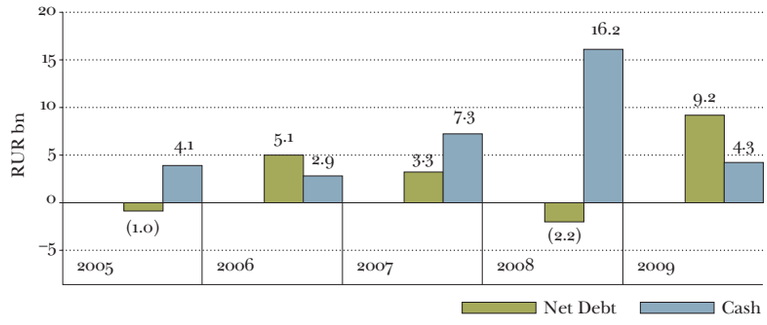
Operating Cash Flow



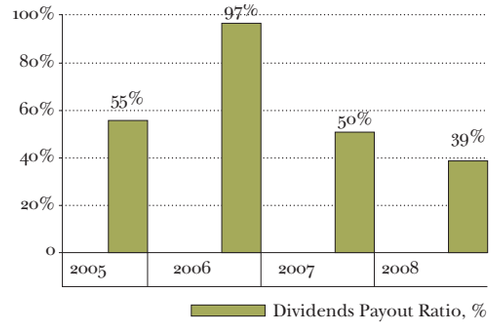
Note

I. Cash cost of goods sold = Cost of goods sold less depreciation.

Cash, Net Debt[I]

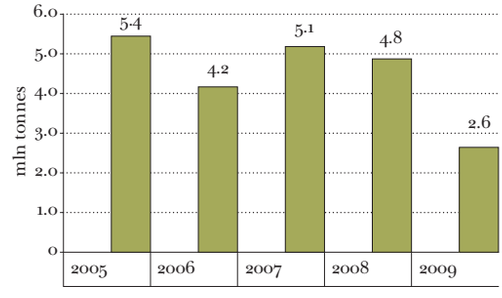


Dividends Payout Ratio

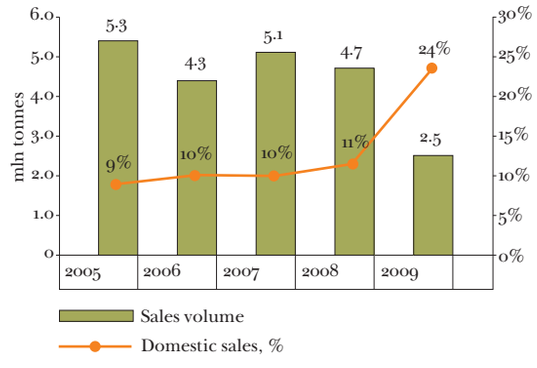


Operating Statistics

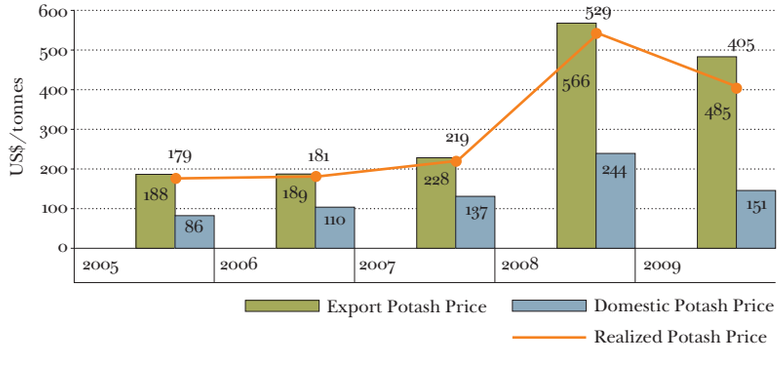
Production Volumes



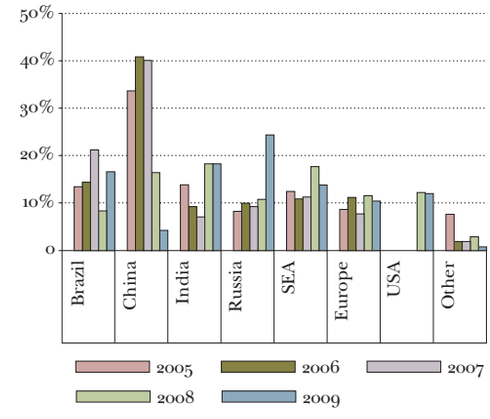
Sales Volume



Average Potash Price[II]: Export vs Domestic



Potash Sales Structure



Notes

I. Net Debt is calculated as bank loans net cash and cash equivalents.

II. Average price is calculated net of export duty, where applicable (see source "Revenue" in consolidated financial statements).

Group Overview

Key Highlights

- Founded in 1930 as a state-owned entity. Incorporated as a private company in 1992
- World leader in the production of potash fertilizer with a global market share of around 8.5% in 2009
- Key markets: Brazil, India, China, South-East Asia, Russia, US and Europe
- Production facilities located in Berezniki, Perm Territory, in the Verkhnekamskoye potash-magnesium salts field – the world's second largest deposit
- Offices in Moscow, Perm and Minsk
- Ordinary shares and global depository receipts of the Company are traded on the RTS, MICEX, and LSE stock exchanges
- Exports channeled through Belarusian Potash Company (BPC) – the world's leading potash exporter

~8.5% [15] of world potash production in 2009

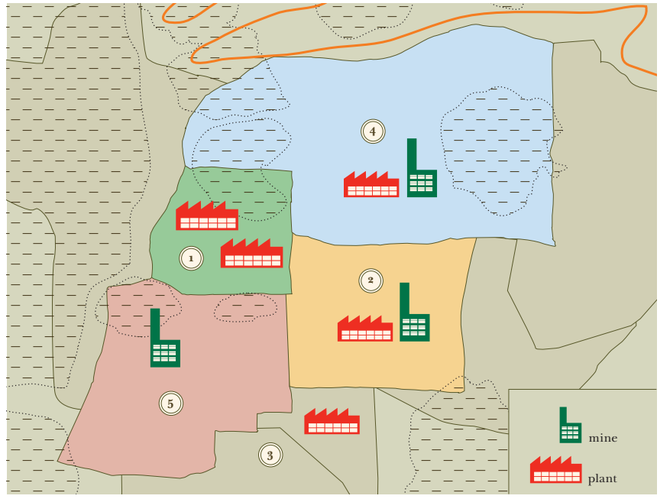
~56% EBITDA margin in 2009

34 billion rubles revenue in 2009

Uralkali – Vertically Integrated Company

Group Structure

Production



- 2 potash mines
- 5 processing plants:
  - 4 potash producing plants (standard and granular MOP)
  - 1 carnallite producing plant
- Licence to develop the Ust-Yaivinsky field of the Verkhnekamskoye deposit

1. Production Unit (BKPRU-1)
- potash producing plant (standard MOP)
- carnallite producing plant

2. Production Unit (BKPRU-2)
- potash producing plant (standard and granular MOP)
- potash mine, ore resources: **318 million tonnes**[1]

3. Production Unit (BKPRU-3)
- potash producing plant (standard and granular MOP)

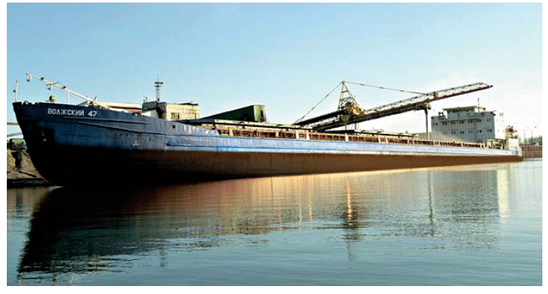
4. Production Unit (BKPRU-4)
- potash producing plant (standard MOP)
- potash mine, ore resources: **1,851 million tonnes**[1]

5. Licence to develop Ust-Yaivinsky Field (Mine 5)
- ore resources: **1,291 million tonnes**[1]

Logistics

- Company-owned railcars

- Baltic Bulk Terminal (BBT) – a modern shipping terminal, built in 2004 in St. Petersburg, providing the shortest transportation route from mines to port



- Warehouses in Berezniki and the port of St. Petersburg

Production capacities:
5.5 million tonnes KCL in 2009

7 million tonnes KCL in 2012

New mine in 2018

Storage capacity 540,000 tonnes

BBT shipping terminal with capacity of 6.2 million tonnes

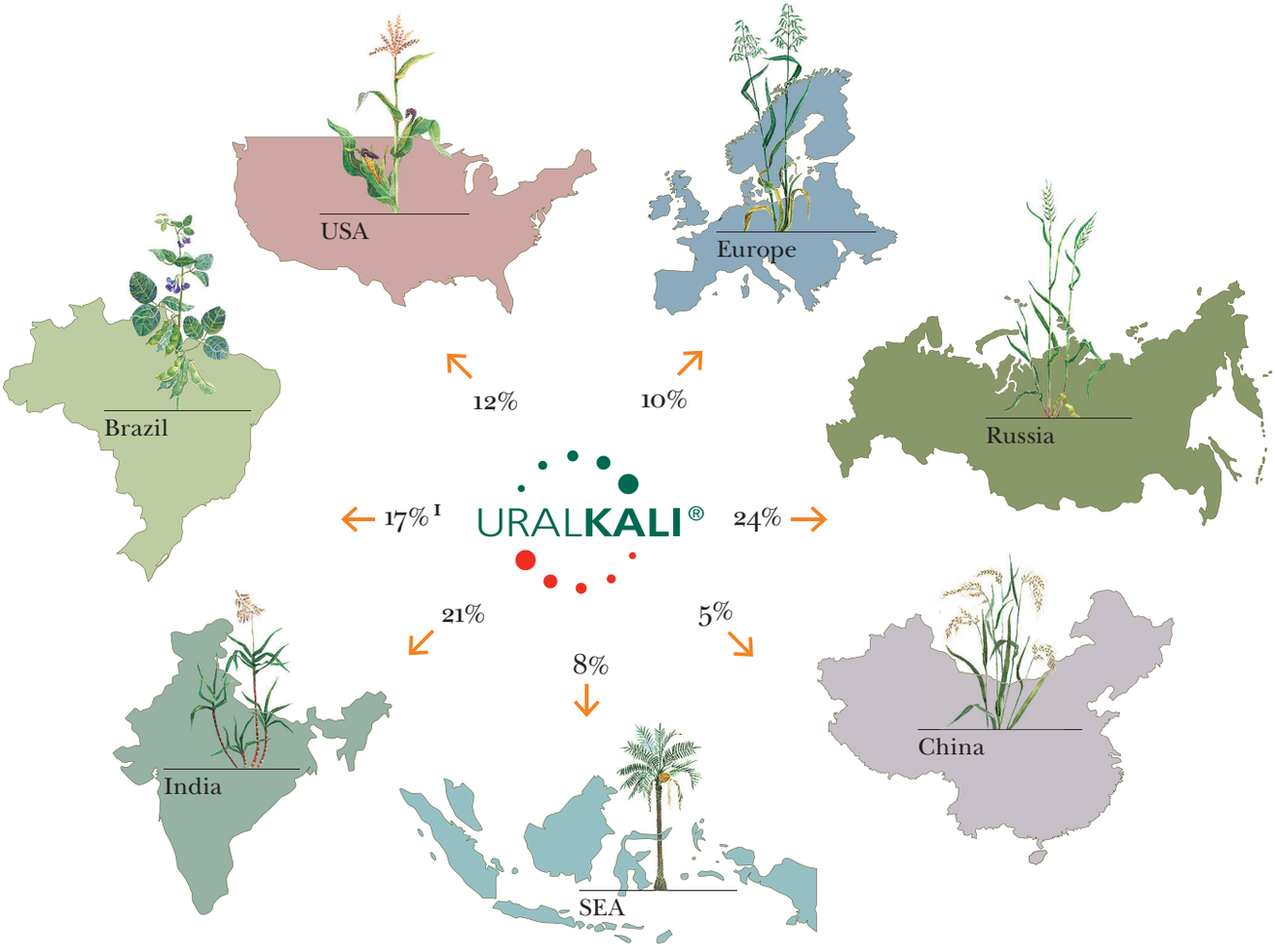
Over 4,600 specialized railcars

Note

1. JORC as of 1 January 2010.

Sales

- Exports through Belarusian Potash Company (BPC) – world leader in exports of potash fertilizer
- Direct domestic sales through Uralkali



BPC ~30% [5] of the world market of potash fertilizer in 2009

BPC – the market Leader in Latin America, India and China in 2009

Note

I. % of total sales volume, 3% – other regions of export.

Group Description

Key Assets

Uralkali has a vertically integrated structure, controlling the whole value chain from ore reserves to end markets.

The Company's assets include:

- Two potash mines
- Five plants, of which four produce potash and one enriched carnallite
- License to develop the new Ust-Yaivinsky field at Verkhnekamskoye deposit
- 100% interest in the Baltic Bulk Terminal (BBT)
- 50% interest in Belarusian Potash Company (BPC), a world leader in potash fertilizer export sales which accounts for almost 30%[5] of global potash exports
- 100% interest in Uralkali Trading that provides a channel for part of Uralkali's export shipments
- 4,600 company-owned railcars
- Storage facilities in Berezniki and St. Petersburg to hold 540,000 tonnes of fertilizer

Production

The Company produces two main types of potash fertilizer: standard and granular.

Uralkali production facilities are located in the Urals, in the city of Berezniki, Perm Territory.

The Company is developing the Durymansky and Bygelsk-Troitsky fields of the Verkhnekamskoye potash-magnesium salts deposit, operating two mines and five plants (see p. 13) with a total capacity of 5.5 million tonnes. Uralkali plans to increase production capacity to 7 million tonnes in 2012.

Uralkali owns a license to develop the Ust-Yaivinsky field, where a new mine is scheduled to come on stream in 2018 (see also Operations Review, p. 46).

Berezniki is a major industrial centre and the second largest city in Perm territory. The population is some 170,000[16], of whom over 12,000 are employed by Uralkali and its affiliates. Thus, every fourth[1] person in the city is connected either directly or indirectly with Uralkali. Uralkali accounts for over 40%[18] of the city's overall industrial output.

Note

1. Inclusive of family members.

Baltic Bulk Terminal

Uralkali owns 100% of BBT, a modern, highly automated shipping terminal built at the St. Petersburg seaport in 2004. It is a special facility dedicated to the shipment of mineral fertilizer, providing the shortest transportation route from the mines to the port. The terminal handled 3.6 million tonnes of fertilizer in 2009, of which 1.7 million tonnes was from Uralkali. The rest was nitrogen-phosphorus fertilizers from Russian producers. The peak shipment capacity for BBT is 6.2 million tonnes. The current excess handling capacity at the terminal will absorb Uralkali's planned increase in production.

Rail

Uralkali owns over 4,600 railcars, one the largest fleets in Russia. Rail shipment is a vital part of Uralkali's operations, as Uralkali product is transported to BBT by rail. It also provides a significant competitive advantage for shipments to North China, a major consumer of potash fertilizer. Together with local producers, only Russian suppliers have access to this market.

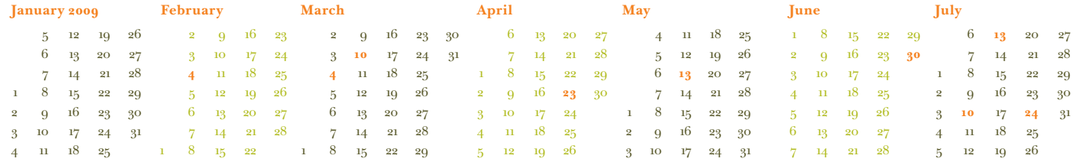
Warehousing

Smooth product delivery requires adequate storage facilities, and Uralkali is well-equipped in this respect as well. In addition to storage at BBT, which can house up to 240,000 tonnes of product, Uralkali owns facilities in Berezniki, which have enough capacity for 300,000 tonnes. The facilities are divided into sections, each holding a different type of product. Warehouses are connected by rail to a weatherproof conveyer system. Storage space was further expanded in 2009 by the installation of three inflatable structures, each holding 45,000 to 50,000 tonnes of stored bulk.

Pricing and sales

Uralkali owns a 50% interest in BPC. Other shareholders are: Belaruskali (45%) and Belarusian Railway (5%). BPC is a world leader in potash fertilizer export sales, with market share of around 30%[5]. BPC has sales offices in six countries and ships Uralkali and Belaruskali products to over 60 countries across the world. BPC is an invaluable link in Uralkali's production and supply chain. It helps achieve higher sales efficiency and better trade terms with clients in the biggest markets, including India and China (see also Potash Market Overview, p. 24).

Calendar of Major Events



February 4
New investigation report

Russia's mining safety watchdog, Rostekhnadzor, provided a report setting out the results of the additional investigation into the causes of the Uralkali Mine 1 flooding accident in October 2006. According to the report, "the commission concluded that the accident was caused by the combination of factors of a geological and technological nature" (for further information see 10 March 2009, 23 April 2009, and 23 December 2009, 12 March 2010).

March 4
New prices for the Brazilian market

BPC set new prices for granular KCL for the Brazilian market. The new prices set in March/May 2009 were US$750 per tonne for major importers and US$765 per tonne for small importers.

March 10
Participation in the construction of the Yaiva-Solikamsk railroad bypass and offsetting costs related to the Mine 1 accident

Uralkali volunteered to commit 5 billion rubles to bridge the financing gap for the construction of the 53-km Yaiva-Solikamsk railroad. The Company also confirmed that it was prepared to offset the costs incurred by the municipal, regional and federal governments in relation to the Mine 1 accident. These costs, 2.767 billion rubles in total, included 1.819 billion rubles incurred by the federal government, 0.494 billion rubles spent by the Perm regional government, and 0.454 billion rubles for Russian Railways to construct a 6 kilometer railroad bypass. Uralkali also announced its intention to cover the costs of 36 million rubles incurred by the Berezniki municipal government in relation to the accident. Altogether, the voluntary funds committed by Uralkali to reimburse the costs related to the accident amounted to some 7.8 billion rubles (for further information see 4 February 2009, 23 April 2009, 23 December 2009 and 12 March 2010).

April 23
Payment to the Perm Territory Regional Government

Uralkali paid 2.3 billion rubles under an agreement with the Government of the Perm Territory. Over 1.8 billion rubles went to reimburse subsidies from the federal budget, and around 494 million rubles was paid to offset the costs incurred in connection with the Mine 1 accident (for further information see 4 February 2009, 10 March 2009, 23 December 2009 and 12 March 2010).

May 13
Price level for Russian agricultural producers

Despite the increase in KCL production costs, largely the result of low utilization rates, the Company decided not to increase the ceiling prices for Russian farmers, which were kept at 3,700 rubles per tonne.

June 30
General Shareholder Meeting

At the Annual General Meeting shareholders approved the Annual Report and the Company's financial statements for 2008. Shareholders decided to pay 14.5 million rubles to the Company's independent directors for their work on board committees. It was agreed not to pay remuneration to other board members. The shareholders resolved not to allot 20,967 million rubles in profit remaining from 2008 after the payment of the interim dividends for the first half of the year.

July 10
Staff changes

Anatoly Lebedev resigned as President and Vice-Chairman of Uralkali. The Board approved the appointment of Mikhail Antonov, Vice President, Strategic Development, as Acting President. Andrey Konogorov was elected Vice-Chairman.

July 13
Amendment of the license for the Ust-Yaivinsky field development

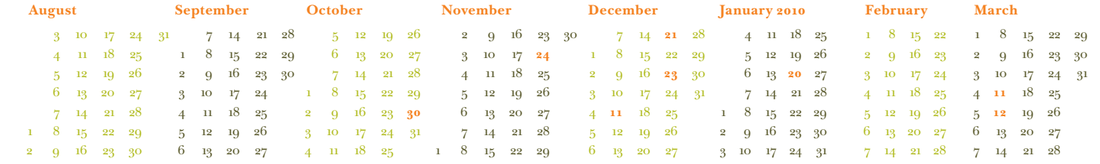
The Federal Agency for Subsoil Use (Rosnedra) endorsed a supplementary agreement to the Ust-Yaivinsky field licence held by the Company. The agreement extended the deadline till 15 May 2011 for the preparation of the design documentation for the construction of the new mine and its approval by the relevant state authorities. The deadline for commissioning the project, 15 August 2018, remains unchanged.
The supplementary agreement came after several months of discussions with Rosnedra, and a study by Uralkali of development options for the Ust-Yaivinsky field. An optimal plan was chosen based on the study, which includes the construction of a new mine to produce 8 to 11 million tonnes of ore. The decision on whether to construct the new plants will depend on potash market conditions.

July 24
India contract

BPC announced a contract signed with Indian Potash Ltd (IPL), India's biggest importer of mineral fertilizer, to supply KCL in 2009-2010. The price set for the Indian market was US$460 per tonne. Total supplies under the contract, including optional quantities, are around 675,000 tonnes.

October 30
Tax inspectorate decision

Uralkali was served with a decision by the Tax Inspectorate resulting from a tax audit for 2005-2006. The tax authority proposed that Uralkali pay an additional 613 million rubles in tax for 2005–2006, together with a penalty charge of 121 million rubles and penalty interest of 58 million rubles. The Company stated its intention to challenge this decision in accordance with applicable law (for further information see 20 January 2010).



November 24
Adjustment of capacity increase schedule

Uralkali decided to amend the timetable for the realization of its investment programme and the launch of new production capacity. The increase in capacity to reach the target of 7 million tonnes of potash is now scheduled for 2012, when demand could rise enough to absorb the planned increase (for further information see 21 December 2009).

December 11
Price level for farmers

Uralkali set the ceiling price of 4,550 rubles per tonne of potash supplied directly to Russian farmers in the first half of 2010. During this period the price may be revised to levels below 4,550 rubles.

December 21
New appointments

The Board appointed Denis Morozov as President of Uralkali with effect from 1 February 2010. It was also decided that the President should assume full CEO responsibilities. Vladislav Baumgertner, General Director, will now become Chief Operating Officer in charge of the Company's production activities.
In addition, the Board decided to appoint Victor Belyakov, Deputy General Director, Economics and Finance, as Chief Financial Officer (CFO) with effect from 1 January 2010. His predecessor, Kuzma Marchuk, who had been in charge of the Company's financial management since 2004, resigned from that position to focus on his role as a member of the Board of Directors.

December 21
Investment programme for 2010-2012

The Board approved the investment programme for 2010-2012, which set the annual level of investment for that period at around 12.5 billion rubles (net of costs to develop the Ust-Yaivinsky field and investment in social projects). Of these funds, about 6.7 billion rubles will be used for capacity expansion, and nearly 5.8 billion rubles for capacity maintenance (for further information see 24 November 2009).

December 23
China contract

BPC announced a contract with major Chinese potash importers, Sinochem and CNAMPGC, to supply about 1.2 million tonnes of potassium chloride to China (including 200,000 tonnes of optional quantities) at US$350 CFR.

December 23
Payments in connection with the construction of the Yaiva-Solikamsk railroad and reimbursement of costs related to the Mine 1 accident

Uralkali paid 5.454 billion rubles to the federal government, thus fully complying with the commitment it made in March 2009 to offset around 7.8 billion rubles in costs incurred by the government. Those payments were paid by the Company in line with its social responsibility commitment to cover the costs related to the Mine 1 accident and to bridge the financing gap for the construction a 53-km Yaiva-Solikamsk railroad, bypassing Verkhnekamskoye potash-magnesium salts deposit (for further information see 4 February 2009, 10 March 2009, 23 April 2009 and 12 March 2010).

January 20, 2010
Tax inspectorate demand for 2005-2006

Uralkali received a demand to pay 803 million rubles in tax, fines and penalties for 2005-2006 from the Interdistrict Inspectorate No. 3 of the Federal Tax Service for Major Taxpayers.
Uralkali had already challenged the decision, but the appeal was rejected by a tax service decision of 25 December 2009. The Company's position, that the claim is groundless, remains unchanged, and it intends to contest it again in accordance with applicable law (for further information see 30 October 2009).

March 11, 2010
Court order issued by the Geneva Court of Justice

Uralkali learned about a court order on provisional measures issued by the Court of Justice of the Republic and Canton of Geneva in relation to the divorce proceedings between Dmitry Rybolovlev and Elena Rybolovleva. The Order is directed against Dmitry Rybolovlev but seeks to apply to assets of Uralkali with the exception of everyday management and the Company's ordinary commercial activities. Given these exceptions, Uralkali does not expect the court order to have any material impact on its business.
The court order will apply for the duration of the divorce proceedings unless overturned on appeal by the Swiss Federal Supreme Court. Uralkali is not a party to any relevant Swiss proceedings.

March 12, 2010
Additional funds allocated to finance construction of Yaiva-Solikamsk railroad bypass

Uralkali's Board of Directors decided to allocate an additional 1 billion rubles to compensate Russian Railways for expenses associated with the construction of the 53-km Yaiva-Solikamsk railroad bypass. The payment is voluntary and comes as part of Uralkali's social responsibility efforts. The decision was made following discussions with Russian Railways (for further information see 4 February 2009, 10 March 2009, 23 April 2009, 23 December 2009).

March 12, 2010
India contract

Belarusian Potash Company announced that it had signed a potash shipment contract with IPL, India's largest importer of potash. Under the terms of the contract, BPC will provide IPL with some 900,000 tonnes of potassium chloride at a price of US$370/tonne CFR over the period from April 2010 to March 2011.

Potash Market – Growth, Visibility, Stability

What is Potash?

Potash (K)

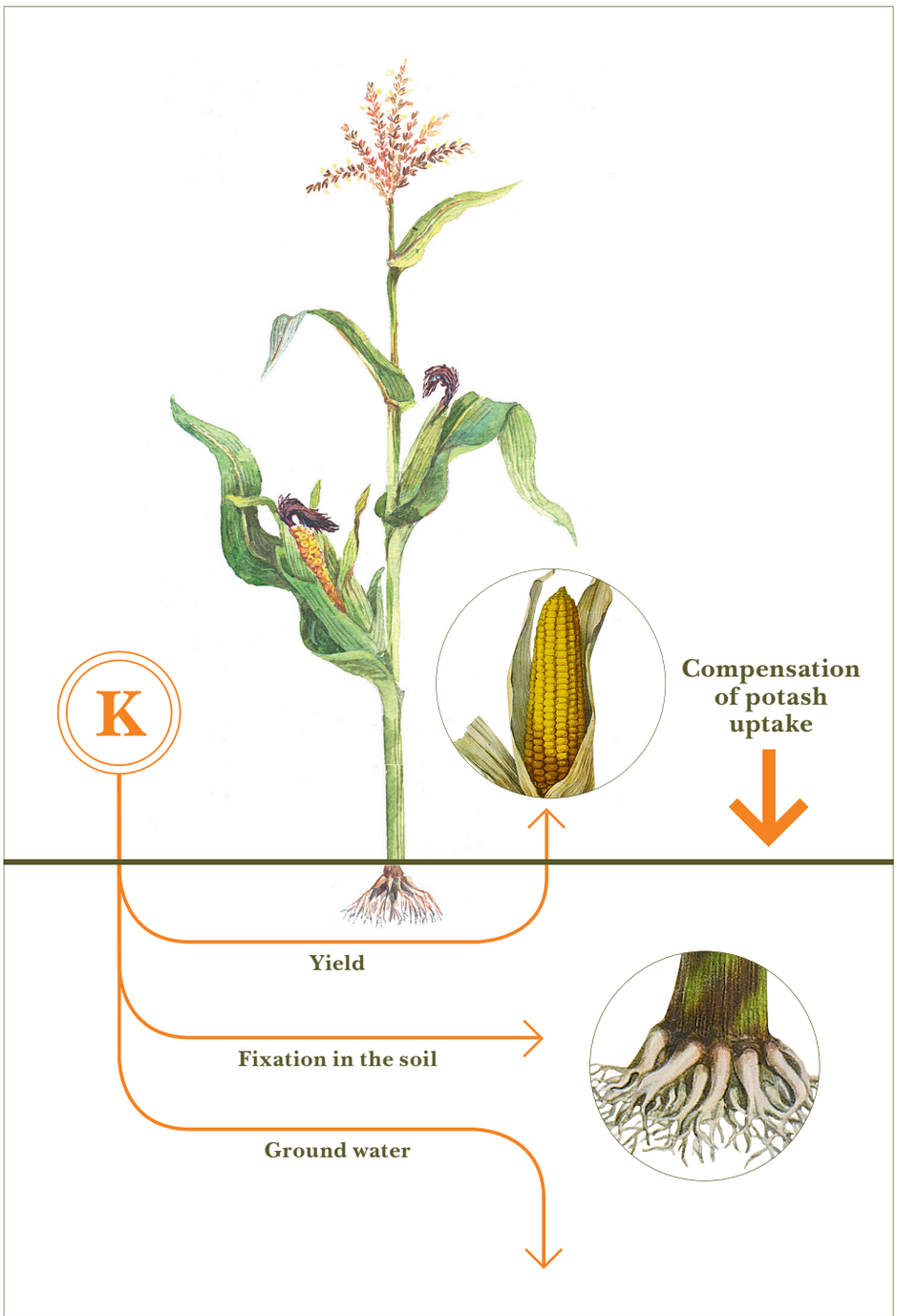
- A natural compound residing in soil
- There is no natural or man-made substitute for potash
- Enhances crops' taste and nutritional qualities
- Boosts plants' resistance to hostile weather conditions, droughts and disease

Nitrogen (N)

- Responsible for protein formation in plants
- Responsible for growth and yield

Phosphorus (P)

- Plays an important part in plant root development
- Responsible for photosynthesis



Primary nutrients

K N P

Nitrogen, phosphorus and potash each play their role but **only together** do they ensure balanced nourishment and cannot replace each other.

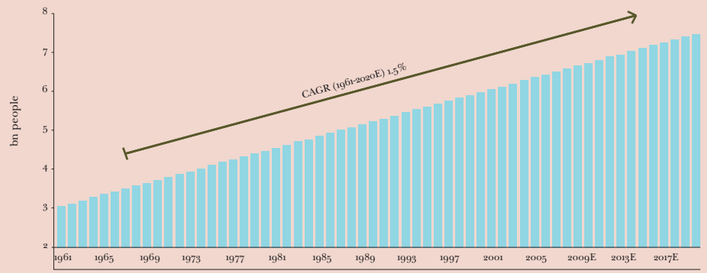
- The continuing growth in the world's population is leading to increased demand for food.
- As the world becomes more prosperous, the quality of food consumed is improving. In particular, people are consuming more protein.
- The growing demand for food in general and meat products in particular is driving demand for grains, resulting in the need for higher yields.
- Per capita land resources (particularly croplands) are decreasing. There is an acute need for intensive agricultural technologies, primarily a balanced utilization of fertilizers, to be adopted in order to achieve higher yielding capacity.
- Balanced application of fertilizers implies an average ratio of 2:1:1 for nitrogen:phosphorus:potash, while the current global average ratio is 2:0.7:0.5[15]. This shows enormous potential for the increased application of potash.
- The planet's growing demand for energy, and political support for renewable energy in some countries, is driving the increased production of biofuels, with demand for biofuels growing each year. Biofuels are produced from crops that require large amounts of potash fertilizer, stimulating demand.

Strong Demand with the Up Trend

Fundamental Demand Drivers

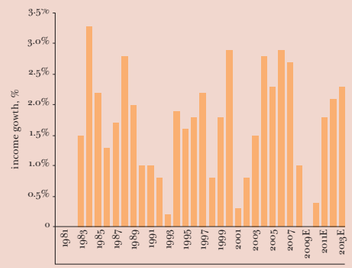
Growing World Population

The planet's population is continuing to grow[14]



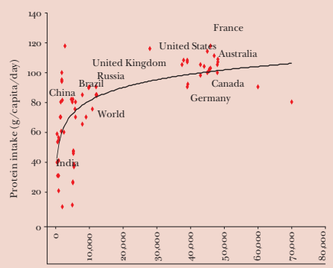
Increasing Global Wealth Level

The world is becoming more prosperous each year [12]



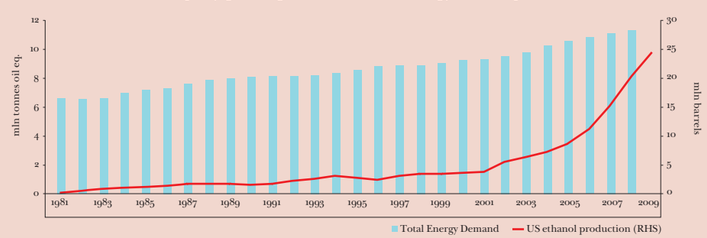
Meat Consumption

Higher income leads to greater consumption of proteint [14], [22]



Energy Demand

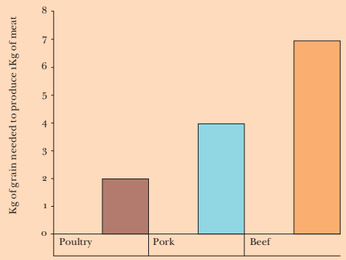
Biofuels account for a rapidly growing share of overall energy consumption [2]



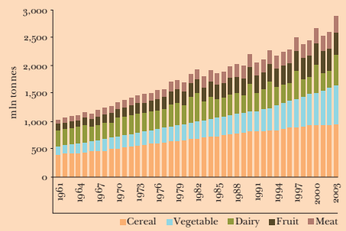
Food Demand

Crop Demand

The development of cattle breeding requires more grain crops[11]

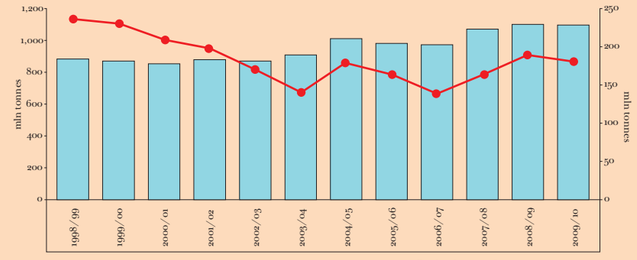


Demand for food is constantly increasing[14]

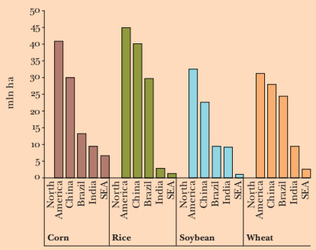


Crop Production

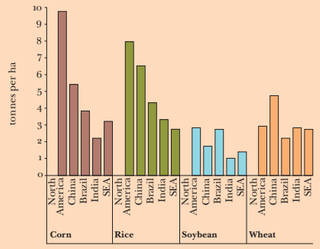
Production of grain crops is increasing annually [29]



Developing countries have extensive arable lands [29]



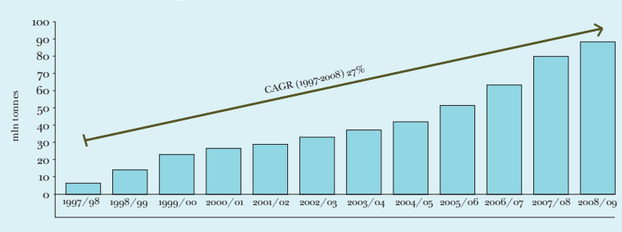
...however, they typically have lower crop capacity than developed countries [29]



Biofuel Demand

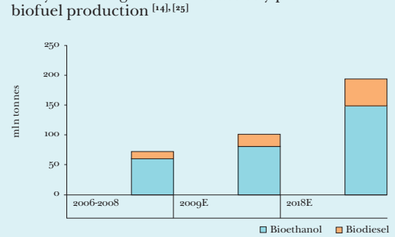
Biofuel Demand

Demand for biofuels is growing each year[2]



Biofuel Production

Many national governments actively promote biofuel production [14], [25]



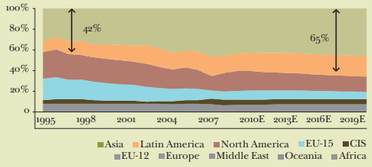
Fertilizer Demand

More Arable Land

The total per capita area of arable lands is decreasing every year [14]

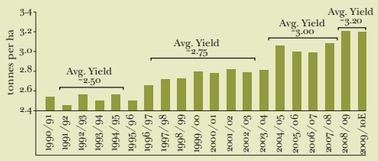
Fertilizer Demand for Food

Developing countries are the biggest consumers of potash globally, and their share of total consumption is increasing [15]



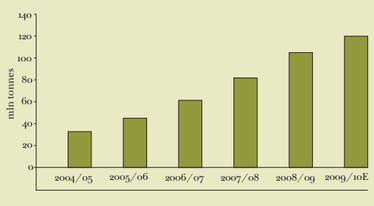
Need for Higher Yields

The required crop yield is becoming higher each year [26]



Fertilizer Demand for Biofuels

The growing consumption of biofuels is driving increased crop production [21]

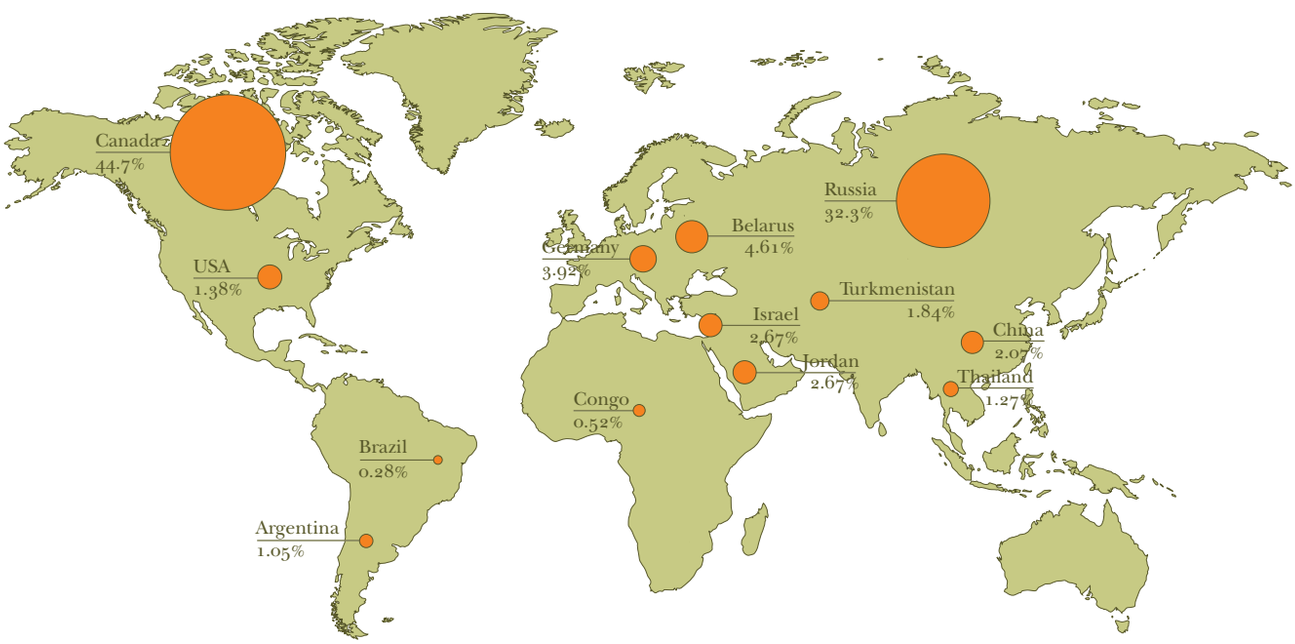


Visible Potash Supply and its Foreseeability

	Potash (K)
Market size (2010E)	**28.3 million tonnes[15] K_2O (47 million tonnes KCl)**
Geographic availability	Very limited
Industry members	Small number of leading players
Long-term pricing stability	High
Profitability	High
Barriers to entry	High
Cost of greenfield capacity	US$2.8 bn[I] for 2 million tonnes of annual KCl production
Greenfield lead time	min 7 years

Mineral Scarcity Means High Entry Barriers [13], [20], [9], [15], [30]

Proven resources of potash are largely concentrated in Canada and Russia [II]



Note

I. PotashCorp estimates.

II. Other countries, not represented on the map, account for less than 2.0% of total resources.

2009 Potash Market Overview

The global economic and financial crisis, which started in 2008, had a variety of adverse consequences on the economy in 2009. According to the International Monetary Fund (IMF), global GDP fell by 0.8% in 2009, although this fall was less marked in developing countries. China, India and South East Asia – all major importers of Uralkali's products – saw GDP rises of 8.7%, 5.6% and 1.3%[22] respectively in 2009.

It should be noted that the world economy is now showing signs of recovery. The fourth quarter of 2009 showed global GDP 1.3%[22] higher than in the same period of 2008. The IMF expects global GDP growth of 3.9% in 2010.

Most commodity prices, including those for agricultural products, have remained extremely volatile over the last two years.

The world economic downturn has led to an increase in undernourishment, with the United Nations' Food and Agriculture Organization (FAO) estimating that 1.02 billion people across the world are undernourished, the highest level since 1970.

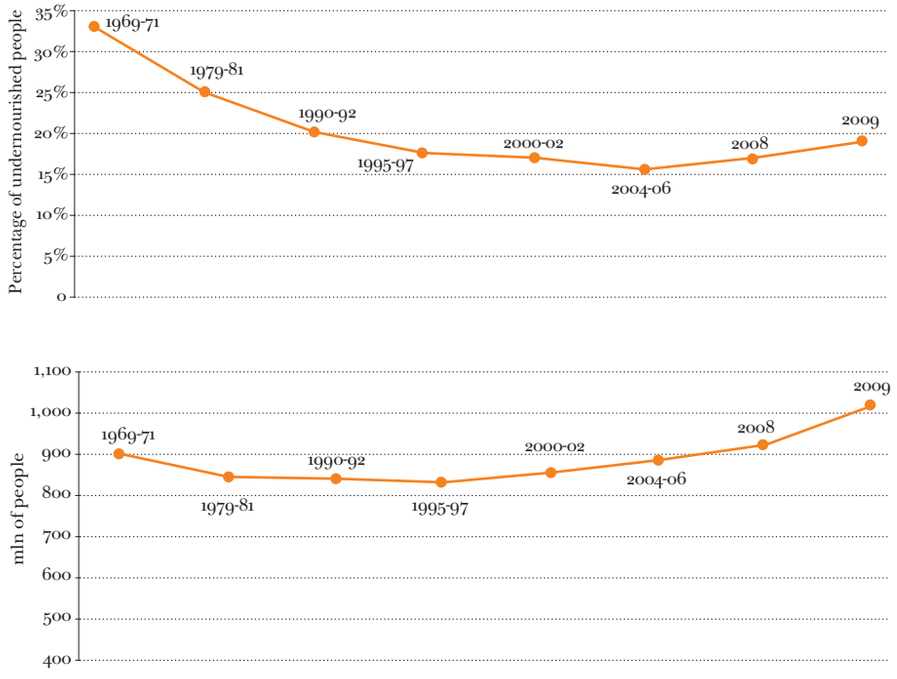
Price for crops [2]

The problem of undernourishment is particularly acute in low-income populations, where lower buying power results in lower per capita consumption of meat, milk, fruit and vegetables.

Rising inflation also contributes to undernourishment. For example, food price inflation in India reached 20%[2] towards the end of 2009, the highest level for 11 years. The increase in undernourishment is a global problem.

It can only be resolved by boosting food production, which requires higher yield levels. According to the International Plant Nutrition Institute (IPNI), fertilizer accounts for approximately 40% of crop yields.

Increase in undernourishment [14]



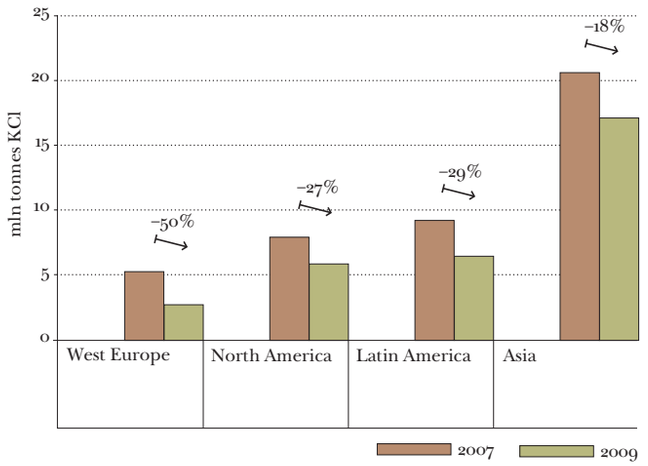
In some regions, adverse weather conditions had a negative impact on agriculture in 2009. These included monsoons in India, drought in Argentina and the Black Sea basin, and high levels of rainfall during the spring and autumn sowing seasons in the US. In other agricultural regions weather remained within historical patterns.

In spite of government efforts to mitigate the situation, agricultural producers in a number of markets still experienced credit difficulties.

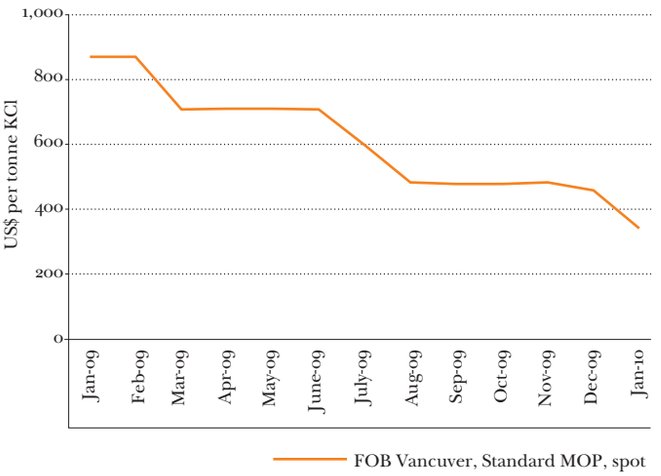
Because of the prevailing economic uncertainty, in 2009 potash users preferred to run down inventories rather than make new purchases. Many producers opted to decrease fertilizer consumption due to uncertain price outlook both for their products and the fertilizers themselves. As a result sales fell to 28.2 million tonnes of potassium chloride, 44%[15] lower than in 2007 and the lowest level since 1995.

The decline in demand was particularly noticeable in regions with advanced agricultural practices where soils have accumulated higher levels of nutrients. In Western Europe and North America, potash fertilizer consumption was respectively 50% and 27% lower than in 2007[15], which was a year of relatively

Use of Potash Fertilizer by Region [15]



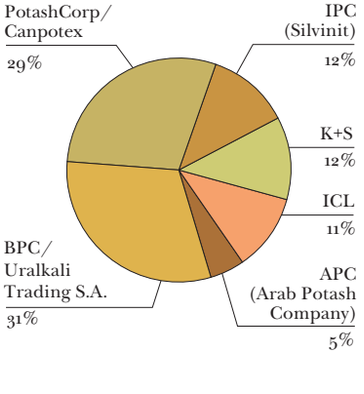
Prices for Potash Fertilizer [15]



high fertilizer application. In January to December 2009 the price for potash fertilizer was forced down by a drop in demand from US$873 FOB Vancouver to US$460 FOB Vancouver[15] per tonne respectively.

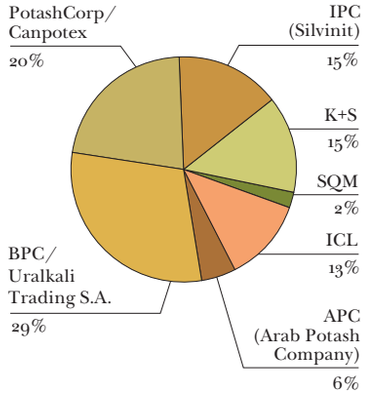
The highest demand for potash in 2009 was recorded in Brazil and India, at 5.2 and 5.0 million tonnes of potassium chloride respectively[15]. As BPC is the leader in supplying those markets, relatively high demand reflected positively on Uralkali sales there. A contract to supply 1.2 million tonnes of potash was signed between BPC and Chinese buyers, laying the foundation for market recovery in 2010.

2008



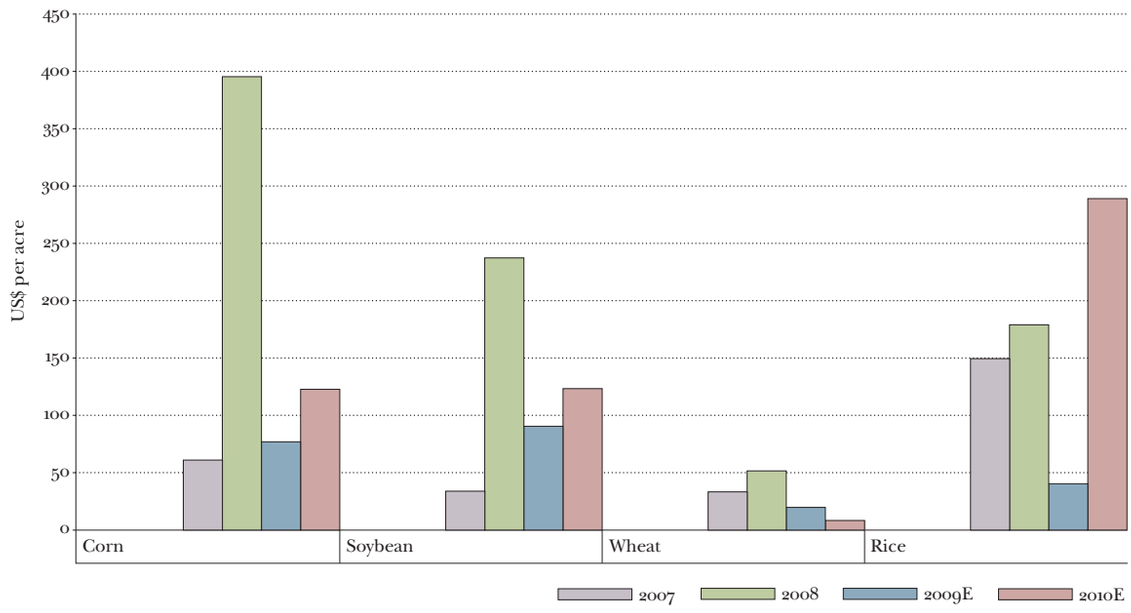
Source: IFA, Company Reports

2009



Source: IFA, Company Reports, BPC estimates

US farmer net profit per acre[4]



Potash end users traditionally view BPC as a reliable supplier trading at fair prices. As a result, BPC maintained its position as a leading supplier to these markets, a major achievement given the overall fall in demand.

The reduced application of potash to the soil has likely led to a depletion of potash levels in many regions. This could cause a rebound in demand as agricultural producers seek to rebuild potash stores to normal levels. It should be noted that a return to normal rates of fertilizer use in soils is supported by agricultural economics: fertilizer price cuts, along with the relative stability of prices for agricultural production, have made farming more cost-efficient.

As a result, the farming sector has an incentive to raise yields and maintain soil fertility, and this could well lead to the recovery of the potash market in 2010.

Brazil

Population, CAGR (1990-2030E)	1.2% [29]
Agriculture as a proportion of GDP, 2009	6.5% [7]
Total potash consumption, CAGR (1990-2020E)	6.1% [15]
GDP growth, 2010E	4.7% [22]

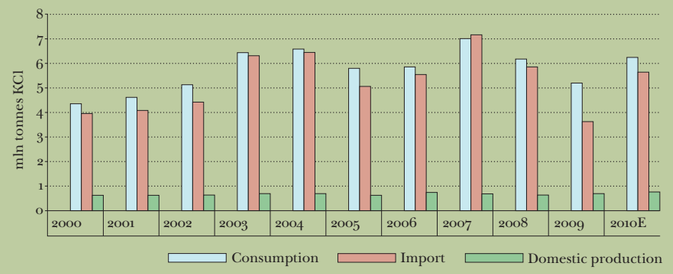
The distinguishing characteristics of Brazil's climate are frequent rainfall and abundant sunlight. Brazil is also home to approximately 13%[24] of the world's surface water resources. These factors make the region ideally suited to agriculture.

Potash levels of Brazilian soils I, [23]

Potash: Consumption, Import and Domestic Production

The consumption of potash in Brazil fell by approximately 16%[15] in 2009 compared with 2008. According to Fertecon's forecast, potash demand should rise by about 19% in 2010 due to global economic recovery and the need for the fertilization of potash-deficient soils.

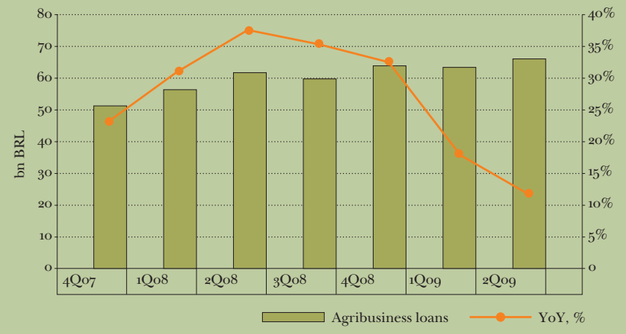
Brazilian potash consumption, import and domestic production [15]



Agricultural Lending

Potash consumption in Brazil should be stimulated as loans to agricultural producers become more affordable. In 2009, the Bank of Brazil opened up access respectively to 30% of on-demand and 70% of savings deposits as a means of providing loans to agricultural producers on favorable terms[6], [17]. Agricultural trade bodies also decided to improve access to loans.

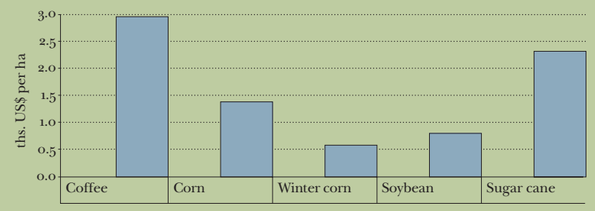
Agricultural credit policy by the Bank of Brazil [6], [17]



Agricultural Producers' Income

In 2009, agricultural producers' incomes remained adequate despite the global economic downturn. Against the backdrop of economic recovery, agricultural producers are likely to be better motivated to invest in soil fertilization in order to drive up yields.

Agricultural producers' earnings 2009 [1]



Note

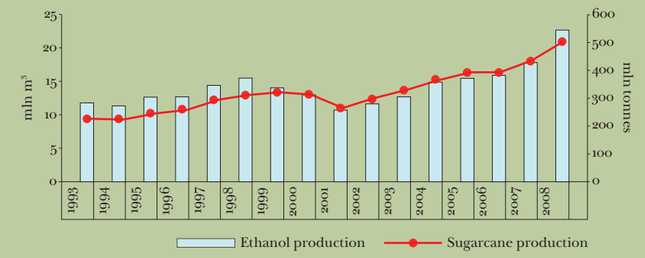
I. Details refer to 50% of Brazil that such data is available for.

Soybean

Fertilizer Demand Upside

Sugar cane is the main source for ethanol industry in Brazil and its production is growing rapidly. This is likely to boost demand for fertilizers which are essential to high sugar cane yields.

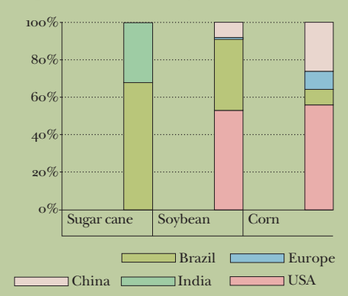
Sugar cane and ethanol production in Brazil [2]



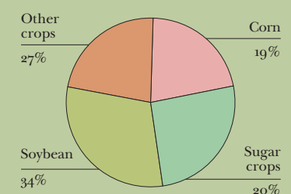
Main Types of Agricultural Crops

Brazil is a global-scale producer of sugar cane, soybeans and corn, all of which are actively consuming potash.

Brazil's position in the world's agricultural industry in 2009 [29]



Brazilian potash consumption, breakdown by crop types [20]

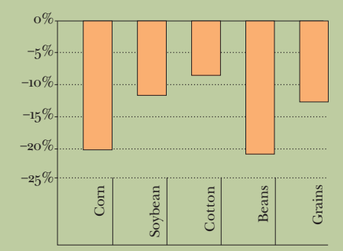


Agricultural Crop Production in 2009

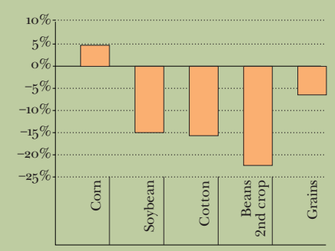
Soil in the region is typically low in potash. Hence, given the need for soil fertilization in order to raise agricultural yields, potash fertilizer consumption is expected to rebound in 2010.

Agricultural production downturn in Brazil in 2008/2009 [8], [15]

in the South



and North-East



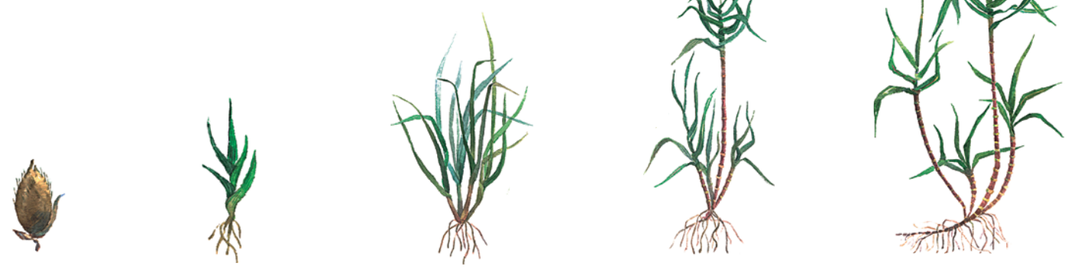
India

Population, CAGR (1990-2030E)	1.4% [29]
Agriculture as a proportion of GDP, 2009	15.8% [7]
Total potash consumption, CAGR (1990-2020E)	4.8% [15]
GDP growth, 2010E	7.7% [22]

The proportion of the Indian population defined as the middle class continues to grow steadily and is forecasted to reach approximately 520 million[3] people or 37%[3], [29] of the total population by 2025. In 2009, about 52%[19] of the working population was employed by the agricultural industry.

Potash levels for Indian soils [23]

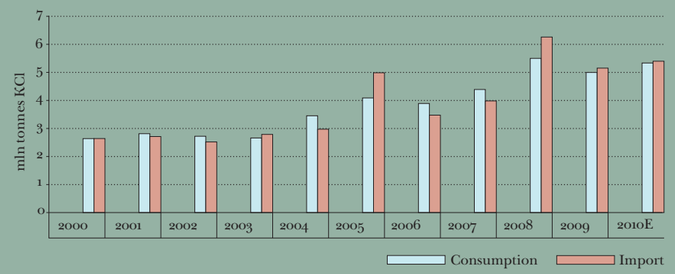
Sugar cane



Potash: Consumption and Import

A key feature of the Indian market is the absence of domestic potash production. In 2009, India remained a most active market for consumption of muriate of potash (MOP). Despite a marked fall in consumption compared with 2008, caused by the delayed signing of the import contracts combined with the unfavorable weather conditions, both imports and consumption of MOP were higher than in 2007.
MOP consumption growth might approach 7%[15] in 2010 owing to both the economic recovery and the government policy of supporting and promoting agriculture.

Potash consumption and import in India [15]



Government Subsidies

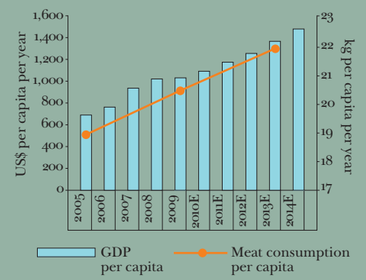
Substantial agricultural subsidies were allocated by the Indian government in 2009 in order to foster consumption of fertilizers by the agricultural industry. This enabled farmers to maintain high levels of fertilizer use even during the financial crisis.

Fertilizer subsidy policy in India [10], [17]

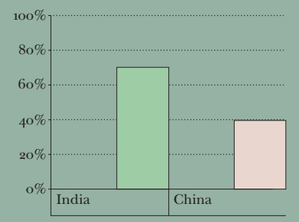
GDP per Capita Growth and Improved Nourishment

With living standards improving, consumption of higher quality and more nutritional agricultural products started to rise, this being positively correlated to the increasing consumption of potash. According to the USDA 70 cents of each additional dollar spent in India goes on buying food Indian inflation hit the record-breaking high in 2009, nearing 20%[2].

GDP per capita and meat consumption growth in India [2], [29]



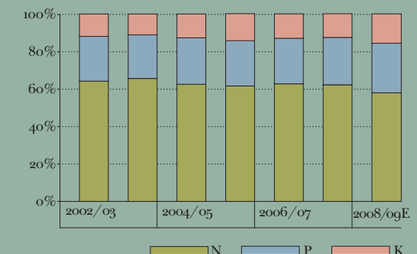
Percentage of each additional dollar spent on food, 2009 [29]



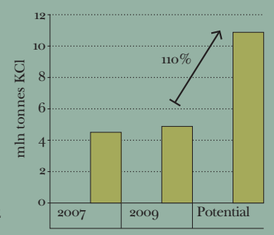
Mineral Fertilizer Consumption

Despite the increase in potash consumption in India over the last two years, the level of potash use has still been below scientifically recommended potash fertilization levels (2:1:1 NPK). In order to achieve balanced potash fertilization levels, potash consumption has to increase 110% [15], [23] from 2009 consumption levels. This provides a scientific basis for expecting long-term potash demand growth in India.

Mineral fertilizer consumption in India [10], [17], I



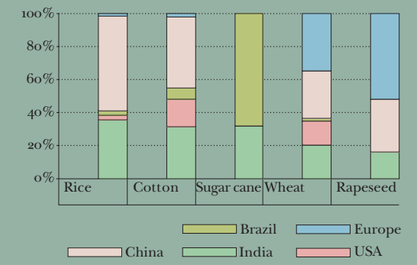
Potential potash consumption in India [15], [23], II



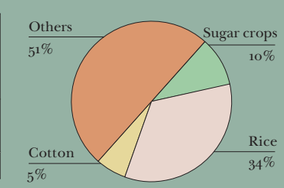
Main Types of Agricultural Crops

India is the world's second largest producer of rice, rapeseed, sugar cane, wheat and cotton. All these crops need a lot of potash and their growth is highly dependent on balanced fertilizing.

India's position in the world's agricultural industry in 2009 [29]



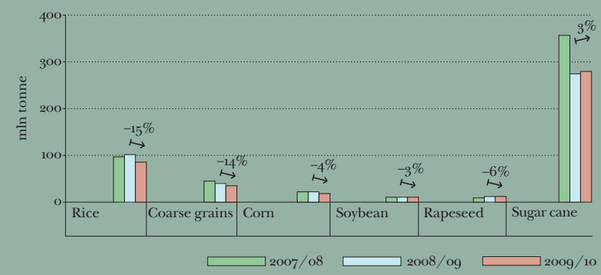
Indian potash consumption breakdown by crop types [20]



Agricultural Crop Production

In 2009, production of many agricultural crops in India was restricted by unfavourable weather conditions and a cutback in fertilization levels. Research by IPNI has shown that agricultural producers' annual rice crop shortfall could be as high as 37%III if no potash is applied. This is proof that yields will drop significantly if muriate of potash fertilization is not applied for a considerable length of time.

Production of main types of agricultural crops in India [29]



Notes

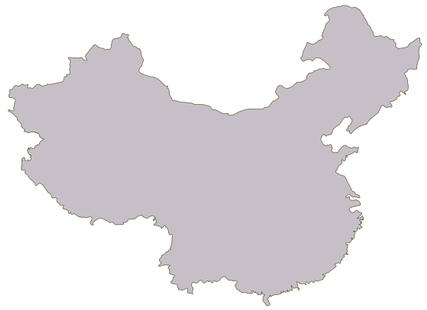
I. Estimates based on Kharif crop only.

II. Based on 2:1:1 N:P:K ratio.

III. Data based on long-term average yield, compared to the yield when optimum NPK is applied to the soil.

China

Population, CAGR (1990-2030E)	0.6% [29]
Agriculture as a proportion of GDP, 2009	10.9% [7]
Total potash consumption, CAGR (1990-2020E)	6.4% [15]
GDP growth, 2010E	10.0% [22]

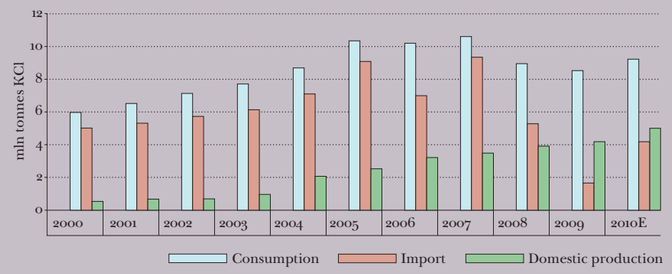


Potash levels for Chinese soils[23], I

Potash: Consumption, Import and Domestic Production

2009 saw a cutback in China's fertilization levels. Given growing domestic production and high levels of MOP stocks, the MOP contract with China was not signed until late December 2009. Therefore, import volumes were greatly below historical levels.
Potash fertilizer consumption is expected to grow by about 9% [15] in 2010, because reduced reserves of potash in the soil need to be replenished.

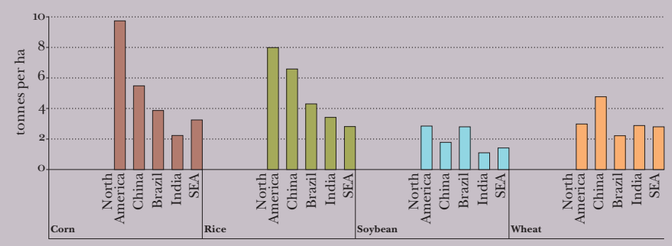
Chinese potash consumption, import and domestic production [15]



Agricultural Producers' Income

The Chinese government is implementing reforms to reduce the income gap between the urban and the rural population.
Therefore, the domestic consumption of agricultural products has increased, driving the requirement for additional yields. Also, the yield level is, for the time being, below that of developed countries. This gap could only be closed by regular and balanced fertilizing, particularly with potash. Meanwhile, the level of potash fertilization is currently four times below scientifically recommended levels.

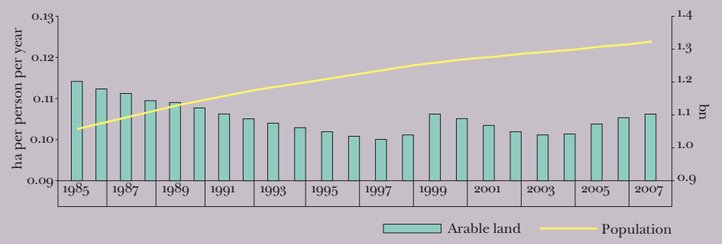
Yields of agricultural crops [29]



Agricultural Land Supplies

Agricultural lands in China are being eaten away by soil erosion and productivity has been reduced by the deterioration of soil quality. In order to counterbalance this fertilizers have to be used more intensely in agricultural crop production.

Arable land and population in China [14], [29]



Note

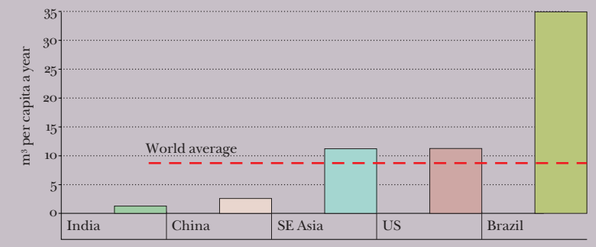
I. The research was made on behalf of the Chinese government in 1980. Since then, there has been no new information on a national scale about K status of the soil. We assume that the K balance in the soil/crop system has remained negative from the 1980s to date. This means that the K removal by crops is higher than the K input by fertiliser application. However, in some regions, with continuous K application for several years the soil's K status could have been improved.

Rice

Water Supplies Scarcity

Water supply scarcity is also a factor driving potash consumption growth in China, since potash fertilization increases crop drought resistance.

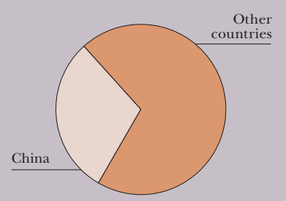
Renewable water supplies, 2009 [14]



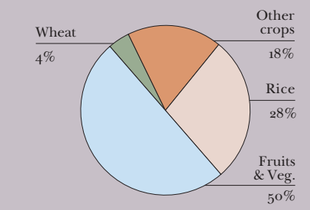
Main Agricultural Crops Grown in the Region

China is a global producer of fruits and vegetables, accounting for approximately one third of world market.
Fruits and vegetables, consuming a large volume of potash, are responsible for roughly half of China's domestic potash consumption.

World's fruit and vegetable crop area breakdown by countries, 2005 [20], I



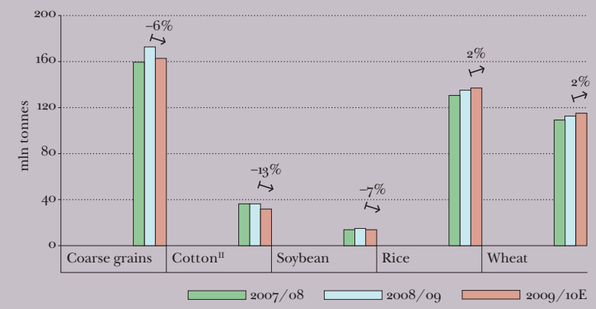
Chinese potash consumption breakdown by crop types [20]



Agricultural Crop Production

2009 saw a decline in yields of certain crops, alongside growth in rice and wheat production. Lower yield levels were primarily caused by reduced application of fertilizer to China's depleted soil. According to IPNI data, the shortfall in the first and second rice crops in southeastern and southwestern China could average 12-20% and 40% respectively if farmers do not apply fertilizer.

Production of main types of agricultural crops in China [29]



Notes

I. Countries identified are the top-20 fertilizer-consuming countries.

II. Cotton production in mln 480-pound bales.

Southeast Asia

Population, CAGR (1990-2030E)	1.3% [29]
Agriculture as a proportion of GDP, 2009	
Indonesia	14.4% [7]
Malaysia	10.1% [7]
Total potash consumption, CAGR (1990-2020E)	4.2% [15]
GDP growth, 2010E[1]	4.7% [22]

Potash: Consumption and Import

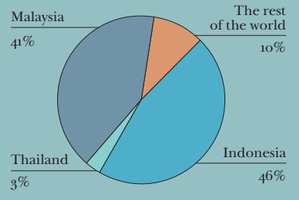
2009 saw a significant reduction in Southeast Asian potash consumption compared with 2008 and 2007. Also, destocking was underway because, as of early 2009, distributors had extensive stock purchased at high 2008 prices. According to Fertecon's forecast, potash fertilizer demand is expected to increase by about 27% in 2010.

Potash consumption, import and domestic production in Southeast Asia [15]

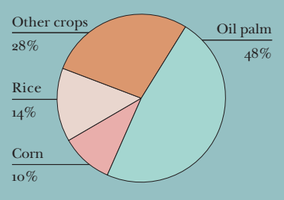
Main Agricultural Crop Grown in the Region: Oil Palm

Indonesia, Malaysia and Thailand together account for approximately 90%[29] of the world's total palm oil production. A significant proportion of the muriate of potash (MOP) imported into the region is used in the cultivation of oil palm. Palm oil production margins remain high, making Southeast Asia, which is seeing growing potash demand, a potentially profitable market. According to Fertecon's forecast, Southeast Asia's share of world MOP consumption is expected to be as high as 9% by 2020.

Palm oil production, 2009 [29]



SEA potash consumption breakdown by crop types [20]



Note

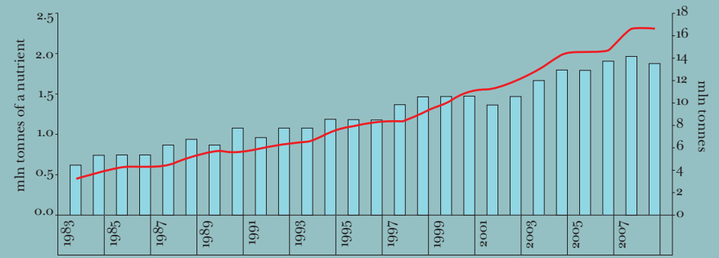
1. Includes Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

Oil Palm

Palm Oil Demand

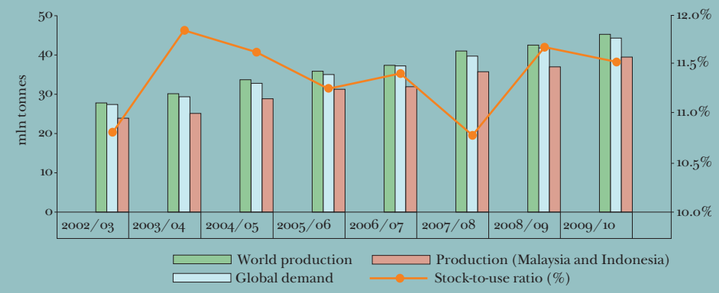
Given the expected economic recovery in 2010 and robust development prospects for the biofuel market, palm oil demand is likely to be driven to higher levels. Moreover, USDA estimates that the stock-to-use ratio will remain very low in 2010, encouraging farmers to increase oil palm yields, thus triggering more intense use of fertilizers, particularly MOP.

Potash fertilizer consumption and agricultural crop production in Malaysia [15], [29]



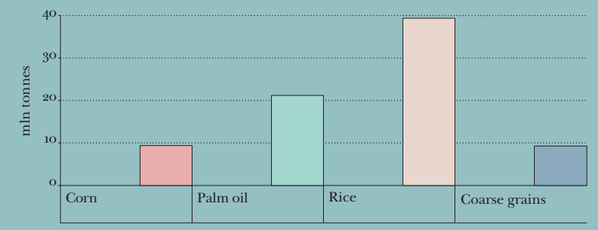
USDA estimates that palm oil production will increase by about 6% in 2009/10 compared with the 4% seen in 2008/09.

Palm oil production, global demand and global stock-to-use ratio [29]



The agriculture sector forms the basis of the region's economy and the main source of employment. More than 50% of the economically active population is involved in agriculture.

Production of main types of agricultural crops in Indonesia [29]



Russia

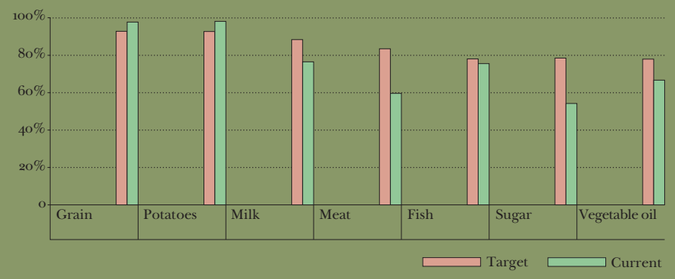
Population, CAGR (1990-2030E)	−0.4% [29]
Agriculture as a proportion of GDP, 2009	5.2% [7]
Total potash consumption, CAGR (1990-2020E)	−4.5% [15]
GDP growth, 2010E	3.6% [22]

Potash levels for Russian soils [23]

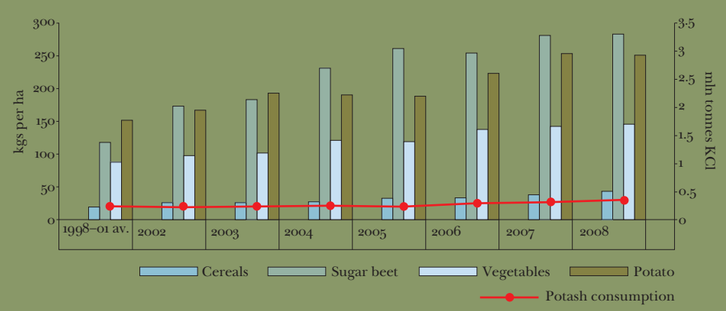
Wheat

The Russian government encourages the development of the national agricultural industry, supporting the enhancement of infrastructure, promoting increases in the number of railway cars and silos, and facilitating the construction of new port terminals. Uralkali also supports the Russian agricultural industry by setting special prices for Russian agricultural crop producers, which are significantly lower than world MOP prices.
According to Fertecon the average potash consumption growth rate in Russia is expected to be approximately 7% for the period 2009-2020.

Russian Food Security Doctrine 2009: A New Goal to Ensure Stable Domestic Market Development [23]

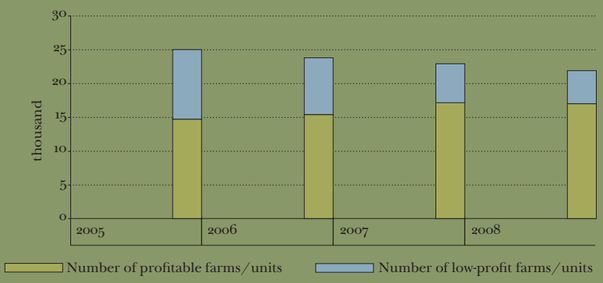


Fertilizer use on agricultural crops and total potash consumption in Russia [15], [23]



Russia's agricultural industry is becoming more profitable, with the proportion of profitable farms having increased by approximately 16% since 2005 [23].

Profitable and low-profit farms/units [23]

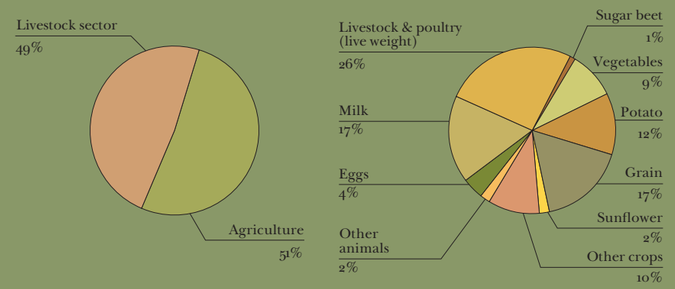


Agricultural cooperatives are the most efficient organizational model in Russian agriculture. They are also in a position to apply scientifically recommended levels of fertilizer. In recent years, the number of cooperatives has grown appreciably, and they now account for almost 50% [23] of all farms in Russia.

Agricultural production breakdown by farm/unit type [23]

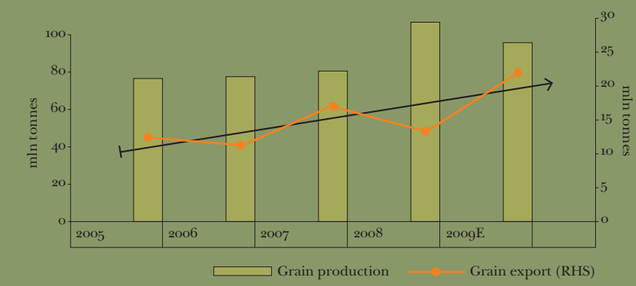
Russia's agricultural crop production focuses on the cultivation of cereals, corn, sugar beet and vegetables and their yield depend on potash.
When cultivating these crops, farmers need to apply fertilizer more intensively in order to preserve soil fertility and to achieve good levels of profitability.

Russian agricultural production breakdown, 2009E [23]



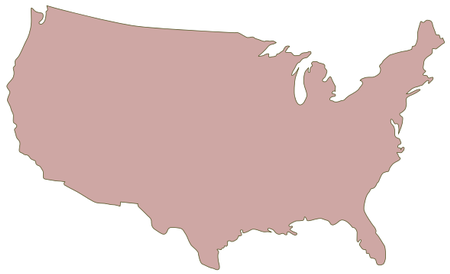
Russia's levels of grain production and export are increasing steadily. This will be another driver of regular and more balanced soil fertilization.

Grain production and export trends [23]



USA

Population, CAGR (1990-2030E)	1.0% [29]
Agriculture as a proportion of GDP, 2009	1.2% [7]
Total potash consumption, CAGR (1990-2020E)	0.8% [15]
GDP growth, 2010E	2.7% [22]

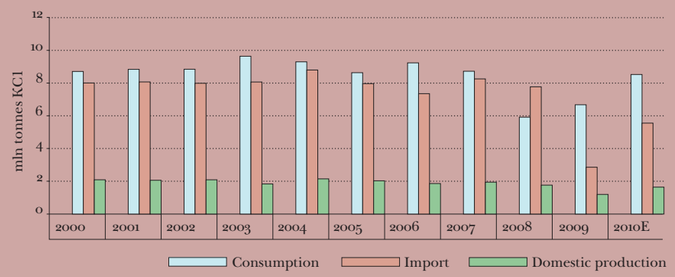


Potash levels for US soils [23]

Potash: Consumption, Import and Domestic Production

Over 2008 and 2009, muriate of potash (MOP) consumption shrank compared with historical levels. With destocking underway in the US market in 2009, MOP imports into the region decreased considerably.
Based on Fertecon, potash consumption growth will be approximately 26% in 2010.

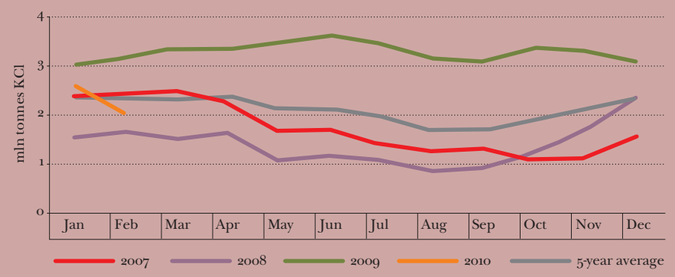
Potash consumption, import and domestic production in the USA [15]



Potash Fertilizer Stock Status

Potash stocks were at their historically highest level for the period from early 2009 to November – at which time stocks began to decrease and dropped to a five-year average. This shows the market is set for a recovery in potash fertilizer demand.

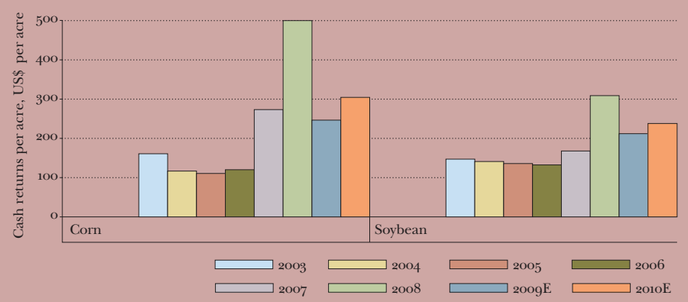
North American Producers' Potash Fertilizer Stock [23], [27], [5]



Agricultural Crop Producers' Income

In spite of the global recession, US farmers cultivating soybeans and corn achieved high margins. It is expected that income for soybean and corn producers will grow in 2010, encouraging farmers to resume balanced fertilization of soils.

Farmers' revenue [4]

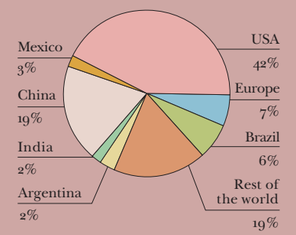


Corn

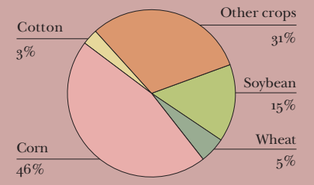
The main agricultural crop grown in the region is corn

Corn is a potash-dependent crop and is widely cultivated in the USA. The US accounts for 42% [29] of world corn production.

World corn production in 2009 [29]



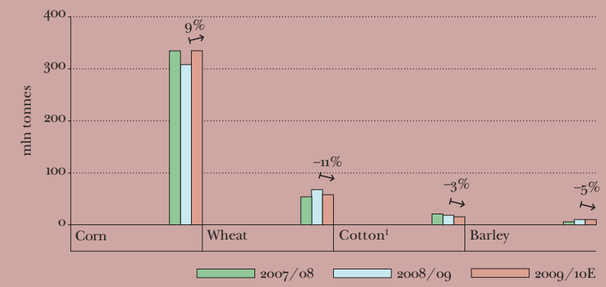
US potash consumption breakdown by crop types [20]



Agricultural Crop Production

High yield levels achieved in many types of crops in 2008 and 2009 in the US triggered a significant depletion of nutrients from soils in the region. US agriculture is remarkable for its advanced methods of cultivation and the use of technology – and balanced fertilization is a critical element of this.
In the coming season, good yield levels are expected for all crops with the highest levels anticipated in corn production. This will also provide impetus for returning to previous levels of potash fertilization and will trigger a boost in the potash demand.

Main types of agricultural crops produced in the USA [29]



Note

1. Cotton production in mln 480-pound bales.

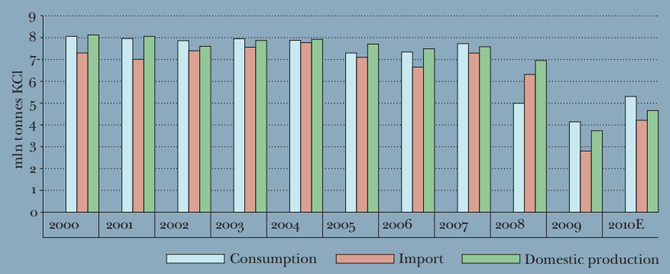
Europe

Population, CAGR (1990-2030E)	**0.1%** [29]
Agriculture as a proportion of GDP, 2009	**2.1%** [7]
Total potash consumption, CAGR (1990-2020E)	**–1.2%** [15]
GDP growth, 2010E	**1.0%** [22]

Potash: Consumption, Import and Domestic Production

In 2009, muriate of potash consumption decreased dramatically compared with historical levels.
According to Fertecon's estimates, potash consumption in the region is expected to grow by approximately 28% in 2010 due to the anticipated economic recovery and the need to maintain natural levels of soil fertility.

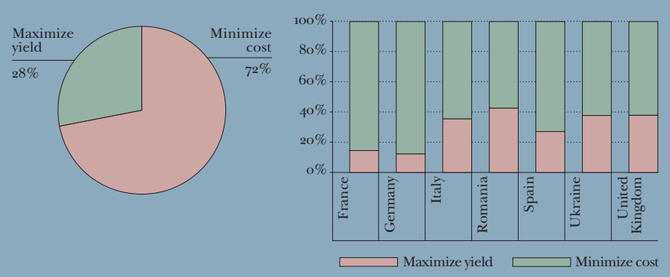
Potash consumption, import and domestic production in Europe [15]



Agricultural Crop Prices

Due to the low prices for the main agricultural crops experienced in 2009, approximately 72% [28] of European agricultural crop producers decided to cut costs rather than boost yields, thereby reducing demand for potash.

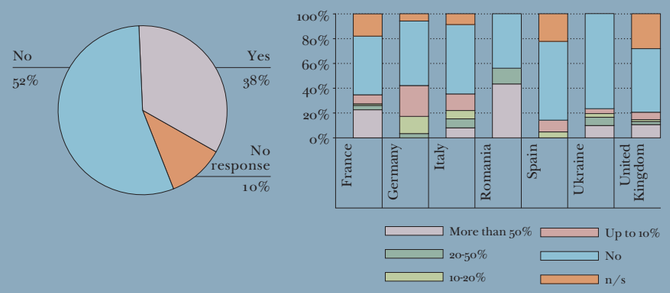
European agricultural producer survey 2009 [28]



Potash Fertilizer Use in Europe

Unlike their counterparts in many other regions, European agricultural producers have historically been distinguished by advanced methods of cultivation and a scientifically-based fertilization approach, resulting in balanced soil fertilization. In order to grow high quality crops about 52% [28] of agricultural producers maintained potash use for soil fertilization at the previous levels. This approach, combined with the anticipated global economic recovery, means that 2010 is expected to see stronger potash fertilizer demand than in 2009.

Reduction of potash fertilizer use, 2009 [28]

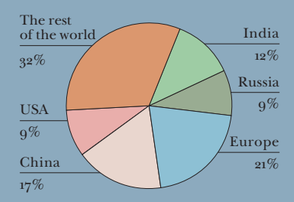


Cereals

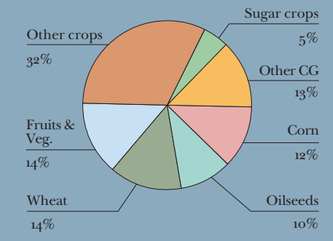
Main Types of Agricultural Crops Grown in the Region

Among developed countries, Europe is the biggest producer of wheat, which is highly potash-dependent.
Other crops widely cultivated in Europe include corn and fruits and vegetables, all of which require substantial soil potash levels.
Growth in potash consumption in the region is thus strongly supported by fundamentals.

World wheat production in 2009 [29]



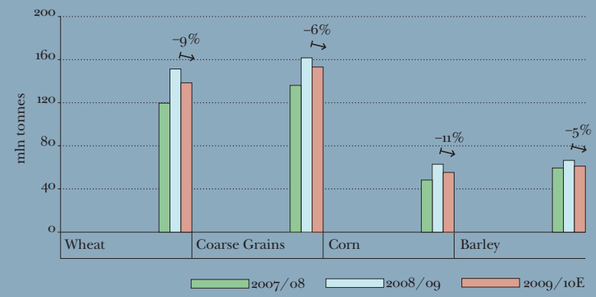
Europe potash consumption breakdown by crop types [20]



Agricultural Crop Production

In conjunction with other factors, the downturn in the potash application triggered a decrease in the production of wheat and other cereal crops.
The level of fertilization must be raised – not only to offset the depletion of soil nutrients but also to achieve high yields in 2010.

Main types of agricultural crops produced in Europe [29]



Sales Review

- BRIC and SEA countries account for some 60%[15] of world potash fertilizer consumption and have higher than industry average rates of growth in demand
- Uralkali deliveries to the BRIC and SEA markets accounted for 75% of the Company's sales in 2009
- The Company has maintained its leading position in the Latin American, Indian and Chinese markets selling through BPC
- The Company has a positive view of the Russian potash market's growth potential

Export Sales

Uralkali's sales strategy is based on striking the right balance between spot and long-term contract sales. Spot prices are set based on the current market situation, whereas long-term contracts set prices for an extended period, taking long-term trends into consideration. The major markets for Uralkali where long-term contracts are used are India and China (sea shipments). The spot to long-term contract[1] split in export sales was 73% to 27% respectively in 2009.

Maintaining a balance between spot and long-term sales allows the Company to be flexible and to respond to changes in the market quickly. This strategy has been proven over time and Uralkali intends to continue following it in the future.

Historically exports account for the majority of the Company's output. Its key markets are: Brazil, India, China, Southeast Asia, Russia, the US and Europe. Those are countries with high growth rates both in population and income, which drive demand for potash fertilizer (see also Potash Market Overview 2009 on p. 24).

In 2009, the share of Uralkali's deliveries on domestic market was higher than previous years due to the fall in global potash demand. Some 24% of the total Company's sales were in Russia.

Note

1. For the purposes of this report: Contract – China (sea shipments), India. Spot – other regions of export.

Domestic Sales

The domestic share of Uralkali's sales rose sharply in 2009 as a result of a decline in demand in its major overseas markets. Historically, the main consumers of the Company's products in the Russian market have been agricultural operators and producers of complex types of fertilizer, which is why Uralkali implemented some anti-crisis measures in 2009 to assist the Russian farming sector.

In line with government policies to support the agricultural sector, Uralkali decided to set the price for Russian complex fertilizer producers (PhosAgro and EuroChem) at 3,955 rubles per tonne for the first six months of 2009, which corresponded to the expected level of full KCl production costs for the sector. During the first half of 2009, Uralkali supplied some 220,000 tonnes of potash to Russian complex fertilizer producers at this discounted price. This involved setting potash prices for Russian farmers and complex fertilizer producers at well below global levels.

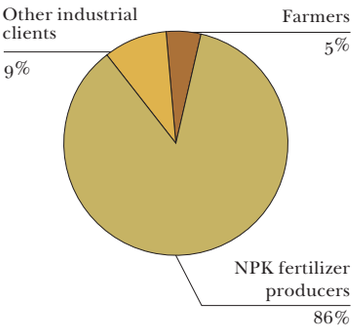
Uralkali proposed a price increase to 4,750 rubles per tonne from 1 July, mainly because production was running below capacity. However, given the continued difficulties in the Russian farming sector and the recommendations of Russia's Ministry of Industry and Trade, the discounted price level was subsequently maintained until the end of the year. Therefore, the Company additionally shipped around 265,000 tonnes of potash to complex fertilizer producers at 3,955 rubles per tonne.

The ceiling price for potassium chloride sold directly to Russian farmers remained at the level of 3,700 rubles per tonne throughout 2009. Over 30,000 tonnes of potash was supplied at that price to the domestic market.

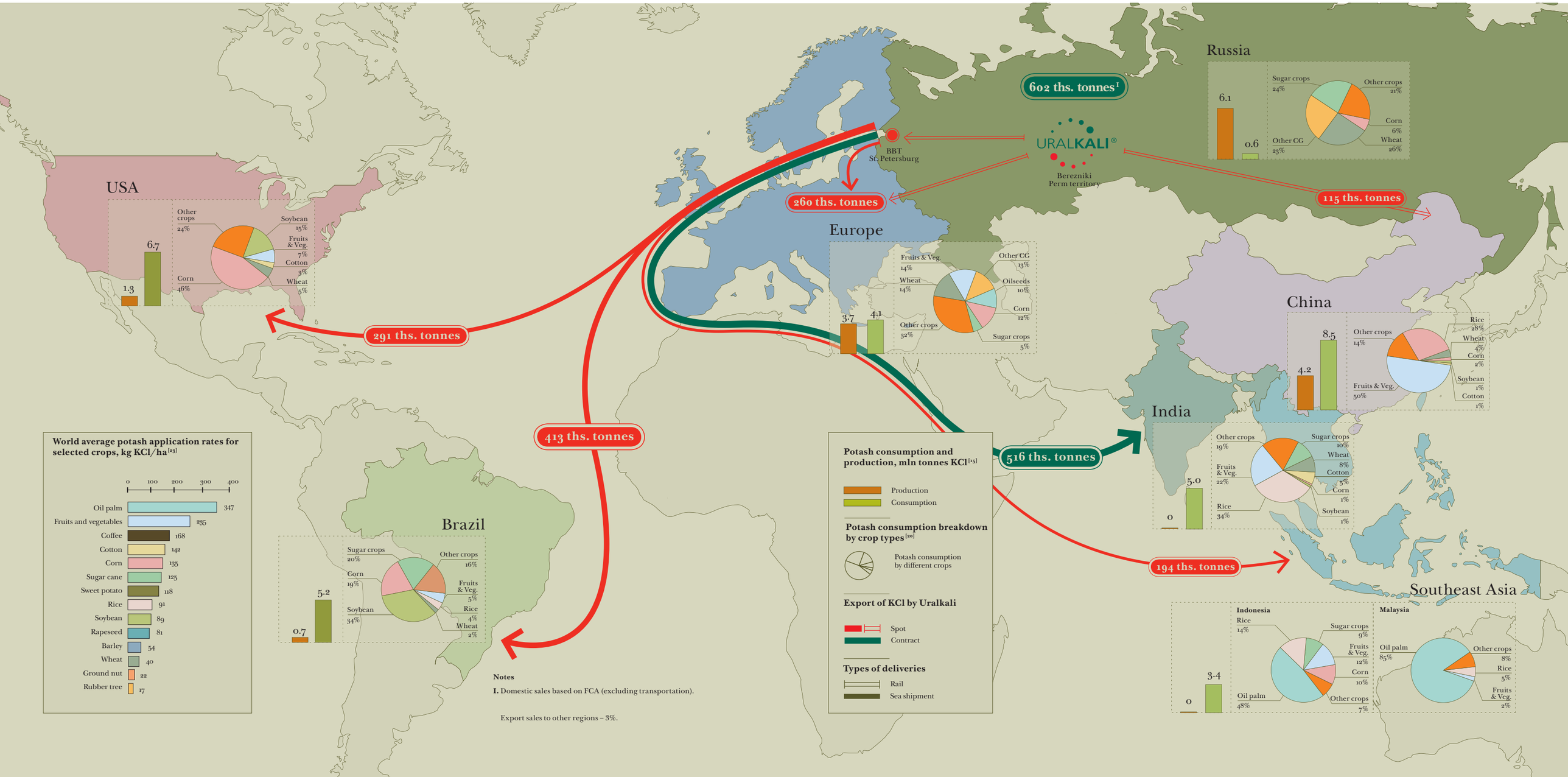
Another traditional group of customers are companies in the oil, chemical and atomic industries, who use potash in their specialist technologies. Sales to these clients reached some 53,000 tonnes in 2009. In setting prices for these customers, Uralkali used the formula set out in the agreement signed with the Russian Anti-Monopoly Service (FAS) in 2008. The formula is based on the average weighted export price in the lowest-priced market, excluding transport costs.

In negotiating long-term contracts with its customers, Uralkali adheres to the provisions of anti-monopoly law and the agreement signed with the FAS in 2008.

Russian Deliveries in 2009



Uralkali's Sales Geography



Notes

1. Domestic sales based on FCA (excluding transportation).

Export sales to other regions – 3%.

Operations Review

2009 Production

In 2009 Uralkali ran two mines and five plants, including one processing carnallite. Production capacity in 2009 was 5.5 million tonnes of potassium chloride, although only 48% was used due to the decline in world fertilizer demand. As a result, the Company's total output for the year was just over 2.6 million tonnes.

Uralkali took advantage of this situation to upgrade its key assets. Before 2009, the Company was operating at full capacity, which limited the possibility for a full overhaul of existing production facilities. The Company began an expansion programme at its Mine 4 in order to reach annual production capacity of 7 million tonnes of potash in 2012.

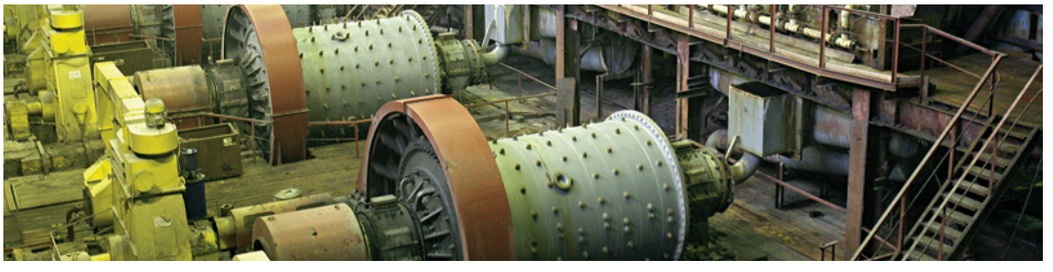
The cost of modernizing Production Unit 4 in 2009 was in excess of 4.6 billion rubles. This included starting the replacement of additional main line conveyers and constructing a new production line for the plant. The Company also completed the installation of new power units and a pipe system for extracting gas from the mines. Skip hoists will also be replaced at the mine in order to increase lifting capacity for each unit from 25 to 30 tonnes in 2010.

Uralkali completed upgrading the second shaft at its Mine 2 in 2009. The skip hoist was also replaced. The Company spent over 400 million rubles improving lifting capacity at Mine 2. The reconstruction of the first shaft at the mine, including the replacement of the skip hoist, is scheduled for 2010. The skip hoists were ordered in 2008 and manufactured during 2009. When installed, the capacity for lifting skip vessels at Mine 2 will increase from 22 to 25 tonnes.

Production Chain

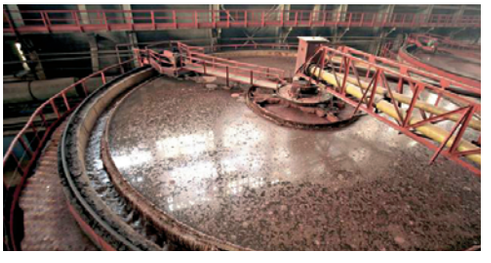
Mining

Crushing



Chemical Enrichment

Flotation



Standard

Compacting

White MOP

Pink MOP

Granular MOP

Capacity Expansion Plans

Uralkali decided to amend the schedule for the realization of its investment programme and the launch of new production capacity, as it is unlikely to be demanded by the market until 2012. The new target is to achieve production capacity of 7 million tonnes of potassium chloride in 2012.

This increase should be achieved by the addition of the second production line at Production Unit 4 (BKPRU-4), with an annual capacity of 1.5 million tonnes, and the overhaul of the first line.

In 2009 Uralkali also approved the investment programme for 2010-2012: the average investment level for the period will amount to approximately 12.5 billion rubles annually, with 6.7 billion rubles earmarked for capacity expansion and nearly 5.8 billion rubles for capacity maintenance. This figure excludes investment in the development of Ust-Yaivinsky field, currently the Company's main Greenfield project. The field holds about 1,291[1] million tonnes of resources.

In 2009 the Federal Agency for Subsoil Use (Rosnedra) extended the deadline for the preparation and approval of the Ust-Yaivinsky mine construction and design documentation to May 15, 2011. Development of the field should start in 2015. The mine is scheduled to come on stream in 2018. The mine's annual capacity should total 8 – 11 million tonnes, which corresponds to about 2 – 2.8 million tonnes of potassium chloride.

The drilling of a controlling well for the planned new shaft was started in November 2009, initiating the preparatory stage for the first shaft of the new mine. Once the 500 metre deep well is drilled and rock analysis performed, Uralkali will determine, together with experts from Deilmann-Haniel Mining Systems, which type of wall support would be optimal for the future shaft. The diameter of the new shaft is expected to be 8 metres.

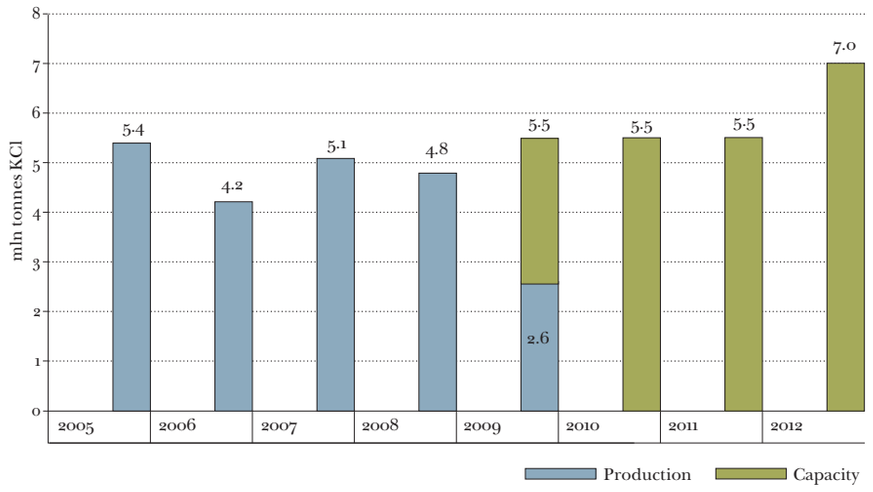
The Company has not yet decided how the ore should be processed after it is mined at the Ust-Yaivinsky field. The decision as to whether a new plant should be constructed will depend on the recovery of the global potash market. In any case, most of the project lead time will be taken up in building the mine, due to the technical complexity of the project. One of Uralkali's advantages is that it has sufficient in-house expertise, knowledge and resources to complete the project. The Company has not ruled out the possibility of processing the new ore at existing facilities at other mines.

The total construction costs have not yet been determined. The Company will need to have all the project design documentation approved by the Federal Agency for Subsoil Use by May 2011. The investment parameters of the project will be agreed after this. Uralkali is well placed to carry out this expensive project. First of all, the field is located in the same deposit as the Company's other operating mines and its geology is already well known to the Company.

Note

1. JORC as of 1 January 2010.

Production and expansion programme



One of its features is the depth of the ore horizon, which is only 400 metres. This is relatively low compared with the other world potash deposits. The second advantage is that Uralkali can use existing infrastructures to realize the new project.

In summary, Uralkali has done much work to upgrade and expand existing capacity in 2009, which will continue into 2010. The investment was directed at ensuring Uralkali was ready to respond to recovering demand in the global potash market.

Financial Review

Financial Management Discussion and Analysis

1. Gross Sales

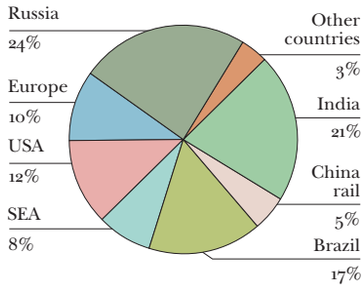
The global financial crisis caused a significant decline in demand for potash in 2009.

Demand for Uralkali's products decreased significantly in a number of markets. As a result, the Company's sales volumes in 2009 were 47% below 2008 levels. Low demand also led to reduced prices for potash fertilizers. The average export price (in US$) for Uralkali products was 14.3% lower in 2009 than in 2008.

The combination of reduced demand and lower prices resulted in a decline in 2009 revenues to 33.8 billion RUR (US$1,065 million), down 46% on the previous year. 2009 revenues are presented net of export duties, which amounted to 0.267 billion RUR (US$8 million).

Non-potash sales, at 1.7 billion RUR (US$55 million), accounted for 5.2% of gross revenues. This figure includes non-core products and services, primarily sodium chloride (NaCl) solution and carnallite processing services, which made up 3% of total sales. It also includes transhipping services provided by the Baltic Bulk Terminal to complex fertilizer producers (2.2% of total sales).

Potash sales structure, 2009

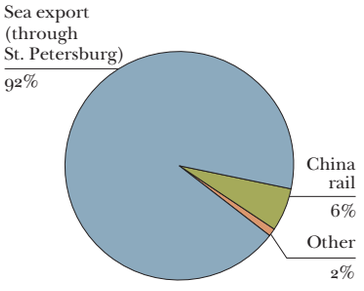


2. Transportation

Almost 92% of export sales in 2009 were shipped by sea through the Company's fully-owned terminal at the St. Petersburg seaport. Distribution costs for sea export include the railway tariff from Berezniki to St. Petersburg, transshipment and freight costs (except for deliveries on an FOB basis).

About 6% of export sales were transported to China by rail. The remaining 2% comprises other shipments, including deliveries by rail to customers in Europe and the CIS. Distribution costs for these deliveries include railway tariff costs to China, Europe and the CIS respectively.

Export structure, 2009

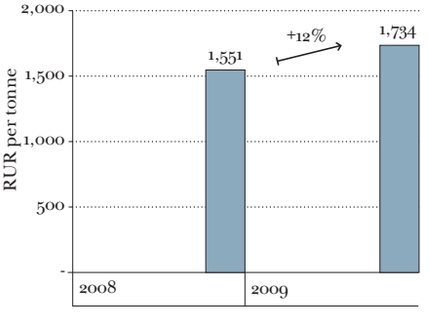


2.1 Freight

In 2009 the appreciation of the US dollar against the ruble resulted in a 12% increase in average freight rates to 1,734 RUR per tonne of product shipped by sea on a CFR basis. Average freight rates expressed in US dollars were 12% lower than in 2008, at US$55 per tonne of product shipped by sea on a CFR basis.

Uralkali's policy is to hedge sea shipping costs using long-term freight contracts. In 2009 approximately 46% of sea deliveries were carried out using freight contracts, a lower ratio than usual. This is because, having predicted a considerable drop in future freight rates, we did not book any new contracts for 2009. In addition, the uncertainty in global potash markets would have made it risky to enter into new long-term agreements for significant sales volumes.

Effective freight rates

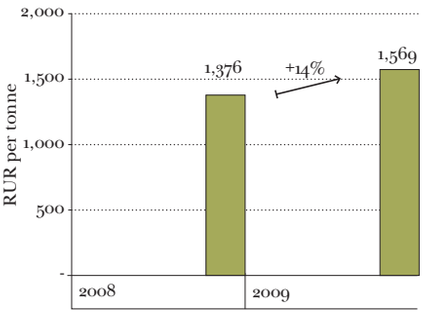


2.2 Railway Tariffs

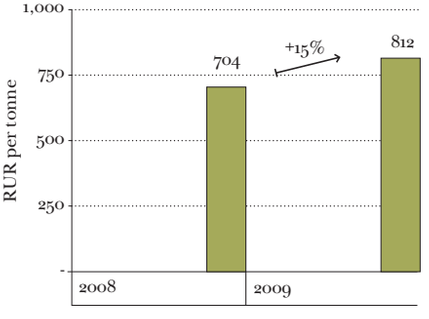
Uralkali typically deliver its products to the shipping terminal in St. Petersburg by rail. The Company also carries out direct deliveries by rail to customers in North China, Europe and the CIS.

Railway tariffs for all destinations are regulated by the State. During 2009, the State twice increased the tariffs to both St. Petersburg (resulting in an effective increase of 15%) and to China (resulting in an effective increase 14%). Overall, expenses for railway transportation have fallen by 1.58 billion RUR, due to a decrease in export volumes. Volumes transported to St. Petersburg were down 52% on 2008 levels, while rail deliveries to China were 70% lower than in 2008.

China railway tariff



St. Petersburg railway tariff



3. Net Sales

Net sales are defined as the gross revenues for the period net of certain distribution costs – freight costs, railway tariffs and transshipment costs. Net sales decreased in 2009 by 46% to 29.3 billion RUR.

4. Total expenses: Potash sales

Total expenses for the potash sales[I] amounted to 7,603 RUR per tonne in 2009. Total potash sales costs in the domestic market amounted to 5,164 RUR per tonne.[II]

Notes

I. Total expenses in the potash sales are calculated according to IFRS and include sales, distribution, general and administrative, and other operating expenses and taxes other than income tax for potash sales (See Note 7 to the Consolidated Financial Statement for the year ending 31 December 2009).

II. Total expenses of potash sales on the domestic market are calculated in accordance with Uralkali's accounting policy and include expenses in lines №020, 030, 040, 070, 100, 141, 142, 143, 149, 152, 153 of form №2 (See profit and loss statement within Uralkali's accounts for 2009, prepared in line with the Russian accounting standards).

5. Cash Cost of Goods Sold[I]

Fixed costs account for more than 60%[II] of the cash cost of goods sold (COGS). As a result, COGS in 2009 was significantly influenced by the reduction in sales volumes by 2.2 mln tonnes (53% of 2008 sales volume). The cash cost for products sold in 2009 was 2,554 RUR (US$ 80) per tonne.

5.1 Labour

As part of its anti-crisis optimization programme, Uralkali decided to suspend the payment of monthly bonuses in 2009 due to the decrease in production levels. However since 1 August 2009, the payroll has been indexed by 12.5%. As a result, the average monthly salary is now approximately 20,000 RUR (US$630), 17% below 2008 levels. Uralkali's policy is not to reduce headcount during a period of temporary reduction in production volume. The plan for increasing productivity is covered in the Cost Reduction section of this report.

5.2 Fuel and Energy

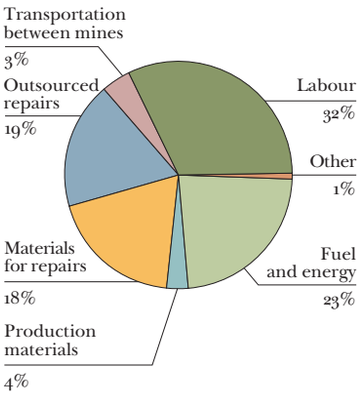
Potash production is an energy-intensive process. For the most part, fuel and energy-related costs are variable and are set in rubles. In 2009, tariffs for 71% of supplied electricity and 85% of supplied gas were regulated by the State. The rest of the energy consumed by Uralkali was either purchased on the open market, or was produced by the Company (electricity). In 2009 electricity produced by the Company amounted to 5% of the total volume of electricity consumed, (for more information see the Cost Reduction section — power generation programme). Open market prices for gas and electricity in 2009 were respectively 5% and 27% higher than regulated prices.

As a result, the effective tariff on gas in 2009 increased by 9% on 2008 to 1,959 RUR (US$62) per thousand cubic meters. The effective tariff on electricity in 2009 rose by 14% to 1,557 RUR (US$49) per thousand kWh.

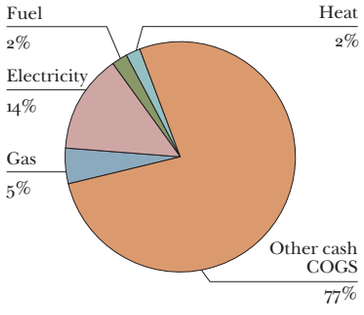
5.3 Other Cash Costs

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

Structure of cash COGS, 2009



Structure of energy expenses, 2009

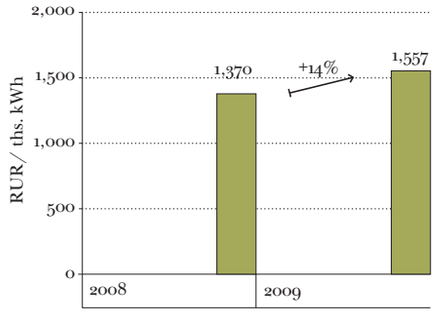


Notes

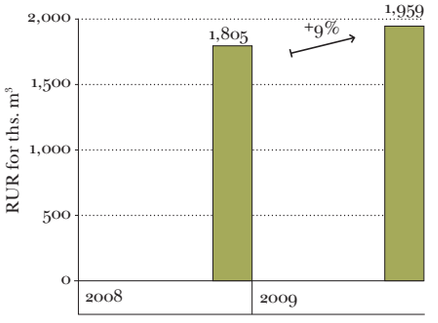
I. Cash cost of goods sold = Cost of goods sold less depreciation.

II. For 100% utilization rate. Actual utilization rate in 2009 was approximately 50%.

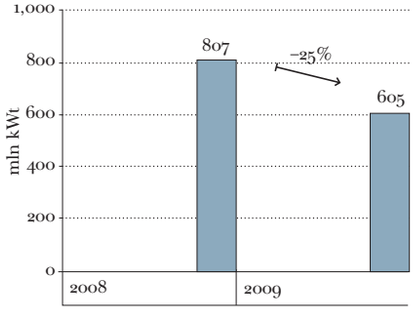
Effective electricity tariff



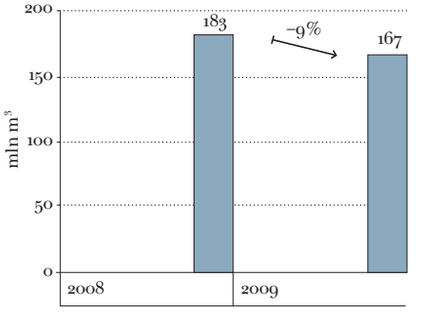
Effective gas tariff



Electricity consumption



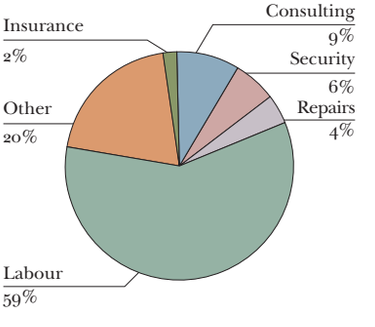
Gaz consupmtion



6. General and Administrative Expenses

On average general and administrative cash costs[1] in 2009 were 21% higher than in 2008. Personnel costs account for more than half of these expenses.

General and administrative expenses, 2009



Note

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

7. Cost Reduction Programmes

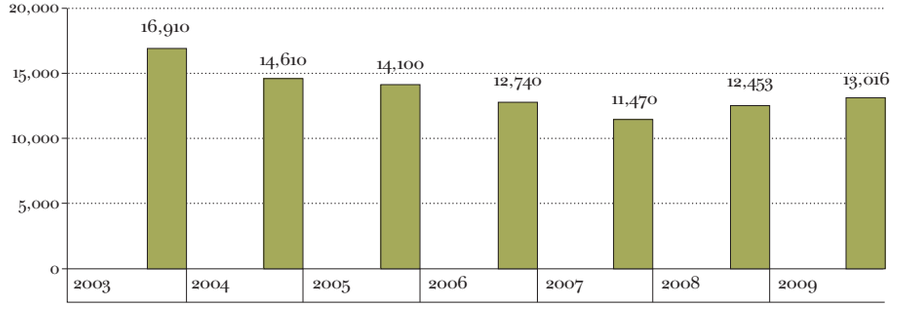
7.1 Programme to Increase Productivity

At the end of 2009, about 7,400 people were employed at Uralkali's main Production Unit. The Company has a longstanding programme to increase productivity by 40% and reduce headcount in the main Production Unit to 6,000 through the optimization and automation of production processes.

By the end of 2009 the Company had completed the planned separation of service divisions from the main Production Unit. The staff employed in service divisions (mainly involved in repairs, construction, motor freight, IT services and medical care) account for the difference between the headcount of the group and the headcount of the main Production Unit. During 2008 and 2009 we had to increase the headcount of several service divisions, in particular those providing medical and repair services. Staffing levels in these divisions are determined by various factors, including the possibility of outsourcing services and the quality of outsourced services available in the region.

Headcount of main Production Unit (period average), employees

Headcount of Uralkali group (period average), employees



7.2 Power Generation Programme

By the end of 2009 Uralkali had reached the final stage of its power generation programme, which had been underway for several years.

In 2009, we completed the installation of the two additional electricity generation turbines at Production Unit 4, following the installation of the first two turbines in first quarter 2008. We expect to obtain a licence for parallel operation of the turbines in mid-2010, which will enable us to realise energy cost savings of approximately 50 RUR per tonne of potash produced.[I]

8. EBITDA

In 2009 adjusted EBITDA[II] decreased by 60% to 16.4 billion RUR. Adjusted EBITDA margin[III] in 2009 fell to 56% from 76% the previous year.

9. Mine Flooding Costs

As part of its corporate social responsibility commitment, Uralkali volunteered to reimburse the government 2.3 billion RUR for resettlement expenses following the accident at its Mine 1. The Company also paid Russian Railways 0.5 billion RUR to build a 6-kilometer bypass line, as well as volunteering to commit 5 billion RUR to bridge the financing gap for the construction of the 53-km Yaiva-Solikamsk railroad. These payments amounted to 7.8 billion RUR in total and were performed out of provisions accrued as of 31 December 2008.

As of 31 December 2009 the Company accrued additional provisions of 1 billion RUR related to additional expenses on the Yaiva-Solikamsk railroad. (For more details see Note 5 to the Consolidated Financial Statements for the year ending December 31, 2009)

Notes

I. This is calculated as the difference between the cost of purchased electricity and the cost of generated electricity, based on the assumption that the company will operate at full capacity and that gas prices will increase by 25% and 15%, and electricity by 11% and 12% in 2010 and 2011 respectively.

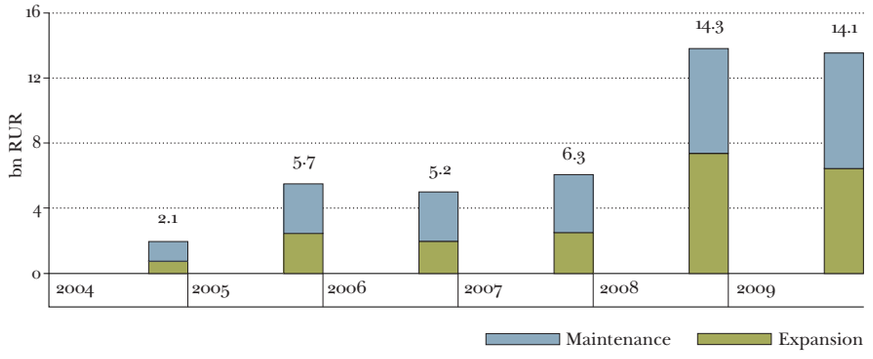
II. Adjusted EBITDA represents operating profit plus depreciation and amortisation. Adjusted EBITDA does not reflect the impact of finance income and expenses and mine flooding costs.

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

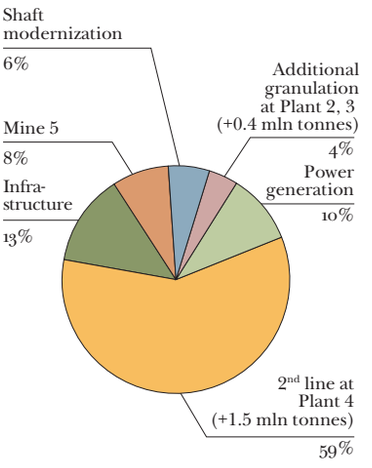
10. CAPEX

In 2009 total CAPEX amounted to 14.1 billion RUR[1], of which half was spent on expansion and cost reduction. The main projects included increasing production at Production Unit 4 by 1.5 million tonnes (modernization of the second production line); designing the shaft for Mine 5; implementing the Company's power generation programme; and infrastructure development. More than 90% of maintenance costs are in rubles.

Capital expenditure



Structure of CAPEX expansion, 2009

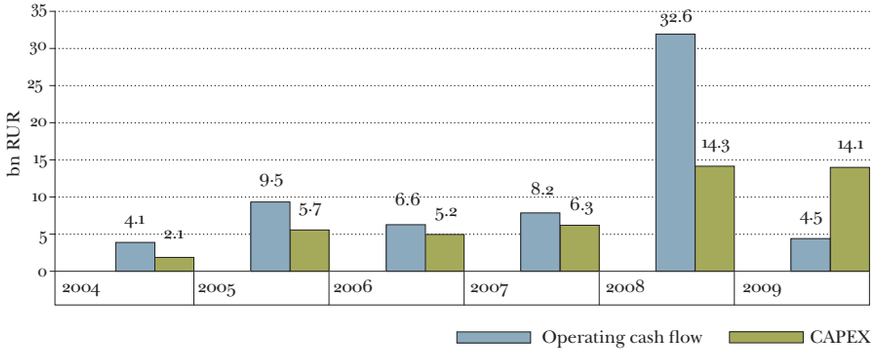


11. Cash flow

Due to reduced sales volumes in Uralkali's main markets, and the compensation payments related to the flooding at Mine 1, net cash generated from operations fell to 4.5 billion RUR, 86% lower than in 2008.

As of 31 December 2009 Uralkali had net debt of 9.1 billion RUR (US$303 million). Its cash balance amounted to 4.3 billion RUR, with bank debt at 13.4 billion RUR. More than 95% of this debt is in US dollars, with an average interest rate of around 2.5%.

Operating cash flow vs. CAPEX



Notes

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

Uralkali Group

International Financial Reporting Standards
Consolidated Financial Statements and Auditor's Report
for the Year Ended 31 December 2009

PRICEWATERHOUSECOOPERS

ZAO PricewaterhouseCoopers Audit
White Square Office Center
10 Butyrsky Val, Moscow, Russia, 125047
Telephone +7 (495) 967 6000
Fax +7 (495) 967 6001
www.pwc.ru

Independent Auditor's Report

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

(1) We have audited the accompanying consolidated financial statements of Open Joint Stock Company "Uralkali" (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as of 31 December 2009 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

(6) In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

(7) Without qualifying our opinion we draw attention to Note 5 to the consolidated financial statements outlining management estimates of the compensations resulting from the flooding of Mine 1 that occurred on October 28, 2006. The ultimate outcome of the matter cannot presently be determined and costs in excess of the amounts provided for could be significant for the Group in the future.

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
29 April 2010

Uralkali Group
Consolidated Statement of Financial Position

as of 31 December 2009

(in millions of Russian Roubles unless otherwise stated)

	Note	31 December 2009	31 December 2008
Assets			
Non-current assets			
Property, plant and equipment	8	42,208	30,642
Prepayments for acquisition of property, plant and equipment		1,653	1,345
Letters of credit for acquisition of property, plant and equipment		2,281	3,513
Goodwill		366	366
Intangible assets	10	138	161
Deferred income tax assets	26	247	197
Financial assets		230	70
VAT recoverable		225	225
Total non-current assets		**47,348**	**36,519**
Current assets			
Inventories	11	3,481	2,965
Trade and other receivables	12	5,850	6,616
Current income tax prepayments		74	49
Loans issued to related parties	6	1,578	-
Cash and cash equivalents	13	4,297	16,174
Total current assets		**15,280**	**25,804**
Total assets		**62,628**	**62,323**
Equity			
Share capital	14	648	648
Treasury shares	14	(12)	(12)
Share premium/(discount)		(849)	(849)
Revaluation reserve		150	150
Retained earnings		43,751	34,662
Equity attributable to the Company's equity holders		**43,688**	**34,599**
Non-controlling interest		**27**	**21**
Total Equity		**43,715**	**34,620**
Liabilities			
Non-current liabilities			
Borrowings	16	8,361	10,192
Post employment benefits obligations	27	260	284
Deferred income tax liability	26	416	232
Total non-current liabilities		**9,037**	**10,708**
Current liabilities			
Borrowings	16	5,654	4,606
Trade and other payables	17	2,745	4,159
Mine flooding provisions	5, 15	1,000	7,804
Current income tax payable		109	136
Other taxes payable		368	290
Total current liabilities		**9,876**	**16,995**
Total Liabilities		**18,913**	**27,703**
Total Liabilities and Equity		**62,628**	**62,323**

Approved on behalf of the Board of Directors
29 April 2010

Chief Executive Officer

Chief Financial Officer

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

Uralkali Group
Consolidated Statement of Income

for the Year Ended 31 December 2009

(in millions of Russian Roubles unless otherwise stated)

	Note	2009	2008
Revenues	18	33,809	62,798
Cost of sales	19	(8,878)	(9,410)
Gross profit		**24,931**	**53,388**
Distribution costs	20	(6,075)	(9,840)
General and administrative expenses	21	(3,838)	(3,204)
Taxes other than income tax		(502)	(402)
Other operating income and expenses	23	(1,328)	(1,109)
Operating profit		**13,188**	**38,833**
Mine flooding costs	25	(1,060)	(8,294)
Finance income	24	456	856
Finance expense	24	(1,350)	(1,860)
Profit before income tax		**11,234**	**29,535**
Income tax expense	26	(2,139)	(7,592)
Net profit for the year		**9,095**	**21,943**
Profit is attributable to:			
Owners of the Company		9,089	21,937
Non-controlling interests		6	6
Net profit for the year		**9,095**	**21,943**
Earnings per share – basic and diluted (in Roubles)	28	**4.33**	**10.45**

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

Uralkali Group Consolidated Statement of Comprehensive Income

for the Year Ended 31 December 2009

(in millions of Russian Roubles unless otherwise stated)

	2009	2008
Net profit for the year	**9,095**	**21,943**
Total comprehensive income for the year	**9,095**	**21,943**
Total comprehensive income for the year attributable to:		
Owners of the Company	9,089	21,937
Non-controlling interests	6	6

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

Uralkali Group
Consolidated Statement of Cash Flows

for the Year Ended 31 December 2009

(in millions of Russian Roubles unless otherwise stated)

	Note	2009	2008
Cash flows from operating activities			
Profit before income tax		11,234	29,535
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets	8, 10	3,188	2,516
Net loss on disposal of property, plant and equipment	23	271	157
Loss on fixed assets disposed on mine flooding	25	-	336
(Reversal of provision)/provision for impairment of receivables	23	(20)	148
Net change in mine flooding provisions	15	(6,804)	7,781
Finance income and expense, net		(7)	35
Foreign exchange losses/(gains), net	24	751	737
Operating cash flows before working capital changes		**8,613**	**41,245**
Decrease in trade and other receivables		115	191
Increase in inventories	11	(516)	(1,443)
(Decrease)/increase in accounts payable, accrued expenses and other creditors		(1,368)	1,334
Increase/(decrease) in other taxes payable		70	(14)
Cash generated from operations		**6,914**	**41,313**
Interest paid	16	(393)	(723)
Income taxes paid		(2,049)	(7,986)
Net cash generated from operating activities		**4,472**	**32,604**
Cash flows from investing activities			
Acquisition of intangible assets	10	(34)	(85)
Acquisition of property, plant and equipment		(13,606)	(13,505)
Proceeds from sales of property, plant and equipment		26	53
Purchase and sale of investments, net		(39)	(4)
Acquisition of additional interest in subsidiaries		-	(9)
Acquisition of subsidiaries, net of cash acquired		(753)	-
(Increase)/decrease in irrevocable bank deposits	13	(13)	98
Loans issued to related party	6	(1,578)	-
Dividends and interest received		628	542
Net cash used in investing activities		**(15,369)**	**(12,910)**
Cash flows from financing activities			
Repayments of borrowings	16	(11,880)	(10,446)
Proceeds from borrowings	16	10,774	11,488
Finance lease payments	16	(38)	(38)
Dividends paid to shareholders		(10)	(12,361)
Net cash used in financing activities		**(1,154)**	**(11,357)**
Effect of foreign exchange rate changes on cash and cash equivalents		161	644
Net (decrease)/increase in cash and cash equivalents		**(11,890)**	**8,981**
Cash and cash equivalents at the beginning of the year, net of restricted cash	13	**16,174**	**7,193**
Cash and cash equivalents at the end of the year, net of restricted cash	13	**4,284**	**16,174**

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

Uralkali Group
Consolidated Statement of Changes in Equity

for the Year Ended 31 December 2009

(in millions of Russian Roubles unless otherwise stated)

	Attributable to equity holders of the Company							
	Share capital (Note 14)	Treasury shares (Note 14)	Share premium/ (discount)	Revaluation reserve	Retained earnings	Total attributable to owners of the Company	Non-controlling interest	Total equity
Balance at 1 January 2008	**648**	**(12)**	**(849)**	**150**	**25,113**	**25,050**	**24**	**25,074**
Total comprehensive income for the year	-	-	-	-	21,937	21,937	6	21,943
Dividends declared	-	-	-	-	(12,388)	(12,388)	-	(12,388)
Acquisition of additional interest in subsidiary	-	-	-	-	-	-	(9)	(9)
Balance at 31 December 2008	**648**	**(12)**	**(849)**	**150**	**34,662**	**34,599**	**21**	**34,620**
Total comprehensive income for the year	-	-	-	-	9,089	9,089	6	9,095
Balance at 31 December 2009	**648**	**(12)**	**(849)**	**150**	**43,751**	**43,688**	**27**	**43,715**

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

Uralkali Group
Notes to the Consolidated Financial Statements

for the Year Ended 31 December 2009
(in millions of Russian Roubles unless otherwise stated)

1. The Uralkali Group and its operations

Open Joint Stock Company Uralkali (the "Company") and its subsidiaries (together the "Group") produce mineral fertilizers, primarily potassium based, which are extracted and processed in the vicinity of the city of Berezniki, Russia, and which are distributed both on domestic and foreign markets. The Group manufactures approximately ten types of products, the most significant of which is a wide range of potassium salts. The Group is one of two major potash manufacturers in the Russian Federation. For the year ended 31 December 2009 approximately 76% of potash fertilizer production was exported (for the year ended 31 December 2008: 89%).

The Company holds operating licenses, issued by the Perm regional authorities for the extraction of potassium, magnesium and sodium salts from the Bereznikovskiy, Durimanskiy and Bigelsko-Troitsky plots of the Verkhnekamskoye field. These licenses expire in 2013; however based on the statutory licensing regulations and prior experience, the Company's management believes that the licenses will be renewed without incurring any significant cost. The Company also owns a license for the Ust'-Yaivinskiy plot of the Verkhnekamskoye field, which expires in 2024.

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

As of 31 December 2009, Madura Holdings Limited, registered in Cyprus, was the parent company of the Group. The Group is ultimately controlled by Mr. Dmitry Rybolovlev.

As of 31 December 2009 the Group employed approximately 13.2 thousand employees (31 December 2008: 12.9 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. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

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

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

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

2.2 Accounting for the effect of inflation

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

2.3 Consolidated financial statements

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

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

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

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date.

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

2.4 Non-controlling interest

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

The difference, if any, between the carrying amount of a non-controlling interest and the amount paid to acquire the relevant share is recognised as goodwill.

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

2.5 Joint ventures

Jointly controlled entities

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

2.6 Investments in associates

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

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

2.7 Property, plant and equipment

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

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

At each reporting date management 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 the statement of income.

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

Repair and maintenance 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.

2. Basis of preparation and significant accounting policies (continued)
2.7 Property, plant and equipment (continued)

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

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

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

2.8 Operating leases

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

2.9 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 the income statement over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

2.10 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the acquirer's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the date of exchange. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill on acquisitions of associates is included in investment in associates. Goodwill is carried at cost less accumulated impairment losses, if any.

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill and are not larger than a segment.

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

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

2.11 Other intangible assets

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

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

2.12 Classification of financial assets

The Group classifies its financial assets into the following measurement categories: trading investments, available-for- sale, held to maturity and loans and receivables.

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

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

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

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

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

2.13 Initial recognition of financial instruments

Trading investments and derivatives are initially recorded at fair value. All other financial assets and liabilities are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between 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.

Changes in fair value are recognised in profit or loss for trading investments and in equity for assets classified as available for sale.

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

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

2.15 Available-for-sale investments

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

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

2.16 Income taxes

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

The Group's uncertain tax positions are assessed by management at every balance sheet 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 balance sheet 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 balance sheet 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 balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

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

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

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

2.17 Inventories

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

2.18 Trade and other receivables

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

2.19 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 statement of cash flows. Restricted balances being exchanged or used to settle liability at least twelve months after the balance sheet date are shown separately from cash and cash equivalents for the purposes of the statement of financial position and are included in non-current assets.

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

2.20 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.

2.21 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.

2.22 Dividends

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

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

2.23 Value added tax

Output value added tax is payable to the tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the 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.

2.24 Borrowings

Borrowings are initially recognised at fair value less transactions costs. Borrowings are carried at amortised cost using the effective interest method. Borrowing costs are recognised as an expense on a time-proportion basis using the effective interest method. The Group capitalises borrowing costs relating to assets that take a substantial period of time to prepare for use or sale (qualifying assets) as part of the cost of the asset. The Group considers a qualifying asset to be an investment project with an execution period exceeding one year.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.25 Provisions

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

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

2.26 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.

2.27 Foreign currency transactions

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

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

2. Basis of preparation and significant accounting policies (continued)
2.27 Foreign currency transactions (continued)

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

(i) aassets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
(ii) income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
(iii) all resulting exchange differences are recognised as a separate component of equity.

At 31 December 2009, the official rate of exchange, as determined by the The Central Bank of the Russian Federation (CBRF), was US$ 1 = Rouble 30.24 (31 December 2008: US$ 1 = Rouble 29.38). The official Euro to RR exchange rate at 31 December 2009, as determined by the CBRF, was Euro 1 = Rouble 43.39 (31 December 2008: Euro 1 = Rouble 41.44).

2.28 Revenue recognition

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

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

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

2.29 Transhipment costs

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

2.30 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.

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

2.32 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 the consolidated statement of income 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 the consolidated statement of income. 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 balance sheet date. The plans are not externally funded. The defined benefit obligation is calculated annually by the Group. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in 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 the consolidated statement of income.

2.33 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.

2.34 Segment reporting

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

2.35 Research and development costs

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

3. Adoption of new or revised standards and interpretations

Certain new interpretations became effective for the Group from 1 January 2009:

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. The Group has decided to early adopt improvements to IFRS 8 issued in April 2009, which allows the Group to not disclose information about segment assets and liabilities in these consolidated financial statements, since such information is not regularly provided to the Board of Directors;

IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009). The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to prepare for use or sale. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that is not carried at fair value and that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) form part of the cost of that asset, if the commencement date for capitalisation is on or after 1 January 2009. Other borrowing costs are recognised as an expense using the effective interest method. The Group considers a qualifying asset to be an investment project with an execution period exceeding one year. These consolidated financial statements have been prepared under the revised requirements;

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

Improvements to International Financial Reporting Standards (issued in May 2008). In 2007, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary but non-urgent amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in the event of a loss of control over a subsidiary; the option to present financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarifying the definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarifying accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reducing the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31;

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

the enhancement of disclosures required by IAS 36; clarifying accounting for advertising costs under IAS 38; amending the definition of fair value through profit or loss category so that it is consistent with hedge accounting under IAS 39; introducing accounting for investment properties under construction in accordance with IAS 40; and reducing restrictions over the manner of determining the fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The Group does not expect the amendments to have any material effect on the Group's consolidated financial statements;

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate – IFRS 1 and IAS 27 Amendment (issued in May 2008; effective for annual periods beginning on or after 1 January 2009). This amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss rather than as a recovery of the investment. This amendment does not impact the Group's financial statements at 31 December 2009;

IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009). IFRIC 15 is not relevant to the Group's operations at 31 December 2009;

IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008). IFRIC 16 does not have any impact on these financial statements as the Group did not apply hedge accounting at 31 December 2009;

Improving Disclosures about Financial Instruments – Amendment to IFRS 7, Financial Instruments: Disclosures (issued in March 2009; effective for annual periods beginning on or after 1 January 2009). The Group does not expect the amendments to have any material effect on the Group's consolidated financial statements;

Vesting Conditions and Cancellations – Amendment to IFRS 2, Share-based Payment (issued in January 2008; effective for annual periods beginning on or after 1 January 2009). This amendment does not impact the Group's financial statements at 31 December 2009;

Puttable Financial Instruments and Obligations Arising on Liquidation – IAS 32 and IAS 1 Amendment (effective for annual periods beginning on or after 1 January 2009). The amendment requires classifying as equity some financial instruments that meet the definition of financial liabilities. This amendment does not impact the Group's financial statements at 31 December 2009;

Embedded Derivatives – Amendments to IFRIC 9 and IAS 39 (effective for annual periods ending on or after 30 June 2009). The amendment is not expected to have any impact on the Group's consolidated financial statements;

IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 is not relevant to the Group's operations because no Group companies operate any loyalty programmes.

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

4. New accounting pronouncements

The following new standards, amendments to standards and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods and which the Group has not early adopted:

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The Group does not expect the amendments to have any material effect on its financial statements.

Group Cash-settled Share-based Payment Transactions – Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The Group does not expect the amendments to have any material effect on its financial satements.

Classification of Rights Issues – Amendment to IAS 32, Financial Instruments: Presentation (effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The Group is currently assessing the impact of the amendment on its financial statements.

IAS 24, Related Party Disclosures (amended November 2009, effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition and by (b) providing a partial exemption from the disclosure requirements for government-related entities. The Group is currently assessing the impact of the amended standard on disclosures in its financial statements.

4. New accounting pronouncements (continued)

IFRS 9, Financial Instruments (issued in November 2009, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

(a) Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

(b) An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

(c) All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment. The Group is considering the implications of this standard, its impact on the Group and the timing of its adoption by the Group.

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

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The Group is currently assessing the impact of the amended interpretation on its financial statements.

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

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed.

4. New accounting pronouncements (continued)

Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Group is currently assessing the impact of the amended standard on its financial statements.

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

- ***Additional Exemptions for First-time Adopters – Amendments to IFRS 1, First-time Adoption of IFRS*** (effective for annual periods beginning on or after 1 January 2010).
- ***IFRIC 17, Distribution of Non-Cash Assets to Owners*** (effective for annual periods beginning on or after 1 July 2009);
- ***Eligible Hedged Items – Amendment to IAS 39, Financial Instruments: Recognition and Measurement*** (effective with retrospective application for annual periods beginning on or after 1 July 2009);
- ***IFRS 1, First-time Adoption of International Financial Reporting Standards*** (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009);
- ***IFRIC 18, Transfers of Assets from Customers*** (effective for annual periods beginning on or after 1 July 2009);
- ***The International Financial Reporting Standard for Small- and Medium-Sized Entities*** (issued in July 2009). As a listed entity, the Group is not eligible to apply the IFRS for SMEs;

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

5. Critical accounting estimates, and judgements in applying accounting policies

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

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

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

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

In November 2008, at the request of the Russian Deputy Prime Minister, Igor Sechin, a new commission was established by Rostekhnadzor for a second investigation into the cause of flooding in Mine 1. According to the report of the second commission, issued on 29 January 2009, the flooding was caused by a "combination of geological and technological factors".

Provision for compensations

In February 2009, the Company decided voluntarily, as a part of its social responsibility, to compensate expenses incurred by different levels of the government for liquidation of flooding consequences including expenses for resettlement of citizens, construction of a 6-kilometer railway bypass incurred prior to 31 December 2008, and also partially compensate for the deficit of financing related to the construction of a 53-kilometer railway bypass.

Thereby the Company accrued a provision as of 31 December 2008 for future expenses, which could be reliably valued at the date of authorisation of financial statements and whose likelihood was estimated as "probable". The provision amounted to RR 7,804 and included the following expenses:

- Compensation of expenses related to liquidation of flooding consequences incurred by federal and regional budgets. The compensation amounted to RR 2,314;
- Compensation for the deficit of financing related to the construction of a 53-kilometer railway bypass in the amount of RR 5,000;
- Other compensations in the amount of RR 490, including expenses related to construction of a 6-kilometer railway bypass of RR 454, and expenses incurred by the budget of Berezniki in relation to resettling citizens of RR 36.

During the year ended 31 December 2009 the Company utilized the provision accrued as at 31 December 2008 and made compensation payments in the amount of RR 7,804 (Note 15).

At the end of 2009 the Company was in negotiations with OJSC "Russian railways" regarding voluntarily compensation of additional actual expenditures related to the construction of a 53-kilometer railway bypass in the amount of RR 1,000. In March 2010 the Board of Directors of the Company approved these compensations, as a part of its social responsibility. Since as of 31 December 2009 the determination that these compensations would crystallise was assessed as "probable" the Company accrued an additional provision in this amount (Note 15).

Other possible risks not included in provision for compensations

Additional expenses, which could be incurred by the government for resettlement purposes after 31 December 2008, are estimated in the amount of RR 184. The Company estimates the probability that it will agree to compensate these expenses from "remote" to "possible" and therefore has not accrued this amount.

In July 2009, the Company received a request from OJSC TGK-9 to compensate expenses in the amount of RR 3,160. According to the request, this amount corresponds to the development of a reserve energy supply source in Berezniki. The Company believes that only the expenses that are directly caused by the mine flood should be considered for compensation. The parties established a technical commission in order to determine whether these expenses are in fact directly connected to the consequences of the mine flood. Currently, the Company has no reliable information as to whether these expenses could be regarded as being directly caused by the flooding of the mine. The Company estimates the probability of having to pay this compensation to be from "remote" to "possible" and therefore this amount has not been accrued.

The procedure for calculating and compensating for mineral deposits lost as a result of mine flooding is not established by Russian law. However, the Company evaluates the risk that such claims could arise as "possible". In the appendices to the report of the second commission, there is a calculation of the value of lost mineral resources (from RR 25,380 to RR 84,602) and a calculation of losses resulting from mineral extraction tax not received by the government due to flooding (from RR 964 to RR 3,215).

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

The Company analysed the calculations provided in the appendices and evaluated the risk of compensation in the stated amount as "remote".

In October 2009, the Company has received the decision of tax authorities based on the tax audit for 2005-2006. Tax authorities have stated that in October 2006 the Company should have charged mineral extraction tax for mineral deposits written off in the state records due to flooding. The sum of unpaid mineral extraction tax including fines and penalties amounted to RR 782. The Company has filed its appeal to the decision, however in December 2009 that appeal was declined by Federal Tax Service of the Russian Federation. In January 2010 the Company received the claim of tax authorities to pay tax, fines and penalties. The Company believes that the conclusion in the decision is not valid, and challenged the decision and the claim in the court. In January 2010 the Company filled a petition that the decision and the claim are not valid, and the court has suspended the execution of tax authorities' claim as an interlocutory injunction. On 16 April 2010 Moscow arbitration court declined the Company's petition. The Company believes that the conclusion in the decision of the court is not valid, and intends to challenge the decision in the appellate court. In this case the decision comes into force from the date of appellate court's resolution, if not discharged or amended. The Company estimates the probability of this liability crystallising as "possible" and accordingly has not made an accrual for this amount.

Due to a lack of information at the date of authorising these consolidated financial statements the Company's management could not reliably estimate the total amount of future cash outflows related to the mine flooding and corresponding claims of third parties; however, the amount could be significant and substantially exceeded the provision accrued as of 31 December 2009.

Remaining useful life of property, plant and equipment. Management assesses the remaining useful life of property, plant and equipment in accordance with the current technical conditions of assets and estimated period during which these assets will bring economic benefit to the Group (Note 8). The estimated remaining useful life of some property, plant and equipment is beyond the expiry date of the relevant operating licenses (Note 1). The management believes that the licenses will be renewed in due order. However if the licenses are not renewed, property, plant and equipment with net book value of RR 1,084 (31 December 2008: RR 689) should be assessed for impairment in 2013.

Land. All facilities of OJSC BBT are situated on land occupied on an annual lease basis, but the management plans to purchase the land under the right provided by statutory legislation or to secure the assets by a long-term rent agreement with the municipal authorities. If the Group cannot secure long-term use of this land, non-current assets of RR 2,417 (31 December 2008: RR 2,454) should be assessed for impairment.

Impairment test of property, plant and equipment. At 31 December 2009 the Group performed an impairment test of property, plant and equipment. The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period for JSC Uralkali and five-year period for JSC BBT and the expected market prices for potassium fertilizers and transhipment services for the same period according to the leading industry publications, which are broadly in line with 2009 average prices. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates. The discount rate used of 15% is pre-tax and reflects specific risks relating to the relevant CGUs. The Group did not recognise any impairment.

Impairment of goodwill. The Group tests goodwill for impairment at least annually. The goodwill primarily relates to expected reduction of transport costs to be incurred from synergies with the Company when exporting potash by the Baltic Sea and is allocated to CGU JSC Uralkali. The recoverable amount of the goodwill is determined based on value in use calculations whereby cash flow projections approved by management covering a five-year period and analysis of synergies performed by an independent appraiser. Cash flows beyond that five-year period have been extrapolated using a steady 3% growth rate. This growth rate does not exceed the long-term average growth rate for the business sector of the economy in which the Company operates. Pre-tax discount rate of 15% that reflects risks relating to OJSC Uralkali was used in the calculation of the recoverable value. The Group did not recognise any impairment.

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

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

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

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations (Note 29).

6. Related parties

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

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

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

Statement of financial position caption	Nature of relationship	31 December 2009	31 December 2008
Loans issued to related parties	Ultimate controlling party	1,578	-

Statement of income caption	Nature of relationship	2009	2008
Interest income	Ultimate controlling party	16	-

Shareholder's equity caption	Nature of relationship	2009	2008
Dividends declared	Parent company	-	8,225

Loan issued to related party

In September 2009, the Group entered into a loan agreement for a total amount of EUR 50 million with Mr Dmitry Rybolovlev, who ultimately controls the Group. The loan was provided at an interest rate of Euro Libor + 4% for 1 year. The management believes that the loan was provided on market terms and conditions since the interest rate on the loan exceeded the rates on the US$ denominated loans (Note 16) held by the Group as of 31 December 2009.

Acquisition of subsidiary

In January 2009, the Group acquired a subsidiary (Note 9) from Blue Horizon Enterprise Ltd., an entity under common control. The total purchase consideration of RR 753 (US$ 23,196,232) was fully paid by the Group in 2009.

Guarantees given

As of 31 December 2009, the Group had no issued guarantees to key management personnel (31 December 2008: RR 6) (Note 29 vii).

6. Related parties (continued)

Cross shareholding

As of 31 December 2009 and 31 December 2008 LLC Kama, a 100% owned subsidiary of the Group, owned 1.16% of the ordinary shares of the Company.

Management compensation

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

Total key management compensation represented by short-term employee benefits and included in general and administrative expenses in the consolidated statement of income was RR 702 and RR 375 for the periods ended 31 December 2009 and 2008, respectively.

7. Segment reporting

Starting from 1 January 2009, the Group prepares its segment analysis in accordance with IFRS 8, *Operating segments*, which replaced IAS 14, *Segment reporting*. Comparatives were adjusted to conform to the presentation of current period amounts.

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

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

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

	Note	2009	2008
Revenue		33,809	62,798
Segment result (Net profit)		**9,095**	**21,943**
Depreciation and amortization		(3,188)	(2,516)
Accrual of provision for compensations	25	(1,000)	(7,804)
Finance income	24	456	856
Finance expense	24	(1,350)	(1,860)
Income tax	26	(2 139)	(7,592)

b) Geographical information

The analysis of Group sales by region was:

	2009	2008
Russia	4,587	4,509
Latin America, China, India, Southeast Asia	20,239	38,812
USA, Europe	8,713	18,851
Other countries	270	626
Total revenue	**33,809**	**62,798**

The sales are allocated by region based on the destination country.

7. Segment reporting (continued)

c) Major customers

The Group had one external customer from India which represented 15% of the Group's revenues in 2009 and one external customer from China which represented 10% of the Group's revenues in 2008.

d) In addition to above segment disclosure management is preparing additional information that splits the result of Potash segment activity between export potash sales, domestic potash sales and other sales. Direct Cost of sales and Distribution expenses are allocated proportionally based on revenues. Indirect expenses, such as General and administrative expenses, Other operating income and expenses and Taxes other than income tax are allocated between categories proportionally based on Cost of sales. Some costs are considered as unallocated (Loss on disposal of fixed assets, Net results on sale of Belaruskali goods, Mine flooding costs, Finance income and expense, Income tax expense). This split for the year ended 31 December 2009 was as follows:

	Export potash sales	Domestic potash sales	Total potash sales	Other sales	Unallocated	Total
Tonnes (thousands)	**1,895**	**602**	**2,497**	**-**	**-**	**2,497**
Revenues	**29,189**	**2,878**	**32,067**	**1,742**	**-**	**33,809**
Cost of sales	(6,109)	(1,942)	**(8,051)**	(827)	-	(8,878)
Distribution, general and administrative expenses, other operating income and expenses and taxes other than income tax	(9,739)	(1,195)	**(10,934)**	(545)	(264)	(11,743)
Operating profit/(loss)	**13,341**	**(259)**	**13,082**	**370**	**(264)**	**13,188**
Mine flooding costs					(1,060)	(1,060)
Finance income and expense, net					(894)	(894)
Profit before income tax						**11,234**
Income tax expense					(2,139)	(2,139)
Segment result/Net profit						**9,095**

This split for the year ended 31 December 2008 was as follows:

	Export potash sales	Domestic potash sales	Total potash sales	Other sales	Unallocated	Total
Tonnes (thousands)	**4,141**	**527**	**4,668**	-	-	**4,668**
Revenues	**58,222**	**3,190**	**61,412**	**1,386**	-	**62,798**
Cost of sales	(7,662)	(975)	**(8,637)**	(773)	-	(9,410)
Distribution, general and administrative expenses, other operating income and expenses and taxes other than income tax	(13,456)	(596)	**(14,052)**	(398)	(105)	(14,555)
Operating profit/(loss)	**37,104**	**1,619**	**38,723**	**215**	**(105)**	**38,833**
Mine flooding costs					(8,294)	(8,294)
Finance income and expense, net					(1,004)	(1,004)
Profit before income tax						**29,535**
Income tax expense					(7,592)	(7,592)
Segment result/Net profit						**21,943**

8. Property, plant and equipment

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

	Buildings	Mine development costs	Plant and equipment	Transport	Assets under construction	Other	Land	Total
Cost								
Balance as of 31 December 2008	8,547	5,785	16,649	4,733	13,011	543	179	**49,447**
Additions	-	-	-	192	14,837	-	-	**15,029**
Transfers	936	279	4,895	1,311	(7,538)	107	10	**-**
Disposals	(52)	(34)	(501)	(58)	(123)	(7)	-	**(775)**
Balance as of 31 December 2009	**9,431**	**6,030**	**21,043**	**6,178**	**20,187**	**643**	**189**	**63,701**
Accumulated Depreciation								
Balance as of 31 December 2008	3,746	4,716	8,432	1,596	-	315	-	**18,805**
Depreciation charge	271	175	2,340	395	-	42	-	**3,223**
Disposals	(22)	(8)	(453)	(45)	-	(7)	-	**(535)**
Balance as of 31 December 2009	**3,995**	**4,883**	**10,319**	**1,946**	**-**	**350**	**-**	**21,493**
Net Book Value								
Balance as of 31 December 2008	**4,801**	**1,069**	**8,217**	**3,137**	**13,011**	**228**	**179**	**30,642**
Balance as of 31 December 2009	**5,436**	**1,147**	**10,724**	**4,232**	**20,187**	**293**	**189**	**42,208**

	Buildings	Mine development costs	Plant and equipment	Transport	Assets under construction	Other	Land	Total
Cost								
Balance as of 31 December 2007	8,049	5,317	13,285	4,096	8,771	500	179	**40,197**
Additions	-	-	-	710	9,860	-	-	**10,570**
Transfers	701	524	4,048	-	(5,325)	52	-	**-**
Disposals	(203)	(56)	(684)	(73)	(295)	(9)	-	**(1,320)**
Balance as of 31 December 2008	**8,547**	**5,785**	**16,649**	**4,733**	**13,011**	**543**	**179**	**49,447**
Accumulated Depreciation								
Balance as of 31 December 2007	3,604	4,601	7,294	1,304	-	276	-	**17,079**
Depreciation charge	239	144	1,725	345	-	48	-	**2,501**
Disposals	(97)	(29)	(587)	(53)	-	(9)	-	**(775)**
Balance as of 31 December 2008	**3,746**	**4,716**	**8,432**	**1,596**	**-**	**315**	**-**	**18,805**
Net Book Value								
Balance as of 31 December 2007	**4,445**	**716**	**5,991**	**2,792**	**8,771**	**224**	**179**	**23,118**
Balance as of 31 December 2008	**4,801**	**1,069**	**8,217**	**3,137**	**13,011**	**228**	**179**	**30,642**

8. Property, plant and equipment (continued)

Depreciation

For the year ended 31 December 2009 and 2008, respectively, the depreciation was allocated to statement of income as follows:

	2009	2008
Cost of sales	2,502	1,908
Distribution costs (including transhipment activities – Note 2.29)	356	341
General and administrative expenses	241	196
Loss on disposal of property, plant and equipment	32	8
Total depreciation expense	**3,131**	**2,453**

In 2009 the Group incurred depreciation amounting to RR 92 (2008: RR 48), directly related to the construction of new fixed assets. These expenses were capitalised on the consolidated statement of financial position in accordance with the Group accounting policy and included in assets under construction.

Fully depreciated assets still in use

As of 31 December 2009 and 31 December 2008 the gross carrying value of fully depreciated property, plant and equipment still in use was RR 7,072 and RR 6,434, respectively.

Assets pledged under loan agreements

As of 31 December 2009 and 31 December 2008 the carrying value of property, plant and equipment pledged under bank loans was RR 6,729 and RR 4,582 (Note 16), respectively.

9. Investments in subsidiary and jointly controlled entities

Investment in jointly controlled entity

The Company has a 50% interest in JSC Belarusian Potash Company ("BPC") – the remaining 50% is divided between Belaruskali (which owns 45%) and Belarusian Railways (which owns 5%). According to BPC's charter, all shareholders meeting decisions may be taken only with a majority of 75%. Therefore, BPC operations are under the joint control of Belaruskali and the Company (the "Participants"). BPC's principal activity is marketing and exporting as an agent potash fertilizers produced by the participants.

BPC's charter provides for separate accounting of the operations of each participant, including separate accounting for the sales of the participants' goods and the related cost of sale and distribution costs. Administrative expenses incurred by BPC are currently shared as follows: not more than 69% on Belaruskali operations, and not less than 31% on Group operations. The actual proportion depends on the volume of goods sold by each participant through BPC.

The distribution of net income to each participant is made on the basis of their relevant results after deducting administrative costs, unless both participants decide not to distribute. Group's operations through BPC, assets and the Group's liabilities located in BPC in which the Group has a direct interest are included in these consolidated financial statements. The statement of income reflects the revenue from sales by BPC of Uralkali's products, together with the related costs of sales, distribution and administrative costs.

9. Investments in subsidiary and jointly controlled entities (continued)

Acquisition of subsidiary

On 27 January 2009, the Group acquired a 100% stake in the share capital of Sophar Property Holding Inc., the only identifiable asset at the date of acquisition was a contract for the purchase of a corporate business jet. The total purchase consideration for the acquired subsidiary of RR 753 (US$ 23,196,232) was equal to the net fair value of this contract. The total purchase consideration was fully paid by the Group in 2009.

The Group's management considers that this acquisition constitutes a purchase of asset and not a business combination.

10. Intangible assets

	Software	Other	Total
Cost as of 1 January 2008	**374**	**20**	**394**
Accumulated amortisation	**(247)**	**-**	**(247)**
Carrying amount as of 1 January 2008	**127**	**20**	**147**
Additions	85	-	85
Amortisation charge	(71)	-	(71)
Cost as of 31 December 2008	**459**	**20**	**479**
Accumulated amortisation	**(318)**	**-**	**(318)**
Carrying amount as of 31 December 2008	**141**	**20**	**161**
Additions	20	14	34
Amortisation charge	(57)	-	(57)
Cost as of 31 December 2009	**479**	**34**	**513**
Accumulated amortisation	**(375)**	**-**	**(375)**
Carrying amount as of 31 December 2009	**104**	**34**	**138**

The balances of intangible assets reported in these consolidated financial statements as of 31 December 2009 and 2008 respectively mainly represent management information and accounting system costs and fees charged by an external consultant for the installation of this software. The costs of the software are amortised over a period not exceeding five years. Other intangible assets are mainly represented by licenses (Note 1).

11. Inventories

Inventories consist of the following:

	2009	2008
Raw materials	1,819	1,557
Finished products	1,639	1,324
Work in progress	23	84
Total inventories	**3,481**	**2,965**

As of 31 December 2009 the value of circulating finished goods valued at carrying value pledged as security for bank loans was RR 227 (31 December 2008: nil) (Note 16).

12. Trade and other receivables

	2009	2008
Trade receivables	1,414	3,033
Other accounts receivable	421	922
Less: provision for impairment of trade and other receivables	(209)	(233)
Total financial receivables	**1,626**	**3,722**
VAT recoverable	1,797	1,880
Other taxes receivable	1,876	473
Advances to suppliers	432	435
Insurance expenses prepaid	49	40
Other prepayments	70	66
Total trade and other receivables	**5,850**	**6,616**

As of 31 December 2009 trade receivables of RR 1,239 (31 December 2008: RR 2,907), net of provision for impairment, were denominated in foreign currencies. 68% of this balance was denominated in US$ (31 December 2008: 63%) and 32% was denominated in Euro (31 December 2008: 37%). Management believes that the fair value of accounts receivable does not differ significantly from their carrying amount.

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

	2009		2008	
	Trade receivables	Other receivables	Trade receivables	Other receivables
As of January 1	**(79)**	**(154)**	**(51)**	**(39)**
Provision accrued	(147)	(74)	(32)	(137)
Provision reversed	117	124	4	17
Provision written-off	-	4	-	5
As of December 31	**(109)**	**(100)**	**(79)**	**(154)**

The accrual and reversal of the provision for impaired receivables have been included in other operating expenses in the consolidated statement of income (Note 23). Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

12. Trade and other receivables (continued)

Analysis by credit quality of trade and other receivables is as follows:

	2009		2008	
	Trade receivables	**Other receivables**	**Trade receivables**	**Other receivables**
Current and not impaired				
Customers from developed countries	443	34	827	41
Customers from developing countries	512	79	1,793	-
Domestic customers	101	201	30	628
Total current and not impaired	**1,056**	**314**	**2,650**	**669**
Past due but not impaired				
less than 45 days overdue	248	-	153	55
45 to 90 days overdue	-	7	141	-
Total past due but not impaired	**248**	**7**	**294**	**55**
Determined to be impaired (gross)				
45 to 90 days overdue	2	-	20	88
over 90 days overdue	108	100	69	110
Total gross amount of impaired accounts receivables	**110**	**100**	**89**	**198**
Total financial receivables (gross)	**1,414**	**421**	**3,033**	**922**
Less impairment provision	(109)	(100)	(79)	(154)
Total financial receivables	**1,305**	**321**	**2,954**	**768**

As of 31 December 2009 no trade and other receivables were pledged as collateral (31 December 2008: nil).

13. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2009	2008
RR denominated cash on hand and bank balances (interest rate: from 0.5% p.a. to 3.5% p.a. (2008: from 0.5% p.a. to 5.0% p.a.))	882	1,570
US$ denominated bank balances	1,792	300
EUR denominated bank balances	305	1,933
Other currencies denominated balances	11	9
US$ term deposits (interest rate: 1.9% p.a. (2008: 1.2% p.a.))	293	1,598
EUR term deposits (interest rate: from 5% to 13% p.a. (2008: 3% p.a.))	221	2,031
RR term deposits (interest rate: from 5% to 15% p.a. (2008: from 4.0% to 11.8% p.a.))	780	8,733
Cash and cash equivalents, net of restricted cash	**4,284**	**16,174**
Restricted cash		
Term bank deposits (12.7% p.a.)	13	-
Total restricted cash	**13**	-
Total cash and cash equivalents	**4,297**	**16,174**

13. Cash and cash equivalents (continued)

Term deposits, except those included in restricted cash, as at 31 December 2009 have various original maturities but may upon request be withdrawn without any restrictions.

14. Shareholders' equity

	Number of ordinary shares (in millions)	Ordinary shares	Treasury shares	Total
At 1 January 2008	2,124	648	(12)	636
At 31 December 2008	**2,124**	**648**	**(12)**	**636**
At 1 January 2009	2,124	648	(12)	636
At 31 December 2009	**2,124**	**648**	**(12)**	**636**

The number of unissued authorised ordinary shares is 1,500 million (31 December 2008: 1,500 million) with a nominal value per share of 0.5 Roubles. All shares stated in the table above have been issued and fully paid.

Treasury shares. As of 31 December 2009 treasury shares comprise 24,601,344 ordinary shares of the Company (31 December 2008: 24,601,344) with a nominal value per share of 0.5 Roubles owned by LLC Kama, a wholly owned subsidiary of the Group (Note 6). These ordinary shares carry voting rights in the same proportion as other ordinary shares. Voting rights of ordinary shares of the Company held by entities within the Group are effectively controlled by the management of the Group.

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

The Company's statutory accounting reports are the basis for profit distribution and other appropriations. Russian law identifies net profit as the basis of distribution. For the year ended 31 December 2009, the current period net statutory profit for the Company as reported in the published annual statutory reporting forms was RR 1,153 (for the year ended 31 December 2008: RR 29,480) and the closing balance of the accumulated profit including the current period net statutory profit totalled RR 33,643 (31 December 2008: RR 32,480). However, this legislation and other statutory laws and regulations are open to legal interpretation and accordingly management believes at present that it would not be appropriate to disclose the amount of the distributable reserves in these consolidated financial statements.

15. Mine flooding provisions

	Note	2009	2008
Balance as of January 1		**7,804**	**23**
Utilisation of provision for brine injection	25	-	(23)
Utilisation of provision for compensations	25, 5	(7,804)	-
Accrual of provision for compensations	25, 5	1,000	7,804
Balance as of December 31		**1,000**	**7,804**

16. Borrowings

	2009	2008
Bank loans	13,463	13,987
Short-term company loans	-	439
Long-term company loans	45	45
Finance lease payable	507	327
Total borrowings	**14,015**	**14,798**

16. Borrowings (continued)

As of 31 December 2009 and 31 December 2008 the fair value of the current and non-current borrowings is not materially different from their carrying amounts.

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its interest rate exposures.

	2009	2008
Balance as of January 1	**13,987**	**10,600**
Bank loans received, denominated in US$	10,418	7,297
Bank loans received, denominated in RR	500	4,229
Bank loans repaid, denominated in US$	(11,830)	(6,212)
Bank loans repaid, denominated in RR	(50)	(4,234)
Interest accrued	384	676
Interest paid	(393)	(723)
Recognition of syndication fees	(144)	(38)
Amortisation of syndication fees	27	26
Currency translation difference	564	2,366
Balance as of December 31	**13,463**	**13,987**

The table below provides interest rates as of 31 December 2009 and 31 December 2008 and the split of the bank loans into short- and long-term.

Short-term borrowings

	Interest rates	2009	2008
Bank loans in US$ – fixed interest	2008: 8.75%	-	1,075
Bank loans in US$ – floating interest	From 1 month Libor +1.6% to 1 month Libor +3.4% (2008: from 1 month Libor +1.6% to 1 month Libor +1.95%)	5,199	3,092
Bank loans in RR – fixed interest	14%	455	-
Total short-term bank loans		**5,654**	**4,167**

Long-term borrowings

	Interest rates	2009	2008
Bank loans in US$ – floating interest	From 1 month Libor +1.6% to 1 month Libor +3.4% (2008: from 1 month Libor +1.6% to 1 month Libor +1.95%)	7,809	9,820
Total long-term bank loans		**7,809**	**9,820**

US$ denominated bank loans bear a weighted average interest of 2.49% (31 December 2008: 5.63%).

As of 31 December 2009 and 31 December 2008, loans (including short-term borrowings) were guaranteed by the collateral of property, plant and equipment (Note 8). A bank loan of RR 455 (31 December 2008: nil) was collateralised by finished goods (Note 11).

Bank loans of RR 5,673 (31 December 2008: RR 5,569) were collateralised by future export proceeds of the Group under sales contracts with certain customers acceptable to the banks.

16. Borrowings (continued)

The Group's bank borrowings mature as follows:

	2009	2008
- within 1 year	5,654	4,167
- between 2 and 3 years	7,809	9,820
Total bank loans	**13,463**	**13,987**

In December 2009 OJSC BBT entered into the new financial lease agreement with Federal State Unitary Enterprise Rosmorport ("FSUE Rosmorport") for 49 years. Under this agreement, BBT has leased berth No. 106 and renegotiated the lease terms for berth No. 107. As of 31 December 2009 the leased berths were included in buildings, with a net book value of RR 476 (31 December 2008: RR 276).

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

	2009	2008
- within 1 year	49	38
- between 2 and 5 years	196	152
- after 5 years	2,157	1,447
Minimum lease payments at the end of the year	**2,402**	**1,637**
Less future finance charges	(1,895)	(1,310)
Present value of minimum lease payments	**507**	**327**

17. Trade and other payables

	2009	2008
Trade payables	1,110	2,570
Accrued liabilities	134	237
Dividends payable	107	94
Other payables	407	307
Total financial payables	**1,758**	**3,208**
Accrued liabilities	446	449
Advances received	147	103
Deferred consideration of subsidiary acquisition	139	132
Other payables	255	267
Total trade and other payables	**2,745**	**4,159**

18. Revenues

	2009	2008
Export		
Potassium chloride	16,474	41,613
Potassium chloride (granular)	12,715	16,609
Domestic		
Potassium chloride	2,878	3,190
Other	238	249
Transportation and other revenues	1,504	1,137
Total revenues	**33,809**	**62,798**

In March 2008, the Government of the Russian Federation introduced duties, effective from April 2008 until April 2009, on the export of potassium chloride outside the CIS Customs Union. The duty applicable to Uralkali's potassium chloride was 5% of the declared customs value, which the Group charged on almost all of the Group's potassium chloride exports. Export revenues were shown net of the abovementioned duties, which amounted during the year ended 31 December 2009 to RR 267 (for the year ended 31 December 2008: RR 1,886).

19. Cost of sales

	Note	2009	2008
Depreciation	8	2,502	1,908
Labour costs	22	2,083	2,622
Fuel and energy		1,499	1,864
Materials and components used		1,460	1,820
Repairs and maintenance		1,242	1,282
Transportation between mines by railway		201	348
Utilities		16	25
Change in work in progress, finished goods and goods in transit		(172)	(479)
Other costs		47	20
Total cost of sales		**8,878**	**9,410**

Expenses of RR 45 (for the year ended 31 December 2008: RR 95) related to transportating ore between mines by automotive transport were incurred by CJSC Autotranskali, a 100% subsidiary of the Group, and are mainly included in labour costs, materials and components used and fuel and energy costs.

20. Distribution costs

	Note	2009	2008
Freight		2,611	4,960
Railway tariff		1,628	3,203
Transport repairs and maintenance		347	572
Transhipment		340	282
Depreciation		273	259
Labour costs	22	217	137
Travel expenses		157	158
Commissions		52	22
Other costs		450	247
Total distribution costs		**6,075**	**9,840**

21. General and administrative expenses

	Note	2009	2008
Labour costs	22	2,081	1,532
Consulting, audit and legal services		318	362
Depreciation	8	241	196
Repairs and maintenance		141	92
Security		119	113
Mine-rescue crew		111	93
Insurance		67	116
Travel expenses		59	67
Amortisation of intangible assets		57	71
Communication and information system services		51	67
Bank charges		24	69
Other expenses		569	426
Total general and administrative expenses		**3,838**	**3,204**

22. Labour costs

	Note	2009	2008
Labour costs – Cost of sales	19	**2,083**	**2,622**
Wages, salaries, bonuses and other compensations		1,689	2,128
Unified social tax		397	465
Post employment benefits	27	(3)	29
Labour costs – Distribution costs	20	**217**	**137**
Wages, salaries, bonuses, other compensations and unified social tax		217	137
Labour costs – General and administrative expenses	21	**2,081**	**1,532**
Wages, salaries, bonuses and other compensations		1,868	1,295
Unified social tax		214	205
Post employment benefits	27	(1)	32
Total labour costs		**4,381**	**4,291**

23. Other operating income and expenses

	2009	2008
Social cost and charity	1,031	565
Loss on disposal of fixed assets	271	157
Provision for impairment of receivables	(20)	148
Net result on sale of Belaruskali goods	(7)	(52)
Other expenses, net	53	291
Total other operating income and expenses	**1,328**	**1,109**

The Group entered into a sales agreement with BPC for processing the sales of Belaruskali goods through Uralkali Trading SA in 2009 and 2008, respectively, in order to overcome certain drawbacks in Belarusian export legislation.

24. Finance income and expense

The components of finance income and expense were as follows:

	2009	2008
Interest income	313	852
Dividend income	-	4
Fair value gains on investments	114	-
Other financial income	29	-
Finance income	**456**	**856**

24. Finance income and expense (continued)

	2009	2008
Interest expense	411	702
Finance lease expense	38	38
Foreign exchange loss, net	751	737
Fair value losses on investments	-	151
Letters of credit fees	150	232
Finance expense	**1,350**	**1,860**

During the year ended 31 December 2009 the Group did not acquire any new qualifying assets for which construction would commence on or after 1 January 2009, consequently no interest was capitalized.

25. Mine flooding costs

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

	Note	2009	2008
Dismantling costs		-	111
Loss on disposal of fixed assets		-	336
State financing		-	(16)
Brine injection costs		-	47
Monitoring costs		60	35
Utilisation of provision for brine injection	5, 15	-	(23)
Accrual of provision for compensations	5, 15	1,000	7,804
Total mine flooding costs		**1,060**	**8,294**

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

26. Income tax expense

	2009	2008
Current income tax expense	2,005	7,953
Deferred income tax	134	(343)
Effect of change in tax rates	-	(18)
Income tax expense	**2,139**	**7,592**

26. Income tax expense (continued)

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

	2009	2008
Profit before income tax	11,234	29,535
Theoretical tax charge at effective statutory rates	1,741	5,907
Tax effect of items which are not deductible or assessable for taxation purposes	537	1,691
Difference in tax rates	(193)	(15)
Effect of change in tax rates	-	(18)
Other	54	27
Consolidated tax charge	**2,139**	**7,592**

Most companies of the Group were taxed at rates of 15.5% and 20% on taxable profits in the Russian Federation, the Perm region, for 2009 and 2008 respectively.

Domestic deferred income tax has been computed in these consolidated financial statements using the rate expected to apply in future periods (i.e. 15.5%). Deferred taxes in other countries were computed applying respective national income tax rates.

	31 December 2009	31 December 2008	Charged/(credited) to profit or loss 2009	Charged/(credited) to profit or loss 2008
Tax effects of taxable temporary differences:				
Property, plant and equipment	(439)	(342)	(97)	196
Investments	(7)	(7)	-	48
Inventories	(23)	-	(23)	60
Borrowings	(25)	(5)	(20)	-
Accounts receivable	(4)	22	(26)	12
Other	-	(12)	12	(12)
	(498)	(344)	(154)	304
Tax effects of deductible temporary differences:				
Finance lease	101	65	36	(14)
Mine flooding reserve	-	-	-	(5)
Accounts payable	48	113	(65)	5
Inventories	-	131	(131)	131
Tax loss carry forward	156	-	156	-
Other	24	-	24	(60)
	329	309	20	57
Deferred income tax expense/(income)			**(134)**	**361**
Total net deferred income tax asset/(liability)	**(169)**	**(35)**		

	31 December 2009	31 December 2008
Reflected in the statement of financial position as follows:		
Deferred income tax asset	247	197
Deferred income tax liability	(416)	(232)
Deferred income tax asset/(liability), net	**(169)**	**(35)**

26. Income tax expense (continued)

The Group has not recognised a deferred income tax liability in respect of temporary differences associated with investments in subsidiaries in the amount of RR 10,921 (31 December 2008: RR 9,358). The Group controls the timing of the reversal of these temporary differences and does not expect their reversal in the foreseeable future.

27. Post employment benefits obligations

In addition to statutory pension benefits, the Company also has several post-employment benefit plans, which cover most of its employees.

The Company provides financial support of a defined benefit nature to its pensioners. The plans provide for the payment of retirement benefits starting from the statutory retirement age, which is currently 55 for women and 60 for men. The amount of benefit depends on a number of parameters, including the length of service in the Company at retirement. The benefits do not vest until and are subject to the employee retiring from the Company on or after the above ages. This plan was introduced in the Collective Bargaining Agreement concluded in 2007.

The Company further provides other long-term employee benefits such as lump-sum payments upon death of its current employees and pensioners and a lump-sum payment upon retirement of a defined benefit nature.

As of 31 December 2009 and 31 December 2008 the net liabilities of the defined benefit plan and other post-employment benefit plans comprised the following:

	2009	2008
Present value of defined benefit obligations (DBO)	**327**	**361**
Present value of unfunded obligations	327	361
Unrecognised past service cost	(67)	(77)
Post employment benefits obligations	**260**	**284**

The amount of net expense for the defined benefit pension plans recognised in the consolidated statement of income (Note 22) was as follows:

	2009	2008
Current service cost	22	17
Interest cost	34	21
Net actuarial (gains)/losses recognised during the year	(70)	14
Amortisation of past service cost	10	9
Post employment benefits	**(4)**	**61**

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

	2009	2008
Present value of defined benefit obligations (DBO) as of 1 January	**361**	**324**
Service cost	22	17
Interest cost	34	21
Actuarial (gain)/loss	(70)	14
Past service cost	-	10
Benefits paid	(20)	(25)
Present value of defined benefit obligations (DBO) as of 31 December	**327**	**361**

27. Post employment benefits obligations (continued)

As of 31 December 2009 and 2008, respectively, the principal actuarial assumptions for the post-employment benefit plans were as follows:

	2009	2008
Discount rate	11.12%	9.30%
Salary increase	10.16%	10.16%
Inflation	8.00%	8.00%
Benefits increase (fixed-amount)	8.00%	8.00%
Mortality tables	Russia (1986-87)	Russia (1986-87)

Net deficit on the post-employment benefit plans and the number of experience adjustments for the years ended 31 December 2009 and 2008, respectively, were as follows:

	2009	2008
Present value of defined benefit obligations (DBO)	327	361
Deficit in plan	**327**	**361**
(Gains)/losses arising of experience adjustments on plan liabilities	(47)	(22)

28. Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares (Note 14).
The Company has no dilutive potential ordinary shares: therefore, the diluted earnings per share equal the basic earnings per share.

	2009	2008
Net profit	9,089	21,937
Weighted average number of ordinary shares in issue (millions)	2,100	2,100
Basic and diluted earnings per share (expressed in RR per share)	**4.33**	**10.45**

29. Contingencies, commitments and operating risks

i. Legal proceedings

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

Between September and November 2008, a number of purported class action lawsuits were filed in US federal district courts in Minnesota and Illinois. Class actions are civil lawsuits typically filed by a plaintiff seeking money damages on behalf of the named plaintiff and all others who are similarly situated. The plaintiffs in the suits filed in Minnesota and Illinois are various corporations and individuals who have filed the suits purportedly on behalf of all direct and indirect purchasers of potash from one of the defendants in the United States. The complaint alleges price fixing violations of the US Sherman Act since 1 July 2003. The Company and BPC (Note 9) were listed among the defendants, as well as certain other potash producers.

29. Contingencies, commitments and operating risks (continued)

i. Legal proceedings (continued)

The plaintiffs in the suits have not claimed any specific amount in damages, and it is premature at this time to assess the Group's potential exposure to the plaintiffs' claims. The management of the Group believes that these suits have no merit and the Group intends to defend its position vigorously.

At the end of 2009 the Federal Antimonopoly Service (FAS) concluded that the Company violated Clause 1 Part 1 Article 11 of the Federal Law On Protection of Competition (coordinated actions restricting competition). Basing on this conclusion FAS could impose a fine on the Company amounting up to RR 311. However the Company believes that conclusion of FAS is not valid and intends if necessary to defend its position in the court. The Company estimates the possibility of this liability crystallising as "remote" and has not recognised any provision in respect of this risk.

On the basis of its own estimates, as well as both internal and external professional advice, the management is of the opinion that no material losses will be incurred in respect of these claims.

ii. Tax legislation

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

The Russian tax authorities may be taking a more aggressive position in their interpretation of the law and assessments, and it is possible that transactions and activities that have not been challenged in the past may now or in the future be challenged. This includes them following guidance from the Supreme Arbitration Court for anti-avoidance claims based on reviewing the substance and business purposes of the transactions, and it is possible that this will significantly increase the level and frequency of scrutiny from the tax authorities. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods.

Russian transfer pricing legislation provides the possibility for the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of certain controllable transactions, provided that the tax authorities prove that the transaction price established by the parties deviates by more than 20% from the market price. Controllable transactions include transactions with interdependent parties under the Russian Tax Code, all cross-border transactions (irrespective of whether they are performed between related or unrelated parties), transactions where the price applied by a taxpayer deviates by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time. There is no formal guidance as to how these rules should be applied in practice. In the past, arbitration court practice in this respect has been contradictory.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible, with the evolution of the interpretation of transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could potentially be challenged in the future. Given the nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant.

The Group's management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency legislation and customs positions will be sustained. Accordingly, as of 31 December 2009 and 31 December 2008, no provision for potential tax liabilities had been recorded. Management will continue to monitor the situation as legislation and practice evolve in the jurisdictions in which the Group operates.

29. Contingencies, commitments and operating risks (continued)

iii. Insurance policies

The Company generally enters into insurance agreements when it is required by statutory legislation. The insurance agreements do not cover the risks of damage to third parties' property resulting from the Group's underground activities and the risks reflected in Note 5; therefore, no losses from the flooding of Mine 1 are expected to be compensated.

iv. Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement 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 Company's mining activities and the recent mine flooding may cause subsidence that may affect the Company's facilities, and those of the city of Berezniki, state organisations and others.

v. Operating environment of the Group

Since October 2008, world mineral fertilizer markets have experienced a slowdown and the Group decided to curtail its production of potassium fertilizers in the fourth quarter of 2008 and in 2009. Production volume in 2008 and 2009 were at 92% and 52% respectively of the 2007 production level. In July 2009, the Group concluded an agreement with a major Indian customer for potash deliveries effective between July 2009 and March 2010. The prices have been set at US$ 460 per tonne of potash (the previous price was US$ 625 per tonne effective between May 2008 and March 2009). In December 2009, the Group concluded an agreement with two major Chinese customers for potash deliveries effective between January 2010 and December 2010. The prices have been set at US$ 350 per tonne of potash (the previous price was US$ 560 per tonne effective between February 2007 and December 2008)

The availability of external funding in financial markets has significantly reduced. Such circumstances could affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

The debtors of the Group may also be affected by the tighter liquidity situation which could in turn have an impact on their ability to repay amounts owed. Deteriorating operating conditions for customers may also have an impact on the ability of management to forecast cash flow and assess the impairment of financial and non-financial assets.

The effects of the global financial crisis continued to have a serious effect on the Russian economy in 2009:

- lower commodity prices have resulted in lower income from exports and thus lower domestic demand. Russia's economy contracted in 2009;
- the rise in Russian and emerging market risk premiums resulted in a certain increase in financing costs;
- the official US$ exchange rate of the Central Bank of the Russian Federation increased from RR 29.38 at 31 December 2008 to RR 30.24 at 31 December 2009. At 1 April 2010 the US$ exchange rate was RR 29.50.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

Management is unable to reliably determine the effects on the Group's future financial position of any further deterioration in the Group's operating environment as a result of the ongoing crisis. It believes it is taking all necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

29. Contingencies, commitments and operating risks (continued)

vi. Capital expenditure commitments

As of 31 December 2009 the Group had contractual commitments for the purchase of property, plant and equipment from third parties for RR 5,012 (31 December 2008: RR 6,123).

The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover these and any similar such commitments.

vii. Guarantees

Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. As of 31 December 2009 the Group issued guarantees in favour of third parties in the amount of RR 3 (31 December 2008: RR 9).

30. Financial risk management

30.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Overall risk management procedures adopted by the Group focus on the unpredictability of financial and commodity markets and seek to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is different from the functional currency of the companies of the Group.

The Group operates internationally and exports approximately 76% of potash fertilizers produced. As a result the Group is exposed to foreign exchange risk arising from various currency exposures. Export sales are denominated in a hard currency, namely in US$ or Euro. The Group maintains a balance between US$ and Euro sales in order to mitigate the risk of US$/Euro exchange rate fluctuations. The Company is exposed to the risk of RR/US$ and RR/Euro exchange rates fluctuations: however the Company is currently benefiting from weak exchange rate of the Rouble against the US$ and Euro, since all the Company's major expenses are denominated in Roubles.

As of 31 December 2009, if the RR had weakened/strengthened by 10% against the US$ and Euro with all other variables held constant, the post-tax profit for the year would have been RR 722 lower/higher (31 December 2008: RR 381 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 and foreign exchange losses/gains on the translation of US$ denominated borrowings.

(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 16). The Group has interest-bearing assets which are at fixed interest rates (Note 13).

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.

30. Financial risk management (continued)
30.1 Financial risk factors (continued)
(a) Market risk (continued)
(iii) Interest rate risk (continued)

As of 31 December 2009, if Libor rates on US$ denominated borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been RR 130 (31 December 2008: RR 96) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk arises from the possibility that counterparties to transactions may default on their obligations, causing financial losses for the Group. The objective of managing credit risk is to prevent losses of liquid funds deposited with or invested in such counterparties. Financial assets, which potentially subject Group entities to credit risk, consist primarily of trade receivables, cash and bank deposits. The maximum exposure to credit risk resulting from financial assets is equal to the carrying amount of the Group's financial assets – RR 9,783 (31 December 2008: RR 23,409).

The Group is exposed to concentrations of credit risk. As of 31 December 2009 the Group had two counterparties (31 December 2008: nine counterparties) with aggregated receivables balances above RR 100. The total aggregate amount of these balances was RR 448 (31 December 2008: RR 2,856) or 24% of the gross amount of the trade and other receivables (31 December 2008: 72%). Cash and short-term deposits are placed in banks and financial institutions, which are considered at the time of deposit to have minimal risk of default. The Group has no other significant concentrations of credit risk.

Trade receivables are subject to a policy of active credit risk management which focuses on an assessment of ongoing credit evaluation and account monitoring procedures. The objective of the management of trade receivables is to sustain the growth and profitability of the Group by optimising asset utilisation while at the same time maintaining risk at an acceptable level.

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 12). Most customers from developing countries are supplied on secured payment terms.

These terms include deliveries against opened letters of credit and arrangements with banks on non-recourse discounting of promissory notes received from customers. Only customers from developed countries with a high reputation are supplied on a credit basis.

Although the collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision already recorded (Note 12).

The table below shows the credit quality of cash, cash equivalents and letters of credit balances on the balance sheet date, based on the credit ratings of independent agency Moody's Investor Services (for the cash balances held on accounts in Russia the locally tailored ratings are used) as of 31 December 2009 and 2008:

Rating	2009	2008
Aa3	3,407	8,679
A1	902	1,666
Aaa.ru	891	-
Baa2.ru	793	-
B1	393	-
Aa2	165	-
B3.ru	-	1,672
Baa.1	-	5,818
Ba1	-	580
Unrated*	27	1,272
Total	**6,578**	**19,687**

* Unrated balance contains cash on hand and other cash equivalents.

30. Financial risk management (continued)
30.1 Financial risk factors (continued)

(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 balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows at spot rates.

	Note	Less than 1 year	Between 2 and 5 years	Over 5 years
As of 31 December 2009				
Trade and other payables	17	1,758	-	-
Borrowings		6,071	8,166	-
Finance leasing	16	49	196	2,157
As of 31 December 2008				
Trade and other payables	17	3,208	-	-
Borrowings		5,344	10,190	-
Finance leasing	16	38	152	1,447

30.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to reduce the cost of capital. The Group considers total capital to be total equity as shown in the consolidated statement of financial position.

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

The debt to equity ratios as of 31 December 2009 and 31 December 2008 were as follows:

	31 December 2009	31 December 2008
Total bank borrowings (Note 16)	13,463	13,987
Total equity	43,715	34,620
Debt to equity ratio	**31%**	**40%**

As of 31 December 2009 management has set a level of 30% debt to equity ratio as a strategic goal.

31. Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

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

Financial instruments carried at fair value. Trading and available-for-sale investments are carried on the consolidated statement of financial position at their fair value.

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

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

Liabilities carried at amortised cost. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. Estimated fair values of borrowings are presented in Note 16.

Corporate and Social Responsibility

Employees

Uralkali's employees are the Company's main asset and the foundation for its future growth. The successful realization of the Company's projects depends on experts capable of managing challenging tasks. There has for many years been a shortage of high-quality personnel for the industrial sector. The Company is therefore aware of the need to offer its staff adequate rewards in terms of compensation, as well as good career prospects and a comfortable work environment and living conditions.

Staff training and development

In 2009, 3,272 managers and professionals, as well as 1,982 workers, received training through various programmes of vocational education and refresher courses. A total of 86 employees are now receiving vocational training and specialist higher education, and 25 managers completed two-year MBA courses. The total cost of staff training in 2009 was 45.4 million rubles.

Management and staff reserve development

A management and line staff reserve – a group of employees with the knowledge and training to cover the responsibilities of other members of staff if required – was formed at Uralkali early in 2009. In contrast to previous years an integrated approach was adopted, aimed at improving the management of the Company as a whole. The programme started in the summer of 2009 and involved professionals at all levels: top and mid-level managers as well as lower level reserve positions. This approach helps to improve overall management of the Company. The programme currently involves 253 of Uralkali's employees. It is scheduled for two years and is run in conjunction with the International Management Institute of St. Petersburg.

Corporate and Social Responsibility

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Labour Protection and Industrial Safety

The production of potash fertilizer is a complex engineering process which requires stringent safety measures at each of Uralkali's production facilities. Industrial safety, labour protection and fire fighting systems are installed and in operation at all of Uralkali's facilities. Workplace inspections are conducted every year on a regular basis, and personnel are trained and certified in the rules and norms of industrial safety. All of this helps to maintain a high level of operational safety.

Uralkali is constantly improving its industrial safety systems and invests heavily in programmes of labour protection, increasing the amount invested every year. The Company's investment in labour safety rose from 98.6 million rubles in 2007 to 107.2 million rubles in 2008 and 267.4 million rubles in 2009.

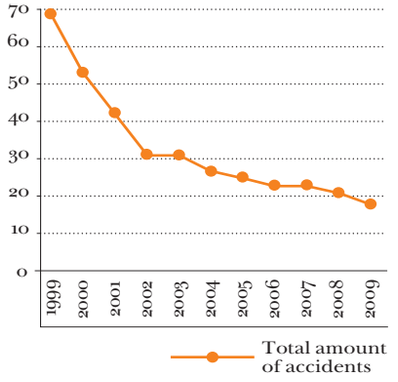
These measures have been highly effective, and have resulted in a steady decline in the number of accidents over the last few years. Over the period from 1999 to 2009 the number of accidents fell by three quarters.

In 2009, there were a total of 17 injuries throughout Uralkali's operations, three fewer than in 2008. No accidents were recorded at either Production Unit 1 (BKPRU-1) or in the Power Division of Uralkali in 2009.

Work continued during 2009 to improve and expand the monitoring of employees' observation of industrial safety requirements at hazardous locations throughout the production chain. Over 500 employees have completed training at accredited training centres and are certified in industrial safety and labour protection.

Cause of accident	**2009**
Traffic rules violations	3
Safety rules violations when operating a transport vehicle	3
Unsatisfactory organization of production process	1
Personal negligence	5
Other	5
TOTAL:	**17**

Workplace accident pattern

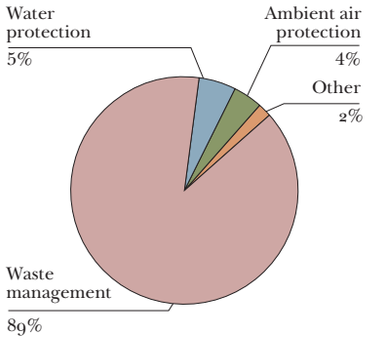


Environment

As a good corporate citizen Uralkali is doing its best to protect the environment and minimize the potential negative effects from production. Every year the Company prepares and implements a programme of measures to protect the environment. Sixteen such measures were introduced during the course of 2009, aimed at protecting the atmosphere and water basin, improving waste disposal and encouraging staff to protect the environment. The Company allocated some 316 million rubles for the programme, 25 million rubles more than originally planned.

In 2009 over 1,100 Uralkali employees received training in Environmental Safety. Members of Staff are trained every year in quality management, ecological management, industrial ecology, and environmental protection law. Uralkali is advised by the leading research institutes of Perm and St. Petersburg on environmental issues. Over 8 million rubles were paid for their services in 2009.

Uralkali's environmental protection expenditure in 2009



Protection of ambient air

A Binder-produced drying unit, using gas instead of fuel oil, was installed and commissioned at Production Unit 3 during 2009. This resulted in a sharp reduction of sulphur dioxide emissions.

Equipment was replaced in the drying section of the Production Unit 4 plant, removing the atmosphere brine effect.

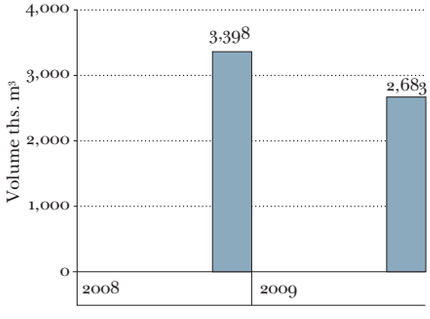
The possible negative environmental effects of solid domestic waste were studied at a temporary disposal field. No harmful effects were found.

Air pollution levels at Uralkali

Water Protection

Around 9 million rubles was spent on geological and hydrological studies in 2009. Throughout the year, experts from the UrO RAN Mining Institute continued to study the effects of the production facilities on the water environment. In addition, measures were introduced to upgrade existing biological water cleaning facilities at Production Units 2 and 3 (BKPRU-2 and 3).

Waste water removal at Uralkali



Land protection

Soils were monitored in sanitary protection zones at Uralkali's operation divisions in 2009 by experts from the inter-regional laboratory centre of technical measurement analysis. They found no significant harmful effects caused by the typical agents used in potash production.

Waste utilization

The Company is working to minimize surface storage of production waste. In 2009, potassium chloride solution of halite wastes at Production Unit 1

(BKPRU-1) reduced surface storage by almost 700,000 tonnes. In addition, over 110,000 tonnes of clay-salt mud was deposited underground at Mine 4.

The Company has done much work in 2009 to utilize 1-3 class hazard wastes. Scores of used rail slippers, mercury-containing power elements, used tires and indicator tubes were submitted for disposal. The cost of these measures amounted to 3 million rubles.

Social Programmes

In spite of the global economic downturn, Uralkali continued with major social programmes for its staff throughout 2009, allocating around 250 million rubles for this purpose. Uralkali also continued its social programmes for the city of Perm. The total expenditure on corporate and urban social programmes exceeded 630 million rubles in 2009.

Uralkali aims to be the most attractive employer in the regional labour market and provides additional benefits and social provisions to its staff and their families. The Company believes that providing assistance and support to staff and helping them resolve day-to-day issues results in improved efficiency and productivity.

Corporate Meals

In 2009 Uralkali continued to provide corporate catering for staff. Canteens at the second and third Production Units re-opened after repairs. In addition to the system of offsetting meal costs, employees were given the opportunity to make non-cash payment for meals from September. Under this system, meal costs are deducted from an employee's salary at the end of the month. The number of staff using corporate canteens and other catering services grew in 2008-2009 by almost 20%. Over 50 million rubles went into catering in 2009, an increase of 30% from 2008.

Housing

Due to the difficult economic situation, Uralkali stopped recruiting new participants for its housing programme in 2009, which covers employees' mortgage interest payments. At the same time the Company met its current obligations to the 262 employees in the programme, spending over 18 million rubles on mortgage interest payments in 2009. Over 700 employees are currently on the waiting list to receive improved accommodation.

Health Care

Uralkali employees have access to medical services both under the state's Obligatory Medical Insurance (OMI) scheme, and the Company's voluntary medical insurance (VMI). Under the VMI programme employees are served at a corporate medical centre (Uralkali-Med Polyclinic, JSC) on an ad-hoc basis, including vaccinations as required and preventive medical treatments to protect against possible work-related conditions. In 2009, 169 employees were reimbursed for the cost of expensive treatment and medicine. Uralkali spent a total of 26 million rubles on voluntary medical services in 2009.

Health rehabilitation

In 2009, 154 employees were offered the opportunity to improve their health and visit various resorts as part of the corporate programme for staff health rehabilitation. The corporate recreation centre was re-opened in October. It provided rehabilitation treatments to some 450 employees over the course of the year. Over 1000 of the Company's workforce visited the corporate holiday retreat Uralskoye Razdolie during the summer. The Company spent some 16 million rubles on these services in 2009, with a further 4 million rubles spent by the Social Insurance Fund.

Assistance to the Veteran Council

In 2009, Uralkali continued the implementation of its "Attention and Care" programme to support the Company's retired employees, who make up Uralkali's Veteran Council. The programme includes providing financial support to former employees, organizing cultural events, covering the costs of sightseeing tours and recreation trips, and providing vouchers for sanatoriums and resorts. In autumn 2009, 240 of the Company's veterans were given vouchers for free accommodation at the Uralskoye Razdolie resort for 14 days. Their itinerary included standard medical procedures, as well as a variety of entertainment events. Uralkali covered all expenses for this trip, at a cost of more than 4 million rubles. The Company spent more than 10 million rubles on donations to former employees during 2009, with the total cost for the Veteran Council programme surpassing 20 million rubles.

Corporate Scholarships

In keeping with established tradition, Uralkali awards scholarships and bonuses to the best students at the Perm State Technical University (PSTU) and its Berezniki Branch (BB PSTU). Based on the results of the first semester of the 2008-2009 academic year, a total of 13 students from the two colleges were awarded scholarships by Uralkali. The Company also gave awards to the winners of the Verkhnekamsky Potash Research Contest. This is the third successive year that Uralkali has been granting awards to the best and most talented students through its scholarship programme with PSTU and BB PSTU.

To maintain the established tradition, in 2009 Uralkali granted scholarships and bonuses to the best and most talented students of the PSTU

Education for Children

Uralkali is continuing to invest in education in its host city of Berezniki, spending over 10 million rubles in support of Gymnasium No.9 and Kindergarten No.88 in 2009.

Berezniki Social Projects

Uralkali believes that it is extremely important to contribute to the development of Berezniki, where the Company's production facilities are located. In 2009 the Company continued to finance the "Berezniki Character" social fund, which supports various projects in culture, the arts, education and sports. The Company also contributes funding to the "Safe City" project, aimed at tackling street crime. Uralkali allocated a total of some 110 million rubles to those programmes in 2009.

Uralkali supports the development of educational and cultural programmes of the home city of Berezniki

Corporate Governance

Corporate Governance Principles and Structure

Corporate Governance Principles

Uralkali is continually striving to improve its system of corporate governance in accordance with the leading corporate governance standards and the recommendations of the Russian Code of Corporate Conduct.

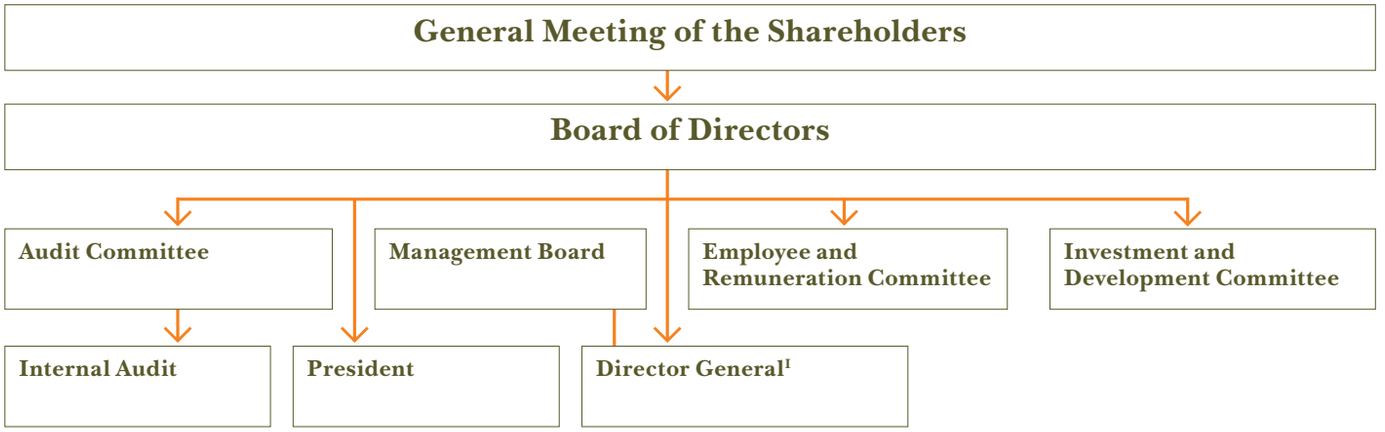
Further increasing the efficiency of the Board of Directors and the Committees of the Board was a major focus for Uralkali in 2009. The Board established a new Investment and Development Committee and dissolved the Information Disclosure Committee, which had achieved its aim of building an effective system of information disclosure and investor relations at the executive management level.

Adhering to the principles of transparency and full information disclosure remains one of Uralkali's highest priorities. In 2009 the Company's efforts to improve information disclosure were recognized by the investor relations community: Uralkali's 2008 Annual Report won awards from rating agency Expert RA, the RTS and MICEX stock exchanges, and Securities Market Journal.

In 2009 the Company sought to further improve its internal audit system. In particular, the Board of Directors developed and approved a new system of risk management. (See also Risk Factors on p. 126).

Governance Structure

In compliance with the Federal Law on Joint Stock Companies and the charter of the Company, the General Meeting of the Shareholders is the supreme governing body of Uralkali. The Board of Directors of the Company has overall control of its activities and determines its long-term strategy. The Company's executive bodies – the General Director (the Chairman of the Management Board) and the Management Board – are responsible for management on a daily basis. The Audit Committee oversees the Company's financial and economic activities. Uralkali's financial statements are assessed by an independent auditor.



General Meeting of the Shareholders

As the owners of the Company, the shareholders of Uralkali exercise their right to participate in managing the Company at the General Meeting of the Shareholders.

In 2009 the Annual General Meeting of the Shareholders took place on 30 June. The agenda included:

- Approval of Uralkali's 2008 Annual Report and financial statements
- Distribution of the Company's profits in view of the 2008 results
- Electing members of Uralkali's Audit Committee
- Appointing the independent auditor
- Electing the members of Uralkali's Board of Directors
- Approving interested-party transactions which may be concluded by Uralkali in the course of its day-to-day financial activity (in compliance with clause 6, article 83 of the Federal Law on Joint Stock Companies)

Board of Directors

The Board of Directors exercises overall control over the Company's activities. Its key priorities include ensuring the long-term sound development of the Company in accordance with the interests of the stakeholders, overseeing the activities of the Company's governing bodies, rigorously observing and protecting the rights and interests of shareholders, and enterprise-wide management succession planning.

The Board of Directors is constantly seeking to improve its effectiveness. This includes working to achieve the optimal balance of professional knowledge and skills in the Board, as well as a balance between executive, non-executive and independent directors.

Note

1. As per the decision of the Board of Directors dated 29 April 2010 Denis Morozov, who has been in the post of President and acting CEO since 1 February 2010, will appointed Director General as of 1 July 2010.

In compliance with global corporate governance practices and the recommendations of the Code of Corporate Conduct developed by the Federal Commission of the Securities Markets of Russia, independent directors are elected to Uralkali's Board of Directors. The criteria of independence for members of the Board of Directors are set out in Uralkali's corporate documentation and comply with the best international practice.

Uralkali's Board of Directors has nine members, of which three are independent directors and a further three are non-executive directors. All committees of the Board of Directors are headed by non-executive directors, and the Audit Committee by the independent director. The majority of members in each committee are independent and non-executive directors.

The members of the Board of Directors are elected by the General Meeting of the Shareholders for a one-year term, until the next Annual General Meeting of the Shareholders. Members of the Board of Directors are elected through cumulative voting.

Name	Position	Number of years served as a member of the Board	Independent / Executive	Audit Committee	Employee and Remuneration Committee	Investment and Development Committee	Information Disclosure Committee[I]
D. Rybolovlev	Chairman of the Board of Directors	15	Executive – ultimately controls the Group		+		
M. Antonov	Member of the Board of Directors	Elected 30 June 2009	Executive			+	Chairman
V. Baumgertner	Member of the Board of Directors	5	Executive			+	
Yu. Gavrilov	Member of the Board of Directors	9	Non-executive			+	+
A. Konogorov	Member of the Board of Directors	7	Non-executive	+	Chairman	+	
K. Marchuk	Member of the Board of Directors	2	Non-executive	+	+	Chairman	
V. Ruga	Member of the Board of Directors	1	Independent		+		+
H.J. Horn	Member of the Board of Directors	1	Independent	Chairman			
I. Yuzhanov	Member of the Board of Directors	3	Independent	+			

Note

I. By the resolution of the Board of Directors of Uralkali (proceedings № 225 of 7 October 2009), the Information Disclosure Committee was dissolved.

The quorum for the meeting of the Board of Directors is considered secured when five elected members of the Board of Directors are present. Decisions at the meetings of the Board of Directors are made by a majority vote of the members taking part in the meeting and/or having expressed their opinion in written form, unless it is otherwise stipulated by the Federal Law on Joint Stock Companies and the charter of the Company. All the decisions which were made at the meetings of the Board of Directors in 2009 were approved by the majority of the elected members of the Board.

The Chairman of the Board of Directors is elected from and by the members of the Board through a majority vote. The Chairman of the Board of Directors is responsible for organizing the work of the Board, convening and presiding at Board meetings and ensuring that meeting minutes are taken.

The Board of Directors' Activity in 2009

There were 16 meetings of Uralkali's Board of Directors in 2009, of which eight were held in person.

During 2009, the Board of Directors focused its efforts on examining strategic programmes and development plans, improving the effectiveness of internal audit and risk management systems, overseeing the activities of subsidiaries and joint ventures, and developing the Company's system of corporate governance. It also dealt with other matters within its remit, including:

- Electing the Chairman of the Board of Directors and his deputy, appointing the Secretary of the Board of Directors, and forming the Committees of the Board of Directors
- Determining the size and composition of the Management Board, appointing the Company's senior management
- Calling and conducting the Annual General Meeting of the Shareholders for consideration of 2008 results
- Approval of interested-party transactions
- Approval of financial statements
- Approval and adjustment of the budget

The most important matters are always discussed at Board meetings in person.

Attendance[1]

	Board of Directors	Audit Committee	Employee and Remuneration Committee	Investment and Development Committee
D. Rybolovlev	12 (16)		1 (3)	
M. Antonov	7 (7)		1 (1)	1 (1)
V. Baumgertner	12 (16)			1 (1)
Yu. Gavrilov	14 (16)	5 (5)	1 (1)	1 (1)
A. Konogorov	16 (16)	2 (2)	2 (3)	1 (1)
K. Marchuk	15 (16)	1 (1)	1 (1)	1 (1)
V. Ruga	15 (16)		0 (1)	
Hans Jochum Horn	12 (16)	6 (6)		
I. Yuzhanov	15 (16)	5 (6)	2 (2)	

With the aim of improving corporate governance and board effectiveness, the Board approved changes to the Code of Corporate Governance in February 2010, and undertook an assessment of the activities of the Board of Directors.

This assessment involved a face-to-face meeting of the Board where the results of the Board's work were analyzed, and possible ways to improve effectiveness discussed.

Committees of the Board of Directors

Committees of the Board of Directors assist the Board in undertaking preliminary consideration of important questions and developing recommendations. The following Committees are constantly in operation:

- Audit Committee
- Employee and Remuneration Committee
- Investment and Development Committee

Membership of these committees is drawn from the active members of the Board of Directors, taking into account the professional background of the Board members as well as the independence criteria.

Note

1. The number on the left indicates the number of meetings attended by the Board member; the number in brackets indicates the total number of meetings that the member could have attended as a member of the Board / Committee.

Audit Committee

The Audit Committee consists of four member of the Board of Directors: Hans Jochum Horn (Chairman), A. Konogorov, K. Marchuk, and I. Yuzhanov. Two members of the Audit Committee are independent, one of whom is the Chairman of the Committee, while the other two members are non-executive directors.

The responsibilities of the Audit Committee include assessing candidates for the position of auditor, assessing the independence and quality of the audit report, overseeing the effectiveness of internal audit and risk management systems, and monitoring the activity of the internal auditor of the Company.

In 2009 the Committee focused its efforts on increasing the effectiveness of the Company's internal audit function and improving its system of risk management. The internal audit function is managed by the Internal Audit Board, which consists of ten members. The Internal Audit Board is subordinate to the Audit Committee.

Employee and Remuneration Committee

The Employee and Remuneration Committee consists of four members of the Board of Directors: A. Konogorov (Chairman), K. Marchuk, V. Ruga, and D. Rybolovlev. One of the Committee members is independent, while two, including the Chairman of the Committee, are non-executive directors.

The Employee and Remuneration Committee is responsible first and foremost for ensuring that the Company is managed by highly-qualified professionals. This involves succession planning and developing recommendations on personnel, remuneration, and social policy.

The Committee's highest priority in 2009 was further developing the assessment and remuneration system for Uralkali's top management.

Investment and Development Committee

The Investment and Development Committee consists of five elected members of the Board of Directors: K. Marchuk (Chairman), M. Antonov, V. Baumgertner, Yu. Gavrilov, and A. Konogorov. Three members of the Committee are non-executive directors, including the Chairman of the Committee.

The main responsibilities of the Committee include determining investment and development priorities, analyzing long-term development plans, setting budgets, reviewing financial performance, undertaking preliminary consideration of the Company's key investment projects, and making recommendations to the Board of Directors.

Governing Bodies

The General Director and the Management Board are responsible for day-to-day management of the Company. The General Director is a member of the Management Board.

The rights and duties of the General Director and the members of the Management Board in exercising day-to-day control over the Company are governed by federal law, the Company charter, and internal regulatory policies. The members of the Management Board are appointed for the same term as the Board of Directors. The Board of Directors has the right to change the composition of the Management Board as well as cease the powers of the General Director before the end of the term.

There are certain matters, falling under the jurisdiction of the Board of Directors, that lie outside the authority of the Management Board and General Director. The Management Board and the General Director are responsible for overseeing the implementation of the decisions of the General Meeting of the Shareholders and the Board of Directors.

Management Board as of December 31, 2009 [I]

Name	Position	CV[II]	Meeting Attendance[III]
Vladislav Baumgertner	General Director, Chairman of the Management Board	General Director and Chairman of the Management Board since 2005, Member of the Board of Directors since 2004. Vladislav Baumgertner was born in 1972. He graduated from Ural State Technical University in 1994 with a degree in Electrical Engineering and Power Plants, subsequently earning an MBA from Kingston Business School in 2000 and an MSc in Financial Management from the University of London in 2003. He is a member of the Investment and Development Committee.	10 (10)
Mikhail Antonov	Vice-President for Strategic Development	Member of the Management Board and the Board of Directors since 2009, Vice-President for Strategic Development since 2008, Acting President since July 2009. Mikhail Antonov was born in 1966. He graduated from Lomonosov Moscow State University in 1988 with a degree in Economics and Computer Science, and subsequently earned a PhD in Economics. He is a member of the Investment and Development Committee of the Board of Directors.	2 (5)[IV]
Viktor Belyakov	Deputy General Director, Director for Economics and Finance	Member of the Management Board since 2007, Director for Economics and Finance since 2007, and Deputy General Director since 2008. Viktor Belyakov was born in 1973. He has been awarded degrees in Economics (1997) and Computer Science (1995) from Tver State Technical University, and also holds a CMA (Certified Management Accountant) certificate and an MBA from Kingston Business School.	10 (10)
Sergey Diakov	Deputy General Director	Member of the Management Board since 2002, Deputy General Director since 2006. Sergey Diakov was born in 1956. He graduated from Perm Polytechnic Institute in 1978 with a degree in Automation and Electrification of Mining Works.	9 (10)
Elena Samsonova	HR Director	Member of the Management Board since 2004, HR Director since 2004. Elena Samsonova was born in 1976. She graduated from Perm State University in 1998 with a degree in English Philology, before earning a Master of Management degree from Durham University Business School in 2000.	9 (10)
Marina Shvetsova	Director of Legal and Corporate Matters	Member of Management Board since 2005, Director of Legal and Corporate Matters since 2006. Marina Shvetsova was born in 1972. In 1994 she graduated from Perm State University with a degree in Law.	9 (10)

Vladislav Baumgertner has been the Chairman of Uralkali's Management Board since 2005.

At present the Management Board of Uralkali consists of six people.

Notes

I. The current Management Board was appointed by the Board of Directors of Uralkali on 12 August 2009. As of 1 January 2009, before the Annual General Meeting of the Shareholders was held on 30 June , 2009, the Management Board included V. Baumgertner (Chairman), A. Alexandrov, V. Belyakov, S. Durnovtsev, S. Diakov, I. Zaytseva, A. Kleiman, E. Koridorov, E. Samsonova, V. Shanin, M. Shvetsova, I. Yamilova.

II. Place of employment and work status of the persons are quoted as of 31 December 2009.

III. The total number of the Management Board meetings held is indicated in brackets.

IV. Mikhail Antonov was first elected Member of the Management Board on 12 August 2009. Five meetings were held in between the beginning of 2009 and the time of electing new Management Board.

Management Board Activities in 2009

The main issues dealt with by the Management Board in 2009 were:

- Reviewing Uralkali's budgets
- Approving local regulatory acts of the Company
- Reviewing compensation for senior managers
- Reviewing the risk management system

Audit Committee

The Audit Committee is an internal body which oversees the Company's financial and economic activities. It is responsible for ensuring that Company activities are aligned with shareholder interests and comply with federal law, and that financial statements accurately represent the Company's financial position.

Remuneration of the members of the governing bodies

14,464,400 rubles were paid to the members of the Board of Directors for their service as Board Committee Members, in accordance with the decision of the 2008 Annual General Meeting of shareholders of Uralkali.

Members of the Board of Directors	Remuneration
A. Konogorov	3,616,100 RUR
V. Ruga	3,616,100 RUR
Hans Jochum Horn	3,616,100 RUR
I. Yuzhanov	3,616,100 RUR

Executive directors are not remunerated for their service on the Board of Directors.

The decision as to the size of the compensation to be paid to the members of the Board of Directors of Uralkali for 2009 will be taken at the 2010 Annual General Meeting of JSC "Uralkali".

The total remuneration paid to the General Director, members of the Management Board and the Board of Directors following the 2009 results was 202,457,010 rubles.

Director shareholdings (as of December 31, 2009)

Name	Position	Number of shares, as of 1 January 2009	% of authorized share capital as of 1 January 2009	Number of shares, as of 31 December 2009	% of authorized share capital as of 31 December 2009
S. Diakov	Deputy General Director	3,171,000	0.15	3,171,000	0.15
Total members of the Board of Directors and Management Board		3,171,000	0.15	3,171,000	0.15

Board of Directors[I, II]

Dmitry Rybolovlev

Chairman of the Board of Directors since 1996.
Dmitry Rybolovlev was born in 1966. He graduated from the Perm Medical Institute with a degree in General Medicine. Dmitry Rybolovlev is a member of Uralkali's Employee and Remuneration Committee. He is a member of the board of the Russian Union of Industrialists and Entrepreneurs, a non-profit organization which promotes the interests of Russian businesses.

Andrey Konogorov

Member of the Board of Directors in 1996–1998, 2000–2004, and since 2008, Advisor to the Chairman of the Board of Directors since October 2009.
Andrey Konogorov was born in 1964. He graduated from Perm Polytechnic Institute in 1986 with a degree in Mining Engineering, and in 2003 was awarded a degree in Strategic Management and Business by the Academy of National Economy under the Government of the Russian Federation.
Mr Konogorov is a member of Uralkali's Employee and Remuneration Committee, and is a member of the Audit Committee and Investment and Development Committee.

Vladislav Baumgertner

Member of the Board of Directors since 2004, Director General and Chairman of the Management Board since 2005.
Vladislav Baumgertner was born in 1972. He graduated from Ural State Technical University in 1994 with a degree in Electrical Engineering and Power Plants, subsequently earning an MBA from Kingston Business School in 2000 and an MSc in Financial Management from the University of London in 2003. He is a member of the Investment and Development Committee.

Mikhail Antonov

Member of the Board of Directors since 2009, Vice President for Strategic Development since 2008, Acting President in July 2009 – February 2010.
Mikhail Antonov was born in 1966. He graduated from Lomonosov Moscow State University in 1988 with a degree in Economics and Computer Science, and subsequently earned a PhD in Economics.
He is a member of the Investment and Development Committee of the Board of Directors.

Yury Gavrilov

Member of the Board of Directors since 2000.
Yury Gavrilov was born in 1969. He holds a degree in Mechanical Engineering and Research from Perm State Technical University.
Mr Gavrilov is a member of Uralkali's Investment and Development Committee. Since 1999 he has served as General Director of the investment company Finansovy Dom.

Kuzma Marchuk

Member of the Board of Directors since 2007, Vice President for Finance (CFO) 2004–2009.
Kuzma Marchuk was born in 1973. He graduated from Plekhanov Russian Academy of Economics in 1995 with a degree in Foreign Economic Activities of Enterprises and Organizations, and received a degree in Physics from Lomonosov Moscow State University in 1996.
He is a member of the Investment and Development Committee, and is a member of the Audit Committee and the Employee and Remuneration Committee.

Vladimir Ruga

Member of the Board of Directors since 2008.
Vladimir Ruga was born in 1970. He graduated from Moscow State Pedagogical University with a degree in history in 1993.
Vladimir Ruga is a member of Uralkali's Employee and Remuneration Committee. Since 2003 he has served as Vice President for Media and Public Relations at TNK-BP.

Hans Jochum Horn

Member of the Board of Directors since 2008.
Hans Jochum Horn was born in 1948. He earned a degree in commerce from the University of Mannheim in 1974, and in 1977 graduated from Bergen University as a State Authorized Public Accountant in 1977.
Hans Jochum Horn is a member of Uralkali's Audit Committee.
From 2005 to February 2009 he was Managing Director and the Deputy Chairman of the Board of Directors of Renaissance Group. Since February 2009, he has been Deputy Chief Executive Officer of Renaissance Group.

Ilya Yuzhanov

Member of the Board of Directors since 2006.
Ilya Yuzhanov was born in 1960. He graduated from the Zhdanov Leningrad State University with a degree in Economics in 1982 and subsequently earned a PhD in Economics. Mr Yuzhanov is a member of Uralkali's Audit Committee.
He has been a member of the Supervisory Board of Nomos-Bank since 2004, and since 2009 has served on the Supervisory Board of AK Alrosa. He has served as the Chairman of the Board of Directors of Polymetal since 2008, and since 2009 has held the position of Managing Director at Deutsche Bank.

Notes

I. Place of employment and work status of the persons are quoted as of 31 December 2009.

II. The composition of the Board of Directors was reapproved by a resolution adopted at the Annual General Shareholders' Meeting on June 30, 2009. The Board of Directors, approved in June 2008, included: D. Rybolovlev (Chairman), V. Baumgertner, Yu. Gavrilov, A. Konogorov, A. Lebedev, K. Marchuk, V. Ruga, Hans J. Horn, I. Yushanov.

The members of Uralkali's Board of Directors do not own the company's shares.

Information for Shareholders and Investors

Uralkali securities are listed and traded on LSE, RTS and MICEX stock exchanges. The Company strictly observes the Federal Law on Joint Stock Companies as well as the rules governing companies listed on the Russian and London Stock Exchanges.

Uralkali discloses all relevant information to shareholders and investors in full and in a timely fashion.

Ordinary shares

The authorized capital of Uralkali is 1,062,195,000[I] rubles, divided into 2,124,390,000 registered ordinary shares with a par value of 50 kopeks per share.

A 2004 directive of the Federal Commission for the Securities Market of Russia No. 04-81/r united the additional issues of Uralkali securities. As a result, issues of registered ordinary uncertificated shares were assigned the state registration number 1 01 00296-A.

As of January 1, 2009, there were 9,881 holders of record[II] in Uralkali's shareholder register. As of December 31, 2009, there were 9,872 holders of record.

Global Depository Receipts (GDRs)

GDRs are issued in respect of ordinary shares in Uralkali as follows: 5 registered ordinary shares = 1 GDR. Global Depository Receipts are listed and traded on London Stock Exchange (LSE).

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

As of 31 December 2009, GDRs traded on the LSE amounted to 19% of the authorized capital of the Company. The depository is Bank of New York — see contacts on p. 125.

Trading floors of Uralkali's shares

As of 31 December 2009, Uralkali's ordinary shares and GDRs are traded on the following trading floors: LSE, MICEX and RTS.

Notes

I. Uralkali's 2009 financial statement, prepared in accordance with Russian Accounting Standards (Balance Sheet, line 410).

II. The term "holders of record" encompasses both registered shareholders of the company and nominee shareholders.

	Ticker code
RTS	URKA, URKAG, URKAS
MICEX	URKA
LSE	URKA
CUSIP:	
– Regulation S GDRs	91688E206
– Rule 144A GDRs	91688E107
ISIN:	
– Regulation S GDRs	US91688E2063
– Rule 144A GDRs	US91688E1073
	RU0007661302

RTS: trading in ordinary shares URKA (market transactions)

	2009	2008
Maximum	150.0	379.9
Minimum	36.0	28.0
Volume-Weighted Average Price at the end of the year (the date of the latest transaction)	125.1	53.1
Annual number of transactions	278	745
Trading Volume (mln RUR)	109.6	105.0
		(RUR)

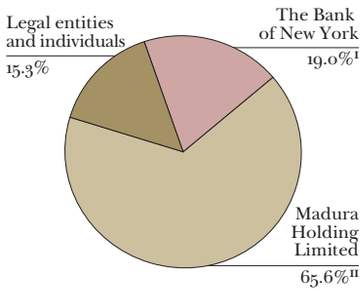
MICEX: trading in ordinary shares URKA (market transactions)

	2009	2008
Maximum	156.9	386.0
Minimum	34.3	21.5
Volume-Weighted Average Price at the end of the year (the date of the latest transaction)	125.5	53.1
Annual number of transactions	2,404,176	1,073,372
Trading Volume (mln RUR)	123,430.8	46,257.5
		(RUR)

LSE: trading in GDR URKA

	2009	2008
Maximum	26.5	80.0
Minimum	4.2	3.3
Price at the end of the year	21.0	8.9
Trading Volume (mln US$)	4,278.9	9,411.7
		(US$)

Equity structure, 31 December 2009



Share price performance on the LSE, 2009

Notes

I. Holds shares as a depositary of Global Depositary Receipts (GDRs). GDRs are issued in respect of ordinary shares in Uralkali as follows: 5 registered ordinary shares = 1 GDR.

II. As of April 29, 2010, the stake of Madura Holding Limited in Uralkali's equity capital decreased to 63.2 % shares.

Dividends

Taxation

Dividend payments in Russia are taxed at 9% for domestic shareholders, both individuals and corporate entities, and 15% for overseas investors. In case when a double taxation treaty is applied, the tax payable is determined by reference to this agreement.

Potential and existing investors in Uralkali shares, including GDRs, are advised to consult their investment advisors on tax implications.

Dividend Policy

Dividend payment is subject to Russian federal law.

Dividends are paid from Uralkali's net profit (profit after tax), which is determined based on its accounting statements. In accordance with the Federal Law on Joint Stock Companies, the Company charter and the Regulation on Dividend Policy, the Company is entitled to decide on the full-year dividend, as well as quarterly dividends at three, six and nine months. Decisions on the payment and size of dividends are made by the General Meeting of the Shareholders. However, the dividend amount may not exceed the amount recommended by the Company's Board of Directors.

Uralkali's dividend policy stipulates that dividend payments should amount to at least 15 percent of net profit, determined on the basis of the Company's financial statements for the corresponding period. At the same time, Uralkali draws shareholders' attention to the fact that setting dividend payments is a right, and not an obligation, of the Company.

Dividends per share

Period	Date of decision on dividend payment	Dividend per ordinary share/ one GDR, RUR	Accrued dividends, RUR in thousands	Dividend payout ratio (dividend payments as % of net profit)
9 months of 2005	30.12.2005	2.46	5,225,999.4	55%
9 months of 2006	15.12.2006	1.59	3,377,780.1	97%
2007	18.06.2008	1.90/9.5	4,036,341.0	50%
6 months of 2008	19.09.2008	4.0/20.0	8,497,560.0	39%

Uralkali discloses all relevant information on dividends in the quarterly issuer reports which are available on the Company's website: www.uralkali.com.

Contacts

Registrar:

Closed Joint Stock Company Registrator Intraco
Abbreviated name: Registrator Intraco
64, Lenina Street, Perm, Russian Federation, 614990
Tel: +7(342) 233-01-64
Fax: +7(342) 233-01-63
Web: www.intraco.ru
E-mail: root@intraco.ru
Operating licence to maintain share register
Licence number: 10-000-1-00272
Date of issue: 24.12.2002
Date of expiry: Perpetual
Issuing authority: Federal Financial Markets Service

Depository:

Bank of New York
101 Barclay Street
22nd Floor
New York, New York 10286
United States of America

IR Contacts:

Anna Batarina
Vice President for Investor Relations
Tel: +7(495) 730-2371
Ir@msc.uralkali.com

Media Contacts:

Alan Basiev
Head of Media Relations

Larissa Belyaeva
Head of International Media Relations
Tel: +7(495) 730-2373
press@uralkali.com

Risk Factors

Uralkali Risk Management System

The Audit Committee has designated the development of an effective risk management system as one of the Company's most important strategic aims.

This includes, but is not limited to, minimizing potential threats, ensuring transparent division of duties, and improving the balance between the responsibilities and authorities of the decision-makers.

The Company has chosen the Enterprise Risk Management (ERM) concept developed by the Committee of Sponsoring Organizations (COSO) as the methodological foundation for its risk management system. ERM provides an integrated framework for managing all key risks facing the Company.

Uralkali launched a number of management initiatives in 2009 aimed at achieving this objective. These resulted in the establishment of a risk management division, as well as the development and implementation of appropriate mechanisms and procedures including training for Uralkali's management and employees. Within its risk management framework, the Company analyzed its strategic goals, identified key risks and formalized its key risk ranking matrix, which measures risks according to their severity and the likelihood of their adverse effect on the Company.

Introducing this risk management system would not have been sufficient without additional efforts to mitigate key risks related to the Company's most significant business processes. Uralkali's management therefore focused on developing plans to address risks in the fields of corporate governance and investment management, production, safety and environment, purchasing and distribution. An executive has been appointed to oversee risk management at each of Uralkali's subdivisions.

Risk Factors

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

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

The Annual Report does not present an exhaustive account of all risks facing the Company. Uralkali will make further disclosures of relevant information on an ongoing basis as required, according to the demands of Russian legislation and the Disclosure and Transparency Rules of the UK Listing Authority.

Risk	Description
Consequences of global financial crisis	The global financial crisis has resulted in economic instability in many countries. This makes forecasting the volume of global potash consumption in 2010, as well as the rates of price volatility and changes in global and domestic demand very difficult. Along with other negative external and internal risk factors, the effects of the financial crisis may lead to a shortage of liquidity and failures in meeting financial obligations such as payments to suppliers, as well as preventing planned or required investments.
Inflation	Inflationary pressures and currency fluctuations resulting in higher production costs due to the rise in prices of materials, resources and services (for example, freight services) may lead to a reduction in net profit and increase of investment outlay.
Insufficient demand	Macroeconomic factors, which include changes in the world population, availability of arable land per capita, reduced levels of income and lack of finance for potash consumers, may result in reduced potash demand.
Excess supply	Excessive global potash production and high inventory levels of both potash producers and consumers may lead to excess potash supply in the market, which could cause a decline in potash demand and create downwards pressure on potash prices. As a result, this may reduce revenue volumes and, consequently, the Company's profitability.
Implementation of investment projects	Investment costs, including the cost of expanding capacity and boosting performance, accounts for a significant proportion of Uralkali's budget.There is a risk that projects could exceed their time limits or planned costs, or that it may prove impossible to meet projects' technological targets.
Suppliers and contractors	Uralkali's relationships with its key contractors are of strategic importance for the Company's operations. The loss of such contractors, substantial changes in the costs of their goods and services, and risk of default may adversely affect the Company's business.
Employees	Uralkali's operations are dependent on the availability of professional and highly qualified employees in the labour market. Uralkali may fail to attract, retain and motivate high-quality staff and may face additional costs for training and professional development of the Company's personnel. All this may adversely affect the Company's ability to meet its business objectives.
Obtaining and prolongation of licences	Uralkali's activities depend on the continuing validity of its licences and compliance with their terms. Changes in legislation and withdrawal or restriction of licences by regulatory bodies may adversely affect the business of the Company.
Production capacity and output	Uralkali's potash production may be diminished by various internal factors, such as emergency downtime or deterioration of physical infrastructure, and external factors, such as deterioration of ore quality or reduced capacity owing to technological changes prescribed by regulatory bodies as well as other internal and external factors.

Risk	Description
Production costs	Uralkali's production costs could rise as a result of the physical depreciation of the production equipment, utilization of outdated technology in the process of production, ineffective productivity improvement programmes or the failure to implement cost reduction programmes. Exposure to such risks is likely to directly affect the level of the Company's net profit.
Mineral resources	Uralkali's estimations of its reserves and resources may be considerably different from the mineral quantities that can be actually recovered and certain ore reserves or mineral deposits may become unprofitable to mine.
Natural and mining hazards	Uralkali's mining and production operations are subject to hazards and risks associated with the exploration, development and processing of mineral resources, including potential flooding, fires and other accidents, which may lead to accidental losses and overall decrease of the Company's efficiency.
Risks related to Mine 1 flooding	The flooding of Uralkali's Mine 1, which took place in October 2006, had a significant impact on the volume of Uralkali's potash reserves and may result in additional costs, losses and liabilities.
Regulatory reviews	Uralkali's activity is subject to various reviews by tax authorities, the Federal Service for Environmental, Technological and Nuclear Supervision (Rostekhnadzor) and other relevant regulatory bodies. These reviews may lead to the imposition of additional obligations, costs and restrictions (for example, if governmental authorities take a more assertive position in their assessment and interpretation of the legislation).
Legislative changes	Uralkali is subject to changes in Russian and international legislation, which may severely affect the Company's business and result in additional costs.
Antimonopoly law	Uralkali is subject to antimonopoly legislation in Russia and other countries. Antimonopoly claims and lawsuits may lead to additional costs for Uralkali.
Subsidiaries and joint ventures	Risks associated with Uralkali's key subsidiaries and joint ventures (such as BPC and BBT) may adversely affect Uralkali's business, including its distribution network.
Health, safety and environment	Uralkali's operations and specificity of its property are subject to complex environmental and health and safety regulations (which may allow variant readings). Compliance with these regulations may result in additional costs and obligations for Uralkali.

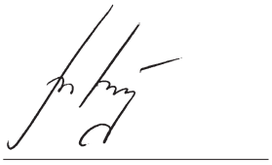
Responsibility Statement

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 29 April 2010.



Director General
V. A. Baumgertner

Review of the Mineral Resources and Ore Reserves of Joint Stock Company Uralkali located in the Russian Federation

This is a letter to confirm that SRK Consulting (UK) Limited (SRK) has reviewed all of the key information on which the most recently (1 January 2010) reported Mineral Resource and Ore Reserve statements for the mining assets of Joint Stock Company Uralkali (Uralkali) are based. Specifically it sets out SRK's view regarding the tonnes and grade of rock which has the potential to be mined by the existing and planned mining operations (the Mineral Resource), the quantity of product expected to be produced as envisaged by the respective Business Plan (the Ore Reserve) and the work done to derive these.

SRK has not independently re-calculated Mineral Resource and Ore Reserve estimates for Uralkali's operations but has, rather, reviewed the quantity and quality of the underlying data and the methodologies used to derive and classify the estimates as reported by Uralkali and made an opinion on these estimates including the tonnes, grade and quality of the potash planned to be exploited in the current mine plan, based on this review. SRK has then used this knowledge to derive audited resource and reserve statements according to the guidelines and terminology proposed in the JORC Code.

This report presents both the existing Uralkali resource estimates according to Russian standard reporting terminology and guidelines and SRK's audited JORC Code statements. All of these estimates are dated as of 1 January 2010. SRK has restricted its assessment to the resources and reserves at Mine 2, Mine 4 and Mine 5. Mine 1 has been excluded as this has no realistic potential to be re-opened in the foreseeable future.

1. Quantity and Quality of Data

While a drilling programme was initiated during 2009 to improve confidence in the resource estimates in the eastern portion of Mine 4, 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. In the case of Uralkali, blocks are assigned to the A category where the drillhole spacing is less than 1km, to the B category where the drillhole spacing is between 1 and 2km and to the C1 category where the drillhole spacing is 2km. Areas drilled at a larger spacing than this, up to a 4km spacing, are assigned to the C2 category, though only a very small proportion of Uralkali's resources have been categorised as such. SRK considers that in this

case all of these categories, apart from C2, are acceptable for use in supporting mining plans and feasibility studies.

As a result of the above process, each mine is drilled on a 2km by 2km grid or less before a decision is taken to develop the mine. This information is, however, then supplemented by underground drilling once the access development is in place. This typically creates a grid of intersections measuring 400m by 200m. Uralkali does not upgrade the categorisation of its resources based on this drilling but rather uses this to optimise the mining layouts.

The drillholes, whether drilled from surface or underground, are sampled at intervals of at least 10cm. If a seam consists of several layers then each layer is sampled separately. The resulting samples are crushed and milled under the control of the geology department to produce an approximate 100g sample prior to submission to the laboratory.

Assaying is carried out at an in house laboratories located at each mine. No samples are sent to any independent laboratories but there is an internal system of check assaying and repeat assaying. Approximately 5% of samples are repeat assayed. The majority of the assaying is carried out using classical wet chemistry techniques. SRK considers that the exploration approach followed by Uralkali has been appropriate and specifically aimed at collecting the data appropriate to the estimation of potash resources and that sufficient data of sufficient quality has been collected to support the resource estimates as derived by Uralkali and as presented here.

2. Resource Estimation

Introduction

The most up to date resource statements produced by Uralkali are those derived for the annual 5GR reports produced earlier this year which give the status as of 1 January 2010. The completion of 5GR reports is a statutory requirement. These estimates were produced using standard classical Russian techniques and are essentially based on calculations made in previous years adjusted for mining during 2009. This section therefore comments primarily on these statements.

Uralkali Estimation Methodology

Each seam and each mine is treated separately in the resource estimation procedure. In each case the horizons are first divided into blocks such that each 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, composite K_2O and MgO grades are derived for each borehole that intersected each block and mean grades are then derived for each block by simply calculating a length weighted average of all of these composited intersections. No top cuts are applied and all intersections are allocated the same weighting.

A separate plan is produced for each seam showing the results of the above calculations, the lateral extent of each sub block, and any areas where the seams are not sufficiently developed. The aerial coverage of each block is then used with the mean thickness of the contained intersections to derive a block volume. The tonnage for each block is then derived from this by applying a specific gravity factor calculated by averaging all of the specific gravity determinations made from samples within that block.

The data for each resulting block is plotted on a Horizontal Longitudinal Projection (HLP). This shows the horizontal projection of the extent of each block as well as its grade and contained tonnage. The HLP also shows the block classification, this being effectively a reflection of the confidence of the estimated tonnes and grade.

Uralkali Resource Statements

Table 1 below summarises SRK's understanding of the resource statements prepared by Uralkali to reflect the status of its assets as of 1 January 2010. Uralkali's statements are based on a minimum seam thickness of 2m and a minimum block grade which dependent on the mine varies between 13.6% and 13.9% K_2O.

Table 1: Uralkali Sylvinite Mineral Resource Statement at 1 January 2010

Category	Tonnage (mln tonnes)	K_2O (%)	K_2O (mln tonnes)
Mine 2			
A	10.4	31.1	3.2
B	45.0	22.7	10.2
C1	262.2	24.8	64.9
C2	-	-	-
A+B+C1	**317.7**	**24.7**	**78.4**
Mine 4			
A	394.0	21.6	85.2
B	439.9	22.6	99.4
C1	1,016.9	20.6	209.7
C2	310.3	26.8	83.3
A+B+C1	**1,850.7**	**21.3**	**394.2**
Mine 5			
A	169.9	19.0	32.3
B	311.0	19.8	61.7
C1	809.7	19.8	160.4
C2	-	-	-
A+B+C1	**1,290.6**	**19.7**	**254.4**

Category	Tonnage (mln tonnes)	K_2O (%)	K_2O (mln tonnes)
All Mines			
A	574.3	21.0	120.8
B	795.9	21.5	171.2
C1	2,088.8	20.8	435.0
C2	310.3	26.8	83.3
Grand Total A+B+C1	**3,459.0**	**21.0**	**727.0**

SRK Comments

SRK has reviewed the estimation methodology used by Uralkali to derive the above estimates and the geological assumptions made and considers these to be reasonable given the information available. SRK has also undertaken various re-calculations both of individual blocks and seams as a whole and has in all cases found no material errors or omissions and has replicated the estimates derived by Uralkali to within 5%.

Overall, SRK considers the resource estimates reported by Uralkali to be a reasonable reflection of the total quantity and quality of material demonstrated to be present at the three assets as of 1 January 2010.

SRK Audited Mineral Resource Statements

Table 2 below presents SRK's audited resource statement. SRK has re-classified the resource estimates using the terminology and guidelines proposed in the JORC Code. In doing this, SRK has reported those blocks classified as A or B by Uralkali as Measured, those blocks classified as C1 as Indicated and those blocks classed as C2 as Inferred. SRK's audited Mineral Resource statements are reported inclusive of those Mineral Resources converted to Ore Reserves. The audited Ore Reserve is therefore a sub set of the Mineral Resource and should not therefore be considered as additional to this.

SRK has not attempted to optimise Uralkali's Business Plan. Consequently, SRK's audited resource statements are confined to those seams that both have the potential to be mined economically and which are currently being considered for mining only.

Table 2: SRK Audited Sylvinite Mineral Resource Statement at 1 January 2010

Category	Tonnage (mln tonnes)	K_2O (%)	K_2O (mln tonnes)
Mine 2			
Measured	55.4	24.3	13.5
Indicated	262.2	24.8	64.9
Inferred	-	-	-
Measured + Indicated	**317.6**	**24.7**	**78.4**
Mine 4			
Measured	833.9	22.1	184.6
Indicated	1,016.9	20.6	209.7
Inferred	310.3	26.8	83.3
Measured + Indicated	**1,850.7**	**21.3**	**394.3**
Mine 5			
Measured	480.9	19.5	94.0
Indicated	809.7	19.8	160.4
Inferred	-	-	-
Measured + Indicated	**1,290.6**	**19.7**	**254.4**
All Mines			
Measured	1,370.2	21.3	292.0
Indicated	2,088.8	20.8	435.0
Inferred	310.3	26.8	83.3
Total Measured + Indicated	**3,459.0**	**21.0**	**727.0**

SRK Comments

The audited Mineral Resource statement as at 1 January 2010 presented above is different to that presented as at 1 January 2009 as a function of mining activity during 2009 and some re-assessments completed during 2009 by Uralkali to reflect updated mining limitations imposed by the appropriate regulatory bodies.

3. Ore Reserve Estimation

Introduction

Uralkali does not report reserves as these are typically defined by reporting guidelines and terminology developed in Europe, North America and Australia; that is, estimates of the tonnage and grade of total material that is planned to be delivered to the various processing plants over the life of the mine. SRK has therefore derived estimates of such using historical information gained during its site visits regarding the mining losses and dilution experienced during mining to date. SRK has also restricted the resulting estimates to those areas planned to be mined by Uralkali's Business Plan during the next 20 years from 2010 to 2029 inclusive. This Business Plan assumes that Uralkali will successfully re-negotiate its Mining Licences in 2013 and the Ore Reserve Statements therefore also assume this will be the case.

Modifying Factors

The Modifying Factors applicable to the derivation of reserves comprise estimates for ore losses and dilution associated with the separation of the ore and waste. This is normally a function of the orebody characteristics and mining methods selected.

The Modifying Factors considered by SRK to be appropriate for the sylvinite being mined at each of the assets is shown in Table 3 below. The ore losses primarily comprise material left behind in pillars while the grade factor represents the relationship between the grade of the ore delivered to the plant and the in-situ grade.

Uralkali undertakes an annual reconciliation to compare the ore tonnes mined each year with the resource that has been sterilised by this mining and it is these figures that SRK has reviewed to derive the ore loss factors.

Similarly Uralkali keeps a record of the in situ grade of the material sterilised by mining each year and SRK has compared these with the grade of material reported to have been fed to the plants to derive the grade factors. SRK has used the average ore loss and dilution factors experienced at Uralkali's mining operations over the last five years. Given this SRK is confident that the Modifying Factors used reflect the geometry of the orebodies being mined and the mining methods currently being used.

Table 3: SRK Modifying Factors

Description	Units	Mine 2	Mine 4
Ore Loss	(%)	68	62
Extraction Rate	(%)	32	38
Grade Factor	(%)	83	88

SRK Audited Ore Reserve Statements

As with its audited Mineral Resource statements, SRK's Ore Reserve statements have been reclassified using the terminology and guidelines proposed in the JORC Code. SRK has been provided with actual production and operating cost data for 2009 and a revised production forecast for 2010 to 2029 inclusive reflecting Uralkali's current plans regarding the refurbishment of some existing processing facilities and also the installation of additional facilities and information regarding sales agreements and price forecasts.

SRK's audited Ore Reserve statement is therefore confined to those seams that are currently being considered for mining within the next 20 years only. Specifically, for the operating mines, SRK has classed that material reported in the tables above as a Measured Mineral Resource, and which is planned to be exploited within the first ten years of the Business Plan, as a Proved Ore Reserve; and that material reported in the tables above as an Indicated Mineral Resource, and which is planned to be exploited within the Business Plan, and also that material reported above as a Measured Mineral Resource, but which is planned to be mined during the following 10 years of the Business Plan, as a Probable Ore Reserve.

SRK's Ore Reserve statement does not include any material from Mine 5, as the updated feasibility study for this is ongoing. In addition no Inferred Mineral Resources have been converted to Ore Reserves. SRK can confirm that the Ore Reserve defined in Table 4 below has been derived from the resource blocks provided to SRK and incorporates sufficient estimates for ore losses and dilution based on actual historical data.

The large difference between SRK's audited Mineral Resource statement and its audited Ore Reserve statement is partly a function of the relatively low mining recovery inherent in the Room and Pillar mining method employed. It is also partly a function of the fact that SRK has limited the Ore Reserve statement to that portion of the Mineral Resource on which an appropriate level of technical work has been completed. In this case this relates to the period covered by the remaining 20 years of Uralkali's Business Plan.

Table 4: SRK Audited Sylvinite Ore Reserve Statement at 1 January 2010

Category	Tonnage (mln tonnes)	K_2O (%)	K_2O (mln tonnes)
Mine 2			
Proved	17.7	20.1	3.6
Probable	82.7	20.6	17.0
Total	**100.5**	**20.5**	**20.6**
Mine 4			
Proved	186.7	19.5	36.4
Probable	216.6	18.2	39.3
Total	**403.4**	**18.8**	**75.8**

Category	Tonnage (mln tonnes)	K_2O (%)	K_2O (mln tonnes)
All Mines			
Proved	204.5	19.6	40.0
Probable	299.3	18.8	56.4
Grand Total	**503.8**	**19.1**	**96.4**

SRK Comments

The audited Ore Reserve statement as at 1 January 2010 presented above is different to that presented as at 1 January 2009 as a result of mining during 2009, the extension of the Uralkali Business Plan to 2029 and the revisions to the Mineral Resource statements commented upon earlier in this letter.

4. 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 2010. SRK considers that should the Ore Reserves as presented herein be re-stated in accordance with the reporting requirements of the United States Securities and Exchange Commission (the "SEC"), specifically Securities Act Industry Guide 7 ("Industry Guide 7"), such Ore Reserves would not be materially different. SRK however notes that certain terms as used in this letter, such as "resources" are prohibited when reporting in accordance with Industry Guide 7.

Yours faithfully

Dr Mike Armitage
Managing Director SRK Consulting (UK) Ltd

Index and Glossary

Index	Names and Sources	Decryption
1	Agroconsult	Agroconsult Consulting & Marketing, Brazil
2	Bloomberg	Closely-held financial software, news and data company, USA
3	BMO CM	BMO Capital Markets - investment and corporate banking department of BMO Financial Group
4	BofA ML	Bank of America Merrill Lynch, Sector research, January 2010
5	BPC	Belarusian Potash Company
6	Brazilian Central Bank	Central Bank of Brazil (Banco Central do Brasil)
7	CIA	The Central Intelligence Agency, USA
8	CONAB	Department of the Ministry of Agriculture (Companhia Nacional de Abastecimento Brazil)
9	CRU	Independent business analytic and consulting agency in the field of mining, metals, energy, fertilizer and chemical sectors, UK
10	Department of Fertilizers, India	The Ministry of Chemicals and Fertilizers
11	Doane	Doane Advisory Services - the multi-media provider of information, advice and business solutions to agriculture, USA
12	EIU	The Economist Intelligence Unit
13	ERCOSPLAN	Group of Companies, ERCOSPLAN, Germany
14	FAO	Food and Agriculture Organization of the United Nations
15	Fertecon	Fertilizer Economic Market Analysis and Consultancy, UK
16	GKS	Federal State Statistics Service, Russian Federation survey, January 2009
17	HSBC	HSBC Bank, Sector research, September 2009
18	http://admbrk.ru/4/5/	Official website of Berezniki, Perm Region, Russia
19	http://indiabudget.nic.in	Official website of the Ministry of Finance, Government of India
20	IFA	International Fertilizer Industry Association, France
21	IGC	International Grains Council, UK
22	IMF	International Monetary Fund, USA
23	IPNI	International Plant Names Index, USA
24	MAPA	Brazilian Ministry of Agriculture
25	OECD	Organization for Economic Cooperation and Development, France
26	RBC CM	RBC Capital Markets
27	TFI	The Fertilizer Institute, USA
28	UBS	UBS Bank, Sector research, April 2009
29	USDA	United States Department of Agriculture
30	USGS	U.S. Geological Survey

APC	Arab Potash Company Ltd, Jordan
Canpotex	Canpotex Limited, Canada
Deilmann - Haniel	Deilmann - Haniel mining systems (dhms), Germany
EuroChem	Mineral-Chemical Company EuroChem, Russia
ICL	Israel Chemicals Ltd., Israel
IPC	International Potash Company, Russia
K+S	K+S Group, Germany
PhosAgro	Company producer of phosphate-based fertilizers OAO PhosAgro, Russia
Yara	Yara International (Oslo: YAR)
SQM	Mineral fertilizers producing company (Sociedad Quimica y Minera de Chile NYSE: SQM), Chili

Terms and Abbreviations

CFR	"Cost and Freight", title transfers when goods pass the rail of the ship in the port of shipment
FCA	"Free Carrier", title transfers when goods are loaded on the first carrier (railway carriages)
FOB	"Free On Board", title to goods transfers as soon as goods are loaded on the ship
GMOP	Granular muriate of potash
K	Chemical element Potash
K_2O	Potassium oxide
KCl	Potassium chloride (1KCI=1.67 K_2O)
N	Chemical element Nitrogen
NaCl	Sodium chloride
NPK	Nitrogen-phosphorus-potassium fertilizer
P	Chemical element Phosphorus
PMOP	Pink muriate of potash
SRK Report	SRK mineral resource statement
WMOP	White muriate of potash
Carnallite	A hydrated potassium magnesium chloride with formula: $KMgCl_3{\cdot}6(H_2O)$

BBT	Baltic Bulk Terminal, St. Petersburg, Russia
BKPRU	Potash production mining department of Berezniki unit
BPC	Belarusian Potash Company

CEO	Chief Executive Officer
CFO	Chief Financial Officer
JSC	Joint Stock Company

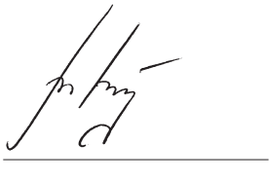
BRIC	Brazil, Russia, India, China
CIS	Commonwealth of Independent States
GDP	Gross Domestic Product
SEA	Southeast Asia

CUSIP	Committee on Uniform Security Identification Procedures
GDR	Global Depositary Receipt
ISIN	International Securities Identification Number
LSE	London Stock Exchange
MICEX	Moscow Interbank Currency Exchange Trading Board
RTS	Russian Trading System

CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditures
COGS	Cash Cost of Goods Sold
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation Throughout the report EBITDA means adjusted EBITDA – calculated as Operating Profit plus depreciation and amortization and does not include mine flooding costs
YoY	Year Over Year

bn	billion
mln	million
RUR (RR)	Russian Ruble
BRL	Brazilian Real
US$	US dollar

Major Agricultural Crops Planting and Harvesting Calendar [23]



Director General
V. A. Baumgertner

This Uralkali annual report has been approved by the Uralkali Board of Directors on April 29, 2010
(Minutes of Board of Directors No. 233 from April 29, 2010).
The Uralkali Audit commission has confirmed the accuracy of the data included in this annual report.

JSC Uralkali
63 Pyatiletka Street
Berezniki, Perm region
618426 Russia
E-mail: uralkali@uralkali.com

Uralkali Moscow Office
Floor 21, 23A Tarasa Shevchenko Embankment
Moscow
121151 Russia
Tel: +7 (495) 730-2371

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design Agey Tomesh