URALKALI • ANNUAL REPORT 2010

ANNUAL REPORT 2010

URALKALI®

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 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.

TABLE OF CONTENTS

Disclaimer 1

1. Introduction **4**
- 1.1. Chairman's Statement 4
- 1.2. CEO's Statement 6
- 1.3. Uralkali's Key Figures 8

2. Calendar of Major Events **12**

3. Group Description **14**

4. Uralkali Strategic Overview **16**

5. Uralkali and Silvinit: Proposed Combination **17**

6. What is Potash **25**

7. Potash Market **28**

8. Sales Review **31**
- 8.1. Export Sales 32
- 8.2. Domestic Sales 32
- 8.3. Uralkali's Sales Geography 34

9. Operations Review **36**
- 9.1. Production in 2010 36
- 9.2. Capacity Expansion Plans 38

10. Financial Review **39**
- 10.1. Financial Management Discussion and Analysis 39
- 10.2. Consolidated Financial Statements and Auditor's Report 45

11. Corporate and Social Responsibility **90**
- 11.1. Employees 90
- 11.2. Labour Protection and Industrial Safety 91
- 11.3. Environment 92
- 11.4. Social Programmes 94

12. Corporate Governance **98**
- 12.1. Principles and Structure of Corporate Governance 98
- 12.2. Membership of the Board of Directors 111
- 12.3. Information for Shareholders and Investors 117

13. Risk Management **122**
- 13.1. Uralkali's Risk Management System 122
- 13.2. Key Risk Factors 123
- 13.3. Key Features of Internal Control and the Risk Management System in Relation to the Financial Reporting Process 125

14. Responsibility Statement **127**

15. Review of the Mineral Resources and Ore Reserves **128**

16. Glossary **135**

URALKALI®

CHAIRMAN'S STATEMENT

Dear Shareholders,

This is the first time that I have addressed you as Chairman of the Uralkali Board of Directors. In the autumn of 2010, when the Uralkali Board of Directors was re-elected, I was offered the position of the Chairman.

It is true that the potash industry has uniquely attractive fundamental characteristics. Other nutrients cannot be substituted for potassium which is vital to the healthy growth of crops, the demand for which is constantly increasing. Consequently, the requirement for potash fertilisers is growing as well. At the same time, potash reserves of a good quality are scarce while the barriers to entry into the potash mining industry are high. Due to the production costs which are among the lowest in the industry, Uralkali is well positioned in the potash industry.

2010 was the year of change for Uralkali. The controlling stake in the Company was sold to new principle shareholders. This paved the way to the combination with Silvinit – the other largest potash producer in Russia. The management teams of both companies had been in discussion about the possibility of a merger for some time and – once the changes in shareholding structures of the companies were complete – the merger process became a reality. In December the Boards of Uralkali and Silvinit approved the merger leading to the creation of one of the global potash market leaders.

The merger with Silvinit is expected to be value accretive for all Uralkali and Silvinit shareholders due to the companies' synergy potential as well as improvements in global and Russian potash markets. Before 1983 Uralkali and Silvinit had operated the same production plant. Therefore, the concept of the creation of the Combined Company progressed naturally from their operations and the necessity to increase overall capitalisation. The combination was approved by the shareholders of both companies and it is expected to be completed during the second quarter of 2011.

The strategy of the combined Uralkali will remain the same — raising efficiency in production and sales of potassium chloride. The Company will continue to strengthen its position as one of the leading companies in the potash market through the realisation of its growth strategy. Uralkali intends to self-fund the investment projects aimed at capacity expansion in order to satisfy the growing demand for potash. The time-frame for the launch of new production capacity will be determined by the market supply/demand balance.

The combined Company intends to uphold as well as to improve Uralkali's already high standards of corporate governance. The Company will maintain transparency to its investors and respect for the rights of all its shareholders. The Company will strive to uphold appropriate levels of information disclosure. Independent directors will play an important role in the activities of the Board of Directors; furthermore, their influence will increase in the future.

Uralkali's dividend policy will remain effectively unchanged. The Company is planning to pay significant part of the net income to the shareholders. Thus, the Company intends to continue its efforts to increase market capitalisation in the interests of all shareholders and other stakeholders in the Company.

New challenging projects lie ahead of us: they will allow us to realise Uralkali's potential and raise it to the leading position in the global potash industry.

Alexander Voloshin

CEO'S STATEMENT

Dear Shareholders,

As the global economy gradually recovered during 2010, positive trends returned to the potash market. Potash demand stabilised due to the restoration of prices for agricultural products which allowed Uralkali to reach the pre-crisis level of production.

In March 2010, Uralkali's trader – Belarusian Potash Company (BPC) – signed a contract with India, the parameters of which are considered indicative for the whole market. In December BPC signed an agreement with Yara, the world's first mineral fertiliser producer, which became one of the largest contracts in the history of potash industry. These contracts laid a solid foundation for reaching production goals in 2010 as well as for price growth for Uralkali's products. Furthermore, at the beginning of 2011 BPC reached an agreement over potash supplies with Chinese importers.

Thanks to the recovery of potash fertiliser demand in key markets, Uralkali's financial performance in 2010 significantly exceeded 2009 level. Thus, the Company's revenues amounted to 51.6 billion RUR, which is 53% higher than the 2009 levels. Uralkali's net profit was 16.7 billion RUR, up 83% on 2009 levels. EBITDA margin increased to 60%, as compared to 56% in 2009.

Overall, in 2010 the Company almost doubled its production volumes in comparison with previous year and produced about 5.1 million tonnes of potash. We strongly believe that the trends of demand and potash prices growth will remain stable in the future, which will encourage Uralkali to increase its production capacity.

During 2010 Uralkali continued to focus its efforts on capacity modernisation. One of the key projects was the capacity expansion of Berezniki-4, a part of the Company's larger programme aimed at production modernisation. We continue to realise this programme in 2011. In 2012, after the programme has been successfully implemented, Uralkali will achieve new levels of production capacity which will amount to 7 million tonnes.

In 2010 Uralkali continued to support the Russian agricultural sector. Prior to the spring sowing season, in line with the recommendations of Russia's Ministry of Industry and Trade and the Federal Antimonopoly Service (FAS), the Company set subsidised prices for Russian complex fertiliser producers and Russian agricultural producers. These prices remained effective until the end of 2010. Moreover, the subsidised price for the agricultural producers is maintained in the first half of 2011. From the beginning of 2011 onwards, complex fertiliser producers started purchasing potash at the minimum export price. However, to boost fertiliser deliveries to the domestic market, we will provide complex fertiliser producers with additional discounts for potash volumes intended for the production of complex fertilisers for sales on the domestic market.

In 2010 the sale of the controlling share of Uralkali marked a milestone in the Company's history. After it was carried through, Uralkali set out to merge with Silvinit – a Russian potash producer that also develops the Verkhnekamskoye potash-magnesium salts field. If the transaction is executed successfully, the Combined company will match by size the largest players in the world potash market. Moreover, it will continue to expand due to its organic growth and long-term investment programme. For example, it is planned to raise the capacities of the Combined Company from 10.6 million tonnes in 2010 to 13 million tonnes in 2012 through several brownfield projects. The Company will also have the licences to develop two rich fields of the Verkhnekamskoye deposit, which will ensure a significant increase in production volumes.

Despite the changes, Uralkali's management team remained essentially the same. The rationale is clear: the team is highly proficient, devoted to its work and the Company, and is capable of achieving the most ambitious goals set by the Board of Directors.

I would like to reassure all our stakeholders that the merger will be carried out with strict adherence to the principles of social responsibility which have always guided Uralkali's activities. Regarding the proposed Combination, we will not forget about our employees who have always been the main asset of Uralkali and the keystone of its success. The Company intends to continue supporting its employees and their families through a wide range of social programmes. The Company will also assist the cities of Berezniki and Solikamsk where its production facilities are located and where most of its employees live. To remain among the most attractive and socially responsible employers in the Russian mining industry has always been one of Uralkali's highest priorities.

Vladislav Baumgertner

URALKALI KEY FIGURES

Uralkali is one of the leading global potash fertiliser producers. The Company is vertically integrated, with control over the whole production chain, from potash ore mining to the supply of the ultimate consumers. Uralkali production assets are located in Berezniki, Perm Region (Russia) and include two mines and four processing plants. Uralkali current capacity is 5.5 million tonnes of KCl. In 2010 the Company produced 5.1 million tonnes of KCl.

Currently, Uralkali is in the process of combination with Silvinit, another Russian potash producer. The Proposed Combination will create one of the world's leading potash producers.

KEY FINANCIAL INDICATORS

(RUR MLN)[I]

	2006	2007	2008	2009	2010
Revenues	22,290	29,499	62,798	33,809	**51,592**
Net Sales [II]	16,673	22,673	54,355	29,314	**40,603**
Cost of Sales (COGS)	(6,307)	(7,108)	(9,410)	(8,878)	**(11,830)**
COGS to Net Sales %	38%	31%	17%	30%	**29%**
Gross Profit	15,983	22,391	53,388	24,931	**39,762**
Distribution Cost	(6,691)	(7,957)	(9,840)	(6,075)	**(12,819)**
General and Administrative Expenses	(2,058)	(3,473)	(3,204)	(3,838)	**(4,937)**
EBITDA [III]	8,558	12,098	41,349	16,375	**24,298**
EBITDA Margin [IV]	51%	53%	76%	56%	**60%**
Net Income	3,494	8,045	21,943	9,095	**16,654**
Net Income Margin [V]	21%	35%	40%	31%	**41%**
CAPEX	5,198	6,316	14,341	14,105	**10,257**
Debt (bank loans)	11,088	10,600	13,987	13,463	**11,253**
EQUITY	17,650	25,074	34,620	43,715	**56,797**
CASH AND CASH EQUIVALENTS	2,892	7,291	16,174	4,297	**14,765**

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 transhipment costs
III. Throughout the report EBITDA means adjusted EBITDA – calculated as Operating Profit plus depreciation and amortisation 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

(THS. TONNES)

	2006	2007	2008	2009	2010
Sales Volume	4,343	5,060	4,668	2,497	**5,079**
Export	3,905	4,575	4,141	1,895	**4,397**
Domestic	438	485	527	602	**682**
Production Volume	**4,165**	**5,119**	**4,793**	**2,621**	**5,061**

AUDITED MINERAL RESOURCE STATEMENT

AS OF 1 JANUARY 2011[I]

	mln tonnes	K_2O, %	K_2O, mln tonnes
All Mines			
Measured	1,338.1	21.3	284.7
Indicated	2,106.7	20.8	438.2
Inferred	310.3	26.8	83.3
Total Measured + Indicated	**3,444.8**	**21.0**	**723.0**

MACRO ECONOMIC FIGURES

FOR 2010[II]

Consumer Price Index (CPI) (Dec. 2010 – Dec. 2009)	8.8% [III]
Consumer Price Index for food (CPI) (Dec. 2010 – Dec. 2009)	12.9%
Producer Price Index (PPI) (Dec. 2010 – Dec. 2009)	3.0% [IV]
RUR/US$ (average for 2010)	30.36 [V]
RUR/US$ (as of the end of 2010)	30.48 [VI]

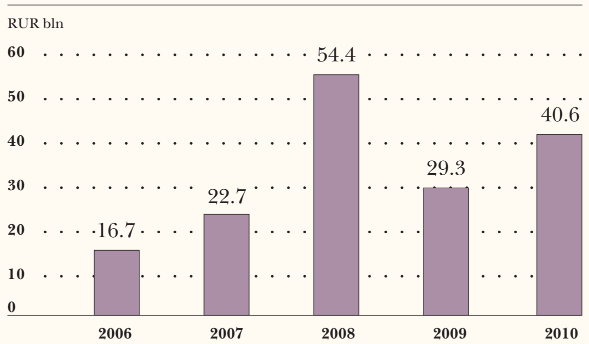
NB

Additional Information:
• FINANCIAL MANAGEMENT DISCUSSION AND ANALYSIS (P. 39)
• REVIEW OF THE MINERAL RESOURCES (P. 128)

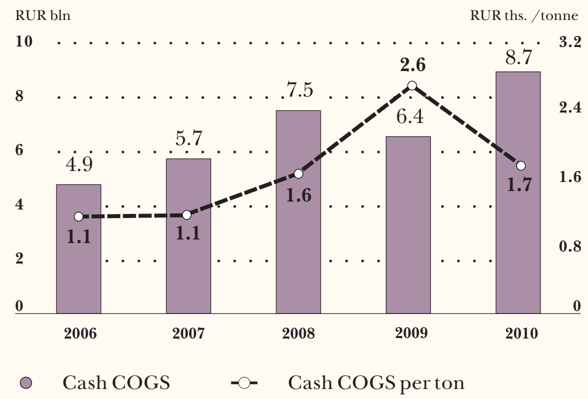
Notes
I. JORC valuation report as of 1 January 2011
II. Federal State Statistics Service statistical review on socio-economic situation in the Russian Federation for 2010
III. Includes food and non-food merchandise, as well as services, in the Russian Federation
IV. For potash mineral or chemical fertiliser producers
V. Average Exchange Rate of Central Bank of the Russian Federation for the period from 1 January 2010 to 31 December 2010
VI. Official Exchange Rate set by Central Bank of the Russian Federation as of 31 December 2010

KEY FINANCIAL INDICATORS

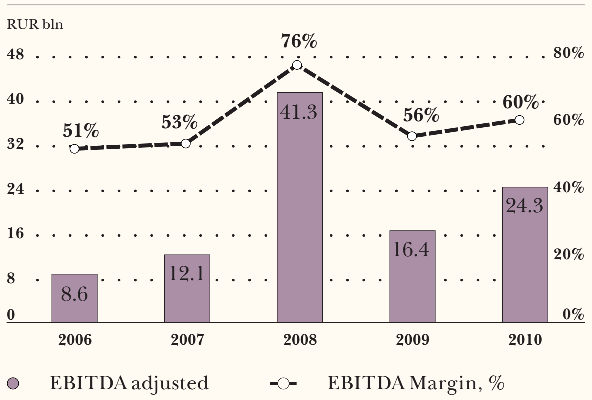
Net Sales



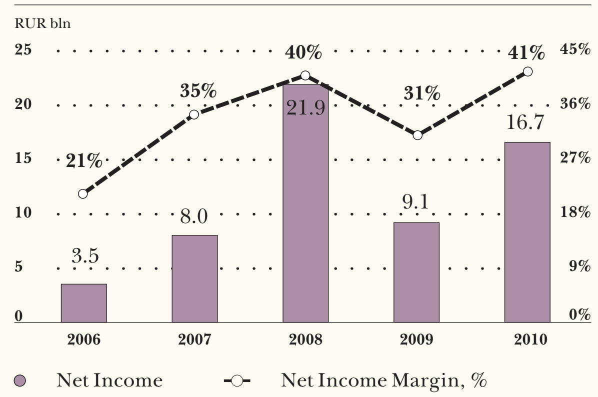
Cash Cost of Goods Sold[1]



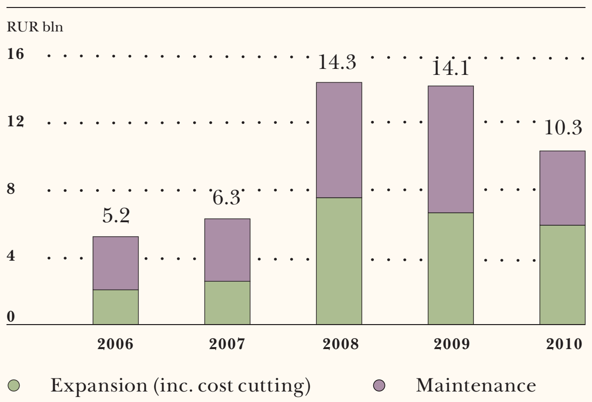
EBITDA, Margin %



Net Income, Margin %



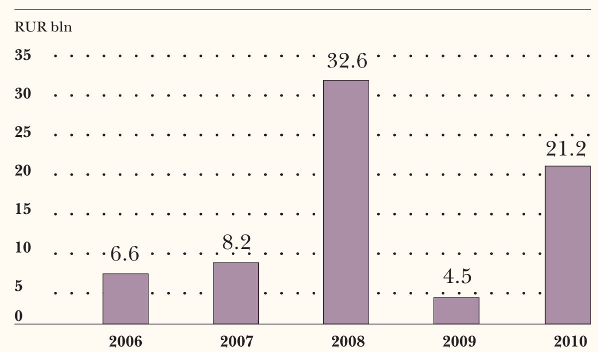
CAPEX Evolution



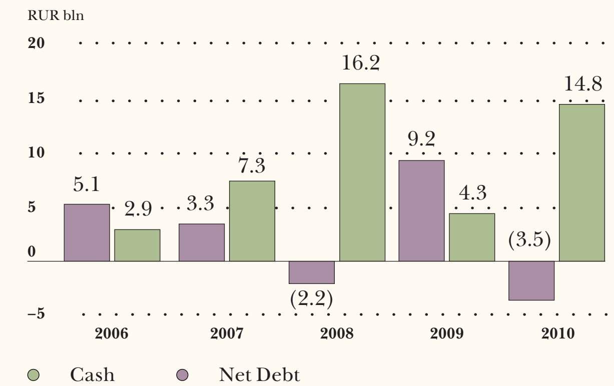
Note

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

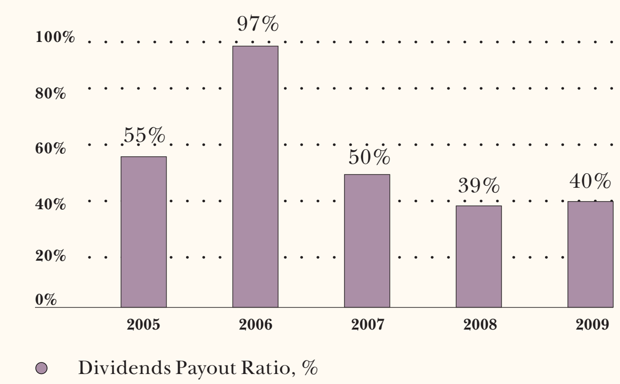
Operating Cash Flow



Cash, Net Debt

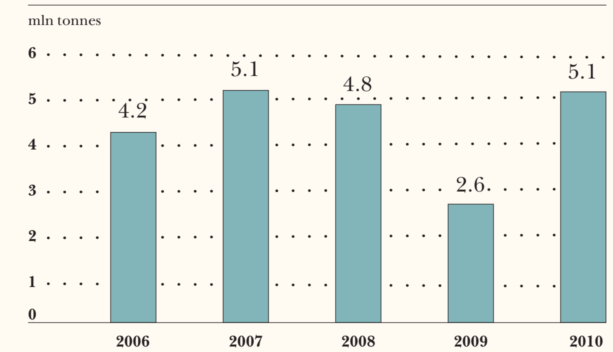


Dividends Payout Ratio

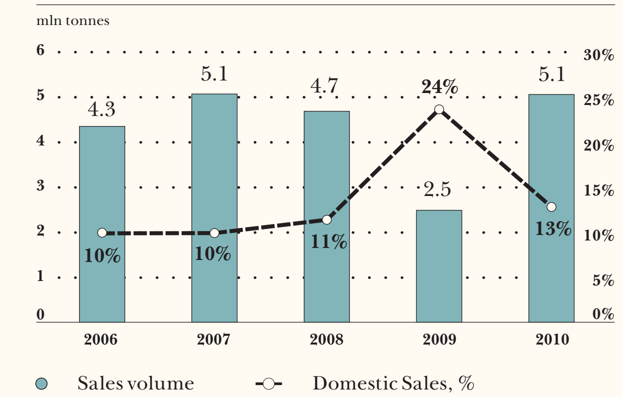


OPERATING STATISTICS

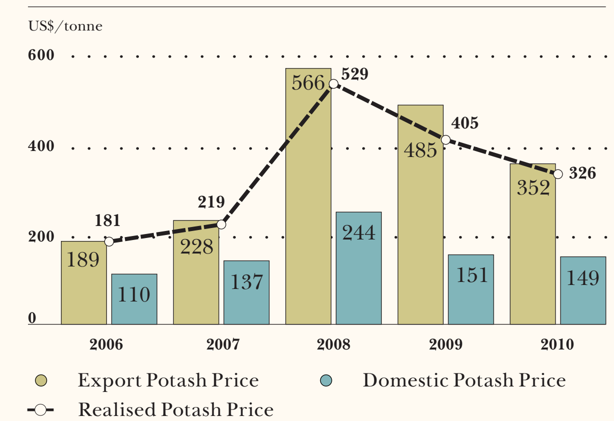
Production Volumes



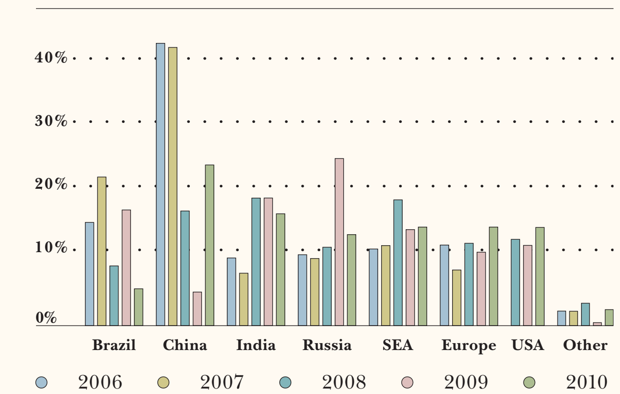
Sales Volume



Average Potash Price: Export vs Domestic



Potash Sales Structure



CALENDAR OF MAJOR 2010 EVENTS–2011

12 March | 9 April | 15 April | 14 June | 18 June | 4 August | 20 August | 7 September | 17 September

12 March

12 MARCH
India contract
Belarusian Potash Company informed Uralkali that it had agreed a contract with major Indian potash importer IPL. According to the contract terms, from April 2010 till March 2011 BPC will supply 900 thousand tonnes of potash at the price of US$ 370 (CFR).

12 MARCH
The Company allocates funds for the construction of Yayva-Solikamsk railroad
In line with Uralkali's social responsibility efforts, the Company volunteered to allocate an additional 1 billion RUR to compensate Russian Railways for the costs it incurred in the construction of a 53-kilometer Yayva-Solikamsk railroad bypass. Therefore, the Company's total allocations to pay the expenses incurred by Russian Railways to finance the construction of the Yayva-Solikamsk bypass is 6 billion RUR.

9 APRIL
Price levels for Russian agricultural producers
Uralkali decided to maintain the price for potassium chloride for Russian agricultural producers at 4,250 RUR per tonne in Q2 of 2010. This decision is in line with Uralkali's policy to support Russian agricultural sector (for further information see 15 November 2010).

15 APRIL
Contracts with Acron and Uralchem
Uralkali signed agreements to supply Russian complex fertiliser producers Acron and Uralchem with potassium chloride at 4,300 RUR per tonne in 2010. Under the agreements, Uralkali supplied 450 thousand tonnes of potash to Acron and about 85 thousand tonnes for Uralchem in 2010. These volumes allowed for the Russian farmers' demand for complex fertiliser to be fully met in 2010 (for further information see 17 November 2010, 20 December 2010).

14 JUNE
Holdings in the Company
Madura Holding Limited, the main shareholder of Uralkali, informed Uralkali that it had disposed of 53.2% of the issued share capital of the Company to Kaliha Finance Limited ("Kaliha"), Aerellia Investments Limited ("Aerellia") and Becounioco Holdings Limited ("Becounioco") on 11 June 2010. Kaliha, Aerellia and Becounioco are beneficially owned by Mr. Suleyman Kerimov, Mr. Alexander Nesis and Mr. Filaret Galchev, respectively. In the course of the disposal, the largest stake (25% of the Company's share capital) was acquired by Kaliha (for further information see 19 April 2011).

18 JUNE
General Shareholders Meeting
Annual General Shareholders Meeting of Uralkali was held in Berezniki (Perm Region). The Annual General Meeting approved the Company's annual report and financial statements. Shareholders resolved to remunerate independent directors for their work on the Board's Committees, allocating 16.8 million RUR for this purpose. Shareholders also resolved not to remunerate the other Board members. In addition, the AGM approved paying out 3.6 billion RUR in dividends (1.7 RUR per ordinary share, 8.5 RUR per GDR) for 2009.

4 AUGUST
P. Grachev appointed CEO of the Company
Following the request of Kaliha Finance Limited, which holds a 25% stake in Uralkali, the Company held a meeting of its Board of Directors which passed a resolution on the early termination of powers of Uralkali President and CEO Denis Morozov. As of 5 August 2010, the positions of the company's President and CEO was to be taken by Pavel Grachev. Effective 5 August 2010, Pavel Grachev was also appointed Chairman of the Uralkali Management Board (for further information see 21 February 2011).

20 AUGUST
Arbitration court decision regarding mineral extraction tax payments
The Arbitration Court of Appeal ruled that the decision and claim of the Interdistrict Inspectorate No. 3 of the Federal Tax Service for Major Taxpayers, that Uralkali would pay mineral extraction tax of 604 million RUR for 2005–2006 together with charges and penalties, be held null and void. The Company received the tax claim for this amount in January 2010. The company then appealed to the courts against the decision and claim of the tax authority (for further information see 14 January 2011).

7 SEPTEMBER
Uralkali's shares admitted to the quotation list "B" on MICEX
Uralkali's ordinary shares were admitted to the quotation list "B" on MICEX. Uralkali started trading its chares in the quotation list "B" on 9 September 2010.

17 SEPTEMBER
New Board of Directors of Uralkali elected
Uralkali's General Meeting of the Shareholders resolved to elect new members of the Company's Board of Directors.

15 OCTOBER
Uralkali's shares recognised as "Best Performing" in RTS index
Uralkali's shares were named "Best Performing in RTS Index". Since 1 July 2003, when Uralkali's shares were first included in the Index, their value has grown 58.9 times from US$ 0.0715 to US$ 4.21. Thus, they demonstrated the largest growth in value among stock currently included in the RTS Index.

15 NOVEMBER
Price levels for Russian agricultural producers
Uralkali decided to maintain the price for supplies to the Russian agricultural producers at the same level as in the second half of 2010. In the first half of 2011 the price was left at 4,250 RUR per tonne, which is significantly lower than the global potash prices (for further information see 9 April 2010).

17 NOVEMBER
Long-term contracts with EuroChem and PhosAgro
Uralkali signed contracts with complex fertiliser producers, PhosAgro and EuroChem, to supply muriate of potash (MOP) at the price linked to the minimum export price. The contracts will remain effective from 1 January 2011 until 1 January 2014. In order to support Russian agricultural producers, contracts specify premiums for the potash volumes intended for the domestic market (for further information see 15 April 2010; 20 December 2010).

25 NOVEMBER
Surface subsidence near Berezniki
A soil subsidence occurred under the train tracks of a 6-km bypass railroad spur near Berezniki (Perm Region). The subsidence occurred outside of the Uralkali industrial premises. The incident did not result in any changes in the Company's production plan.

13 DECEMBER
Long-term agreement with Yara
BPC informed Uralkali about a new long-term agreement with Norway-based Yara for the supply of potash. Under the contract, BPC will supply Yara with more than 1 million tonnes of potash fertilisers per year from 2011 until 2015. The price of potash supplied to Yara will be calculated according to a combination of market indicators. The contract became one of the largest in the potash industry's history.

20 DECEMBER
Proposed combination of Uralkali and Silvinit
The Boards of Directors of Uralkali and Silvinit announced the proposed combination of Uralkali with Silvinit, which would create a leader in the global potash market. The proposed combination will be effected through the acquisition of approximately 20% of Silvinit ordinary shares for US$ 894.5 per ordinary Silvinit share, a total sum of US$ 1.4 billion, and the subsequent merger of Uralkali and Silvinit through the issuance of Uralkali ordinary shares for the remaining ordinary and preferred shares of Silvinit. The Boards of Directors of Uralkali and Silvinit recommended the shareholders to vote for the proposed acquisition and the proposed combination (for further information see 7 February 2011, 28 February 2011, 4 April 2011).

20 DECEMBER
Long-term with contracts with Acron, Dorogobuzh and Minudobreniya
Uralkali signed agreements with compound fertiliser producers OJSC Acron and OJSC Dorogobuzh (members of Acron Group) to supply potash at the price linked to the minimum export price in 2011–2013. In addition, Silvinit entered into agreements with OJSC Minudobreniya (Rossosh) and OJSC Acron about supplies of potash in 2011–2013. In order to support Russian

15 October | 15 November | 17 November | 25 November | 13 December | 20 December | 20 December | 12 January | 13 January | 14 January | 7 February | 21 February | 28 February | 2 March | 21 March | 25 March | 4 April | 13 April | 19 April

agricultural producers, contracts specify premiums for the potash volumes intended for the domestic market (for further information see 15 April 2010, 17 November 2010).

12 JANUARY 2011

Uralkali's bonds admitted to trading at MICEX Stock Exchange

Russia's MICEX Stock Exchange admitted Uralkali BO-01 exchange-traded bonds of total nominal value 50 billion RUR to trading without listing, being placed through a public offer with a redemption date falling on the 1,092nd day following the placement commencement date. Nominal value of each exchange-traded bond amounts to 1,000 RUR.

13 JANUARY 2011

China contract

BPC informed Uralkali that it had agreed a contract on potash shipments with major Chinese fertiliser importers Sinochem and CNAMPGC. Under the contract, BPC will ship 600 thousand tonnes of potassium chloride (including 120 thousand tonnes of mutual optional quantities) at the price of US$ 400 (CFR) from 13 January to 30 June 2011.

14 JANUARY 2011

Arbitration court decision regarding mineral extraction tax payments

The Russian Federal Arbitration Court in Moscow Judicial Circuit ruled to leave standing the decision issued by the Arbitration Court of Appeals and rejected the ruling and the claim issued by the Interregional Tax Inspectorate No. 3 for Major Taxpayers (a Russian Federal Tax Service division) for Uralkali to pay the mineral extraction tax of 604 million RUR for 2005–2006 together with charges and penalties. Thus, the court entirely dismissed the cassation appeal filed by the tax authorities against the decision issued by the lower court (for further information see 20 August 2010).

7 FEBRUARY 2011

Shareholder approval of combination of Uralkali and Silvinit

Uralkali announced that the Proposed Combination of Uralkali with Silvinit had been approved by shareholders of both companies voting at their Extraordinary General Shareholders Meetings held on 4 February 2011. Thus, 98.9% of Uralkali shareholders voted to approve the merger of Uralkali and Silvinit. 90.9% of Silvinit shareholders voted for the related merger as well (for further information see 20 December 2010, 28 February 2011, 4 April 2011).

21 FEBRUARY 2011

V. Baumgertner appointed CEO of the Company

The Uralkali Board of Directors resolved to appoint Vladislav Baumgertner CEO of the Company. The Board also resolved to cancel the position of Uralkali president, and to increase the Company's authorised capital by placing 1.2 billion additional un-certificated registered ordinary shares. To complete the merger, Silvinit ordinary and preferred shares will be converted into Uralkali additional ordinary shares. Ordinary and preferred shares of Silvinit, subject to redemption in accordance with requests from shareholders of Silvinit that voted against or abstained from voting on reorganisation and/or approval of a merger agreement, will be cancelled upon completion of the merger (for further information see 4 August 2010).

28 FEBRUARY 2011

Acquisition court decision regarding temporary injunction

The Perm Regional Arbitrazh Court issued a temporary injunction on Silvinit shareholder general meeting decisions and Merger Agreement. The injunction prohibited the implementation of the merger agreement, the registration of Uralkali new share issuances and the reports on results of the share issuances, and the registration of Silvinit's termination upon the merger (for further information see 21 March 2011, 13 April 2011).

28 FEBRUARY 2011

Acquisition of 20% ordinary shares of Silvinit

As part of the process of the proposed merger of Uralkali and Silvinit approved by shareholders of both companies on 4 February 2011, Uralkali completed the acquisition from Otkritie Securities Limited of 1,565,151 ordinary shares in Silvinit, representing approximately 20% of the ordinary share capital of Silvinit, for US$ 1.4 billion (for further information see 20 December 2010, 7 February 2011, 4 April 2011).

2 MARCH 2011

FSFM clarification on GDR programme

The Federal Service for Financial Markets of the Russian Federation (FSFM) issued a clarification at its request about Uralkali's GDR programme. The FSFM clarification stated that new Uralkali shares, that will be issued upon conversion of ordinary and preferred shares of OJSC Silvinit in the merger of Silvinit into Uralkali, will be eligible for deposit into the GDR programme after registration of reports on results of new share issuances, which may take up to 3 weeks after completion of the merger.

21 MARCH 2011

Acquisition court decision regarding temporary injunction lift

The Perm Regional Arbitrazh Court lifted the injunction prohibiting Silvinit and its bodies from implementation of the decision on reorganisation of Silvinit in the form of the merger with Uralkali, approved by Silvinit shareholders. The court also rejected the injunction prohibiting the implementation of the merger agreement and the registration of termination of Silvinit through entries into the unified state register of legal entities upon completion of the merger. (for further information see 28 February 2011, 13 April 2011).

25 MARCH 2011

Report on the share redemption requests

The total number of Uralkali ordinary shares submitted for the redemption was 121,330. Uralkali will spend approximately 24.7 million RUR on the redemption. The number of Silvinit ordinary shares subject to the redemption under the shareholder requests totaled 430. The amount of funds allocated for the redemption of ordinary shares by Silvinit will be approximately 11.7 million RUR. In addition, Silvinit will spend approximately 36.8 million RUR on the redemption of its 3,491 preferred shares. As a result, Silvinit's overall amount of funds allocated to the redemption will be approximately 48.5 million RUR.

4 APRIL 2011

Antitrust approval

The Federal Antimonopoly Service of the Russian Federation (FAS) approved the proposed combination of Uralkali and Silvinit. As a prerequisite to the Service's approval, FAS had issued to Uralkali a set of conditions, aimed at maintaining competition in the domestic market. Uralkali fulfilled the entire scope of conditions determined by the FAS, thus enabling the FAS to approve the combination (for further information see 20 December 2010, 7 February 2011, 28 February 2011).

13 APRIL 2011

Appeal court lifts injunction

The 17th Arbitration Court of Appeal upheld the appeal of Uralkali and Silvinit on the injunction relating to the claim that sought to invalidate decisions approved by the Extraordinary General Shareholders Meeting of Silvinit, and the merger agreement entered into between Uralkali and Silvinit (for further information see 28 February 2011, 21 March 2011).

19 APRIL 2011

Holdings in the Company

Madura Holding Limited sold 10% of the issued share capital of the Company to Perfecthold Limited, beneficially owned by Mr. Alexander Nesis. In turn Perfect hold sold 3.5% of the issued share capital of the Company to Serpentia Investments Limited, beneficially owned by Mr. Alexander Mamut. Perfect hold also sold about 2% of the issued share capital to a group of investors (for further information see 14 June 2010).

NB

Additional Information:

- URALKALI AND SILVINIT: PROPOSED COMBINATION (P. 17)
- SALES REVIEW (P.32)
- CORPORATE GOVERNANCE (P. 98)
- INFORMATION FOR SHAREHOLDERS AND INVESTORS (P. 117)

KEY ASSETS

Uralkali is a vertically integrated company with control over the whole production chain, from potash ore mining through potash supply to end consumers

THE COMPANY'S ASSETS INCLUDE:

- 2 potash mines
- 4 processing plants that produce potash
- Licence to develop the Ust-Yayvinsky field of the Verkhnekamskoye deposit
- 50% interest in Belarusian Potash Company (BPC) – world leader in exports of potash fertilisers with more than 30%[I] share of the export market
- 100% interest in Uralkali Trading S.A. – a trading company which provides a channel for part of Uralkali export supplies
- 100% interest in Baltic Bulk Terminal (BBT)
- A fleet of more than 4,600 railcars – specialised mineral ore wagons
- Storage facilities in Berezniki and St. Petersburg to hold 540 thousand tonnes of fertiliser

PRODUCTION

The Company produces two main types of potash fertiliser: standard and granular. The Company is developing the Durymansky and Bygelsk-Troitsky fields of the Verkhnekamskoye potash-magnesium salts deposit. The total production capacity of the Company **is 5.5 million tonnes KCl** with plans of **increase to 7 million tonnes in 2012.**

The Company owns a licence to develop the Ust-Yayvinsky field which has total resources of 1.3 billion tonnes of ore[II].

Notes
I. BPC together with Uralkali Trading S.A.
II. JORC valuation report as of 1 January 2011

BALTIC BULK TERMINAL (BBT)

BBT is a part of Uralkali group, 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 fertiliser, providing the shortest transportation route from the mines to the port. The terminal handled 5.1 million tonnes of fertiliser in 2010, of which 3.4 million tonnes was from Uralkali. The rest

was nitrogen-phosphorus fertilisers from Russian producers. **The peak shipment capacity for BBT is 6.2 million tonnes.** Uralkali's planned increase in production will be supported by the current excess handling capacity at the terminal. As of 31 December 2010 Uralkali owned 100% of BBT shares.

RAIL

Uralkali owns **over 4,600 railcars, one of the largest specialised fleets in Russia**. Rail shipment is a vital part of Uralkali's operations, as Uralkali's product is transported to BBT by rail. It ensures smooth deliveries and also provides a **significant competitive advantage for shipments to North**

China, a major consumer of potash fertiliser. Together with local producers, only Russian suppliers have access to this market.

WAREHOUSING

Smooth product delivery requires adequate storage facilities. In addition to **storage at BBT**, which can **house up to 240 thousand tonnes of product**, Uralkali owns **facilities in Berezniki**, which have a combined **capacity of up to 300 thousand tonnes**. The facilities are divided into sections, each holding

a different type of product. Warehouses are connected by a weatherproof conveyer system to the rail terminal.

PRICING AND SALES

Uralkali owns interest in Belarusian Potash Company (BPC). With sales offices in seven countries BPC ships Uralkali and Belaruskali products to over 60 countries across the world.

BPC is a world leader in potash fertiliser export sales, with market share of around 31%[I]. BPC helps Uralkali to achieve highly efficient sales operation.

As of 31 December 2010 Uralkali owned 50% of the BPC shares, Belaruskali – 45%, Belarusian Railway – 5%.

Note
I. BPC together with Uralkali Trading S.A.

URALKALI STRATEGY OVERVIEW

STRATEGIC PRIORITIES

- Uralkali's strategy is aimed at growth and increasing potash production efficiency
- Strategy is based upon fundamental growth factors for potash markets such as growing population and decreasing arable lands, which drive farmers to use fertilisers in order to increase the efficiency of agriculture
- To increase production capacity of existing operations from 5.5 million to 7 million tonnes in 2012 through brownfield capacity expansion at Berezniki-4 and other facilities
- To obtain approval of the project documentation in 2011 to construct a new mine at Ust-Yayva block
- To maintain and increase market shares in the key distribution markets: China, Brazil, India and Southeast Asia
- To increase production efficiency, Uralkali plans to keep pure potash focus and further optimise operating costs

STRATEGY IN ACTION

BEING ONE OF THE LEADING POTASH COMPANIES THROUGH CLEAR STRATEGY, OPERATIONAL EXCELLENCE AND HIGN PROFITABILITY

Notes

I. BPC together with Uralkali Trading S.A.
II. Fertecon Q4 2010

URALKALI AND SILVINIT: PROPOSED COMBINATION

URALKALI		SILVINIT
99%	+	91%
VOTES IN FAVOUR[1]	**Approved by Federal Antimonopoly Service of Russia**	VOTES IN FAVOUR[1]

PROPOSED MERGER EXPECTED TO BE COMPLETED IN THE SECOND QUARTER 2011

COMBINED COMPANY

- ✔ One of the major global Potash producers → ~20% Potash production
- ✔ Employer of choice in Perm Region → more than 23 thousand employees
- ✔ Among top 10 major Russian companies → Listing at 3 stock exchanges: LSE, MICEX, RTS

Note

1. Of the shareholders participated in the EGM on 4 February 2011

PROPOSED COMBINATION:

DECEMBER 2010	JANUARY	FEBRUARY

20 December 2010
Uralkali announced Proposed Combination; Uralkali and Silvinit Board announced recommendation to vote in favour

20 December 2010
Record date for shareholders of Uralkali and Silvinit for participation in EGM

4 February 2011
EGMs approved:

Uralkali EGM:
- Proposed Acquisition
- Proposed Merger ~99%[I]

Silvinit EGM:
- Proposed Merger ~91%[I]

In December 2010, the Boards of Directors of Uralkali and Silvinit announced the proposed combination between two companies and recommended the shareholders to vote "for". The proposed combination appeared to be a completely logical step as: both companies develop the same potash deposit; their assets have a natural strategic fit; and the two businesses had previously operated as a single enterprise before 1983. The merger will create one of the world's leading potash fertiliser producers in terms of production levels and capacity. The combined company will be able to strengthen its presence in the key export markets, including India, China, Brazil, and across Southeast Asia. In February 2011, the shareholders of both Uralkali and Silvinit approved the combination – in line with the recommendations of their two Boards. The combination will lead to significant synergies, reducing selling, general and administrative expenses, and will give a unique opportunity to enhance shareholder value of the Company. The development of the combined Uralkali and Silvinit group will facilitate a single growth strategy through the efficient implementation of production expansion projects.

SIGNIFICANT PROGRESS HAS BEEN

1. Shareholder Approval

- Combination approved by shareholders of both companies on 4 February 2011
- EGM results reflect strong endorsement of the compelling rationale underlying the combination
- Votes in favour:
  – Uralkali – 99%[I]
  – Silvinit – 91%[I]
- Redemption requests minimal:
  – Uralkali – US$ 0.87 million
  – Silvinit – US$ 1.71 million (ordinary and preferred shares)

✓ COMPLETED

2. Financing

- Funds secured through bonds placement and loan facility
  – Placement of debut exchange traded bonds – 30 billion RUR (three year maturity)
  – Loan facility – 12 billion RUR (two year maturity)
- Improvement in loan portfolio through lengthening average maturity
- Cross-currency interest rate swap associated with both instruments

✓ COMPLETED

ACQUISITION OF 20% STAKE COMPLETED ON 28 FEBRUARY 2011

Note

I. Percentage of the shareholders voted in favour of the statutory merger from those participated in the EGM on 4 February 2011
Uralkali shareholders also voted in favour of the acquisition of the 20% stake and the associated financing

STRUCTURE AND CALENDAR

MARCH	*APRIL*	*MAY–JUNE*
28 February 2011 Completion of the acquisition of 20% stake in Silvinit by Uralkali	**1 April 2011** FAS of Russia approved the proposed combination of Uralkali and Silvinit	Anticipated completion of Proposed Combination: • Silvinit subsumed by Uralkali; Uralkali shares distributed to Silvinit shareholders • Registration of the Proposed Merger by the Russian state authorities

MADE SINCE ANNOUNCEMENT OF THE TRANSACTION

3.

20% Acquisition

- 20% acquisition of Silvinit shares by Uralkali from Otkritie Securities Limited, completed on 28 February 2011

✓ COMPLETED

4.

FAS and Other Antitrust Approvals

- Brazil, Ukraine: unconditional approval received
- Federal Antimonopoly Service of Russia: approved
- Other anti-trust applications have been filed

ONGOING / PARTIALLY COMPLETED

5.

UKLA Re-listing Requirements

- Workstreams ongoing associated with reapplication for admission of GDRs to the Official List of the UKLA, including submission of a prospectus
- Admission to occur simultaneously with the combination completion

ONGOING

PROPOSED MERGER REMAINS ON-TRACK,
EXPECTED TO BE COMPLETED IN THE SECOND QUARTER 2011

COMPLEMENTARY SCALE AND UNIQUE ASSET ALIGNMENT

COMBINATION REUNITES TWO COMPANIES THAT OPERATED AS ONE BUSINESS UNTIL 1983

URALKALI	SILVINIT

RESOURCES

Uralkali	Silvinit
Total resource base – 3,444.8 million tonnes of ore[I] Resources at Ust-Yayvinsky block – 1,290.6 million tonnes of ore[I]	Total resource base – 5,301.8 million tonnes of ore[I] Resources of Polovodovsky block – 3,073.5 million tonnes of ore[I]

PRODUCTION

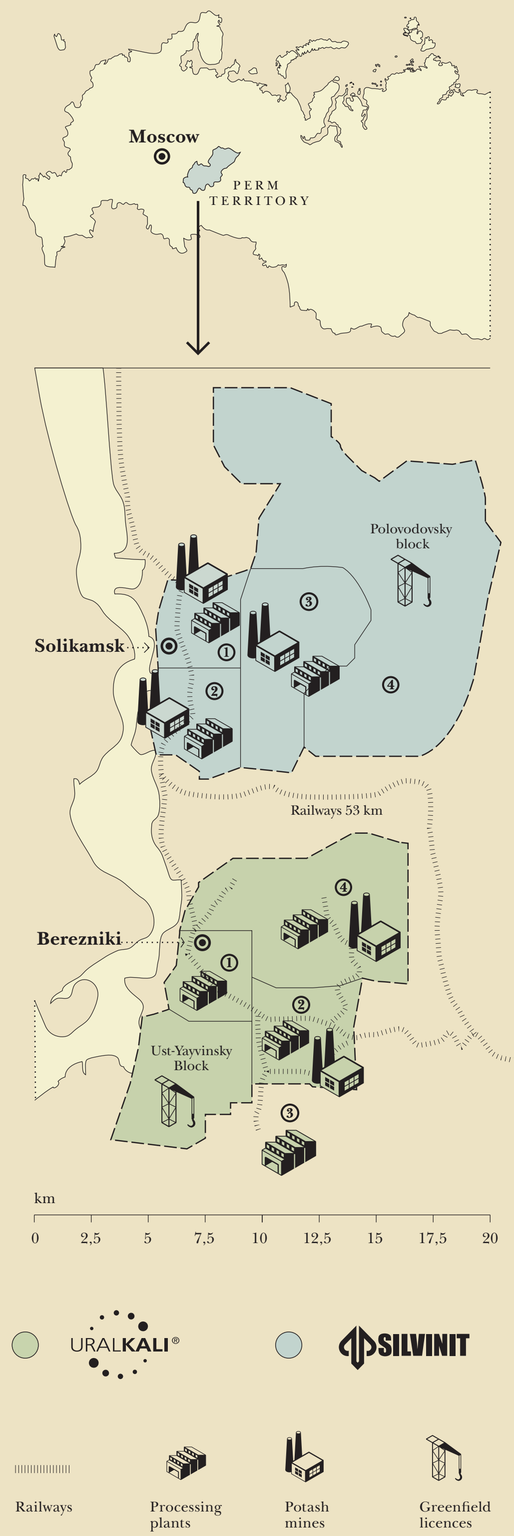
Uralkali	Silvinit
Potash production capacity: 5.5 million tonnes p.a. of KCl as of 2010 Brownfield capacity potential: 1.5 million tonnes of KCl Significant greenfield capacity expansion potential expected from Ust-Yayvinsky 2010 production: 5.1 million tonnes of KCl	Potash production capacity: 5.1 million tonnes p.a. of KCl as of 2010 Brownfield capacity potential: 0.9 million tonnes of KCl Significant greenfield capacity expansion potential expected from Polovodovsky 2010 production: 5.1 million tonnes of KCl

SALES

Uralkali	Silvinit
Part of BPC, a marketing joint venture organisation with Belaruskali Domestic sales volumes sold via in-house trading arm Exports account for 87% of total sales Owns a 6.2 million tonnes p.a. bulk terminal in St. Petersburg Own railcar fleet	IPC and Agrifert S.A. are the principal trading agents of Silvinit in export markets Domestic sales volumes sold via in-house trading arm Exports account for 79% of total sales Own railcar fleet

PRODUCTS

Uralkali	Silvinit
Standard grade MOP Granular grade MOP	Standard grade MOP Granular grade MOP Carnallite



Source:
Uralkali, Silvinit, Bloomberg, broker reports, Fertecon

Note
I. JORC valuation report as of 1 January 2011

SILVINIT AT A GLANCE

OVERVIEW OF SILVINIT

- Producing assets are located at Verkhnekamskoe deposit: three producing mines with a total resource base exceeding 2,228.3 million tonnes of ore[I], the total resource base of the Company amounting to 5,301.8 million tonnes of ore[I]

- Brownfield capacity expansion from 5.1 million tonnes to 5.6 million tonnes of KCl planned for 2011
and further expansion to 6 million tonnes starting in 2012

- Substantial leverage to greenfield development through additional production growth potential at Polovodovsky block acquired in 2008:

1) Resources of the block have been estimated at 3,073.5 million tonnes of ore[I]; the largest Russian greenfield property

2) Located next to Silvinit's producing properties, facilitating considerable operational efficiencies in mine development and transport logistics

- Low costs of production due to inexpensive labour and energy costs

- Export market share – 11% achieved from IPC and Agrifert S.A.

- Listed on RTS and MICEX since 1996 and 2008 respectively

- In addition to potash, Silvinit produces carnallite

Note
I. JORC valuation report as of 1 January 2011

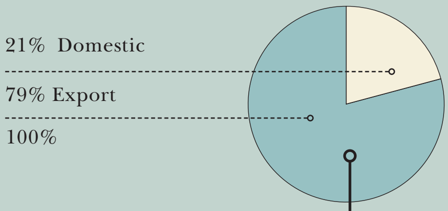
FINANCIAL SNAPSHOT

	2008[IV]	2009	2010
REVENUES, mln RUR[I]	55,402	33,994	**39,025**
NET REVENUES, mln RUR[II]	50,494	32,083	**34,925**
EBITDA, mln RUR	37,231	21,307	**18,335**
EBITDA MARGIN[III]	74%	66%	**53%**
NET PROFIT, mln RUR	17,683	10,518	**11,532**
NET PROFIT MARGIN	32%	31%	**30%**
NET DEBT/(CASH), mln RUR	47,652	44,529	**39,257**

Notes
I. Sales done primarily on FCA basis
II. Net Revenue is calculated as sales net of freight, railway tariff and transhipment costs
III. EBITDA margin calculated as % of Net Revenue
IV. Restated

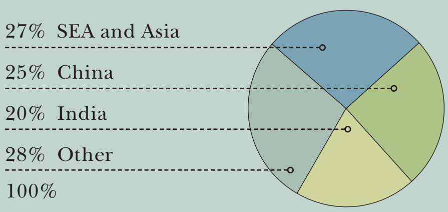
SALES STRUCTURE 2010

Domestic vs. Export Sales Breakdown
(by volume, 2010)



Total sales (mln tonnes)
4.9

Export Sales Structure
(by volume, 2010)



Export total (mln tonnes)
3.9

Source:
Silvinit

DRIVING *NEAR TERM* VALUE CREATION THROUGH A COMPELLING COMBINATION

Highly Attractive *Potash Market Dynamics*

- Industry fundamentals are highly attractive with excellent demand growth prospects
- Limited access to resources, few high quality potash ore deposits
- Low stock levels and rising demand should support prices in the medium term

Creation of a *Global Leader* in the Potash Sector

ONE OF THE LEADING GLOBAL POTASH PRODUCERS

- Cost-advantaged producer
- Global sales reach – c. 83% of combined sales in 2010 are made to export markets (including Brazil, India, China, SEA)
- The Combined Company will become one of the leaders among Russian mining companies
- Blue-chip stock

Compelling *Strategic Fit*

UNIQUE ASSET FIT:

- Historically operated as one company until 1983
- Mining and processing operations in close proximity, facilitating sizeable operational efficiencies
- Attractive portfolio of development opportunities to sustain organic long-term growth

Unique Opportunity to *Unlock Value*

SIGNIFICANT SYNERGY POTENTIAL OF US$ 100 MLN P. A. ACHIEVED STARTING 2013:

- Operational (c. US$ 55 million p.a.)
- SG&A (c. US$ 25 million p.a.)
- Transportation (c. US$ 20 million p.a.)
- Joint development of brownfield and greenfield capacity

COMBINED COMPANY WILL BE POSITIONED AS ONE OF THE GLOBAL LEADERS; COMPELLING FIT WILL IMMEDIATELY ENHANCE SHAREHOLDER VALUE

CLEAR *LONGER TERM* STRATEGY TO DELIVER FUTURE GROWTH

CREATION OF ONE OF THE WORLD'S LEADING POTASH COMPANIES THROUGH LEVERAGING THE OPERATIONAL AND FINANCIAL STRENGTH OF THE COMBINED COMPANY

Enhance Operating Efficiency

Pursuing improvements in operational efficiency to maintain and enhance the Combined Group's competitive cost position and profitability

Drive Organic Growth

Driving organic growth through a value accretive investment programme, to include exploitation of brownfield projects and greenfield development opportunities

Optimisation of Sales and Marketing Activities

Determining optimum sales and marketing channels

Longer term *value creation*

Realise Synergies

Realising the considerable synergy potential that exists through the Proposed Combination in an expedited timeframe to increase shareholder value

Employer of Choice

Delivering value whilst operating in a socially responsible manner and positioning the Combined Group as the employer of choice in the Russian mining industry

Focus on Corporate Governance

Continued commitment to ongoing enhancements in Uralkali's leading corporate governance standards

CLEAR STRATEGIC ROAD MAP TO POSITION THE COMBINED COMPANY AS ONE OF THE WORLD'S LEADING POTASH COMPANIES TO DRIVE LONGER TERM VALUE CREATION

For more information:
www.urkasilv-merger.com/eng

FOR INVESTOR INQUIRIES

Tel.: +7 (495) 730-23-71
Fax.: +7 (495) 730-23-93
ir@msc.uralkali.com

Anna Batarina
Vice-president for investor relations

Daria Fadeeva
Investor relations manager

FOR MEDIA INQUIRIES

Tel.: +7 (495) 730-23-71
Fax.: +7 (495) 730-23-93
pr@msc.uralkali.com

Alexey Sotskov
Head of Public Relations

Vladimir Ravinsky
Head of Media Relations Unit

WHAT IS POTASH?

PRIMARY NUTRIENTS

$$N + P + K$$

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

Potash (*K*)

- A natural compound residing in soil
- Responsible for the quality of the crop, resistance to drought and diseases
- There is *no natural or man-made substitute for potash*

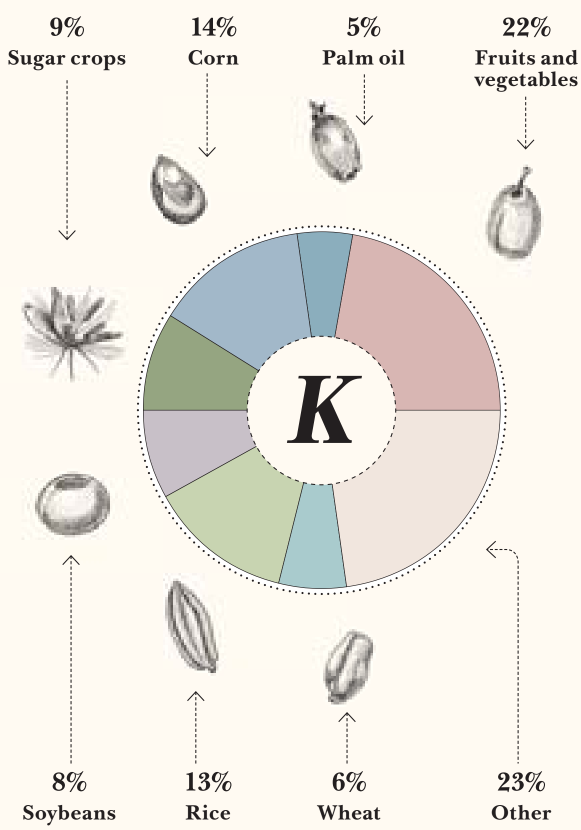
Nitrogen (*N*)

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

Phosphorus (*P*)

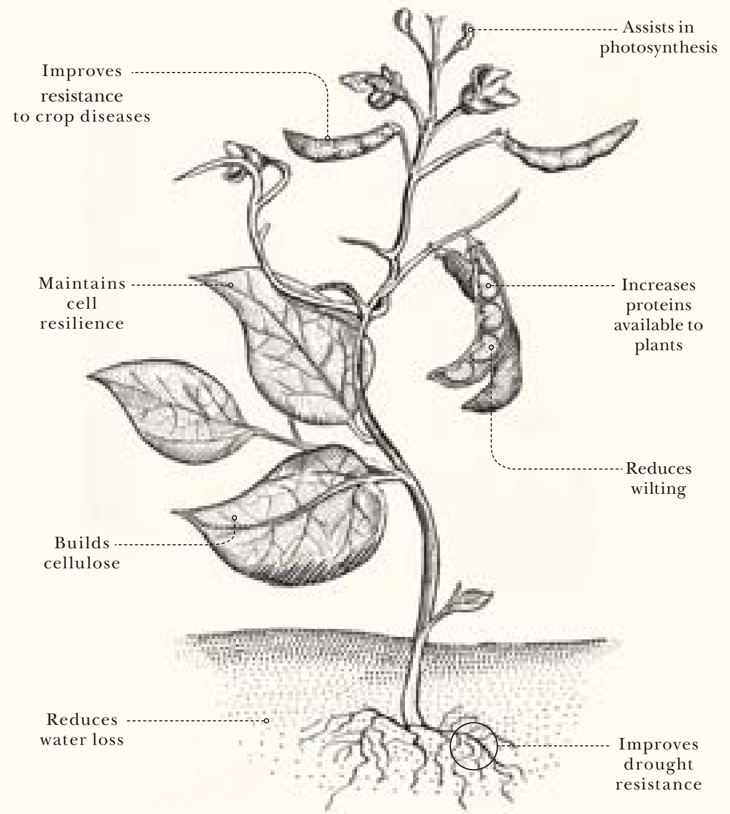
- Plays an important part in plant root development
- Responsible for photosynthesis

POTASH USE BY CROP



Source: Scotia Capital Report, January 2011

BENEFITS OF POTASH



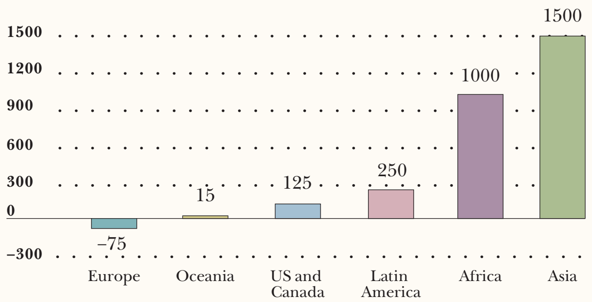
REDUCES THE DEVELOPMENT OF WEAK STOCKS DISEASES

95% OF GLOBALLY PRODUCED POTASH IS APPLIED AS A FERTILISER TO HELP FEED THE WORLD'S GROWING POPULATION

GROWING DEMAND

Increasing Population

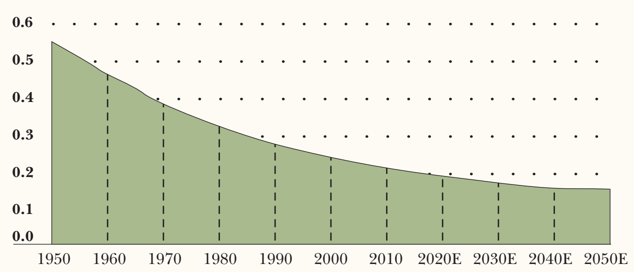
Changes in World Population by 2050 (mln people)



Source: Scotia Capital, United Nations

Declining Arable Land per Person

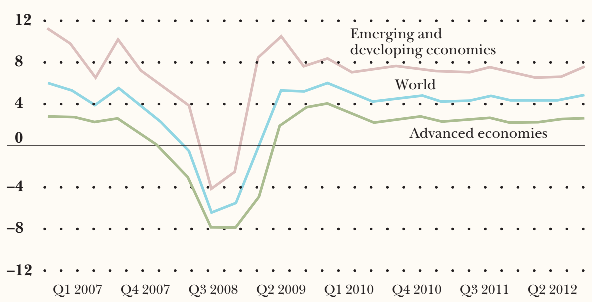
Arable Land per Capita is Shrinking Fast (Arable hectares per Capita)



Source: Scotia Capital, US Census Bureau

Income Growth in Developing Countries

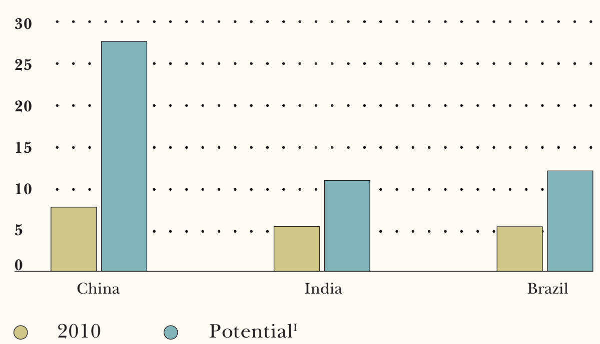
The Recovery is to Continue (GDP growth, % qoq)



Source: IMF, 25 January 2011

Biofuels and Scientific Recommendations Potential

Actual vs. Potential[I] Potash Consumption (KCl, mln tonnes)

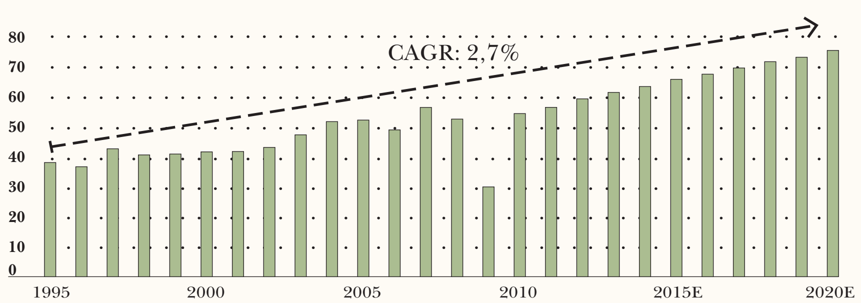


Source: Fertecon, IPNI

Note
I. Scientifically recommended baset on 2:1:1 (N:P:K) ratio

Higher Demand for Food | **Changing Diets** | **New Source of Demand for Crops**

World Potash Deliveries (KCl, mln tonnes)

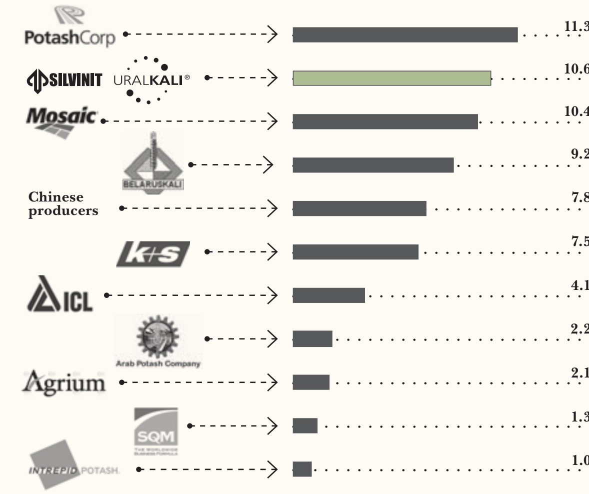


Source: Fertecon Q4 2010

VISIBLE SUPPLY

Relatively Few Top Players

Potash Production Capacity, 2010 (Mln tonnes of KCl Equivalent)



Source: Companies information, Fertecon Q4 2010

High CAPEX Requirements and Long Lead Times

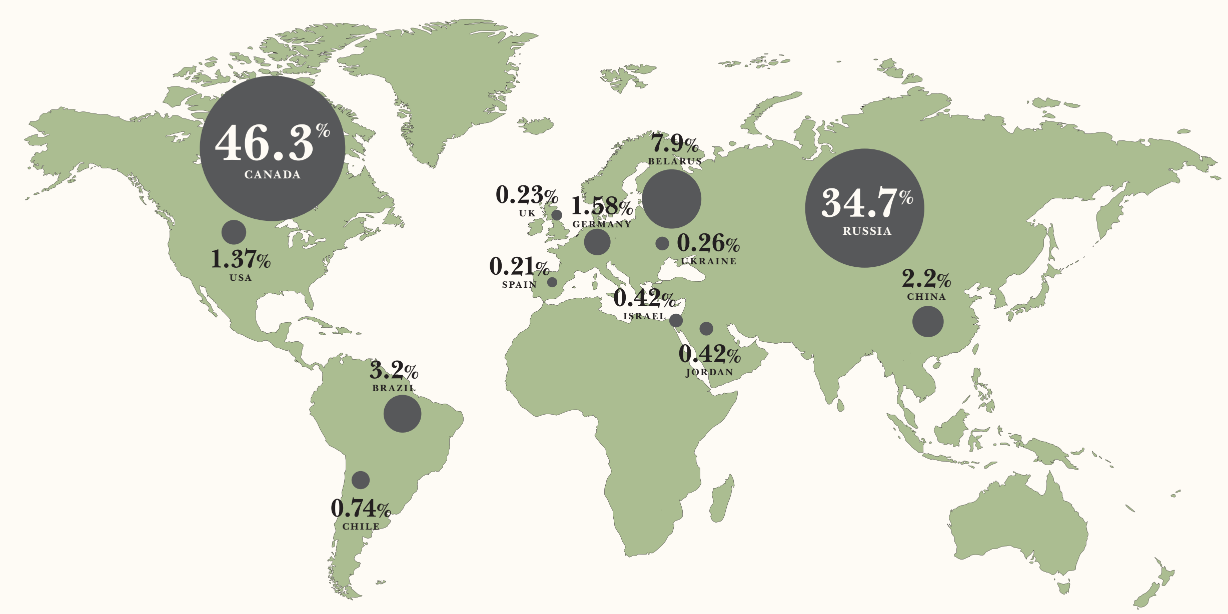
Potash Industry Overview

Market size[I] (2011E)	33.6 mln tonnes K_2O[II] (54.2 mln tonnes KCl)
Geographic availability	Very limited
Industry members	Several leading players
Long-term pricing stability	High
Profitability	High
Barriers to entry	High
Cost of greenfield capacity	US$ 4.1 bln for 2 mln tonnes (KCl)
Greenfield development time	min 7 years

Source: Fertecon Q4 2010, Uralkali, Potash Corp, IFA

Notes
I. Including fertiliser consumption
II. 1 tonne KCl (product) =1.61 tonne K_2O (nutrient)

Mineral Scarcity



Source: USGS, 25 January 2011

Improved Supply Management | **Limited Number of Players able to Bring Additional Capacity**

GROWING DEMAND AND HIGH SUPPLY VISIBILITY MAKE POTASH A UNIQUE INDUSTRY

POTASH MARKET

Potash market has seen firming recovery trend over the last twelve months. After the financial crisis of 2009, when global fertiliser demand collapsed dramatically and forced producers, especially in the potash sector, to institute unprecedented curtailments in output, in 2010 most producers returned to the pre-crisis production levels. Many markets recovered fast, led by economic growth, strong commodity prices and the need to replenish depleted stocks. In the 2nd half of 2010 these trends became especially noticeable, with considerably more purchasing from the major potash consumers which in turn led to firmer potash pricing. As a result 2010 was a successful year for the international potash industry.

Several important developments took place during 2010, which point out to a stronger consolidation trend in the potash industry. Apart from the unsuccessful bid by BHP to acquire the largest industry manufacturer Potash Corp, another key development came at the very end of 2010, with the announcement that Russia's two leading potash producers – OJSC Uralkali and OJSC Silvinit – were to merge to form a single company, resulting in one of the leading manufacturers in the global potash market.

MAJOR HIGHLIGHTS FOR POTASH MARKET IN 2010

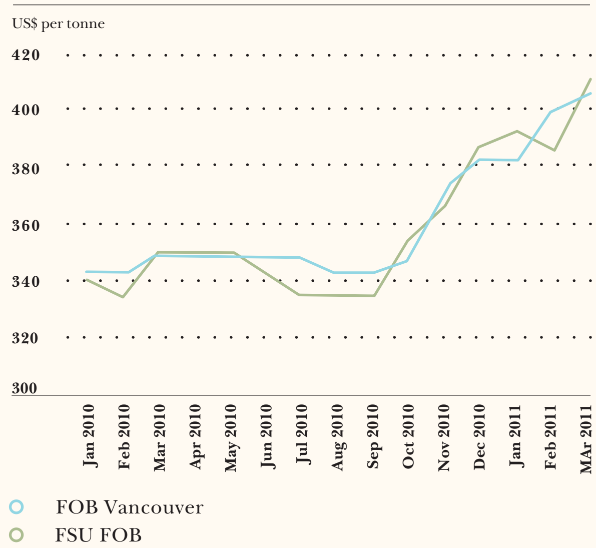
• Potash demand was still relatively weak at the beginning of 2010 after 2009 but showed some signs of recovery, with BPC concluding a contract with China thus traditionally establishing the "floor" price for the export contracts.

• India continued to be the most active market in 2010 for potash purchasing. Contracts for imports in FY April 2010 – March 2011 totaled almost 5.3 million tonnes with additional options for about 400 thousand tonnes.

• In Europe, the major driving force for price changes during 2010 was the depreciation of Euro vs US$.

• Demand in South East Asian markets was supportive to the overall recovery of the potash market in 2010, especially in Indonesia and Malaysia.

Average Spot Monthly Prices for Standard KCl



Source: Fertecon Q4 2010, FMB

• Strong demand on potassium chloride prompted additional price increases in November. BPC lifted potash prices by US$ 25/tonnes to US$ 440–450/tonnes CFR in Brazil and by US$ 25/tonnes to US$ 430/tonnes CFR in Asia. Due to previous volume commitments which were fully executed in Q4, the positive effect of new prices is estimated to be reflected in the financial results of 2011.

• Price increases in the North American market which took place in the autumn of 2010 helped Uralkali to achieve a better than average price for its products in other markets.

• Q4 demand was exceptionally strong due to shrinking global harvest projections, an upward spike in prices for key crops and fertiliser products. Dealers were aggressively replenishing stocks due to customer pre-buying and a firm global outlook.

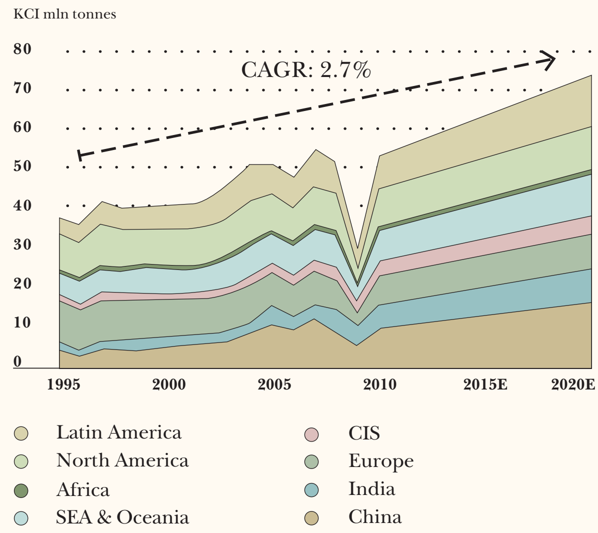
• Consolidation remained one of the key driving forces in the industry in 2010–2011:

1) Uralkali and Silvinit announced their much anticipated merger.

2) K+S reached an agreement to purchase Potash One.

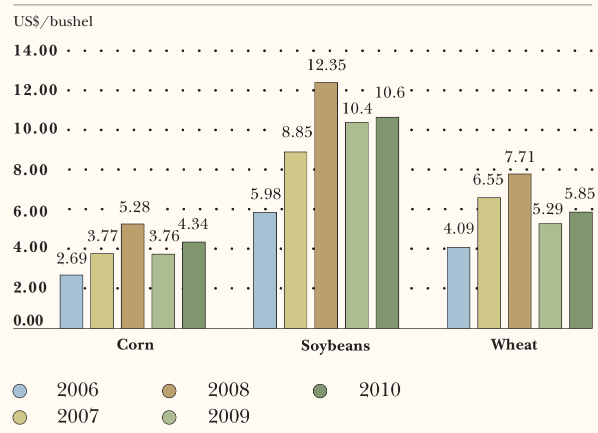
3) BHP Billiton unsuccessfully pursued a bid for Potash Corp which later failed.

Potash Deliveries 1995–2020



Source: Fertecon, Q4 2010

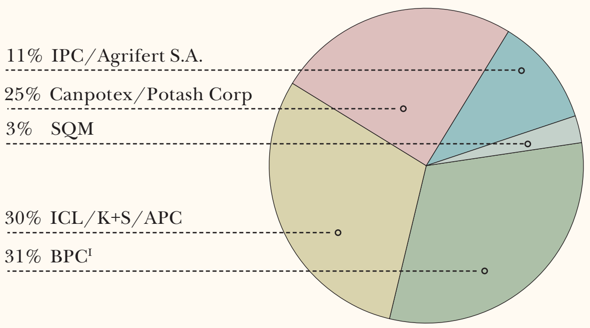
Soft Commodity Prices



Source: Chicago Mercantile Exchange

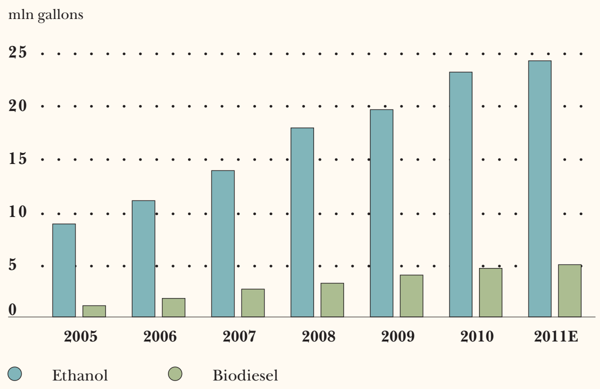
The long-term fundamentals for global consumption of potash fertilisers remain extremely strong:
• Demand for potash is expected to improve steadily in the next decade and to be supported by stronger fundamentals of the potash industry, increasing world population and changing diets.
• Growth in crop consumption will result not only from more food and feed required for growing number of people but from more grains and oilseeds used for biofuel production.
• Increasing grain consumption and biofuel production will require more grains to be produced given the limited number of arable land and thus leading to increasing yields via more balanced fertiliser application.
• We believe this should lead to active potash purchasing activity in 2011–2012.

Supplier's Market Shares in Global Export, 2010



Source: IFA, BPC estimates

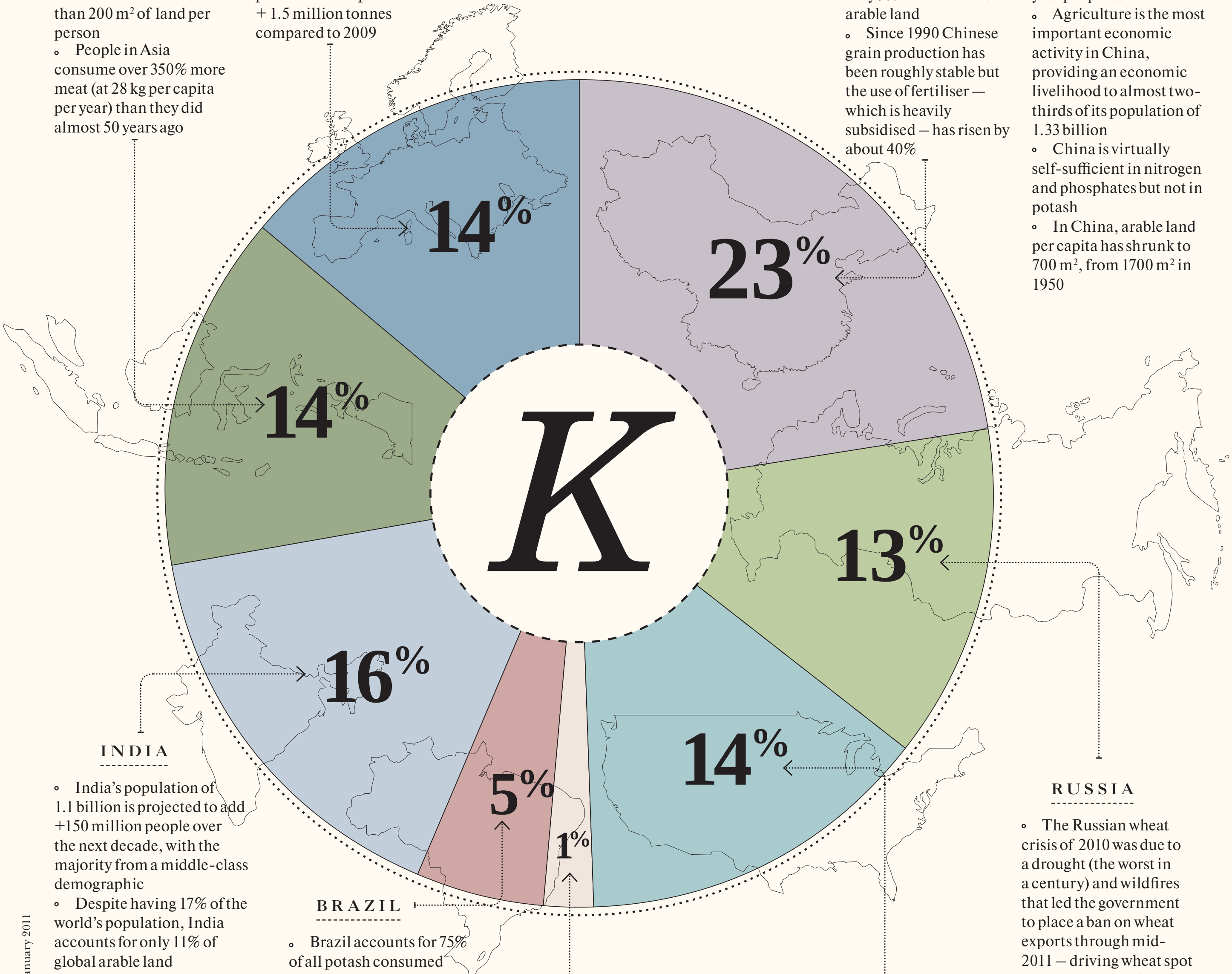
World Biofuel Production



Source: FAPRI

Note
I. BPC together with Uralkali Trading S.A.

URALKALI SALES STRUCTURE



SOUTHEAST ASIA (SEA)

- In Japan, South Korea, and Taiwan, farmers cultivate less than 200 m^2 of land per person
- People in Asia consume over 350% more meat (at 28 kg per capita per year) than they did almost 50 years ago

EUROPE

- In 2010 Europe was among the regions with the largest changes in potash consumption + 1.5 million tonnes compared to 2009

CHINA

- China has managed to feed over 20% of the world's population using only 9% of the world's arable land
- Since 1990 Chinese grain production has been roughly stable but the use of fertiliser — which is heavily subsidised – has risen by about 40%
- Meat consumption in China more than doubled in 1980–2005, to 50 kg a year per person
- Agriculture is the most important economic activity in China, providing an economic livelihood to almost two-thirds of its population of 1.33 billion
- China is virtually self-sufficient in nitrogen and phosphates but not in potash
- In China, arable land per capita has shrunk to 700 m^2, from 1700 m^2 in 1950

INDIA

- India's population of 1.1 billion is projected to add +150 million people over the next decade, with the majority from a middle-class demographic
- Despite having 17% of the world's population, India accounts for only 11% of global arable land
- India's government has set an agricultural sector growth target of 4% per year until at least 2012, a level last reached in Q1 2008
- Food inflation is a serious concern in India, with food prices up 15% over the past year

BRAZIL

- Brazil accounts for 75% of all potash consumed in Central and South America
- Unlike other countries, Brazil uses modern agronomic practices, and therefore prefers granular potash rather than the standard potash used in other countries

OTHER

USA

- In the United States and Canada, meat consumption is about 125 kg per capita per year, up from 92 kg in 1963

RUSSIA

- The Russian wheat crisis of 2010 was due to a drought (the worst in a century) and wildfires that led the government to place a ban on wheat exports through mid-2011 – driving wheat spot cash prices to multiyear highs
- The worst in a century drought with a two-month heat wave, at temperatures exceeding 40°C, slashed wheat production there to ~60 million tonnes from ~90 million tonnes

Source: Scotia Capital Report, January 2011

More than ***70%*** of Uralkali sales in 2010 were in BRIC and SEA markets which account for major part of the world potash fertiliser consumption

SALES REVIEW

EXPORT SALES

- BRIC and SEA countries account for c. 60% of world potash fertiliser consumption and have higher than industry average rates of growth in demand.
- Uralkali deliveries to the BRIC and SEA markets accounted for more than 70% of the Company's sales in 2010.
- Uralkali has leading positions in BRIC markets selling through the BPC and Uralkali Trading S.A.

Uralkali's sales strategy is based on striking the right balance between spot and long-term contract sales. Spot prices are set based on the current market situation, whereas long-term contracts set prices for an extended period, taking long-term trends into consideration. The major markets for Uralkali, where long-term contracts are used, are India and China (sea shipments). The spot to long-term contract split in export sales was 40% to 60% respectively in 2010.

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 fertiliser.

DOMESTIC SALES

Together with the sharp increase in potash demand in its major overseas markets in 2010, the volume of Uralkali's domestic deliveries also continued to grow and amounted to 682 thousand tonnes. The main consumers of the Company's products in the Russian market have been complex fertiliser producers.

Uralkali maintained low prices for potash for **Russian farmers** taking into consideration adverse weather conditions, caused by anomalously high temperatures, and also in line with the recommendations of the Russian government.

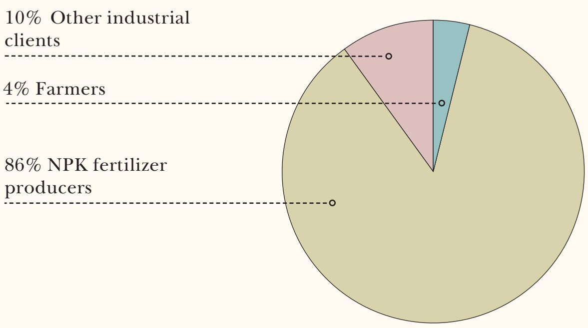
At the beginning of 2010 the ceiling price for potash sold directly to Russian farmers was set at 4,550 RUR per tonne. However, in March 2010 in order to support Russian agricultural sector during the spring sowing season Uralkali decided to cut the price for potash for Russian farmers from 4,550 RUR to 4,250 RUR per tonne (in bulk, FCA, exclusive of VAT) until the end of the first half of 2010. Later the Company decided to maintain this price for the Russian farming sector for the second half of 2010. About 29 thousand tonnes of potash was supplied to the Russian farmers in 2010.

Russian farmers were not the only consumers in the domestic market which Uralkali helped to overcome the consequences of the global financial crisis. The Company also set discounted prices for **Russian complex fertiliser producers**.

Hence, to ensure uninterrupted operations of the complex fertiliser producers, Uralkali devised a temporary anti-crisis measure which involved flexible potash pricing in Q1 of 2010. The temporary measures set the price for potassium chloride as the cost price for potassium chloride excluding part of expenses, but not less than 3,955 RUR per tonne (in bulk, FCA, exclusive of VAT) and not higher than 4,700 RUR per tonne (in bulk, FCA, exclusive of VAT).

In March 2010 based on recommendations from Russia's Ministry of Industry and Trade and the

Domestic Potash Sales in 2010



Federal Antimonopoly Service (FAS) Uralkali set the price for potash at 4,300 RUR per tonne (in bulk, FCA, exclusive of VAT) for complex fertiliser producers, effective till 31 December 2010. Over 590 thousand tonnes of potash was shipped to the complex fertiliser producers at this price. As a result of these measures the demand for complex fertilisers improved faster than that for potash, and the domestic complex fertiliser producers returned to full capacity operation in 2010.

The prices for Russian agricultural producers and complex fertiliser producers were significantly lower than the global potash prices throughout the year. The Company intends to continue supporting the Russian agricultural and industrial sector.

Another traditional group of Uralkali's customers are companies in the **oil, chemical and atomic industries, who use potash in their specialist technologies**. Sales to these clients reached some 67 thousand tonnes in 2010. In setting prices for these customers, Uralkali used the formula set out in the agreement signed with the Russian Antimonopoly Service (FAS) in 2008. The formula is based on the average weighted export price in the lowest-priced market, excluding transport costs, and is used to count the price for domestic industrial consumers.

In 2010 some 40 thousand tonnes of potash was sold through **Moscow Stock Exchange** at the price of 6,260 RUR per tonne (in bulk, FCA, exclusive of VAT).

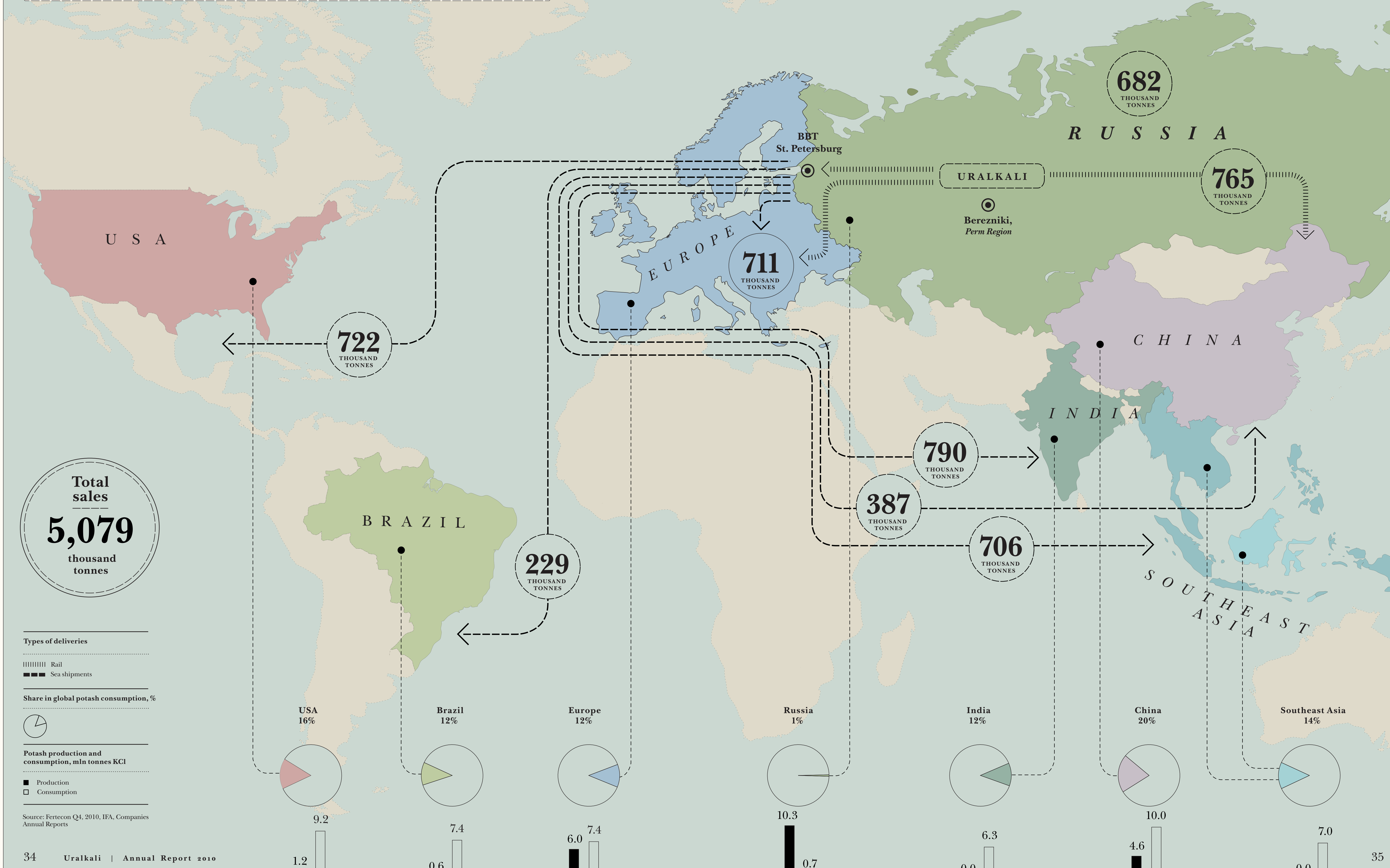
In November 2010 the Russian Antimonopoly Service (FAS) issued "Rules for Non-discriminatory Access to Purchasing MOP" which prescribe potash producers who supply Russian complex fertiliser producers to set the price according to the average weighted export price in the lowest-priced market, excluding transport costs, (minimum export price).

In accordance with rules set by FAS, Uralkali concluded agreements on potash deliveries with the complex mineral fertiliser producers. The 3-year contracts were signed with JSC Acron, Phosagro and Eurochem.

Potash supply long-term contracts with the complex fertiliser producers for the period of 2011–2013; these contracts were concluded with the agreement to include price adjustment equal to US$ 27. Thus, the price for these customers with the additional discount will be about 5,700 RUR per tonne (FCA, in bulk, VAT excluding) in the Q1 of 2011.

Moreover, to support potash fertilisers supplies to the domestic market, the contracts specify discounts to be given to the complex fertiliser producers to the potash volumes intended for the production of complex fertilisers for the domestic market. This arrangement is expected to encourage potash consumption in the form of complex fertilisers in the domestic market, improve soil fertility and increase output volumes of high-quality agricultural products.

URALKALI'S SALES GEOGRAPHY



OPERATIONS REVIEW

PRODUCTION IN 2010

In 2010 Uralkali operated two potash mines and four processing plants that produce potash. Production capacity in 2010 was 5.5 million tonnes of KCl . The Company's total output for the year was around 5.1 million tonnes, making capacity utilisation rate 92%.

BEREZNIKI-4

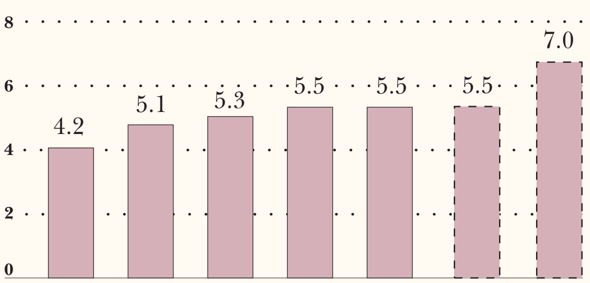
The Company continued to upgrade its production facilities as part of the programme started several years ago and also implemented its capacity expansion project aimed at increasing annual production capacity up to 7 million tonnes by 2012.

The total cost of modernising Berezniki-4 in 2010 was more than 4 billion RUR. The new production line was built at the enrichment plant and is now in the process of being commissioned. After it is finished in 2011, the Company plans to modernise its existing production line. In 2010 the skip hoist in the first shaft was replaced; in 2011 the Company started to replace skip hoists in the second shaft.

The Company has now finished the construction and installation of energy turbines. Their technical connection to the external grid is scheduled for 2011.

Production capacity

mln tonnes KCl



BEREZNIKI-3

As part of the capacity expansion programme of the granulation section at Berezniki-3, the first upgraded technological line was launched in 2010. The Company also started the modernisation of the heating section which is scheduled for completion in 2011 and will increase Uralkali's capacity for granular potash production from 1.3 million to 1.7 million tonnes. In 2010 Uralkali's investment in this project slightly exceeded 0.5 billion RUR.

BEREZNIKI-2

In addition to the projects mentioned above, in 2010 Uralkali replaced the skip hoist in the first shaft and finished its reconstruction. In 2011 upon completion of the skip hoist installation, its annual lifting capacity will reach 11.4 million tonnes of ore. The Company spent 0.4 billion RUR on this project in 2010.

PRODUCTION CHAIN

MINING

Ore extraction takes place underground at an approximate depth of 400 metres. Specialised mining combines drill for potash underground, then the extracted ore is moved by conveyor belts to the shafts and lifted to the surface.

CRUSHING

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

CHEMICAL ENRICHMENT
(HALURGIC METHOD)

The halurgic method has been used since the potash industry started in the second half of the 19th century. The method is based on the varying joint solubility of potassium chloride (KCl) and sodium chloride (NaCl) in water at different temperatures. KCl crystallises out of saturated solution when it cools down.

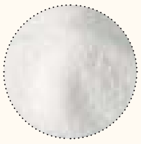
FLOTATION

The flotation method has been used since the 1960s to produce potash fertilisers for agriculture which contain up to 95% of the useful component. The method is based on the varying floatability of sylvite and halite minerals in the saturated aqueous solution of potassium chloride and sodium chloride in the presence of reagents. Partly purified potash ore is placed in the flotation machine, bubbles stick to potassium chloride particles and push them to the mixture surface for subsequent separation. The humidity of pink MOP after drying is only 0.1%.

STANDARD

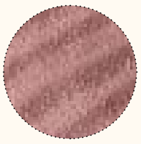
COMPACTING

White Potash (MOP)



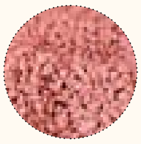
Chemical Enrichment (Halurgic method). White MOP is produced at Uralkali's enrichment plants through the halurgic method. Potash fertilisers containing 95% and 98% of MOP and chemically pure 99.8% MOP (where the humidity of the end product after drying is only 0.2% of its weight) are produced using the halurgic method.

Pink Potash (MOP)



Flotation method. Pink MOP is produced at Uralkali's enrichment plants through the flotation method.

Granular Potash



Granulation. The process of making granular potash is identical to that for Pink MOP, up to the end of the final drying phase. Following this phase, dried potash powder is compressed into flakes (at 200–220 atm), then, flakes are crushed and granules of the correct size are selected. These granules are treated to remove sharp edges and cracks and are hardened in furnaces to increase their strength. Granules are prepared for long transportation in the oil treatment blender. Uralkali also owns a technology of granular production from white MOP.

CAPACITY EXPANSION PLANS

Uralkali is currently making significant investment in capacity expansion. In 2012, once these projects have been completed, Uralkali will increase its production capacity by 27% – from 5.5 million tonnes to 7 million tonnes of KCl. Besides these current projects, there is a considerable potential for additional capacity expansion over the medium term. Currently, Uralkali develops a project of new mine construction. The new mine might provide significant capacity increase.

BEREZNIKI-4 CAPACITY EXPANSION INVESTMENT PROGRAMME

The programme of investment will increase production capacity at Berezniki-4 from 1.3 million tonnes to 3 million tonnes of KCl. Additional capacity of 200 thousand tonnes was achieved in 2009 through the installation of a new dissolution unit. In 2012 the launch of the new production line will increase the plant's capacity by a further 1.5 million tonnes of potash.

Total cost of the project – **20 bln RUR**
Invested to date – **14 bln RUR**

Additional Information:
· FINANCIAL MANAGEMENT DISCUSSION AND ANALYSIS (P. 39)

EXPANSION OF GRANULAR CAPACITY

Uralkali's current capacity for granular potash production is 1.32 million tonnes.

It is planned that this will increase to 1.7 million tonnes by the end of 2011.

Total cost of the project – **1.5 bln RUR**
Invested to date – **1 bln RUR**

UST-YAYVINSKY FIELD

The Company owns a licence to develop the Ust-Yayvinsky field which has total resources of 1,290.6 million tonnes of ore[I]. Uralkali is currently considering different ways to develop this project. The Company intends to conduct an analysis of the potash market to develop an optimal strategic approach to the new mine construction. The analysis will be conducted following the completion of the merger of Silvinit and Uralkali.

Note
I. JORC valuation report as of 1 January 2011

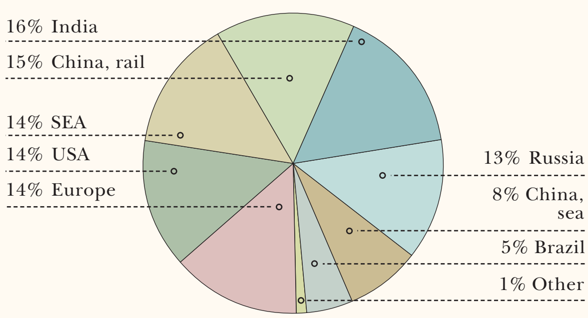
FINANCIAL MANAGEMENT DISCUSSION AND ANALYSIS

1. GROSS SALES

In 2010, there was a recovery in world demand for potash. As a result, the company's sales volumes in 2010 were 103% above 2009 levels although the prices for potash fertilisers continued to decrease. The average export price (in US$) for Uralkali products was 28.9% lower in 2010 than in 2009.

The growing demand resulted in an increase in 2010 revenues to 51.6 billion RUR (US$ 1,699 million), up 53% on the previous year.

Potash Sales Structure, 2010

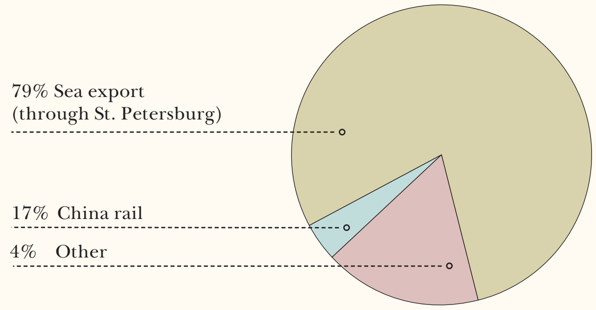


Non-potash sales, at 1.5 billion RUR (US$ 51 million), accounted for 3% of gross revenues. This figure includes non-core products and services, primarily sodium chloride (NaCl) solution and carnallite processing services, which made up 1.7% of total sales. It also includes transhipping services provided by the Baltic Bulk Terminal to complex fertiliser producers (1.3% of total sales).

2. TRANSPORTATION

Almost 79% of export sales in 2010 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, transhipment and freight costs (except for deliveries on an FOB basis).

Export Structure, 2010



About 17% of export sales were transported to China by rail. The remaining 4% comprise 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.

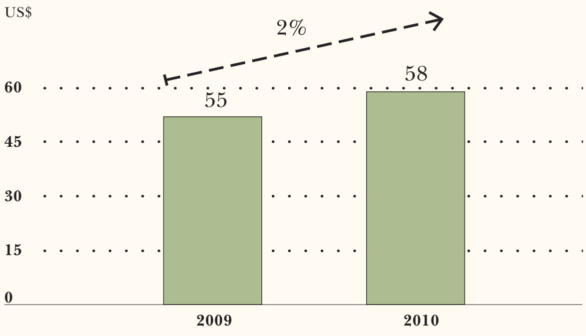
2.1 FREIGHT

Average freight rates expressed in US$ were 5% higher than in 2009, at US$ 58 per tonne of product shipped by sea on a CFR basis.

In 2010 the depreciation of the US$ against the rouble resulted in a 2% increase in average freight rates to 1,768 RUR 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 2010 approximately 25% of sea deliveries were carried out using long-term freight contracts, a lower ratio than usual. This is because, having predicted a considerable drop in future freight rates, the Company did not book any new contracts for 2010. In addition, the uncertainty in global potash markets would have made it risky to enter into new long-term agreements for significant sales volumes.

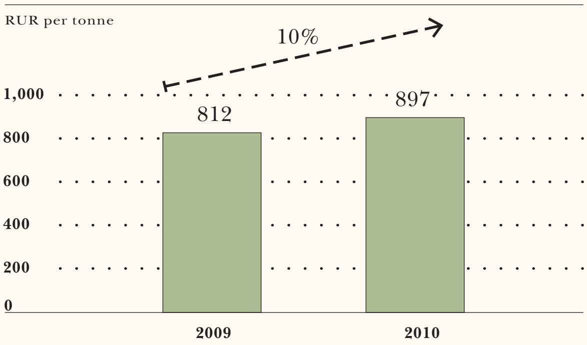
Effective Freight Rates



2.2 RAILWAY TARIFFS

Uralkali typically delivers 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. In 2010 the State increased the tariffs to both St. Petersburg (resulting in an effective increase of 10%) and to China (resulting in an effective increase of 13%). Overall, expenses for railway transportation have risen by 3 billion RUR, due to an increase in export volumes. Volumes transported to St. Petersburg were approximately doubled on 2009 levels, while rail deliveries to China were approximately seven times higher than in 2009.

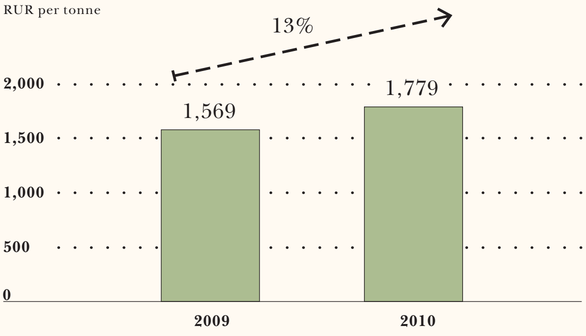
SPb Railway Tariff



Additional Information:

• URALKALI KEY FIGURES (P. 8)

China 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 transhipment costs. Net sales increased in 2010 by 39% to 40.6 billion RUR.

4. TOTAL EXPENSES: POTASH SALES

Total expenses for potash sales amounted to 5,856 RUR per tonne[I] in 2010. Total potash sales costs in the domestic market amounted to 3,640 RUR per tonne[II].

Notes

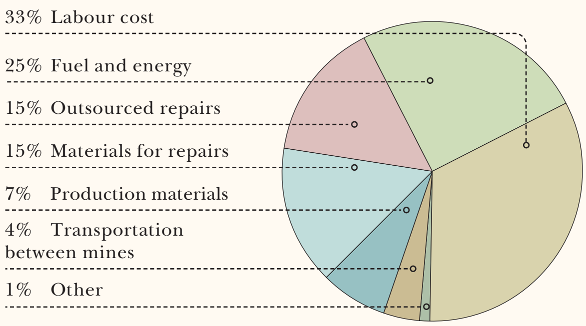
I. Total expenses in the potash sales are calculated according to IFRS and include sales, distribution, general and administrative, and other operating expenses and taxes other than income tax for potash sales (See Note 7 to the Consolidated Financial Statement for the year ended 31 December 2010)

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 2010, 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 2010 was significantly impacted by the increase in sales volumes of 2.6 million tonnes (103% of 2009 sales volumes). The cash cost for products sold in 2010 was 1,713 RUR per tonne (US$ 56).

Cash COGS Structure, 2010



5.1 LABOUR

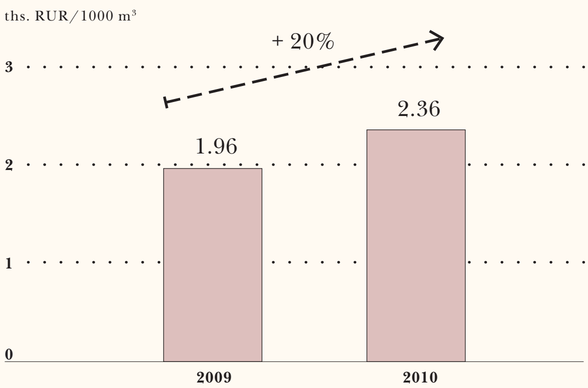
In 2010, Uralkali has made some indexations of average monthly salary in order to align in with the market level. As the result, the average monthly salary was increased by 40% on 2009 to 27,800 RUR (about US$ 916 a month) mainly due to renewal of monthly bonuses (suspended in 2009 due to decrease in production levels) and indexation in line with market conditions. Labour compensation costs are fixed as a result of social responsibility policy, meaning the company cannot reduce headcount during a period of temporary reduction in production volume. The salary is paid in RUR and is subject to devaluation in line with the fall in the rouble exchange rate.

Notes
I. Cash cost of goods sold = Cost of goods sold less depreciation
II. For 100% utilisation rate. Actual utilisation rate in 2010 was approximately 90%

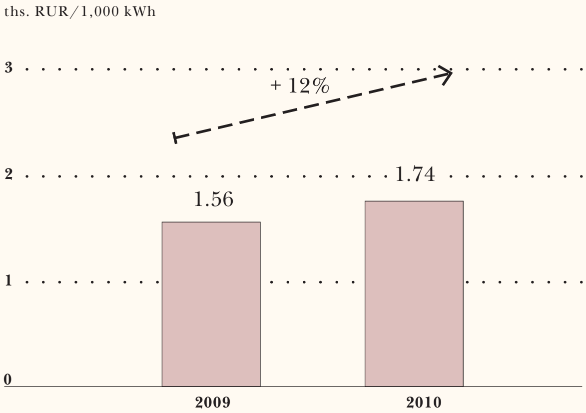
5.2 FUEL AND ENERGY

Potash production is an energy-intensive process. For the most part, fuel and energy-related costs are variable and are set in RUR. In 2010, tariffs for 32% of supplied electricity and 70% 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). Open market prices for gas and electricity in 2010 were respectively 4% and 15% higher than regulated prices.

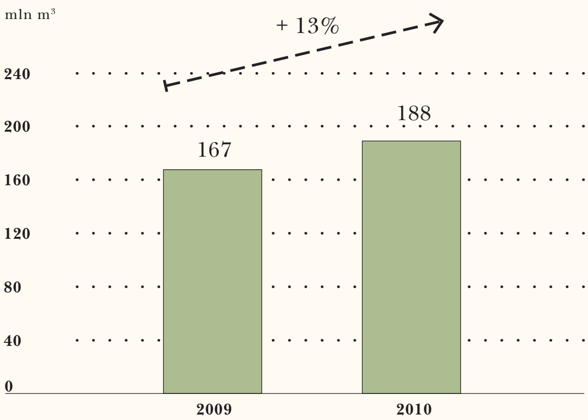
Gas Tariff



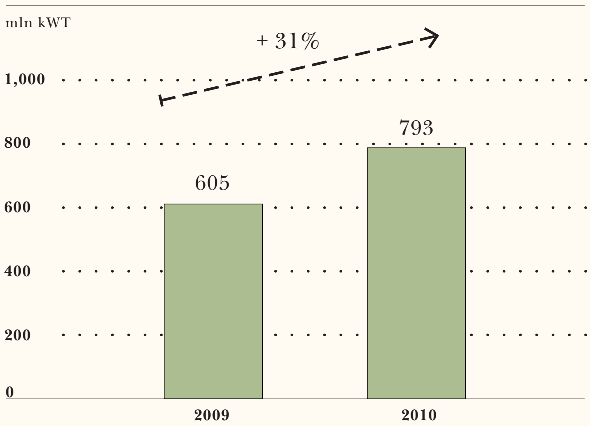
Effective Electricity Tariff



Gas Consumption



Electricity Consumption



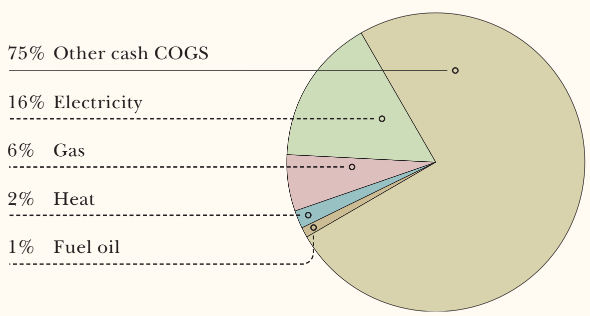
As a result, the effective tariff on gas in 2010 increased by 20% on 2009 to 2,359 RUR (US$ 78) per thousand cubic meters. The effective tariff on electricity in 2010 rose by 12% to 1,739 RUR (US$ 57) per thousand kWh.

NB

Additional Information:

• URALKALI KEY FIGURES (P. 8)

Fuel and Energy Cost, 2010



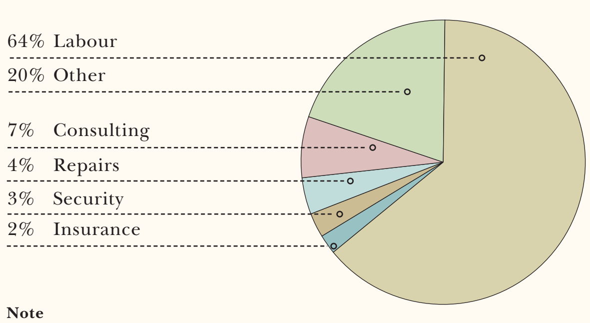
5.3 OTHER CASH COSTS

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 RUR.

6. GENERAL AND ADMINISTRATIVE EXPENSES

On average general and administrative cash costs[I] in 2010 were 31% higher than in 2009. Personnel costs account for more than half of these expenses.

General and Administrative Costs, 2010



Note

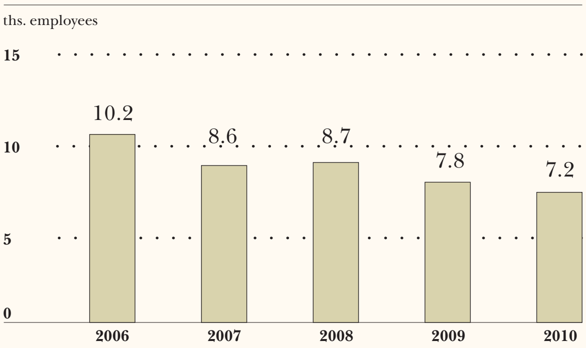
I. Cash general and administrative expenses = General and administrative expenses less depreciation and amortisation

7. COST REDUCTION PROGRAMMES

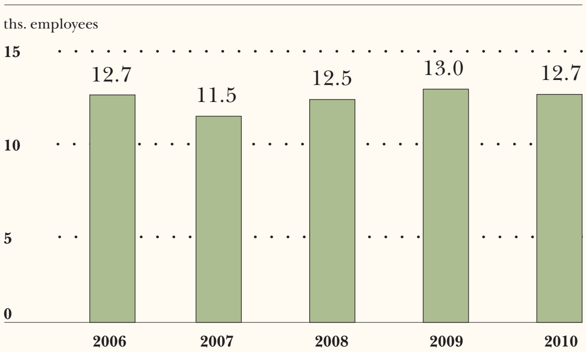
7.1 PROGRAMME TO INCREASE PRODUCTIVITY

At the end of 2010, about 7,200 people were employed at Uralkali's main production unit. In 2009 and 2010 the company had a longstanding programme to increase productivity by 40% and reduce headcount in the main production unit finally to 6,000 through the optimisation and automation of production processes. To date the programme was suspended due to the process of combination of Uralkali and Silvinit. After the merger is completed, the programme will be renewed and continued.

Headcount of Main Production Unit (period average)



Headcount of Uralkali group (period average)



By the end of 2010 the company had mainly 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 and IT services) account for the difference between the headcount of the group and the headcount of the main production unit. During 2010 Uralkali sold its share in the healthcare services division. This mainly resulted in overall headcount decrease of the Group.

7.2 POWER GENERATION PROGRAMME

By the end of 2010 Uralkali had reached the final stage of its power generation programme, which had been underway for several years.

In the second half of 2011 we expect to start all four electricity generation turbines at Production Unit 4 and produce electricity in amount of 137 million kwt. We expect to obtain licences for the parallel operation of the turbines in mid-2011, which will enable us to realise energy cost savings of approximately 50 RUR per tonne of potash produced[I]. In 2010, without the licence, electricity produced by the company was insignificant in the total volume of electricity consumed.

8. EBITDA

In 2010 adjusted EBITDA[II] increased by 48% to 24.3 billion RUR. The adjusted EBITDA margin[III] in 2010 increased to 60% from 56% the previous year.

Notes

I. This is calculated as the difference between the cost of purchased electricity and the cost of generated electricity, based on the assumptions that the company will operate at full capacity and that gas prices will increase by 15%, and electricity by 14% in 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

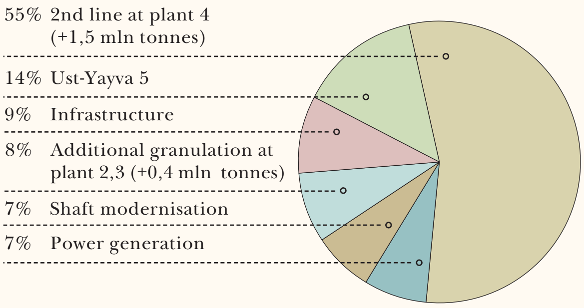
III. Adjusted EBITDA margin is calculated as adjusted EBITDA divided by Net Sales

9. MINE FLOODING COSTS

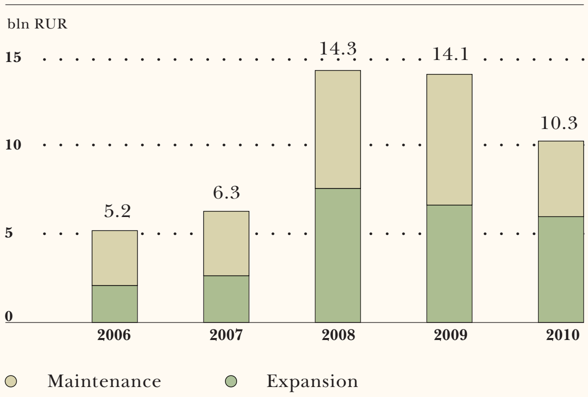
As of 31 December 2009 the company accrued additional provisions of 1 billion RUR related to additional expenses on the Yayva-Solikamsk railroad. To date this provision has not been utilised as the process for making payment has not been finalised. (For more details see Note 5 to the Consolidated Financial Statements for the year ended 31 December 2010).

10. CAPEX

Structure of CAPEX Expension, 2010



CAPEX Evolution



Additional Information:

• CAPACITY EXPANSION PLANS (P. 38)
• FINANCIAL MANAGEMENT DISCUSSION AND ANALYSIS (P. 39)

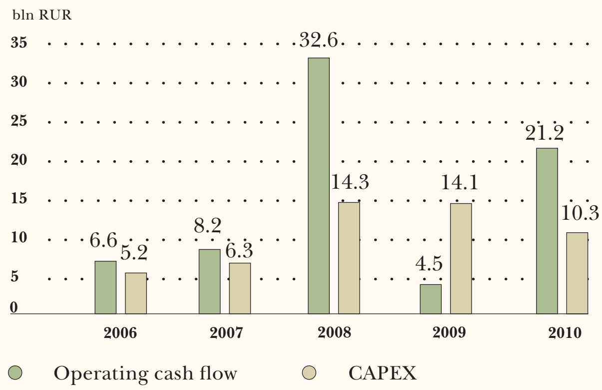
In 2010 total CAPEX amounted to 10.3[I] billion RUR, of which more than a half was spent on expansion and cost reduction. The main projects included increasing production at Production Unit 4 by 1.5 million tonnes (modernisation of the second production line); designing the shaft for Ust-Yayva; implementing the company's power generation programme; and infrastructure development. More than 95% of maintenance costs are in RUR.

11. CASH FLOW

Due to increased sales volumes in Uralkali's main markets net cash generated from operations increased to 21.2 billion RUR, approximately 5 times higher than in 2009.

As of 31 December 2010 Uralkali had net cash of 3.5 billion RUR (US$ 115 million). Its cash balance amounted to 14.8 billion RUR, with bank debt at 11.3 billion RUR denominated in US$, with an average interest rate of around 3.4%.

Operating Cash Flow vs. CAPEX



Note

I. 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

INTERNATIONAL FINANCIAL REPORTING STANDARDS CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Independent Auditor's Report	**46**
Consolidated Statement of Financial Position	**47**
Consolidated Statement of Income	**48**
Consolidated Statement of Comprehensive Income	**49**
Consolidated Statement of Cash Flows	**50**
Consolidated Statement of Changes in Equity	**51**

Notes to the Consolidated Financial Statements **52**
1 The Uralkali Group and its operations 52
2 Basis of preparation and significant accounting policies 52
3 Adoption of new or revised standards and interpretations 62
4 New accounting pronouncements 64
5 Critical accounting estimates, and judgements in applying accounting policies 65
6 Related parties 67
7 Segment reporting 68
8 Property, plant and equipment 70
9 Investments in subsidiary and jointly controlled entities 72
10 Intangible assets 72
11 Inventories 73
12 Trade and other receivables 73
13 Cash and cash equivalents 74
14 Shareholders' equity 75
15 Mine flooding provisions 75
16 Borrowings 75
17 Trade and other payables 77
18 Revenues 77
19 Cost of sales 78
20 Distribution costs 78
21 General and administrative expenses 78
22 Labour costs 79
23 Other operating income and expenses 79
24 Finance income and expense 79
25 Mine flooding costs 80
26 Income tax expense 80
27 Post employment benefits obligations 81
28 Earnings per share 82
29 Contingencies, commitments and operating risks 82
30 Financial risk management 85
31 Fair value of financial instruments 87
32 Events after reporting date 88

pwc

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 2010 and the consolidated statements of income, comprehensive income, cash flows and changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

1 April 2011
Moscow, Russian Federation

URALKALI GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2010

(IN MILLIONS OF RUSSIAN ROUBLES UNLESS OTHERWISE STATED)

	Note	31 December 2010	31 December 2009
ASSETS			
Non-current assets			
Property, plant and equipment	8	47,144	42,208
Prepayments for acquisition of property, plant and equipment		1,022	1,653
Letters of credit for acquisition of property, plant and equipment		130	2,281
Goodwill		366	366
Intangible assets	10	142	138
Deferred income tax assets	26	258	247
Financial assets		228	230
VAT recoverable		-	225
Total non-current assets		**49,290**	**47,348**
Current assets			
Inventories	11	3,515	3,481
Trade and other receivables	12	7,164	5,850
Current income tax prepayments		62	74
Loans issued to related parties	6	10	1,578
Cash and cash equivalents	13	14,765	4,297
Total current assets		**25,516**	**15,280**
TOTAL ASSETS		**74,806**	**62,628**
EQUITY			
Share capital	14	648	648
Treasury shares	14	(12)	(12)
Share discount		(849)	(849)
Revaluation reserve		150	150
Retained earnings		56,837	43,751
Equity attributable to the Company's equity holders		**56,774**	**43,688**
Non-controlling interest		**23**	**27**
TOTAL EQUITY		**56,797**	**43,715**
LIABILITIES			
Non-current liabilities			
Borrowings	16	9,216	8,361
Post employment benefits obligations	27	282	260
Deferred income tax liability	26	647	416
Total non-current liabilities		**10,145**	**9,037**
Current liabilities			
Borrowings	16	2,589	5,654
Trade and other payables	17	3,489	2,745
Mine flooding provisions	5, 15	1,000	1,000
Current income tax payable		306	109
Other taxes payable		480	368
Total current liabilities		**7,864**	**9,876**
TOTAL LIABILITIES		**18,009**	**18,913**
TOTAL LIABILITIES AND EQUITY		**74,806**	**62,628**

Approved on behalf of the Board of Directors
1 April 2011

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 2010

(IN MILLIONS OF RUSSIAN ROUBLES UNLESS OTHERWISE STATED)

	Note	2010	2009
Revenues	18	51,592	33,809
Cost of sales	19	(11,830)	(8,878)
Gross profit		**39,762**	**24,931**
Distribution costs	20	(12,819)	(6,075)
General and administrative expenses	21	(4,937)	(3,838)
Taxes other than income tax		(639)	(502)
Other operating income and expenses	23	(917)	(1,328)
Operating profit		**20,450**	**13,188**
Mine flooding costs	25	(28)	(1,060)
Finance income	24	214	456
Finance expense	24	(887)	(1,350)
Profit before income tax		**19,749**	**11,234**
Income tax expense	26	(3,095)	(2,139)
Net profit for the year		**16,654**	**9,095**
Profit is attributable to:			
Owners of the Company		16,650	9,089
Non-controlling interests		4	6
Net profit for the year		**16,654**	**9,095**
Earnings per share – basic and diluted (in Roubles)	28	**7.93**	**4.33**

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 2010

(IN MILLIONS OF RUSSIAN ROUBLES UNLESS OTHERWISE STATED)

	2010	2009
Net profit for the year	**16,654**	**9,095**
Disposal of subsidiary to associate	1	-
Total comprehensive income for the year	**16,655**	**9,095**
Total comprehensive income for the year attributable to:		
Owners of the Company	16,651	9,089
Non-controlling interests	4	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 2010

(IN MILLIONS OF RUSSIAN ROUBLES UNLESS OTHERWISE STATED)

	Note	2010	2009
Cash flows from operating activities			
Profit before income tax		19,749	11,234
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets	8, 10	3,849	3,188
Net loss on disposal of property, plant and equipment	23	279	271
Reversal of provision for impairment of receivables	23	(11)	(20)
Net change in mine flooding provisions	15	-	(6,804)
Finance income and expense, net		386	(7)
Foreign exchange losses, net	24	225	751
Operating cash flows before working capital changes		**24,477**	**8,613**
(Increase)/decrease in trade and other receivables		(1,096)	115
Increase in inventories	11	(34)	(516)
Increase/(decrease) in accounts payable, accrued expenses and other creditors		895	(1,368)
Increase in other taxes payable		112	70
Cash generated from operations		**24,354**	**6,914**
Interest paid	16	(465)	(393)
Income taxes paid		(2,671)	(2,049)
Net cash generated from operating activities		**21,218**	**4,472**
Cash flows from investing activities			
Acquisition of intangible assets	10	(60)	(34)
Acquisition of property, plant and equipment		(10,310)	(13,606)
Proceeds from sales of property, plant and equipment		3,992	26
Purchase and sale of investments, net		(2)	(39)
Acquisition of subsidiaries, net of cash acquired		(4)	(753)
Loans issued to related party	6	(555)	(1,578)
Loans repaid by related party	6	2,123	-
Increase in irrevocable bank deposits	13	(77)	(13)
Dividends and interest received		174	628
Net cash used in investing activities		**(4,719)**	**(15,369)**
Cash flows from financing activities			
Repayments of borrowings	16	(14,768)	(11,880)
Proceeds from borrowings	16	12,411	10,774
Finance lease payments	16, 24	(49)	(38)
Dividends paid to shareholders		(3,575)	(10)
Net cash used in financing activities		**(5,981)**	**(1,154)**
Effect of foreign exchange rate changes on cash and cash equivalents		(127)	161
Net increase/(decrease) in cash and cash equivalents		**10,391**	**(11,890)**
Cash and cash equivalents at the beginning of the year, net of restricted cash	13	**4,284**	**16,174**
Cash and cash equivalents at the end of the year, net of restricted cash	13	**14,675**	**4,284**

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 2010

(IN MILLIONS OF RUSSIAN ROUBLES UNLESS OTHERWISE STATED)

	Attributable to equity holders of the Company							
	Share capital (Note 14)	Treasury shares (Note 14)	Share discount	Revaluation reserve	Retained earnings	Total attributable to owners of the Company	Non-controlling interest	Total equity
Balance at 1 January 2009	**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**
Total comprehensive income for the year	-	-		-	16,651	16,651	4	16,655
Dividends declared (Note 14)	-	-	-	-	(3,565)	(3,565)	-	(3,565)
Disposal of non-controlling interest	-	-	-	-	-	-	(8)	(8)
Balance at 31 December 2010	**648**	**(12)**	**(849)**	**150**	**56,837**	**56,774**	**23**	**56,797**

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 2010

(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 fertilisers, primarily potassium based, which are extracted and processed in the vicinity of the city of Berezniki, Russia, and which are distributed both on domestic and foreign markets. 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 2010 approximately 87% of potash fertiliser production was exported (for the year ended 31 December 2009: 76%).

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-Yayvinskiy 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 OJSC Uralkali. The Group was ultimately controlled by Mr. Dmitry Rybolovlev. On 11 June 2010 Madura Holdings Limited disposed majority of its stake in the Company to three companies that are beneficially owned by a number of individuals. None of these companies exercise control over the Group and there is no joint control agreement between them. As of 31 December 2010 the Group had no ultimate controlling party.

As of 31 December 2010 the Group employed approximately 12.7 thousand employees (31 December 2009: 13.2 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 Belorussian 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.

2.2 ACCOUNTING FOR THE EFFECT OF INFLATION

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

2.3 CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

2.4 NON-CONTROLLING INTEREST

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

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

2.5 JOINT VENTURES

JOINTLY CONTROLLED ENTITIES

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

2.6 INVESTMENTS IN ASSOCIATES

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

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

2.7 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

2.8 OPERATING LEASES

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

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

2.10 GOODWILL

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

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

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

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

2.11 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 reporting 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.

2.15 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 and it is probable that the dividends will be collected. All other elements of changes in the fair value are deferred in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is removed from other comprehensive income to profit or loss.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through 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 reporting date in the Russian Federation for entities incorporated in the Russian Federation, in Switzerland for Uralkali Trading SA, in Gibraltar for Uralkali Trading (Gibraltar) Ltd, in the USA for UKT Chicago and in Belarussia for Belarusian Potash Company. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

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

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

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

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

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

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

2.17 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 profit or loss.

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

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

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 reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements have been authorised for issue.

2.23 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 consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where a provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debt, including VAT.

2.24 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 reporting date.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 profit or loss. Translation at year-end rates does not apply to non-monetary items, including equity investments.

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

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

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

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

At 31 December 2010, the official rate of exchange, as determined by the Central Bank of the Russian Federation (CBRF), was US$ 1 = Rouble 30.48 (31 December 2009: US$ 1 = Rouble 30.24). The official Euro to RR exchange rate at 31 December 2010, as determined by the CBRF, was Euro 1 = Rouble 40.33 (31 December 2009: Euro 1 = Rouble 43.39).

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 fertilisers 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.

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

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

2.33 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 fertilisers.

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 standards and interpretations became effective for the Group from 1 January 2010:

IFRIC 17, Distributions of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets should be recognised in profit or loss when the entity settles the dividend payable. IFRIC 17 did not have an impact on the Group's consolidated financial statements.

IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 did not have an impact on the Group's consolidated financial statements.

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). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The revised standard did not have any impact on the Group's consolidated financial statements.

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). The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result. The amendments do not have any impact on the Group's consolidated 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. These amendments are not relevant to the Group.

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 allows entities to choose to measure non-controlling interests using the previous 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. Instead, in a business combination achieved in stages, the acquirer has 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 for the year. Acquisition-related costs are accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer has to recognise a liability for any contingent purchase consideration at the acquisition date. Changes in the value of that liability after the acquisition date are 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 revised IFRS 3 did not have a material impact on the Group's consolidated 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 requires an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interest") even if this results in the non-controlling interests having a deficit balance (the previous standard required 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 has to be measured at its fair value. The amendment did not have a material impact on the Group's consolidated financial statements.

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1 January 2010. Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets. The Group has applied the new accounting policies prospectively to transactions occurring on or after 1 January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the consolidated financial statements.

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). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment did not have a material impact on the Group's consolidated financial statements.

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 for the year 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. In addition, the amendments clarifying classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary published as part of the *Annual Improvements to International Financial Reporting Standards*, which were issued in May 2008, are effective for annual periods beginning on or after 1 July 2009. The amendments did not have a material impact on the Group's consolidated financial statements.

Unless otherwise stated above, the amendments and interpretations did not have any significant effect on 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 2011 or later periods and which the Group has not early adopted:

- ***IFRS 9 Financial Instruments Part 1: Classification and Measurement (issued in November 2009, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted).*** The Group is currently assessing the impact of the amended standard on its consolidated financial statements.
- ***Classification of Rights Issues – Amendment to IAS 32, Financial Instruments: Presentation (issued in October 2009, 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 amendment is not currently applicable to the Group.
- ***Amendment to IAS 24, 'Related party disclosures' (issued in 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; 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 its consolidated financial statements.

4. NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

· ***IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (issued November 2009; effective for annual periods beginning on or after 1 July 2010)*** clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The Group does not expect the amendment to have any impact on its consolidated financial statements.

· ***Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011).*** The Group does not expect the amendment to have any impact on its consolidated financial statements.

· ***Improvements to International Financial Reporting Standards (issued in May 2010 and effective for the Group from 1 January 2011).*** The Group is currently assessing the impact of the amended standards on its consolidated financial statements.

· ***Limited exemption from comparative IFRS 7 disclosures for first-time adopters – Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010)***. The amendment is not applicable to the Group.

· ***Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011)***. The Group is currently assessing the impact of the amended standard on its consolidated financial information.

· ***Recovery of Underlying Assets – Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012)***. The amendment is not applicable to the Group.

· ***Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Amendments to IFRS 1 (issued in December 2010 and effective for annual periods beginning on or after 1 July 2011)***. The amendment is not applicable to the Group.

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

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 consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Provisions for mine 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".

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 in total amount RR 7,804 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.

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 this compensation, as a part of its social responsibility, and as of 31 December 2009 the determination that this compensation would crystallise was assessed as "probable" the Company accrued a provision in this amount. To date this provision has not been utilized as the process for making payment has not been finalised.

Other risks not included in provision for compensations

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 parties established a technical commission in order to determine whether these expenses are in fact directly connected to the consequences of the mine flood. In July 2010 the Company received an amended request from TGK-9 to compensate expenses in the amount of RR 995. The Company believes that only the expenses that are directly caused by the flooding of the mine could be considered for compensation. Therefore the Company estimates the probability of having to pay this compensation to be from "remote" to "possible" and no accrual have been made in respect of this amount.

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). 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. In January 2010 the Company received the claim of tax authorities to pay tax, fines and penalties. The decision of tax authorities of additional charge of mineral extraction tax was determined to be invalid in court. On 11 January 2011 Federal Arbitration Court in Moscow Judicial Circuit entirely dismissed the claim of tax authorities. The Company estimates the probability of this liability crystallising as "remote" and accordingly has not made an accrual for this amount.

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 1,931 (31 December 2009: RR 1,084) should be assessed for impairment in 2013.

Land. The main part of facilities of OJSC BBT are situated on land occupied on an annual lease basis, but the management plans to secure the land where the facilities of OJSC BBT are situated and adjoining land plots by a long-term rent agreement. If the Group cannot secure long-term use of this land, non-current assets of RR 2,330 (31 December 2009: RR 2,417) should be assessed for 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 OJSC 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.

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 party 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 2010	31 December 2009
Loans issued to related parties	2009: Ultimate controlling party	-	1,578
Loans issued to related parties	Associate	10	-

Statement of income caption	Nature of relationship	2010	2009
Interest income	Former key management personnel (2009: Ultimate controlling party)	44	16

Shareholder's equity caption	Nature of relationship	2010	2009
Dividends declared	Former parent company (Note 1)	2,283	-

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, the former Chairman of the Board of Directors. The loan was provided at an interest rate of Euro Libor + 4% for 1 year. The loan was fully repaid on 2 July 2010.

CROSS SHAREHOLDING

As of 31 December 2010 and 31 December 2009 LLC Kama, a 100% owned subsidiary of the Group, owned 1.17% 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 1,305 and RR 702 for the years ended 31 December 2010 and 2009, respectively.

The structure of total key management compensations is set out below:

	2010	2009
Salary and other compensations	903	702
Termination bonuses	402	-
Total key management compensations	**1,305**	**702**

The termination bonuses are presented by the one-off benefits paid for highly paid professionals and managers, who left the Company. The termination bonuses were fully paid in 2010.

7. SEGMENT REPORTING

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

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

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

	Note	2010	2009
Revenue		51,592	33,809
Segment result (Net profit)		**16,654**	**9,095**
Depreciation and amortisation		(3,849)	(3,188)
Accrual of provision for compensations	25	-	(1,000)
Finance income	24	214	456
Finance expense	24	(887)	(1,350)
Income tax	26	(3,095)	(2 139)

7. SEGMENT REPORTING (CONTINUED)

b) Geographical information

The analysis of Group sales by region was:

	2010	2009
Russia	4,632	4,587
Latin America, China, India, South East Asia	30,186	20,239
USA, Europe	16,342	8,713
Other countries	432	270
Total revenue	**51,592**	**33,809**

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

c) Major customers

The Group had no external customers which represented more than 10% of the Group's revenues in the year ended 31 December 2010 (the Group had one external customer from India which represented 15% of the Group's revenues in the year ended 31 December 2009).

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 2010 was as follows:

	Export potash sales	Domestic potash sales	Total potash sales	Other sales	Unallocated	Total
Tonnes (thousands)	**4,397**	**682**	**5,079**	**-**	**-**	**5,079**
Revenues	**46,960**	**3,092**	**50,052**	**1,540**	**-**	**51,592**
Cost of sales	(9,579)	(1,485)	(11,064)	(766)	-	(11,830)
Distribution, general and administrative expenses, other operating income and expenses and taxes other than income tax	(17,888)	(790)	(18,678)	(367)	(267)	(19,312)
Operating profit/(loss)	**19,493**	**817**	**20,310**	**407**	**(267)**	**20,450**
Mine flooding costs					(28)	(28)
Finance income and expense, net					(673)	(673)
Profit before income tax						**19,749**
Income tax expense					(3,095)	(3,095)
Segment result/Net profit						**16,654**

7. SEGMENT REPORTING (CONTINUED)

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**

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 2009	9,431	6,030	21,043	6,178	20,187	643	189	**63,701**
Additions	-	-	-	126	12,913	-	-	**13,039**
Transfers	1,359	695	4,837	-	(7,194)	301	2	**-**
Disposals	(40)	(35)	(651)	(1,437)	(2,787)	(10)	-	**(4,960)**
Balance as of 31 December 2010	**10,750**	**6,690**	**25,229**	**4,867**	**23,119**	**934**	**191**	**71,780**
Accumulated Depreciation								
Balance as of 31 December 2009	3,995	4,883	10,319	1,946	-	350	-	**21,493**
Depreciation charge	298	196	2,999	430	-	43	-	**3,966**
Disposals	(24)	(35)	(603)	(153)	-	(8)	-	**(823)**
Balance as of 31 December 2010	**4,269**	**5,044**	**12,715**	**2,223**	**-**	**385**	**-**	**24,636**
Net Book Value								
Balance as of 31 December 2009	**5,436**	**1,147**	**10,724**	**4,232**	**20,187**	**293**	**189**	**42,208**
Balance as of 31 December 2010	**6,481**	**1,646**	**12,514**	**2,644**	**23,119**	**549**	**191**	**47,144**

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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**

DEPRECIATION

For the year ended 31 December 2010 and 2009, respectively, the depreciation was allocated to statement of income as follows:

	Note	2010	2009
Cost of sales	19	3,132	2,502
Distribution costs (including transhipment activities – Note 2.29)		381	356
General and administrative expenses	21	227	241
Loss on disposal of property, plant and equipment		53	32
Total depreciation expense		**3,793**	**3,131**

In 2010 the Group incurred depreciation amounting to RR 173 (2009: RR 92), 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 2010 and 31 December 2009 the gross carrying value of fully depreciated property, plant and equipment still in use was RR 7,686 and RR 7,072, respectively.

ASSETS PLEDGED UNDER LOAN AGREEMENTS

As of 31 December 2010 and 31 December 2009 the carrying value of property, plant and equipment pledged under bank loans was RR 3,987 and RR 6,729 (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 Belorussian 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 fertilisers produced by the participants.

BPC's charter provides for separate accounting of the operations of each participant, including separate accounting for the sales of the participants' goods and the related cost of sale and distribution costs. Administrative expenses incurred by BPC are currently shared as follows: not more than 69% 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 consolidated statement of income reflects the revenue from sales by BPC of Uralkali's products, together with the related costs of sales, distribution and administrative costs.

INVESTMENTS IN SUBSIDIARIES

In May 2010 the Group sold a 51% share in LLC Poliklinika Uralkali-Med that provided healthcare services to the Group, for a consideration of RR 8 with RR 6 gain on disposal, recognised in the consolidated statement of income. The Group retained a 49% share in LLC Poliklinika Uralkali-Med and as of 31 December 2010 classified this investment as associate.

On 19 July 2010 the Group sold the entire share capital of Sophar Property Holding Inc. for net proceeds of RR 3,948 (US$ 129,600,000). The main identifiable assets of this subsidiary consisted of two corporate business jets. The gain on disposal reported on the sale was RR 14 (US$ 469,823).

10. INTANGIBLE ASSETS

	Software	Other	Total
Cost as of 1 January 2009	**459**	**20**	**479**
Accumulated amortisation	**(318)**	**-**	**(318)**
Carrying amount as of 1 January 2009	**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**
Additions	58	2	60
Amortisation charge	(56)	-	(56)
Cost as of 31 December 2010	**537**	**36**	**573**
Accumulated amortisation	**(431)**	**-**	**(431)**
Carrying amount as of 31 December 2010	**106**	**36**	**142**

The balances of intangible assets reported in these consolidated financial statements as of 31 December 2010 and 2009 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:

	2010	2009
Raw materials	1,659	1,819
Finished products	1,833	1,639
Work in progress	23	23
Total inventories	**3,515**	**3,481**

As of 31 December 2010 no circulating finished goods were pledged as security for bank loans (31 December 2009: 227) (Note 16).

12. TRADE AND OTHER RECEIVABLES

	2010	2009
Trade receivables	2,950	1,414
Other accounts receivable	387	421
Less: provision for impairment of trade and other receivables	(209)	(209)
Total financial receivables	**3,128**	**1,626**
VAT recoverable	2,056	1,797
Other taxes receivable	1,474	1,876
Advances to suppliers	360	432
Insurance expenses prepaid	39	49
Other prepayments	107	70
Total trade and other receivables	**7,164**	**5,850**

As of 31 December 2010 trade receivables of RR 2,920 (31 December 2009: RR 1,239), net of provision for impairment, were denominated in foreign currencies. 68% of this balance was denominated in US$ (31 December 2009: 68%) and 32% was denominated in Euro (31 December 2009: 32%). 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:

	2010		2009	
	Trade receivables	Other receivables	Trade receivables	Other receivables
As of 1 January	**(109)**	**(100)**	**(79)**	**(154)**
Provision accrued	(38)	(19)	(147)	(74)
Provision reversed	30	16	117	124
Provision written-off	3	8	-	4
As of 31 December	**(114)**	**(95)**	**(109)**	**(100)**

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:

	2010		2009	
	Trade receivables	**Other receivables**	**Trade receivables**	**Other receivables**
Current and not impaired				
Customers from developed countries	1,136	-	443	34
Customers from developing countries	1,082	-	512	79
Domestic customers	69	214	101	201
Total current and not impaired	**2,287**	**214**	**1,056**	**314**
Past due but not impaired				
less than 45 days overdue	495	55	248	-
45 to 90 days overdue	50	3	-	7
over 90 days overdue	2	15	-	-
Total past due but not impaired	**547**	**73**	**248**	**7**
Determined to be impaired (gross)				
45 to 90 days overdue	5	10	2	-
over 90 days overdue	111	90	108	100
Total gross amount of impaired accounts receivables	**116**	**100**	**110**	**100**
Total financial receivables (gross)	**2,950**	**387**	**1,414**	**421**
Less impairment provision	(114)	(95)	(109)	(100)
Total financial receivables	**2,836**	**292**	**1,305**	**321**

As of 31 December 2010 no trade and other receivables were pledged as collateral (31 December 2009: nil).

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2010	2009
RR denominated cash on hand and bank balances (interest rate: from 0.25% p.a. to 2% p.a. (2009: from 0.5% p.a. to 3.5% p.a.))	449	882
US$ denominated bank balances	2,595	1,792
EUR denominated bank balances	505	305
Other currencies denominated balances	29	11
US$ term deposits (interest rate: from 0.3% p.a. to 1.35% p.a. (2009: 1.9% p.a.))	6,989	293
EUR term deposits (interest rate: from 0.4% p.a. to 1.35% p.a. (2009: from 5% to 13% p.a.))	3,568	221
RR term deposits (interest rate: from 3.13% p.a. to 7% p.a. (2009: from 5% to 15% p.a.))	540	780
Cash and cash equivalents, net of restricted cash	**14,675**	**4,284**
Restricted cash		
Term bank deposits (4.1% p.a. (2009: 12.7% p.a.)	90	13
Total restricted cash	**90**	**13**
Total cash and cash equivalents	**14,765**	**4,297**

Term deposits, except those included in restricted cash, as at 31 December 2010 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 2009	2,124	648	(12)	636
At 31 December 2009	2,124	648	(12)	636
At 1 January 2010	2,124	648	(12)	636
At 31 December 2010	2,124	648	(12)	636

The number of unissued authorised ordinary shares is 1,500 million (31 December 2009: 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 2010 treasury shares comprise 24,868,944 ordinary shares of the Company (31 December 2009: 24,868,944) 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 2010, the current period net statutory profit for the Company as reported in the published annual statutory reporting forms was RR 14,469 (for the year ended 31 December 2009: RR 1,153) and the closing balance of the accumulated profit including the current period net statutory profit totalled RR 44,527 (31 December 2009: RR 33,643). 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.

Dividends. In June 2010 the General Meeting of Shareholders of the Company approved dividends (based on the financial results for the year ended 31 December 2009) amounting to RR 3,611 (1.70 Roubles per share). The total amount of dividends attributable to treasury shares has been eliminated. All dividends are declared and paid in Russian Roubles.

15. MINE FLOODING PROVISIONS

	Note	2010	2009
Balance as of 1 January		**1,000**	**7,804**
Utilisation of provision for compensations	5	-	(7,804)
Accrual of provision for compensations	25, 5	-	1,000
Balance as of 31 December		**1,000**	**1,000**

16. BORROWINGS

	2010	2009
Bank loans	11,253	13,463
Long-term company loans	45	45
Finance lease payable	507	507
Total borrowings	**11,805**	**14,015**

16. BORROWINGS (CONTINUED)

As of 31 December 2010 and 31 December 2009 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.

	2010	2009
Balance as of 1 January	**13,463**	**13,987**
Bank loans received, denominated in US$	12,522	10,418
Bank loans received, denominated in RR	-	500
Bank loans repaid, denominated in US$	(14,318)	(11,830)
Bank loans repaid, denominated in RR	(450)	(50)
Interest accrued	453	384
Interest paid	(465)	(393)
Recognition of syndication fees	(111)	(144)
Amortisation of syndication fees	125	27
Currency translation difference	34	564
Balance as of 31 December	**11,253**	**13,463**

The table below provides interest rates as of 31 December 2010 and 31 December 2009 and the split of the bank loans into short- and long-term.

SHORT-TERM BORROWINGS

	Interest rates	2010	2009
Bank loans in US$ – floating interest	From 1 month Libor +1.6% to 1 month Libor +3.5% (2009: from 1 month Libor +1.6% to 1 month Libor +3.4%)	2,589	5,199
Bank loans in RR – fixed interest	2009: 14%	-	455
Total short-term bank loans		**2,589**	**5,654**

LONG-TERM BORROWINGS

	Interest rates	2010	2009
Bank loans in US$ – floating interest	From 1 month Libor +3.25% to 1 month Libor +3.5% (2009: from 1 month Libor +1.6% to 1 month Libor +3.4%)	8,664	7,809
Total long-term bank loans		**8,664**	**7,809**

US$ denominated bank loans bear a weighted average interest of 3.40% (31 December 2009: 2.49%).

As of 31 December 2010 and 31 December 2009, loans (including short-term borrowings) were guaranteed by the collateral of property, plant and equipment (Note 8). As of 31 December 2010 no bank loans were collateralised by finished goods (31 December 2009: RR 455 (Note 11)).

Bank loans of RR 11,253 (31 December 2009: RR 5,673) were collateralised by future export proceeds of the Group under sales contracts with certain customers acceptable to the banks.

The Group's bank borrowings mature as follows:

	2010	2009
- within 1 year	2,589	5,654
- between 2 and 4 years	8,664	7,809
Total bank loans	**11,253**	**13,463**

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 2010 the leased berths were included in buildings, with a net book value of RR 466 (31 December 2009: RR 476).

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

	2010	2009
- within 1 year	49	49
- between 2 and 5 years	196	196
- after 5 years	2,132	2,157
Minimum lease payments at the end of the year	**2,377**	**2,402**
Less future finance charges	(1,870)	(1,895)
Present value of minimum lease payments	**507**	**507**

17. TRADE AND OTHER PAYABLES

	2010	2009
Trade payables	1,461	1,110
Accrued liabilities	174	134
Dividends payable	44	107
Other payables	442	407
Total financial payables	**2,121**	**1,758**
Accrued liabilities	557	446
Advances received	312	147
Deferred consideration of subsidiary acquisition	140	139
Other payables	359	255
Total trade and other payables	**3,489**	**2,745**

18. REVENUES

	2010	2009
Export		
Potassium chloride	33,101	16,474
Potassium chloride (granular)	13,859	12,715
Domestic		
Potassium chloride	3,092	2,878
Other	265	238
Transportation and other revenues	1,275	1,504
Total revenues	**51,592**	**33,809**

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. No duties on the export of potassium chloride outside the CIS Customs Union were applicable during the year ended 31 December 2010.

19. COST OF SALES

	Note	2010	2009
Depreciation	8	3,132	2,502
Labour costs	22	2,890	2,083
Fuel and energy		2,244	1,499
Materials and components used		1,998	1,460
Repairs and maintenance		1,357	1,242
Transportation between mines by railway		333	201
Utilities		13	16
Change in work in progress, finished goods and goods in transit		(179)	(172)
Other costs		42	47
Total cost of sales		**11,830**	**8,878**

Expenses of RR 124 (for the year ended 31 December 2009: RR 45) 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	2010	2009
Freight		5,882	2,611
Railway tariff		4,631	1,628
Transport repairs and maintenance		579	347
Transhipment		476	340
Depreciation		286	273
Labour costs	22	243	217
Commissions		203	52
Travel expenses		139	157
Other costs		380	450
Total distribution costs		**12,819**	**6,075**

21. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2010	2009
Labour costs	22	2,976	2,081
Consulting, audit and legal services		309	318
Depreciation	8	227	241
Repairs and maintenance		171	141
Security		147	119
Mine-rescue crew		120	111
Insurance		94	67
Travel expenses		76	59
Amortisation of intangible assets	10	56	57
Communication and information system services		47	51
Bank charges		33	24
Other expenses		681	569
Total general and administrative expenses		**4,937**	**3,838**

22. LABOUR COSTS

	Note	2010	2009
Labour costs – Cost of sales	19	**2,890**	**2,083**
Wages, salaries, bonuses and other compensations		2,336	1,689
Contributions to social funds		515	397
Post employment benefits	27	39	(3)
Labour costs – Distribution costs	20	**243**	**217**
Wages, salaries, bonuses, other compensations and contributions to social funds		243	217
Labour costs – General and administrative expenses	21	**2,976**	**2,081**
Wages, salaries, bonuses and other compensations		2,692	1,868
Contributions to social funds		272	214
Post employment benefits	27	12	(1)
Total labour costs		**6,109**	**4,381**

23. OTHER OPERATING INCOME AND EXPENSES

	Note	2010	2009
Social cost and charity		472	1,031
Loss on disposal of fixed assets		279	271
Provision for impairment of receivables	12	(11)	(20)
Net result on sale of Belaruskali goods		(12)	(7)
Other expenses, net		189	53
Total other operating income and expenses		**917**	**1,328**

The Group entered into a sales agreement with BPC for processing the sales of Belaruskali goods through Uralkali Trading SA in 2010 and 2009, 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:

	2010	2009
Interest income	168	313
Fair value gains on investments	46	114
Other financial income	-	29
Finance income	**214**	**456**

	2010	2009
Interest expense	549	411
Finance lease expense	49	38
Foreign exchange loss, net	225	751
Fair value losses on investments	2	-
Letters of credit fees	62	150
Finance expense	**887**	**1,350**

Interest expense in total amount of RR 29 was capitalised for the year ended 31 December 2010 (for the year ended 31 December 2009: nill). The capitalisation rate was 3.49%.

25. MINE FLOODING COSTS

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

	Note	2010	2009
Monitoring costs		28	60
Accrual of provision for compensations	5, 15	-	1,000
Total mine flooding costs		**28**	**1,060**

26. INCOME TAX EXPENSE

	2010	2009
Current income tax expense	2,881	2,005
Deferred income tax	214	134
Income tax expense	**3,095**	**2,139**

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

	2010	2009
Profit before income tax	19,749	11,234
Theoretical tax charge at effective statutory rates	3,061	1,741
Tax effect of items which are not deductible or assessable for taxation purposes	170	537
Difference in tax rates	(117)	(193)
Other	(19)	54
Consolidated tax charge	**3,095**	**2,139**

Most companies of the Group were taxed at rates of 15.5% on taxable profits in the Russian Federation, the Perm region, for 2010 and 2009 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 2010	31 December 2009	Disposal of subsidiary 2010	(Charged)/credited to profit or loss 2010	(Charged)/credited to profit or loss 2009
Tax effects of taxable temporary differences:					
Property, plant and equipment	(555)	(439)	-	(116)	(97)
Investments	(4)	(7)	-	3	-
Inventories	(55)	(23)	-	(32)	(23)
Borrowings	(21)	(25)	-	4	(20)
Accounts receivable	-	(4)	-	4	(26)
	(635)	(498)	-	(137)	(166)
Tax effects of deductible temporary differences:					
Finance lease	101	101	-	-	36
Accounts receivable	7	-	-	7	-
Accounts payable	51	48	-	3	(65)
Inventories	-	-	-	-	(131)
Tax loss carry forward	85	156	-	(71)	156
Disposal of subsidiary	-	6	(6)	-	-
Other	2	18	-	(16)	36
	246	329	(6)	(77)	32
Deferred income tax expense				**(214)**	**(134)**
Total net deferred income tax liability	**(389)**	**(169)**			

	31 December 2010	31 December 2009
Reflected in the statement of financial position as follows:		
Deferred income tax asset	258	247
Deferred income tax liability	(647)	(416)
Deferred income tax liability, net	**(389)**	**(169)**

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 12,697 (31 December 2009: RR 10,921). 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 2010 and 31 December 2009 the net liabilities of the defined benefit plan and other post-employment benefit plans comprised the following:

	2010	2009
Present value of defined benefit obligations (DBO)	**353**	**327**
Present value of unfunded obligations	353	327
Unrecognised past service cost	(71)	(67)
Post employment benefits obligations	**282**	**260**

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

	2010	2009
Current service cost	26	22
Interest cost	18	34
Net actuarial gains recognised during the year	(2)	(70)
Amortisation of past service cost	9	10
Post employment benefits	**51**	**(4)**

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

	2010	2009
Present value of defined benefit obligations (DBO) as of 1 January	**327**	**361**
Service cost	26	22
Interest cost	18	34
Actuarial gain	(2)	(70)
Past service cost	14	-
Benefits paid	(30)	(20)
Present value of defined benefit obligations (DBO) as of 31 December	**353**	**327**

As of 31 December 2010 and 2009, respectively, the principal actuarial assumptions for the post-employment benefit plans were as follows:

	2010	2009
Discount rate	8.00%	11.12%
Salary increase	8.12%	10.16%
Inflation	6.00%	8.00%
Benefits increase (fixed-amount)	6.00%	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 2010 and 2009, respectively, were as follows:

	2010	2009
Present value of defined benefit obligations (DBO)	353	327
Deficit in plan	**353**	**327**
Losses/(gains) arising of experience adjustments on plan liabilities	26	(47)

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.

	2010	2009
Net profit	16,650	9,089
Weighted average number of ordinary shares in issue (millions)	2,100	2,100
Basic and diluted earnings per share (expressed in RR per share)	**7.93**	**4.33**

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.

29. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS (CONTINUED)
i LEGAL PROCEEDINGS (CONTINUED)

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. 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). FAS adopted a respective resolution and prescription and initiated administrative proceedings against the Company. In June 2010 FAS issued a decision to impose a fine on the Company in the amount of RR 104. The Company challenged the resolution and the prescription in the court of Moscow. The arbitration court of the first instance has dismissed the Company's petition. The Company challenged the decision of the court in the arbitration court of appeal. On 14 December 2010 the arbitration court of appeal sustained the Company's appeal. This decision comes into force from the date of the ruling and can be challenged in the arbitration court during subsequent two months. Also the Company has challenged the decision of FAS to impose a fine in the court of Perm region. The proceedings were stayed until the court decision comes into force. The Company's management estimates the possibility of this liability to crystallise as "possible" and accordingly has not recognised any provisions 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 proceeding 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.

29. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS(CONTINUED)
ii TAX LEGISLATION (CONTINUED)

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 2010 and 31 December 2009, no provision for potential tax liabilities had been recorded. Management will continue to monitor the situation as legislation and practice evolve in the jurisdictions in which the Group operates.

iii INSURANCE POLICIES

The Company generally enters into insurance agreements when it is required by statutory legislation. The insurance agreements do not cover the risks of damage to third parties' property resulting from the Group's underground activities and the risks reflected in Note 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

Whilst there have been improvements in economic trends in the Russian Federation, the country continues to display certain characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is in practice not convertible in most countries outside of the Russian Federation and relatively high inflation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently.

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

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. It believes it is taking all necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

vi CAPITAL EXPENDITURE COMMITMENTS

As of 31 December 2010 the Group had contractual commitments for the purchase of property, plant and equipment from third parties for RR 5,508 (31 December 2009: RR 5,012).

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 2010 the Group issued guarantees in favour of third parties in the amount of RR 23 (31 December 2009: RR 3).

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 87% of potash fertilisers produced. As a result the Group is exposed to foreign exchange risk arising from various currency exposures. Export sales are denominated in a hard currency, namely in US$ or Euro. The Group maintains a balance between US$ and Euro sales in order to mitigate the risk of US$/Euro exchange rate fluctuations. The Company is exposed to the risk of RR/US$ and RR/Euro exchange rates fluctuations: however the Company is currently benefiting from 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 2010, 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 384 higher/lower (31 December 2009: RR 722 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 2010, 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 113 (31 December 2009: RR 130) 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 18,050 (31 December 2009: RR 9,783).

The Group is exposed to concentrations of credit risk. As of 31 December 2010 the Group had eight counterparties (31 December 2009: two counterparties) with aggregated receivables balances above RR 100. The total aggregate amount of these balances was RR 2,173 (31 December 2009: RR 448) or 65% of the gross amount of financial trade and other receivables (31 December 2009: 24%). 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 reporting 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 2010 and 2009:

Rating	2010	2009
Aa3	6,616	3,407
A1	1,780	902
Aaa.ru	5,431	891
Baa2.ru	495	793
B1	167	393
Aa2	387	165
Unrated*	36	27
Total	**14,912**	**6,578**

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

(c) Liquidity risk

In accordance with prudent liquidity risk management, the management of the Group aims to maintain sufficient cash in order to meet its obligations. Group treasury aims to maintain sufficient level of liquidity based on monthly cash flow budgets, which are prepared for the year ahead and continuously updated during the year.

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the time remaining from the reporting to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows at spot rates.

	Note	Less than 1 year	Between 2 and 5 years	Over 5 years
As of 31 December 2010				
Trade and other payables	17	2,121	-	-
Borrowings		2,999	9,535	-
Finance leasing	16	49	196	2,132
As of 31 December 2009				
Trade and other payables	17	1,758	-	-
Borrowings		6,071	8,166	-
Finance leasing	16	49	196	2,157

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 2010 and 31 December 2009 were as follows:

	31 December 2010	31 December 2009
Total bank borrowings (Note 16)	11,253	13,463
Total equity	56,797	43,715
Debt to equity ratio	**20%**	**31%**

As of 31 December 2010 management has set a level of 30% debt to equity ratio as a long-term 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.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

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.

32. EVENTS AFTER REPORTING DATE

COMBINATION OF THE OJSC URALKALI AND OJSC SILVINIT

On 20 December 2010 the Boards of Directors of the Company and OJSC Silvinit announce the proposed combination of the Company with OJSC Silvinit, creating a leader in the global potash market.

The proposed combination will be effected through the acquisition of 1,565,151 OJSC Silvinit ordinary shares, representing approximately 20% of its ordinary share capital, for US$ 894.5 per ordinary OJSC Silvinit share, or a total cash consideration of US$ 1.4 billion, completed on 28 February 2011, and implementation of a statutory merger of the Company and OJSC Silvinit, through the issuance of OJSC Uralkali ordinary shares for the remaining ordinary and preferred share capital of OJSC Silvinit. In the proposed merger, OJSC Silvinit will cease to exist and OJSC Silvinit shareholders will receive 133.4 OJSC Uralkali ordinary shares for each 1 ordinary share in OJSC Silvinit and 51.8 OJSC Uralkali ordinary shares for each 1 preferred share in OJSC Silvinit.

On 4 February 2011 the proposed combination of the Company with OJSC Silvinit had been approved by shareholders of both companies voting at their Extraordinary General Shareholders Meetings. The proposed combination is expected to be completed in May 2011, subject to receipt of required governmental and regulatory approvals.

On 24 February 2011 OJSC Acron and other several OJSC Silvinit's minority shareholders filed a claim against the Company and OJSC Silvinit in the Perm Territory Arbitrage (Commercial) Court seeking to invalidate decisions approved by the Extraordinary General Shareholders Meeting of OJSC Silvinit on 4 February 2011, and the merger agreement entered into between the Company and OJSC Silvinit.

On 28 February 2011 the Court issued a temporary injunction prohibiting the implementation of the merger agreement, the registration of OJSC Uralkali new share issuances and the reports on results of the share issuances, and the registration of OJSC Silvinit's termination upon the merger. The injunction imposed by the Court did not affect completion of acquisition by OJSC Uralkali of approximately 20% ordinary shares in OJSC Silvinit.

On 18 March 2011 the Court partially lifted the injunction imposed in connection with the claim. The only measure remaining in force by the court relates to the prohibition on the Federal Service on Financial Markets from registering the OJSC Uralkali share issuance and report on results of share issuance to be placed as a result of conversion of OJSC Silvinit shares into OJSC Uralkali shares upon completion of the merger in accordance with the merger agreement. OJSC Uralkali and OJSC Silvinit challenged the injuction in the Arbitration Appellate Court. The hearing on the appeal is scheduled for 13 April 2011.

The preliminary hearing on the merits of the claim is scheduled for 12 April 2011. Should the court's decision on the merits of the claims be in favour of the claimants it may hinder the merger of OJSC Uralkali and OJSC Silvinit.

FINANCING OF THE COMBINATION

On 22 February 2011 the Company entered into loan facility agreement with Sberbank for approximately RR 12 billion with a maturity of two years in conjunction with a cross-currency interest rate swap.

On 25 February 2011 Uralkali has finished the placement of its debut exchange-traded bonds admitted to trading on 12 January 2011 for total nominal value of RR 30 billion at 8.25% p.a. with 3 years maturity. Together with the exchange-traded bond placement, the Company entered into a cross-currency interest rate swap transaction, conventing its ruble bond obligations into US$.

The funds received as a result of bonds placement and loan facility provided to Uralkali along with interest rate currency swaps were used to finance the acquisition of approximately 20% stake in Silvinit.

INVESTMENT IN JOINTLY CONTROLLED ENTITIES

In January 2011 Belaruskali sold a 0.001% share in BPC to Grodno Azot. According to the amended BPC charter all decisions on shareholders meeting will continued to be taken by a majority of 75%, and the BPC operations remained to be under joint control of Belaruskali and the Company.

CORPORATE AND SOCIAL RESPONSIBILITY

EMPLOYEES

Highly-skilled employees are Uralkali's main asset and the foundation for its future growth. The Company is, therefore, deeply committed to constantly improving staff training and development: Uralkali works closely with higher education institutions and funds specialist training for its employees.

STAFF TRAINING AND DEVELOPMENT

In 2010, more than 6 thousand employees received training through various vocational education, professional development and career training programmes. 4,2 thousand managers and professionals, as well as about 2 thousand workers, were trained at various refresher courses and vocational education programmes. Uralkali sponsored vocational training and specialist higher education for 100 employees in 2010. The total cost of staff training and development was 76 million RUR, which is 1.7 times higher than the similar costs of the Company in 2009.

MANAGEMENT AND STAFF RESERVE DEVELOPMENT

In 2010 Uralkali continued the implementation of its unique programme of management and staff reserve development which is run in cooperation with the St. Petersburg International Management Institute. 236 employees, which include 23 top level managers, 70 mid-level managers, 43 employees who comprise the management personnel and 100 employees of the line staff reserve, received training through the programme. In December 2010 mid-level managers finished their training, while other participants of the programme continue their studies.

This programme allows employees to receive systematised knowledge on business-processes and up-to-date approaches to enterprise management as well as develop their business and professional skills, which are essential for successful management. The programme involves professionals at all levels, which helps to improve the overall management of the Company.

CORPORATE CULTURE DEVELOPMENT

In 2010 Uralkali continued to focus on developing a goal-oriented corporate culture. The Company has changed its system of remuneration and introduced a new corporate award: "The Best Employee of the Year". Based on the results of 2009, 148 employees received this award in the following categories: "Professionalism", "Team Work", "Transfer of Experience", "Prospect".

In November Uralkali approved its "Code of Corporate Culture" which reflects the Company's mission, vision and values as well as defining its main principles, standards, rules of conduct and cooperation between employees.

During 2010 the Company celebrated various professional holidays – Chemist's Day, Miner's Day, as well as held corporate events, the main one of which was the Company Day. In addition, the Company organised a sports contest involving 13 different sports, and arranged a 50% discount for its employees to participate in health and fitness recreation events in the swimming pool and ski lodge. In 2010 Uralkali spent a total of 26.1 million RUR on corporate events and health and fitness programmes.

LABOUR PROTECTION AND INDUSTRIAL SAFETY

The production of potash fertiliser is a complex engineering process which requires stringent safety measures. Industrial safety, labour protection and fire fighting systems are installed and in operation at all Uralkali's facilities. Workplace inspections are conducted every year on a regular basis, and personnel are trained and certified in the field of industrial safety rules and standards.

Uralkali is constantly improving its industrial safety systems and invests heavily in labour protection programmes. The Company's expenses on labour safety was 107.2 million RUR in 2008, 267.4 million RUR in 2009, and 243.5 million RUR in 2010. The decrease in investment in 2010 is related to outsourcing of underground repairs services.

During 2010 Uralkali continued its work on developing and improving the monitoring of observation of industrial safety requirements at hazardous locations throughout the production chain. At present, over 1,200 employees have completed training at accredited training centres and are certified in industrial safety and labour protection.

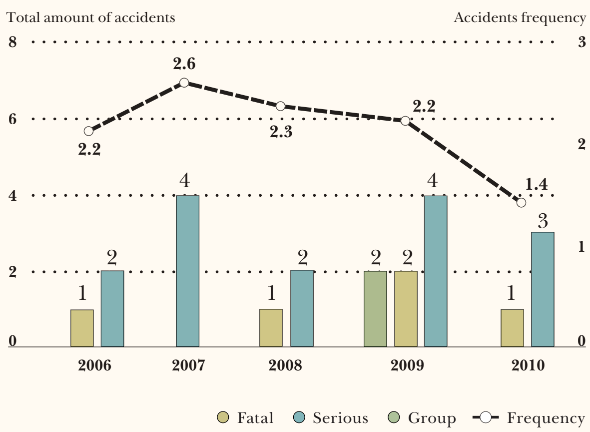
In September 2010 the West-Urals Agency of the Federal Service for Environmental, Technological and Nuclear Supervision conducted an integrated inspection of labour protection and industrial safety at all Uralkali facilities. Following this inspection the Company has worked out a plan of action to tackle the violations that were uncovered.

The efficiency of the Company's efforts in labour protection is supported by the statistics: **throughout the last several years Uralkali experienced a steady decline in the number of work-related injuries. Over the period from 2007 to 2010 the number of accidents fell by half.**

In 2010 a total of 10 accidents happened throughout Uralkali's operations, which is 7 accidents fewer than in 2009. Moreover, in 2010 accidents took place only at Berezniki-2 and Berezniki-4. No work-related injuries were recorded at Uralkali's other operational divisions. In addition, in 2010 the number of fatal accidents and accidents that resulted in heavy injuries decreased; no group injuries happened.

Cause of Accident	2009	2010
Process violations	0	1
Traffic rules violations	3	1
Safety rules violations when operating a transport vehicle	3	1
Unsatisfactory organisation of production process	1	2
Personal negligence	5	0
Other	5	5
TOTAL:	**17**	**10**

Accident Frequency Rate[I]



Note

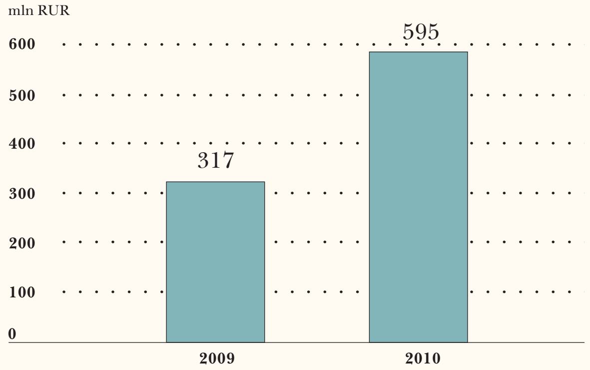
I. Accident frequency rate is calculated as number of reported accidents x 1000/average headcount of Uralkali

ENVIRONMENT

Uralkali operates on the basis of strict compliance with the environmental protection law. The Company is aware of its corporate and social responsibility to protect the environment, and therefore, constantly strives to improve levels of environmental safety. All Uralkali's operations are carried out in compliance with the regulations of the environmental protection law and a programme of measures to protect the environment is developed every year.

In 2010 the programme included 12 measures aimed at protecting the atmosphere and water basin; improving waste disposal and the internal monitoring systems and training staff in environmental protection. The Company planned to allocate about 432 million RUR for the programme; however, **Uralkali exceeded its targets and carried out 20 environmental protection measures, the total cost of which amounted to 595 million RUR**.

Uralkali's Environmental Protection Costs



In 2010 the rate of discharge of air pollutants was 0.281 kg per tonne of potash, which is 30% lower than the corresponding rate in 2009

AIR PROTECTION

In 2010 the state-of-the-art drying furnace manufactured by Binder replaced the old gas-jet dryers in the drying shop of Berezniki-2. The Company expects that it will significantly decrease the potassium chloride and sodium chloride dust emissions. In addition, a new gas and dust collector was installed in the drying shop of Berezniki-4, which will increase the efficiency of air filtration in the facility. According to the results of 2010, the Company did not exceed the annual air pollution and emission norms.

WATER PROTECTION

Uralkali production involves significant fresh water consumption and water borne sewage. Throughout 2010 the Company conducted hydrological and geological monitoring of its water bodies to prevent negative effects of production facilities on underground and land surface waters. Biological water cleaning facilities were upgraded at Berezniki-2 and Berezniki-3, which helped to

In 2010 Uralkali's gross air pollutant emissions were lower than the maximum allowed emissions almost by 2.5 times

In 2010 the rate of industrial water discharge intensity was 1.2 m^3 per tonne of potash, which is by 32% lower than the corresponding rate in 2009

maintain the enforceable levels of water borne sewage disposal into the Lenva River.

The water recycling supply system at Berezniki-1 was upgraded, which significantly increased its reliability and reduced levels of waste water. Construction and installation of a new mineralised water cooling tower as well as upgrading the existent fresh water cooling tower at Berezniki-4 will allow the Company to decrease its industrial water consumption by 32%.

WASTE UTILISATION

The Company is constantly working to minimise the surface storage of production waste. In 2010, potassium chloride solution of halite wastes reduced surface storage by almost 700 thousand tonnes. In addition, over 200 thousand tonnes of clay-salt mud was deposited underground at Berezniki-4.

Throughout 2010 the Company carried out the utilisation of 1–4 class hazard wastes. In addition, the Company developed a project to construct sites for temporary waste storage at the mines and has started its realisation which will prevent soil and surface water pollution.

Waste water removal at Uralkali amounted to 2,195 thousand m^3 in 2010, which is 18% lower than the rate of waste water removal in 2009, and 40% lower than the permissible limit.

Waste Water discharge intensity at Uralkali diminished by almost 2.4 times – from 1.02 m^3 for a tonne in 2009 to 0.43 m^3 for a tonne in 2010

SOCIAL PROGRAMMES

Uralkali aims to be one of the most attractive employers in the Russian mining industry. One of the Company's main priorities is to provide assistance and support, as well as additional benefits and social services to its employees. The Company believes that motivating its employees is essential for improving efficiency and productivity. In 2010 the Company allocated more than 283 million RUR for implementing social programmes for its staff which include a housing programme, health care and rehabilitation, etc.

In 2010 Uralkali continued to participate in social projects in Berezniki where the Company's production facilities are located. The Company allocated 54 million RUR for implementation of these projects. In addition, Uralkali supports the schools of Berezniki on a long-term basis and has built a new children's day care facility as well as a new outpatients' clinic.

CORPORATE MEALS

Uralkali believes that healthy nutrition is essential for the well-being and productivity of its employees. The Company not only provides corporate catering for staff, but also seeks to offset the major part of the cost of meals. The programme of Corporate Meals has been run at Uralkali for several years, under which employees can buy wholesome cooked meals at a 70% discount. Food quality, menu, and the quality of service are strictly monitored in the seven cafeterias and seven canteens which operate at Uralkali facilities. Over 50 million RUR went into catering in 2010, an increase of 20% from 2009.

HEALTH CARE

Uralkali cares about the health of its employees and makes every effort to ensure that they receive high-quality, affordable healthcare. Uralkali employees have access to a corporate medical centre (Uralkali-Med Polyclinic, LLC) – both under the state's Obligatory Medical Insurance (OMI) scheme, and the Company's voluntary medical insurance (VMI). Employees who have worked at the Company for more than one year are eligible for the extended services package under the VMI programme. Uralkali spent a total of 22.4 million RUR on voluntary medical insurance programme in 2010, 2.3 million RUR of which went to pay for medical check-ups, surgeries and medication of 356 employees.

In 2010 a new department of industrial health care was organised at Uralkali-Med Polyclinic. The new department will let doctors monitor employees' health, detect threats of illnesses at early stages, and

develop necessary preventive recommendations. In 2010 5,707 employees of the Company attended an annual medical examination at the new department; 204 employees who had worked in harmful and hazardous work environment for more than five years attended in-depth medical examinations.

HEALTH REHABILITATION AND RECREATION

Uralkali is aware that the efficiency and productivity of its employees depend on their recreation and rest, and therefore regularly organises various health rehabilitation activities. In 2010 more than 700 employees of the Company improved their health in the corporate recreation center, about 70 employees had an opportunity to visit with their children. Uralkali allocated approximately 11.6 million RUR for these purposes; about 2.6 million RUR came from the Social Insurance Fund. In addition, 125 employees were able to improve their health at the various resorts of the Perm Region, for which Uralkali spent around 2.5 million RUR.

Uralkali also cares for the children of its employees. The company always pays great attention to the organisation of the children's recreation and rehabilitation in summer. In 2010 875 children of Uralkali's employees visited the corporate holiday retreat Uralskoye Razdolie. The Company spent 10.3 million RUR on organising summer holidays; about 4 million RUR in subsidies were received from the budget of Perm Region. During the winter holidays of 2010–2011 165 children of employees went travelling. The Company reimbursed 90% of the price of each travel package, which amounted to approximately 1.4 million RUR.

HOUSING

The housing programme is one of the most effective ways to ensure employees remain motivated. In 2010 the Company continued to implement its housing programme, meeting its obligation of covering employees' mortgage interest payments. The Company spent more than 16 million RUR on mortgage interest payments for 262 employees. This programme is first and foremost intended to attract and retain highly-skilled professionals.

ASSISTANCE TO THE VETERAN COUNCIL

Uralkali strives to provide special care, support and attention to retired former employees. In 2010 all retired members of the Veteran Council, with regards to the number of years they worked for Uralkali, received quarterly allowances. The total cost of allowances was 11.5 million RUR. The Company provides support to the former employees in relation to healthcare: in 2010, 217 former employees were able to visit the corporate recreation center, which included receiving standard medical treatment. Uralkali spent about 3.6 million RUR on costs of veterans' recreation, and about 5.6 million RUR on other costs to ensure veterans' wellbeing.

In 2010 Russia celebrated the 65th-anniversary of the Victory in Great Patriotic War. The Company organised various events for the Great Patriotic War veterans, war workers and widows of veterans – former employees of Uralkali, at a total cost of 1.56 million RUR. An additional 450 thousand RUR were spent on the renovation of war veterans' and war workers' apartments. Total expenditure of assistance to the Veteran Council of Uralkali was 22 million RUR in 2010.

NEW YEAR GIFTS FOR CHILDREN

One of the Company's longstanding traditions is the giving of New Year gifts to the children of the employees. In 2010 about 3,500 children received gifts from Uralkali, at a cost of more than 1.7 million RUR.

EDUCATION FOR CHILDREN

As part of Uralkali's social responsibility, the Company provides longstanding support to the children's educational institutions of Berezniki. In 2010 Uralkali concluded an agreement with the City Board of Education on providing charity support in the fields of education and science. The Company funded training and professional development of teachers as well as awarding grants to educators and students for developing innovative learning programmes and outstanding educational achievement. In 2010 the Company allocated approximately 3.9 million RUR for these purposes. In addition, in 2010 Uralkali continued to implement a comprehensive programme of developing children's educational institutions of the city. For example, the Company paid about 550 thousand RUR for the services of software support and equipment maintenance in Gymnasium No 9, whereas in Kindergarten No 88 the Company partly financed children's meals for 200 thousand RUR.

BEREZNIKI CONSTRUCTION AND DEVELOPMENT

As a socially responsible company, Uralkali contributes to the ongoing development of Berezniki. In 2010 Uralkali donated to the city an outpatients' clinic and a children day care centre in the right-bank area of Berezniki. The state-of-the-art clinic has children's and adults' departments, an emergency room, and day patient facility. The kindergarten with the swimming-pool, sauna, winter garden room and assembly hall is designed to accommodate up to 260 children. The company has purchased necessary equipment, furniture, toys and educational aids for children. The kindergarden was donated to the city in July 2010. The total cost of construction and equipment purchases was about 424 million RUR.

BEREZNIKI SOCIAL PROJECTS

Uralkali is the largest business in Berezniki, and therefore pays great attention to the safety of citizens and their recreational opportunities. In 2010, the Company continued to fund the Berezniki Character social fund, which supports various projects in culture, the arts, education and sports; it also contributed funding to the Safe City project, aimed at tackling street crime. Uralkali spent about 54 million RUR on these programmes. The Company allocated a total of some 240 million RUR to charity support throughout 2010.

INDIVIDUAL SCHOLARSHIPS

Developing an efficient and multi-level system of staff training and development is one of the long-term strategic goals of Uralkali. This is the fourth successive year that Uralkali has been granting individual scholarships and awards to the best and most talented students through its scholarship programme with Perm State Technical University (PSTU) and its Berezniki branch (BB PSTU). In 2010, 20 students of PSTU and 10 students of BB PSTU were awarded individual scholarships from Uralkali.

CORPORATE GOVERNANCE

PRINCIPLES AND STRUCTURE OF CORPORATE GOVERNANCE

PRINCIPLES OF CORPORATE GOVERNANCE

The Company is constantly working on the improvement and perfection of its corporate governance system in compliance with the best international practices and with due regard to the recommendations of the Russian Code of Corporate Conduct[I].

Transparency of all operations and full disclosure of information have always been high priorities of the Company. In 2010 the Company won three specialised contests which were organised in order to determine the best annual reports of 2009. The Company won in five nominations:

· 8th Annual Report Contest organised by OJSC RTS Stock Exchange – nominated in the category **Best Annual Report Investment Appeal**;

· 8th Annual Federal Contest for Annual Reports and corporate websites, organised by the magazine Securities Market and the Ministry of Finance of the Russian Federation – nominated in the category **Best Annual Report from the Ural Federal District**, also, 3rd place in the category **Best Disclosure in the Annual Report in the Ural Federal District**;

· 9th Annual Report Contest organised by Expert RA – nominated in the category **Best Annual Report (Non-Financial sector)** and **Best Design and Printwork**.

In 2010 the investor liaison team of Uralkali was recognised as the most progressive investor liaison team in Russia and the CIS by IR Magazine.

Note

I. Code of Corporate Conduct recommended by the Order No. 421/r of 04.04.2002 of FCSM of the Russian Federation

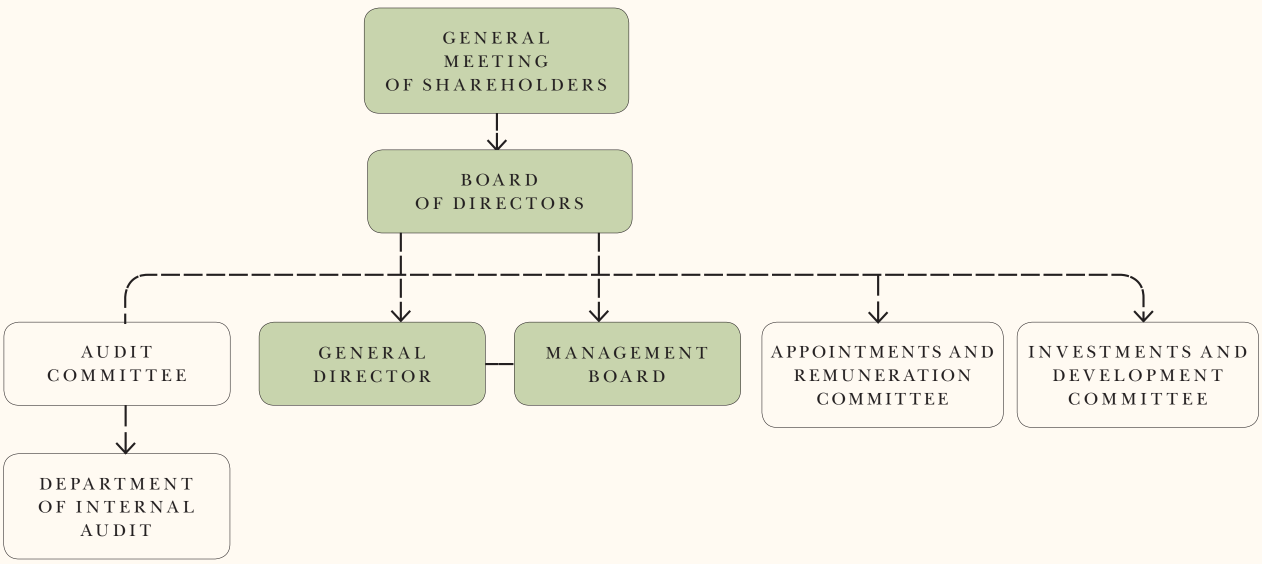
GOVERNANCE AND CONTROL STRUCTURE (AS OF 31.12.2010)

In compliance with the Federal Law "On Joint Stock Companies" and the Charter of the Company, the General Meeting of the Shareholders of the Company is the supreme governing body of the Company. The Board of Directors of the Company is responsible for general management and long-term strategy of the Company. The Company's executive bodies – the General Director (Chairman of the Management Board) and the Management Board – are responsible for day-to-day operations management.

The Revision Commission controls the financial and economic activity of the Company.

GENERAL MEETING OF SHAREHOLDERS

The General Meeting of the Shareholders of the Company is the supreme management body of Uralkali. The order of convocation and the procedure of the General Meeting of Shareholders are established under the Regulations on the General Meeting of the Shareholders of OJSC Uralkali. The competence of the General Meeting of Shareholders is established under the Charter of the Company in compliance with the Federal Law "On Joint Stock Companies". The shareholders of Uralkali participate in the management of the Company by adopting resolutions at the General Meetings of Shareholders. The Annual General Meeting of Shareholders is held not earlier than two months after and not later than six months after the end of the reporting fiscal year. Sessions of the General Meeting of Shareholders held additionally to the Annual General Meeting of Shareholders are considered Extraordinary General Meetings of Shareholders.



In 2010 Uralkali held an annual General Meeting of the Shareholders and an Extraordinary General Meeting of the Shareholders. The agenda of the Annual General Meeting of the Shareholders, which was held on 18 June 2010, included the following issues: approval of the annual report and the annual accounting statements of Uralkali, profit distribution, election of the members of the Board of Directors and the Revision Commission, approval of the auditor of the Company, approval of the internal regulations of the Company and approval of interested-party transactions.

The agenda of the Extraordinary General Meeting of the Shareholders of Uralkali, which was held on 17 September 2010, included the following issues: early termination of powers of the members of the Board of Directors and election of the members of the Board of Directors as well as approval of the new edition of the Charter of OJSC Uralkali.

On 4 February 2011 the shareholders of the Company were gathered for an Extraordinary General Meeting of Shareholders to discuss the strategic issue of reorganisation of OJSC Uralkali in the form of merger with OJSC Silvinit. The shareholders were also asked to ratify the merger agreement between OJSC Uralkali and OJSC Silvinit. The shareholders of the Company voted in favor of the proposed reorganisation and approved the merger agreement. The General Meeting also approved several major transactions connected with the reorganisation of the Company and ratified the new editions of the Charter of the Company, the new edition of the Regulations on the Board of Directors of the Company and the new edition of the Regulations on Remuneration and Compensations paid to the members of the Board of Directors of OJSC Uralkali.

BOARD OF DIRECTORS

The Board of Directors of OJSC Uralkali (further referred to as the “Board of Directors”) exercises overall control over the Company’s activities within its remit. Its key priorities include ensuring long-term sound development of the Company in accordance with the interests of the shareholders, overseeing the activities of the management bodies of the Company, rigorous observation and protection of the rights and interests of the Company's 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 within the Board, as well as a balance among executive, non-executive and independent directors.

In compliance with global corporate governance practices and the recommendations of the Code of Corporate Conduct, independent directors are elected to the Board of Directors of OJSC Uralkali. The criteria of independence for members of the Board of Directors are outlined under the internal documentation of Uralkali and comply with the best international practices of corporate governance.

The Board of Directors of the Company consists of nine members. Three of the nine members of the Board are independent directors in compliance with the criteria established by the Federal Law "On Joint Stock Companies", the Corporate Governance Code of OJSC Uralkali and the UK Combined Corporate Governance Code.

In 2010 executive directors served on the Board of Directors of OJSC Uralkali. From 1 January 2010 until 18 June 2010, when the annual General Meeting of Shareholders was held, there were two executive directors on the Board of Directors of the Company. Both Boards of Directors elected by the annual and the extraordinary General Meetings of Shareholders included one executive director – the General Director of the Company. Since 21 February 2011, when the Board of Directors terminated the authority of P. Grachev as the General Director of the Company, there are no executive directors serving on the Board of Directors. Thus, as of the date of approval of this annual report, six members of the Board of Directors of OJSC Uralkali are non-executive directors.

The Investments and Development Committee of the Board of Directors of the Open Joint Stock Company Uralkali (hereinafter the Investments and Development Committee) is chaired by a non-executive director, whereas the Audit Committee of the Board of Directors of the Open Joint Stock Company Uralkali (hereinafter the Audit Committee) as well as the Appointments and Remuneration Committee of the Open Joint Stock Company Uralkali (hereinafter Appointments and Remuneration Committee)[1] are chaired by independent directors. In compliance with the current legislation, the members of the Board of Directors are elected by the General Meeting of Shareholders until the next Annual Meeting of the Shareholders of the Company. The General Meeting of Shareholders has a right to make a resolution on early termination of the powers of all members of the Board of Directors. In 2010 the Board of Directors was elected twice – at the Annual General Meeting of the Shareholders on 18 July 2010 and at the Extraordinary General Meeting of Shareholders which was held on 17 September 2010. The members of the Board of Directors were elected by cumulative voting.

Note

1. On 29 April 2010 the Committee for Personnel and Remunerations was renamed the Appointments and Remuneration Committee by the resolution of the Board of Directors

The General Meeting of the Shareholders of OJSC Uralkali elected the following Board of Directors on 18 June 2010[I]:

Name	Post	Number of years served on the Board of Directors	Director's status	Attendance at the meetings of the Board of Directors[II]	Membership of the Audit Committee and the attendance at the meetings	Membership of the Appointments and Remuneration Committee and the attendance at the meetings	Membership of the Investments and Development Committee and the attendance at the meetings
D. Rybolovlev	Chairman of the Board of Directors	16	Non-executive	13 (13)		2 (4)	
Yu. Gavrilov	Member of the Board of Directors	10	Non-executive	13 (13)			4 (4)
A. Konogorov	Member of the Board of Directors	8	Non-executive	13 (13)	4 (4)	Chairman 4 (4)	3 (4)
A. Koff	Member of the Board of Directors	Elected to the Board of Directors for the first time on 18 June 2010	Independent	6 (6)		+	
K. Marchuk	Member of the Board of Directors	3	Non-executive	12 (13)	4 (4)	4 (4)	Chairman 4 (4)
D. Morozov	Member of the Board of Directors	Elected to the Board of Directors for the first time on 18 June 2010	Executive	6 (6)			+
V. Ruga	Member of the Board of Directors	2	Independent	12 (13)		2 (4)	
Hans Jochum Horn	Member of the Board of Directors	2	Independent	10 (13)	Chairman 4 (4)		
I. Yuzhanov	Member of the Board of Directors	4	Independent	13 (13)	3 (4)		

Notes

I. From 30.06.2009 until 18.06.2010 V. Baumgertner and M. Antonov served on the Board of Directors and the Investments and Development Committee of the Board of Directors. They attended all Board and Committee meetings which were held in the indicated period

II. The number of meetings attended by the member of the Board of Directors in 2010 is hereinafter provided on the left; the total number of meetings held by the Board of Directors/Committee in 2010 is given in parentheses

At the extraordinary General Meeting of the Shareholders of Uralkali of 17 September 2010 the following individuals were elected to the Board of Directors:

Name	Post	Number of years served on the Board of Directors	Director's Status	Attendance at the meetings of the Board of Directors	Membership of the Audit Committee and the attendance at the meetings	Membership of the Appointments and Remuneration Committee and the attendance at the meetings	Membership of the Investments and Development Committee and the attendance at the meetings
A. Voloshin	Chairman of the Board of Directors	Elected to the Board of Directors for the first time on 17 September 2010	Independent	4 (4)			
A. Averin	Member of the Board of Directors	Elected to the Board of Directors for the first time on 17 September 2010	Non-executive	4 (4)			2 (2)
P. Grachev	Member of the Board of Directors	Elected to the Board of Directors for the first time on 17 September 2010	Executive[I]	4 (4)		2 (2)	
A. Kolonchina	Member of the Board of Directors	Elected to the Board of Directors for the first time on 17 September 2010	Non-executive	4 (4)	1 (1)		
A. Malakh	Member of the Board of Directors	Elected to the Board of Directors for the first time on 17 September 2010	Non-executive	4 (4)	0 (1)		Chairman 2 (2)
A. Mosionzhik	Member of the Board of Directors	Elected to the Board of Directors for the first time on 17 September 2010	Non-executive	4 (4)		2 (2)	
A. Nesis	Member of the Board of Directors	Elected to the Board of Directors for the first time on 17 September 2010	Non-executive	4 (4)		0 (2)	2 (2)
Hans Jochum Horn	Member of the Board of Directors	2	Independent	4 (4)	Chairman 1 (1)		
I. Yuzhanov	Member of the Board of Directors	4	Independent	4 (4)		Chairman 2 (2)	

The meetings of the Board of Directors of the Company constitute a quorum if at least five elected Board members participate in the meeting. Decisions are adopted by the majority vote of the members of the Board of Directors present at the meeting and (or) in accordance with their written opinions, unless otherwise stipulated under the Federal Law "On Joint Stock Companies" and the Charter of the Company. The Chairman of the Board of Directors and the two deputies of the Chairman are elected from among the members of the Board of Directors by the majority vote of the members of the Board. The Chairman of the Board of Directors organises the work of the Board, convokes Board meetings and chairs them; the Chairman also organises proper keeping of the minutes of the meetings of the Board of Directors.

Note

I. Since 22 February 2011, following termination of the authority of P. Grachev as General Director of OJSC Uralkali, P. Grachev is a non-executive director

ACTIVITY OF THE BOARD OF DIRECTORS IN 2010

In 2010 the Board of Directors had seventeen meetings, six of which were held "in presentia".

During the year 2010 the Board of Directors continued working on the development of the Company's long-term strategy, its investment plans and the improvement of the efficiency of its internal control systems, risk management systems and control over affiliated and dependent companies, as well as the development of corporate management systems within the Company. In December 2010 the Board of Directors decided to propose for the consideration of the General Meeting of Shareholders of the Company the issues of reorganisation of OJSC Uralkali as the result of the merger with OJSC Silvinit, approval of the merger agreement and approval of major transactions connected with the reorganisation of the Company.

During the course of 2010 the Board of Directors reviewed other issues connected with the activity of the Company within its remit, including organisation of the Committees of the Board of Directors of OJSC Uralkali, establishment of the size of the Management Board of the Company and appointment of its members, confirmation of senior managers of the Company in office, convocation and organisation of the General Meetings of the Shareholders of OJSC Uralkali, approval of interested-party transactions, approval of financial reports and approval of the budget and amendments thereto.

All key issues of the Company are reviewed at the meetings of the Board of Directors held "in presentia".

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors of OJSC Uralkali has established several committees for preliminary review of the most important issues and preparation of recommendations to the Board of Directors. The Board of Directors has the following permanent committees:

- Audit Committee.
- Investments and Development Committee.
- Appointments and Remuneration Committee.

The Committees of the Board of Directors consist of the acting members of the Board of Directors. When a member of the Board of Directors is appointed to serve on one of the Board's Committees, his/her professional experience and independence are taken into account in compliance with the requirements of the current legislation.

In order to improve the system of corporate governance, in April 2010 the Board of Directors ratified new editions of the Regulations on the Audit Committee and the Appointments and Remuneration Committee as well as the first edition of Regulations on the Investments and Development Committee. These Regulations clarified the objectives and goals of the committees, the areas of their competence and the procedure of their work. In September 2010 the Board of Directors ratified several amendments to the Regulations on the Audit Committee and the Regulations on the Investments and Development Committee regarding the number of the members of the committees. In December 2010 and in April 2011 the Board of Directors approved new editions of the Regulations on the Appointments and Remuneration Committee. The changes were related to the organisation of the work of the Committee, the competence of the Committee and included various amendments as to the membership of the Committee in order to bring the provisions of the Regulations in line with the requirements of A-lists of the Russian stock exchanges.

The Board of Directors and the specialised Committees monitor the best practices of corporate governance in order to improve the existing regulations and procedures of the Company.

AUDIT COMMITTEE

As of 31 December 2010 there are three members in the Audit Committee of the Board of Directors: Hans Jochum Horn (Chairman), Anna Kolonchina and Alexander Malakh.

The Audit Committee acts in compliance with the Regulations on the Audit Committee of the Board of Directors of OJSC Uralkali, the Regulations on the Board of Directors of OJSC Uralkali, and the Charter of the Company.

The Audit Committee is responsible for overseeing risk management processes, internal control, reporting, the work of the outside auditor of the Company, corporate governance and compliance with legislation as well as internal auditing.

In particular, the Audit Committee must make sure of and confirm to the Board of Directors the fact that all key risks have been identified, evaluated and remain within the established limits, that the management has implemented all key controlling procedures and executes them effectively to minimise risks; that the financial statements of the Company are comprehensive, reliable and up-to-date.

Overseeing the effectiveness of internal audit includes the management of the internal audit subdivision. Specifically, the Audit Committee approves internal documentation which regulates the subdivision's activities, its annual working plan, key performance indicators, monitors the achievement of the approved performance indicators and prepares recommendations for the Board of Directors concerning the appointment/termination of powers of the head of the subdivision, drafting labor contracts and remuneration plan. As part of overseeing internal auditing, the Committee regularly reviews the reports of the internal audit subdivision together with the General Director and the operating management of the Company and ensures the organisational independence and objectivity of the subdivision, including review of all unsettled conflicts and all cases when the activities of the subdivision appear to be restrained.

In 2010 five meetings of the Committee were held. The main matters the Audit Committee oversaw in 2010 were the preliminary review of IFRS financial statements, preparation of the recommendations for the Board of Directors concerning the Company's outside auditor and the issues of internal control and risk-management, including identification and evaluation of key risks to the activity of the Company.

INVESTMENTS AND DEVELOPMENT COMMITTEE

As of 31 December 2010, the Investments and Development Committee consists of three members of the Board of Directors: Alexander Malakh (Chairman), Anton Averin and Alexander Nesis.

The Committee acts in compliance with the Regulations on the Investments and Development Committee of the Board of Directors of OJSC Uralkali, the Regulations on the Board of Directors of OJSC Uralkali and the Charter of the Company.

The main responsibilities of the Committee include the following: establishment of policies and procedures of strategic management; monitoring of their implementation and execution; development of alternative strategic initiatives; analysis and evaluation of the results of the strategic initiatives implemented; monitoring of the expectations of the Company's shareholders; establishment and amendment of budgets for the next financial year; review of the Company's key investment projects and preparation of recommendations to the Board of Directors for their approval; establishment of the range and target values of performance indicators in relation to their strategic priority; and further evaluation of performance indicators of the Company.

In 2010 six meetings were held, one of which was conducted jointly with the Appointments and Remuneration Committee. In 2010 the Investments and Development Committee focused on reviewing the Company's investment projects, developing the methods of implementation of the investment projects; the Company's budget, including determination of the budget variance and preparing recommendations concerning amendment to the budget, reviewing cost reduction programmes, analysing internal regulations of the Company within the Committee's remit and preparing recommendations to review the Company's existing regulations. In 2010 the Committee started to work on the development of an integrated long-term strategy of the Company.

APPOINTMENTS AND REMUNERATION COMMITTEE

As of 31 December 2010, the Appointments and Remuneration Committee consists of four members of the Board of Directors: Ilya Yuzhanov (Chairman), Pavel Grachev, Alexander Mosionzhik and Alexander Nesis.

The Committee acts in compliance with the Regulations on the Appointments and Remuneration Committee of the Board of Directors of OJSC Uralkali, the Regulations on the Board of Directors of OJSC Uralkali, and the Charter of the Company.

The Appointments and Remuneration Committee is responsible for ensuring that the Company is managed by highly-qualified professionals. This involves developing incentives necessary for the successful work of the members of the governing bodies to guarantee the achievement of the Company's strategic goals, assessing the activities of the company's governing bodies, succession planning and implementation.

In 2010 six meetings of the Appointments and Remuneration Committee were held, one of which was held jointly with the Investments and Development Committee. During the reporting year the Committee focused its efforts on the improvement of the existing system of assessment and remuneration of the top managers of the Company, optimisation of the Company's organisational structure, succession planning projects, and programmess aimed to attract and motivate the Company's employees.

In 2010 the Committee started to work on the development of an effective system of long-term motivation of the Company's top-management, which is intended to motivate the top-management to achieve both short-term and long-term strategic goals.

EXECUTIVE BODIES

The General Director and the Management Board are responsible for day-to-day management of the Company. The General Director is the Chairman 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 regulated by the Federal Law "On Joint Stock Companies", the Charter of the Company, the Regulations on the Management Board of OJSC Uralkali and various internal regulatory documents. The members of the Management Board are appointed for the same term as the Board of Directors which appointed them. The Board of Directors has the right to change the composition and the membership of the Management Board as well as to terminate the powers of the General Director pre-term.

The Management Board of the Company and the General Director do not have the right to resolve issues which fall under the competence of the General Meeting of Shareholders of the Company and/or the competence of the Board of Directors. The Management Board and the General Director ensure implementation of the resolutions of the General Meeting of Shareholders and the resolutions of the Board of Directors.

On 29 April 2010 the Board of Directors of OJSC Uralkali resolved to terminate the powers of V. Baumgertner as the General Director of the Company as of 30 June 2010.

From 1 July 2010 until 4 August 2010 the post of the General Director of OJSC Uralkali was held by D. Morozov, and from 5 August 2010 – by P. Grachev.

In 2010 the composition and membership of the Management Board underwent a series of changes, which, among other things, had to do with the fact that the General Director of the Company was changed several times.

As of 1 January 2010, the Management Board of the Company consisted of the following members: M. Antonov, V. Baumgertner, V. Belyakov, S. Dyakov, E. Samsonova and M. Shvetsova.

As of 31 December 2010 the Management Board consisted of: P. Grachev, V. Belyakov, Y. Bogdanov, O. Petrov, E. Samsonova and M. Shvetsova.

MANAGEMENT BOARD AS OF 31 DECEMBER 2010

Name	Post	Biography	Attendance at meetings[I]
Pavel Grachev	General Director, President[II], Chairman of the Management Board	Chairman of the Management Board since 5 August 2010. Born in 1973. In 1998 graduated from the Italian University of Trieste and Saint Petersburg State University with a degree in law. Since 5 August 2010 – General Director and President of OJSC Uralkali[III].	1 (11)
Victor Belyakov	Executive Vice-President for Economics and Finance	Member of the Management Board since 2007. Born in 1973. Graduated from Tver State Technical University in 1995, specialised in "automated systems of information processing", and qualified as a systems engineer. In 1997 graduated from Tver State Technical University with a degree in Economics, specialised in "information systems in economics". Victor Belyakov holds a CMA diploma (Certified Management Accountant) and an MBA from Kingston Business School. Director for Economics and Finance since 2007; Deputy General Director – Director for Economics and Finance – since 2008; since May 2010 – Executive Vice-President for Economics and Finance. Serves on the boards of directors of several companies affiliated with OJSC Uralkali.	11 (11)
Yuri Bogdanov	Vice-President for Efficiency Management	Member of the Management Board since 2010. Born in 1980. Graduated from the Financial Academy under the patronage of the Russian Government with a degree in Economics, specialised in finances and credit. From 2004 until 2006 worked in OJSC Uralkali as leading manager for reporting in the corporate reporting and control department; in 2006–2008 worked as head of corporate reporting and control department; from 2008 until 2010 occupied the post of Vice-President for organisational development and restructuring; since 2010 – Vice-President for efficiency management in OJSC Uralkali. Serves on the boards of directors of several companies affiliated with OJSC Uralkali.	4 (11)
Oleg Petrov	Vice-President for Sales and Marketing	Member of the Management Board since 2010. Born in 1963. Graduated from the Military Institute, specialised in "foreign languages". Graduated from the Russian Economic Academy n.a. G.V. Plekhanov, qualified as Economist specialising in finances and credit. Since 2005 – First Deputy General Director of CJSC Belarusian Potash Company. Since 2010 – Vice-President for Sales and Marketing of OJSC Uralkali.	2 (11)
Elena Samsonova	Vice-President for Personnel	Member of the Management Board since 2004. Born in 1976. Graduated from Perm State University with a diploma in English Philology, qualified as a philologist, translator and teacher of the English language and literature. In 2000 graduated from Durham Business School (UK) with a Master's Degree in Management. Director for Personnel in 2004–2010, since 2010 – Vice-President for Personnel in OJSC Uralkali. Serves on the boards of directors of several companies affiliated with OJSC Uralkali.	11 (11)
Marina Shvetsova	Director for Legal and Corporate Affairs	Member of the Management Board since 2005. Born in 1972. Graduated from Perm State University in 1994 with a degree in law. Director for Legal and Corporate Affairs since 2006. Serves on the boards of directors of several companies affiliated with OJSC Uralkali.	11 (11)

Notes

I. The total number of the meetings of the Management Board attended by the Board member is indicated on the left; the total number of the meetings of the Management Board held in 2010 is indicated in parentheses

II. By the resolution of the Board of Directors of OJSC Uralkali the post of President of the Company was cancelled as of 22 February 2011

III. Pavel Grachev was the General Director of the Company and the Chairman of the Management Board from 05 August 2010 until 21 February 2011

On 21 February 2011 the Board of Directors resolved to terminate the powers of P. Grachev as the General Director of OJSC Uralkali pre-term. The Board of Directors appointed V. Baumgertner[I] General Director of OJSC Uralkali as of 22 February 2011. At the same meeting the composition of the Management Board of the Company was changed and the following persons were appointed to the Management Board: V. Baumgertner, V. Belyakov, Y. Bogdanov, O. Petrov, E. Samsonova and M. Shvetsova.

ACTIVITY OF THE MANAGEMENT BOARD IN 2010

The main issues dealt with at the meetings of the Management Board in 2010 were related to controlling the activities of the structural subdivisions of the Company, preliminary approval of the budgets, approval of the Company's local regulatory acts, introduction of changes to the Company's organisational structure, and a range of other matters within the Management Board's remit in compliance with the provisions of the Charter of the Company.

Note
I. The information on V. Baumgertner is provided in the section "Membership of the Board of Directors"

REVISION COMMISSION

The Revision Commission is an internal controlling body which monitors financial and economic activity of the Company.

The Revision Commission is responsible for ensuring that the information contained in the Company's Annual Reports, annual and interim financial statements, reports prepared for statistical and other state authorities, is accurate, verifying the competences of the decisions made by the Company's governing bodies and monitoring the execution of the decisions and compliance with the internal regulations of the Company as stipulated in its Charter by the Company's executive officers, review of the correctness of profit distribution in accordance with the resolution of the General Meeting of Shareholders on profit distribution, accuracy and timeliness of distribution of dividends on shares and interest on bonds, review of the legality of contracts signed on behalf of the Company and other transactions; review of the accuracy and timeliness of payments according to the Company's contracts and obligations; and evaluation of the internal audit system as well as analysis of the causes and effects of budget variance.

The Revision Commission acts in compliance with the Charter and the Regulations on the Revision Commission and reviews the financial and economic activity of the Company in order to ensure that the activities and operations of OJSC Uralkali are in compliance with the current legislation of the Russian Federation and the interests of the Company's shareholders and that the financial reports of the Company accurately represent its financial status.

REMUNERATION OF THE MEMBERS OF THE GOVERNING BODIES OF THE COMPANY

THE BOARD OF DIRECTORS OF OJSC URALKALI

On 18 June 2010 the Annual General Meeting of the Shareholders of Uralkali adopted a resolution to pay 16,821,800 RUR to the independent members of the Board of Directors for their service as the members of the Committees of the Board of Directors.

Members of the Board of Directors	Amount of remuneration
Hans Jochum Horn	6,728,720 RUR
V. Ruga	5,046,540 RUR
I. Yuzhanov	5,046,540 RUR

The Shareholder Annual General Meeting of Uralkali also resolved to approve the new edition of the Regulations on Remuneration and Compensations paid to the members of the Board of Directors of Uralkali. These Regulations were intended to change the system of remuneration, which would lead to dividing remuneration of the members of the Board into base remuneration – for independent and non-executive members of the Board of Directors – and additional remuneration – for service on the Committees and additional responsibilities of the Chairman of the Committee or the Deputy Chairman of the Board of Directors as well as the Chairman of the Board of Directors. According to the approved Regulations, only executive directors – members of the Board of Directors – were not compensated for their service on the Board.

On 17 September 2010, the Extraordinary General Meeting of Shareholders took place. The elected members of the Board of Directors, with the exception of the three independent directors, refused the remuneration offered, in accordance with the right granted to them under the Regulations.

On 4 February 2011 an Extraordinary General Meeting of Shareholders was held, and its agenda included approval of the new edition of the Regulations on Remuneration and Compensations paid to the members of the Uralkali Board of Directors. Under the new edition of the document, base and additional remuneration are paid only to the independent directors. It is also stipulated that the amount of annual remuneration of the Chairman of the Board of Directors totals US$ 1 million. Any member of the Board has the right to refuse to receive remuneration for their service. The new edition of the Regulations was approved by the General Meeting of Shareholders and took effect on 4 February 2011.

THE MANAGEMENT OF OJSC URALKALI

The remuneration paid to the management of Uralkali (General Director, Members of the Management Board, Vice-Presidents and Directors) consists of a monthly salary and an annual bonus. The salary is established under employment agreements between the managers and OJSC Uralkali. The annual bonus is paid according to the achievement of the goals, included in the performance score card of the manager. The regulations on performance management and on bonuses establish the order of devising and approving the performance score cards as well as approving the achievement of the performance goals during the financial year and calculating the bonus amount to be paid to the manager.

The salary and annual bonus ratio for the management of the Company conforms to the widely accepted global practices.

The total remuneration paid to the members of the Board of Directors, General Director, and members of the Management Board, following the 2010 results, amounted to 363,711,000.00 RUR. Employment termination indemnities paid to the management in 2010 totaled 401,487,000.00 RUR.

The managers of the Company do not receive any additional remuneration for their services in the governing bodies of Uralkali or its affiliated companies.

SHAREHOLDINGS OF MEMBERS OF GOVERNING BODIES OF URALKALI (AS OF 31 DECEMBER 2010)

According to the information recorded in the share register of Uralkali, provided by CJSC Registrator Intraco as of 31 December 2010, Sergey Dyakov, who was the member of the Management Board of the Company as of 1 January 2010, is registered in the Company's share register. According to the share register, Sergey Dyakov owns 3,171,000 ordinary shares of Uralkali, which is equal to 0.1493% of the Company's holding. Other members who held posts in the governing bodies of Uralkali during 2010 are not registered in the Company's share register both as of 1 January 2010 and as of 31 December 2010. There is no information on any transactions made by the members of the governing bodies of Uralkali with the intention to buy or transfer shares of the Company nor information of the date when these transactions were carried out, their content or the type and amount of the shares sold during the period from 1 January 2010 to 31 December 2010. Moreover, there is no information on the owners whose shares are held in nominal shareholding both as of 1 January 2010 and as of 31 December 2010.

MEMBERSHIP OF THE BOARD OF DIRECTORS

This section contains information on the individuals who were members of the Board of Directors of Uralkali from 01 January 2010 until 31 December 2010.[I]

Dmitry Rybolovlev

Chairman of the Board of Directors in 1996–2010.

Dmitry Rybolovlev was born in 1966. He graduated from the Perm Medical Institute with a degree in General Medicine.

In 2005–2010 Dmitry Rybolovlev was the Chairman of the Supervisory Board of CJSC Belarusian Potash Company.

He is a member of the Board of the Russian Union of Industrialists and Entrepreneurs, a non-profit organisation which promotes the interests of Russian business.

Dmitry Rybolovlev was a member of the Appointments and Remuneration Committee of Uralkali.

The powers of D. Rybolovlev as a member of the Board of Directors of the Company were terminated on 17 September 2010.

Mikhail Antonov

Member of the Board of Directors and member of the Management Board of the Company in 2009–2010.

Vice President for Strategic Development in 2008–2011, Acting President in July 2009 – February 2010.

Mikhail Antonov was born in 1966. He graduated from Moscow State University n. a. M.V. Lomonosov in 1988 where he studied Economics and Computer Science, qualified as an Economist-Mathematician and subsequently earned a PhD in Economics.

Mikhail Antonov was a member of the Investments and Development Committee of the Board of Directors of Uralkali.

Note

I. The information on the place of employment and posts held is as of 31.12.2010 unless indicated otherwise

The powers of M. Antonov as a member of the Board of Directors of the Company were terminated on 18 June 2010.

Vladislav Baumgertner

Member of the Board of Directors in 2004–2010.

Vladislav Baumgertner was born in 1972.

In 1994 he graduated from the State Technical University of the Urals and qualified as an Electrical Engineer.

In 2001 Mr. Baumgertner completed his studies at Kingston Business School and earned an MBA (Master of Business Administration).

In 2003 Vladislav Baumgertner graduated from the University of London with an MSc degree in Financial Management.

From 2004 until 2008 Mr. Baumgertner was the President of OJSC Uralkali.

From 2005 until July 2010 he served as the General Director of the Company.

In 2004–2010 he served on the Boards of Directors of several of the Uralkali's subsidiaries and was also a member of the Board of Directors of OJSC Silvinit and CJSC Belarusian Potash Company.

Vladislav Baumgertner was a member of the Investments and Development Committee of the Board of Directors of the Company.

The powers of V. Baumgertner as a member of the Board of Directors of the Company were terminated on 18 June 2010.

From October 2010 until February 2011 Vladislav Baumgertner worked as the General Director of OJSC Silvinit. Mr. Baumgertner currently serves on the Boards of Directors of the following companies: OJSC Silvinit, OJSC Galurgia, CJSC VNII Galurgii and CJSC Solikamsky construction trust. He is a member of the Supervisory Board of CJSC Belarusian Potash Company.

On 21 February 2011 Vladislav Baumgertner was appointed General Director of OJSC Uralkali.

Yury Gavrilov

Member of the Board of Directors in 2000–2010.

Yury Gavrilov was born in 1969.

He holds a degree in Mechanical Engineering and Research from Perm State Technical University.

Since 1999 he has served as the General Director of the investment company Finansovy Dom (Financial House).

Yury Gavrilov was a member of Uralkali's Investments and Development Committee of the Board of Directors of Uralkali.

The powers of Yury Gavrilov as a member of the Board of Directors of the Company were terminated on 17 September 2010.

Andrey Konogorov

Member of the Board of Directors in 1996–1998, 2000–2004, and in 2008–2010.

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 patronage of the Government of the Russian Federation.

Andrey Konogorov was the Chairman of the Appointments and Remuneration Committee and served on both the Audit Committee and the Investments and Development Committee of the Board of Directors of Uralkali.

The powers of Andrey Konogorov as a member of the Board of Directors of the Company were terminated on 17 September 2010.

Kuzma Marchuk

Member of the Board of Directors in 2007–2010.

Kuzma Marchuk was born in 1973. He graduated from the Russian Academy of Economics n. a. Plekhanov in 1995 with a degree in Foreign Economic Activities of Enterprises and Organisations and received a degree in Physics from Moscow State University n. a. Lomonosov in 1996.

Vice President for Finance (CFO) of OJSC Uralkali in 2004–2009.

Kuzma Marchuk was the Chairman of the Investments and Development Committee and served on both the Audit Committee and the Appointments and Remuneration Committee of the Board of Directors of Uralkali.

The powers of Kuzma Marchuk as a member of the Board of Directors were terminated on 17 September 2010.

Vladimir Ruga

Member of the Board of Directors in 2008–2010.

Vladimir Ruga was born in 1970.

He graduated from Moscow State Pedagogical University with a degree in History in 1993.

In 2003–2010 Mr. Ruga worked in TNK-BP Management as Vice-President for Public Relations.

Vladimir Ruga was a member of the Appointments and Remuneration Committee of the Board of Directors of Uralkali.

The powers of Vladimir Ruga as a member of the Board of Directors of the Company were terminated on 17 September 2010.

Anna Koff

Member of the Board of Directors in June-September 2010.

Anna Koff was born in 1965.

In 1988 she graduated from Moscow State University n.a. M.V. Lomonosov with a degree in History.

Senior Partner, Director of Consulting of CJSC Development of the basics of the expert-personnel system (Razrabotka Osnov Sistemy Expert- Personal).

The powers of Anna Koff as a member of the Board of Directors were terminated on 17 September 2010.

Denis Morozov

Member of the Board of Directors in June-September 2010.

Denis Morozov was born in 1973.

In February-August 2010 he was the President of OJSC Uralkali. From 1 July until 4 August 2010 Mr. Morozov was the General Director and the Chairman of the Management Board of the Company.

He graduated from Moscow State University n.a. M.V. Lomonosov in 1993 with a degree in Political Economy. In 1996 earned his Law degree from the same university. Denis Morozov also holds a degree in Commerce and Banking from the Swiss School of Banking, which he earned in 1999. In the same year Mr. Morozov finished his postgraduate studies at the Moscow State University of International Relations under the patronage of the Ministry of Foreign Affairs of the Russian Federation. He specialised in International Economic Relations and earned a Candidate degree in Economics.

Denis Morozov has served on the Boards of Directors of OJSC MMC Norilsk Nickel, CJSC Gold Mining Company Polyus and OJSC Polyus Gold. During his work for MMC Norilsk Nickel he worked as the Head of the Office of the Board of Directors, Deputy General Director and as a member of the Management Board. In April 2007 – June 2008 Mr. Morozov held the post of the General Director and Chairman of the Management Board of OJSC MMC Norilsk Nickel.

The powers of Denis Morozov as a member of the Board of Directors of the Company were terminated on 17 September 2010.

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 (Diplom Kaufmann, MBA), and in 1977 graduated from Bergen University as a State Authorised Public Accountant. Mr. Horn came to Moscow in 1990 in order to open representative offices of the company Arthur Andersen in Russia. Mr. Horn managed Arthur Andersen for fifteen years, during which time Arthur Andersen became integrated with Ernst & Young in the CIS and now employs 1900 people. Mr. Horn was in charge of 13 offices in 7 countries of the Commonwealth of Independent States. As an advisor to various government and business organisations in Russia and the CIS, Mr. Horn has worked with numerous companies in the spheres of auditing, business consulting and finance; he has worked with large local companies as well as with the leading foreign investors in Russia and the CIS. Mr. Horn is the Head of the Norwegian Association of MBA Graduates; he is one of the founders of the German Chamber of Commerce in Russia and is the President of "Junior Achievement Russia". In 2004 Kommersant Publishing House included Mr. Horn into the list of one hundred top leading businessmen in Russia.

Hans Jochum Horn is a Deputy Chief Executive Officer of Renaissance Group.

Mr. Horn is the Chairman of the Audit Committee of the Board of Directors of Uralkali.

Hans Jochum Horn is an independent director within the meaning of the Federal Law "On Joint Stock Companies", the Corporate Governance Code of OJSC Uralkali and the UK Combined Corporate Governance Code.

Ilya Yuzhanov

Member of the Board of Directors since 2006.

Ilya Yuzhanov was born in 1960.

He graduated from Zhdanov Leningrad State University with a degree in Economics in 1982. He has a PhD in Economics.

In 1993–1997 Mr. Yuzhanov held various executive positions in state agencies of St. Petersburg. In 1997–1998 Mr. Yuzhanov headed the State Committee on Land Resources and Land Utilisation of the Russian Federation. In 1998 he chaired the Ministry of Land Policy, Construction and Utilities of the Russian Federation. In 1999–2004 he served as the Minister of Antimonopoly Policy and Entrepreneur Support of the Russian Federation. In 2000–2003 Ilya Yuzhanov served on the Board of Directors of OJSC Gazprom. In 2003–2004 he was a member of the Board of Directors of OJSC Russian Railroads. In 2000–2008 Mr. Yuzhanov was a member of the Board of Directors of RJSC UES of Russia. In 2004–2006 he served as the Chairman of the Supervisory Board of OJSC NOMOS-BANK; he has been a member of the Supervisory Board of this company since 2006. From 2006 until 2009 Mr. Yuzhanov served on the Boards of Directors of OJSC Novatek and OJSC Kirovsky plant. In 2008 he also served on the Board of Directors of JSC IDGC Holding. He has worked as the Chairman of the Board of Directors of OJSC Polymetal since 2008. Mr. Yuzhanov has been a member of the Supervisory Board of JSC Alrosa since 2009. In 2009–2010 Ilya Yuzhanov held the post of the Managing Director of LLC Deutsche Bank.

Mr. Yuzhanov has been serving on the Appointments and Remuneration Committee of the Board of Directors of Uralkali as its Chairman since September 2010.

Ilya Yuzhanov is an independent director within the meaning of the Federal Law “On Joint Stock Companies”, Corporate Governance Code of OJSC Uralkali and the UK Combined Corporate Governance Code.

Alexander Voloshin

Member of the Board of Directors since 2010.

Alexander Voloshin was born in 1956.

He graduated from the Moscow University of Transport Engineering in 1978 and the All-Union Academy of Foreign Trade in 1986.

In 1999–2003 – Head of Administration of the President of the Russian Federation.

In 1999–2008 – the Chairman of the Board of Directors of RJSC UES of Russia.

In 2005–2008 – member of the Boards of Directors of OJSC Federal network company of the United Energy System and OJSC Systems operator – Central call center of the United Energy System. In 2008 – served on the Board of Directors of JSC IDGC Holding. In 2008–2010 – Chairman of the Board of Directors of the OJSC MMC Norilsk Nickel. In 2011 Alexander Voloshin was elected to the Board of Directors of OJSC MMC Norilsk Nickel and on 01 April 2011 became the Chairman of the Board of Directors of this company.

He was appointed Head of the task group responsible for establishment of the International Financial Center in July 2010 by the Order of the President of the Russian Federation.

Since August 2010 he has served on the Board of Diretors of Yandex NV.

Mr. Voloshin was elected Chairman of the Board of Directors of Uralkali on 17 September 2010.

Alexander Voloshin is an independent director within the meaning of the Federal Law “On Joint Stock Companies”, Corporate Governance Code of OJSC Uralkali and the UK Combined Corporate Governance Code.

Anton Averin

Member of the Board of Directors since 2010.

Anton Averin was born in 1966.

In 1988 he graduated from Moscow State University with a degree in Mathematics.

In 1995 he earned a Master's Degree in Management from the International University in Moscow.

In 2002–2005 Mr. Averin worked as the Director of the Investment Department of Nafta Moskva LLC, and since 2005 – as the Director of the Investment Department of the OJSC GNK Nafta Moskva. In 2008 Mr. Averin was appointed Managing Director of the Company Nafta Moskva.

Anton Averin is a Member of the Investments and Development Committee of the Board of Directors of Uralkali.

Pavel Grachev

Member of the Board of Directors since 2010.

Pavel Grachev was born in 1973.

Mr. Grachev graduated from the Italian University of Trieste and Saint Petersburg State University in 1998 with a degree in Law.

In 1998–2006 Pavel Grachev worked for the law firm Pavia e Ansaldo as the Managing Partner of the Moscow representative office. In 2006 he was appointed Director of the legal department of Nafta Moskva and in 2008 – Managing Director of this company.

In 2009 Mr. Grachev became a member of the Boards of Directors of the OJSC PIK Group and OJSC Polyus Gold. He has been serving on the Board of Directors of PIK Group as its Chairman since 2010.

From August 2010 until February 2011 he worked as the General Director and President of OJSC Uralkali.

In 2010 Pavel Grachev became a member of the Supervisory Board of CJSC Belarusian Potash Company[I].

P. Grachev served on the Appointments and Remuneration Committee of Uralkali from September 2010 until April 2011. His powers as a Member of this Committee are terminated as of the date of approval of this annual report.

Anna Kolonchina

Member of the Board of Directors since 2010.

Anna Kolonchina was born in 1972.

In 1994 she graduated from the Financial Academy under the patronage of the Government of the Russian Federation with a degree in Accounting and Audit**.**

From 2001 to 2008 Ms. Kolonchina worked as a Director at Deutsche Bank AG, London. In 2008 Ms. Kolonchina worked as the Managing Director of Wainbridge Limited. From November 2008 until February 2010 worked as Vice-President for economics and finance of OJSC PIK Group. In February 2010 was appointed Managing Director of Nafta Moskva.

Since 2010 Anna Kolonchina has been serving on the Boards of Directors of OJSC PIK Group, OJSC Polyus Gold, OJSC JSCB International Financial Club. She is a member of the Supervisory Board of CJSC Belarusian Potash Company.

Anna Kolonchina is a Member of the Audit Committee of the Board of Directors of Uralkali.

Alexander Malakh

Member of the Board of Directors since 2010.

Alexander Malakh was born in 1964.

In 1985 he graduated from the State University of Kazan with a degree in Applied Mathematics.

Note

I. On 09.03.2011 the powers of P. Grachev as a member of the Supervisory Board of CJSC Belarusian Potash Company were terminated

He earned a Master's degree in Computational Mechanics from the University of New York in 1994 and received an MBA from Wharton Business School at the University of Pennsylvania in 1998.

From 1998 till 2001 Mr. Malakh worked as a consultant at McKinsey & Company. From 2001 until 2004 Mr. Malakh held executive positions at Mars Incorporated: Head of New Business in the CIS, General Director of Mars Ukraine.

In 2004–2007 Mr. Malakh held the post of Managing Director of Alfa Eco Group and served as the Chairman of the Boards of Directors of all its subsidiaries. In 2007–2010 Mr. Malakh served as CEO of Rosvodokanal.

Mr. Malakh has been working as Deputy CEO of ICT Group.

Alexander Malakh is the Chairman of the Investments and Development Committee and a member of the Audit Committee of the Board of Directors of Uralkali.

Alexander Mosionzhik

Member of the Board of Directors since 2010.

Alexander Mosionzhik was born in 1961.

In 1983 he graduated from Tula Polytechnic University, with a degree in Applied Mathematics. He has a PhD in Mathematics.

Mr. Mosionzhik has worked for Nafta Mosvka since 1999. He first started in the company as the First Deputy CEO and later became the CEO. In 2006 he was elected the Chairman of the Board of Directors of Nafta Moskva.

In 2005–2008 Mr. Mosionzhik was the Chairman of the Board of Directors of OJSC Polymetal.

Since 2009 Mr. Mosionzhik has been serving on the Boards of Directors of PIK Group and OJSC Polyus Gold; he is also a Deputy Chairman of the Board of Directors of OJSC Polyus Gold.

Since 2010 Alexander Mosionzhik has been serving as a member of the Board of Directors of OJSC JSCB International Financial Club, member of the Supervisory Board of CJSC Belarusian Potash Company.

Since April 2011 – member of the Board of the Russian Union of Industrialists and Entrepreneurs, a non-profit organisation which promotes the interests of Russian business.

Alexander Mosionzhik is the Deputy Chairman of the Board of Directors of Uralkali and a member of the Appointments and Remuneration Committee of the Board of Directors of Uralkali.

Alexander Nesis

Member of the Board of Directors since 2010.

Alexander Nesis was born in 1962.

In 1985 he graduated from Lensovet Leningrad Institute of Technology with a degree in Radio-chemistry.

Alexander Nesis started his professional career in 1986 in Baltiysky Plant where he worked until 1989.

In 1991 founded and managed a business entity which was then formed into an ICT Group in 1993. In 1993–1998 and in 2002–2005 Mr. Nesis served as the Chairman of the Board of Directors of Baltiysky Plant.

In 1998–2003 Mr. Nesis worked as CEO of OJSC Polymetal – an ICT Group mining company.

CEO of ICT Group.

Alexander Nesis is Deputy Chairman of the Board of Directors of Uralkali, member of the Investments and Development Committee and member of the Appointments and Remuneration Committee of the Board of Directors of Uralkali.

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

As of 31 December 2010 the authorised capital of Uralkali was 1,062,195,000 RUR, divided[I] into 2,124,390,000 registered ordinary shares with a par value of 0.5 RUR per share.

A 16 January 2004 directive of the Federal Commission for the Securities Market of Russia No. 04-81/r combined 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.

On 4 February 2011 Uralkali's Shareholder Extraordinary General Meeting approved the proposal of the Board of Directors to introduce amendments to the Charter of the Company and pass the Charter in a new version. One of the key amendments was changing the number of the authorised shares, as it was stated in the Charter of the Company: instead of 1,500,000,000 (one billion five hundred million) shares with a par value of 0.5 rouble per share the shareholders resolved that the Company has a right to issue 2,700,000,000 (two billion seven hundred million) ordinary registered shares with a par value of 0.5 rouble per share (hereinafter "authorised shares"). The increase in the number of the authorised shares was executed in order to convert OJSC Silvinit shares into Uralkali's shares when the merger between the two companies takes place.

On 21 February 2011 the Board of Directors resolved to increase the authorised capital of the Company within the limits of the authorised shares through an additional offering of the ordinary registered shares of the Company to the number of 1,200,000,000 (one billion two hundred million) shares with a par value of 0.5 rouble per share, with the combined value of 600,000,000 (six hundred million) RUR. The method of offering was to convert the ordinary and privileged shares of Silvinit into the ordinary shares of Uralkali. In connection with the increase of the authorised capital the Board of Directors also passed a resolution on the issuance of additional 1,050,000,000 shares and on the issuance of 150,000,000 shares to convert privileged shares of Silvinit into the ordinary shares of Uralkali.

As of 1 January 2010, there were 9,871 holders of record in Uralkali's shareholder register; as of 31 December 2010, there were 9,626 holders of record.

GLOBAL DEPOSITARY RECEIPTS (GDRS)

GDRs are issued in respect of ordinary shares in Uralkali at the ratio of 5 registered ordinary shares per 1 GDR. Global Depository Receipts are listed and traded on the London Stock Exchange (LSE).

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

The Federal Service for Financial Markets of the Russian Federation (FSFM) has issued a clarification at Uralkali's request that the FSFM permission granted to Uralkali with respect to its ordinary shares eligible for deposit into Uralkali GDR programme allows newly issued Uralkali shares to be deposited into the programme provided there is a headroom

Note

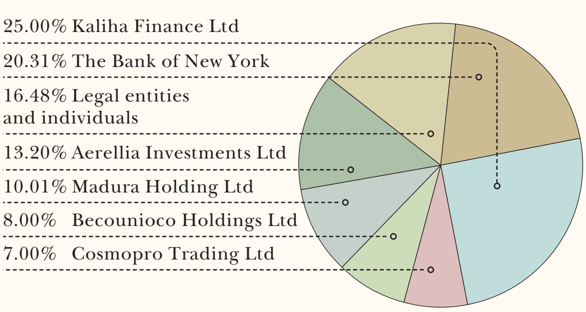
I. Uralkali's 2009 financial statement, prepared in accordance with Russian Accounting Standards (Balance Sheet, line 410) within the limit of Uralkali ordinary shares specified in the FSFM permission. The FSFM permission allows up to 616,073,100 Uralkali ordinary shares to be deposited into the programme. As a result, new Uralkali ordinary shares that will be issued upon conversion of ordinary and preferred shares in OJSC Silvinit on the merger of Silvinit into Uralkali will become eligible for deposit into the Uralkali GDR programme after registration of the prospectus, which may take up to 3 weeks after completion of the merger.

As of 31 December 2010, GDRs traded on the LSE amounted to 20% of the authorised capital of the Company. The depository is Bank of New York (see contacts on p. 121).

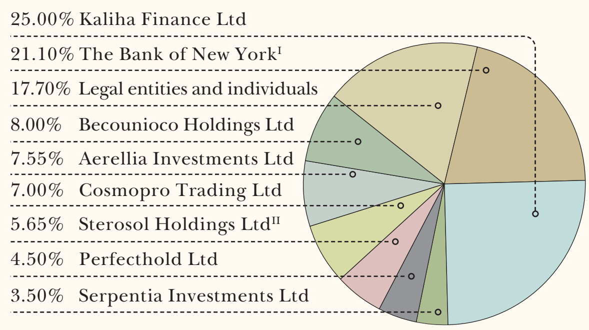
STOCK EXCHANGES

As of 31 December 2010, Uralkali's ordinary shares and GDRs, certifying the rights in respect to ordinary shares of Uralkali, are traded on the following stock exchanges: LSE, MICEX and RTS.

Equity structure, 31 December, 2010



Equity structure is given as of 19 April 2011



Company	Beneficiary	Share in Uralkali
Kaliha Finance Ltd	Suleiman Kerimov	25.0%
Aerellia Investments Ltd	Alexander Nesis	7.55%
Sterosol Holdings Ltd	Alexander Nesis	5.65[II]%
Perfecthold Ltd	Alexander Nesis	4.5%
Becounioco Holdings Ltd	Filaret Galchev	8.0%
Cosmopro Traiding Ltd	Filaret Galchev	7.0%
Serpentia Investments Ltd	Alexander Mamut	3.5%
The Bank of New York (depositary)		21.1[I]%
Legal entities and individuals		17.7%

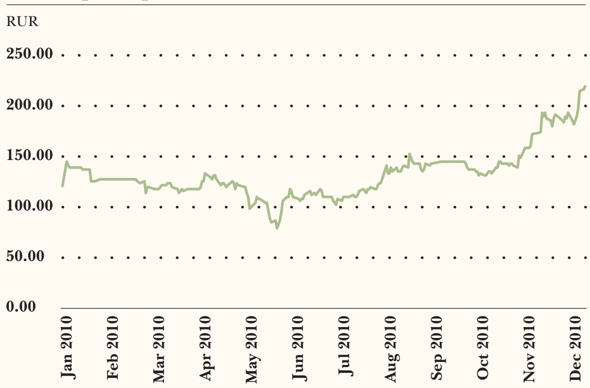
Notes

I. As of 15 April 2011

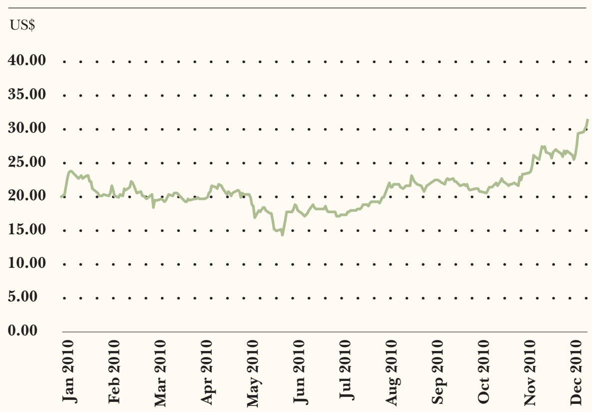
II. Includes 0.95% of the ordinary shares of OJSC Uralkali represented by GDRs of Uralkali held by Sterosol Holdings Ltd

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

Shares price performance on the RTS, 2010



Shares price performance on the MICEX, 2010

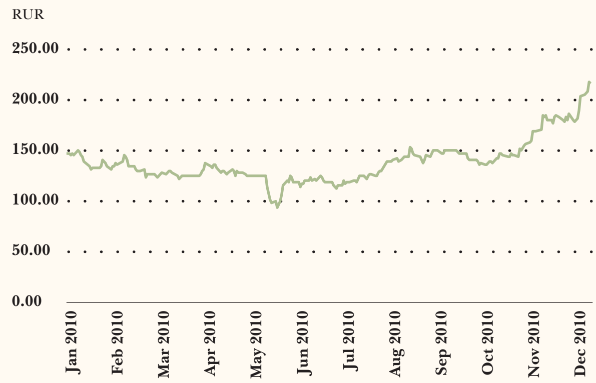


Notes

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

II. ISIN (International Securities Identification Number) – International Identification Number of the share

GDR price performance on the LSE, 2010



LSE: TRADING IN GDR URKA

	2010	2009
Maximum	36.7	26.5
Minimun	15.0	4.2
Price at the end of the year	36.7	21.0
Trading Volume (mln GDRs)	286.8	291.3

(US$)

MICEX: TRADING IN ORDINARY SHARES URKA (MARKET TRANSACTIONS)

	2010	2009
Maximum	220.5	153.9
Minimum	94.2	35.3
Price at the end of the year	219.3	125.5
Trading Volume (mln shares)	731.4	1,486.3

(RUR)

RTS: TRADING IN ORDINARY SHARES URKA (MARKET TRANSACTIONS)

	2010	2009
Maximum	220.0	152.0
Minimum	97.1	34.0
Price at the end of the year	220.0	123.9
Trading Volume (mln shares)	4.3	7.3

(RUR)

DIVIDENDS

TAXATION

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

The company discloses taxation data as general information. 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 Regulations on Dividend Policy, the Company is entitled to decide (announce) on the full-year dividend, as well as quarterly dividends at three, six and nine months (interim dividends). Decisions on the payment and size of dividends are made by the Shareholder General Meeting. 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, prepared in accordance with the International Financial Reporting Standards (IFRS). 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 CHARE

Period	Date of decision on dividend payment	Dividend per ordinary share / one GDR, RUR	Accrued dividends, RUR in ths	Dividend payout ratio (dividend payment 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%
2009	18.06.2010	1.7/8.5	3,611,463.0	40%

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

Daria Fadeeva
Investor Relations Manager

Tel: +7(495) 730-2371
ir@msc.uralkali.com

MEDIA CONTACTS:
Alexey Sotskov
Head of Media Relations

Vladimir Ravinsky
Head of Media Relations Unit

Tel: +7(495) 730-2371
pr@msc.uralkali.com

RISK MANAGEMENT

URALKALI'S RISK MANAGEMENT SYSTEM

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

This includes identifying the events that can adversely affect the Company's ability to meet its business objectives in a timely and efficient manner and implementing adequate countermeasures, ensuring the balance between the responsibilities and authorities of the decision-makers.

Risk management is an indispensible part of Uralkali's system of corporate governance: all employees of the Company participate in the process of managing risks on continuing basis. In 2010 the Company aimed its efforts at identifying and assessing risks, developing and implementing the countermeasures directed at minimising these risks. Uralkali's key risk ranking Matrix was regularly updated with regard to the changes of external and internal risk factors

To minimise risks, the Company's management focused their efforts on implementing plans of corrective measures aimed at addressing high risks in the fields of Uralkali's corporate governance and investment management, production, environment and industrial safety, purchasing and distribution. To provide reasonable assurance that the Company's risk appetite corresponds to the remaining risks, Uralkali's management oversaw timeliness and efficiency of implementation of corrective measures and the subsequent risk assessment.

KEY RISK FACTORS

This section describes only those key risk factors (in addition to the risks inherent to the jurisdictions in which Uralkali operates) which are likely to affect severely Uralkali's business, financial condition 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.

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 potash demand	Macroeconomic factors, which include changes in the world population, availability of arable land per capita, reduced levels of income and lack of potash consumer finance, may result in reduced world demand for potash.
Excess potash supply	Excessive global potash production by potash producers and high inventory levels among consumers may lead to excess potash supply in the market, which could cause a decline in potash demand and create downwards pressure on potash prices. As a result, this may reduce revenue volumes and, consequently, the Company's profitability.
Investment activity	The cost of expanding capacity and boosting performance as well as other investment costs account for a significant proportion of Uralkali's budget. There is a risk that investment projects could exceed their time limits or planned costs, or that it may prove impossible to meet the projects' technological targets.
Suppliers and contractors	Uralkali's suppliers and contractors include key contractors that are of strategic importance for the Company's operations. The loss of such contractors, substantial changes in 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.
Licensing activity	Uralkali's activities depend on the continuing validity of its licences and compliance with their terms. Changes in legislation and withdrawal or restriction of licences by regulatory bodies may adversely affect the business of the Company.
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.
Production costs	Uralkali's production costs could rise as a result of the physical depreciation of the production equipment, utilisation 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 estimates of its reserves and resources may be considerably different from the mineral quantities that can be actually recovered while certain ore reserves or mineral deposits may become unprofitable to mine.

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 Berezniki-1 flooding	The flooding of Uralkali's Berezniki-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.
Additional costs related to 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 the Company will accrue in order to operate in accordance with new legislative norms
Antimonopoly law	Uralkali is subject to antimonopoly legislation in Russia and other countries. Antimonopoly claims and lawsuits may lead to additional costs for the Company.
Subsidiaries and joint ventures	Risks associated with Uralkali's key subsidiaries and joint ventures (such as BPC and BBT) may adversely affect the Company'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.
Proposed Combination	Various factors relating to the merger of OJSC «Uralkali» and OJSC «Silvinit», including court claims of minority shareholders, may have an adverse effect on the completion of the merger or may result in delay, additional costs, losses and liabilities.

KEY FEATURES OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS

The Company has a system of internal control in place. The system covers all key business processes of the Company including the process of preparation of financial statements and reports.

The system of internal control is governed by the Regulations on the System of Internal Control of Financial and Economic Activity of the Company, which is approved by the Board of Directors of the Company.

Internal control procedures are primarily intended to ensure reliability and fairness of financial statements and governance reports of the Company. Some of the key elements of the system of internal control are organisation of the system of collection, processing and transmission of information as well as generation of reports and messages containing operational, financial and other information on the Company.

The system of internal control implemented in the Company is based on the principle of separation of key functions and competences of the officers and departments of the Company that are responsible for the development, approval, implementation and assessment of the Company's existing internal control procedures.

Proper and timely actions of the management and the departments of the Company in compliance with their responsibilities are the main elements of the system of internal control in regards to its reliability, completeness and timeliness.

The main aims of the risk management system are: identification and assessment of risks to the existing business processes of the Company, and development and implementation of control procedures, which allow the Company to minimise its risks or to avoid them altogether.

EXTERNAL AUDIT OF FINANCIAL STATEMENTS

Every year the Company elects an external auditor who is responsible for the auditing and inspection of the consolidated financial statements of the Company in compliance with the IFRS and who prepares reviews of the consolidated interim abbreviated financial information of the Company in compliance with the requirements of the IFRS. The external auditor of the Company is selected from the "top four" auditing companies after a thorough review of their proposals. Following the review of the auditors' proposals, the Audit Committee gives its recommendations to the Board of Directors regarding the candidature of the auditor and the amount of the auditor's compensation, and advises the Board of Directors on other terms and conditions of the contract with the auditor. In 2010, based on the recommendation of the Audit Committee, the Board of Directors selected CJSC PricewaterhouseCoopers Audit to conduct the audit of the financial statements of the Company for the year 2010.

EXECUTIVE VICE-PRESIDENT FOR ECONOMICS AND FINANCE

The Executive Vice-President for Economics and Finance is responsible for the following:

• Ensuring availability of necessary information in the enterprise resource planning system of the Company; supervision and confirmation of reliability of the information entered into the enterprise resource planning system by the office of the Executive Vice-President for Economics and Finance;

• Coordination and management of relationship with the auditors of the Company;

• Inventory of the assets of the Company.

REVISION COMMISSION

The Revision Commission is responsible for the following aspects of preparation of the Company's financial statements:

• confirmation of the reliability of information included in the annual reports of the Company, its annual and periodic accounting statements and confirmation of the reliability of information included in the reporting documents submitted to government authorities responsible for statistics and other government bodies;

• assessment of the system of internal control.

AUDIT COMMITTEE

The Audit Committee is responsible for the following aspects of preparation of the Company's financial statements:

• preliminary review of the Company's reports and draft conclusions of the external auditor, discussion of these documents with the management of the Company prior to their review by the Board of Directors of the Company;

• analysis of the annual report of the Company and other publicised information, development of recommendations regarding its preliminary approval;

• development of recommendations regarding the candidature of the external auditor of the Company. Analysis of the auditor's professional qualifications and independent status;

• settlement of conflicts which may arise during the process of audit, including all restrictions of audit procedures and access to information;

• supervision and monitoring of efficiency of internal control systems and procedures, development of recommendations regarding their improvement;

• supervision and monitoring of efficiency of risk management processes implemented in the Company and in the Group of companies; development of recommendations regarding possible improvement of risk management processes;

• approval of the map of the key risks of the Company and monitoring of actions intended to minimise/hedge these key risks;

• functional management of the department of internal audit, ensuring its independence and objectivity.

BOARD OF DIRECTORS

The Board of Directors of the Company approves the consolidated financial statements of the Company prepared in compliance with the IFRS; the Board also approves the reviews of the consolidated interim abbreviated financial information prepared in accordance with the requirements of the IFRS, based on the recommendations of the Audit Committee which is responsible for preliminary review of the indicated documents.

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 27 April 2011.

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 2011) 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 2011. SRK has restricted its assessment to the resources and reserves at Mine 2, Mine 4 and Mine 5. Mine 1 and Mine 3 have been excluded as these have 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 C_1 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, C_1 and C_2 categories are lower confidence categories, with C_2 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 C_1 category where the drillhole spacing is 2km. Areas drilled at a larger spacing than this, up to a 4km spacing, are assigned to the C_2 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 C_2, 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 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 2011. 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 2010. 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 2011. 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 2011

Category	Tonnage (Mt)	K_2O (%)	K_2O (Mt)
Mine 2			
A	9.7	31.6	3.1
B	39.4	22.7	8.9
C_1	280.2	24.3	68.2
A+B+C_1	**329.3**	**24.4**	**80.2**
C_2	**-**	**-**	**-**
Mine 4			
A	370.4	21.6	79.9
B	437.6	22.6	98.8
C_1	1,016.8	20.6	209.6
A+B+C_1	**1,824.8**	**21.3**	**388.3**
C_2	**310.3**	**26.8**	**83.3**
Mine 5			
A	169.9	19.0	32.3
B	311.0	19.8	61.7
C_1	809.7	19.8	160.4
A+B+C_1	1,290.6	19.7	254.4
C_2	-	-	-
All Mines			
A	550.0	21.0	115.3
B	788.0	21.5	169.4
C_1	2,106.7	20.8	438.2
Grand Total A+B+C_1	**3,444.8**	**21.0**	**723.0**
C_2	**310.3**	**26.8**	**83.3**

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 2011.

SRK AUDITED MINERAL RESOURCE STATEMENTS

Table 2 below presents SRK's audited resource statements. 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 C_1 as Indicated and those blocks classed as C_2 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 2011

Category	Tonnage (Mt)	K_2O (%)	K_2O (Mt)
Mine 2			
Measured	49.1	24.5	12.0
Indicated	280.2	24.3	68.2
Measured + Indicated	**329.3**	**24.4**	**80.2**
Inferred	**-**	**-**	**-**
Mine 4			
Measured	808.0	22.1	178.7
Indicated	1,016.8	20.6	209.6
Measured + Indicated	**1,824.8**	**21.3**	**388.3**
Inferred	**310.3**	**26.8**	**83.3**
Mine 5			
Measured	480.9	19.5	94.0
Indicated	809.7	19.8	160.4
Measured + Indicated	**1,290.6**	**19.7**	**254.4**
Inferred	**-**	**-**	**-**
All Mines			
Measured	1,338.1	21.3	284.7
Indicated	2,106.7	20.8	438.2
Total Measured + Indicated	**3,444.8**	**21.0**	**723.0**
Inferred	**310.3**	**26.8**	**83.3**

SRK COMMENTS

The audited Mineral Resource statement as at 1 January 2011 presented above is different to that presented as at 1 January 2010 as a function of mining activity during 2010, some re-assessments completed during 2010 by Uralkali to reflect updated mining limitations imposed by the appropriate regulatory bodies and the inclusion of Mixed Salts at Mine 2 that were not previously included by SRK when producing the Resource statement at 1 January 2010.

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 2011 to 2030 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 planned and unplanned dilution associated with the separation of the ore and waste. This is normally a function of the orebody characteristics and mining methods selected.

The Modifying Factors considered by SRK to be appropriate for the sylvinite being mined at each of the assets are shown in Table 3 below. The *Tonnage Conversion Factor* takes into account both the percentage of material left behind in pillars and the amount of dilution included when mining the ore and is applied to the in situ resource tonnage to derive the tonnage of material expected to be delivered to the plants. The *K_2O Grade Conversion Factor* accounts for the difference in grade between the in situ resource and the above plant feed tonnage as a result of incorporation within the latter of waste extracted along with this and is therefore applied to the in situ grade to derive the grade of ore expected to be delivered to the plants.

Uralkali undertakes an annual reconciliation to compare the ore tonnes mined each year with the resource that has been sterilized by this mining and it is these figures for the last three years that SRK has reviewed to derive *Tonnage Conversion Factor*. Similarly Uralkali keeps a record of the in situ grade of the material sterilized by mining each year and SRK has compared these with the grade of material reported to have been fed to the plants over the last three years to derive the *Grade Conversion Factor*. Given this, SRK is confident that the Modifying Factors used reflect the geometry of the orebodies being mined and the mining methods currently being used.

TABLE 3: SRK MODIFYING FACTORS

Description	Units	Mine 2	Mine 4
Tonnage Conversion Factor	(%)	37.0	46.0
K_2O Grade Conversion Factor	(%)	81.0	84.0

SRK AUDITED ORE RESERVE STATEMENTS

As with its audited Mineral Resource statements, SRK's Ore Reserve statements have been re-classified using the terminology and guidelines proposed in the JORC Code.

SRK has not attempted to optimise the Uralkali Business Plan. Consequently, SRK's audited Ore Reserve statements are confined to those seams that are currently being considered for mining only and therefore the minimum mining width of 2m and K_2O block cut-off grades of 13% as used by Uralkali. 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 either a Measured and/or Indicated Mineral Resource, and which is planned to be exploited during the following ten years of the Business Plan, as a Probable Ore Reserve.

In the case of Mine 5, SRK has not transferred any of the reported Measured or Indicated Mineral Resource to Ore Reserve status, given that technical work, inclusive of feasibility studies are ongoing to confirm the potential economics of developing this as a separate mine. In addition no Inferred Mineral Resources have been converted to Ore Reserve.

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

The large difference between SRK's audited Mineral Resource statement and its audited Ore Reserve statement is partly a function of the relatively low mining recovery inherent in the Room and Pillar mining method employed and partly a function of the fact that SRK has limited the Ore Reserve statement to that portion of the Mineral Resource on which an appropriate level of technical work has been completed. In this case this relates to the period covered by Uralkali's 20 year Business Plan. Mine 2 Ore Reserves are fully depleted within the 20 year period of the Business Plan, however, Mine 4 Ore Reserves have the potential to extend beyond the current 20 year period and, at an assumed production rate of 20Mtpa, could extend the mine life up to a further 15 to 20 years.

TABLE 4: SRK AUDITED SYLVINITE ORE RESERVE STATEMENT AT 1 JANUARY 2011

Category	Tonnage (Mt)	K_2O (%)	K_2O (Mt)
Mine 2			
Proved	18.2	19.8	3.6
Probable	102.3	19.8	20.2
Total	**120.5**	**19.8**	**23.8**
Mine 4			
Proved	187.3	18.6	34.9
Probable	199.1	18.5	36.8
Total	**386.4**	**18.5**	**71.7**
All Mines			
Proved	205.5	18.7	38.5
Probable	301.4	18.9	57.0
Grand Total	**506.9**	**18.8**	**95.5**

SRK COMMENTS

The audited Ore Reserve statement as at 1 January 2011 presented above is different to that presented as at 1 January 2010 as a result of mining during 2010, the inclusion of Mixed Salts at Mine 2 which had not been included previously and modifications to the Uralkali Business Plan to 2030 resulting in less ore projected to be mined from Mine 4 compared to the Business Plan in place previously.

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 2011. SRK considers that should the Ore Reserves as presented herein be re-stated in accordance with the reporting requirements of the United States Securities and Exchange Commission (the "SEC"), specifically Securities Act Industry Guide 7 ("Industry Guide 7"), such Ore Reserves would not be materially different. SRK however notes that certain terms as used in this letter, such as "resources" are prohibited when reporting in accordance with Industry Guide 7.

Yours faithfully

Dr Mike Armitage

Chairman SRK Consulting (UK) Ltd

Nick Fox

Senior Resource Geologist

GLOSSARY

TERMS AND ABBREVIATIONS

Acron	Producer of compound fertilisers, Russia
Agrifert S.A.	Principal trading agent of Silvinit in export markets
Agrium	Agrium Inc., Canada
APC	Arab Potash Company Ltd, Jordan
Canpotex	Canpotex Limited, Canadian potash exporting marketing firm wholly owned by its 3 producers Potash Corp, Mosaic, Agrium
EuroChem	Mineral-Chemical Company EuroChem, Russia
ICL	Israel Chemicals Ltd., Israel
IPC	International Potash Company, Russia
K+S	K+S Group, Germany
Mosaic	The Mosaic Company, USA
PhosAgro	Producer of phosphate-based fertilisers, Russia
Potash Corp.	Potash Corporation of Saskatchewan, Canada
Yara	Yara International, Norway
SQM	Mineral fertilisers producing company (Sociedad Quimica y Minera de Chile), Chili

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=1.61 K_2O)
MOP	Muriate of potash
N	Chemical element Nitrogen
NaCl	Sodium chloride
NPK	Nitrogen-phosphorus-potassium fertiliser
P	Chemical element Phosphorus
PMOP	Pink muriate of potash
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
Berezniki-1, 2, 3, 4 (Mine 1, 2, 3, 4; BKPRU-1, 2, 3, 4)	Potash production mining department of Berezniki
BPC	Belarusian Potash Company, marketing joint venture organisation of Uralkali and Belaruskali
Ust-Yayva	Mine 5

BRIC	Brazil, Russia, India, China
CIS	Commonwealth of Independent States
FSU	Former Soviet Union
SEA	Southeast Asia

FAPRI	Food and Agriculture Policy Research Institute, USA
Fertecon	Fertiliser Economic Market Analysis and Consultancy, UK
FMB	Fertiliser Market Bulletin, FMB Limited, UK
IFA	International Fertiliser Association, France
IMF	International Monetary Fund, USA
IPNI	International Plant Nutrition Institute, USA
USGS	US Geological Survey, USA
JORC standarts	Joint Ore Reserves Committee standarts for public reporting on mineral resources and mineral (ore) reserves, Australia

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

CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditures
COGS	Cash Cost of Goods Sold
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation Throughout the report EBITDA means adjusted EBITDA – calculated as Operating Profit plus depreciation and amortisation and does not include mine flooding costs
SG&A	Sales General and Administrative expenses

bln	billion
mln	million
RUR	Russian rouble, RR
ths.	thousand
US$	US dollar

CEO
V. A. Baumgertner

Chief accountant
S.G. Zotova

design **Agey Tomesh**

This Uralkali annual report has been approved by the Uralkali Board of Directors on 27 April 2011 (Minutes of Board of Directors No. 251 from 27 Apri 2011).
The Uralkali Audit commission has confirmed the accuracy of the data included in this annual report.

WWW.URALKALI.COM