Integrated Report 2014

aim. perform. achieve.

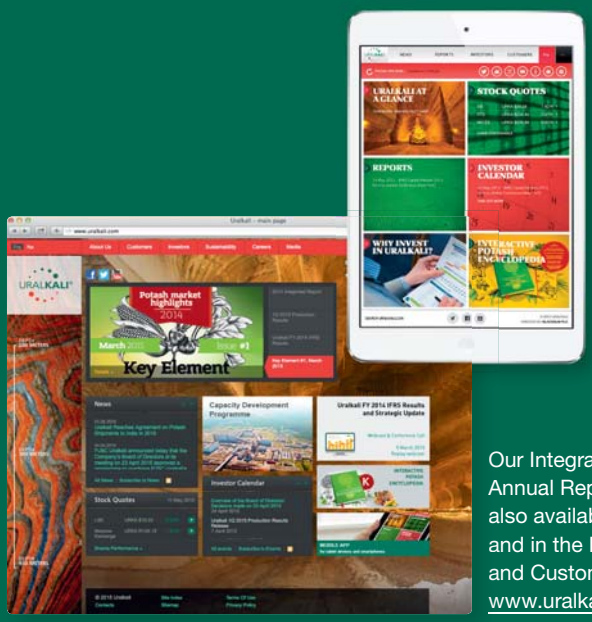
URALKALI

About Uralkali

Uralkali is a leading vertically integrated producer and exporter of potash, which is an essential component for the development of all living organisms. The Company accounts for approximately 20% of the world's potash production and controls its entire production chain, from potash ore mining to the supply of potassium chloride to customers.

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

Uralkali generated US$3.56 billion of revenues and US$1.78 billion of EBITDA for the full year 2014. Uralkali's ordinary shares and Global Depositary Receipts (GDRs) are traded on the Moscow Exchange and London Stock Exchange, respectively.



Our Integrated Annual Report is also available online and in the Investors' and Customers' App. www.uralkali.com

About this report

Welcome to our 2014 Integrated Report. In the report, we aim to articulate our business model, latest results and objectives to our key audiences. It covers the most important issues and provides information about significant events in 2014, Uralkali's main activities and its development prospects. There is also a significant focus on environmental and social issues, which are an integral part of our business. The Group remains committed to reporting on all areas of its responsibilities and activities.

In an effort to keep our Integrated Report relevant and succinct, we have included links to further information and our website within the report.

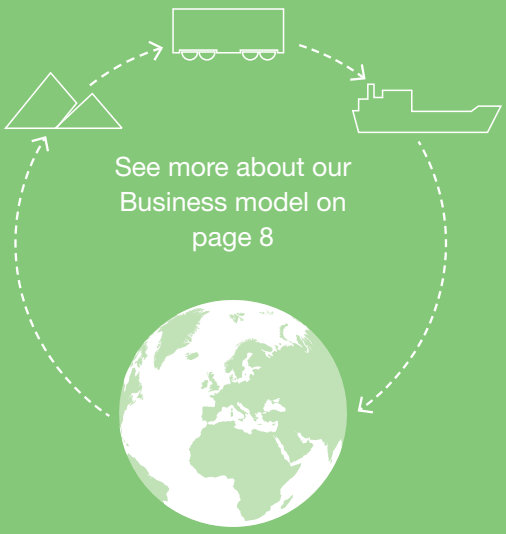
This Integrated Report was prepared in accordance with the G4 Global Reporting Initiative sustainability reporting standard (hereinafter the "GRI G4 Standard") and The Mining and Metals Sector Disclosures. The level of disclosure is Core.

There were no significant changes in the scope or aspect boundaries in the reporting period. The report covers the entire Uralkali Group, including PJSC "Uralkali", companies that are included in the consolidation perimeter.

A supplementary GRI table containing additional information on GRI indicators disclosure is available on our website.

Our mission statement

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



See more about our Business model on page 8

Our vision

The Company is one of the world's leading potash producers

We are expanding our production capacity to satisfy growing demand for our products

Our production priorities remain: zero accidents or casualties, reducing our environmental footprint and ensuring the high quality of our products

We are the most cost-efficient company in our industry

Our work is based on principles of clear division of responsibilities, KPI-based management and risk minimisation

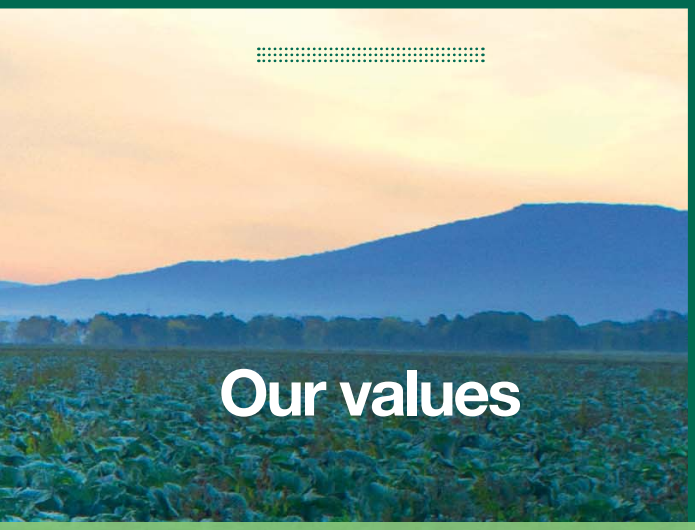
The Company is the most attractive employer in the Perm region and, potentially, the mining industry as a whole

We attach great importance to our people: we develop and promote our best employees

We play an active role in the development of Berezniki and Solikamsk

We strive to increase the Company's value and its investment attractiveness

The Company operates transparently for all stakeholders



Our values

Our values are the foundation of our work. They unite all of the Group's employees, regardless of their production facility, department, role or responsibilities. Our values provide us with strength and support to drive further development. They are designed to help each of us in our work. Our activities are guided by the following values:

Safety: life is priceless

Professionalism and efficiency: results make our work valuable

Mutual respect and team work: only through collaboration can we reach set targets

Openness: we have courage to hear and tell the truth

Initiative and responsibility: all of us can improve the Company's work

Commitment to excellence and ambition: we strive to do everything better than others

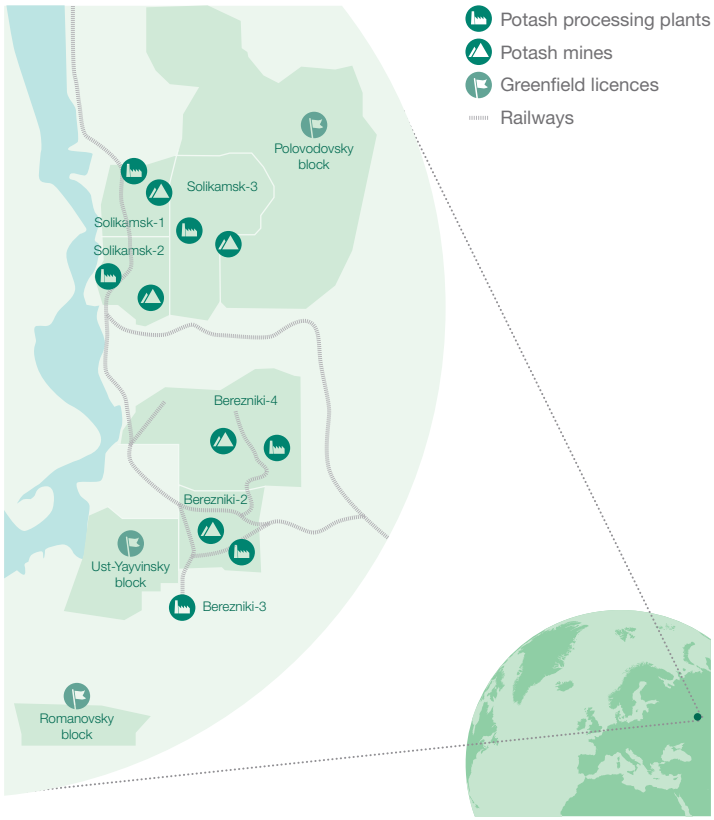
Decency: honesty towards yourself and others creates the basis for trust

Contents

About Uralkali

Uralkali is a leading producer of potash fertilisers, accounting for approximately 20% of the world's potash supply. The Company is developing the Verkhnekamskoye potassium and magnesium salt field, the world's second-largest deposit in terms of ore reserves, situated in the Perm region, Russia. Uralkali produces two main potash fertiliser grades: standard and granular muriate of potash (MOP).

Our assets



What we produce

Standard MOP

Granular MOP

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

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

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

MINERAL RESOURCE STATEMENT (AS OF 1 JANUARY 2015)

All mines	Tonnage (mln tonnes)	K_2O[1] (%)	K_2O (mln tonnes)
Measured	2,115.9	19.5	413.2
Indicated	5,285.9	18.5	975.5
Total measured + indicated	**7,401.8**	**18.8**	**1,388.7**
Inferred	310.3	26.8	83.3

[1] Potassium oxide, 1KCl = 1.61K_2O.

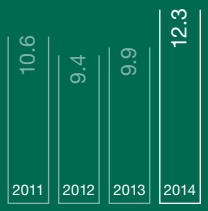
Source: Uralkali JORC Report as of 1 January 2015, audited by SRK Consulting (UK).

Year highlights

Robust demand for potash fertilisers in 2014 enabled Uralkali to produce and sell a record of over 12 million tonnes of KCl. High capacity utilisation throughout the year, an efficient business model and the rouble devaluation led to a 19% decrease in cash COGS per tonne and an EBITDA margin increase to 64%.

KPI

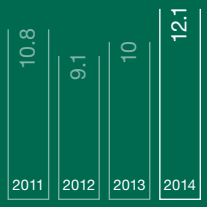
SALES (MLN TONNES KCL)



12.3
mln t

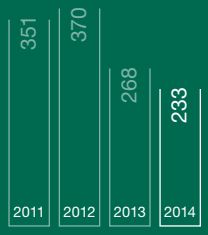
KPI

PRODUCTION (MLN TONNES KCL)



12.1
mln t

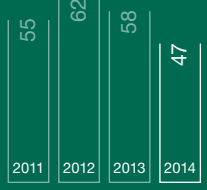
AVERAGE EXPORT POTASH PRICES (US$ PER TONNE KCL, FCA)



$233
per tonne

KPI

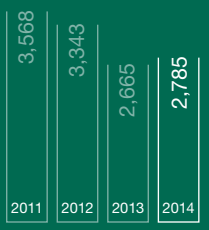
UNIT CASH COGS (US$ PER TONNE KCL)



$47
per tonne

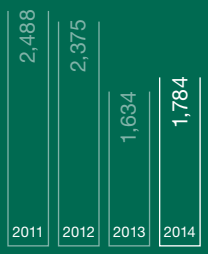
KPI

NET REVENUE (US$ MLN)



$2,785mln

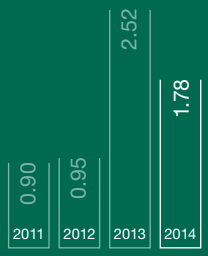
EBITDA (US$ MLN)



$1,784mln

KPI

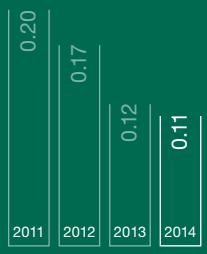
NET DEBT/LTM EBITDA



1.78x

KPI

LOST TIME INJURY FREQUENCY RATE (LTIFR)



0.11

See more about our
Key Performance Indicators
on page 22

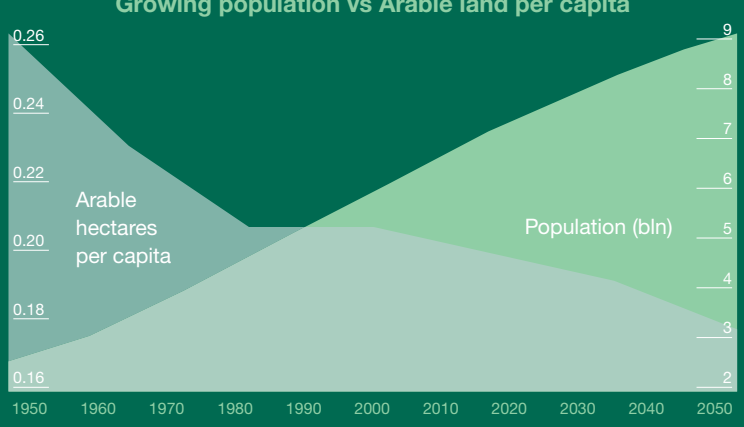
Feeding the world

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

Why is there growing demand for potash?

- Increasing population
- Declining arable land
- Income growth in developing countries
- Biofuels and best agronomic practice

Demand for higher/optimal yields



Source: U.S. Census Bureau, FAO, World Bank.

Uralkali capitalises on long-term market fundamentals. Demand for potash is expected to improve steadily in the coming years, as agriculture remains the key source of food and an important provider of fibre and fuel for the world's constantly growing population.

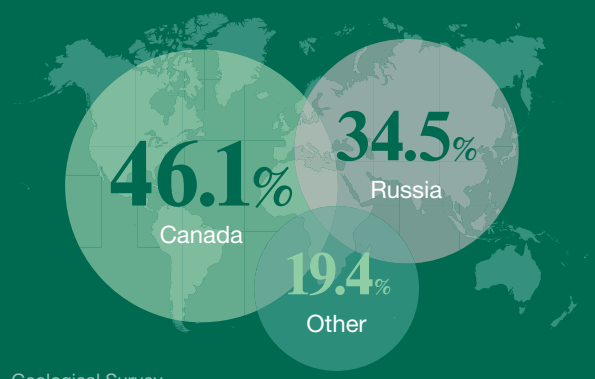
Why is the potash supply limited?

Substantial barriers to entry

High industry concentration

- **Relatively few top players**
- **Mineral scarcity**
- **High CAPEX requirements**
- **No other products can substitute potash**

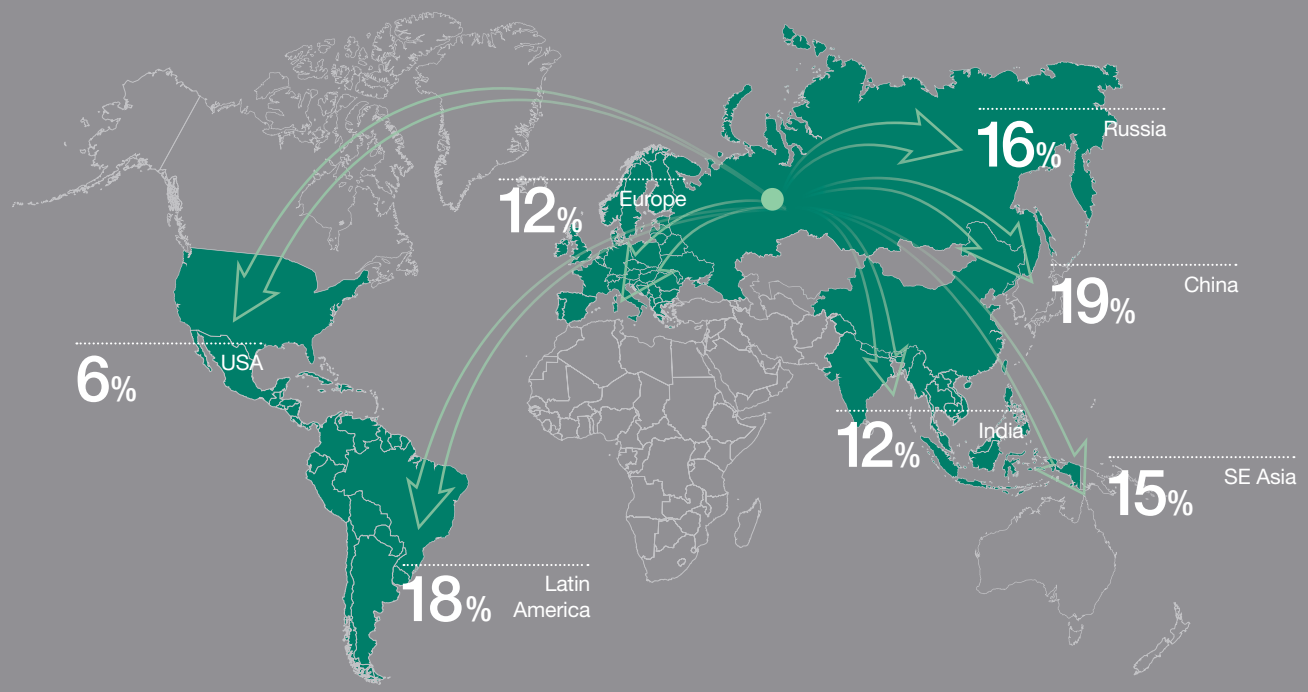
Mineral scarcity
Concentrated proven reserves of potash



Source: U.S. Geological Survey.

Reaching global customers

Our strategic goal is to ensure sustainable supply of potash fertilisers to all key markets. Our flexible production capacities, developed logistics, and global trading reach enable us to be a reliable partner.



Total sales

12.3 mln tonnes[1]

[1] Including sales to other markets (Africa, Middle East, FSU), that account for 2% of the total sales.

Worldwide trading

Our highly professional worldwide trading team and our constantly enhanced and efficient logistics enable us to provide the best-quality service to our customers and to build reliable long-term relationships with them.

6.2 mln tonnes port capacity

>8,000 Own railcars

10 Trading offices in key markets

>60 Countries

For more information see Sales Review on page 32

Production facilities

Uralkali's production facilities include five mines, six potash plants and one carnallite plant, situated in the towns of Berezniki and Solikamsk, in the Perm region of Russia. The Company has licences for the development of three additional blocks of the Verkhnekamskoye potash deposit.

5 Potash mines

3 Greenfield licences

6 Potash processing plants

1 Carnallite plant

For more information see Operational Review on page 34

Improving potash fertiliser recommendations for intensive cropping systems in Russia

This is the third year that a project has been implemented in Russia to optimise potash fertiliser rates in current intensive cropping systems.

The experiments were conducted in the Central Chernozem and North-Caucasian regions, where crop yields are higher than the regional average, on black soils with medium to high plant-available potassium (K) content. The effect of increasing K rates when using an optimal dose of nitrogen and phosphate (NP) and under absolute control (without fertilisers) was studied. Potassium fertilisers were applied as granular potassium chloride.

In the experiment performed in Voronezh region, a high yield (more than 50 t/ha) was obtained for sugar beet. It was found that potash fertilisers had a positive effect, which increased the yield of sugar beet roots by 15-21% when applying double (140 kg K_2O/ha), triple (210 kg K_2O/ha), and maximum (280 kg K_2O/ha) potassium rates compared to the nitrogen-phosphorus background. The sucrose content of the beet roots did not decrease due to the positive effect of potash fertilisers, which ensured a corresponding increase in the sucrose yield from 6.7 to 8.0 t/ha.


Corn harvesting in Voronezh region

In the experiment with grain maize, the application of potash fertilisers significantly increased the grain yield without the loss of quality: each kilogram of K_2O applied resulted in an additional 4 kg of grain maize.

In the experiment with spring wheat, a reliable increase in crop yield by 9-20% compared to the nitrogen–phosphorus background was obtained in treatments with the double (140 kg K_2O/ha), triple (210 kg K_2O/ha), and maximum (280 kg K_2O/ha) potassium rates applied for the previous crop in the autumn of 2012: sugar beet. Each kilogram of K_2O applied resulted in an additional 2.5 kg of spring wheat grain.

In the experiment with sugar beet performed in Lipetsk oblast, a medium yield (up to 36 t/ha) was achieved, and a positive effect from potash fertilisers was noted with all application rates with a reliable increase in root yields by 7-14% compared to the NP background. The sucrose yield increased by up to 26% (from 6.5 to 8.2 t/ha).

In Belgorod oblast a significant yield increase of soybean was achieved in the treatments with the application of 90 kg K_2O/ha. Each kilogram of K_2O applied resulted in an additional 1.3 kg of soybeans with stable protein and oil content levels.

Experiments with grain crops in Rostov oblast showed a stable increase in profitability following the application of potash fertilisers.

Sustaining vertical integration

Solid demand for potash fertilisers is supported by the growing need for food globally. At Uralkali, we create long-term value through our focus on meeting the world's growing demand for food, taking advantage of the control that we have over our entire vertically integrated production chain – from potash ore mining through to the supply of potash to customers.

Capitals

Financial capital
- Financial structure
- Robust financing

Business capital
- Mines
- Carnallite and potash plants
- Greenfield expansion projects
- Railcar fleet
- Baltic Bulk Terminal
- Traders' offices

Intellectual capital
- Corporate governance system
- Risk management
- Internal management and control systems

Human capital
- Employees
- Health and safety
- Know-how and skills
- Experience

Social and relationship capital
- Relationship with stakeholders

Natural capital
- Potash reserves
- Biodiversity and ecosystems
- Water, air, soil

Production

Our existing assets include five mines[1], one carnallite plant and six potash plants where we make standard white and pink potash, as well as the premium granular potash. We have three greenfield licences that, together with optimisation and capacity growth in our existing operations, will contribute to our capacity development programme. We also benefit from one of the lowest cash costs in the industry, which helps us maintain our leadership position.

Our strengths
- Cost leadership
- Strong asset base

For more information on Production see page 34

Feeding the world

See more about our Strategy on page 20

See more about our Stakeholder engagement on page 16

[1] Following the accident on 18 November 2014, to ensure industrial safety, industrial ore mining at Solikamsk-2 mine was suspended.

Logistics

We have the advantage of one of the shortest transportation routes from mine to port, to which we deliver via our own 8,000 specialised railcar fleet and Baltic transhipment terminal. A strategic stake in the port terminal of Antonina, Brazil, acquired in 2014, ensures efficient supply to this region with its fast-growing potash demand. Developed logistics enables us to build on our market-leading position, optimise storage at our warehouses and expand capacity in the short and medium term.

Our strengths

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

For more information on Logistics see page 7

Sales

We are focused on building strong relationships with our customers in more than 60 countries. Our strategy is to maximise revenue and sustain our historical market share, with focus on fast-growing markets such as Latin America, South East Asia, China and India, which have traditionally accounted for more than 60% of our total sales.

Our strengths

- Global scale of the business
- Dollar revenue – stability of cash flow

For more information on Sales see page 32

Value created

Customers and partners:
- Quality product
- Reliability of supplies
- Support for local economy

Shareholders and financial community
- Distribution of excess liquidity

Employees
- Job generation
- Salaries and social benefits
- Training and career development

Trade unions
- Employee satisfaction
- Compliance with health & safety regulations

Government & local authorities:
- Contribution to GDP
- Tax revenue

Local communities
- Education and healthcare facilities
- Infrastructure development and modernisation
- Quality of life
- Sports and cultural events development

Media
- Clear understanding of Uralkali's business

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

Value creation

How we do it

Corporate governance framework	Risk management	Sustainable development	Economic sustainability
See more on page 54	See more on page 27	See more on page 40	See more on page 36

Demonstrating continued global leadership

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Uralkali is a highly-efficient company with established corporate and business processes, and undoubtedly the leader in the potash industry globally.

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Sergey Chemezov
Independent Director
Chairman of the Board

Dear shareholders,

As Chairman of Uralkali's Board of Directors, I would like to thank my fellow Board members for their comprehensive support and contribution to the Company's strategic development. Uralkali is a highly-efficient company with established corporate and business processes, and undoubtedly the leader in the potash industry globally.

Despite tumultuous macroeconomic conditions and a challenging operating environment in 2014, we delivered on our strategy, reported strong results and maintained our leading position in the sector.

Unfortunately, a positive 2014 for the Company was overshadowed by an accident at Solikamsk-2 in November. This severe accident once again highlighted the geological complexity of potash mining. The Company managed to bring the situation under control promptly, and thanks to the well-coordinated implementation of its emergency plan there were no injuries. We succeeded in minimising the impact of the accident on the Company and, most importantly, we ensured the safety of the community.

I am grateful to all of Uralkali's employees, as well as the representatives from scientific institutes and governmental authorities who supported us in dealing with this issue.

We continue to focus on the social development of the regions where we operate, supporting numerous social projects in various areas ranging from sports, health and education to environmental protection and employee safety.

The past year has demonstrated that Uralkali is a dynamic company, receptive to change and able to rapidly adapt to challenging conditions, both in the sector and in the broader market. These qualities allow the Company to maintain its industry-leading position in a turbulent economic environment and ensure its successful further development.

Sergey Chemezov
Independent Director
Chairman of the Board

SHARE CAPITAL STRUCTURE[1] (%)

[1] The shareholdings are based on data as of 15 April 2015.
[2] According to the information from ONEXIM Group (http://www.onexim.ru/investments/mining/).

Delivering strong performance

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We are prepared to meet the challenges ahead with our updated capacity development programme and build on the industry's strong long-term fundamentals.

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Dmitry Osipov
Chief Executive Officer

Dear shareholders,

In 2014, we maintained our leading position in the global potash industry. Strong potash demand, driven by healthy crop consumption and the need to replenish depleted stocks, enabled Uralkali to operate close to maximum capacity utilisation and achieve record output of over 12 million tonnes.

Our revenue maximisation strategy proved to be effective and we are satisfied with the results achieved to date. However, macroeconomic and geopolitical challenges had an impact on our financial performance. Still, our efficient business model enabled us to maintain the low production cost and contributed to a strong EBITDA margin of 64%.

Solikamsk-2 accident

The accident that occurred in November 2014 at the Solikamsk-2 mine affected our output in the fourth quarter of the year. We were, nevertheless, able to mobilise our resources and satisfy customer needs.

The investigation by Rostechnadzor (the state supervising authority) concluded that the November accident was the consequence of the 1995 earthquake.

We have established round-the-clock comprehensive monitoring at the mine and partnered with expert organisations, to minimise the consequences of the flooding and assess the options for future exploitation of potash deposits at Solikamsk-2. Industrial safety continues to be a priority for us and this accident demonstrated that we are well equipped to deal with potential risks.

Capacity development

In light of the Solikamsk-2 accident, we have revised our capacity development programme for 2015-2020. We have decided to bring forward the commissioning of new capacity at Solikamsk-3 to 2017. We will also build new shafts to mine the remaining reserves of Solikamsk-2 by 2020 and will proceed with the construction of the Ust-Yayvinsky mine. Increasing load measures have been approved to produce an additional 0.8 million tonnes of potassium chloride (KCl) from 2016. We are also developing our granulation facilities to meet rising customer demand for this premium product.

In addition, in order to secure the Company's long-term industry leadership, in 2014 Uralkali obtained a licence to develop another block, Romanovsky, of the Verkhnekamskoye deposit, with estimated reserves of 385 million tonnes of sylvinite.

Customer relations

Expanding Uralkali's capacity goes hand-in-hand with maintaining its strong customer relationships; increasing the Company's supply capacity depends on its ability to reach out to our global customer base. For this reason, we continued to develop our logistics infrastructure around the world. Thus, in February, Uralkali acquired a stake in the port terminal in Antonina, Brazil, serving fast-growing agricultural regions of the country.

Moreover, Uralkali continues to work with customers, using its crop nutrition expertise to raise awareness about responsible and effective potash application. To date these programmes have included agricultural producers in India, China, Vietnam, Bangladesh, Brazil and Russia.

We place special emphasis on supporting the development of the Russian agricultural sector. We will continue to ensure that our product and nutritional knowledge remains available for domestic customers during a turbulent period for the Russian economy.

Financing

The strong fundamentals of Uralkali's business ensure that it remains a quality borrower, giving us access to long-term funding. In 2014, the Company signed agreements for two unsecured loan

facilities: a US$450 million five-year club facility with five international banks and a US$250 million 10-year credit line with Russia's Promsvyazbank. The Company also used an unsecured US$2 billion credit line provided by Sberbank.

Uralkali continues to optimise its debt portfolio and meet its financial obligations in full. Although international financing options remain limited for many Russian companies, we believe that our healthy financial position and longstanding reputation as a first-rate borrower will enable us to retain access to funding on favourable terms. Thus, in April 2015, Uralkali signed a US$530 million 4-year pre-export finance facility with eight international banks.

Reorganisation and dividends

In July 2014, the merger of Uralkali's 100%-owned affiliate CJSC Uralkali-Technology into Uralkali was approved by the EGM. The reorganisation was designed to allow the cancellation of shares previously purchased from the market.

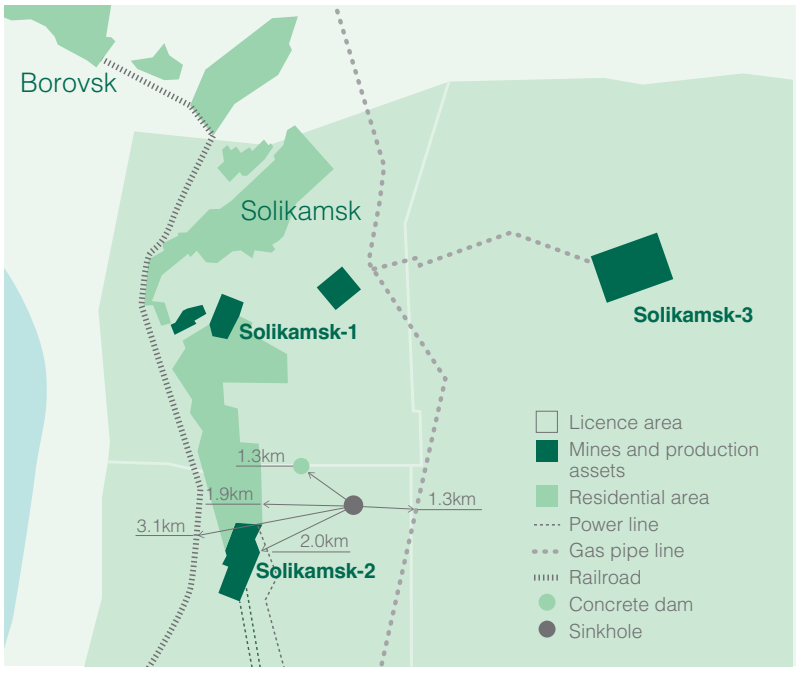
However, against the backdrop of a challenging macroeconomic environment and the rouble devaluation in the second half of the year, it was decided to postpone the completion of reorganisation. The completion of reorganisation carried the risk that the Company would have negative net assets and retained loss according to Russian accounting standards, which would impact the possibility to accrue and pay dividends for some time.

While we remain committed to our policy of balancing investments in growth with returning excess cash to shareholders, in December, shareholders voted against the payment of the interim dividend, taking into account the volatile economic situation in Russia and the accident at Solikamsk-2.

Outlook

As we begin 2015, the external macroeconomic and geopolitical environment remains challenging. We operate against the backdrop of a slowing Russian economy and volatile exchange rates. Moreover, it is unlikely that the potash industry will enjoy the same peak levels of demand as last year and we envisage global demand for potash will be at around 58-59 million tonnes.

Update on Solikamsk-2 accident



Background

- On 18 November 2014, higher levels of brine inflows were detected at Solikamsk-2 mine
- Later, a sinkhole was detected east of the Solikamsk-2 production site, outside the metropolitan area

Company's actions

- To ensure employee safety, Uralkali suspended all works in the mine, introduced an emergency plan and evacuated personnel – as a result of this prompt action no injuries were sustained
- Comprehensive monitoring is currently ongoing in conjunction with several scientific institutes: water inflows are monitored; gas levels are monitored around the sinkhole and in the mine; the sinkhole is monitored from a distance using air drones and seismologic control of the sinkhole area has been set up

We are prepared to meet the challenges ahead with our updated capacity development programme and build on the industry's strong long-term fundamentals. We believe there is further value in the potash sector as it contributes to global food security, and we will continue to make our product available to our customers around the world.

The efficiency of Uralkali's operations, its lowest production costs in the industry, excellent reserves, robust financial results and a strong balance sheet provide a solid foundation for the Company to maintain its leading market position.

I would like to thank all of you – our customers, partners, employees and investors – for your support and we will ensure that the Company continues to work for your benefit.

Dmitry Osipov
Chief Executive Officer

- Uralkali has begun removing equipment from the mine shaft to mitigate the consequences of the accident
- Solikamsk-2 mine is adjacent to Solikamsk-1 mine. Uralkali is working to strengthen the hydro-isolation of the cut-off walls between Solikamsk-1 and Solikamsk-2 fields
- All other production units continue to operate in the ordinary course of business

Results of the investigation

- Based on the findings of the expert group, the commission concluded:
  - the inflow was due to the mass collapse of rock in the mine during the accident and earthquake in 1995
  - the measures implemented by Silvinit and Uralkali to minimise the consequences of the 1995 accident have prolonged the life of the Solikamsk-2 mine by nearly 20 years
- It would not have been possible to prevent the negative implications of the 1995 accident
- In co-ordination with Rostechnadzor, Uralkali continues to undertake a number of measures to localise and minimise the consequences of the accident

Capacity expansion programme

Following the accident at Solikamsk-2 mine, Uralkali's management revised the Company's investment strategy for the period 2015-2020.

The updated capacity development programme consists of a range of projects aimed at upgrading and expanding existing operations and constructing new facilities. This investment strategy was approved by the Board of Directors in March 2015.

The revised programme will allow Uralkali to maintain and strengthen its long-term prospects in the global potash market by increasing annual production capacity to 14.4 million tonnes by 2020.

See more about our Expansion programme on page 34

Committed to market stability

//

2014 was a record year for the potash industry. Potash demand expanded in all regions, with global deliveries exceeding 2011 levels and reaching more than 62 million tonnes. Improved consumption and customers rebuilding stocks following the uncertainty of 2H 2013 were the key growth factors.

//

Oleg Petrov
Head of Sales and Marketing

2014 highlights

2014 was characterised by solid global potash demand and firming potash prices. Major markets have recovered much better than anticipated, led by lower year-on-year potash prices and distributor restocking needs. Compared to 2013, the price of potash had declined not only in absolute terms, but also relative to nitrogen and phosphate fertilisers, encouraging farmers to use a greater proportion of potash in their fertiliser mix. In addition, new contracts with China and India set the stage for a strong rebound in demand. Customers who chose to delay or defer 2H 2013 potash purchases in anticipation of lower spring prices returned to the market at the beginning of the year and contributed to a substantial increase in potash sales.

Potash demand grew in all regions, particularly in India, China and South East Asia in response to lower prices. Global potash deliveries exceeded the 2011 level and are estimated to have reached a new record above 62 million metric tonnes.

Although there is no doubt that underlying consumption improved last year, the 2014 figure also reflects customers rebuilding stocks following the uncertainty of 2H 2013.

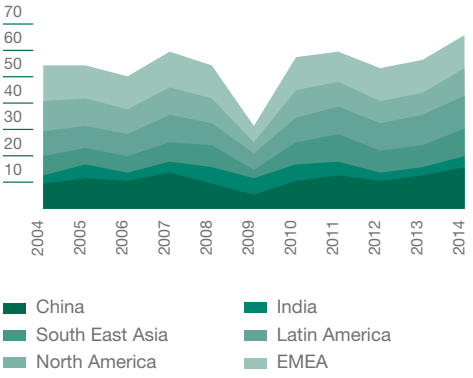
A combination of very strong demand, the Canadian shipping backlog, and labour disputes in some regions led to tighter potash availability.

Granular potash remained in short supply in all world regions.

In 2014, Chinese potash demand was stronger than previously anticipated with higher optional volumes of seaborne imports needed through the second half of the year. Demand is estimated to have grown by 24% to 14.5 million metric tonnes in the region.

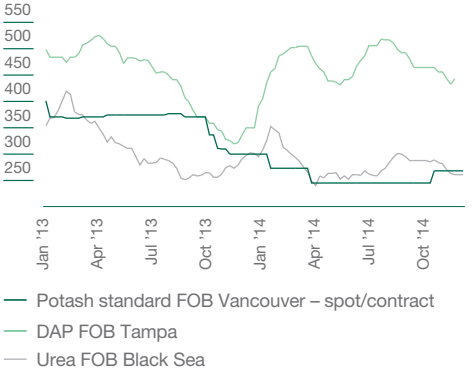
In India, potash demand was quite strong last year on the back of high levels of NPK application. A total of 4.3 million metric tonnes was imported during 2014, representing a year-on-year increase of 23%.

GLOBAL POTASH DEMAND 2004-2014 (MILLION METRIC TONNES)



Source: IFA, Uralkali estimates

POTASH PRICES BECOME MORE AFFORDABLE (US$/T)



Source: Argus FMB, CRU

For more information please see Strategy section on page 20

For more information about our Expansion programme see page 34

South East Asian markets were characterised by very strong demand and aggressive competition among suppliers in 2014. The region is estimated to have imported 9.8-10.3 million metric tonnes last year compared to 8.1 million metric tonnes in 2013.

We saw very strong demand and limited availability of granular product in Brazil last year. Brazil imported a record 8.8-9.1 million tonnes of potash last year, representing a 18-20% increase over the previous year.

North American potash demand was robust, as farmers replenished declining nutrient levels in their soils after record crop production in 2013. Full-year demand is estimated to have hit record levels of 10.0-10.3 million metric tonnes.

In EMEA and FSU markets, demand is estimated to have grown by 3-4% to 12.1-12.3 million metric tonnes in 2014. In Europe, customer caution during the second half of 2013 led to robust demand in 2014 as buyers rebuilt depleted inventories and took advantage of bottomed prices.

The strength of the potash market in 2014 was reflected in higher year-on-year operating rates. According to IFA, the potash industry is estimated to have run at 85-87% of global effective capacity, compared with 73% in 2013.

2015 outlook

Demand from key markets – Brazil, China, South East Asia and India – will be a major factor in determining the development of the global potash market in 2015.

Uralkali expects global potash demand to fall to 58-59 million metric tonnes from an estimated 62 million metric tonnes in 2014, as potash demand growth rates last year were somewhat inflated by deferred demand from 2H 2013.

Potash imports to China may be curbed in 2015 by high year-end inventory levels and increasing domestic production. Major global producers reached agreements with Chinese importers at the end of March and beginning of April. In particular, Uralkali concluded a contract to supply to China 850,000 tonnes of KCl excluding options by the end of 2015.

Indian potash demand is expected to recover further this year, with import volumes reaching approximately 4.5-4.7 million metric tonnes. Demand may be further supported by changes in the fertiliser subsidy structure aimed at balancing the application rates of NPK fertilisers within the framework of India's budget coming into force in April 2015.

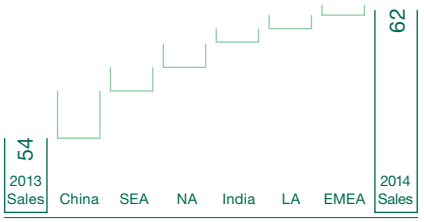
Demand prospects for South East Asia remain good. Despite lower year-on-year palm oil prices, palm oil economics is profitable. Palm oil producers are expected to invest in potash to maximise returns in 2015.

In North America, potash demand may decline slightly due to a modest reduction in planted acreage. However, lower nutrient levels after record 2014 crop production could be a catalyst for potash demand next year.

Brazilian demand is expected to be close to 2014 levels or slightly lower.

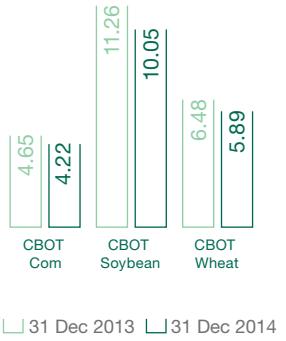
EMEA demand is expected to stay close to traditional volumes in 2015. In Western Europe, demand may ease slightly, as lower year-on-year grain prices may have some impact on demand. The FSU, Africa and Middle East markets are expected to demonstrate some increase in potash demand.

2014 DELIVERIES INCREASED IN ALL MARKETS, Y-O-Y (MLN TONNES, KCL)



Source: Uralkali estimates

LOWER GRAIN PRICE ENVIRONMENT (US$/BU)



Source: Bloomberg

Focusing on the issues that matter

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

The identification of significant aspects

Stage 1

At the first stage, focus areas related to the economic, environmental and social impact of the Company's operations were identified. As a basis, key aspects from the previous year and material matters widely accepted within the industry were used.

Stage 2

At the second stage, the selected topics were amended and supplemented through a number of in-depth interviews with structural unit managers and employees representing all key areas of the Company's activities. The revised list was reviewed and discussed in depth by the working group, and was then reviewed and approved by the Company's independent directors.

The Company continuously works to foster a system of cooperation with key stakeholders. It carefully studies their needs and expectations and strives to build mutually beneficial relationships. In order to do this, materiality analysis helps Uralkali to identify topics that are important to its stakeholders and relevant to its business today and in the future.

In 2014, the Uralkali CSR Committee took the decision to move to a new sustainability reporting standard, GRI G4, and utilise multi-step materiality analysis. As a result, the Company identified the most material sustainable development aspects on the basis of a formal assessment for the first time, allowing it to determine areas where Uralkali can have the biggest economic, environmental and social impact, as well as the topics that are most important to stakeholders. The Company conducted a materiality assessment and held interviews with a specially-formed working group, consisting of the Company's top-level managers, independent directors and employees. In the future, the Company also plans to engage external stakeholders to identify material sustainable development aspects.

As a result, the most material sustainable development aspects were identified and incorporated into the materiality analysis. Based on the material issues identified, Uralkali's strategic priorities were grouped into four key areas:

- economic sustainability;
- employees;
- environmental impact;
- stakeholder impact.

The Company will use these aspects to prioritise and review its sustainable development initiatives. In addition, these aspects form the basis of the report content's compliance with the GRI G4 standard.

See more about our approach to Sustainable development on page 40

See more about our Strategy on page 20

Our focus areas

Economic sustainability

Focus on corporate governance by remaining committed to openness, transparency and risk mitigation for all stakeholders

See more on page 54

Robust return for shareholders implies sustaining efficient capital structure: applicable leverage and high dividend payout

See more on page 65

Business model focuses on maintaining cost leadership, vertical integration, capacity development, production optimisation and premium products

See more on page 8

Market position sustained by leading market share through established customer relations

See more on page 14

See Strategic priority on page 20 1 3 4 6

Stakeholder impact

Business ethics implies corporate culture code compliance along with corruption and fraud management

Compliance management implies compliance with all applicable laws and regulations

Local communities relations include social investments, charity and sponsorship, relocation programme

See more on page 18

See Strategic priority on page 20 2 5 6

Environmental impact

Geological safety focuses on safety monitoring of operational and idle mines in cooperation with R&D institutes

Water utilisation includes wastewater treatment and minimisation, water intake and recycling

Waste management focuses on the reduction of waste disposal and land reclamation research

Energy efficiency includes energy consumption optimisation

See more on page 43

See Strategic priority on page 20 5

Employees

Recruitment and retention of talent includes cooperation with educational institutions, talent pool development, grievance mechanism

Occupational H&S implies adherence to cardinal rules by direct and contractor employees aimed at reduction of occupational accident risks

Personnel development focuses on KPIs, training, employee satisfaction surveys

See more on page 48

See Strategic priority on page 20 5

Promoting the dialogue

We continue to proactively engage with our stakeholders. This table identifies our key stakeholder groups and explains why we engage with them and the progress we've made this year.

Stakeholder group	Customers and partners	Shareholders and financial community	Employees
Why we engage	As a vital element of the Company's strategy, the reliable and transparent relationship with our customers and partners drives the Company's performance. Positioned as an industry leader, Uralkali aims to sustain this mutually beneficial partnership to ensure progress and promote development in all spheres.	As a publicly listed company we need to provide open, timely and transparent information to help our investors make informed decisions about our financial and non-financial performance.	Every aspect of our strategy is based on the commitment of our people. Their knowledge, their willingness to work and their satisfaction are the keys to the Company's successful operations. We put an emphasis on creating the conditions for professional and career growth for our people. It is essential for us, and strengthens loyalty to the business.
Key focus areas	**Customers:** – The quality of goods and services provided – Reliability of supplies – Mandatory compliance with contract provisions and legal requirements – Client support for the use of the Company's products **Partners:** – Procurement standards outlined in all tenders – Rigorous due diligence of all partners to establish their integrity and solvency	– Corporate governance – Financial and non-financial results – Potash market developments – Strategy and KPIs – Risks – Sustainability information	– Principles of social partnership – Mutual respect and trust that underpin HR Policy – Financial and non-financial incentives – Learning and development opportunities – Health, safety and environmental standards
What we are doing	– Publication of regular market bulletins on the website – Meetings with customers, including industry conferences, round tables and workshops – Master classes and practical training in mineral fertiliser use – Customer surveys – Procurement standards and information on the Company's tenders and procurement plans – Meetings with (potential) suppliers and business partners – Conclusion of supply contracts for products and monitoring performance of requirements for counterparties	– Presentations, webcasts and conference calls between management and financial community – Website publication of relevant AGM/EGM documents – Management's presentations at industry and regional conferences – Meetings between management and financial community, including road shows and industry conferences – Investor and analyst days, including site visits – General meetings of shareholders – Perception studies among investor and financial community – Press releases on material issues and key Company events	– Employing HR Policy and Health and Safety Policy – The system of internal communication and feedback – Regular meetings between management and employees – Feedback on hotline messages – Ensuring safety in the workplace – Implementation of social programmes and financial incentive programmes – Employee satisfaction and employee engagement surveys

For more information please see Sustainable development on page 40

Trade unions	Government and local authorities	Local communities	Media
Efficient cooperation with the trade unions is essential for the Company in understanding and fulfilling employees' expectations. Trade unions help monitor the implementation of all health and safety rules and other important agreements.	The Company's leading position implies a responsibility to follow industry standards and comply with local and international laws and regulations. Uralkali aims to establish and maintain stable and constructive relations with national and local government authorities, based on the principles of accountability, good faith and mutual benefit.	The development of the Company needs to be supported by the local communities wherever it operates. Sustainability of ecosystems, biodiversity and a healthy environment are vital conditions for the wellbeing of future generations. A better quality of life for our people and local communities through our social and cultural projects contributes to regional social and economic development and ensures the sustainability of our operations, helping us fulfil our commitments as an industry leader.	The Company needs accurate and timely coverage by the various media channels when disclosing its financial and operational results, important external and internal events, community involvement, participation in industry conferences, international and local exhibitions, etc. The correct perception of the Company and its strategy by all stakeholders is mutually beneficial for Uralkali and its target audiences.
– Employees' loyalty – Compliance with health and safety regulations – Feedback from employees – Important decisions on social issues	– Reporting to regulators – Taxation – Planning and implementing local community development projects and social projects – Maintaining a dialogue with government authorities on current legislative and regulatory issues – Corporate philanthropy	– Environmental safety and mitigation of the consequences of industrial accidents – Housing infrastructure development and modernisation – Social infrastructure development and modernisation – Sports development – Supporting cultural events – Support for disadvantaged sections of the community	– Adequate media coverage of the Company's strategic messages – Timely disclosure of corporate news and events – Getting feedback from society and international media – Maintaining the relationship with stakeholders at all levels
– Reports on execution of the provisions and development of the Collective Bargaining Agreements and health and safety agreements – Regular face-to-face meetings with management and trade union members – Collecting written opinions on material and social issues	– Information disclosure and reporting – Dialogue with government authorities on legislative and regulatory issues – Development of partnership agreements – Participation in workshops and expert panels – Implementation of joint projects – Local community development planning	– Meetings with representatives of local communities – Economic, environmental and social initiatives – Implementation of CSR projects and local community development programmes – Assisting in the design of development plans for the regions in which Uralkali operates – Publications in local media – Public consultations – Maintaining contact with NGOs	– Press releases on material issues and key events – Interviews with management – Media visits and press conferences – Relationship building events for media – Perception studies among target media

Delivering on our strategy

1

Maintain industry leadership positions

Vision
- We aspire to sustain a leading market position in the global fertiliser industry
- We are focused on meeting the world's growing demand for food. We seek to take advantage of our best-in-class resource base by selectively expanding production capacity

Priorities
- Sustain a leading market share to ensure continued industry leadership
- Increase potash capacity on the lowest cost basis in the industry; option to add more volumes if economically viable
- Focus on premium products; increase granular potash capacity

Risks
- Potash price decrease
- Potash demand decline
- Licensed activities
- Political, legal and regulatory risks

Stakeholders engaged

2

Focus on enhanced relationships with end customers

Vision
- We ensure secure and de-risked route to market through enhanced distribution capability from mine to farmer

Priorities
- Strengthen customer relationships and reliability of supply
- Enhance logistics platform to secure long-term supply in key markets
- Focus on efficient distribution in key markets

Risks
- Loss of share in specific markets
- Lack of specific products
- Reduction in production/capacity

Stakeholders engaged

3

Maintain cash cost leadership positions

Vision
- We seek to be the most cost-efficient potash producer

Priorities
- Ensure operating performance and efficiency to provide continued industry leadership
- Invest in existing capacity and infrastructure in order to ensure maximised margin through the commodity price cycle

Risks
- Inflation and currency fluctuations
- Non-fulfilment of obligations by contractors or suppliers
- Expenditure increase

Stakeholders engaged

See more about our
Key Performance Indicators
on page 22

See more about our
Risk management
on page 27

4

Balance investment in growth with shareholder returns

Vision

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

Priorities

- Retain an efficient capital structure
- Maintain balanced approach to capital investment and robust capital discipline

Risks

- Failure to meet targets set for investment projects
- Inflation and currency fluctuations

Stakeholders engaged

5

Focus on people, communities, safety and environment

Vision

- We aim to be the employer of choice among the CIS companies and mining industry. We are pursuing the highest level of health and safety practices to protect our employees
- We take significant steps to minimise the environmental impact of our operations
- We participate actively in the development of the cities and local communities in which we operate

Priorities

- Seek to be regional and industry employer of choice; workplace safety, employee and community development
- Deliver value whilst operating in a socially responsible manner, minimising environmental impact of operations

Risks

- Lack of qualified employees
- Non-compliance with environmental and health and safety regulations
- Environmental risks and risks related to mining operations
- Risks related to the incidents at Berezniki-1 and Solikamsk-2

Stakeholders engaged

6

Continued focus on corporate governance

Vision

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

Priorities

- Remain committed to openness, transparency and risk mitigation for all stakeholders

Risks

- Political, legal and regulatory risks
- Compliance with applicable legislation and internal policies

Stakeholders engaged

Measuring our performance

//

In 2014, our revenue maximisation strategy proved to be effective and we achieved 7% gross revenue growth year-on-year. At the same time, we maintained our leading position in the global industry as strong potash demand across our markets enabled us to achieve record output of over 12.1 million tonnes.

//

Dmitry Osipov
Chief Executive Officer

1

Enhance responsible global leadership position

NET REVENUE (US$ MLN)

$2,785mln

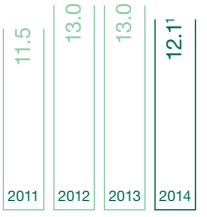
Relevance to the strategy
Net revenue is the key financial metric that measures the success of the revenue maximisation strategy. We use net revenue to eliminate the effect of trading operations and transportation costs in order to provide for better cross-industry comparison.

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

Performance overview
Increased production volumes coupled with strong demand for potash helped Uralkali to maintain net revenue at a similar level as in the previous year.

For more information please see page 36

ACHIEVED CAPACITY (MLN T KCL)



12.1[1]mln t

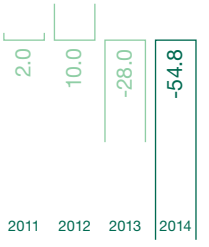
Relevance to the strategy
Achieved capacity demonstrates the progress of our strategic investment programme and reflects the maximum achievable production level.

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

Performance overview
Due to the Solikamsk-2 accident in November 2014, our operational capacity decreased. An updated expansion programme to offset this decline has been developed and approved.

For more information please see page 34

TOTAL SHAREHOLDER RETURN (TSR) (%)



-54.8%

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

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

Performance overview
Decline in TSR was mainly driven by challenging economic environment in Russia and the increase in country risk perceived by investors.

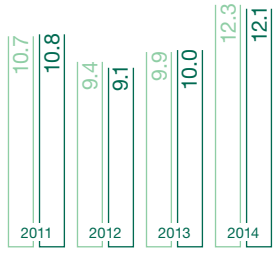
For more information please see page 64

[1] Based on actual production in 2014

2

Focus on enhanced relationships with end customers

SALES/PRODUCTION VOLUME (MLN T KCL)



12.3 mln t Sales

12.1 mln t Production

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

Measurement
The amount of potash sold within the period.

The amount of potash produced within the period.

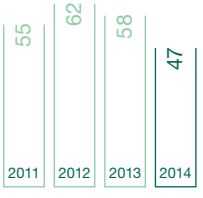
Performance overview
Strong potash market demand encouraged Uralkali to increase sales volume in 2014. The slight difference between production and sales volume is in line with the historical range.

For more information please see page 14

3

Maintain cost leadership positions

CASH COGS PER TONNE (US$)



$47 per tonne

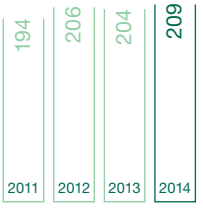
Relevance to the strategy
Cash cost of goods sold (COGS[2]) per tonne measures our competitive cost position in the industry.

Measurement
COGS less depreciation and amortisation per tonne.

Performance overview
In 2014 our cash costs remained lowest in the industry and further decreased due to increased production and the depreciation of the rouble.

For more information please see page 36

SUSTENANCE CAPEX[3] (US$ MLN)



$209mln

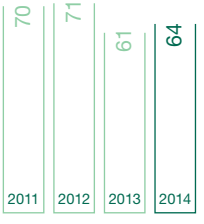
Relevance to the strategy
Sustenance CAPEX measures how efficiently we can sustain our assets post commissioning.

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

Performance overview
Maintenance expenditures are in line with historical levels and we plan to maintain this level going forward.

For more information please see page 36

EBITDA MARGIN (%)



64%

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

Measurement
Adjusted EBITDA divided by Net revenue.

Adjusted EBITDA is Operating Profit plus depreciation and amortisation and does not include one-off expenses.

Net revenue is revenue less railway tariff, freight and transhipment.

Performance overview
Our EBITDA margin in 2014 increased by 3 ppt compared to last year's and stayed within cycle averages.

For more information please see page 36

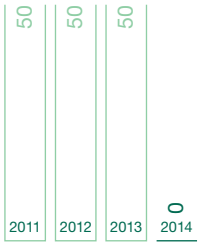
[2] Cost of goods sold less depreciation and amortisation.

[3] As per IFRS Cash Flow Statement.

4

Balance investment in growth with shareholder returns

DIVIDEND PAYOUT (%)



0%

Relevance to the strategy
Dividend payout reflects our balanced approach to investing in organic growth and returning excess liquidity to shareholders.

Measurement
Dividends for financial year divided by net profit.

Performance overview
Zero dividend payout reflects the shareholders' decision not to pay interim dividends in December 2014 given the situation at Solikamsk-2 coupled with economic volatility in Russia.

For more information please see page 64

NET DEBT/LTM EBITDA

1.78x

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

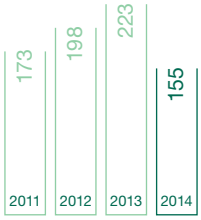
Measurement
Net debt = Debt (including bank loans and bonds) less cash and deposits.

LTM EBITDA = Last 12 months' EBITDA.

Performance overview
The decline in the Net debt/EBITDA ratio was in line with our previous commitments to decrease the leverage.

For more information please see page 36

EXPANSION CAPEX[4] (US$ MLN)



$155mln

Relevance to the strategy
Expansion CAPEX reflects how efficiently we bring new potash capacity on line.

Measurement
Capital expenditures attributable to the expansion programme.

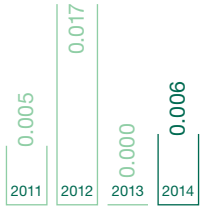
Performance overview
Our expansion remains one of the most cost-effective in the industry and our CAPEX in 2014 was in line with the budgeted levels. The decrease of this figure in USD can be explained by RUB devaluation.

For more information please see page 36

5

Focus on people, communities, safety and the environment

WORK-RELATED FATAL INJURY FREQUENCY RATE (FIFR)



0.006

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

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

Performance overview
We regret to report that one employee tragically died at Uralkali facility in 2014.

Although an independent investigation led by Rostechnadzor cleared the Company of any wrongdoing, all necessary measures were taken to prevent such accidents in the future.

For more information please see page 46

[4] As per IFRS Cash Flow Statement.

LOST TIME INJURY FREQUENCY RATE (LTIFR)

0.11

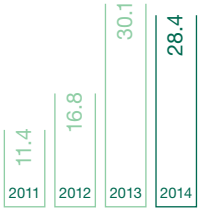
Relevance to the strategy
LTIFR reflects work-related injury frequency. The rate helps us to measure the efficiency of our health and safety initiatives and controls across our operations.

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

Performance overview
The LTIFR rate has been consecutively declining following the implementation of the Cardinal Rules in 2012.

For more information please see page 46

SOCIAL INVESTMENTS[5] (US$ MLN)



$28.4mln

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

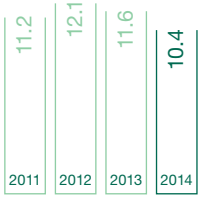
Measurement
Total amount of social expenditures including charity, support of infrastructure and sport.

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

The decrease of this figure in USD can be explained by RUB devaluation.

For more information please see page 50

VOLUNTARY LABOUR TURNOVER (%)



10.4%

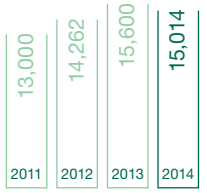
Relevance to the strategy
Labour turnover represents the ability to retain our people which is key to the Company's strategy to be positioned as an employer of choice.

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

Performance overview
The effectiveness of the Company's HR policy aimed at increasing employees' loyalty helped to further decrease Voluntary Labour Turnover rate in 2014.

For more information please see page 48

AVERAGE ANNUAL WAGES (PRODUCTION PERSONNEL) (US$)



$15,014

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

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

Performance overview
In 2014, average annual wages denominated in USD decreased because of a strong RUB devaluation.

Uralkali constantly monitors the salary rates and pays the utmost attention to retaining people through ensuring its salary levels remain attractive.

For more information please see page 48

[5] Calculated in accordance with GRI G4 standard.

5 CONTINUED

Focus on people, communities, safety and the environment (continued)

OUTPUT PER CAPITA (T/PERSON)

1,683 t/person

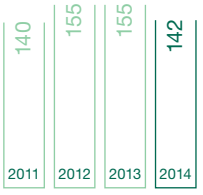
Relevance to the strategy
Output per capita (production personnel) measures manpower productivity and how efficiently we can produce our product.

Measurement
Potash output divided by average production personnel headcount.

Performance overview
As a result of increased total output and ongoing programmes aimed at increasing labour productivity, the output per capita has shown an upward trend in recent years.

For more information please see page 34

ENERGY CONSUMPTION (KWH/T)



142 kWh/t

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

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

Performance overview
Higher production volumes and energy efficiency programmes resulted in a decrease in energy consumption per tonne in 2014.

For more information please see page 43

6

Continued focus on corporate governance

Maintaining of credit ratings
- **2014:** Investment-grade ratings maintained
- **2012 and 2013:** Investment-grade ratings received and maintained

Relevance to the strategy
Investment-grade ratings acknowledge that Uralkali is a first-class borrower with strong industry position, balanced financial policy, prudent risk management, and adherence to leading corporate governance standards.

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

Performance overview
As of 31 December 2014, all three agencies maintained Uralkali's ratings at investment-grade levels recognising the Company's strong fundamentals. In February 2015, following the downgrade of the Russian sovereign rating to Ba1 with a negative outlook, Moody's changed Uralkali's rating correspondingly.

The Company's governance and transparency are not cited by the rating agencies or regulators
2014: Uralkali continued to pursue a consistent policy of enhancing its corporate governance and information transparency. No claims made by regulators.

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

2012: The Board of Directors passed its resolutions in a timely manner, in line with applicable requirements. No claims made by regulators.

Relevance to the strategy
The corporate governance system, based on the best global standards, is the backbone of shareholders' trust.

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

Performance overview
Corporate governance continued to be one of the top priorities for the Company in 2014. The decision-making process in the Company is strictly in line with legal and regulatory requirements and in full accordance with the best global corporate governance practices.

For more information please see page 54

Risk management

//

Given the significant opportunities and challenges facing us in our markets, a consistent approach to the development of the risk management and internal control system is crucial for timely identification and assessment of risks and efficient application of the tools we use in this process.

//

Paul Ostling
Chairman of the Audit Committee

The development of an effective risk management and internal control system is one of Uralkali's most important strategic objectives.

The purpose of this is to ensure that events that may adversely affect Uralkali's achievement of its goals are identified promptly and to take adequate response measures by distributing responsibilities between decision-makers.

In 2014, Uralkali continued its risk management activities as part of COSO ERM, an integrated risk management concept.

Key risk factors

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

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

The Integrated Report does not aim to give an exhaustive description of all risks that may impact the Group. Uralkali will disclose any necessary information in a timely manner according to the applicable Russian laws and the Disclosure and Transparency Rules of the UK's listing authority.

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

Year in review

Activities completed in 2014

1. Formalisation of the internal control system for financial reporting accuracy
2. Introduction of a corruption prevention system and a compliance system in affiliated companies
3. Further integration of risk management processes and formalisation of risk management development, implementation and monitoring practices for key risk areas

Plans for 2015

1. Implementation of a live risk monitoring system
2. Finalisation of the internal control system for financial reporting accuracy (implementation and testing)
3. Further formalisation of corporate level controls, IT controls, corruption prevention controls
4. Further integration of risk management processes and formalisation of risk management development, implementation and monitoring practices for key risk areas

Risk	Description	Risk level	Dynamics	Description of change	Risk minimisation measures
Strategic risks					
Failure to meet targets set for investment projects	Expansion, productivity increase and other capital expenditures of Uralkali form a large part of its budget. There are risks that investment projects' timeframes and budgets will be exceeded; and risks that the projects' technical parameters will not be achieved.	MEDIUM	↔	Uralkali continues to implement its investment programme in line with previously adopted plans.	Uralkali's investment decisions are based on market outlook; the most economically efficient projects are then selected, and optimal implementation periods are determined. We use standard project management principles during implementation. Major investments are made after the design stage activities have been completed and after the timeframe, costs and feasibility of the projects have been confirmed.
Operating risks					
Lack of qualified employees	The specifics of Uralkali's activities assume that its employees have adequate professional backgrounds and strong qualifications. The Group may face challenges in recruiting and retaining sufficiently qualified personnel and may be forced to incur additional time and financial costs to increase staff qualifications, which may impact its ability to achieve its goals in a timely manner.	LOW	←	There has been a large influx of skilled personnel into the labour market during the economic downturn.	Uralkali constantly monitors the state of the labour market and promptly hires qualified personnel to meet its staffing needs.
Reduction in production/ capacity	Potash output may be impacted by various internal factors such as equipment failures, deterioration of infrastructure and external factors such as lower ore quality or reduced capacity following technology modifications due to regulatory changes.	MEDIUM	→	Production capacity decreased in connection with the accident at Solikamsk-2.	Uralkali continues to expand its production capacity and replace retired assets.

← Probability of the risk decreased

→ Probability of the risk increased

↔ Probability of the risk unchanged

Risk	Description	Risk level	Dynamics	Description of change	Risk minimisation measures
Non-fulfilment of obligations by contractors or suppliers	Uralkali's suppliers of goods and services include a number of key partners, relations with whom are strategically important. The failure of such suppliers to meet their contractual obligations may adversely affect our performance.	HIGH	→	Uralkali's activities depend on monopolistic energy suppliers and the Russian railways. In the context of macroeconomic instability, suppliers and contractors can raise the price of their products and services.	Uralkali strives to ensure alternative suppliers are available for all its needs.
Expenditure increase	Production costs may increase due to the wear-and-tear of production equipment, utilisation of obsolete technologies, or inefficient spending on operating activities. Such risks may directly impact Uralkali's profit.	MEDIUM	↔	Uralkali continues its risk prevention activities in line with previously approved plans.	Uralkali is implementing various programmes to increase productivity and reduce operating expenditures.
Financial risks					
Inflation and currency fluctuations	Inflation and exchange rate fluctuations, which create additional costs through more expensive materials, resources and services (e.g. transport services), may reduce the Uralkali's net profit.	HIGH	→	Macroeconomic instability both in Russia and abroad increases risks in the short term.	Uralkali tries to mitigate the impact of exchange rate fluctuations by hedging; it also takes necessary measures to maintain its strong credit position.
Environment/Development environment					
Environmental risks and risks related to mining operations	Uralkali's mining operations are exposed to risks associated with exploration, extraction and processing of minerals, which include flooding, fire and other types of incidents and may create unforeseen costs and reduce the Group's operational efficiency.	HIGH	↔	Given unpredictable natural factors associated with mining, Uralkali takes a conservative approach to mitigating environmental risks.	Uralkali follows its previously developed mining plan, which includes an extensive safety section. Uralkali regularly audits the effectiveness of measures aimed at minimising mining risks.
Risks related to the incidents at Berezniki-1 and Solikamsk-2	The flooding of Berezniki-1 in October 2006 as well as an accident at Solikamsk-2 in 2014 had a significant impact on the size of mineral reserves and may lead to additional costs, losses and obligations.	HIGH	→	Uralkali adheres to its safety and social responsibility policies and adopts a conservative approach.	Uralkali follows its social responsibility policy, under which it maintains a constructive and consistent relationship with state authorities to respond to any issues in a timely manner.

← Probability of the risk decreased

→ Probability of the risk increased

↔ Probability of the risk unchanged

Risk	Description	Risk level	Dynamics	Description of change	Risk minimisation measures
Environment/Development environment (continued)					
Non-compliance with environmental and health and safety regulations	Uralkali's operations and the use of its property are governed by various environmental and health and safety laws and regulations, which may be interpreted in various ways. Compliance with these laws and regulations may create additional costs and obligations.	HIGH	↔	In 2014, Uralkali implemented comprehensive programmes to minimise such risks.	Uralkali has developed thorough safety standards, conducts regular staff safety trainings and implements measures to prevent occupational diseases. Uralkali also pays special attention to compliance and improving performance.
Sales risks					
Potash demand decline	Macroeconomic factors, including global population changes, insufficient cultivated land per capita, decreases in personal income and difficulties in raising loans to purchase potash fertilisers, may weaken global demand for potash.	HIGH	→	Due to macroeconomic and geopolitical instability, the potash demand growth rate does not match current market supply.	Uralkali's management is developing a sales strategy to promote potash and actively supports agricultural producers (e.g. by updating farmers' calculators). It also monitors and supports all key sales markets. We estimate future demand for our products and act accordingly to meet demand.
Potash price decrease	Producers' pursuit of high capacity utilisation together with insufficient demand may result in excessive supply and a subsequent drop in global potash prices, reducing the Uralkali's revenue and profit.	HIGH	→	Due to macroeconomic and geopolitical instability, the potash demand growth rate does not match current market supply, which affects sales prices.	
Loss of share in specific markets	Competitors' actions and other circumstances may result in a decrease in Uralkali's sales or market share in one or several markets, thus affecting its revenue and financial performance.	MEDIUM	→	A mismatch between potash demand and supply could intensify competition.	Uralkali's management monitors and supports all key sales markets and is developing a marketing strategy to promote potash.
Lack of specific products	With its production capacity fully utilised, Uralkali may face a deficit of a particular product for a specific market.	HIGH	→	Following the accident at Solikamsk-2, our production capacity is fully utilised, which increases the risk of a shortage of a particular product.	To manage this risk, Uralkali applies preventative controls by identifying potential product shortages and adjusting the product mix.

← Probability of the risk decreased

→ Probability of the risk increased

↔ Probability of the risk unchanged

Risk	Description	Risk level	Dynamics	Description of change	Risk minimisation measures
Legal risks					
Licensed activities	Uralkali's operations depend on the continued validity of its licences and the Group's compliance with licence terms. Legislative changes or decisions by regulators to terminate or restrict the licences may have an adverse effect on Uralkali's activities.	MEDIUM	↔	Uralkali has extended its main mining licences.	Uralkali has a plan to maintain existing licences and has introduced internal controls to follow-up on the plan and respond promptly to any deviations.
Political, legal and regulatory risks	Uralkali operates in Russia and in a number of developing markets, which are exposed to higher risks than more developed markets. These include significant legal, economic and political risks. The Group could breach applicable laws or regulations. In addition, certain measures or increased regulation by governmental bodies could lead to additional costs, as well as affect investors' expectations. Uralkali's activities are subject to audits by tax authorities, the federal health and safety agency (Rostechnadzor) and other regulators. The results of these inspections may create additional obligations, costs and restrictions for Uralkali.	HIGH	→	There is a tendency towards gradual toughening of state regulation and an increasing state role in the economy in Russia and across the globe. These factors intensify the possibility of risk realisation.	Uralkali's sustainable development depends on its ability to comply with and follow statutory rules and norms. The Group has developed a set of connected measures to ensure its compliance with applicable requirements. Uralkali also monitors any relevant legislative changes in all applicable jurisdictions and liaises with supervisory authorities to promptly adjust its activities where necessary.
Compliance with applicable legislation and internal policies	Uralkali's activities are governed by various laws, including anti-monopoly laws, in Russia and other countries where it operates. Claims, including anti-monopoly claims, may create additional costs for the Group.	HIGH	↔	Uralkali is subject to special state regulations in various jurisdictions.	Uralkali is developing a set of measures and internal controls to ensure its legal compliance, including compliance with anti-monopoly laws.

← Probability of the risk decreased

→ Probability of the risk increased

↔ Probability of the risk unchanged

Capitalising on market growth

Uralkali export shipments in 2014

Since Uralkali revised its sales strategy in July 2013, market conditions have improved considerably. Price stability boosted market confidence, affordable pricing stimulated potash consumption around the world, and lower potash prices promoted rational decision-making in relation to greenfield projects.

In 2014, Uralkali capitalised on improved market conditions. The Company gained incremental export volumes from a substantial rebound in potash demand and managed to maintain its market share in international markets.

The Company continues to assess supply conditions and adjust its production in line with global demand. It is placing volumes depending on market dynamics.

Domestic market in 2014

In the Russian market, potassium chloride (KCl) is mainly used as a raw material in compound (NPK) and mixed fertilisers and other chemical products, as a single-component fertiliser for direct application to the soil, and as a component of drilling fluids at oil-production enterprises.

Potassium chloride is also used in small amounts in the non-ferrous metals industry and the food industry.

In 2014, domestic sales amounted to 1.9 million tonnes, 3% higher than in 2013.

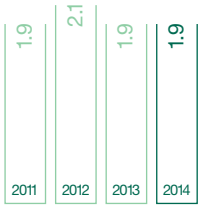
Major consumers of potassium chloride in the Russian market (million tonnes)

Consumers	2014	2013
NPK fertiliser producers	**1.58**	1.55
Agricultural producers	**0.15**	0.17
Industrial consumers	**0.18**	0.14
Total	**1.91**	**1.86**

The major domestic consumers of the Company's products are traditionally compound fertiliser manufacturers (NPK manufacturers). KCl supplied to these manufacturers in 2014 amounted to about 1.6 million tonnes, 1.9% higher than the previous year.

Agricultural producers consumed about 0.15 million tonnes of KCl in 2014. The major regional consumers were Krasnodar, Kursk, Lipetsk, Belgorod, Oryol, and Voronezh regions.

DOMESTIC POTASH SALES (MILLION TONNES)



1.9 mln t

The Russian agricultural market has huge potential – total crop lands amount to 75 million hectares and the agricultural crops (wheat, sunflower, corn and sugar beet) on 52 million hectares of those lands require increased potash application. Total potash consumption by Russian agricultural producers (including consumption of potash as part of NPK) in 2014 amounted to more than 0.6 million tonnes (in 2013, demand was about 0.45 million tonnes). Currently, Russia consumes a disproportionately

URALKALI'S SALES PORTFOLIO IN 2014 (%)

- China **19%**
- Russia **16%**
- Europe **12%**
- Other markets[1] **2%**
- Latin America **18%**
- India **12%**
- USA **6%**
- South East Asia **15%**

[1] Africa, Middle East, FSU.

Source: Uralkali

Expansion programme

Having the capability to add capacity and expand potash production, in line with world population growth and decreased arable land, enables us to meet the growing global demand going forward and to deliver on our revenue maximisation strategy.

For more information please see page 34

Revenue maximisation strategy

Since Uralkali adopted the new revenue maximisation strategy in July 2013, the potash industry has gone through some important developments. Price stability boosted market confidence and increased the global demand for potash, which reached record levels in 2014.

Sustainable market share

Positive developments in the global market allowed Uralkali to increase its export volumes considerably in 2014 compared to 2013 and to regain and sustain its historic market share.

Other products[1]

Products	Sales in 2014	Major consumers
Enriched carnallite	326,000 tonnes	Solikamsk Magnesium Plant, VSMPO-AVISMA Corporation
Industrial salt	696,000 tonnes	Companies in the oil, chemical, energy, and road construction industries, utility companies
Sodium chloride solution	2.6 million m^3	Berezniki Soda Plant

[1] The share of other product sales in the Company's gross revenue is about 3%.

small amount of potash fertilisers compared to other countries with a similar climate.

Uralkali supplied products to industrial consumers of potassium chloride in the domestic market – petroleum, chemical and nuclear enterprises – for specific production processes. In 2014, supplies to these consumers amounted to 0.18 million tonnes, 29% higher than in 2013.

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

Pricing

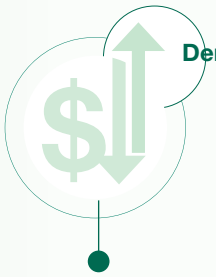
Following Russia's accession to the WTO in 2013, introduction of market-based pricing for mineral fertilisers in the domestic market was completed.

The price of potassium chloride for Russian consumers is based on the weighted average price on the foreign market with the lowest price exclusive of transport costs and other logistic costs (minimum export price). This principle was established by the Recommendations of the Federal Antimonopoly Service (FAS) of Russia on securing non-discriminatory access to the procurement of potassium chloride effective from 1 January 2013 to 31 December 2017. The Company strictly complies with its obligations to ensure non-discriminatory access for consumers of potash fertilisers.

From October 2013, the pricing for NPK manufacturers is calculated on a monthly basis, enabling the Company to react promptly to changes in international prices for potassium chloride.

Uralkali places special emphasis on supporting the development of the Russian agricultural sector. The Company ensures that its product and nutritional knowledge remains available for domestic customers during a turbulent period for the Russian economy.

Reinvestment



Affordable potash prices stimulated potash consumption around the world, improving the accessibility to potash, which meant that more and more farmers could afford to buy potash while the existing farming clients were able to purchase more product.

Access to more affordable potash products allowed farmers to grow more and better quality crops.

Financial value

Our revenue maximisation strategy allows us to retain a flexible market position and to re-invest the profits back into the business and into our expansion programme in order to respond to market demands.

Wider value

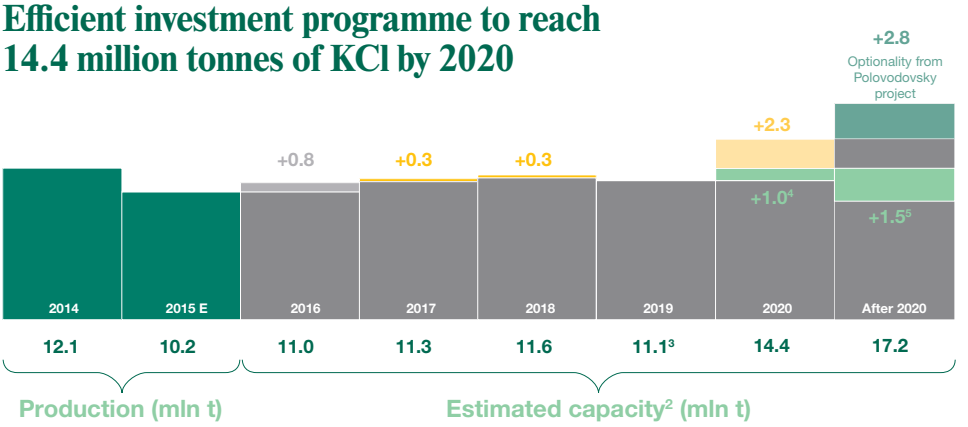
The most significant outcome of our operations is potash's vital role in feeding the world's growing population. We are focused on meeting the global demand for food by taking advantage of our best-in-class resource base, selectively expanding production capacity and creating wider value for all our stakeholders.

Investing in the future

In 2014, Uralkali maintained its leading position in the global industry as strong potash demand across all our markets enabled us to achieve a record output of over 12.1 million tonnes.

Despite the suspension of operations at the Solikamsk-2 mine in November, we were able to meet our customer needs in full. Following the accident, which affected our output in 4Q 2014, we have revised our capacity development programme for 2015-2020 to maintain Uralkali's industry leadership going forward.

Efficient investment programme to reach 14.4 million tonnes of KCl by 2020



Project name	Project capacity (mln t KCl)	Capex (US$ per tonne)	Commissioning
Increasing load	0.8	109	2016
Solikamsk-3	0.6	225	2017
Ust-Yayvinsky project	2.5[1]	476	2020
Solikamsk-2 (new mine)	2.3	314	2020
Polovodovsky project	2.8	680	after 2020

Increasing load

- A number of projects aimed at increasing the load, including modernisation/partial replacement of equipment with more technologically advanced options
- Projects come on stream by the end of 2016

0.8 mln t KCl — Capacity

US$87 mln — Project CAPEX

Solikamsk-3

- Completion of cargo and ventilation shaft 4 with two hoist machines

0.6 mln t KCl — Capacity

US$135 mln — Project CAPEX

7% — Invested as of 31 Dec 2014

[1] Including 2.0 million tonnes that will substitute the gradually depleting capacity of Berezniki-2 mine, and capacity growth from 2.3 to 2.8 million tonnes of KCl at Berezniki-3.

[2] Average for the year.

[3] Decrease in capacity by 0.5 million tonnes is caused by depleting capacity at Berezniki-2 mine starting from 2019.

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

[5] Complete replacement of Berezniki-2 mine (1.5 million tonnes).

For more information
see Financial management
discussion and analysis
on page 36

Operations in 2014

Solid demand in key markets enabled Uralkali to produce a record 12.1 million tonnes of KCl and sell 12.3 million tonnes of KCl in 2014, representing a 21% and 24% increase year-on-year, respectively.

At the same time, the Company proceeded with its capacity development programme. At the Ust-Yayvinsky mine, shaft construction has progressed. The Company plans to proceed to construction of the above-ground complex in 2015.

Uralkali is also developing its granulation facilities by replacing outdated equipment and designing a new granulation unit on Solikamsk-3 in order to meet rising demand for this premium product. The total expansion CAPEX in 2014 amounted to US$155 million.

In light of the Solikamsk-2 accident, Uralkali revised the schedule of several expansion projects. Increasing load measures have been approved to produce an additional 0.8 million tonnes of KCl from 2016. The Company has decided to expedite the commissioning of new capacity at Solikamsk-3 to launch it in 2017. Uralkali will also build two new shafts by 2020 to mine safely the remaining reserves of Solikamsk-2.

See more about our approach to sustainable development on page 40

See more about our Geological safety on page 43

Ust-Yayvinsky project

- In 2014, shaft construction progressed (243/465 m at Shaft 1 and 227/422 m at Shaft 2). In 2015, the Company plans to start the construction of the above-ground complex
- Ore from this block will be processed at Berezniki-3 plant and will substitute decreasing reserves at Berezniki-2 mine

2.5 mln t KCl — Capacity

US$1,191 mln — Project CAPEX

27% — Invested as of 31 Dec 2014

Solikamsk-2 (new mine)

- Construction of a new mine with two shafts aimed at mining safely the remaining reserves and feeding the Solikamsk-2 processing facility

2.3 mln t KCl — Capacity

US$723 mln — Project CAPEX

Polovodovsky project

- Construction of a mine (two shafts) and a flotation ore-treatment plant
- Currently under feasibility stage; a final decision will be made at a later date

2.8 mln t KCl — Capacity

US$1,905 mln — Project CAPEX

2% — Invested as of 31 Dec 2014

Ensuring financial stability

2014 was characterised by growth in global potash demand. Major markets have recovered much better than anticipated, led by lower year-on-year potash prices and distributor restocking needs.

Compared to 2013, Uralkali's consolidated results were as follows:

- Sales volumes were 24% higher year-on-year;
- Gross revenues increased to US$3.56 billion in 2014 from US$3.32 billion in 2013, representing a 7% growth compared to prior year;
- The average export price was 13% lower in 2014 on a FCA basis (in US$);
- Cash cost of sales per tonne was 19% lower in 2014 and equal to US$47 per tonne;
- Adjusted EBITDA increased by 9% from US$1.63 billion to US$1.78 billion in 2014;
- CAPEX decreased by 15% from US$427 million to US$364 million in 2014.

EFFECTIVE SEA FREIGHT (US$ PER TONNE)

$39 per tonne

SPB RAILWAY TARIFF (US$ PER TONNE)

$29 per tonne

CHINA RAILWAY TARIFF (US$ PER TONNE)

$57 per tonne

1. Gross sales

Company sales volumes in 2014 were 24% above prior year. The average export price in US$ for Uralkali products was 13% lower than in 2013. In total, these factors led to an increase in revenues by 7% in 2014 to US$3.56 billion.

Non-potash sales (primarily sodium chloride solution, enriched carnallite and commercial-grade pit-run sodium chloride), at US$0.1 billion, accounted for 3% of gross revenues.

2. Transportation

85% of export sales in 2014 were shipped by sea, mostly through the Company's fully-owned terminal at St. Petersburg. Distribution costs for sea export include the railway tariff from Berezniki and Solikamsk to transhipment ports, transhipment at the seaport and freight costs (except for deliveries on an FOB basis).

About 15% of export sales were transported by rail, including China (13%) and other regions (2%).

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

2.1. Freight

Average freight rates expressed in US dollars in 2014 were 9% lower than in 2013 per tonne of product shipped by sea, on a CFR basis.

In 2014, the situation continued to be favourable for the shipping market. The main factors that influenced the decrease in freight rates in 2014 were: commencement of operation of new ships in all segments and increased utilisation of old ships; complex and uncertain economic conditions in Europe; and the decline of GDP growth rates in China and India.

The Company also incurred expenses on river and barge freight in 2014 which were less significant compared to sea freight.

2.2 Railway tariffs

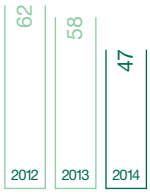
The Company carries out direct deliveries by rail to customers in North China, Europe and the CIS. There were no changes in weighted average railway tariff[1] in the direction of St. Petersburg (resulting in an effective decrease of 18% of expenses in US dollars equivalent). The China tariff was 7% lower than in 2013 (resulting in an effective decrease of 23% in US dollars equivalent) mainly due to the switch to a less costly direction to Zabaikalsk.

3. Net sales

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

Net sales increased in 2014 by 5% to US$2.79 billion in comparison with 2013, in accordance with IFRS, due to a sales volume increase of 24%, compensating for a 16% decrease in prices. Improved consumption and customers rebuilding stocks following the uncertainty of 2H 2013 were the key growth factors.

CASH COST OF SALES PER TONNE (IFRS) (US$ PER TONNE)



$47
per tonne

CASH COGS STRUCTURE IN 2014 (%)

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

HEADCOUNT OF URALKALI GROUP (PERIOD AVERAGE), EMPLOYEES

20,622

Main production Whole group

4. Total expenses: Potash sales

Total expenses for potash sales decreased to US$173 per tonne[2] in 2014 as compared to US$219 per tonne in 2013. The decrease in production costs per tonne was primarily due to a sharp increase in the US$/RUB exchange rate in Q4 2014. Total potash sales costs in the domestic market amounted to US$97 per tonne[3] as compared to US$131 per tonne in 2013.

5. Cash cost of goods sold[4]

The cash cost of goods sold (COGS) in 2014 was US$47 per tonne, 19% lower than in 2013. COGS decreased compared to last year due to an increase in the US$/RUB exchange rate in 2014.

5.1 Labour

The average monthly salary in roubles increased by 17.6% (fell by 1.4% in US$ equivalent) compared to 2013, excluding key management's compensation. The key factors of growth were an increase in production volumes and salary indexation due to inflation. In addition, the design organisations CJSC VNII Galurgii and OJSC Galurgia, acquired by the Company at the end of December 2013, were included in the consolidation of the Uralkali Group in 2014.

The average monthly salary at the main production unit in roubles increased by 15% compared to 2013 (in US$ decreased by 4% due to rouble devaluation). The average monthly salary at the main production unit fell to US$1,251 compared to US$1,299 in 2013.

During 2014, about 11,000 people were employed at Uralkali's main production unit. The staff employed in service divisions (mainly involved in repairs, construction, motor freight and IT services) account for the difference between the headcount of Urakali and the headcount of the main production unit.

[1] Weighted average tariff takes into account the volume of shipments of the Company's direction in the context of railway crossings.

[2] Total expenses of potash sales are calculated according to IFRS and include cost of 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 Statements for the year ending 31 December 2014).

[3] Total expenses of potash sales on the domestic market are calculated according to IFRS and include cost of 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 Statements for the year ending 31 December 2014).

[4] Cash cost of goods sold = Cost of goods sold less depreciation and amortisation.

FUEL AND ENERGY COSTS IN 2014 (%)

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

ELECTRICITY CONSUMPTION (MLN KWT)

+11%

GENERAL AND ADMINISTRATIVE EXPENSES IN 2014 (%)

- Employee benefits **58%**
- Security **6%**
- Consulting **5%**
- Repairs and maintenance **3%**
- Materials and fuel **4%**
- Communication **3%**
- Rent **3%**
- Insurance **3%**
- Other expenses **15%**

5.2 Fuel and energy

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

As a result, the effective tariff on gas in roubles increased by 7% in 2014 (11% decrease in US dollars equivalent) to US$92 per thousand cubic metres. The effective tariff on electricity in 2014 in roubles rose by 8% (10% decrease in US dollars equivalent) to US$62 per thousand kWh. To minimise the negative effect of the growth in tariffs, the Company has created its own power generation facilities.

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). More than 70% of these costs are in roubles.

6. General and administrative expenses

Compared to 2013, cash general and administrative expenses[5] in US dollars equivalent decreased by 26% in 2014.

Labour costs account for more than half (58%) of general and administrative costs. In 2013, labour costs were higher than in 2014, mainly due to the accrual of a one-time premium payment to top management. It was made in accordance with the key management long-term incentive programme.

[5] Cash general and administrative expenses = General and administrative expenses less depreciation and amortisation.

[6] Adjusted EBITDA represents operating profit plus depreciation and amortisation and one-off expenses.

[7] Adjusted EBITDA margin is calculated as adjusted EBITDA divided by Net Sales.

[8] CAPEX includes acquisition of property, plant and equipment and intangible assets based on IFRS Cash flow statement of the Consolidated Financial Statements for the year ending 31 December 2014.

7. Finance income and expenses

The devaluation of the rouble in 2014 by 72% led to a foreign exchange loss in the amount of US$1.2 billion and a fair value loss on derivative financial instruments in the amount of US$0.8 billion.

8. Adjusted EBITDA

In 2014, adjusted EBITDA[6] increased by 9% to US$1.78 billion in comparison with 2013. Adjusted EBITDA margin[7] was 64% in 2014.

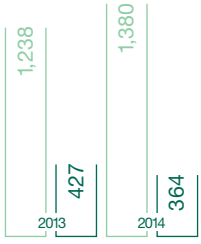
In November 2014, Uralkali detected a higher level of brine inflow, as well as a sinkhole to the east of the Solikamsk-2 production site. Upon completion of the technical investigation of the cause of the accident in Solikamsk-2, carried out by a committee appointed by the West Ural Administration of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

As of 31 December 2014, the Company accrued a provision in the amount of US$20.9 million to cover the estimated costs of liquidation of the consequences, of which US$16.4 million were charged to other operating expenses and US$4.5 million were capitalised. The Group also impaired its fixed assets in the amount of US$30.5 million and construction in progress in the amount of US$7.6 million as of 31 December 2014.

STRUCTURE OF CAPEX EXPANSION IN 2014 (%)

- Expansion of Berezniki-4 **9%**
- Expansion of Solikamsk-3 **1%**
- The increase in output and elimination of bottlenecks **11%**
- Granulation **10%**
- Infrastructure **3%**
- Ust-Yayva **48%**
- Polovodovo **5%**
- Development of Romanovsky **6%**
- Carnallite **7%**

OPERATING CASH FLOW AND CAPEX (MLN US$)



$364mln

Operating cash flow CAPEX

9. CAPEX

Total CAPEX for 2014 amounted to US$364 million[8] of which 43% was spent on expansion. The main expense was spend on the Ust-Yayva project. The Company expects to launch Ust-Yayva in 2020.

Other projects included: the increase in output in production sections and debottlenecking; finalisation of carnallite plant expansion and expansion of granulation capacity.

10. Cash flow

Due to the increase in sales and the RUB weakening, net cash generated from operating activities in 2014 increased by approximately 12% from 2013 to US$1.4 billion.

As of 31 December 2014, Uralkali had net debt of US$3.2 billion. Its cash balance including deposits amounted to US$2.4 billion, with total debt at US$5.6 billion.

During 2014, the Company used financial instruments (cross-currency interest rate swaps) to optimise the value of the loan portfolio and the conversion of rouble-denominated loans in US$. The devaluation of the rouble in 2014 led to a fair value loss on derivative financial instruments in the amount of US$0.8 billion.

The effective interest rate on loans at the end of 2014 amounted to 4% (including cross-currency interest rate swaps).

Calculation of adjusted EBITDA (in mln US$)

	2014	2013	
Operating profit	**1,358**	1,058	Operating profit
Adjusted for:			Adjusted for:
Depreciation and amortisation	**371**	415	Depreciation and amortisation
One-off expenses			One-off expenses
Solikamsk-2 impairment	**38**	78	Resettlement provision
Mine flooding provision for Solikamsk-2	**16**	34	Write off of bank deposits
Other	**–**	49	Other
Adjusted EBITDA	**1,784**	1,634	Adjusted EBITDA

Committed to operating responsibly

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Sustainable development is one of the key foundations of Uralkali's strategy, securing an optimal balance between the interests of the Company, its employees and other stakeholders.

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Sir Robert Margetts
Senior Independent Director

Chairman of CSR Committee

Sustainable development is one of the key foundations of Uralkali's strategy, securing an optimal balance between the interests of the Company, its employees and other stakeholders. This concept is consistent with our values and aligns the achievement of business goals with the needs of society and environmental integrity. We care for the people whose lives are inextricably linked with the Company. Mutual support, responsibility and commitment to excellence are the underlying values that guide us in our work.

Environment and industrial safety

We strive to protect the world we live in. We conduct our activities with respect for the environment through compliance with environmental norms, rational use of natural resources and constant improvement of environmental protection activities.

Although mining activity bears risks for the environment, Uralkali seeks to minimise its impact by using advanced treatment technologies, optimising production and developing waste disposal systems, increasing the consumption of recycled water and improving energy efficiency. The Company also invests in employee training in environmental and industrial safety, as well as research projects. Employees have relevant KPIs, for example, for power saving.

Mining safety

The Company implements comprehensive geological monitoring at its minefields to promptly identify hazardous activities and establish risk mitigation measures. We also engage leading international and Russian experts to advise on geological safety.

Unfortunately, in 2014, geological risk materialised at the Solikamsk-2 mine. The mitigation plan was promptly brought into action and enabled the Company to avoid any injuries. We will continue to make every effort to utilise industry-leading technologies for earlier risk detection.

Corporate ethics

We are committed to constantly improving our corporate policies. In 2014, Uralkali extended its Antitrust Policy to include its international trading offices and organised a number of training sessions on antitrust compliance for its employees.

The introduction of anti-corruption compliance is also well under way. In 2014, Uralkali joined the Anti-Corruption Charter of the Russian Business and extended its anti-corruption policies to its affiliates.

In 2014, we also introduced an ethical representation working group which aims to better integrate ethical practices into Uralkali's business processes. As the Chief Ethical Representative of Uralkali, I am pleased to say that the first year was very productive. The Code of Corporate Culture was widely promoted among staff, and a constructive dialogue with employees was established through a hotline and selected ethics representatives.

Community support

As one of the best employers in the region, Uralkali not only takes care of its employees, but it also makes every effort to improve local living standards, including investments in social development in Berezniki and Solikamsk. Last year, the Company continued to provide financial support to the resettlement programme in Berezniki, as well as assisting town administrations in improving local infrastructure.

In 2014, Uralkali continued to promote sports activities among young people through its basketball programme and sponsored a number of other sporting events, including a sambo tournament, the Perm regional boxing championship, and a trip to the World Armsport Championship for disabled people, which took place in Poland.

Uralkali is keen to support and incentivise talent among the younger generation. The Company continued its scholarship programme for university students and launched a project for young singers in Solikamsk.

It is also worth noting the increasing contribution of Uralkali's employees to local communities. In 2014, they engaged in an even greater number of volunteering initiatives, including campaigns to remove rubbish from public recreational areas, joint projects with a care centre for orphans, work at an animal refuge, and support for the Pink Ribbon campaign to increase breast cancer awareness.

Food security

As an industry leader, we recognise the need to actively tackle one of the biggest challenges facing humanity – food security. The Company aims to produce sufficient potash for its customers and also to improve the effectiveness of its application. In cooperation with international organisations and research institutes, Uralkali implements a number of projects to improve crop yields in Russia and abroad. In addition, we regularly host seminars for analysts, journalists and agricultural sector experts, which involve eminent specialists in the field of agricultural chemistry.

I would like to thank Uralkali's Board, its management and employees for their endeavours to sustain and develop socially responsible practices. We will continue our work in all areas of business sustainability for the benefit of the Company and the overall community.

Geological safety

Geological studies show that flooding remains a real risk for potash mines. As such, Uralkali has developed a set of measures to minimise the risk.

Design organisations develop mine field projects on the basis of previously conducted studies of the mine field geological structure and regulations that protect mines from flooding. The experts calculate parameters which enable safe mining conditions, in particular, the width of chambers and the size of the pillars that support the mine arches.

The Company's specialists also identify the acceptable level for deformation of the Earth's surface which does not damage the surface objects.

Uralkali employees, experts and scientists seek support from external consultants and academic institutes. In cooperation with the Mining Institute of the Russian Academy of Sciences (Perm, Russia), the Company has developed mathematical models that can predict the deformation of the rock body over time. Modelling capabilities created by scientists and engineers from the Mining Institute were praised by international auditors.

The Company continuously monitors geological conditions at all its mine fields. The main objective of monitoring is the timely identification of hazardous activities and the development of emergency prevention and response measures.

As part of its monitoring procedures, the Company undertakes:

- instrumental monitoring of land subsidence;
- satellite monitoring of land subsidence;
- comprehensive seismic and electrical surveys around potentially hazardous undermined areas;
- ongoing seismological control of areas known for subsidence risk;
- hydrogeological monitoring including ground water gauging and chemical sampling of water from hydrogeological wells and hydrological stations installed on surface water bodies;
- geochemical soil gas monitoring of certain areas;
- visual inspection of buildings and structures.

To ensure the safety of mining operations and reduce their potential impact on the Earth's surface, the Company also undertakes backfilling of worked-out mine areas.

Independent Limited Assurance Report to the Directors of of Uralkali

Introduction

We have been engaged by the directors of Public Joint Stock Company Uralkali and its subsidiaries ("Uralkali") to provide limited assurance[1] on the selected information described below and included in the Integrated Report of Uralkali for the year ended 31 December 2014.

Selected Information

We assessed the qualitative and quantitative information that is disclosed in the 2014 Integrated Report and included in the Tables of the Global Reporting Initiative (GRI Tables 2014) for standard disclosures in environmental, workforce, safety and socio-economic areas in the reporting scope of the Integrated Report (the "selected information"). The scope of our assurance procedures was limited to selected information for the year ended 31 December 2014.

Reporting Criteria

We assessed the selected information using the Global Reporting Initiative (GRI) Sustainability Reporting Framework, including version G4 of the Sustainability Reporting Guidelines and GRI Mining and Metals Sector Disclosures (collectively, GRI G4). We believe that these reporting criteria are appropriate given the purpose of our limited assurance engagement.

Responsibilities of Uralkali

The directors of Uralkali are responsible for:

- designing, implementing and maintaining internal systems, processes and controls over information relevant to the preparation of the Integrated Report that is free from material misstatement, whether due to fraud or error;
- establishing objective reporting criteria for preparing the selected information;
- measuring Uralkali's performance based on the reporting criteria; and
- accuracy, completeness and fair presentation of the selected information.

Our Responsibilities

Our responsibility is to form an independent conclusion, based on our limited assurance procedures, on whether anything has come to our attention to indicate that the selected information is not stated, in all material respects, in accordance with the reporting criteria.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance engagements other than audits or reviews of historical financial information. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance on the selected information.

This report, including our conclusions, has been prepared solely for the directors of Uralkali to assist the directors in reporting on Uralkali's sustainability performance and activities. We permit this report to be disclosed in Uralkali's Integrated Report for the year ended 31 December 2014, to enable the directors to show that as part of their governance responsibilities they have obtained an independent assurance report in connection with the selected information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the directors of Uralkali for our work or this report except where terms are expressly agreed and our prior consent in writing is obtained.

Work Done

Our procedures included:

- enquiries of Uralkali's management;
- interviews of personnel responsible for sustainability reporting and data collection (interviews were held in Berezniki, Perm region, and Moscow);
- analysis of the relevant policies and basic reporting principles and gaining an understanding of the design of the key structures, systems, processes and controls for managing, recording and reporting the selected information;
- limited substantive testing of the selected information on a selective basis to verify that data had been appropriately measured, recorded, collated and reported; and
- reviewing the selected information for compliance of the disclosures with the requirements of GRI G4.

Reporting and Measurement Methodologies

There are no globally recognised and established practices for evaluating and measuring the selected information. The range of different, but acceptable, techniques can result in materially different reporting outcomes that may affect comparability with other organisations. The reporting criteria used as a basis of Uralkali's integrated reporting should therefore be read in conjunction with the selected information and associated statements reported on Uralkali's website[2].

Limited Assurance Conclusion

As a result of our procedures:

- nothing has come to our attention that causes us to believe that the selected information for the year ended 31 December 2014 has not been prepared, in all material respects, in accordance with the requirements of GRI G4; and
- nothing has come to our attention that causes us to believe that the selected information does not meet the "Core" requirements in accordance with the Guidelines GRI G4.

ZAO PricewaterhouseCoopers Audit

ZAO "PricewaterhouseCoopers Audit",
Moscow, Russia

23 April 2015

[1] Assurance, defined by the International Auditing and Assurance Standards Board (IAASB), gives the user confidence about the subject matter assessed against the reporting criteria. Reasonable assurance gives more confidence than limited assurance, as a limited assurance engagement is substantially less in scope in relation to both the assessment of risks of material misstatement and the procedures performed in response to the assessed risks. The term "assurance" hereafter is not used as defined in the Federal Law №307-FZ of 30.12.2008 "On Auditing Activities" (edition of 28.12.2010).

[2] The maintenance and integrity of Uralkali's website is the responsibility of the Directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changesthat may have occurred to the reported Selected Information or Reporting Criteria when presented on Uralkali's website.

Minimising environmental impact

In 2014, while expanding its production capacity, the Company continued to invest in initiatives to protect the environment. In addition to current expenditures associated with protecting the atmosphere, water and land resources, Uralkali is investing in the modernisation of existing machinery and the installation of new pollution control equipment, staff training, and the development of internal monitoring and control systems, as well as scientific research.

Geological safety

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

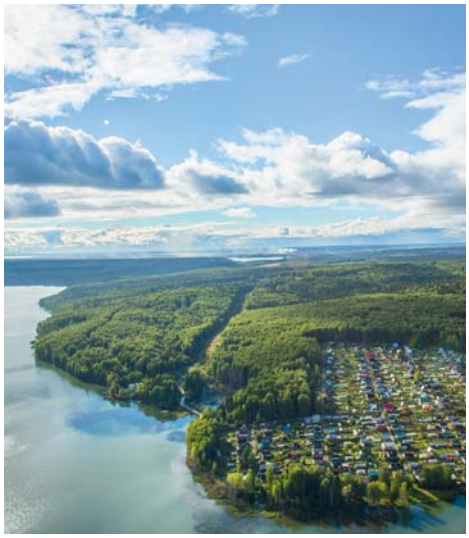
Uralkali continues to use its own complex monitoring system to identify potentially hazardous sections in a timely manner and to ensure protection for the local population.

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

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

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

Uralkali has implemented special monitoring of the potentially dangerous area in the Solikamsk-2 minefield since January 1995, when an earthquake led to the destruction of pillars and the formation of a soil subsidence area. To minimise the consequences of the accident, the Company backfilled areas around the collapsed zone. On 18 November 2014, Uralkali detected higher levels of brine inflow in the Solikamsk-2 mine and immediately introduced an emergency plan. All employees were evacuated from the mine. Later, a sinkhole with a diameter of approximately 30x40m was discovered at the east of the Solikamsk-2 production site, outside the metropolitan area. The area around the sinkhole was immediately fenced off.



The Company contributes to sustainable development through its environmental activities, which are an integral part of all Uralkali's operations and fully comply with Russian legislation. The Company is continually developing its framework for environmental management.

Why these issues are important to us

Sustainability of ecosystems, biodiversity and a healthy environment are vital conditions for the wellbeing of future generations. For this reason, a responsible approach to the environment is core to our business.

The Commission of the Federal Environmental, Technological, and Nuclear Supervision Services of Russia (Rostechnadzor) concluded that the fresh water inflow into the worked-out areas of the Solikamsk-2 mine in November 2014 was the consequence of the mass collapse of rock in the mine during the accident in 1995. Thus, the cause of the accident on 18 November 2014 at the Solikamsk-2 mine was an emergency that was unavoidable under the given circumstances.

Energy and climate

Energy efficiency

As a result of the energy audit in 2012, a new Energy Saving Programme, which includes a set of organisational and technical measures aimed at reducing energy consumption, was approved. The programme started with the establishment of an energy-saving commission and the development of an incentive scheme. Investment projects with expected completion dates in 2017-2018 were initiated.

At the end of 2014, over 600 employees received awards for conserving energy as part of the incentive scheme. Some of the money saved on energy in 2013 was allocated for rewarding employees.

In 2014, the implementation of technical measures aimed at reducing energy consumption continued.

Uralkali continued to work on project documentation for previously initiated projects. Construction and installation work continued for some projects. Samples of energy-efficient equipment passed tests.

As a result of energy-saving measures, the Group conserved 60,137 million kWh of electricity, 7,023 tonnes of fuel and 2,865 thousand m^3 of water.

Use of associated petroleum gas

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

In 2014, the volume of associated gas used totalled 67.1 million m^3.

Greenhouse gas emissions

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

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

In the reporting period, emissions of CO_2-equivalent gases across the Group amounted to 1.85 million tonnes.

Our approach

Governed by sustainable development principles, Uralkali considers environmental protection activities as representing an integral part of doing business.

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

Key priorities

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

Stakeholders engaged

Employees

Trade unions

Government and local authorities

Local communities

Atmospheric emissions

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

As part of the Company's programme to expand its existing production facilities in 2014, Uralkali is upgrading its waste treatment equipment. As a result, the operational efficiency of treatment facilities is increasing, thus reducing the Company's environmental impact.

In the reporting period, Uralkali's pollutant emissions increased from 4.72 to 5.49 thousand tonnes year-on-year due to increased consumption of natural gas and increased output. All atmospheric emissions from stationary sources are within the regulated limits.

Water resources

Water consumption for industrial needs

In 2014, total water intake for industrial needs and utility services at Uralkali decreased by 0.8% compared to 2013 and amounted to 40.56 million m^3. The water intake from surface sources totalled 19.03 million m^3.

The Company aims to reduce consumption of water for industrial needs and minimise the impact on the environment. The volume of water recycled and reused at Uralkali Group totalled 110.69 million m^3, representing an increase on 2013 figures (85.93 million m^3), which led to the lower overall amount of water waste.[1]

[1] The total volume of reused water in the system including industrial brines.

Waste management

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

In 2014, Uralkali continued to implement measures to achieve higher levels of waste management efficiency. Such measures included:

- the introduction of state-of-the-art production solutions at both existing and new facilities to increase the recovery ratio of valuable components from ore, resulting in significant reductions in waste;
- the backfilling of the mined-out areas of mines, thus reducing the environmental impact;
- ongoing crushing of concrete slabs at a mobile crushing-and-sorting plant.

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

Thus, halite waste is used for the production of:

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

Halite waste and clay-salt slurries are also used for filling the mined-out areas of mines.

In the reporting period, waste disposal at the landfill decreased by 7% compared to 2013 and amounted to 38.81 thousand tonnes. This reduction is due to lower amounts of construction waste from the reconstruction of buildings and structures. Uralkali aims to increase the amount of hazardous waste transferred for use. In 2014, 247.96 tonnes I-IV hazard class waste was transferred for re-use.

The increase in the amount of I-IV hazard class waste transferred for neutralisation, from 10.9 thousand tonnes to 21 thousand tonnes, is explained by the removal of sludge from cesspools at the Ust-Yayvinsky mine.

Public environmental measures

The public plays a large role in solving environmental problems and ensuring environmental safety.

Uralkali actively engages with local communities in various environmental campaigns.

As part of its continued efforts to increase environmental awareness in communities, the Company took part in a number of projects in 2014, including:

- "Protection from Environmental Hazards" days. Based on the results of the campaign, the Company received a diploma for Uralkali's fruitful co-operation and successful implementation of practical measures for the protection of the environment, awarded by the Berezniki town administration;
- "Green Russia" all-Russia clean-up day in Berezniki in the category for organisations and enterprises of all forms of ownership. The Berezniki authorities expressed their gratitude to Uralkali for its active participation in environmental protection.

Ensuring workplace safety

Performance indicators

In 2014, the number of accidents at the Company's facilities decreased compared to the previous year, with a total of 18. We regret to report that, despite Uralkali's high health and safety standards, one fatal accident happened at LLC "Uralkali-Remont", which is part of the Uralkali Group, in 2014. All accidents were investigated and in light of the findings Uralkali adopted the necessary measures to prevent similar incidents.

The Group's lost time injury frequency rate (LTIFR) declined by 8% compared to 2013.

In 2014, the lost days rate (LDR) across the Group declined by 20%.

Organisational and technical measures

Occupational safety

- Benefits and compensation were established following an assessment of workplaces according to the impact of harmful and hazardous production factors;
- The Group records all first aid incidents that do not lead to temporary loss of working capacity;
- LED displays showing performance and accident data were installed at the Company's production sites;
- The hotline for reporting possible violations of health and safety rules continues to operate.

Health, safety and the environment are key priorities that should be taken into account in all actions and decisions, regardless of the line of work to which they relate.

Industrial safety

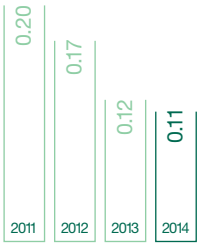
- Due to legislative changes, hazardous production facilities were identified and re-registered;
- Industrial safety declarations for hazardous production facilities were developed and approved;
- Plans for containment and mitigation of consequences of accidents were developed and approved for all hazardous production facilities;
- As planned, the industrial safety of the equipment used at Uralkali's hazardous production facilities was examined.

Fire safety, civil defence and emergencies

In 2014, no fire or emergency situations were registered at the Company's facilities. The number of fire outbreaks decreased by 37% and totalled 17 cases in 2014.

- All 1,600 existing fire alarm and fire extinguishing systems and installations for the underground and surface complexes, as well as warning systems for civil defence and emergencies, were serviced;
- The outdated detectors in firefighting systems were replaced with more advanced ones, which significantly reduced the number of false responses and mine conveyor downtime in 2014;

LOST TIME INJURY FREQUENCY RATE (LTIFR)



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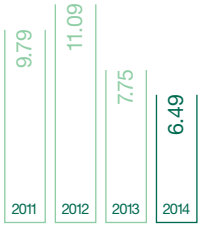
Why these issues are important to us

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

LOST DAYS RATE (LDR)



6.49

- The certification of existing systems for monitoring and control of engineering systems of buildings and structures (ESM) continues;
- The Company carried out work to prepare units for preventing and mitigating the consequences of oil spills at the Company's facilities that handle oil products;
- Comprehensive exercises were conducted to prepare employees for natural and man-made emergency situations and civil defence warning signals;
- An inventory of civil defence structures, which included technical condition reports, was carried out and measures to improve their protective properties were adopted. In 2014, a civil defence structure at Solikamsk-3 was named the best in the Perm region by a review competition.

Health

The Federal Scientific Centre for Medical and Preventative Health Risk Management Technologies examined operators of mining equipment.

Diagnostic markers of conditions prior to the development of cardiovascular diseases were identified.

Our approach

Safety is an unconditional value that must be an integral part of any action and decision.

We understand that careless, thoughtless and irresponsible actions may have tragic implications not only for ourselves and our colleagues, but also for our families and friends.

No achievement or economic benefit can justify loss of life or damage to a person's health.

Key priorities

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

Stakeholders engaged

Employees

Trade unions

Local communities

Media

Training and briefing

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

In 2014 4,268 employees were trained and certified in the field of industrial safety.

Our plans for 2015

- Certification of Class 2 hazardous industrial facilities for newly registered hazardous production facilities;
- Development and approval of controls for the examination of industrial safety and implementation of compensatory measures;
- Phased upgrade of rescue and firefighting machinery and equipment in professional units, as well as non-professional teams.

Focused on developing our people

Policy and strategy

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

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

Activities and results

Our team

The total number of Group employees amounted to 20,796 people (as of December 2014). Uralkali's production facilities are located in the towns of Berezniki and Solikamsk (Perm region, Russia). 99.5% of the Group's employees come from the local population.

Motivation

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

Uralkali: a successful company for successful people. It is not just a slogan, but part of a consistently implemented strategy to attract and retain highly qualified personnel.

Why these issues are important to us

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

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

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

Professional and career growth

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

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

The Company's employees participated in training sessions for personal effectiveness: "Positive Networking", "Goal Setting as a Path to Success" and "Time Management".

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

2014 key facts

$15,014 the average annual salary in the main production unit (including annual bonus)

38.92hrs of training per Group employee in 2014 (21% growth compared to 2013)

Up to 70% of work meal costs paid for by the Company

Social benefits

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

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

In 2014, the Company organised Health Days for employees in all departments for the first time.

Our approach

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

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

Key priorities

- Provide the business with qualified personnel.
- Increase workforce productivity.
- Increase staff loyalty and commitment.
- Improve HR processes.

Stakeholders engaged

Employees

Trade unions

Government and local authorities

Local communities

Corporate culture

The professional attitude to work demonstrated by each member of our team contributes greatly to the leadership position of Uralkali. The development of a close-knit and effective team is the responsibility of each employee. The corporate culture is the foundation that holds the team together and makes it a single entity. That is why all divisions of the Company participate in its development. The basic rules of interaction within the Company are reflected in the Code of Corporate Culture – a binding document for all Group companies. In addition, the corporate culture is formed and maintained by means of large-scale events for employees and an efficient communication system. In 2014, the number of employees trained in the application of the Code in their everyday working practices increased by 60%. It is important to note that the Code of Corporate Culture is constantly improving and evolving.

Up to 50% of sports and fitness centre costs

Up to 90% of costs related to visiting health resorts

Supporting regional development

In 2014, the Company continued its work with the local authorities through partnership agreements aimed at benefits for the region from investments in key social projects.

A number of Uralkali's employees participate in the work of local government, such as the Berezniki Town Duma and Solikamsk Town Duma. At a regional level, the Company collaborates with the governor's office and the government of the Perm region.

Activities and results

In 2014, Uralkali continued to implement its social investment policy aimed at sustainable development in the regions where it operates. Social investments in 2014 amounted to about US$28.4 million.

Social and economic development in the towns of where we operate

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

Encouraging sports

In 2014, Uralkali continued to support the development of physical education and sports in the towns where it operates.

With the Company's assistance, a number of sports competitions were held. An all-Russia judo tournament among teenagers was organised in Solikamsk for the first time. Furthermore, an open sambo tournament was held; and the Company once again supported the Perm region boxing championship. Uralkali helped athletes with disabilities in the Russian national team who come from Solikamsk to take part in the World Armsport Championship in Poland.

Uralkali helps facilitate the economic development of the region and towns where it operates. It makes a substantial contribution to socially-significant projects and initiatives, and plays a role in tackling pressing social problems.

Why these issues are important to us

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

As part of the project to develop basketball as a mass sport for children and teenagers in Berezniki and Solikamsk, in 2014 Uralkali supported 27 basketball centres which trained almost 1,400 children. More than 100 teams participated in town streetball championships. During the summer, training camps were organised in the Perm region, Bulgaria and Serbia. As part of this project, the Company also continued to upgrade basketball centres.

Resettlement programme

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

Under the agreement, signed by Uralkali, the government of the Perm region and the administration of Berezniki, the Company and the regional government will each allocate approximately US$45.1 million[1] in 2013-2015 for the programme. A comparable sum will be allocated from the federal budget. In 2013-2014, Uralkali provided half of this sum for the resettlement in Berezniki.

The funds will be used for the relocation of people living in 99 buildings with a total area of 247 thousand m^2. In the coming years, it is planned to build more than 250 thousand m^2 of new housing on the right bank of the Kama river in Berezniki.

Culture and education

Uralkali is participating in the restoration of the Ust-Borovsky Salt Factory in Solikamsk, a historical and cultural building. In 2014, the ground floor of the salt factory's office building was opened after restoration. At the end of the year, the Company began the restoration of one of the brine lifts.

[1] Commitment of each party is determined in RUB and amounts to 2.5 billion (for the conversion the official exchange rate, determined by the CBRF as at 31 December 2014 (US$ 1 = RR 56.26), was used).

For several years, the Company has supported the "Formula of Success" ceremony, which recognises the achievements of talented children and teachers in Solikamsk. In 2014, the Company launched a singing project to discover young talented performers in Solikamsk. Uralkali also helped Solikamsk children to participate in a theatre festival in the Swiss town of Turgi.

Support for municipalities

In 2014, as part of municipal programmes, the Company provided financial support for:

- road repairs in the Solikamsk area and Berezniki;
- a project to construct a park for culture and recreation in Berezniki;
- the construction of a gas pipeline between Solikamsk and Chertezh;
- preparation of land plots which will be granted to large families in Solikamsk region and Berezniki;
- the preparation of schools for the new school year.

Support for NGOs

In 2014, Uralkali allocated funds to complete the construction of the St. Luke Voyno-Yasenetsky church in Berezniki. Funds were also allocated for repair works in the churches of Solikamsk.

Charity and sponsorship

In 2014, Uralkali cooperated with M.V. Lomonosov Moscow State University, Russia's leading university. The Company sponsored the International School Chemistry Olympiad and events dedicated to the 85th anniversary of the university's Chemistry Department.

Our approach

Uralkali regards its involvement in the social development of the regions where it operates as vital to the successful growth of the business.

In all activities, the Company aims to strike a balance between its own interests and those of its employees and stakeholders.

Key priorities

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

Stakeholders engaged

Employees

Government and local authorities

Local communities

The Company became a partner of the Perm Engineering Industrial Forum, organised by the Ministry of Industry, Trade and Entrepreneurship of the Perm region.

As part of its cooperation with the authorities of the towns where it operates, Uralkali sponsored Berezniki and Solikamsk's Town Days. As usual, Uralkali provided funds for the construction of an ice town in Solikamsk ahead of the New Year celebrations. In addition, ahead of the winter holidays, the Company gave local residents another gift by building ice skating rinks in Berezniki and Solikamsk.

In 2014, with the Company's assistance, groups for children with disabilities were opened in one of Solikamsk's kindergartens. The Company supported a number of the initiatives of the All-Russia Society of Disabled People branch in Berezniki, the local office of the Russian Association of the Blind, and the Berezniki branch of the All-Russia Association of Disabled People Union "Chernobyl of Russia".

Leading the business

Uralkali's Board of Directors is a professional team with deep expertise across various industries enabling them to provide effective strategic support to the Company and its shareholders.

Sergey Chemezov

Chairman of the Board of Directors

Independent Director

Election
First elected to the Board of Directors in March 2014. Re-elected by the annual general meeting in June 2014.

Born in 1952.

University degree.

Skills and experience
Since 1980, held executive positions in various state-owned structures including Promexport and Rosoboronexport.

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

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

External appointments
Chairman of the Board of Directors in the following companies: Rosoboronexport, VSMPO-AVISMA, KAMAZ, NOVIKOMBANK, National Information and Computing Systems.

Deputy Chairman of the Board of Directors at Rosneft and AVTOVAZ.

Member of the Board of Directors at United Aircraft Corporation, United Shipbuilding Corporation, Aeroflot, International Financial Club and several other companies.

Committee membership
Does not serve on any Board committees.

Sir Robert Margetts

Deputy Chairman of the Board of Directors

Senior Independent Director

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

Born in 1946.

University degree.

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

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

Committee membership

- A Committee Member
- CSR Chairman
- A&R Committee Member
- I&D Chairman

Dmitry Mazepin

Deputy Chairman of the Board of Directors

Non-Executive Director

Election
First elected to the Board of Directors in March 2014. Re-elected by the annual general meeting in June 2014.

Born in 1968.

University degree.

Skills and experience
Since the mid-1990s, Dmitry Mazepin has held senior executive positions in state-owned structures and large companies such as Tyumen Petroleum Company, Nizhnevartovskneftegaz, Kuzbassugol, Russian Federal Property Fund.

2002-2003: President of AK Sibur.

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

External appointments
Chairman of the Board of Directors of URALCHEM and its management company URALCHEM Holding P.L.C.

Committee membership
Does not serve on any Board committees.

Paul Ostling

Member of the Board of Directors

Independent Director

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

Born in 1948.

University degree.

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

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

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

External appointments
Chairman of the Board of Directors of Brunswick Rail Management Ltd.

Committee membership

- A Chairman
- CSR Committee Member
- A&R Chairman
- I&D Committee Member

Dmitry Osipov

Member of the Board of Directors

Chief Executive Officer

Election
First elected to the Board of Directors in March 2014. Re-elected by the annual general meeting in June 2014.

Born in 1966.

University degree.

Skills and experience
2005-2007: CEO of Kirovo-Chepetsk Chemical Plant.

2007-2011: CEO of URALCHEM.

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

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

Since December 2013: CEO of Uralkali.

External appointments
Does not hold executive positions in other companies.

Committee membership

- CSR Committee Member
- I&D Committee Member

Committees of the Board of Directors

- A Audit Committee
- CSR Corporate Social Responsibility Committee
- A&R Appointments and Remuneration Committee
- I&D Investment and Development Committee

Dmitry Razumov

Member of the Board of Directors

Non-Executive Director

Election
First elected to the Board of Directors in March 2014. Re-elected by the annual general meeting in June 2014.

Born in 1975.

University degree.

Skills and experience
2001-2005: Deputy CEO of MMC Norilsk Nickel.

Also held positions in and served on the Board of Directors of several companies including Sonic Duo, Megafon, MMC Norilsk Nickel, United Company RUSAL PLC, International Financial Club, Polyus Gold International Limited, RENAISSANCE CAPITAL INVESTMENTS LIMITED.

Since 2007: the CEO of ONEXIM Group.

External appointments
Chairman of the Board of Directors at OPIN, Insurance Company Soglasiye, ë-AUTO, Brooklyn Basketball Holdings LLC, Renaissance Financial Holdings Limited, ONEXIM HOLDINGS LIMITED; a member of the Board of Directors at Intergeo Management Company, Intergeo MMC Ltd, UKRAINIAN AGRARIAN INVESTMENTS S.A.

Committee membership
Does not serve on Board committees.

Jian Chen

Member of the Board of Directors

Non-Executive Director

Election
First elected to the Board of Directors in March 2014. Re-elected by the annual general meeting in June 2014.

Born in 1952.

University degree.

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

2011-2014: Non-executive director of China Investment Corporation.

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

Committee membership

I&D Committee Member

Dmitry Konyaev

Member of the Board of Directors

Non-Executive Director

Election
First elected to the Board of Directors in March 2014. Re-elected by the annual general meeting in June 2014.

Born in 1971.

University degree.

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

2007-2011: Head of Commerce at URALCHEM.

Since 2011, Dmitry has been the CEO of URALCHEM.

External appointments
Member of the Board of Directors at URALCHEM and several of its affiliates.

Committee membership

CSR Committee Member

A&R Committee Member

I&D Committee Member

Valery Senko

Member of the Board of Directors

Non-Executive Director

Election
First elected to the Board of Directors in March 2014. Re-elected by the annual general meeting in June 2014.

Born in 1979.

University degree.

Skills and experience
In 2002-2006, Valery held various management positions in MMC Norilsk Nickel and was responsible for corporate development, international projects and investor relations. Since 2007, he has been head of investments at ONEXIM Group and deputy CEO of ONEXIM since June 2014.

2008-2010: a member of the Board of Directors of Quadra (formerly TGK-4).

2010-2012: a director at Optogan.

2010-2014: a director of RUSAL America Corp.

In 2011-2013 he served on the Board of Polyus Gold (as Chairman in 2011-2012).

External appointments
Member of the Board of Directors of Insurance Company Soglasiye, OPIN, Renaissance Credit Bank, RBC and ë-AUTO.

Committee membership

A Committee Member

CSR Committee Member

I&D Committee Member

Committed to high standards

Foreword

Following the change in the shareholding structure of the Company, which took place in late 2013, a new Board of Directors was elected and the new directors became familiar with the business in a short period of time and on the most pressing issues at Board and Committee meetings.

The professionalism of the new members of the Board, with the unwavering support of the independent directors, and the robust system of practices and procedures that had been developed by Uralkali over the previous years, enabled the Company to maintain its normal operating rhythm: follow the work schedules for its management bodies and be in constant compliance with stock exchange requirements and regulations more generally.

The Board of Directors' composition and balance

As of 31 December 2014, the Board of Directors has the composition elected by the annual general meeting held on 9 June 2014: Sergey Chemezov (Chairman and an independent director), Dmitry Mazepin (Deputy Chairman), Sir Robert Margetts (Deputy Chairman and Senior Independent Director), Dmitry Konyaev, Dmitry Osipov (CEO), Paul Ostling (independent director), Dmitry Razumov, Valery Senko, and Jian Chen. The Board retained its balanced representation of independent and non-executive directors; the independent directors make up more than a third of the total number of Board members.

The Board's Committees had a busy schedule in 2014 and managed to cover a wide range of issues and aspects. The Company believes that its directors have a sufficient set of skills and knowledge to enable them to serve the Company and its shareholders effectively, and the Board includes experts in investment, finance, mining, HR, corporate social responsibility and other disciplines.

Review of the Board's performance in 2014

Due to the changes in the Board's composition which took place in March 2014 directors decided to postpone the Board's performance review. In December 2014, the Appointments and Remuneration Committee decided that sufficient time had passed, and so the review was duly carried out in March 2015.

Distribution of functions within the Board

The Board continued the same approach to segregation of duties in 2014 in line with the best corporate governance practices. This can be summarised as follows:

- **The roles of the Chairman of the Board and the Chief Executive Officer** are split so that the Board's Chairman is responsible for leading the Board and ensuring it effectively handles all aspects of the Company's activities, while the CEO is involved in the day-to-day management of the Company;
- **The Senior Independent Director** represents the group of the independent directors; he interacts with investors on behalf of the Board and conveys the views of investors and minority shareholders to the Board to ensure that the Board adequately understands the interests of all shareholders;
- **The Corporate Secretary** arranges the work of the Board and its Committees, develops their work plans and agendas, follows up on the instructions issued by the Board / Committees, interacts with the management, and helps to arrange general meetings of shareholders.

Induction and training of directors and officers

In 2014, the Board of Directors was joined by seven new members, and the management team also underwent composition changes (see pages 59-60) for more details). It was, therefore, especially important to conduct induction and familiarisation training for the new directors and executives. The training included a review of strategic and operating issues, legal and regulatory requirements, directors' and officers' rights and obligations, personal meetings between directors and management, visits to our production sites in Berezniki and Solikamsk, and a review of key documents.

Planning and scheduling of the Board's work

Traditionally, the scheduling of the Board's and Committees' work for the next year begins in the middle of the current year. Following this scheduling coordination, the work plan for the 2014 calendar year was approved by the Board in December 2013. The Company continued the practice of very intensive work sessions, when the meetings of the Board and some or all of its Committees are all conducted within one or two days, to make the best use of the directors' time whilst concluding all relevant business. Also, having a full and timely approved schedule enables directors to manage their individual timetables, and so the Company is nearly always successful in meeting the time limits for the meetings.

The Board's activity in 2014

According to its work plan for 2014, the Board of Directors considered and approved the Company's financial statements under international accounting standards, convened and approved agendas of general meetings, considered the general and functional strategies of the Company, and discussed various investment projects.

Total number of meetings of the Board and its committees in 2014. Attendance rate[1].

Name	The Board of Directors (12 meetings)[2]	The Audit Committee (6 meetings)	The Appointments and Remuneration Committee (6 meetings)	The Investment and Development Committee (7 meetings)[4]	The Corporate Social Responsibility Committee (4 meetings)
Alexander Voloshin	All[3]				
Anna Kolonchina	All	All	All	All	
Anton Averin	All			All	All
Victor Belyakov	All				All
Pavel Grachev	All		All	All	
Sir Robert Margetts	All	All	All	All	All
Paul Ostling	All	All	All	All	All
Gordon Sage	All	All	All	All	All
Dmitry Mazepin	All				
Sergey Chemezov	All				
Dmitry Razumov	All				
Valery Senko	All	All		All	All
Dmitry Konyaev	All		All	All	
Dmitry Osipov	All			All	
Chen Jian	All			3	

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

[2] Four out of twelve meetings of the Board of Directors were held in absentia.

[3] "All" refers to the number of Board/Committee meetings where a director had to be present either before the termination of the director's term of office or following his/her election to the Board/Committee.

[4] Including strategic session.

In June 2014, the Board held its traditional strategic session, where directors and the management jointly discussed the Company's longer-term strategy and related issues in Berezniki.

In the beginning of 2015, following the accident at Solikamsk-2, the Board decided to update its corporate strategy until 2020 and to accelerate the related investment see pages 34-35.

General shareholder meetings

In 2014, six general shareholder meetings were held, including one annual general meeting and five extraordinary general meetings. The general meetings elected the Board of Directors on two occasions (24 March 2014 and 9 June 2014). The annual general meeting held on 9 June 2014 also considered a number of routine matters such as approval of the annual report and annual financial statements of the Company, distribution of profits, election of the Revision Commission, selection of auditors of the Company's statements and several others. On 4 April 2014, the general meeting considered a major transaction – to procure debt financing from Sberbank of Russia. The most important matter considered by the extraordinary general meeting held on 31 July 2014 was the reorganisation of the Company through annexation of a subsidiary (Uralkali-Technology). The meeting held on 11 November 2014 considered the approval of the new wording of the Charter to align it with the new national legislation, and the extraordinary general meeting held on 26 December 2014 considered the pay-out of interim dividends.

Committees of the Board of Directors

In 2014 the Board had four Committees: the Audit Committee, the Appointments and Remuneration Committee, the Investment and Development Committee, and the Corporate Social Responsibility Committee. All four Committees were fully involved in the life of the Company.

The composition of the Committees was changed once, following the Board meeting on 26 March 2014, when new directors were elected.

In total, there were 23 Committee meetings in 2014. As in previous years, the meetings could be attended by non-member directors. This approach demonstrates the Board's wish to encourage all of its members to take part in discussing important issues.

Activities of the Board Committees

The Audit Committee

Members (as of 31 December 2014)

Paul Ostling (Chairman),
Sir Robert Margetts,
Valery Senko

THE AUDIT COMMITTEE

- Risk management and internal control **45%**
- External audit **3%**
- Internal audit **10%**
- Reporting **26%**
- Corporate governance **13%**
- Monitoring of KPIs **3%**

Key functions

- risk management and internal control
- external and internal audit
- corporate governance
- legal compliance

Targets for 2014

- continue monitoring of risk minimisation plans;
- development of recommendations to approve the IFRS annual and semi-annual reports and the annual report;
- update of the risk matrix;
- monitoring of the quality of corporate governance;
- monitoring of the compliance system.

Achieved

The CSR Committee

Members (as of 31 December 2014)

Sir Robert Margetts (Chairman),
Paul Ostling, Dmitry Konyaev,
Dmitry Osipov, Valery Senko

THE CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

- Health, Safety and Environment **33%**
- Waste **7%**
- HR **20%**
- Energy efficiency **7%**
- Reporting for the Annual Report and Sustainability Report **6%**
- CSR-related risks **20%**
- Activity plans and reports **7%**

Key functions

- consideration of health, safety, environment and social responsibility issues to develop an effective management system for these areas.

Targets for 2014

- consideration of issues related to production waste management;
- monitoring of the Company's HSE activities and performance;
- monitoring of stakeholder engagement in the regions of the Company's presence;
- review and monitoring of the energy saving programme;
- consideration of mine safety issues.

Achieved

The Appointments and Remuneration Committee

Members (as of 31 December 2014)

Paul Ostling (Chairman),
Sir Robert Margetts,
Dmitry Konyaev

THE APPOINTMENTS AND REMUNERATION COMMITTEE

- Achievement of KPIs and recommendations to approve KPIs **13%**
- Recommendations to approve candidate members to the Management Board **37%**
- Other matters **50%**

Key functions

- engagement of qualified specialists for the management of the Company; development of necessary incentives to facilitate a successful functioning of the Company's management bodies to implement strategic plans and ensure succession in management.

Targets for 2014

- assessment of the management's 2014 performance charts;
- consideration of issues related to the talent pool and the succession plan;
- development of a long-term incentive plan for the management;
- monitoring of headcount issues (see page 59 for more details);
- development of recommendations on key appointments to management bodies of the Company.

Achieved

The Investment and Development Committee

Members (as of 31 December 2014)

Sir Robert Margetts (Chairman), Paul Ostling, Dmitry Konyaev, Dmitry Osipov, Valery Senko, Jian Chen

THE INVESTMENT AND DEVELOPMENT COMMITTEE

- Investment projects **16%**
- Budgeting **13%**
- Dividends **10%**
- Mine safety **10%**
- Development of the LTIP **3%**
- Definition of the CEO's KPIs **6%**
- Other matters **29%**
- Strategic matters **13%**

Key functions

- consideration of the Company's strategic development, budgeting process and major investment projects.

Targets for 2014

- consideration of specific functional strategies and the current long-term strategy of the Company;
- monitoring of the project to optimise the repair and maintenance system;
- monitoring of investment projects' efficiency and the budgeting process;
- consideration of strategic initiatives and proposals on new investment projects;
- consideration of marketing projects and distribution development plans.

Achieved

Report of the Audit Committee for 2014

The Audit Committee considers matters falling under its area of competence (as defined by the Regulations of the Audit Committee). The Committee's activities are governed by recommendations and requirements of the Russian financial markets regulator, the Moscow and London stock exchanges, the Charter of the Company, resolutions of the Board, and the Regulations of the Audit Committee.

The current wording of the Regulations of the Audit Committee was approved on 19 December 2013.

According to these Regulations, the competence of the Audit Committee covers the following key matters: public reporting, internal and external audit, risk management and internal control, corporate governance and compliance.

As of 31 December 2014, the Audit Committee had the following members:

Paul Ostling (Chairman, an independent director, financial expert);

Sir Robert Margetts (the senior independent director);

Valery Senko (a non-executive director).

In 2014, the Committee held six meetings. The Chairman of the Committee also had several meetings with the Company's financial experts and risk officers, as well as external consultants.

The internal audit department was reorganised into the internal audit directorate. The new subdivision was headed by Nikolai Morozov, who filled this position in April 2014. The directorate's reports are routinely included in the Committee's meeting agendas.

On 9 June 2014, the Board of Directors determined the fees of CJSC "PriceWaterhouseCoopers Audit" for the audit of the Company's IFRS accounts in the amount of RUB 24,600,000 excluding VAT and including out-of-pocket expenses.

The Committee concluded that the actual ratio between fees for the audit and consulting services (77% to 23% respectively) guarantees impartiality and independence of the auditor of the Company's financial statements.

The Audit Committee's work plan for 2015 will in principle be similar to that of 2014 and will cover internal and external audit, risk management, corporate governance, compliance issues, consistent focus on the quality of new and existing systems and processes in the Company with full support from the management team. One of the key aspects to be considered by the Audit Committee will be improvement of the accounting and financial reporting system following major investment.

The actual amount paid in 2014 to CJSC "PriceWaterhouseCoopers Audit" and its affiliates was RUB 40,571,180, including:

Company	Payments for audit services (RUB)	Payments for consulting services (RUB)
CJSC "PriceWaterhouseCoopers Audit"	29,240,400	8,282,160
PriceWaterhouseCoopers RUSSIA B.V.		3,048,620
Total	29,240,400	11,330,780

Risk management and internal control

The risk management and internal control system adopted by the Company is based on principles incorporated in the ERM (Enterprise Risk Management) system developed by COSO. The ERM:

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

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

Board of Directors

Responsible for the efficiency of the risk management process and for the development and maintenance of the corporate Risk Management and Internal Control System (RMICS).

Audit Committee

Considers the most material risks and corresponding management techniques applied by the Company's executive bodies.

CEO

Provides overall guidance of the risk management process.

Management Board

Is an expert authority of the CEO for risk management and internal control.

Executive Directors

Ensure regulation of business processes within their area of activity; identify the processes' objectives and assess key risks.

Risk Manager

Coordinates the risk management process and the development of consolidated information about the risk management process and internal control system at all levels for the Audit Committee, the Board of Directors, the CEO and the Management Board.

Internal Audit Department

Monitors compliance with the internal control procedures, informs the Audit Committee of identified violations, identifies areas of potential improvements, and provides consultations on corrective measures related to risk management, internal controls and corporate governance.

Employees

Duly perform duties assigned to them by the RMICS; timely inform their management about risks identified during current activities.

Use of the RMICS in the development of financial statements

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

Chief Financial Officer

Ensures:

- Availability and reliability of information in the enterprise resource management system;
- Interaction with auditors;
- Inventory count of property.

Revision Commission

Assures:

- data in Uralkali's annual reports;
- periodic annual accounting statements;
- reports sent to statistical and government authorities and assessment of the internal control system.

Audit Committee

Preliminarily considers:

- Uralkali's financial statements;
- draft reports of the external auditor;

Monitors:

- fullness and integrity of financial statements;

Recommends:

- External auditor candidates to the Board of Directors for subsequent proposals for the general meeting.

External Auditors

Audit:

- RAS accounting statements;
- IFRS annual consolidated financial statements;
- IFRS consolidated condensed financial information.

Board of Directors

Approves financial statements taking into account recommendations made by the Audit Committee.

Report of the Appointments and Remuneration Committee for 2014

The Appointments and Remuneration Committee has three members, two of whom (including the chairman) are independent directors.

On 26 March 2014, following an extraordinary general meeting of the Company, which elected the new Board of Directors, the Committee was given its current composition:

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

The subsequent annual general meeting voted to keep the same composition of the Committee, and so as of 31 December 2014 these are the Committee's current members.

In 2014, the Company decided to optimise the size of its management team and Management Board. During this process, the Committee considered every proposed appointment. In particular, in 2014 the Company engaged a new head of procurement (Nadezhda Kiryanova), new chief financial officer (Anton Vischanenko), and new head of IT (Stanislav Noskov).

In addition, a number of existing employees were promoted: Andrey Silayev was appointed head of security; Andrey Musikhin was appointed head of the GR department; and Daria Fadeyeva was appointed head of the IR department. Earlier in 2014, Ruslan Ilyasov joined Uralkali to become the new head of HR, and Alexander Sidorov joined as the new head of the PR department.

Directors of the Company jointly decided to postpone the Board's performance review in 2013. However, as of March 2015, the Committee organised the review of the Board's 2014 performance.

During 2014, the Committee developed and postponed implementation of a new long-term incentive plan.

In several of its meetings held last year, the Committee considered various social and HR-related issues (e.g. personnel recruitment and retention programmes); these matters were also discussed during the Board's strategic session in the summer of 2014. Having reviewed their 2014 agenda, the Committee decided to have a more detailed review of the succession planning programme in 2015.

Information about major and related party transactions

In 2014, the Company entered into a number of transactions which were deemed major and/or related party transactions pursuant to the Russian Federal Law "On joint-stock companies" (the Law). The Law also stipulates that such transactions must be approved by the general meeting or the Board of Directors depending on the value of transactions, the identity and number of related parties, and explains the approval procedure.

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

Also in 2014, general meetings approved two other related party transactions, under which all directors were deemed related parties. In particular, the general meetings approved:

- The Directors' & Officers' liability insurance agreement, which is extended annually;
- Deeds of indemnity between Uralkali and each director. Also, as the aggregate value of the Company's property, which can be sold as a result of such deeds of indemnity (which are also deemed related party transactions), exceeds 2% of the total book value, pursuant to the Law this required approval by the general meeting.

An EGM held on 4 April 2014 also approved a major transaction to secure financing from "Sberbank of Russia".

Executive bodies of the Company

The Chief Executive Officer and the Management Board

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

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

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

In 2014, the composition of the Management Board was changed several times, and as of 31 December 2014 it had nine members:

Dmitry Osipov (Chairman)
Anton Vishanenko
Nadezhda Kiryanova
Yevgeny Kotlyar
Nikolay Morozov
Oleg Petrov
Stanislav Seleznev
Boris Serebrennikov
Marina Shvetsova

However, currently the Management Board has 10 members (see pages 62-63), following the inclusion of Ruslan Ilyasov as the new Head of HR on 12 February 2015.

In 2014, the Management Board held 12 meetings.

Aside from its routine tasks specified in the Charter, in 4Q 2014 the Management Board also focused on the situation around the accident at the Solikamsk-2 mine; in particular, the management conducted daily briefing sessions with the key personnel involved in the incident mitigation (see page 11 for more details).

Committees under the CEO (Working Groups)

As already disclosed in the 2012 and 2013 Annual Reports, the Company has several committees (or working groups) under the CEO of the Company. They are as follows:

- The Health, Safety, Environment and Corporate Social Responsibility Working Group;
- The Risk and Internal Control Working Group;
- The Procurement Working Group;
- The IT Working Group;
- The Investment Working Group;
- The Subsidiary Management Working Group.

In 2014, the Management Board expanded the list of committees (or working groups) under the CEO and created the Mine Safety Working Group.

The Working Groups were initially formed to ensure a single approach to decision-making in these areas of activity. Every committee is represented by members of the Management Board and is personally led by the CEO. The Working Groups' competence includes monitoring and review of relevant information; preliminary discussions and risk analysis; and follow-up of scheduled activities. This approach ensures a continuous dialogue with the management team and a flow of information about the most crucial aspects of the Company's activities.

Management Board's remuneration

Remuneration payable to members of the Management Board consists of two parts: a monthly salary, the size of which is specified in individual employment contracts, and an annual bonus. The amount of the bonus depends on the achievement of individual KPIs, which reflect the contribution of a member of the management team to the achievement of strategic and operating goals of the Company.

As the long-term incentive programme for senior executives was suspended in 2014, the Management Board does not currently receive LTIP awards.

The total remuneration paid to the Management Board for 2014 was as follows:

	In RUB[2]	In USD[3]
Salary[1]	285 513 676	5 075 041
Annual bonus	139 569 232	2 480 861
Total:	425 082 908	7 555 902

[1] Including payments to those members of the Management Board who left the Company in 2014.

[2] After personal income tax.

[3] Based on the RUB/USD exchange rate set for 31 December 2014.

The amount of remuneration paid to members of the Board of Directors is determined by the Regulations on remuneration and compensation payable to directors of Uralkali. According to this document, remuneration is only paid to independent directors (which fall under independence criteria set by the same regulations).

Independent directors' remuneration consists of two parts:

- Basic remuneration; and
- Remuneration for additional duties (i.e. for being a member or a chairperson of a Board committee).

Remuneration of the Chairperson of the Board of Directors is governed by a separate chapter in the remuneration regulations. The Chairperson's remuneration is a fixed amount paid out in equal parts on a monthly basis.

Since the election of the current Board of Directors (25 March 2014), remuneration has been paid to four directors: Mr Sergey Chemezov, Sir Robert Margetts, and Mr Paul Ostling; Mr Jian Chen received remuneration from 25 March 2014 until 9 June 2014, when the current version of the remuneration regulations was approved.

It should also be noted that from January to March 2014 the Board had a different composition, although Sir Robert Margetts and Mr Paul Ostling have both remained on the Board as directors. During the period, remuneration has also been paid to Mr Alexander Voloshin, who at that time was the Board's Chairman.

Total payments made to directors in 2014 were as follows:

	In RUB	In USD[1]
Remuneration	101 473 166	1 803 698
Expenses	1 846 465	32 822
Total:	103 319 631	1 836 520

[1] Amounts in US dollars are calculated based on exchange rate set for 31 December 2014.

Information about directors' equity ownership

According to JSC "Computershare Registrator", which maintains the register of holders of registered securities of Uralkali, as of 31 December 2014, Yevgeny Kotlyar, who is a member of the Management Board, is registered in the Company's share register with 53,608 ordinary shares of Uralkali, which is equal to 0.0018% of the Company's authorised capital. There are no other members who currently hold or previously held positions in management bodies of Uralkali in 2014 in the Company's share register, both as of 1 January 2014 and as of 31 December 2014. There is no record of any transactions made by members of Uralkali's management bodies to acquire or sell shares of the Company, including dates and essence of transactions, the category (type) and number of Uralkali shares which were the subject matter of such transactions from 1 January 2014 until 31 December 2014. The share register has no records of nominal share holders as of 1 January 2014 and 31 December 2014.

The anti-fraud and anti-corruption system

The existing anti-fraud system aimed preventing corporate fraud was first adopted by the Company in 2011. Since then, the Company has been continuously developing its anti-fraud activities.

As disclosed in the 2013 Annual Report, a project was launched in 2013 to create an anti-corruption compliance system. The project began with an anti-corruption policy, which to date has been fully implemented in the Company and which covers appointments of officials, development of necessary documents, introduction of new internal controls, establishment of codes of conduct for employees, and regular training of personnel at all levels of the organisation. In late 2014, Uralkali also joined the Anti-Corruption Charter.

Importantly, in 2014 Uralkali continued to improve its anti-monopoly and ethical compliance systems. These activities included training sessions for personnel, development of anti-monopoly policies for the Company's headquarters and regional offices, issuance of guidelines for employees, appointment of anti-trust compliance officers at the Company's subsidiaries, and development of an action plan for 2015.

In terms of ethical compliance, the highlight of 2014 was the creation of the ethical officer function to help establish a constructive dialogue between the Company's management and employees. The post of the ethical officer was taken by Sir Robert Margetts, Uralkali's senior independent director. The main task for Sir Robert and his team of ethical ambassadors is to address violations of the corporate Code of Corporate Culture and handle ethics-related grievances and recommendations raised by employees.

Ensuring strong business performance

In 2014, our Management Board proved their ability to ensure that the Company is capable of delivering strong results even in a turbulent operating environment.

Dmitry Osipov
Chief Executive Officer
Chairman of the Management Board

Member of the Management Board since December 2013.

See biography on page 52

Anton Vishanenko
Chief Financial Officer

Member of the Management Board since 2014.

Born in 1979.

University degree.

Skills and experience
Since 2000, Anton Vishanenko held specialist and executive positions at Wimm-Bill-Dann, Mechel and URALCHEM.

In 2012, he was appointed the CFO of the Novorossiysk Commercial Sea Port.

In October 2014, Anton became Uralkali's CFO.

External appointments
Does not hold positions in other companies.

Boris Serebrennikov
Head of Production

Member of the Management Board since 2012.

Born in 1948.

University degree.

Skills and experience
From 1994 to 2011, Boris Serebrennikov held various executive positions at Silvinit.

In 2011, he became the head of the Solikamsk-1 mine, and in April 2012, he became Uralkali's Head of Production.

External appointments
Does not hold positions in other companies.

Yevgeny Kotlyar
Chief Engineer

Member of the Management Board since 2011.

Born in 1958.

University degree.

Skills and experience
From 2000 to 2007 and then from 2010 to June 2011, Yevgeny was the head of production at Silvinit. Following the merger with Uralkali, in June 2011 he was appointed the head of production of the combined company.

From 2012 – has been appointed Chief Engineer at Uralkali.

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

Nadezhda Kiryanova
Head of Procurement

Member of the Management Board since 2014.

Born in 1963.

University degree.

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

In April 2014, Nadezhda was appointed the head of procurement at Uralkali.

External appointments
Does not hold positions in other companies.

For more information see
Strategy on page 20

Stanislav Seleznev
Head of Health, Safety and Environment

Member of the Management Board since 2011.

Born in 1972.

University degree.

Skills and experience
2007-2010: head of HSE at Lafarge Cement. In 2010, Stanislav was appointed the head of HSE at Uralkali.

External appointments
Does not hold positions in other companies.

Oleg Petrov
Head of Sales and Marketing

Member of the Management Board since 2010.

Born in 1963.

University degree.

Skills and experience
2005-2011: 1st Deputy CEO at Belarus Potash Company.

Since 2010: Head of Sales and Marketing at Uralkali.

External appointments
Does not hold positions in other companies.

Marina Shvetsova
Chief Legal Officer

Member of the Management Board since 2005.

Born in 1972.

University degree.

Skills and experience
For the period 1999-2006, Marina Shvetsova lectured at Perm State University.

Between 2001 and 2005, Maria worked at CJSC Sibur-Khimprom holding various positions, including Head of the Legal Department.

In 2005, Maria was appointed Head of the Legal Department and Member of the Management Board of Uralkali.

Marina has been the Legal and Corporate Director of the Company since 2006.

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

Ruslan Ilyasov
Head of HR

Member of the Management Board since 2015.

Born in 1962.

University degree.

Skills and experience
1992-2002: various executive positions at Coca-Cola, Yukos RM, Sun Interbrew, Alfa-Bank, Alcoa, Eldorado.

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

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

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

Since the beginning of 2015: Head of HR at Uralkali.

External appointments
Does not hold positions in other companies.

Nikolay Morozov
Internal Audit Director

Member of the Management Board since 2014.

Born in 1967.

University degree.

Skills and experience
From 1989 to 1993, Nikolay worked as an economist at the Ministry of Foreign Affairs of the USSR and the Russian Federation.

In 1993-1998, Nikolay held a range of positions at various banks (Mosbusinessbank, International Financial Company Bank, and ONEXIM Bank) in the internal controls and risk management divisions. From 1998 to 2003, he was a member of the Management Board and Head of Internal Controls at Rosbank.

From 2003 to 2008, he was Director of Internal Controls at Norilsk Nickel.

From 2008 to 2013, Nikolay was Deputy General Director of Internal Controls at Polyus Gold.

From 2013 to April 2014, Nikolay was Executive Director of ONEXIM Group.

External appointments
Does not hold positions in other companies

Communicating transparently

Ordinary shares

Uralkali's charter capital amounts to RUB 1,468,007,945.5 divided into 2,936,015,891 ordinary registered shares with a face value of RUB 0.5 each. As at the date of this report, the Company's charter capital has remained unchanged since 1 August 2012.

Global Depositary Receipts

Global Depositary Receipts (GDRs) are issued in respect of ordinary shares at a ratio of five registered ordinary shares per one GDR. The GDRs are traded on the London Stock Exchange. The Company's depositary bank is The Bank of New York Mellon.

Securities traded on the stock exchanges (LSE, Moscow Exchange) are fungible, so that ordinary shares may be converted into GDRs and vice versa.

As of 31 December 2014, GDRs represented approximately 19% of Uralkali's share capital.

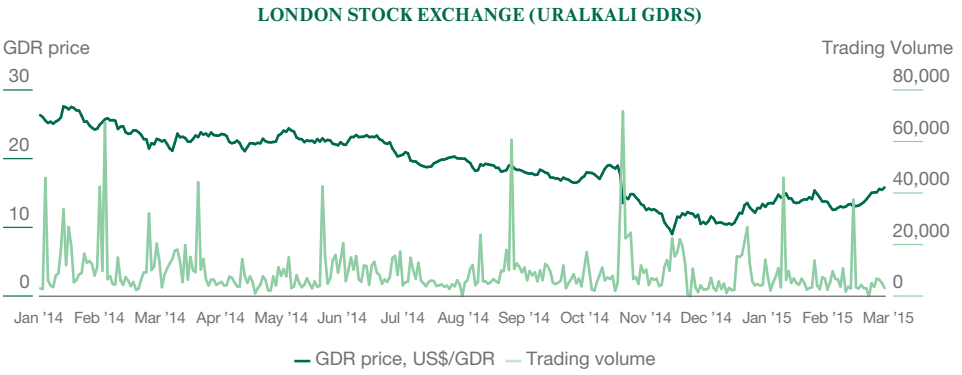
Stock exchanges

As of 31 December 2014, Uralkali's ordinary shares and GDRs were traded on the Moscow Exchange and London Stock Exchange, respectively.

Trading floors of Uralkali's shares and GDRs

Trading floor	Ticker code
Moscow Exchange	URKA
London Stock Exchange (LSE)	URKA

Uralkali share price performance and trading volumes in 2014 and Q1 2015



Source: Bloomberg

Source: Bloomberg

Uralkali's securities identification numbers

CUSIP[1]:	
– Regulation S GDRs	91688E206
– Rule 144A GDRs	91688E107
ISIN[2]:	
– Regulation S GDRs	US91688E2063
– Rule 144A GDRs	US91688E1073
	RU0007661302

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

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

Total Shareholder Return[1]

	Uralkali	Peer average
TSR 2014	-54.8%	5.3%
TSR 2013	-27.9%	-15.5%
TSR 2012	10%	7.2%

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

Uralkali's securities are included in the main indices of the stock exchanges where the Company is listed. Uralkali is an important constituent of the following indexes: MICEX/RTS, MSCI Russia, Market Vectors Russia and Market Vectors Agribusiness.

Uralkali GDRs and ordinary shares trading information (market transactions, Bloomberg)

	LSE (GDRs, US$)		Moscow Exchange (shares, RUB)	
	2013	2014	2013	2014
Annual maximum price	39.7	27.5	235.7	185.9
Annual minimum price	21.7	9	143.8	116.7
Year-end price	26.6	11.79	171.9	128.4
Trading volume (million units)	556	255	1,336.6	991.5

Credit ratings

	Standard & Poor's	Fitch	Moody's
Credit rating	BBB-	BBB-	Ba1
Outlook	Negative	Negative	Negative
Last rating date	4 February 2015	13 January 2015	25 February 2015

Uralkali's share in major indices

Index	Share, %[1]
MICEX	1.92%
RTS	1.92%
MSCI Russia	2.37%
Market Vectors Russia	2.34%
Market Vectors Agribusiness	0.76%

[1] As of December 2014.

Sources: Moscow Exchange, MSCI, Market Vectors.

Analyst coverage

More than 20 equity research analysts from leading banks including Credit Suisse, Goldman Sachs, HSBC, JP Morgan, UBS, VTB Capital and Sberbank CIB follow the Company on a regular basis.

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

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

Credit ratings

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

In December 2014, Standard & Poor's kept its BBB- rating and placed Uralkali on CreditWatch with the view that there might be negative implications with regard to the Solikamsk-2 accident. Despite the fact that S&P lowered its foreign currency ratings on Russia to 'BB+/B' with a negative outlook in January 2015, it affirmed Uralkali's BBB- rating and removed it from CreditWatch, revising its outlook to negative in February 2015.

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

In February 2015, following the downgrade of the Russian sovereign rating to Ba1 with a negative outlook, Moody's changed Uralkali's rating correspondingly.

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

Dividends

Taxation

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

- for legal entities: 0% (pursuant to the relevant provisions of the Tax Code of the Russian Federation) or 13% for Russian residents and 15% for non-residents;
- for individuals: 13% for Russian residents and 15% for non-residents.

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

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

Dividend payments

Period	Record date	Date of adoption of decision on dividend payment	Amount of dividend per ordinary share/ GDR (RUB)	Amount of accrued dividends (RUB, 000)
2013	20.06.2014	09.06.2014	1.63/8.15	4,785,705.90
Interim dividends	29.10.2013	18.12.2013	2.21/11.05	6,488,595.12
2012	25.04.2013	04.06.2013	3.9/19.5	11,450,461.97
Interim dividends	06.11.2012	12.12.2012	4.71/23.55	13,828,634.85
2011	26.04.2012	07.06.2012	4.0/20.0	12,378,551.62
Interim dividends	02.11.2011	08.12.2011	4.0/20.0	12,378,066.30
2010	24.05.2011	29.06.2011	4.55/22.75	14,080,050.42

Dividend policy

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

Dividends are paid from the profits of the Company after taxation (net profit). The net profit size is determined on the basis of the Company's accounting (financial) statements. Pursuant to the applicable laws, and Uralkali's Charter and the Regulations on the Dividend Policy, the Company has the right to decide (declare) to pay dividends based on the results of the financial year, as well as of the first quarter, six months and nine months of the financial year (interim dividends).

The General Meeting of Shareholders takes the decision to pay (declare) dividends. The total amount of dividends may not exceed the amount recommended by the Board of Directors.

In line with the new edition of Uralkali's Regulations on the Dividend Policy in force since December 2013, the Company's Board of Directors makes recommendations to the General Meeting of Shareholders regarding the procedure for the distribution of profits as dividends. The Board of Directors also makes recommendations to the General Meeting regarding the amount of dividends and the procedure for their payment at least twice in each calendar year. Subject to compliance with the applicable laws and regulations of the Russian Federation, the Company's Charter and the Regulations on the Dividend Policy, the Board of Directors should base its recommendations on the fact that the total amount of funds spent on dividends should be not less than 50% of the Company's IFRS net profit for the relevant period.

In December 2014, the shareholders decided not to pay interim dividends given the situation at Solikamsk-2 coupled with economic volatility in Russia.

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

SHARE CAPITAL STRUCTURE[1] (%)

- ONEXIM Group[2] **27.09%**
- URALCHEM OJSC **19.99%**
- Chengdong Investment Corporation **12.50%**
- Treasury shares **12.60%**
- Free float **27.82%**

GEOGRAPHY OF URALKALI'S SHAREHOLDERS[3] (%)

- USA **38%**
- UK **16%**
- Netherlands **8%**
- Singapore **6%**
- Hong Kong SAR **5%**
- Rest of Europe **15%**
- Rest of World **12%**

[1] The shareholdings are based on data as of 15 April 2015.

[2] According to the information from ONEXIM Group (http://www.onexim.ru/investments/mining/).

[3] Freefloat excluding treasury shares as of September 2014.

Investor relations

Communications and dialogue

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

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

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

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

Last year, Uralkali held over 450 meetings with the investment community and more than 50 investors and analysts attended the Company's Capital Markets Day.

Board oversight

The Board regularly receives investor relations reports covering key meetings, activities and shareholders' feedback. Analyst coverage reports are also circulated on a regular basis.

During the year, Uralkali conducts perception studies analysing opinions within the investment community on the Company's strategy, corporate governance practices, information disclosure in the area of sustainable development and other key issues.

The survey results are presented to the Board of Directors.

Information disclosure

The Company takes great care to ensure that any relevant information is released to all shareholders and analysts at the same time, in accordance with the FCA's Disclosure and Transparency Rules.

Generally, the information is distributed through the following channels:

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

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

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

- **Social media:** Uralkali selectively uses social media as an additional channel of information disclosure and to distribute Company and industry news, as well as to highlight publications in the Russian and foreign media.

For more information please visit Uralkali's official Facebook page at www.facebook.com/UralkaliURKA and Twitter www.twitter.com/UralkaliNEWS

E-mail

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

Awards

In 2014, the Company participated in a number of contests for the best annual report for 2013:

- **CorpComms Awards 2014:** Best annual report – private sector (winner).
- **2014 IR Society Best Practice Awards:** Best digital reporting – International (nominee).
- **The 17th Annual Report Competition organised by the Moscow Exchange:**
  - Best annual report from the industrial sector of the economy (winner);
  - Best annual report from a company with a market capitalisation of more than RUB 100 billion (nominee);
  - Best design and printing of an annual report (nominee);
  - Best disclosure of corporate governance in an annual report (nominee).
- **The 17th Annual Federal Competition for Annual Reports and Corporate Sites organised by the Securities Market Magazine (RTsB) and the Ministry of Finance of the Russian Federation:** Best design and printing in non-financial sector (nominee).

Uralkali was named in the top three private companies in the "Study of corporate transparency of Russian companies for 2014" conducted by the Russian Regional Network on Integrated Reporting.

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of PJSC Uralkali (the "Company", Note 1) and its subsidiaries (together the "Group") which comprise the consolidated statement of financial position as of 31 December 2014 and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

5 March 2015

Moscow, Russian Federation

Consolidated statement of financial position as of 31 December 2014 (in thousands of US dollars, unless otherwise stated)

	Note	31 December 2014	31 December 2013
ASSETS			
Non-current assets:			
Property, plant and equipment	8	**1,899,108**	3,235,456
Prepayments for acquisition of property, plant and equipment and intangible assets		**129,981**	145,689
Goodwill	9	**1,048,573**	1,802,398
Intangible assets	10	**3,192,065**	5,457,299
Deferred income tax asset	30	**14,644**	21,635
Income tax prepayment recoverable after more than 12 months	11	**128,983**	259,455
Other non-current assets		**22,270**	21,986
Total non-current assets		**6,435,624**	**10,943,918**
Current assets:			
Inventories	12	**143,374**	250,495
Trade and other receivables	13	**481,127**	518,062
Current income tax prepayments		**76,610**	8,290
Other financial assets at fair value through profit or loss	14	**61,209**	–
Restricted cash	15	**–**	3,055
Deposits	15	**300,000**	–
Cash and cash equivalents	15	**2,155,247**	930,168
		3,217,567	**1,710,070**
Non-current assets held for sale		**3,672**	6,311
Total current assets		**3,221,239**	**1,716,381**
Total assets		**9,656,863**	**12,660,299**
EQUITY			
Share capital	16	**35,762**	35,762
Treasury shares	16	**(5,759)**	(5,722)
Share premium		**4,361,346**	4,371,815
Currency translation reserve		**(3,609,136)**	(1,301,324)
Retained earnings		**1,879,243**	2,626,946
Equity attributable to the company's equity holders		**2,661,456**	**5,727,477**
Non-controlling interests	36	**9,383**	**14,133**
Total equity		**2,670,839**	**5,741,610**

Consolidated statement of financial position as of 31 December 2014 (in thousands of US dollars, unless otherwise stated) (continued)

	Note	31 December 2014	31 December 2013
LIABILITIES			
Non-current liabilities:			
Borrowings	19	**4,418,632**	2,936,827
Bonds issued	20	**580,125**	646,035
Post-employment and other long-term benefit obligations	31	**30,967**	43,394
Deferred income tax liability	30	**459,223**	975,531
Provisions	17	**41,057**	86,996
Mine flooding provision	18	**3,946**	–
Derivative financial liabilities	21	**554,897**	62,043
Total non-current liabilities		**6,088,847**	**4,750,826**
Current liabilities:			
Borrowings	19	**628,030**	1,459,564
Bonds issued	20	**3,847**	4,033
Trade and other payables	22	**195,581**	556,613
Provisions	17	**31,661**	40,118
Mine flooding provision	18	**16,906**	–
Derivative financial liabilities	21	**–**	71,340
Current income tax payable		**694**	1,083
Other taxes payable		**20,458**	35,112
Total current liabilities		**897,177**	**2,167,863**
Total liabilities		**6,986,024**	**6,918,689**
Total liabilities and equity		**9,656,863**	**12,660,299**

Approved for issue and signed on behalf of the Board of Directors 5 March 2015

Dmitry Osipov
Chief Executive Officer

Anton Vishanenko
Chief Financial Officer

Consolidated statement of profit or loss for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated)

	Note	2014	2013
Revenues	23	**3,559,292**	3,322,615
Cost of sales	24	**(915,967)**	(944,525)
Gross profit		**2,643,325**	**2,378,090**
Distribution costs	25	**(932,771)**	(879,924)
General and administrative expenses	26	**(209,466)**	(278,705)
Taxes other than income tax		**(40,826)**	(39,691)
Other operating income and expenses, net	28	**(102,291)**	(121,682)
Operating profit		**1,357,971**	**1,058,088**
Finance income	29	**26,967**	121,792
Finance expense	29	**(2,138,318)**	(352,972)
(Loss)/profit before income tax		**(753,380)**	**826,908**
Income tax credit/(expense)	30	**122,524**	(160,580)
Net (loss)/profit for the year		**(630,856)**	**666,328**
(Loss)/profit attributable to:			
Owners of the Company		**(627,305)**	666,859
Non-controlling interests	36	**(3,551)**	(531)
Net (loss)/profit for the year		**(630,856)**	**666,328**
(Loss)/earnings per share – basic and diluted (in US cents)	32	**(24.43)**	**24.35**

Consolidated statement of other comprehensive income for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated)

	Note	2014	2013
Net (loss)/profit for the year		**(630,856)**	**666,328**
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss:			
Remeasurement of post-employment benefit obligations	31	**1,545**	671
Items that may be subsequently reclassified to profit or loss:			
Effect of translation to presentation currency		**(2,307,812)**	(621,179)
Total other comprehensive loss for the year		**(2,306,267)**	**(620,508)**
Total comprehensive (loss)/income for the year		**(2,937,123)**	**45,820**
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(2,933,572)**	46,351
Non-controlling interests	36	**(3,551)**	(531)

Consolidated statement of cash flows for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated)

	Note	2014	2013
Cash flows from operating activities			
(Loss)/profit before income tax		**(753,380)**	826,908
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets		**371,292**	415,304
Accrual/(reversal) of mine flooding provision	28	**16,408**	(31,399)
Write off of Solikamsk-2 property, plant and equipment	5, 28	**38,049**	–
Net loss on disposals and write-off of property, plant and equipment	28	**27,676**	14,082
Write-off of bank deposits	28	**2,857**	34,070
Accrual of provision for impairment of receivables	28	**3,034**	346
Net change in provisions	17	**–**	45,040
Loss from write-off of net assets of BPC	28	**–**	2,602
Income from redemption of bonds	29	**(2,364)**	–
Fair value loss on derivative financial liabilities, net	29	**836,680**	169,538
Foreign exchange loss/(gain), net	29	**1,166,924**	(33,037)
Other finance income and expense, net		**92,131**	13,906
Operating cash flows before working capital changes		**1,799,307**	**1,457,360**
(Increase)/decrease in trade and other receivables		**(52,192)**	84,308
Decrease/(increase) in inventories		**3,440**	(18,990)
(Decrease)/increase in trade and other payables		**(32,317)**	170,805
Increase in other taxes payable		**2,196**	2,618
Cash generated from operations		**1,720,434**	**1,696,101**
Interest paid	19, 20	**(258,841)**	(273,441)
Income taxes paid net of refunds received		**(81,117)**	(185,149)
Net cash generated from operating activities		**1,380,476**	**1,237,511**
Cash flows from investing activities			
Acquisition of intangible assets		**(14,220)**	(10,526)
Acquisition of property, plant and equipment		**(349,411)**	(416,192)
Proceeds from sales of property, plant and equipment		**1,766**	1,916
Purchase of other financial assets at fair value through profit or loss		**(130,790)**	–
Proceeds from sale of other financial assets at fair value through profit or loss		**60,575**	128,111
Acquisition of associates		**–**	(1,259)
Acquisition of subsidiaries, net of cash acquired		**–**	(3,989)
Acquisition of other non-current assets		**(13,263)**	(15,000)
(Increase)/decrease in deposits and restricted cash		**(296,945)**	279,853
Interest received		**23,898**	88,692
Net cash (used in)/generated from investing activities		**(718,390)**	**51,606**

Consolidated statement of cash flows for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated) (continued)

	Note	2014	2013
Cash flows from financing activities			
Repayments of borrowings	19	**(2,119,682)**	(4,800,707)
Proceeds from borrowings	19	**3,398,756**	5,410,684
Syndication fees and other financial charges paid	19, 20	**(28,926)**	(40,032)
Proceeds from bonds issued	20, 29	**–**	650,000
Purchase of bonds issued	20	**(65,736)**	–
Purchase of non-controlling interest		**(733)**	–
Cash proceeds from derivatives	21	**87,744**	86,134
Cash paid for derivatives	21	**(221,651)**	(21,770)
Purchase of treasury shares		**(10,506)**	(2,518,078)
Finance lease payments	29	**(1,326)**	(1,519)
Dividends paid to the Company's shareholders		**(290,079)**	(429,931)
Net cash from/(used) in financing activities		**747,861**	**(1,665,219)**
Effect of foreign exchange rate changes		**(184,868)**	(79,974)
Net increase/(decrease) in cash and cash equivalents		**1,225,079**	**(456,076)**
Cash and cash equivalents at the beginning of the year	15	**930,168**	**1,386,244**
Cash and cash equivalents at the end of the year	15	**2,155,247**	**930,168**

Consolidated statement of changes in equity for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated)

	Attributable to equity holders of the Company							
	Share capital	Treasury shares	Share premium/ (discount)	Retained earnings	Currency translation reserve	Total attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 1 January 2013	**35,762**	**(58)**	**6,884,228**	**2,510,337**	**(680,145)**	**8,750,124**	**8,265**	**8,758,389**
Profit/(loss) for the period	–	–	–	666,859	–	666,859	(531)	666,328
Other comprehensive income/(loss)	–	–	–	671	(621,179)	(620,508)	–	(620,508)
Total comprehensive income/ (loss) for the period	**–**	**–**	**–**	**667,530**	**(621,179)**	**46,351**	**(531)**	**45,820**
Transactions with owners								
Dividends declared (Note 16)	–	–	–	(550,921)	–	(550,921)	–	(550,921)
Purchase of treasury shares	–	(5,664)	(2,512,413)	–	–	(2,518,077)	–	(2,518,077)
Total transactions with owners	**–**	**(5,664)**	**(2,512,413)**	**(550,921)**	**–**	**(3,068,998)**	**–**	**(3,068,998)**
Non-controlling interest acquired	–	–	–	–	–	–	7,445	7,445
Disposal of non-controlling interest	–	–	–	–	–	–	(1,046)	(1,046)
Balance at 31 December 2013	**35,762**	**(5,722)**	**4,371,815**	**2,626,946**	**(1,301,324)**	**5,727,477**	**14,133**	**5,741,610**
Balance at 1 January 2014								
Loss for the period	–	–	–	(627,305)	–	(627,305)	(3,551)	(630,856)
Other comprehensive loss	–	–	–	1,545	(2,307,812)	(2,306,267)	–	(2,306,267)
Total comprehensive (loss)/ income for the period	**–**	**–**	**–**	**(625,760)**	**(2,307,812)**	**(2,933,572)**	**(3,551)**	**(2,937,123)**
Transactions with owners								
Dividends declared (Note 16)	–	–	–	(121,943)	–	(121,943)	–	(121,943)
Purchase of treasury shares	–	(37)	(10,469)	–	–	(10,506)	–	(10,506)
Total transactions with owners	**–**	**(37)**	**(10,469)**	**(121,943)**	**–**	**(132,449)**	**–**	**(132,449)**
Disposal of non-controlling interest	–	–	–	–	–	–	(1,199)	(1,199)
Balance at 31 December 2014	**35,762**	**(5,759)**	**4,361,346**	**1,879,243**	**(3,609,136)**	**2,661,456**	**9,383**	**2,670,839**

Notes to the consolidated financial statements for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated)

1 The Uralkali Group and its operations

Public Joint Stock Company Uralkali (the "Company") and its subsidiaries (together the "Group") produce mineral fertilizers, primarily potassium based, which are extracted and processed in the vicinity of the cities of Berezniki and Solikamsk, Russia. They are distributed both on domestic and foreign markets. The Group manufactures various types of products, the most significant being a wide range of potassium salts. The Group is a major Russia-based potash manufacturer. For the year ended 31 December 2014 approximately 84% of total volume of the potash fertilizers was exported (for the year ended 31 December 2013: 81%).

The Company holds operating licences, issued by the Perm regional authorities for the extraction of potassium, magnesium and sodium salts from the Durimanskiy, Bigelsko-Troitsky, Solikamskiy (north and south parts) and Novo-Solikamskiy plots of the Verkhnekamskoye field. The licenses were prolonged on 1 April 2013 till 2018 – 2021 at nominal cost. The Company also owns a licence for the Ust'-Yaivinskiy plot of the Verkhnekamskoye field, which expires in 2024, and for the Polovodovskiy plot of the Verkhnekamskoye field, which expires in 2028.

As of 31 December 2014 and 31 December 2013 the Group had no ultimate controlling party.

The Company was incorporated as an open joint stock company in the Russian Federation on 14 October 1992. In accordance with amendments to the Civil code in 2014, which provided new legal forms of entities, on 21 November 2014 the Company changed its legal form to a public joint stock company. The Company has its registered office at 63 Pyatiletki St., Berezniki, Perm region, Russian Federation. Almost all of the Group's production capacities and all long-term assets are located in the Russian Federation. As of 31 December 2014 the Group employed approximately 20.8 thousand employees (31 December 2013: 21.1 thousand).

2 Basis of preparation and significant accounting policies

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

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 measured at fair value as described in Note 2.11.

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 and Uralkali Trading (Gibraltar) which maintain their accounting records in US dollars ("US$") and prepare their financial statements in accordance with IFRS. UKT Chicago, Inc. maintains its accounting records in US$ and prepares its financial statements in accordance with US GAAP. Uralkali Capital Sarl maintains its accounting records in Euro and prepares its financial statements in accordance with Luxemburg GAAP. These consolidated financial statements are based on the statutory records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with IFRS.

2.2 Consolidated financial statements

Subsidiaries represent investees, including structured entities, which the Group controls, as the Group:

(i) has the powers to control significant operations which has a considerable impact on the investee's revenues,

(ii) runs the risks related to variable income on the investee's share or is entitled to such income, and

(iii) is able to use its powers with regard to the investee in order to influence its revenues.

The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than a majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee.

Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee.

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 assumed or 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.

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.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated, unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

2.3 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 owners of the parent company of the Group. Non-controlling interest forms a separate component of the Group's equity.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired in a transaction resulting in no change of control is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction directly in equity.

2.4 Joint Arrangements

Investments in joint ventures are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor according to IFRS 11, Joint Arrangements.

The Group has assessed the nature of its joint arrangements and determined them to be joint ventures that are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

2.5 Property, plant and equipment

Property, plant and equipment 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. Property, plant and equipment acquired through business combinations are recorded at fair value determined by independent valuation at the date of acquisition, less accumulated depreciation since acquisition date.

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated) (continued)

2 Basis of preparation and significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

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

	Useful lives in years
Buildings	10 to 60
Mine development costs	5 to 30
Plant and equipment	2 to 30
Transport vehicles	5 to 15
Other	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.

2.6 Operating leases

Leases where substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged on a straight line basis over the lease term to the profit or loss. Operating leases include long-term leases of land with rental payments contingent on cadastral values regularly reviewed by the government.

2.7 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.

2.8 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.

2.9 Intangible assets

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

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

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

2.10 Classification of financial assets and liabilities

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

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

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

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

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

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

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

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

2.11 Financial instruments – key measurement terms

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

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

Fair values of financial instruments traded in an active market are measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity.

Notes to the consolidated financial statements for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated) (continued)

2 Basis of preparation and significant accounting policies (continued)

2.11 Financial instruments – key measurement terms (continued)

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the Group's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the Group's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including the duration of the Group's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

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

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

(i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

(iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, minus or plus accrued interest, and for financial assets – less any write-down (direct or through the valuation provision account) for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents and advisors, levies by regulatory agencies and securities exchanges, and transfer taxes and duties imposed on property transfer. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

2.12 Initial recognition of financial instruments

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

A gain or loss on initial recognition is only recorded if there is a difference between the fair value and the transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. All regular way purchases and sales of financial instruments are recognised on the trade date, which is the date that the Group commits to purchase or sell the financial instrument.

2.13 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and net amount is presented in the statement of financial position only when there is a legally enforceable right to set-off the recognised amounts, and there is intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. The right to offset (1) must not be contingent on a future event and (2) must be legally enforceable in all of the following circumstances: (a) in the normal course of business activities, (b) in the event of default and (c) in the case of insolvency or bankruptcy.

2.14 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 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) Limited, in the USA for UKT Chicago, Inc. 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.

2.16 Inventories

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

Notes to the consolidated financial statements for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated) (continued)

2 Basis of preparation and significant accounting policies (continued)

2.17 Trade and other receivables

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

2.18 Cash and cash equivalents

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

Bank overdrafts which are repayable on demand are included as a component of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

2.19 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.

2.20 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.

2.21 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.

2.22 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.

2.23 Borrowings

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

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

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

2.24 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that 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.

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

The estimated future filling cavities costs, discounted to net present value, are added to respective items of property, plant and equipment and corresponding obligations. The additions of property, plant and equipment are depreciated on a straight-line basis over the useful life of the corresponding asset. A change in present value of the obligation is recognised in profit or loss as part of other finance income/costs. Changes to estimated future costs are recognised in the consolidated statement of financial position by either increasing or decreasing the provision for filling cavities and asset to which it relates. The Group reassesses its estimation of filling cavities provision as of the end of each reporting period.

2.25 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.

2.26 Foreign currency translation

Functional and presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is the national currency of the Russian Federation, RR. The presentation currency of the Group is US$ since the Company's management considers presentation of the financial statements in US$ to be more useful for the users of the financial statements.

Transactions and balances. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end official exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss as finance income or costs. Translation at year-end rates does not apply to non-monetary items, 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 profit or loss and cash flows are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses and cash flows are translated at the dates of the transactions);

(iii) components of equity are translated at the historic rate; and

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

At 31 December 2014, the official rate of exchange, as determined by the Central Bank of the Russian Federation (CBRF), was US$ 1 = RR 56.26 (31 December 2013: US$ 1 = RR 32.73). The official Euro to RR exchange rate at 31 December 2014, as determined by the CBRF, was Euro 1 = RR 68.34 (31 December 2013: Euro 1 = RR 44.97). The average official rate of exchange for the twelve months ended 31 December 2014 was US$ 1 = RR 38.42, was Euro 1 = RR 50.82 (for the year ended 31 December 2013: US$ 1 = RR 31.85, Euro 1 = RR 42.31).

Due to higher volatility of RR exchange rate in the fourth quarter of 2014, the average rate for this quarter (US$ 1 = RR 47.42) was used to translate income and expenses for each statement of profit or loss and cash flows. The average exchange rate for the nine months ended 30 September 2014 was US$ 1 = RR 35.39 and it was used to translate income and expenses for each statement of profit or loss and cash flows for that period.

Notes to the consolidated financial statements for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated) (continued)

2 Basis of preparation and significant accounting policies (continued)

2.27 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 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.

2.28 Transhipment costs

Transhipment costs incurred by OJSC Baltic Bulker Terminal ("BBT"), a 100% subsidiary whose activity is related to the 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.

2.29 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.

2.30 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.

2.31 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.

2.32 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.

2.33 Segment reporting

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

2.34 Going concern

Management prepared these consolidated financial statements on a going concern basis. In making this judgement management considered the Group's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the situation in the financial markets on the operations of the Group (Note 33.5).

3 Adoption of new or revised standards and interpretations

The following new standards and interpretations became effective for the Group from 1 January 2014. The amended standards and interpretations did not have any material impact on the Group's consolidated financial statements:

"Offsetting Financial Assets and Financial Liabilities" – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The standard clarified that a qualifying right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

IFRIC 21 – "Levies" (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional.

Amendments to IAS 36 – "Recoverable amount disclosures for non-financial assets" (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment.

Amendments to IAS 39 – "Novation of Derivatives and Continuation of Hedge Accounting" (issued in June 2013 and effective for annual periods beginning 1 January 2014). The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

4 New accounting pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2015 or later, and which the Group has not early adopted.

IFRS 9 "Financial Instruments: Classification and Measurement" amended in July 2014 and effective for annual periods beginning on or after 1 January 2018. The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary. The Group does not intend to adopt the existing version of IFRS 9.

Amendments to IAS 19 – "Defined benefit plans: Employee contributions" (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The Group does not expect the amendment to have any impact on its financial statements.

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements consist of changes to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to IFRS 1, IFRS 3, IFRS 13 and IAS 40. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated) (continued)

4 New accounting pronouncements (continued)

Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact following standards: IFRS 5, IFRS 7, IAS 19 and IAS 34. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

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

5 Critical accounting estimates and judgements in applying accounting policies

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

Provisions for mine Solikamsk-2 flooding. On 18 November 2014 higher levels of brine inflow were detected in Solikamsk-2 mine. The emergency plan was immediately activated. All personnel had been evacuated to above ground. On 18 November 2014 at about 4.00 pm (GMT) a new sinkhole with a diameter of 30-40 meters had been detected on the surface above North-East Panel II. The sinkhole is located to the east of the Solikasmk-2 production site, outside the residential area of Solikamsk town and is mainly associated with the area where the rocks and inter-bed pillars collapsed on 5 January 1995. The danger area around the sinkhole was fenced in immediately, with limited access to people: the perimeter of the danger area is monitored 24/7.

Monitoring activities in the danger area have been expanded: additional on-line monitoring methods have been implemented, observations of the situation developments have been intensified. Special scientific and design organizations – the Mining Institute of the Ural Branch of Russian Academy of Science, OJSC Galurgia and CJSC VNII Galurgia (All-Russian Scientific Research Institute for Mineral Salt Technologies) are involved in the accident mitigation.

In line with the accident mitigation plan, the Company continues to comprehensively monitor the situation: water inflows are monitored through brine level checks, brines are sampled for chemical analysis and to determine salt content alterations; additional water monitoring wells have been drilled in the sinkhole area; ground water levels are monitored using the wells around the sinkhole on a daily basis; gas level monitoring is performed both around the sinkhole and in the mine; the sinkhole is monitored for its growth; seismologic control of the sinkhole area has been set up.

On 29 January 2015 a Commission of the Federal Service for Environmental, Technological, and Nuclear Supervision Service of Russia (hereinafter, the "Commission") completed their investigation of the accident causes in Solikamsk-2. The Commission have analyzed investigation reports for the 1995 accident in the Second Solikamsk Production Unit of OJSC Silvinit, reviewed the monitoring results of the collapse area (the collapse area has been monitored for almost 20 years by the license holders in cooperation with the relevant institutions) and information regarding the implementation of engineering arrangements aimed at accident mitigation and extension of the mine life for as long as possible. The Commission comprises experts from special organizations and relevant scientific institutions.

According to the Technical Investigation Report regarding causes of the accident in the Solikamsk-2 mine of the Company on 18 November 2014, the inflow of fresh water into the mining area of Solikamsk-2 was the adverse consequences of the 1995 accident caused by massive rock deformations with consequent failure of the waterproof complex. Therefore, the accident in Solikamsk-2 that took place on 18 November 2014 resulted from extraordinary circumstances which could not have been prevented in such conditions.

Currently the Company is implementing a number of engineering and other arrangements to minimize the impact of the accident and reduce suprasalt water inflows into the mine. To prevent adverse effects of the accident, the danger area within the mine of Solikamsk-2 has been outlined and outside such danger area backfilling operations are carried out with further monitoring of the situation.

The Group will continue filling cavities of the Solikamsk-2 mine as long as possible and believes this would help to contain and mitigate any consequences of the accident. Overground facilities of Solikamsk-2 will be used in the future for ore processing after new shafts are constructed in the southern part of the Solikamsk plot of Verkhnekamskoye deposit where no mining operations have been performed so far.

The carrying value of the mining license for Solikamsk-2 was US$ 1,135,013, as of 31 December 2014. The impairment test showed that the recoverable amount exceeded the carrying amount of the license (Note 10).

On 29 January 2015 upon completion of the technical investigation of the accident causes in Solikamsk-2 carried out by a committee appointed by the West Ural Administration of Rostekhnadzor the Group evaluated potential costs of the accident remediation. As of 31 December 2014 the Group accrued a provision in the amount of US$ 20,852 to cover the estimated costs for liquidation of the accident consequences (Note 18). The Group has also impaired its fixed assets in the amount of US$ 30,481 and construction in progress in the amount of US$ 7,568 as of 31 December 2014 (Note 8).

As of 5 March 2015 there are no lawsuits against the Group for reimbursement of expenses resulting from the negative effects of the accident in the Solikamsk-2 mine and no provisions have been created.

Management believes that there are no liabilities relating to the Solikamsk-2 flooding other than those disclosed in the consolidated financial statements for the year ended 31 December 2014. Management is currently evaluating risks of the mine flooding, its consequences and costs that the Group may incur in the future. Since those risks are complicated and it is uncertain how the situation in Solikamsk-2 is going to develop, as of the reporting date, the Company's management is unable to evaluate properly future cash outflows associated with the mine flooding and third parties' claims, however this amount may be considerable and may go far beyond the provision accrued as of 31 December 2014.

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

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

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

Management believes that there are no liabilities relating to the Berezniki-1 flooding which should be recorded or disclosed in the consolidated financial statements for the year ended 31 December 2014.

Remaining useful life of property, plant and equipment and mining licences. Management assesses the remaining useful life of property, plant and equipment in accordance with the current technical condition of assets and estimated period during which these assets will be bringing economic benefits to the Group (Note 8).

The Group holds operating mining licences for the production of potassium salts, magnesium and sodium which were extended till 2018-2021 upon their expiry on 1 April 2013. Management assesses the remaining useful life of mining licences on the basis of the expected mining reserves (Note 10).

The estimated remaining useful life of certain property, plant and equipment and mineral resources is beyond the expiry date of the relevant operating licences (Note 1). Management believes that in future the licences will be further renewed in due order at nominal cost. Any changes to this assumption could significantly affect prospective depreciation and amortisation charges and asset carrying values.

Goodwill. The Group tests goodwill for impairment at least annually (Note 9). The goodwill relates to the acquisition of the Silvinit Group, CJSC Solikamsky Stroitelny Trest, OJSC BBT and CJSC VNII Galurgia. The goodwill is primarily attributable to the expected future operational and marketing synergies of the combined group and is allocated to CGU Uralkali Group (Note 9).

Notes to the consolidated financial statements for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated) (continued)

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

Mining licenses. Management makes estimates, judgments and significant assumptions to assess whether the recoverable amount of the licenses exceeds their carrying value. This largely depends on the estimates about a range of technical and economic factors, including technology for construction of the mines, the level of capital expenditure needed to develop the deposit, the expected start of the production, the future potash prices and exchange rates. Since the assumptions used to estimate the above factors might change from period to period, the results of management estimates might also change from period to period.

As of 31 December 2014, management tested the carrying value of the mining licenses for impairment due to the Solikamsk-2 flooding and deterioration in the Russian operating environment (Note 33). The recoverable amount was assessed with reference to value-in-use models. Based on the testing results, the recoverable amounts of intangible assets at 31 December 2014 exceeded their carrying amounts.

The key assumptions used to determine value-in-use, to which the calculation is most sensitive, include future potash prices, USD exchange rates, the discount rate and the expected start date of production for greenfield projects.

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.

Provision for filling cavities. A provision has been established in the consolidated financial statements for the Group's obligation to replace the earth extracted from the Solikamsk mines (Note 17).

Remeasurment of an existing amount of cavities that result from changes in estimates of mine surveys is recorded as an asset and depreciated over its useful life under the straight-line method of depreciation. The Company makes provision only for the legal liabilities, which are included in the licenses' agreements. Changes in the discount rate are recognised in profit or loss in finance income and finance costs. The amount of expenses incurred due to filling of the cavities for other reasons are recognised in current period in the consolidated statement of profit or loss.

The major uncertainties that relate to the amount and timing of the cash outflows related to the filling cavities works and assumptions made by management in respect of these uncertainties are as follows:

- The extent of the filling cavities work which will have to be performed in the future may vary depending on the actual environmental situation. Management believes that the legal obligation to replace the earth in the mines is consistent with the cavities filling plan agreed with the State Mine Supervisory Body;
- The future unit cost of replacing one cubic meter of the earth in the mines may vary depending on the technology and the cost of resources used. Management assumes that the unit cost of replacing a cubic meter of earth in future years, during the period for which the current filling cavities plan is in place, adjusted for the effect of inflation, will not be materially different from the actual cost incurred in 2014;
- Management applied its judgment in determining the rate used in discounting the future real cash outflows associated with the filling cavities works, reflecting the time value of money. In 2014 management applied discount rates of 12.7%, 13.05% and 14.8% for different mines, respectively (In 2013: 6.97%, 7.08%, and 8.15%).

Ongoing filling cavities costs incurred outside of the agreed plan are recognised as expenses when incurred.

Restructuring provision. The Group accrued a provision for the closing down of the ore-treatment plant and carnallite plant subdivision at Berezniki 1 (Note 17).

Major uncertainties that relate to the amount and timing of the cash outflows related to the restructuring works and assumptions made by management in respect of these uncertainties are as follows:

- Estimates were used to determine the costs of dismantling and restoration works for the liquidation of the ore-treatment plant and the carnallite plant at Berezniki 1;
- Management applied its judgment in determining the rate used in discounting the future cash outflows associated with the dismantling works, reflecting the time value of money. In 2014, management applied a discount rate 12.7%.

Income tax prepayment. The Group has recorded an income tax prepayment recoverable after more than 12 months in the consolidated financial statements. There is an uncertainty in terms of using this payment to cover current liabilities of the Company to pay income taxes. As a consequence, the asset carrying amount may vary depending on the Company's financial performance in future periods.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations (Note 33.2).

6 Related parties

Related party disclosure is governed by IAS 24, Related Party Disclosures. Parties are considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control 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 their close family members are also considered related parties.

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions only if such terms can be substantiated. 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 2014**	31 December 2013
Balances			
Cash and cash equivalents	Related party through significant shareholder	**3,056**	–
Trade and other receivables	Related party through significant shareholder	**53**	–
Trade and other payables	Related party through significant shareholder	**187**	–
Advances originated	Related party through significant shareholder	**35**	
Advances received	Related party through significant shareholder	**630**	4,887

Statement of financial position caption	Nature of relationship	**2014**	2013
Transactions			
Acquisition of property, plant and equipment	Associates	**–**	13,580
Acquisition of property, plant and equipment	Other related parties	**–**	8,225
Acquisition of inventories	Related party through significant shareholder	**3,756**	–
Acquisition of inventories	Other related parties	**–**	2,676

Statement of income caption	Nature of relationship	**2014**	2013
Export, Potassium chloride	Joint ventures	**17,018**	–
Domestic revenue	Related party through significant shareholder	**59,648**	1,730
Repairs and maintenance	Associates	**–**	4,371
Other expenses	Associate	**200**	33
Other expenses	Other related parties	**–**	2,321
Transport expenses	Other related parties	**1,171**	–
Monitoring costs	Associates	**–**	1,912

Cross shareholding

As of 31 December 2014 UK-Tehnologia, a 100% owned subsidiary of the Group, owned 12.6% of the ordinary shares of the Company (31 December 2013: 12.5%).

Key management's compensation

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

In December 2013 the Group made a one-time premium payment to top management in amount of US$ 41,629. It was accrued in accordance with the program, implemented in 2011, due to acquisition of Company's shares by JSC United Chemical Company Uralchem and ONEXIM Group. The Group's liability under the key management long-term incentive programme as of 31 December 2014 was estimated to be nil.

Notes to the consolidated financial statements for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated) (continued)

6 Related parties (continued)

Key management's compensation (continued)

Key management compensation is presented below:

	2014		2013	
	Expense	**Accrued liability**	Expense	Accrued liability
Short-term employee benefits	**18,167**	**7,444**	21,216	6,069
One-time premium payment	**1,952**	**–**	41,629	28,826
Total	**20,119**	**7,444**	**62,845**	**34,895**

7 Segment reporting

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

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

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

	Note	2014	2013
Revenues	23	**3,559,292**	3,322,615
Segment result – net (loss)/profit		**(630,856)**	**666,328**
Depreciation and amortization		**(371,292)**	(415,304)
Finance income	29	**26,967**	121,792
Finance expense	29	**(2,138,318)**	(352,972)
Income tax	30	**122,524**	(160,580)

b) Geographical information

The analysis of Group sales by region was:	2014	2013
Russia	**388,313**	523,063
Latin America, China, India, South East Asia	**2,335,990**	2,159,021
USA, Europe	**746,214**	594,827
Other countries	**88,775**	45,704
Total revenue	**3,559,292**	3,322,615

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 2014 and 2013, respectively.

d) In addition to the above segment disclosures management is analysing additional information that analyses the result of the Potash segment activity between export potash sales, domestic potash sales and other sales. Direct costs, such as cost of sales and distribution costs 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, reversal and additions of provisions, mine flooding costs, finance income and expense, income tax expense).

This split for the year ended 31 December 2014 was as follows:

	Potash sales					
	Export	Domestic	Total	Other sales	Unallocated	Total
Tonnes (thousands)	**10,367**	**1,915**	**12,282**	**–**	**–**	**12,282**
Revenues	3,170,979	291,213	3,462,192	97,100	–	3,559,292
Cost of sales	(727,934)	(134,469)	(862,403)	(53,564)	–	(915,967)
Distribution, general and administrative expenses, other operating income and expenses and taxes other than income tax	(1,205,004)	(51,795)	(1,256,799)	(24,985)	(3,570)	(1,285,354)
Operating profit/(loss)	**1,238,041**	**104,949**	**1,342,990**	**18,551**	**(3,570)**	**1,357,971**
Finance income and expense, net					(2,111,351)	(2,111,351)
Loss before income tax	–	–	–	–	–	(753,380)
Income tax	–	–	–	–	–	122,524
Segment result	**–**	**–**	**–**	**–**	**–**	**(630,856)**

This split for the year ended 31 December 2013 was as follows:

	Potash sales					
	Export	Domestic	Total	Other sales	Unallocated	Total
Tonnes (thousands)	**8,006**	**1,861**	**9,867**	**–**	**–**	**9,867**
Revenues	2,799,552	408,201	3,207,753	114,862	–	3,322,615
Cost of sales	(720,462)	(167,433)	(887,895)	(56,630)	–	(944,525)
Distribution, general and administrative expenses, other operating income and expenses and taxes other than income tax	(1,197,166)	(77,072)	(1,274,238)	(41,561)	(4,203)	(1,320,002)
Operating profit	**881,924**	**163,696**	**1,045,620**	**16,671**	**(4,203)**	**1,058,088**
Finance income and expense, net					(231,180)	(231,180)
Profit before income tax	–	–	–	–	–	826,908
Income tax	–	–	–	–	–	(160,580)
Segment result		**–**	**–**	**–**	**–**	**666,328**

Notes to the consolidated financial statements for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated) (continued)

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 2013	923,212	824,808	1,687,938	322,783	865,583	44,134	8,652	4,677,110
Additions	–	–	67	16,342	335,403	131	–	351,943
Changes in estimates adjusted against property, plant and equipment (Note 17)	–	23,092	–	–	–	–	–	23,092
Transfers	32,908	77,804	134,575	–	(246,353)	640	103	(323)
Disposals	(14,303)	(1,735)	(27,830)	(4,686)	(15,773)	(549)	(53)	(64,929)
Write-off of fixed assets (Note 5, 28)	(561)	(35,721)	(9,787)	–	(7,568)	(3)	–	(53,640)
Effect of translation to presentation currency	(392,060)	(373,382)	(738,718)	(139,013)	(385,770)	(18,614)	(3,653)	(2,051,210)
Balance as of 31 December 2014	**549,196**	**514,866**	**1,046,245**	**195,426**	**545,522**	**25,739**	**5,049**	**2,882,043**
Accumulated Depreciation								
Balance as of 31 December 2013	189,084	265,310	851,560	122,152	–	13,548	–	1,441,654
Depreciation charge	26,835	58,517	159,695	21,962	–	2,259	–	269,268
Disposals	(4,007)	(914)	(21,784)	(1,788)	–	(242)	–	(28,735)
Write-off of fixed assets (Note 5, 28)	(103)	(12,382)	(3,105)	–	–	(1)	–	(15,591)
Transfers		(5,642)	5,642					
Effect of translation to presentation currency	(86,935)	(127,744)	(404,813)	(57,771)	–	(6,398)	–	(683,661)
Balance as of 31 December 2014	**124,874**	**177,145**	**587,195**	**84,555**	**–**	**9,166**	**–**	**982,935**
Net Book Value								
Balance as of 31 December 2013	**734,128**	**559,498**	**836,378**	**200,631**	**865,583**	**30,586**	**8,652**	**3,235,456**
Balance as of 31 December 2014	**424,322**	**337,721**	**459,050**	**110,871**	**545,522**	**16,573**	**5,049**	**1,899,108**

	Buildings	Mine development costs	Plant and equipment	Transport	Assets under construction	Other	Land	Total
Cost								
Balance as of 31 December 2012	899,224	749,565	1,719,456	311,473	925,611	54,826	8,017	4,668,172
Additions	–	–	–	12,669	390,809	–	–	403,478
Changes in estimates adjusted against property, plant and equipment (Note 17)	–	(14,955)	–	–	–	–	–	(14,955)
Transfers	85,287	148,446	135,749	24,192	(388,333)	(5,414)	73	–
Disposals	(6,471)	(704)	(41,558)	(2,632)	(2,566)	(1,622)	(20)	(55,573)
Acquisition of subsidiaries	12,119	–	662	450	6,520	73	1,110	20,934
Effect of translation to presentation currency	(66,947)	(57,544)	(126,371)	(23,369)	(66,458)	(3,729)	(528)	(344,946)
Balance as of 31 December 2013	**923,212**	**824,808**	**1,687,938**	**322,783**	**865,583**	**44,134**	**8,652**	**4,677,110**
Accumulated Depreciation								
Balance as of 31 December 2012	174,338	232,444	754,682	108,654	–	12,926	–	1,283,044
Depreciation charge	29,772	50,876	190,788	24,224	–	2,909	–	298,569
Disposals	(1,718)	96	(35,389)	(2,313)	–	(1,325)	–	(40,649)
Effect of translation to presentation currency	(13,308)	(18,106)	(58,521)	(8,413)		(962)		(99,310)
Balance as of 31 December 2013	**189,084**	**265,310**	**851,560**	**122,152**	**–**	**13,548**	**–**	**1,441,654**
Net Book Value								
Balance as of 31 December 2012	**724,886**	**517,121**	**964,774**	**202,819**	**925,611**	**41,900**	**8,017**	**3,385,128**
Balance as of 31 December 2013	**734,128**	**559,498**	**836,378**	**200,631**	**865,583**	**30,586**	**8,652**	**3,235,456**

Fully depreciated assets still in use

As of 31 December 2014 and 31 December 2013 the gross carrying value of fully depreciated property, plant and equipment still in use was US$ 317,997 and US$ 456,043, respectively.

Property, plant and equipment write-off due to the accident at Solikamsk-2.

In 2014, the Group wrote off fixed assets and construction in progress with a gross carrying value and accumulated depreciation of US$ 53,640 and US$ 15,591, respectively, and recognised a loss of US$ 38,049 in the consolidated statement of income due to the flooding in the Solikamsk-2 mine (Note 5, 28).

Notes to the consolidated financial statements for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated) (continued)

9 Goodwill

	2014	2013
Gross carrying value at 1 January	**1,802,398**	1,939,538
Accumulated impairment losses at 1 January	**–**	–
Carrying amount 1 January	**1,802,398**	**1,939,538**
Acquisition of subsidiaries	**–**	2,502
Effect of translation to presentation currency	**(753,825)**	(139,642)
Carrying amount at 31 December	**1,048,573**	**1,802,398**
Gross carrying value at 31 December	**1,048,573**	1,802,398
Accumulated impairment losses at 31 December	**–**	–
Carrying amount at 31 December	**1,048,573**	**1,802,398**

The goodwill is primarily attributable to the expected future operational and marketing synergies arising from the business combination and not to individual assets of the subsidiaries and was allocated to cash generated unit (CGU) – Uralkali Group.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period are extrapolated using estimated growth rates. The growth rates do not exceed the long-term average growth rate for the industry in which the Group operates.

Management determined budgeted gross margin based on past performance and its market expectations. The weighted average growth rates used are consistent with the forecasts included in industry reports.

Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

	2014	2013
RR/US$ exchange rate (till 2040)	**From 72 to 147**	From 33 to 39
Growth rate beyond one year	**3% p.a.**	3% p.a.
After-tax discount rate	**11.1% p.a.**	10.3% p.a.
Long-term inflation rate	**From 3% to 13% p.a.**	From 2% to 6% p.a.

The Group did not recognise any impairment of goodwill in the consolidated financial statements for the years ended 31 December 2014 and 31 December 2013.

10 Intangible assets

	Note	Mining licences	Software	Other	Total
Cost as of 1 January 2013		**6,127,042**	**25,681**	**461**	**6,153,184**
Accumulated amortisation		**(278,876)**	**(19,392)**	**–**	**(298,268)**
Balance as of 1 January 2013		**5,848,166**	**6,289**	**461**	**5,854,916**
Additions		–	596	1,672	2,268
Acquisition of subsidiary		–	385	17,444	17,829
Capitalised borrowing costs		124,797	–	–	124,797
Disposals		–	(1,270)	(284)	(1,554)
Amortisation charge	24, 26	(116,969)	(2,488)	(1,240)	(120,697)
Disposals of accumulated amortisation		–	1,270	779	2,049
Effect of translation to presentation currency		(421,288)	(510)	(511)	(422,309)
Cost as of 31 December 2013		**5,807,302**	**23,510**	**18,770**	**5,849,582**
Accumulated amortisation		**(372,596)**	**(19,238)**	**(449)**	**(392,283)**
Balance as of 31 December 2013		**5,434,706**	**4,272**	**18,321**	**5,457,299**
Additions		9,215	1,617	1,253	12,085
Capitalised borrowing costs		120,225	–	–	120,225
Disposals		–	(11,401)	(49)	(11,450)
Amortisation charge	24, 26	(105,945)	(1,476)	(1,036)	(108,457)
Disposals of accumulated amortisation		–	11,359	113	11,472
Effect of translation to presentation currency		(2,279,688)	(1,840)	(7,581)	(2,289,109)
Cost as of 31 December 2014		**3,465,410**	**5,119**	**11,803**	**3,482,332**
Accumulated amortisation		**(286,897)**	**(2,588)**	**(782)**	**(290,267)**
Balance as of 31 December 2014		**3,178,513**	**2,531**	**11,021**	**3,192,065**

The table below summarises descriptions and carrying amounts of individually material mining licences:

Licensed plot		**31 December 2014**	31 December 2013
Solikamskiy plot (south part)	SKRU-2	**1,135,013**	1,996,792
Novo-Solikamskiy plot	SKRU-3	**1,071,431**	1,898,447
Solikamskiy plot (north part)	SKRU-1	**92,555**	177,359
Polovodovskiy plot (south part)		**652,080**	300,611
Polovodovskiy plot (north part)		**221,639**	1,061,497
Romanovskiy plot		**5,795**	–
Total		**3,178,513**	**5,434,706**

In March 2013, simultaneously with the mining licenses prolongation, the Company submitted new technical specifications for the Solikamskiy plot mines development. According to those specifications, potash reserves were reallocated between mines and licenced plots. On the basis of the change in the expected pattern of production, Uralkali has grouped the licences of Solikamskiy plot (south part), Solikamskiy plot (north part) and Novosolikaskiy plot for the purposes of calculating the amortization charge for the respective licences. This resulted in the change of depletion rates starting from 1 April 2013.

The Polovodovo mine plot was divided into south and north parts. The south part will be developed from SKRU-3, while a new mine will be constructed for the north part.

The changes in amortization rates were accounted for as changes in estimates and resulted in a decrease of the amortization expense for the year ended 31 December 2013 in the amount of US$ 50,447 in comparison with the previous method. If the change in pattern of production occurred from 1 January 2013 the amortization expense would have decreased by a further US$ 18,538. Amortisation expenses from licenses plots for the year ended 31 December 2014 decreased in the amount of US$ 61,927 resulted from relocation potash reserves between mines.

Notes to the consolidated financial statements for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated) (continued)

11 Income tax prepayment – amount recoverable after more than 12 months

On 16 April 2013 the Company concluded an agreement with the government of Perm Region to maintain minimum income tax payments of at least RR 6 billion (US$ 106,651) per year in 2013 – 2015. As a result it will utilize its existing income tax prepayments in several years.

As of 31 December 2014 tax prepayments recoverable in more than 12 months was recorded at amortised cost using a discount rates from 13.05% to 13,57%. As of 31 December 2014 its carrying value was US$ 128,983 (31 December 2013: US$ 259,455 at a discount rate of 6.97%).

12 Inventories

	31 December 2014	31 December 2013
Raw materials and spare parts	73,329	112,542
Finished products	62,395	122,585
Work in progress	2,327	2,538
Other inventories	5,323	12,830
Total inventories	**143,374**	**250,495**

Other inventories mainly consist of residential building constructed by the Group.

13 Trade and other receivables

	31 December 2014	31 December 2013
Trade receivables	366,043	348,191
Other accounts receivable	21,757	23,374
Less: provision for impairment	(8,052)	(9,563)
Total financial receivables	**379,748**	**362,002**
VAT recoverable	43,354	75,773
Other taxes recoverable	21,259	35,778
Advances to suppliers	25,845	37,642
Other prepayments	10,921	6,867
Total trade and other receivables	**481,127**	**518,062**

As of 31 December 2014 trade receivables of US$ 353,050 (31 December 2013: US$ 330,255), net of provision for impairment, were denominated in foreign currencies; 83% of this balance was denominated in US$ (31 December 2013: 86%) and 17% was denominated in Euro (31 December 2013: 14%). Management believes that the fair value of accounts receivable does not differ significantly from their carrying amount.

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

	2014		2013	
	Trade receivables	Other receivables	Trade receivables	Other receivables
As of 1 January	(6,905)	(2,658)	(7,175)	(2,401)
Provision accrued	(1,488)	(3,055)	(440)	(1,319)
Provision acquired	–	–	(157)	–
Provision reversed	1,431	78	565	848
Effect of translation to presentation currency	2,269	2,276	302	214
As of 31 December	(4,693)	(3,359)	(6,905)	(2,658)

The accrual and reversal of the provision for impairment of receivables have been included in other operating expenses in the consolidated statement of profit or loss (Note 28). Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

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

	31 December 2014		31 December 2013	
	Trade receivables	**Other receivables**	Trade receivables	Other receivables
Current and not impaired				
Insured	**54,054**	**–**	50,902	–
Not insured or factored	**242,683**	**17,455**	255,735	12,405
Total current and not impaired	**296,737**	**17,455**	**306,637**	**12,405**
Past due but not impaired				
less than 45 days overdue	**37,097**	**942**	22,763	6,905
45 to 90 days overdue	**16,797**	**18**	1,711	–
over 90 days overdue	**9,510**	**–**	9,380	1,375
Total past due but not impaired	**63,404**	**960**	**33,854**	**8,280**
Impaired (less of provision)				
45 to 90 days overdue	**356**	**36**	1,711	61
over 90 days overdue	**5,546**	**3,306**	**5,989**	**2,628**
Total amount of impaired accounts receivable (less of provision)	**5,902**	**3,342**	7,700	2,689
Total financial receivables (gross)	**366,043**	**21,757**	**348,191**	**23,374**
Impairment provision	**(4,693)**	**(3,359)**	(6,905)	(2,658)
Total financial receivables	**361,350**	**18,398**	**341,286**	**20,716**

As of 31 December 2014 and 2013 no trade and other receivables were pledged as collateral.

As of 31 December 2014 and 2013 accounts receivable classified as “Neither insured nor factored” included receivables from key and prominent customers.

At 31 December 2014, the Group had a residual exposure to factored accounts receivables that had a carrying value of US$ 11,361 (as of 21 December 2013 – US$ 9,139), immediately after they were factored for US$ 113,607 (as of 31 December 2013 – US$ 93,993). The associated liabilities were recognised as other. The Group is exposed to late payment risk, as it guaranteed payment of interest over a period of up to 240 days from the past due date, after 240 days additional interest will be charged.

Notes to the consolidated financial statements for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated) (continued)

14 Other financial assets at fair value through profit or loss

Other financial assets at fair value through profit or loss are represented by highly liquid corporate bonds neither past due nor impaired. Analysis by credit quality of other financial assets at fair value through profit or loss is as follows:

Rating agency	Rating	31 December 2014	31 December 2013
Fitch Ratings	BB+	**25,991**	–
Fitch Ratings	BBB-	**35,218**	–
Total other financial assets at fair value through profit or loss		**61,209**	**–**

15 Cash and cash equivalents, deposits and restricted cash

Cash and cash equivalents, deposits and restricted cash comprise the following:

	Interest rates	31 December 2014	31 December 2013
Cash on hand and bank balances			
RR denominated cash on hand and bank balances		**53,581**	71,624
US$ denominated bank balances		**1,357,881**	757,956
EUR denominated bank balances		**112,911**	26,486
Other currencies denominated balances		**16,479**	18,694
Term deposits			
US$ term deposits	from 1.01% to 4.05% p.a. (2013: 4% p.a.)	**556,588**	2,312
EUR term deposits	2% p.a. (2013: 2%)	**612**	17,832
RR term deposits	from 2.14% p.a. to 25% p.a. (2013: from 4.38% p.a. to 9.25% p.a.)	**57,195**	35,264
Total cash and cash equivalents		**2,155,247**	**930,168**
US$ deposits	from 4.26% to 4.27%	**300,000**	–
Total deposits		**300,000**	**–**
Restricted cash			
Current restricted cash	2013: 9% p.a.	**–**	3,055
Total cash and cash equivalents, deposits and restricted cash		**2,455,247**	**933,223**

As of 31 December 2014 and 31 December 2013, term deposits, except those included in restricted cash, have various original maturities but may upon request be withdrawn without any restrictions.

16 Shareholders' equity

	Number of ordinary shares (in millions)	Ordinary shares	Treasury shares	Total
At 1 January 2013	**2,936**	**35,762**	**(58)**	**35,704**
Treasury shares purchased	–	–	(5,664)	(5,664)
At 1 January 2014	**2,936**	**35,762**	**(5,722)**	**30,040**
Treasury shares purchased	–	–	(37)	(37)
At 31 December 2014	**2,936**	**35,762**	**(5,759)**	**30,003**

The number of unissued authorised ordinary shares is 1,730 million (31 December 2013: 1,730 million) with a nominal value per share of 0.889 US cents (0.5 RR) (31 December 2013: 1.528 US cents (0.5 RR)). All shares stated in the table above have been issued and fully paid.

Treasury shares. Treasury shares as of 31 December 2014 comprise 370,123,777 (as of 31 December 2013 comprise 367,165,972) ordinary shares of the Company owned by CJSC UK-Technology, a wholly owned subsidiary of the Group. Treasury shares were redeemed during 2014 and 2013.

Profit distribution. In accordance with Russian legislation, the Company distributes profits as dividends or transfers them to reserves. The Company's statutory accounting reports are the basis for profit distribution and other appropriations. Russian law identifies net profit as the basis for distribution. For the year ended 31 December 2014, the current period net statutory profit of the Company, as reported in the published annual statutory reporting forms, was US$ 262,648 (for the year ended 31 December 2013: US$ 983,548) and the closing balance of the accumulated profit including the current period net statutory profit totaled US$ 1,176,495 (31 December 2013: US$ 2,057,396). 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.

The Company's dividend policy allows distributing, as dividends, not less than 50% of net profit, as determined in the IFRS consolidated financial statements, at least twice a year.

Dividends. In June 2014 the General Meeting of Shareholders of the Company approved dividends (based on 2013 financial results) amounting to US$ 142,302 (5 US cents per share).

In December 2014 the General Meeting of Shareholders of the Company did not approve any further interim dividends.

In June 2013 the General Meeting of Shareholders of the Company approved dividends (based on the financial results for the year ended 31 December 2012) amounting to US$ 357,283 (12 US cents per share).

In December 2013 the General Meeting of Shareholders of the Company approved interim dividends amounting to US$ 197,433 (7 US cents per share).

The total amount of dividends attributable to treasury shares has been eliminated in consolidated statement of changes in equity. All dividends are declared and paid in RR.

17 Provisions

	Note	Provision for filling cavities	Restructuring provision	Resettlement provision	Total
Balance at 1 January 2013		**82,410**	**16,944**	**–**	**99,354**
Changes in estimates adjusted against property, plant and equipment	8	(14,955)	–	–	(14,955)
Accrual of provision		–	–	77,926	77,926
Utilisation of provision		(10,697)	(4,163)	(18,026)	(32,886)
Unwinding of the present value discount and effect of changes in discount rates		5,203	507	–	5,710
Effect of translation to presentation currency		(5,302)	(1,121)	(1,613)	(8,036)
Current liabilities		**8,550**	**1,732**	**29,836**	**40,118**
Non-current liabilities		**48,109**	**10,436**	**28,451**	**86,996**
Balance at 31 December 2013		**56,659**	**12,168**	**58,287**	**127,114**
Balance at 1 January 2014		**56,659**	**12,168**	**58,287**	**127,114**
Changes in estimates adjusted against property, plant and equipment	8	23,092	–	–	23,092
Changes in estimates		–	–	2,394	2,394
Accrual of provision		–	–	–	–
Utilisation of provision		(11,400)	(2,394)	(18,479)	(32,273)
Unwinding of the present value discount and effect of changes in discount rates		3,514	(911)	–	2,603
Effect of translation to presentation currency		(26,899)	(4,041)	(19,272)	(50,212)
Current liabilities		**7,726**	**1,005**	**22,930**	**31,661**
Non-current liabilities		**37,240**	**3,817**	**–**	**41,057**
Balance at 31 December 2014		**44,966**	**4,822**	**22,930**	**72,718**

Notes to the consolidated financial statements for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated) (continued)

17 Provisions (continued)

Provision for filling cavities. A provision for filling cavities is recorded in respect of the Group's obligation to replace the earth extracted from the mines.

A technical program for mining operations was agreed with the local State mine supervisory body in 1997 – 1998. Based on this framework program, the Group prepares annual mining plans and agrees them with the local State mine supervisory body.

The balance of the provision at the reporting date equals the total of expected future discounted cash outflows associated with replacing the earth extracted from the mine in accordance with the plan of filling cavities work agreed with the State mine supervisory body. The relevant cash flows are discounted at a rate reflecting the time value of money.

Restructuring provision. In 2011 the Board of Directors decided to abandon the ore-treatment plant and carnallite plant at Berezniki 1. The decision to abandon the plants was driven by the lack of the raw materials base due to the flooding of Mine 1. This allowed the Company to reduce operational costs. The Company ceased production at the plants at the end of 2011 and commenced dismantling them. The dismantling is expected to be completed in 2018.

Resettlement provision. In 2013 the Government of the Perm Region and the Administration of the town of Berezniki signed an agreement outlining the financing plan for the period between 2013 and 2015 for the relocation of people living in inadequate housing facilities in Berezniki, including the construction of new infrastructure facilities and demolition of the vacated buildings. The agreement will be effected pursuant to the State programme on "Securing quality housing and facilities for the citizens of the Perm Region" and is in line with the decisions adopted by the Governmental Commission on 24 May 2013. As part of its commitment to corporate social responsibility, the Group had undertaken to provide to the Perm Region and the town of Berezniki with a total of US$ 45,149 by instalments in 2013-2015.

18 Mine flooding provision

	Note	2014	2013
Balance at 1 January		**–**	32,924
Provision for Solikamsk-2	5	**20,852**	–
Reversal of provision	28	**–**	(31,399)
Effect of translation to presentation currency		**–**	(1,525)
Current liabilities		**16,906**	**–**
Non-current liabilities		**3,946**	**–**
Balance at 31 December		**20,852**	**–**

In March 2010, the Board of Directors of the Company approved voluntary compensation to OJSC "Russian Railways", as a part of its social responsibility, of additional expenditures in relation to the construction of a 53-kilometer railway bypass in the amount of US$ 32,924. The Company has not paid any amount of this voluntary compensation and the Company has no contractual obligation to proceed with payment of this compensation. At 31 December 2013 the Company evaluated the possibility of compensation being paid as "remote" and, accordingly, reversed the provision.

19 Borrowings

	2014	2013
Bank loans	**5,037,694**	4,380,953
Finance lease payable	**8,968**	15,438
Total borrowings	**5,046,662**	**4,396,391**

A) BANK LOANS

As of 31 December 2014 and 31 December 2013 the fair value of the current and non-current borrowings is not materially different from their carrying amounts.

The Group uses cross-currency interest rate swaps to reduce interest payments (Note 21). The Group does not use hedge accounting.

	Note	2014	2013
Balance at 1 January		**4,380,953**	**3,925,691**
Bank loans received, denominated in US$		**3,252,534**	3,296,046
Bank loans received, denominated in RR		**146,222**	2,114,638
Bank loans repaid, denominated in US$		**(1,061,897)**	(3,223,308)
Bank loans repaid, denominated in RR		**(1,057,785)**	(1,577,399)
Interest accrued		**238,509**	263,434
Interest paid		**(235,200)**	(260,858)
Recognition of syndication fees and other financial charges		**(28,926)**	(35,330)
Amortisation of syndication fees and other financial charges	29	**15,705**	22,844
Foreign exchange loss, net		**1,721,039**	152,247
Effect of translation to presentation currency		**(2,333,460)**	(297,052)
Balance at 31 December		**5,037,694**	**4,380,953**

The table below shows interest rates as of 31 December 2014 and 31 December 2013 and the split of the bank loans into short-term and long-term.

Short-term borrowings	Interest rates	31 December 2014	31 December 2013
Bank loans in US$: floating interest	From 1 month Libor +1.8 to 3 month Libor +3.1% (31 December 2013: From 1 month Libor +1.8 to 1 month Libor +3.1%)	**513,554**	394,006
Bank loans in RR: floating interest	From MosPrime Rate 3M+1.5% to MosPrime Rate 3M+2.59% (31 December 2013: From MosPrime Rate 3M+1.5% to MosPrime Rate 3M+2.59%)	**114,462**	106,668
Bank loans in RR: fixed interest	nil (31 December 2013: 9.05%)	**–**	958,890
Total short-term bank loans		**628,016**	**1,459,564**

Long-term borrowings	Interest rates	31 December 2014	31 December 2013
Bank loans in US$: floating interest	From 1 month Libor +1.8% to 3 month Libor +3.1% (31 December 2013: From 1 month Libor +1.8% to 1 month Libor +3.1%)	**3,839,689**	1,770,061
Bank loans in RR: floating interest	From MosPrime 3M +1.5% to MosPrime 3M +2.59% (31 December 2013: from MosPrime 3M +1.5% to MosPrime 3M +2.59%)	**569,989**	1,151,329
Total long-term bank loans		**4,409,678**	**2,921,390**

Notes to the consolidated financial statements for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated) (continued)

19 Borrowings (continued)

A) BANK LOANS (CONTINUED)

As of 31 December 2014 and 31 December 2013 no equipment or inventories were pledged as security for bank loans.

Bank loans of US$ 894,550 (31 December 2013: US$ 1,293,432) were collateralised by future sales proceeds of the Group under export contracts with certain customers acceptable to the banks.

The Group's bank borrowings mature as follows:

	2014	2013
– within 1 year	**628,016**	1,459,564
– between 2 and 5 years	**4,058,461**	2,788,057
– after 5 years	**351,217**	133,332
Total bank loans	**5,037,694**	**4,380,953**

B) FINANCE LEASE PAYABLE

In December 2009, OJSC BBT entered into a new financial lease agreement with Federal State Unitary Enterprise 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 2014, the leased berths were included in property, plant and equipment with a net book value of US$ 7,857 (31 December 2013: US$ 13,836).

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

	2014	2013
– within 1 year	**871**	1,498
– between 2 and 5 years	**3,485**	5,991
– after 5 years	**33,981**	59,907
Minimum lease payments at the end of the year	**38,337**	**67,396**
Less future interest charges	**(29,369)**	(51,958)
Present value of minimum lease payments	**8,968**	**15,438**

20 Bonds issued

In April 2013 the Group issued US$ denominated bonds at the nominal value of US$ 650 million bearing a coupon of 3.73% p.a. maturing in 2018:

	Note	2014	2013
Balance at 1 January		**650,068**	**–**
Issue of bonds denominated in US$		**–**	650,000
Redemption of bonds denominated in US$		**(68,100)**	–
Interest accrued		**23,641**	16,200
Interest paid		**(23,641)**	(12,583)
Recognition of syndication fees		**–**	(4,702)
Amortisation of syndication fees	29	**779**	627
Foreign exchange loss		**366,161**	30,810
Effect of translation to presentation currency		**(364,936)**	(30,284)
Balance at 31 December		**583,972**	**650,068**

During 2014 year bonds with a nominal value of US$ 68,100 were redeemed for the amount of US$ 65,736.

The fair value of the outstanding bonds issued at 31 December 2014 was US$ 521,586 according to Irish Stock Exchange quotations (31 December 2013: US$ 626,750).

21 Derivative financial liabilities

At 31 December 2014, the derivative financial liabilities were represented by the cross-currency interest rate swaps, entered in conjunction with RR-denominated loans in the notional amount of US$ 743,000 (31 December 2013: US$ 2,239,682):

	31 December 2014	31 December 2013
Liabilities		
Current	–	71,340
Non-current	554,897	62,043
Derivative liabilities	**554,897**	**133,383**

The Group pays US$ at fixed rate 3.23% and floating rate USD-ISDA+4.2% (for the year ended 31 December 2013: 2.77% to 3.80%) and recieves RR at floating rates MosPrime-NFEA+1.5% and MosPrime 3m+2.59% (for the year ended 31 December 2013: fixed rate 9.05%).

Movements of the carrying amounts of derivative financial liabilities were as follows:

	Note	2014	2013
Balance as of 1 January		**133,383**	**2,695**
Cash proceeds from derivatives	29	87,744	86,134
Cash paid for derivatives		(221,651)	(21,770)
Changes in the fair value	29	748,936	70,139
Effect of translation to presentation currency		(193,515)	(3,815)
Balance as of 31 December		**554,897**	**133,383**

22 Trade and other payables

	31 December 2014	31 December 2013
Trade payables	96,976	208,407
Accrued liabilities	2,003	2,475
Dividends payable	3,989	205,046
Other payables	16,697	21,170
Total financial payables	**119,665**	**437,098**
Accrued liabilities	26,112	65,416
Advances received	31,723	25,421
Other payables	18,081	28,678
Total trade and other payables	**195,581**	**556,613**

As of 31 December 2014 trade and other accounts payable of US$ 99,695 (31 December 2013: US$ 132,804) were denominated in foreign currencies: 93% of this balance was denominated in US$ (31 December 2013: 95%) and 7% was denominated in Euro (31 December 2013: 5%).

Notes to the consolidated financial statements for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated) (continued)

23 Revenues

	2014	2013
Export		
Potassium chloride	**2,119,681**	1,763,216
Potassium chloride (granular)	**1,051,304**	1,036,336
Domestic		
Potassium chloride	**291,213**	408,201
Other	**54,130**	65,018
Transportation and other revenues	**42,964**	49,844
Total revenues	**3,559,292**	**3,322,615**

24 Cost of sales

	Note	2014	2013
Depreciation		**232,107**	259,961
Employee benefits	27	**204,225**	213,952
Fuel and energy		**147,356**	143,758
Materials and components used		**126,539**	125,949
Amortisation of licences	10	**105,945**	116,969
Repairs and maintenance		**74,200**	68,845
Transportation between mines by railway		**11,327**	11,851
Change in work in progress, finished goods and goods in transit		**8,485**	(1,127)
Other costs		**5,783**	4,367
Total cost of sales		**915,967**	**944,525**

25 Distribution costs

	Note	2014	2013
Railway tariff and rent of wagons		**365,980**	374,593
Freight		**327,148**	225,038
Freight and transshipment of river vessels		**35,738**	21,422
Transhipment		**45,083**	36,567
Transport repairs and maintenance		**39,214**	48,532
Commissions and loyalty fees		**38,280**	69,020
Employee benefits	27	**19,728**	25,704
Depreciation		**14,917**	16,448
Rent expenses		**2,979**	13,060
Other costs		**43,704**	49,540
Total distribution costs		**932,771**	**879,924**

26 General and administrative expenses

	Note	2014	2013
Employee benefits	27	**114,341**	144,642
Security		**10,993**	10,911
Depreciation		**10,768**	10,846
Consulting, audit and legal services		**8,889**	26,514
Mine-rescue crew		**7,194**	8,029
Repairs and maintenance		**6,801**	5,902
Materials and fuel		**6,934**	8,478
Rent		**5,745**	11,113
Insurance		**5,249**	5,013
Communication and information system services		**5,136**	4,670
Amortisation of intangible assets	10	**2,512**	3,728
Bank charges		**1,214**	6,266
Other expenses		**23,690**	32,593
Total general and administrative expenses		**209,466**	**278,705**

27 Employee benefits

	Note	2014	2013
Employee benefits – Cost of sales	24	**204,225**	**213,952**
Wages, salaries, bonuses and other compensations		**154,873**	163,907
Contribution to social funds		**45,817**	48,416
Post-employment benefits	31	**3,535**	1,629
Employee benefits – Distribution costs	25	**19,728**	**25,704**
Wages, salaries, bonuses, other compensations and contribution to social funds		**19,728**	25,704
Employee benefits – General and administrative expenses	26	**114,341**	**144,642**
Wages, salaries, bonuses and other compensations		**88,711**	119,716
Contribution to social funds		**23,745**	24,570
Post-employment benefits	31	**1,885**	356
Total labour costs		**338,294**	**384,298**

Notes to the consolidated financial statements for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated) (continued)

28 Other operating income and expenses, net

	Note	2014	2013
Write off Solikamsk-2 property, plant and equipment	5	**38,049**	–
Loss on disposals of property, plant and equipment		**27,676**	14,082
Accrual/(reversal) of mine flooding provision	18	**16,408**	(31,399)
Social cost and charity		**9,560**	18,179
Monitoring costs due to accident at Berezniki-1		**3,570**	4,203
Accrual of provision for impairment of receivables	13	**3,034**	346
Write-off of bank deposits		**2,857**	34,070
Litigation settlements		**1,150**	1,385
Other expenses, net		**(13)**	7,966
Resettlement provision		**–**	77,926
Loss from write-off of net assets of BPC's		**–**	2,602
Net loss on sales of Belaruskali goods		**–**	737
Negative goodwill recognised as income		**–**	(4,013)
Revaluation of existing interest in acquires		**–**	(4,402)
Total other operating income and expenses, net		**102,291**	**121,682**

In May and October 2013 the Company placed deposits totalling US$ 35,000 with CJSC CB "Eurotrust" (Eurotrust). On 20 January 2014 a part of these deposits totalling US$ 930 was returned. The Company had filed a claim with Moscow Arbitration Court totalling US$ 34,070 including late payment interest and penalties. On 11 February 2014 the Central Bank of Russia withdrew ZAO CB "Eurotrust's" licence for banking operations and appointed a temporary administrator to liquidate the bank. The Company filed a claim with the temporary administration of the bank with a request to be included in the list of creditors. As of 21 March 2014 ZAO CB "Eurotrust" was declared bankrupt.

29 Finance income and expenses

	Note	2014	2013
Interest income, net		**24,364**	82,734
Income from redemption of bonds		**2,364**	–
Income from associates		**239**	–
Foreign exchange income, net		**–**	33,037
Fair value gain on investments		**–**	6,021
Finance income		**26,967**	**121,792**

	Note	2014	2013
Foreign exchange loss, net		**1,166,924**	–
Fair value loss on derivative financial liabilities, net	21	**836,680**	169,538
Interest expense, net		**86,091**	92,852
Syndication fee and other financial charges		**24,703**	28,494
Fair value losses on other investments		**10,398**	–
Unwinding of the present value and effect of changes in discount rates		**6,448**	54,630
Letters of credit fees		**5,748**	5,939
Finance lease expense		**1,326**	1,519
Finance expenses		**2,138,318**	**352,972**

Significant foreign exchange loss incurred in 2014 was caused by significant weakening of RR rate to US$ and Euro in the fourth quarter of 2014.

The interest expense was reduced by the income received from currency-interest rate swap transactions in the total amount of US$ 87,744 (for the year ended 31 December 2013: US$ 86,134) (Note 21).

In 2013 fair value loss on derivative financial instruments includes loss on conversion of dual currency deposits in the amount of US$ 13,265.

Coupon income from corporate bonds classified as other financial assets at fair value through profit or loss in the amount of US$ 3,083 is included in interest income (for the year ended 31 December 2013: US$ 4,821).

Interest expense in the total amount of US$ 94,735 was capitalised in the cost of property, plant and equipment and intangible assets for the year ended 31 December 2014 (for the year ended 31 December 2013: US$ 104,093).

Foreign exchange loss in the total amount of US$ 88,140 was capitalised for the year ended 31 December 2014 (for the year ended 31 December 2013: loss of US$ 60,235).The capitalisation rate was 5.8% (for the year ended 31 December 2013: 6.04%).

30 Income tax expense

	2014	2013
Current income tax expense	**31,812**	187,282
Adjustments recognised in the period for current income tax of prior periods	**(9,411)**	5,355
Adjustments recognised in the period for deferred income tax of prior periods	**–**	(11,710)
Deferred income tax	**(144,925)**	(20,347)
Income tax (credit)/expense	**(122,524)**	**160,580**

Income before taxation and non-controlling interests for consolidated financial statements purposes is reconciled to income tax as follows:

	2014	2013
(Loss)/Profit before income tax	**(753,380)**	**826,908**
Theoretical tax (credit)/charge at statutory rate of 15.5%	**(116,774)**	128,171
Corrections of profit tax for prior years	**(9,411)**	(6,339)
Tax effect of expenses which are not deductible or assessable for taxation purposes	**6,637**	30,325
Effect of different tax rates in countries	**2,853**	1,969
Other	**(5,829)**	6,454
Income tax (credit)/expense	**(122,524)**	**160,580**

In the year ended 31 December 2014 and 2013, respectively, most companies of the Group were registered in the Russian Federation, Perm region and were taxed at the rate of 15.5% on taxable profits. In 2014 and 2013, foreign subsidiaries were taxed applying respective national income tax rates.

Notes to the consolidated financial statements for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated) (continued)

30 Income tax expense (continued)

The tax effect of the movements in the temporary differences for the year ended 31 December 2014 was the following:

	31 December 2013	(Charged)/ credited to profit or loss	Effect on translation to presentation currency	**31 December 2014**
Tax effects of taxable and deductible temporary differences:				
Property, plant and equipment	(189,928)	3,723	79,098	**(107,107)**
Intangible assets	(845,738)	(2,137)	354,195	**(493,680)**
Inventories	6,807	726	(3,117)	**4,416**
Borrowings	11,329	(19,995)	5,487	**(3,179)**
Accounts receivable	7,130	(645)	(2,118)	**4,367**
Derivative financial instruments	20,694	95,330	(30,015)	**86,009**
Accounts payable	21,730	18,102	(15,438)	**24,394**
Tax loss carry forward	2,853	34,733	(9,352)	**28,234**
Provision for filling cavities	8,782	2,573	(4,385)	**6,970**
Other	2,445	12,515	(9,964)	**4,996**
Total net deferred tax liability	**(953,896)**	**144,925**	**364,391**	**(444,580)**
Reflected in the consolidated statement of financial position as follows:				
Deferred income tax asset	21,635			**14,644**
Deferred income tax liability	(975,531)			**(459,223)**
Deferred income tax liability, net	**(953,896)**			**(444,579)**

The tax effect of the movements in the temporary differences for the year ended 31 December 2013 was the following:

	31 December 2012	Business combination	(Charged)/ credited to profit or loss	Effect on translation to presentation currency	31 December 2013
Tax effects of taxable and deductible temporary differences:					
Property, plant and equipment	(195,994)	(1,844)	(6,422)	14,332	(189,928)
Intangible assets	(907,456)	(3,038)	(680)	65,436	(845,738)
Inventories	11,567	(24)	(4,011)	(725)	6,807
Borrowings	165	–	11,486	(322)	11,329
Accounts receivable	2,266	–	5,166	(302)	7,130
Derivative financial assets and liabilities	159	–	21,279	(744)	20,694
Accounts payable	4,879	19	17,660	(828)	21,730
Tax loss carry forward	16,092	–	(12,415)	(824)	2,853
Provision for filling cavities	12,773	–	(3,157)	(834)	8,782
Other	(872)	52	3,151	114	2,445
Total net deferred tax liability	**(1,056,421)**	**(4,835)**	**32,057**	**75,303**	**(953,896)**
Reflected in the consolidated statement of financial position as follows:					
Deferred income tax asset	23,465				21,635
Deferred income tax liability	(1,079,886)				(975,531)
Deferred income tax liability, net	**(1,056,421)**				**(953,896)**

The Group has not recognised a deferred income tax asset in respect of taxable temporary differences associated with investments in subsidiaries in the amount of US$ 73,447 (31 December 2013: US$ 280,831). The Group controls the timing of the reversal of these temporary differences and does not expect their reversal in the foreseeable future.

31 Post-employment and other long-term benefit obligations

In addition to statutory pension benefits, the Group 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 the 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 stated 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 2014 and 2013, net obligations under the defined benefit plan and other post-employment benefit programmes were as follows:

	2014		2013	
	Post-employment	**Other long-term**	Post-employment	Other long-term
Present value of defined benefit obligations as of 1 January	**35,294**	**8,100**	**35,965**	**8,044**
Current service cost	**1,818**	**717**	1,877	650
Interest cost	**2,304**	**975**	2,622	615
Past service cost	**503**	**–**	–	42
Remeasurement (gains)/losses:				
Actuarial (gains)/losses – Experience	**1,264**	**(769)**	(934)	(281)
Actuarial (gains)/losses arising from changes in financial assumptions	**2,607**	**3,056**	(1,280)	(652)
Actuarial losses arising from changes in demographic assumptions	**(1,609)**	**95**	1,543	349
Benefits paid	**(2,488)**	**(96)**	(2,325)	(130)
Liabilities assumed in a business combination	**–**	**–**	453	54
Effect of translation to presentation currency	**(16,155)**	**(4,649)**	(2,627)	(591)
Present value of defined benefit obligations as of 31 December	**23,538**	**7,429**	**35,294**	**8,100**

The amount of net expense for the defined benefit pension plans recognised in the consolidated statement of income (Note 27) was as follows:

	2014		2013	
	Post-employment	**Other long-term**	Post-employment	Other long-term
Service cost				
Current service cost	**1,818**	**717**	1,877	650
Past service loss from settlements and curtailments	**503**	**–**	–	42
Net interest expenses	**2,304**	**975**	2,622	615
Remeasurement gains (other long term benefits only)	**–**	**2,382**	–	(584)
Components of defined benefit costs recorded in statement of income	**4,625**	**4,074**	**4,499**	**723**

Notes to the consolidated financial statements for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated) (continued)

31 Post employment and other long-term benefit obligations (continued)

Amounts recognized in other comprehensive income in respect of these defined benefit plans were as follows:

	2014		2013	
	Post-employment	Other long-term	Post-employment	Other long-term
Remeasurement (gains)/losses – experience	1,264	–	(934)	–
Remeasurement losses – changes in assumptions	998	–	263	–
Components of defined benefit costs recorded in Other comprehensive income	**2,262**	**–**	**(671)**	**–**

Movements in net liability for the year ended 31 December 2014 and 2013 were as follows:

	2014		2013	
	Post-employment	Other long-term	Post-employment	Other long-term
Opening net liability arising from defined benefit plans	**35,294**	**8,100**	**35,965**	**8,042**
Components of defined benefit costs recorded in statement of income	4,625	4,074	4,499	723
Components of defined benefit costs recorded in Other comprehensive income	2,262	–	(671)	–
Contributions from the employer	(2,488)	(96)	(2,325)	(130)
Increase in liabilities as a result of disposal	–	–	453	54
Effect of translation to presentation currency	(16,155)	(4,649)	(2,627)	(589)
Closing net liability arising from defined benefit obligation	**23,538**	**7,429**	**35,294**	**8,100**

Sensitivity of post-employment benefits at the end of the reporting period was as follows:

	2014	2013
Growth in discount rate by 1%	(1,551)	(2,424)
Decline in discount rate by 1%	1,814	2,836
Growth in salary growth by 1%	1,835	1,088
Decline in salary growth by 1%	(1,593)	(381)
Growth in rate of employee turnover by 1%	(904)	(1,298)
Decline in rate of employee turnover by 1%	1,026	1,473

As of 31 December 2014 and 2013, respectively, the principal actuarial assumptions for the post-employment benefit plans were as follows:

	2014	2013
Discount rate	13.5%	7.75%
Duration of defined benefit obligation	6	5.5
Salary increase	11.8%	6.00%
Inflation	11.4%	5.60%
Benefits increase (fixed-amount)	11.4%	5.60%
Mortality tables	Russian popln (2010)	Russian popln (2010)

32 Loss/(earnings) per share

Basic (loss)/earnings per share are calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares bought back from the shareholders (Note 16). The Company has no financial instruments convertible into ordinary shares and having a dilutive potential on earnings per share.

	2014	2013
(Net loss)/profit attributable to owners of the Company	(627,305)	666,859
Weighted average number of ordinary shares in issue (millions)	2,568	2,739
(Loss)/earnings per share (expressed in US cents per share)	**(24.43)**	**24.35**

33 Contingencies, commitments and operating risks

33.1 Legal proceedings

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

33.2 Tax legislation

The activity of the Group is subject to tax in Russia and in other countries.

Russian tax, currency and customs law are subject to varying interpretations and changes, which can occur frequently. Management believes that the accompanying statements fairly present the tax liabilities of the Group, however, there is a risk that the interpretation of the tax and customs authorities of the provisions of such legislation as applied to the transactions and activity of the Group may not coincide with their interpretation of the Group's management. The tax authorities may be taking a more assertive position in the interpretation of the legislation and to submit claims for those transactions and accounting methods, which were not previously presented. As a consequence, they may assess additional taxes, penalties and interest. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation provides the possibility for the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Transfer pricing rules, as in force from 2012, lay on the taxpayer the burden of proof for market rates, applied in a controlled transaction.

Tax liabilities arising from transactions between Group companies are determined on the basis of actual transaction price. Management has implemented internal controls to be in compliance with this transfer pricing legislation. There is a possibility that in course of evolution of transfer pricing rules application, these prices can be challenged. The impact of any challenge of the Group's transfer prices cannot be reliably estimated, however, if challenged, it may be significant to the financial position and/or the overall operations of the Group.

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 2014 and 31 December 2013, 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.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

In 2015, the Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties), income will be subject to a 20% tax rate if CFC is a legal entity and 13% if CFC is an individual.

In addition to the above matters, management estimates that the Group has other possible obligations from exposure to other than remote tax risks in amount of US$ 2,640 as of 31 December 2014 (31 December 2013: US$ 4,538). These exposures are estimates that result from uncertainties in interpretation of applicable legislation and related documentation requirements. Management will vigorously defend the entity's positions and interpretations that were applied in determining taxes recognised in these financial statements if these are challenged by the authorities.

33.3 Insurance policies

The Company generally enters into insurance agreements when it is required by statutory legislation. The insurance agreements do not cover the risks of damage to third parties' property resulting from the Group's underground activities and the risks reflected in Note 5.

33.4 Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage due to legal requirements except for those mentioned in Note 5. The Company's mining activities and the recent mine flooding may cause subsidence that may affect the Company's facilities, and those of the cities of Berezniki and Solikamsk, State organisations and others.

Notes to the consolidated financial statements for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated) (continued)

33 Contingencies, commitments and operating risks (continued)

33.5 Operating environment of the Group

The Russian Federation displays certain characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations.

The political and economic turmoil witnessed in the region, including the developments in Ukraine have had and may continue to have a negative impact on the Russian economy, including weakening of the RR and making it harder to raise international funding. At present, there is an ongoing threat of sanctions against Russia and Russian officials the impact of which, if they were to be implemented, are at this stage difficult to determine. The financial markets are uncertain and volatile. These and other events may have a significant impact on the Group's operations and financial position, the effect of which is difficult to predict.

Management assessed possible impairment of the Group's property, plant and equipment, goodwill and intangible assets by considering the current economic environment and outlook (Note 5). The future economic and regulatory situation may differ from management's current expectations.

33.6 Capital expenditure commitments

As of 31 December 2014 the Group had contractual commitments for the purchase of property, plant and equipment for US$ 277,452 (31 December 2013:US$ 358,141) and intangible assets for US$ 5,486 (31 December 2013: US$ 12,594) from third parties. As of 31 December 2014, the Group had contractual commitments for the purchase of property, plant and equipment from related parties in amount of US$ 1,115 (31 December 2013: US$ nil).

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

33.7 Operating lease commitments

As of 31 December 2014 and 2013, respectively, the Group leased property, plant and equipment, mainly land plots. The future minimum lease payments under non-cancellable operating leases are as follows:

	2014	2013
Not later than 1 year	**2,357**	4,052
Later than 2 year and not later than 5 years	**10,793**	18,552
Later than 5 years	**38,405**	69,429
Total operating lease commitments	**51,555**	**92,033**

34 Financial risk management

34.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value risk, cash flow 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 84% of potash fertilizers produced. As a result the Group is exposed to foreign exchange risk arising from various currency exposures. Export sales are primarily denominated in US$ or Euro. The Group maintains a balance between US$ and Euro sales in order to mitigate the risk of significant US$/Euro exchange rate fluctuations. The Group is exposed to the risk of significant RR/US$ and RR/Euro exchange rates fluctuations. The Group benefits from the weak exchange rate of the RR against the US$ and Euro, since all the Group major expenses are denominated in RR.

As of 31 December 2014, if during the year the RR had weakened/strengthened by 20% against the US$ and Euro with all other variables held constant, the post-tax loss for the year would have been US$ 597,560 higher/lower (31 December 2013: the post-tax profit – US$ 699,514 lower/higher), mainly as a result of foreign exchange gains/losses on the translation of US$ and Euro denominated trade receivables, cash in bank, deposits, foreign exchange losses/gains on the translation of US$ denominated borrowings and bonds issued and changes of fair value of derivative financial assets and liabilities.

(ii) Price risk

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

(iii) Interest rate risk

The Group's income and operating cash flows are exposed to market interest rates changes. The Group is exposed to fair value interest rate risk through market value fluctuations of interest bearing short- and long-term borrowings, whose interest rates comprise a fixed component. Borrowings issued at variable rates expose the Group to cash flow interest rate risk (Note 19, 20). The objective of managing interest rate risk is to prevent losses due to adverse changes in market interest rate level. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, the renewal of existing positions and alternative financing.

For the year ended 31 December 2014, if LIBOR and ISDA rates on US$ and MosPrime rates on RR denominated borrowings had been 200 and 1,500 basis points higher/lower respectively with all other variables held constant, post-tax loss for the year would have been US$ 76,992 and US$ 49,406 higher/lower respectively (year ended 31 December 2013: the post tax profit – US$ 47,162 and US$ 89,027 lower/higher respectively), mainly as a result of higher/lower interest expense on floating rate borrowings and changes of fair value of derivative financial assets and liabilities with floating rates terms.

(B) CREDIT RISK

Credit risk arises from the possibility that counterparties to transactions may default on their obligations, causing financial losses for the Group. The objective of managing credit risk is to prevent losses of liquid funds deposited or invested in such counterparties. Financial assets, which potentially subject Group entities to credit risk, consist primarily of trade receivables, other financial assets at fair value through profit or loss, derivative financial assets, cash and bank deposits. The maximum exposure to credit risk resulting from financial assets is equal to the carrying amount of the Group's financial assets – US$ 2,918,474 (31 December 2013: US$ 1,300,952).

The Group is exposed to concentrations of credit risk. As of 31 December 2014 the Group had twenty nine counterparties (31 December 2013: twenty five) with aggregated receivables balances above US$ 1,778. The total aggregate amount of these balances was US$ 323,654 (31 December 2013: US$ 257,503) or 85% of the total amount of financial trade and other receivables (31 December 2013: 80%). Cash and short-term deposits are placed in banks and financial institutions, which are considered at the time of deposit to have optimal balance between rate of return and risk of default. The Group has no other significant concentrations of credit risk. Trade receivables are subject to a policy of active credit risk management which focuses on an assessment of ongoing credit evaluation and account monitoring procedures. The objective of the management of trade receivables is to sustain the growth and profitability of the Group by optimising asset utilisation while at the same time maintaining risk at an acceptable level.

The effective monitoring and controlling of credit risk is performed by the Group's corporate treasury function. The credit quality of each new customer is analysed before the Group enters into contractual agreements. The credit quality of customers is assessed taking into account their financial position, past experience, country of origin and other factors. The management believes that the country of origin is one of the major factors affecting a customer's credit quality and makes a corresponding analysis (Note 13). Most customers from developing countries are supplied on secured payment terms, including letters of credit or factoring arrangements. These terms include deliveries against opened letters of credit and arrangements with banks on non-recourse discounting of promissory notes received from customers. Only customers 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 13).

Notes to the consolidated financial statements for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated) (continued)

34 Financial risk management (continued)

34.1 Financial risk factors (continued)

(B) CREDIT RISK (CONTINUED)

The table below shows the credit quality of cash, cash equivalents, letters of credit and deposits balances neither past due nor impaired on the reporting date, based on the credit ratings of independent agencies (for the cash balances held on accounts in Russia the locally tailored ratings are used) as of 31 December 2014 and 2013, if otherwise not stated in table below:

Ratings – Moody's, Fitch, Standard&Poor's	2014	2013
National scale (Russian banks)	**2,249,529**	**712,187**
From AAA / Aaa to A- / A3	**2,249,019**	711,115
From BBB+ / Baa1 to BBB- / Baa3	**510**	1,072
International scale (International banks)	**192,397**	**213,261**
From AAA / Aaa to A- / A3	**32,157**	87,942
From BBB+ / Baa1 to BBB- / Baa3	**86,755**	117,641
From BB+ / Ba1 to B- / B3	**73,485**	7,678
Unrated[1]	**13,321**	**7,775**
Total cash, cash equivalents, deposits and restricted cash not past due nor impaired	**2,455,247**	**933,223**

[1] Unrated balance contains cash on hand and other cash equivalents.

(C) LIQUIDITY RISK

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

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

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

As of 31 December 2014	Note	Less than 1 year	Between 2 and 5 years	Over 5 years	Total
Trade and other payables	22	119,665	–	–	**119,665**
Bank borrowings		840,332	4,448,201	398,799	**5,687,332**
Bonds issued		25,662	630,521	–	**656,183**
Provisions		31,101	41,549	45,459	**118,109**
Finance lease liabilities	19	871	3,485	33,981	**38,337**
Derivative financial liabilities		(1,485)	347,628	–	**346,143**
Total		**1,016,146**	**5,471,384**	**478,239**	**6,965,769**

As of 31 December 2013	Note	Less than 1 year	Between 2 and 5 years	Over 5 years	Total
Trade and other payables	22	437,098	–	–	437,098
Bank borrowings		1,673,116	3,101,237	136,904	4,911,257
Bonds issued		4,033	762,274	–	766,307
Provisions		41,299	84,365	40,212	165,876
Finance lease liabilities	19	1,498	5,991	59,907	67,396
Derivative financial liabilities		(20,984)	109,434	–	88,450
Total		**2,136,060**	**4,063,301**	**237,023**	**6,436,384**

34.2 Capital management

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

The capital employed ratios as of 31 December 2014 and 31 December 2013 were as follows:

	31 December 2014	31 December 2013
Total bank borrowings (Note 19)	**5,037,694**	4,380,953
Total equity and bank borrowings	**7,708,533**	10,122,563
Capital employed ratio	**65%**	**43%**

35 Fair value of financial instruments

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

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

Financial assets and liabilities carried at fair value. Derivatives (Level 2) and other financial assets at fair value through profit or loss (Level 1) are carried in the consolidated statement of financial position at their fair value. Fair values of corporate bonds and shares were determined based on prices quoted in an active market. Fair values of derivative financial assets and liabilities were determined using discounting cash flows valuation techniques with inputs (discount rates for RR and US$) observable in markets. To determine the fair value of derivative financial instruments, the company uses interest rate curves S179, S237 and S23.

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

Liabilities carried at amortised cost. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. As of 31 December 2014 and 31 December 2013, the estimated fair value of the current and non-current borrowings, trade and other payables is not materially different from their carrying amounts.

Notes to the consolidated financial statements for the year ended 31 December 2014 (in thousands of US dollars, unless otherwise stated) (continued)

36 Principal subsidiaries, associates and joint ventures

The Group had the following principal subsidiaries and associates as of 31 December 2014, comparing to 31 December 2013 there were not significant changes:

Name	Nature of business	Percentage of voting rights	Percentage of ownership	Country of registration
Subsidiaries:				
LLC "CMT "BSHSU"	Construction	100.00%	100.00%	Russia
LLC "Vagon Depo Balahonzi"	Repair and maintenance	100.00%	100.00%	Russia
LLC "Uralkali-Remont"	Repair and maintenance	100.00%	100.00%	Russia
CJSC "Avtotranskali"	Transportation	100.00%	100.00%	Russia
OJSC "Baltic Bulk Terminal"	Sea terminal	100.00%	100.00%	Russia
LLC "Satelit-Service"	IT services	100.00%	100.00%	Russia
CJSC VNII Galurgii	Scientific institute	80.00%	80.00%	Russia
OJSC Galurgia	Scientific institute	85.25%	85.25%	Russia
Uralkali Trading S.A.	Trading	100.00%	100.00%	Switzerland
Uralkali Trading Chicago	Trading	100.00%	100.00%	USA
Associates:				
CJSC "Registrator "Intraco"	Share register	33.75%	33.75%	Russia

Joint ventures

Uralkali Trading SA (subsidiary of the Group) has concluded an agreement in December 2013 with Federal Land Development Authority of Malaysia (FELDA) to create a joint venture for potash distribution. Operations with joint venture disclosed in Note 6.

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group:

In thousands of US	Place of business	Proportion of non-controlling interest	Proportion of non-controlling interest's voting rights held	Profit or loss attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends paid to non-controlling interest during the year
Year ended 31 December 2014						
CJSC Solikamskii Stroitelnii Trest	**Russia**	**27.95%**	**27.95%**	**(4,306)**	**1,769**	**–**
OJSC Galurgia	**Russia**	**14.75%**	**14.75%**	**952**	**6,250**	**344**
CJSC VNII Galurgii	**Russia**	**20.00%**	**20.00%**	**(197)**	**1,364**	**241**
Year ended 31 December 2013						
CJSC Solikamskii Stroitelnii Trest	Russia	27.95%	27.95%	(531)	6,689	–
OJSC Galurgia	Russia	26.75%	26.75%	–	5,642	–
CJSC VNII Galurgii	Russia	20.00%	20.00%	–	1,802	–

The summarised financial information of these subsidiaries was as follows at 31 December 2014:

In thousands of US	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Loss/ (Profit)	Total comprehensive income
Year ended 31 December 2014							
CJSC Solikamskii Stroitelnii Trest	**10,619**	**10,194**	**(8,235)**	**(1,540)**	**(15,585)**	**14,544**	**14,544**
OJSC Galurgia	**10,764**	**18,242**	**(11,013)**	**(1,767)**	**(22,948)**	**(5,350)**	**(5,350)**
CJSC VNII Galurgii	**6,144**	**5,610**	**(7,286)**	**(981)**	**(11,775)**	**818**	**818**
Year ended 31 December 2013							
CJSC Solikamskii Stroitelnii Trest	37,739	37,446	(34,899)	(2,759)	31,238	(1,901)	(1,901)
OJSC Galurgia	15,000	27,777	(14,391)	(3,142)	–	–	–
CJSC VNII Galurgii	10,414	8,966	(8,653)	(1,715)	–	–	–

37 Events after reporting date

The CBRF exchange rate fluctuated between RR 51.07 per USD and RR 69.66 per US$.

Russia's credit rating was downgraded by Fitch Ratings in January 2015 to BBB-, whilst Standard & Poor's cut it to BB+, putting it below investment grade for the first time in a decade.

The CBRF key refinancing interest rate decreased from 17.0% p.a. to 14% p.a.

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict.

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 23 April 2015.

Compliance with the Corporate Governance Code

In 2014, the Bank of Russia recommended joint-stock companies whose securities are admitted to organised trading to adopt a new version of the Corporate Governance Code (hereinafter, the Code) to replace the previous version issued in 2002.

The new Code includes most of the principles and recommendations found in similar documents used by countries with a high level of corporate governance such as the UK.

As prescribed by the comply-or-explain approach, this part of the Report will describe how the Company follows the Code's key principles and recommendations. It is important to note that, as a public company, Uralkali must also comply with the Listing Rules, which in some aspects are more lenient than the Code and which give the Company a certain period of time (until June 2016) to achieve compliance of its practices. In particular, this refers to competences of the Audit Committee and the Appointments And Remuneration Committee, the authority of the Corporate Secretary, the Regulations on the internal audit directorate, and several other matters for which the Company is currently unable to declare full compliance.

Please also note that Uralkali's internal procedures do not provide for a special regulation of Significant Corporate Actions (as defined below), although the Company's Charter stipulates that the Company's management bodies must act in the interests of the Company and in good faith and reasonable manner while exercising their rights and discharging their duties.

The Company's own Corporate Governance Code gives a more detailed description of the Company's relations with its shareholders. This internal code has a number of key objectives, including the following:

- Truly enable shareholders to exercise their rights in relation to their participation in the Company;
- Provide an effective protection of shareholders' rights and interests;
- Make the decision-making process clear and transparent;
- Ensure that members of the board of directors and other management bodies of the Company and its shareholders act professionally and ethically;
- Continuously improve the Company's information transparency; and
- Exercise an effective control over the Company's financial and economic activities.

Given the above, we can declare that the Company generally meets the basic principles of the Code and follows most of its recommendations. Please refer to Pages 54-61 of the Annual Report to learn more about the most significant aspects of the model and corporate governance practices, mechanisms and tools adopted by Uralkali. Below you will find detailed information about Uralkali's compliance with the Code.

Principle 1

The Company gives fair and equal treatment and conditions to all shareholders that wish to exercise their right to participate in the governance of the Company.

Recommendations

To comply with this principle, the Company has developed and adopted an internal document that specifies how general meetings of shareholders can be initiated, convened and held. Among other things, this document covers the Company's obligations to:

- Inform its shareholders of the upcoming general meeting and grant them access to the meeting's materials, and also to place an convocation notice and materials on its website at least 30 days prior to the scheduled date of the general meeting;
- Provide additional information on agenda items of the general meeting as recommended by the Corporate Governance Code; and
- Entitle shareholders to submit their proposals to add new / amend proposed agenda items at least 60 days after the end of the respective calendar year (or to explain its decision not to include agenda items submitted by shareholders, if relevant).

Uralkali also has an internal document that regulates the Company's Dividend Policy, prescribes how the minimum share of the Company's net profit, which goes for payment of dividends, is calculated, and how dividends are declared and paid-out. The dividend policy is available on the Company's website.

Principle 2

The Company has the Board of Directors that reports to shareholders of the Company. The Board provides strategic governance of the Company, determines the key principles and approaches to the risk management and internal control system, supervises the Company's executive bodies, and performs other key functions. The Board is an efficient and professional body, which is able to form unbiased and independent judgements in the interests of the Company and its shareholders. At least one third of the Board is made up by independent directors. The main role of the Board's chairperson is to ensure that directors discharge their duties in the most efficient manner, and act conscientiously and reasonably, have sufficient awareness of matters, and exercise proper care and prudence.

Recommendations

The team of independent directors is led by the senior independent director, who coordinates the team's work and liaises with the Board's chairperson.

The Company has a number of internal documents describing how meetings of the Board are prepared and held to allow every director to be properly prepared before a meeting. In particular, this procedure:

- Indicates the time to notify directors of upcoming meetings;
- Indicates the time to deliver voting ballots to directors and receive filled-in ballots (for meetings in absentia);
- Allows directors who are unable to participate in a physical meeting to submit their written opinions on the proposed agenda;
- Allows directors to participate (and vote) in a meeting by means of telephone or video conferences.

Compliance with the Corporate Governance Code (continued)

The Board uses physical meetings to consider matters of high significance.

In its structure, the Board of Directors has the Audit Committee and the Appointments And Remuneration Committee. Independent directors have a majority presence in both of them, which is in line with the Listing Rules of the Moscow Exchange.

The Board also regularly reviews its own performance, including the performance of the board committees and individual directors.

Principle 3

The Company has the Corporate Secretary to ensure an efficient dialogue with shareholders, coordinate measures to protect their rights and interests, and provide effective support to the Board of Directors.

Recommendations

The Corporate Secretary reports to and is appointed and dismissed by the Board of Directors. The work of the Corporate Secretary is governed by the Regulations on the corporate secretary, which is approved by the Board.

The position of the Corporate Secretary is recommended by the Code and cannot be combined with other functions in the Company. The Corporate Secretary has sufficient resources to duly discharge her duties.

Principle 4

Remuneration paid by the Company should be sufficient to attract, motivate and retain properly qualified and competent persons. The amount of remuneration paid to members of management bodies and other key employees is determined on the basis of the Company's overall performance and individual contributions of these employees.

Recommendations

Directors of the Company only receive fixed annual remuneration, and do not have any other forms of cash remuneration from the Company.

Members of the Board are not offered stock option plans, and directors' right to sell their shares of the Company is not determined by the directors' achievement of any kind of performance indicators. All payments, benefits and privileges offered to members of the Board, executive bodies and other key officers of the Company are duly regulated.

Principle 5

The Company has an effective system of risk management and internal controls, which aims to give reasonable assurance that the objectives set for the Company will be achieved.

Recommendations

The key principles of the risk management and internal control system are determined by the Board of Directors. The Company also uses internal audits for systematic independent assessments of reliability and effectiveness of the system and corporate governance practices. These audits are conducted by the specially created Internal Audit Directorate.

The Internal Audit Directorate is a separate unit. The directorate functionally reports to the Board of Directors (and so does the head of the directorate). The head of the Internal Audit Directorate is appointed and dismissed by the Board.

The directorate's functions are as follows:

- Assess effectiveness of the internal control system;
- Assess effectiveness of the risk management system;
- Assess corporate governance practices adopted by the Company.

Principle 6

The Company and its activities should be transparent for shareholders, investors and other stakeholders. The Company in a timely manner discloses complete, up-to-date and accurate information about its activities to allow its shareholders and investors to make reasonable decisions. Information requested by shareholders is provided in accordance with the availability and no-interference principles.

Recommendations

The Company adopted the Information Policy to coordinate subdivisions which are involved in information disclosures or whose activities may cause an information disclosure. The CEO of the Company is responsible for implementing the policy, while the Board controls the disclosure process and monitors adherence to the Information Policy.

Information disclosed by the Company is presented simultaneously in Russian and English (the latter being the common language of the financial market) and is freely accessible.

The Company discloses information not only about its own activities, but also about its key controlled interests.

Every six months, the Company publishes annual and interim financial statements prepared under the International Financial Reporting Standards (IFRS). According to IFRS regulations, financial statements are disclosed with an auditor's report.

The Company also discloses personal details of its directors, including their status as directors (i.e. indicating if a director is independent). If a director's status has changed, an announcement is promptly made.

As prescribed by the Code, information about the capital structure is also disclosed.

Annual reports published by the Company contain the following information in line with the Code's recommendations:

- An overview of the most significant transactions entered into by the Company and its controlled interests (included interconnected transactions between the Company and one or several of its controlled interests) for the past year;
- A report of the Board's (and board committees') activities for the past year, including the number of meetings held in presentia and absentia, attendance of each director, description of the most significant and complicated matters considered by the Board and its committees, as well as the key recommendations given by the committees to the Board;
- Information about shares directly or indirectly owned by directors and officers of the Company;

- Description of the remuneration system for directors, including individual remuneration paid on an annual basis to each director (including the fixed part and additional remuneration for chairing the Board / board committee or being on a board committee), compensation of expenses incurred in relation to being a director, as well as details of the directors' liability insurance programme;
- Aggregate annual remuneration received by members of the Company's executive bodies (by type of remuneration).

The Information Policy of the Company also describes how the Company liaises with its investors and other stakeholders, including:

- A calendar of corporate events and other useful information (updated on a regular basis);
- Regular meetings of members of the Company's executive bodies with analysts;
- Regular presentations (including webcasts and conference calls) and meetings with key officers, including meetings to support issuance of financial statements or explain key investment projects and strategic plans of the Company.

Principle 7

Actions that considerably affect or may considerably affect the shareholding structure and financial condition of the Company and its shareholders (which are called 'Significant Corporate Actions') must be taken on fair terms to ensure that rights and interests of shareholders and other stakeholders are recognised and respected. The Company must develop a procedure for Significant Corporate Actions that would allow shareholders to timely receive full information about such actions and enable them to have influence over such actions, and that would guarantee that when such actions are performed, shareholders' rights are respected and adequately protected.

Recommendations

Internal documents of the Company stipulate a principle of equal conditions for all shareholders of the Company in the event of Significant Corporate Actions that affect rights and legally protected interests of the shareholders.

Mineral resources review

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The Board of Directors
Joint Stock Company Uralkali
63 Pyatiletki Street
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Dear Sirs,

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

1. Introduction

This is a report to confirm that SRK Consulting (UK) Limited (SRK) has reviewed all of the key information on which the most recently (1 January 2015) reported Mineral Resource and Ore Reserve statements for the mining assets of Joint Stock Company Uralkali (Uralkali or the Company) are based. Specifically it sets out SRK's view regarding the tonnes and grade of rock which has the potential to be mined by the existing and planned mining operations (the Mineral Resource), the quantity of product expected to be produced as envisaged by the respective Business Plan (the Ore Reserve) and the work done to derive these.

SRK has not independently re-calculated Mineral Resource and Ore Reserve estimates for Uralkali's operations but has, rather, reviewed the quantity and quality of the underlying data and the methodologies used to derive and classify the estimates as reported by Uralkali and made an opinion on these estimates including the tonnes, grade and quality of the potash planned to be exploited in the current mine plan, based on this review. SRK has then used this knowledge to derive audited resource and reserve statements according to the guidelines and terminology proposed in the JORC Code (2012 version).

This report presents both the existing Uralkali resource estimates according to Russian standard reporting terminology and guidelines and SRK's audited JORC Code statements. All of these estimates are dated as of 1 January 2015. During 2011, Uralkali merged with JSC Silvinit (Silvinit) and the assets owned by Silvinit now fall under the ownership of Uralkali. SRK has restricted its assessment to the resources and reserves at Berezniki 2, Berezniki 4 and Ust-Yayvinsky (Uralkali's original assets) and Solikamsk 1, Solikamsk 2, Solikamsk 3 and Polovodovsky (the former Silvinit assets now under the ownership of Uralkali).

In addition to this, Uralkali acquired an exploration licence during 2014, termed Romanov, and covering an area to the south of the current Berezniki operations. SRK understands this licence area was explored historically and is currently estimated to have resources classified in the Russian P1 and P2 categories. SRK understands that Uralkali has plans in place to undertake further exploration drilling on this licence and a re-estimation of the resources in due course and with a view to increasing the confidence in the assigned classification. As SRK does not consider it appropriate to report these P1 and P2 resources as Mineral Resources as defined by the JORC Code in this case then this licence is not discussed any further in this report.

Table 1 below summarises the current licence status for each of the assets noted above.

SRK has seen copies of the licences and confirms that the Mineral Resources and Ore Reserves stated in this report fall within the boundaries of such licences. SRK notes that the licences relating to Solikamsk 1, 2 and 3 were originally issued to Silvinit under registration numbers 01439, 01440 and 01441 respectively and were re-issued to Uralkali in October 2011 following the merger of the two companies.

The licenses for all of the operating and development mines will expire within the term of the 20 year Business Plan, even though some of these mines are planned to continue operating beyond this time and have resources and reserves to support this. SRK, however, considers it reasonable to assume that Uralkali will obtain extensions to these licences in due course on application as long as it continues to fulfil its licence obligations.

2. Quantity and quality of data

2.1 Original Uralkali Operations

The resource and reserve estimates derived by Uralkali are primarily based on exploration drilling undertaken between 1972 and 1998. A specially laid out drilling programme was developed for each mine with the aim of enabling 10% of the contained resources to be assigned to the A category of resources as defined by the Russian Reporting Code, 20% to the B category and 70% to the C1 category.

The A category is the highest category in the Russian Reporting Code and only used where the stated tonnage and grade estimates are considered to be known to a very high degree of accuracy. The B, C1 and C2 categories are lower confidence categories, with C2 denoting the least level of confidence in the three categories. All of these categories, apart from C2, are acceptable for use in supporting mining plans and feasibility studies. In the case of the Uralkali assets, blocks have been assigned to the A category where the drillhole spacing

Table 1: Uralkali Licence Summary

Deposit	Registration No.	Expiry Date	Licence Type	Area (ha)
Berezniki 2	01362	1st January 2021	Mining[2]	6,725
Berezniki 4	01363	1st January 2018	Mining[1]	18,360
Ust-Yayvinsky	12328	15th April 2024	Exploration and Mining[3]	Not stated
Solikamsk 1	15231	1st January 2018	Mining[1]	4,447
Solikamsk 2	15232	1st January 2021	Mining[2]	5,038
Solikamsk 3	15233	1st January 2018	Mining[2]	11,001
Polovodovsky	02351	1st July 2028	Exploration and Mining[2]	27,100
Romanov	02488	25th June 2039	Exploration[3]	Not stated

[1] Potassium salts, magnesium salts and rock salt.
[2] Potassium salts and rock salt.
[3] Potassium and magnesium salt.

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

As a result of the above process, each mine is typically drilled on a 2 km by 2 km grid or less before a decision is taken to develop the mine. This information is, however, then supplemented by underground drilling once the access development is in place. This typically creates a grid of intersections measuring 400 m by 200 m. While Uralkali does not regularly upgrade the categorisation of its resources based on this drilling, which it rather uses to optimise the mining layouts, it does periodically undertake a re-estimation calculation on specific areas and will take into account the available data from this underground drilling in doing this where relevant. The most recent update of the estimation for Berezniki-4 was undertaken in 2006.

The drillholes, whether drilled from surface or underground, are sampled at intervals of at least 16cm and the samples are crushed and milled under the control of the geology department to produce an approximate 100 g sample prior to submission to the laboratory.

Assaying is carried out at an in-house laboratory. Approximately 5-6% of samples are repeat assayed internally while a similar percentage are sent to an independent third party external laboratory located in Berezniki (JSC Persil) for check assaying. All assaying is by classical wet chemistry techniques.

2.2 Former Silvinit Operations

These deposits were discovered in 1925 and each has been subjected to a number of exploration and drilling campaigns as follows:

- Solikamsk-1 – 7 phases between 1925 and 1990 (including exploration outside the current mining lease);
- Solikamsk-2 – 7 phases between 1925 and 2002 (including exploration outside the current mining lease); and
- Solikamsk-3 – 7 phases between 1957 and 1975.

The resource and reserve estimates are therefore primarily based on exploration drilling undertaken between 1925 and 2002. There is no exploration drilling currently being undertaken from surface at the operating mines, however, exploration drilling has recently been undertaken at the Polovodovsky prospect and the resource estimate for this asset has been updated in two phases of work during 2013 and 2014 and this updated estimated supersedes the original estimate undertaken in 1975.

Exploration has generally been undertaken by State enterprises based in Solikamsk and Berezniki although the recent drilling at Polovodovsky has been undertaken by a third party contractor.

The total number of exploration holes and metres drilled at each mine/prospect is as follows:

- Solikamsk-1 – 53 holes for some 18,600m;
- Solikamsk-2 – 192 holes for some 5,700m (of which some 95 are from underground);
- Solikamsk-3 – 117 holes for some 45,250m; and
- Polovodovsky – 152 holes for some 50,800m up to 1975 and 36 holes for some 12,650m between 2009 and 2012.

The diamond drillholes, whether drilled from surface or underground, were drilled with a diameter of either 92 mm or 112 mm for surface holes and 50-76 mm for underground holes. Holes were sampled at intervals between 10 cm and 6 m, averaging between 105 cm to 130 cm. Core recovery through the sylvinite horizons is reported to be good at an average of 84-85%, while the recovery through the carnallite horizon at Solikamsk 1 is reported to be 74%.

Core is split in half with one half retained for reference and the other half crushed, milled and split under the control of the geology department to produce a small sample (100 g) for submission to the laboratory for assay.

Assaying is carried out at an in house laboratory using classical wet chemistry techniques. Approximately 5-6% of samples are repeat assayed internally while a similar percentage are sent to an independent third party external laboratory located in Berezniki (JSC Persil) for check assaying, which SRK understands to be at the neighbouring Uralkali mine laboratory.

A total of 423 samples have to date been taken for density measurements using the water displacement method.

In the case of these former Silvinit mines, blocks have been assigned to the A category where the drillhole spacing is less than 1,200m, to the B category where the drillhole spacing is up to 2,400m and to the C1 category where the drillhole spacing is up to 4,000 m. Areas drilled at a larger spacing than this, but on average with a spacing of no less than 4,000 m have been assigned to the C2 category. Each mine is drilled on an approximate 2.4km by 2.4km grid or less before a decision is taken to develop the mine. This information is, however, then supplemented by underground drilling once the access development is in place. This typically creates a grid of intersections measuring from 100m by 300m or in cases up to 400m by 800m. As is the case with Uralkali, Silvinit did not upgrade the estimation or categorisation of its resources based on this underground drilling on a regular basis but rather used this to optimise the mining layouts. Notwithstanding this, a full re-estimation calculation was undertaken by Silvinit in 2006 (see below) for the Solikamsk mines and this took into account the available data from underground drilling where relevant.

Mineral resources review (continued)

3. Resource estimation

3.1 Introduction

The most up to date resource statements produced by Uralkali are those derived for the annual 5GR reports produced earlier this year which give the status as of 1 January 2015. 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 2014. This section therefore comments primarily on these statements.

The first resource estimates undertaken and approved for each of the former Silvinit operations were as follows:

- Solikamsk 1 and 2 – 1952;
- Solikamsk 3 – 1962; and
- Polovodovsky – 1975.

The resource estimates at each of the active mines have undergone various updates since this time, the most recent of which was in 2006. These estimates were approved by the State Committee for Reserves and take into account all surface and underground drilling data available at that time. As noted above, additional exploration drilling has recently been undertaken at Polovodovsky, and the whole of the original estimate produced in 1975 has been updated during 2013 and 2014.

3.2 Estimation Methodology

Each seam and each mine is treated separately in the resource estimation procedure. In each case the horizons are first divided into blocks such that each sub-divided block has reasonably consistent borehole spacing within it; that is more intensely drilled areas are subdivided from less intensely drilled areas. Each resulting "resource block" is then evaluated separately using the borehole intersections falling within that block only.

Specifically, composited K2O and MgO grades are derived for each borehole that intersected each block and mean grades are then derived for each block by simply calculating a length weighted average of all of these composited intersections. No top cuts are applied and all intersections are allocated the same weighting.

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

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

3.3 Uralkali Resource Statements

Table 2 below summarises SRK's understanding of the sylvinite resource statements prepared by Uralkali to reflect the status of its assets as of 1 January 2015. Uralkali's statements are based on a minimum seam thickness of 2m and a minimum block grade which dependent on the mine varies between 11.4% K2O (Polovodovsky) and 15.5% K2O (Ust-Yayvinsky). Table 3 below summarises SRK's understanding of the carnalite resource statement prepared by Uralkali to reflect the status of its assets as of 1 January 2015. Uralkali's carnalite statements (Solikamsk-1 only) are based on a minimum seam thickness of 2m and a minimum block grade of 7.2% MgO.

Table 2: Uralkali Sylvinite Mineral Resource Statement at 1 January 2015

Category	Tonnage (Mt)	K_2O (%)	K_2O (Mt)
Berezniki 2			
A	7.9	33.5	2.6
B	50.1	23.0	11.5
C1	193.3	25.3	48.9
A+B+C1	**251.3**	**25.1**	**63.1**
C2	–	–	–
Berezniki 4			
A	259.5	21.7	56.3
B	418.2	22.5	94.1
C1	1,009.1	20.6	207.9
A+B+C1	**1,686.8**	**21.2**	**358.4**
C2	310.3	26.8	83.3
Ust-Yayvinsky			
A	169.9	19.0	32.3
B	311.0	19.8	61.7
C1	809.7	19.8	160.4
A+B+C1	**1,290.6**	**19.7**	**254.4**
C2	–	–	–
Solikamsk 1			
A	99.2	18.0	17.9
B	14.2	15.7	2.2
C1	173.9	17.2	29.8
A+B+C1	**287.2**	**17.4**	**50.0**
C2	–	–	–
Solikamsk 2			
A	98.6	19.3	19.0
B	78.7	13.9	10.9
C1	846.7	17.6	148.6
A+B+C1	**1,024.0**	**17.4**	**178.6**
C2	–	–	–
Solikamsk 3			
A	100.4	17.6	17.6
B	205.4	17.0	34.8
C1	1,023.7	17.2	176.2
A+B+C1	**1,329.6**	**17.2**	**228.7**
C2	–	–	–
Polovodovsky			
A	–	–	–
B	312.8	17.1	53.6
C1	1,262.9	16.6	210.0
A+B+C1	**1,575.7**	**16.7**	**263.5**
C2	–	–	–
Summary All Mines			
A	735.5	19.8	145.8
B	1,390.4	19.3	268.9
C1	5,319.5	18.5	981.8
A+B+C1	**7,445.4**	**18.8**	**1,396.6**
C2	310.3	26.8	83.3

Table 3 Uralkali Carnalite Mineral Resource Statement at 1 January 2015

Category	Tonnage (Mt)	K_2O (%)	K_2O (Mt)
Solikamsk 1			
A	114.6	10.0	11.5
B	19.5	8.8	1.7
C1	–	–	–
A+B+C1	**134.1**	**9.9**	**13.2**
C2	–	–	–

SRK notes that while Mineral Resources for carnalite are only shown in this report at Solikamsk-1, as this is the only operation that is currently mining and processing such and where there is a plan to mine this in the future as is reflected in the Business Plan, there is carnalite present at other Uralkali sites, in particular at Ust-Yayvinsky. This has been estimated by Urakali and been assigned generally to B and C1 classification categories, however, as there is no plan currently to exploit this material at present then this mineralisation is excluded from this report.

3.4 SRK Audited Mineral Resource Statements

Table 4 and 5 below present SRK's audited Mineral Resource statement for sylvinite and carnalite respectively. SRK has re-classified the resource estimates using the terminology and guidelines proposed in the JORC Code. In doing this, SRK has reported those blocks classified as A or B by Uralkali as Measured, those blocks classified as C1 as Indicated and those blocks classed as C2 as Inferred. SRK's audited Mineral Resource statements are reported inclusive of those Mineral Resources converted to Ore Reserves. The audited Ore Reserve is therefore a sub set of the Mineral Resource and should not 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 4: SRK Audited Sylvinite Mineral Resource Statement at 1 January 2015

Category	Tonnage (Mt)	K_2O (%)	K_2O (Mt)
Berezniki 2			
Measured	58.0	24.4	14.2
Indicated	193.3	25.3	48.9
Measured + Indicated	**251.3**	**25.1**	**63.1**
Inferred	–	–	–
Berezniki 4			
Measured	677.7	22.2	150.4
Indicated	1,009.1	20.6	207.9
Measured + Indicated	**1,686.8**	**21.2**	**358.4**
Inferred	310.3	26.8	83.3
Ust-Yayvinsky			
Measured	480.9	19.5	94.0
Indicated	809.7	19.8	160.4
Measured + Indicated	**1,290.6**	**19.7**	**254.4**
Inferred	–	–	–
Solikamsk 1			
Measured	113.3	17.7	20.1
Indicated	173.9	17.2	29.8
Measured + Indicated	**287.2**	**17.4**	**50.0**
Inferred	–	–	–
Solikamsk 2			
Measured	167.3	17.0	28.4
Indicated	813.2	17.5	142.3
Measured + Indicated	**980.5**	**17.4**	**170.7**
Inferred	–	–	–
Solikamsk 3			
Measured	305.9	17.2	52.5
Indicated	1,023.7	17.2	176.2
Measured + Indicated	**1,329.6**	**17.2**	**228.7**
Inferred	–	–	–
Polovodovsky			
Measured	312.8	17.1	53.6
Indicated	1,262.9	16.6	210.0
Measured + Indicated	**1,575.7**	**16.7**	**263.5**
Inferred	–	–	–
Summary All Mines			
Measured	2,115.9	19.5	413.2
Indicated	5,285.9	18.5	975.5
Measured + Indicated	**7,401.8**	**18.8**	**1,388.7**
Inferred	310.3	26.8	83.3

Table 5: SRK Audited Carnalite Mineral Resource Statement at 1 January 2015

Category	Tonnage (Mt)	K_2O (%)	K_2O (Mt)
Solikamsk 1			
Measured	134.1	9.9	13.2
Indicated	–	–	–
Measured + Indicated	134.1	9.9	13.2
Inferred	–	–	–

3.5 SRK Comments

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

Overall, SRK considers the resource estimates reported by Uralkali to be a reasonable reflection of the total quantity and quality of material demonstrated to be present at the assets and which has potential to be exploited as of 1 January 2015.

Mineral resources review (continued)

The audited Mineral Resource statement as at 1 January 2015 presented above is different to that presented as at 1 January 2014. While this is partly a function of mining activity during 2014 and some re-assessments completed during the year by Uralkali, the most significant change to the Mineral Resource statement that have occurred during 2014 relates to a re-estimation of a portion of the Polvodovksy deposit.

A portion of Polovodovsky, in the northern area of the licence, has been re-estimated during 2014 (termed Polovodovsky 2nd Stage by Uralkali). SRK notes that during 2013, the southern portion, termed Polvodovsky 1st Stage, had been re-estimated and the results of this already incorporated into the Mineral Resource statements. The net effect of the re-estimation on the northern area undertaken during 2014, has been to reduce the total Polovodovsky Mineral Resource by some 887Mt. The primary reason for this reduction is the exclusion of blocks, which had been included in the original estimate, but which are in areas that have now been designated 'anomalous zones' and for structural reasons, it would not be permitted to mine underneath. As such this material has been removed from the Mineral Resource Estimate and SRK agrees with this approach. Some 36% of the Mineral Resource tonnage has been excluded as a resulted of the re-estimation during 2014 (total Mineral Resource reducing to 1,575.7Mt from 2,462.3Mt as originally estimated).

SRK has reviewed all the above changes and considers these to be reasonable and can confirm that these changes have been reflected appropriately in the above Mineral Resource Statements.

Finally, for the purposes of SRK's reporting of the Mineral Resources in Table 4 in accordance with the JORC Code, it is noted that there is a difference of some 43.6Mt with the Mineral Resources as reported by Uralkali in Table 2 for Solikamsk-2. SRK has reduced the Mineral Resource of Solikamsk-2 by this amount as a result of the water inflow incident which is described further below in Section 4.4. The removal of this material relates to the area where a new inter-mine isolation pillar will be left to protect the southernmost area of Solikamsk-2.

4. Ore reserve estimation

4.1 Introduction

Uralkali does not report reserves as these are typically defined by reporting guidelines and terminology developed in Europe, North America and Australia; that is, estimates of the tonnage and grade of total material that is planned to be delivered to the various processing plants over the life of the mine. SRK has therefore derived estimates of such using historical information supplied by Uralkali and gained during its site visits regarding the mining losses and dilution experienced during mining to date. SRK has also restricted the resulting estimates to those areas planned to be mined by Uralkali in its Business Plan during the next 20 years from 2015 to 2034 inclusive. The Business Plan assumes that Uralkali will successfully re-negotiate its Licences and the Ore Reserve Statements therefore also assume this will be the case.

4.2 Modifying Factors

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

The Modifying Factors considered by SRK to be appropriate for the sylvinite and carnalite being mined at each of the assets are shown below in Table 6 below. The Tonnage Conversion Factor takes into account both the percentage of material left behind in pillars and the amount of dilution included when mining the ore and is applied to the in situ resource tonnage to derive the tonnage of material expected to be delivered to the plants. The K2O/MgO Grade Conversion Factor accounts for the difference in grade between the in situ resource and the above plant feed tonnage as a result of incorporation within the latter of waste extracted along with this and is therefore applied to the in situ grade to derive the grade of ore expected to be delivered to the plants.

Uralkali undertakes an annual reconciliation to compare the ore tonnes mined each year with the resource that has been sterilised by this mining and it is these figures for the last 7 to 9 years that SRK has reviewed to derive Tonnage Conversion Factor. Similarly Uralkali keeps a record of the in situ grade of the material sterilised by mining each year and SRK has compared these with the grade of material reported to have been fed to the plants over the last 7 to 9 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 6: SRK Modifying Factors

Description	Tonnage Conversion Factor (%)	Grade Conversion Factor (%)
Solikamsk 1 (sylvinite)	40%	91%
Solikamsk 1 (carnalite)	31%	96%
Solikamsk 2	47%	89%
Solikamsk 3	51%	89%
Berezniki 2	36%	84%
Berezniki 4	45%	85%
Ust-Yayvinsky	37%	85%

4.3 SRK Audited Reserve Statements

As with its audited Mineral Resource statements, SRK's Ore Reserve statements have been re-classified using the terminology and guidelines proposed in the JORC Code. To facilitate this, SRK has been provided with actual production and operating cost data for 2009 to 2014 and a revised production forecast for 2015 to 2034 inclusive reflecting Uralkali's current plans regarding the refurbishment of some existing processing facilities and also the installation of additional facilities.

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

SRK's Ore Reserve statement does not include any material from Polovodovsky, however, it does include an Ore Reserve for Ust-Yayvinsky which is currently under construction. In the case of Polovodovsky, the feasibility studies are on-going. In the case of Ust-Yayvinsky, however, the work has been completed to an advanced stage, detailed project documentation has been completed and the necessary permits are in place. Furthermore, work on shaft construction has commenced and is in progress. SRK sent a technical team to Berezniki during 2012 to review the Ust-Yayvinsky documentation and hold discussions with Uralkali personnel, and visited the shaft construction sites as part of this latest work to review the construction progress and status, and considers that sufficient technical and economic assessment has been undertaken to enable Ore Reserves to be reported for Ust-Yayvinsky. SRK has therefore derived Ore Reserve estimates for Ust-Yayvinsky using information obtained from Uralkali but also taking cognisance of the historical information regarding the mining losses and dilution experienced during mining to date at Uralkali's existing operations.

SRK can confirm that the Ore Reserve Statements presented in Table 7 and 8 below, for sylvinite and carnalite respectively, have been derived from the resource blocks provided to SRK and incorporate sufficient estimates for ore losses and dilution based on actual historical data. The break-even price required to support this statement over the period of the business plan is between USD60-80/tonne product produced, in January 2015 terms. This is calculated as the price required to cover all cash operating costs but excluding distribution costs (i.e. all on site mining, processing, maintenance and G&A operating costs). SRK notes that the break-even price has reduced significantly from that estimated for SRK's previous review in 2014 (which was approximately USD90/tonne product) and this is a result of the significant change in inflation and exchange rates during the course of 2014. SRK estimates that if these both returned to levels seen before 2014 then the break-even price would be between USD90-100/tonne product.

Table 7: SRK Audited Sylvinite Ore Reserve Statement at 1 January 2015

Category	Tonnage (Mt)	K_2O (%)	K_2O (Mt)
Berezniki 2			
Proven	20.9	20.5	4.3
Probable	68.2	21.3	14.5
Total	**89.1**	**21.1**	**18.8**
Berezniki 4			
Proven	171.7	18.9	32.5
Probable	158.1	18.6	29.4
Total	**329.7**	**18.8**	**61.9**
Ust- Yayvinsky			
Proven	37.6	16.6	6.2
Probable	110.0	16.7	18.3
Total	**147.6**	**16.6**	**24.6**
Solikamsk 1			
Proven	45.3	16.1	7.3
Probable	46.6	15.6	7.3
Total	**92.0**	**15.9**	**14.6**
Solikamsk 2			
Proven	71.0	14.9	10.6
Probable	100.0	15.4	15.4
Total	**171.0**	**15.2**	**25.9**
Solikamsk 3			
Proven	133.7	15.3	20.4
Probable	139.0	15.3	21.3
Total	**272.7**	**15.3**	**41.7**
Polovodovsky			
Proven	–	–	–
Probable	–	–	–
Total	**–**	**–**	**–**
Summary All Mines			
Proven	480.1	16.9	81.3
Probable	621.9	17.1	106.2
Total	**1,102.0**	**17.0**	**187.5**

Table 8: SRK Audited Carnalite Ore Reserve Statement at 1 January 2015

Category	Tonnage (Mt)	MgO (%)	MgO (Mt)
Solikamsk 1			
Proven	13.0	9.5	1.2
Probable	–	–	–
Total	**13.0**	**9.5**	**1.2**

SRK can also confirm that no Inferred Mineral Resources have been converted to Ore Reserves and notes that the Mineral Resource statements reported above are inclusive of, and therefore include, those Mineral Resources used to generate the Ore Reserves.

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

Notwithstanding this, SRK considers that the actual life of some of the mines will extend beyond the current 20 year period covered by the Business Plan. In particular, at the current assumed expanded production rates the following mines have the potential to extend beyond that covered by the current 20 year Business Plan approximately as follows:

- Berezniki 4: 21 years;
- Solikamsk 1: 5 years;
- Solikamsk 2: 27 years;
- Solikamsk 3: 30 years.

Furthermore, Ust-Yayvsinky is assumed to commence production in 2020, and while it is therefore operational over 15 years of the 20 years covered by the Business Plan, at the currently assumed forecast steady state production rates it has the potential to continue production for an additional 18 years beyond this.

4.4 SRK Comments

The audited Ore Reserve statement as at 1 January 2015 presented above is different to that presented as at 1 January 2014 as a result of mining during 2014, the extension of, and revisions to, the forecast mined tonnages in the Uralkali Business Plan to 2034 and the revisions to the Mineral Resource statements commented upon earlier in this report.

Mineral resources review (continued)

The most significant change in the Ore Reserve compared to the prior year statement is a reduction of some 52.4Mt at Solikamsk-2. While to some degree the reduction is offset by slight increases in the Ore Reserves at Ust-Yayvinksy and Soliaksmk-3 (due to revisions in assumed mined tonnages over the 20 year period of the Business Plan), the overall net effect on the total Ore Reserve for Uraklali compared to the prior year statement is a reduction of some 46Mt.

With regards to the reduction at Solikamsk-2, on 18 November 2014, a sudden water inflow event occurred underground in Solikamsk-2 associated with a collapse in the overlying strata and development of a sinkhole at surface. This occurred in the northern extremity of the Solikamks-2 licence area. SRK understands that currently, only a limited amount of flooding has resulted, however, there have been a number of responses by Uralkali, including:

- Revisions to the overall mine planning and scheduling;
- Installation of a groundwater dewatering ring at surface (commissioned February 2015);
- A change in the mine development plan at Solikamsk-2 with a “new Solikamsk-2” mine now planned to be established which will be fully separated from the Solikamsk-2 mine by an inter-mine isolation pillar. This has resulted in the requirement for a new shaft to service the” new Solikamsk-2” mine;
- Further measures to reinforce the existing bulkheads between Solikamsk-2 and Solikamsk-1 mines to prevent water ingress between the two in the event of complete flooding of the former;
- Backfilling measures in order to minimise potential future subsidence impacts to surface infrastructure including railway lines; and
- Increased surface monitoring of the collapse zone and new underground seismograph monitoring stations.

The investigation into the collapse is still on-going and the response, particularly in terms of revised monitoring requirements and mine planning and design implications, is yet to be finalised. Although SRK understands that the Solikamsk-2 sinkhole has occurred in an area of old workings and has not directly affected the production areas currently located in the southern part of the licence area, production capacity has been impacted by:

- The installation of emergency pumping facilities at the shaft;
- Working areas being restricted to those panels located immediately north of inter-mine isolation pillar noted above;
- Stopping development into new working areas located south of the southern barrier pillar; and
- A preference to mitigate against future production losses in the event that production from Solikamsk-2 has to be halted completely.

For the purposes of the current Business Plan, Uralkali has therefore assumed that for the next 5 years, mine production from Solikamsk-2 will be restricted to 4Mtpa compared to a potential current capacity of 10Mtpa. By 2020 it is assumed that the mine production will increase to 10Mtpa following the sinking of a new shaft complex to service the ‘new Solikamsk-2 mine. While SRK accepts the changes made to the current Business Plan to reflect this emerging issue, SRK considers there remains a risk that the flooding event cannot be controlled successfully which would result in the current shaft at Solikamsk-2 becoming inoperable. Were this to occur, then the Ore Reserve at Solikamsk-2 could reduce further than reported herein and no production would be able to occur from this mine until the new shaft complex has been constructed, which will take at least 5 years to complete. Uralkali has assumed that a new shaft complex can be constructed and be operational by 2020, which while SRK considers to be aggressive, could be achievable assuming no issues arise during the design, permitting and construction process and given that Uralkali can apply its recent experience on such undertakings for the construction of the Ust-Yayvinsky mine which is currently underway.

In addition to the above, the 20 year Business Plan includes a number of expansions to both the Uralkali and former Silvinit operations (the capital costs of which have been taken into account in Uralkali’s Business Plan and which SRK has taken account of in determining the economics of the operations) and as such the Ore Reserve reported here takes into account the additional amount of material planned to be mined over this period. SRK notes that the forecast production assumptions are somewhat higher than that actually achieved in the last couple of years but understands that this reduced production rate has primarily been driven by the prevailing market conditions rather than capacity constraints at the various operations. SRK therefore assumes that the forecast increase in production levels at each of the facilities is warranted and justified based on Uralkali’s market expectations going forward.

SRK has reviewed the expansions proposed by Uralkali and considers the work proposed and the timeline assumed for the work to be completed to be generally reasonable and achievable. Further, while SRK has not reviewed the capital cost estimates in detail, SRK is confident that these are justified based on Uralkali’s current price forecasts. In some cases, the expansion projects are already underway and some of the increases to processing capacities are assumed to be achieved by de-bottlenecking the existing facilities in addition to upgrading and adding new equipment and processing lines. SRK notes that in order to achieve these increases in production, Uralkali will need to ensure that sufficient resources, management and staffing are available given that many of these expansions are forecast to take place simultaneously.

5. Concluding remarks

In SRK's opinion the Mineral Resource and Ore Reserve statements as included herein are materially compliant with the JORC Code and are valid as at 1 January 2014. In accordance with additional reporting requirements of the latest version of the JORC Code (2012), included in an Appendix to this report are the JORC checklist tables which include additional details and commentary on "Sampling Techniques and Data", "Estimation and Reporting of Mineral Resources" and "Estimation and Reporting of Ore Reserves".

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

Yours Faithfully

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Mineral resources review (continued)

Section 1 Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	– Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling. – Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. – Aspects of the determination of mineralisation that are Material to the Public Report. – In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.	The Mineral Resource and Ore Reserve estimates derived for Berezniki projects are primarily based on surface exploration drilling undertaken between 1972 and 1998. The Mineral Resource and Ore Reserve estimates derived for Solikamsk projects are primarily based on surface exploration drilling undertaken between 1925 and 2012. Exploration was generally undertaken by State enterprises based in Solikamsk and Berezniki. Further underground drilling is taking place at the operating mines and data from this is also used to update the Resource Estimates from time to time.
Drilling techniques	– Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).	The diamond drillholes drilled from surface and underground were drilled with a diameter of either 92 mm or 112 mm for surface holes and 50-76 mm for underground holes. In all cases holes were sampled at intervals between 10 cm and 6 m, averaging between 105 cm and 130 cm.
Drill sample recovery	– Method of recording and assessing core and chip sample recoveries and results assessed. – Measures taken to maximise sample recovery and ensure representative nature of the samples. – Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	Core recovery through the sylvinite horizons is reported to be good at an average of 84-85%, while the recovery through the carnallite horizon at Solikamsk 1 is reported to be 74%.

Criteria	JORC Code explanation	Commentary
Logging	– Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. – Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography. – The total length and percentage of the relevant intersections logged.	Drill core samples are subject to the follow analysis: – detailed description based on visual identification of units, seams and layers; – field identification of mineral and lithological composition; – photography (recent years); – assaying (see below); – geophysical logging (for all holes since 1952). During drilling from the surface, the following geophysical analysis is undertaken: – gamma-logging; – neutron gamma-logging; – caliper logging; – inclinometer survey; – electric logging; – resistivity metering; – thermometric measurements; – gas logging. For Berezniki operating mines some 76,600m of core from exploration holes have been logged. For Solikamsk operating mines some 69,600m of core from exploration holes have been logged.
Sub-sampling techniques and sample preparation	– If core, whether cut or sawn and whether quarter, half or all core taken. – If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry. – For all sample types, the nature, quality and appropriateness of the sample preparation technique. – Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. – Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. – Whether sample sizes are appropriate to the grain size of the material being sampled.	Core is split in half with one half retained for reference and the other half crushed, milled and split under the control of the Company geology department to produce a small sample (100 g) for submission to the laboratory for assay. Assaying is carried out at an in house laboratory using classical wet chemistry techniques. Approximately 5-6% of samples are repeat assayed internally while a similar percentage are sent to an external laboratory for check assaying.
Quality of assay data and laboratory tests	– The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. – For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. – Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.	See comments above.

Mineral resources review (continued)

Criteria	JORC Code explanation	Commentary
Verification of sampling and assaying	– The verification of significant intersections by either independent or alternative company personnel. – The use of twinned holes. – Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. – Discuss any adjustment to assay data.	See comments above. Given that most of the quoted Mineral Resource and Ore Reserve relates to operating mines, verification is undertaken by means of annual reconciliations of actual production compared to the resource model. This informs the modifying factors used to derive the Ore Reserves (see Section 4).
Location of data points	– Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. – Specification of the grid system used. – Quality and adequacy of topographic control.	Since 1939, topographic and geodesic surveys have been undertaken to generate topographic maps scales 1:10,000 and 1:5,000. Topographic and geodesic surveys are performed by specialist organisations under the instruction of Uralkali. At present, the hole coordinate location is performed using satellite double-frequency and single-frequency instruments based on the State Geodesic Polygonal Grid Class 4, in static mode, within 20 minutes, under plane accuracy 5 mm and height accuracy 10 mm.
Data spacing and distribution	– Data spacing for reporting of Exploration Results. – Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. – Whether sample compositing has been applied.	The general drill spacing of surface drill holes relative to Russian Resource classification categories (see Section 3 below) is as follows: **Berezniki Mines** A Category: less than 1,000m B Category: between 1,000m and up to 2,000m C1 Category: between 2,000m and 4,000m C2 Category: ~4,000m (or greater) spacing **Solikamsk Mines** A Category: less than 1,200m B Category: between 1,200m and up to 2,400m C1 Category: between 2,400m and 4,000m C2 Category: ~4,000m (or greater) spacing In addition to the above, underground drilling is undertaken at the operating mine on a general spacing of approximately 400m.
Orientation of data in relation to geological structure	– Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. – If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.	All drill holes have been drilled vertically through a flat lying/gently dipping and undulating orebody, which SRK considers is appropriate.

Criteria	JORC Code explanation	Commentary
Sample security	– The measures taken to ensure sample security.	Core samples taken from surface holes are kept in covered storage, until the state Examination is passed, after which this is discarded. Of the core material taken from underground holes, samples are prepared for chemical assays and physical and mechanic studies. Sample duplicates are kept in underground storages and are discarded after panels (blocks) are completely mined out.
Audits or reviews	– The results of any audits or reviews of sampling techniques and data.	The work undertaken by SRK represents an audit of the Mineral Resource estimates derived by Uralkali. SRK considers the sample collection and assaying techniques to be appropriate for the style of geometry and style of mineralisation and the data is suitable for use in the Mineral Resource and Ore Reserve estimates. The Russian State authority RosGeoFond also reviews reports on resource re-estimations (via the 5GR statement submitted annually by Uralkali). The Russian State Reserves Commission (GKZ) also undertakes audits and reviews of the resources statements.

Section 2 Estimation and Reporting of Mineral Resources

Criteria	JORC Code explanation	Commentary
Database integrity	– Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes. – Data validation procedures used.	SRK has reviewed the drill logs/assay results, plan view geological and resource block interpretations and resulting block listings and resource calculations and undertaken check calculations and found no material errors or omissions.
Site visits	– Comment on any site visits undertaken by the Competent Person and the outcome of those visits. – If no site visits have been undertaken indicate why this is the case.	SRK has undertaken an annual site visit since 2007 to the operating mines, processing plants and associated surface infrastructure facilities.
Geological interpretation	– Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit. – Nature of the data used and of any assumptions made. – The effect, if any, of alternative interpretations on Mineral Resource estimation. – The use of geology in guiding and controlling Mineral Resource estimation. – The factors affecting continuity both of grade and geology.	High confidence in the geological interpretation of the deposit based on various phases of exploration and first hand observation from underground mining operations. The upper and lower limits of the mineralisation are well defined.

Mineral resources review (continued)

Criteria	JORC Code explanation	Commentary
Dimensions	– The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.	Each deposit is flat lying/gently dipping and with minor undulations: **Berezniki Mine 2 (Durmanski Licence Area).** This licence extends some 7.9km north-south and 7.7km east-west and covers an area of about 67km^2. The average depth of the two seams mined is about 345m and the average thickness between 2.5m and 4.5m. B**erezniki Mine 4 (Bygelso-Troitski Licence).** This licence extends some 12km north-south and 17km east-west and covers an area of about 183km^2. The average depth of the two seams mined is about 320m and they have an average thickness of 3m. **Ust-Yayvinksy Mine (Ust-Yayvinsky Licence).** This is currently under construction. The licence extends up to some 10.8km by 10.3km and covers an area of about 81km^2. The average depth of the two seams to be mined is about 390m and they have an average thickness of between 3 and 5m. **Solikamsk Mine 1 (Solikamsk Lease Northern Part).** This licence extends some 6.3km by 6.3km and covers an area of about 45km^2. The depth of the two seams mined is between 260 and 350m with they have a thickness of between 3 and 5.5m. **Solikamsk Mine 2 (Solikamsk Lease Southern Part).** This licence extends some 8.6km by 7.3km and covers an area of about 50km^2. The depth of the two seams mined is between 200 and 300m and they have a thickness of between 4.5 and 6m. **Solikamsk Mine 3 (Novo-Solikamsk Licence).** This licence extends some 16.4km by 8.9km and covers an area of about 110km^2. The depth of the two seams mined is between 250 and 380m with they have a thickness of between 3 and 4m. **Polovodovsky.** This licence extends up to some 30km by 29km and covers an area of about 271km^2. The average depth of the two seams is about 270m and they have a thickness of between 3.4-4.2m. The Polovodovsky licence contains Mineral Resources only while all other licences have declared Ore Reserves (see Section 4 below).

Criteria	JORC Code explanation	Commentary
Estimation and modeling techniques	– The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used. – The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data. – The assumptions made regarding recovery of by-products. – Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation). – In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed. – Any assumptions behind modelling of selective mining units. – Any assumptions about correlation between variables. – Description of how the geological interpretation was used to control the resource estimates. – Discussion of basis for using or not using grade cutting or capping. – The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.	Each seam and each mine is treated separately in the resource estimation procedure. In each case the horizons are first divided into blocks such that each sub-divided block has reasonably consistent borehole spacing within it; that is more intensely drilled areas are subdivided from less intensely drilled areas. Each resulting "resource block" is then evaluated separately using the borehole intersections falling within that block only. Specifically, composited K2O and MgO grades are derived for each borehole that intersected each block and mean grades are then derived for each block by simply calculating a length weighted average of all of these composited intersections. No top cuts are applied and all intersections are allocated the same weighting. A separate plan is produced for each seam showing the results of the above calculations, the lateral extent of each sub-block, and any areas where the seams are not sufficiently developed. The aerial coverage of each block is then used with the mean thickness of the contained intersections to derive a block volume. The tonnage for each block is then derived from this by applying a specific gravity factor calculated by averaging all of the specific gravity determinations made from samples within that block. The data for each resulting block is plotted on a Horizontal Longitudinal Projection (HLP). This shows the horizontal projection of the extent of each block as well as its grade and contained tonnage. The HLP also shows the block classification, this being effectively a reflection of the confidence in the estimated tonnes and grade. SRK considers the Mineral Resource estimation methodology to be appropriate for the geometry and style of mineralisation and available data.
Moisture	– Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.	The resource estimates are expressed on a dry tonnage basis and in-situ moisture content is not estimated.
Cut-off parameters	– The basis of the adopted cut-off grade(s) or quality parameters applied.	Uralkali's sylvinite Mineral Resource statements are based on a minimum seam thickness of 2m and a minimum block grade which dependent on the mine varies between 11.4% and 15.5% K2O. Uralkali's carnalite Mineral Resource statements are based on a minimum seam thickness of 2m and a minimum block grade of 7.2% MgO.
Mining factors or assumptions	– Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.	Five of the seven areas with a reported Mineral Resource are underground mines (room and pillar) which have been operating for a number of years. Ust-Yayvinsky is under construction and studies have been undertaken to determine the economic viability of this. A Room and Pillar mining method is also planned for this mine. Refer to Section 4 for mining factors and assumptions for conversion to Ore Reserves. Polovodovsky is currently reported as a Mineral Resource only and feasibility studies are underway for the development of this.

Mineral resources review (continued)

Criteria	JORC Code explanation	Commentary
Metallurgical factors or assumptions	– The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.	Refer to comment above regarding mining factors and assumptions and also to Section 4 regarding Ore Reserves.
Environmental factors or assumptions	– Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.	Existing infrastructure is in place at the operating mines including facilities to dispose of salt and slimes waste. Expansion of these facilities or construction of new ones can take place as required.
Bulk density	– Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples. – The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc.), moisture and differences between rock and alteration zones within the deposit. – Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.	Bulk density measurements are taken from historical drill core samples and also actual measurements during the course of operations.
Classification	– The basis for the classification of the Mineral Resources into varying confidence categories. – Whether appropriate account has been taken of all relevant factors (i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data). – Whether the result appropriately reflects the Competent Person's view of the deposit.	SRK has reclassified the Russian classification categories in accordance with the JORC Code. Generally, SRK has reported those blocks classified as A or B per the Russian classification system as Measured, those blocks classified as C1 as Indicated and those blocks classed as C2 as Inferred. SRK considers the quantity and quality of data that underpins the estimation and classification given to be appropriate for the categories used.
Audits or reviews	– The results of any audits or reviews of Mineral Resource estimates.	The work undertaken by SRK represents an audit of the Mineral Resource estimates derived by Uralkali. SRK considers the sample collection and assaying techniques to be appropriate for the style of geometry and style of mineralisation and the data is suitable for use in the Mineral Resource and Ore Reserve estimates. The Russian State authority RosGeoFond also reviews reports on resources re-estimations (via the 5GR statement submitted annually by Uralkali). The Russian State Reserves Commission (GKZ) also undertakes audit and reviews of the resources statements.

Criteria	JORC Code explanation	Commentary
Discussion of relative accuracy/ confidence	– Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate. – The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. – These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.	The Mineral Resource estimates have been prepared and classified in accordance with the Russian system of reporting resources and have been re-classified by SRK using the terminology and guidelines of the JORC Code (2012). The resource quantities should be considered as global estimates. Five of the seven areas with Mineral Resources are operating mines and also have Ore Reserves declared. Uralkali undertakes annual reconciliations and SRK has used this information in deriving appropriate Modifying Factors for conversion to Ore Reserves (Refer to Section 4 below).

Section 3 Estimation and Reporting of Ore Reserves

Criteria	JORC Code explanation	Commentary
Mineral Resource estimate for conversion to Ore Reserves	– Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve. – Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves.	The Mineral Resource estimates as presented in Table 4 and 5 of this report have been used as the basis for conversion to Ore Reserves as presented in Table 7 and 8 respectively. The Mineral Resources presented are inclusive of those Mineral Resources converted to Ore Reserves. SRK has restricted the Ore Reserves to the material planned to mined during the next 20 years.
Site visits	– Comment on any site visits undertaken by the Competent Person and the outcome of those visits. – If no site visits have been undertaken indicate why this is the case.	SRK has undertaken an annual site visit since 2007 to the operating mines, processing plants and associated surface infrastructure facilities.
Study status	– The type and level of study undertaken to enable Mineral Resources to be converted to Ore Reserves. – The Code requires that a study to at least Pre-Feasibility Study level has been undertaken to convert Mineral Resources to Ore Reserves. Such studies will have been carried out and will have determined a mine plan that is technically achievable and economically viable, and that material Modifying Factors have been considered.	Berezniki Mines 2 and 4 and Solikamsk Mines 1, 2 and 3 are all operating mines and have a 20 year mine plan. SRK has verified that the mine plans are both technically and economically feasible for each mine. Ust-Yayvinsky is currently under construction and has been the subject of Feasibility Studies to determine the technical and economic viability of this. No Ore Reserves are declared for the Polovodovsky site.
Cut-off parameters	– The basis of the cut-off grade(s) or quality parameters applied.	Refer to Section 3 above.

Mineral resources review (continued)

Criteria	JORC Code explanation	Commentary
Mining factors or assumptions	– The method and assumptions used as reported in the Pre-Feasibility or Feasibility Study to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate factors by optimisation or by preliminary or detailed design). – The choice, nature and appropriateness of the selected mining method(s) and other mining parameters including associated design issues such as pre-strip, access, etc. – The assumptions made regarding geotechnical parameters (eg pit slopes, stope sizes, etc),grade control and pre-production drilling. – The major assumptions made and Mineral Resource model used for pit and stope optimisation (if appropriate). – The mining dilution factors used. – The mining recovery factors used. – Any minimum mining widths used. – The manner in which Inferred Mineral Resources are utilised in mining studies and the sensitivity of the outcome to their inclusion. – The infrastructure requirements of the selected mining methods.	All mines are operated by room and pillar methods using continuous miners which is a proven method for this type of deposit and has been used at these operations for many years. The Modifying Factors applicable to the derivation of Ore Reserves comprise estimates for ore losses and planned and unplanned dilution associated with the separation of the ore and waste. This is normally a function of the orebody characteristics and mining methods selected. The Modifying Factors considered by SRK to be appropriate for the sylvinite and carnalite being mined at each of the assets are shown in Table 6 of this report. These have been derived by SRK from analysis of actual production data. No Inferred Mineral Resources are included within the Mine Plan. Each mine requires access via shafts and is supported by appropriate surface infrastructure. A new shaft complex is currently under construction for the Ust-Yayvinsky mine.
Metallurgical factors or assumptions	– The metallurgical process proposed and the appropriateness of that process to the style of mineralisation. – Whether the metallurgical process is well-tested technology or novel in nature. – The nature, amount and representativeness of metallurgical test work undertaken, the nature of the metallurgical domaining applied and the corresponding metallurgical recovery factors applied. – Any assumptions or allowances made for deleterious elements. – The existence of any bulk sample or pilot scale test work and the degree to which such samples are considered representative of the orebody as a whole. – For minerals that are defined by a specification, has the ore reserve estimation been based on the appropriate mineralogy to meet the specifications?	There are 6 processing facilities in operation to process the mined material from the various mining operations. These utilise existing and proven technology and have been operating for a number of years. This gives a high level of confidence in the assumed plant feed tonnages and recoveries to final product assumed in the 20 year mine plans. Mined material from Ust-Yayvinsky will be processed in one of the existing processing facilities located in Berezniki.
Environmental	– The status of studies of potential environmental impacts of the mining and processing operation. Details of waste rock characterisation and the consideration of potential sites, status of design options considered and, where applicable, the status of approvals for process residue storage and waste dumps should be reported.	Waste in the form of salt residue and slimes waste are disposed of in existing waste storage facilities and have remaining capacity and/or can be expanded as necessary. Uralkali has confirmed that all environmental permits required for all current and future operations are in place. This includes permits related to: – Harmful (polluting) emissions into atmospheric air; – Discharges of polluting substances and micro-organisms into water bodies; – Resolutions regarding use of water bodies; – Documents establishing limits of wastes generation and wastes disposal. When the validity of issued permits expires, new permits are obtained as required.

Criteria	JORC Code explanation	Commentary
Infrastructure	– The existence of appropriate infrastructure: availability of land for plant development, power, water, transportation (particularly for bulk commodities), labour, accommodation; or the ease with which the infrastructure can be provided, or accessed.	The area around the Berezniki and Solikamsk mines and processing facilities are serviced with adequate power, water, transportation and accommodation infrastructure for existing and planned future operations.
Costs	– The derivation of, or assumptions made, regarding projected capital costs in the study. – The methodology used to estimate operating costs. – Allowances made for the content of deleterious elements. – The source of exchange rates used in the study. – Derivation of transportation charges. – The basis for forecasting or source of treatment and refining charges, penalties for failure to meet specification, etc. – The allowances made for royalties payable, both Government and private.	Forecast operating costs are based on actual costs incurred and adjusted as required. Project capital costs are derived on a project by project basis in-house from first principles by a team of experienced engineers.
Revenue factors	– The derivation of, or assumptions made regarding revenue factors including head grade, metal or commodity price(s) exchange rates, transportation and treatment charges, penalties, net smelter returns, etc. – The derivation of assumptions made of metal or commodity price(s), for the principal metals, minerals and co-products.	For the purpose of the 20 year Business Plan, Uralkali assumes a long term commodity price of USD245/t (weighted average of domestic and export prices).
Market assessment	– The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future. – A customer and competitor analysis along with the identification of likely market windows for the product. – Price and volume forecasts and the basis for these forecasts. – For industrial minerals the customer specification, testing and acceptance requirements prior to a supply contract.	Detailed analysis on demand, supply and stocks for the potash sector are widely available in the public domain. Uralkali has been successfully producing and selling potash products for a number of years.
Economic	– The inputs to the economic analysis to produce the net present value (NPV) in the study, the source and confidence of these economic inputs including estimated inflation, discount rate, etc. – NPV ranges and sensitivity to variations in the significant assumptions and inputs.	Uralkali has produced a real terms 20 year Business Plan in USD for the existing operations and the new Ust-Yayvinsky mine and this has been reviewed by SRK to confirm the economic viability of the operations. Forecast operating costs are based on operating experience and actual historical costs, adjusted as required. Project capital costs have been derived from first principles in-house.
Social	– The status of agreements with key stakeholders and matters leading to social licence to operate.	Uralkali's social obligations are established by subsoil use terms and conditions (license agreements) to subsoil use licenses. Uralkali complies to the subsoil use terms and conditions established.

Mineral resources review (continued)

Criteria	JORC Code explanation	Commentary
Other	To the extent relevant, the impact of the following on the project and/or on the estimation and classification of the Ore Reserves: – Any identified material naturally occurring risks. – The status of material legal agreements and marketing arrangements. – The status of governmental agreements and approvals critical to the viability of the project, such as mineral tenement status, and government and statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and discuss the materiality of any unresolved matter that is dependent on a third party on which extraction of the reserve is contingent.	The main technical risk to underground potash mines is through water ingress. Uralkali has historically closed two mines due to previous flooding incidents. Berezniki Mine 1 operated from 1954 but flooded late in 2006 while Berezniki 3 operated from 1973 until flooding in 1986. Solikamsk-2 experienced water ingress in November 2014 and this is an emerging issue which has been taken into account of in the current Business Plan. Uralkali sells its product on both the domestic and international markets. The majority of sales are performed through off-take agreements with customers and these are typically renegotiated on an annual basis in terms of both quantity and price. Uralkali has an established marketing team that is responsible for all legal and marketing issues related to off-take agreements with customers. The status of each Exploration and Mining Licence is summarised in Table 1 of this report. The licenses for the operating and development mines will expire within the term of the 20 year Business Plan, even though some of these mines are planned to continue operating beyond this time and have Mineral Resources and Ore Reserves to support this. SRK considers it reasonable to expect that Uralkali will obtain extensions to these licences in due course on application as long as it continues to fulfil its licence obligations.
Classification	– The basis for the classification of the Ore Reserves into varying confidence categories. – Whether the result appropriately reflects the Competent Person's view of the deposit. – The proportion of Probable Ore Reserves that have been derived from Measured Mineral Resources (if any).	SRK's audited Ore Reserve statement is confined to those seams that are currently being considered for mining within the next 20 years only. Specifically, SRK has classed that material reported as a Measured Mineral Resource, and which is planned to be exploited within the first ten years of the Business Plan, as a Proved Ore Reserve; and that material reported as an Indicated Mineral Resource, and which is planned to be exploited within the Business Plan, and also that material reported as a Measured Mineral Resource, but which is planned to be mined during the following 10 years of the Business Plan, as a Probable Ore Reserve.
Audits or reviews	– The results of any audits or reviews of Ore Reserve estimates.	SRK has derived the Ore Reserve estimates presented in this report.

Criteria	JORC Code explanation	Commentary
Discussion of relative accuracy/ confidence	– Where appropriate a statement of the relative accuracy and confidence level in the Ore Reserve estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the reserve within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate. – The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. – Documentation should include assumptions made and the procedures used. – Accuracy and confidence discussions should extend to specific discussions of any applied Modifying Factors that may have a material impact on Ore Reserve viability, or for which there are remaining areas of uncertainty at the current study stage. – It is recognised that this may not be possible or appropriate in all circumstances. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.	SRK can confirm that the Ore Reserve defined in Table 7 and 8 of this report, for sylvinite and carnalite respectively, have been derived from the resource blocks provided to SRK and incorporate sufficient estimates for ore losses and dilution based on actual historical data. The break-even price required to support this statement is between USD60-80/tonne in January 2015 terms and based on current expectation of inflation and exchange rates. This is calculated as the price required to cover all cash operating costs excluding distribution. Finally, SRK can also confirm that no Inferred Mineral Resources have been converted to Ore Reserves. The large difference between SRK's audited Mineral Resource statement and its audited Ore Reserve statement is partly a function of the relatively low mining recovery inherent in the Room and Pillar mining method employed. It is also partly a function of the fact that SRK has limited the Ore Reserve statement to that portion of the Mineral Resource on which an appropriate level of technical work has been completed. In this case this relates to the period covered by the remaining 20 years of Uralkali's Business Plan. Notwithstanding this, SRK considers that the actual life of some of the mines will extend beyond the current 20 year period covered by the Business Plan.

Glossary

Belaruskali	OJSC Belaruskali, Belarus
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
VAT	Value added tax
Potassium	Chemical element with the symbol K (from Neo-Latin kalium) and atomic number 19
K_2O	Potassium oxide
KCl	Potassium chloride (1KCl=1.61 K_2O)
NPK	Nitrogen-phosphorus-potassium fertiliser
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, Solikamsk-1, 2, 3	Potash production units at Berezniki and Solikamsk
UKT	Uralkali Trading, S.A.
CIS	Commonwealth of Independent States
EMEA	Europe, Middle East and Africa
FSU	Former Soviet Union
SE Asia	South East Asia
COSO ERM	Enterprise Risk Management Integrated Framework developed by the Committee of Sponsoring Organizations of the Treadway Commission
FAO	Food and Agriculture Organization of the United Nations
FAS	Federal Antimonopoly Service of Russia
FMB	Fertiliser Market Bulletin, FMB Limited, UK
IFA	International Fertiliser Association, France
IPNI	International Plant Nutrition Institute, USA
IPI	International Potash Institute
JORC	Joint Ore Reserves Committee standards for public reporting on mineral resources and mineral (ore) reserves, Australia
RAFP	Russian Association of Fertiliser Producers
CUSIP	Committee on Uniform Security Identification Procedures
FSA	Financial Services Authority
GDR	Global Depositary Receipt
ISIN	International Securities Identification Number
LSE	London Stock Exchange
MCSI Russia	Morgan Stanley Capital International Russia Index
MICEX-RTS	Moscow Interbank Currency Exchange Trading Board
TSR	Total shareholder return

IFRS	International Financial Reporting Standards
RAS	Russian Accounting Standards
CAPEX	Capital Expenditures
CAGR	Compound Annual Growth Rate
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 one-off expenses
EBITDA Margin	EBITDA margin is calculated as EBITDA divided by Net revenue
LTM EBITDA	Last twelve months EBITDA
Pro-forma basis	Includes financial results of Silvinit starting from 1 January of corresponding year
TSR	Total shareholder return
IFRS basis	Includes financial results of Silvinit starting from 17 May 2011, when Silvinit ceased to exist as a legal entity
SG&A	Sales, General and Administrative expenses
c.	Circa = approximately
p.a.	Per annum
bn	billion
mln	million
Mln pcs.	Million pieces
Mt	million tonnes
RUB	Russian rouble, RF
US$	US dollar
2015E	Estimated data for 2015
2016F	Forecast data for 2016
CSR	Corporate Social Responsibility
CBA	Collective Bargaining Agreement
CDP	Carbon Disclosure Project
GRI	Global Reporting Initiative
GR	Government Relations
HR	Human Resources
HSE	Health, Safety and Environment
IPS	Integrated payroll system
KPI	Key Performance Indicator
LTIFR	Lost time injury frequency rate
LDR	Lost days rate
FIFR	Work related fatal injury frequency rate
R&D projects	Research and Development projects
AGM	Annual General Meeting
EGM	Extraordinary General Meeting
The Group	PJSC Uralkali and its subsidiaries
RM&IC	Risk Management and Internal Control System

Disclaimer

This Annual Report has been prepared on the basis of the information available to the Public Joint Stock Company Uralkali and its subsidiaries (hereinafter, Uralkali) as at the date hereof. This Annual Report contains forward looking statements. All forward looking statements contained herein and all subsequent oral or written forward looking statements attributable to Uralkali or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statements below. All statements included in this Annual Report, other than statements of historical facts, may be forward looking statements. Words such as "forecasts", "believes", "expects", "intends", "plans", "prediction", "will", "may", "should", "could", "anticipates", "estimates", "seeks", "considers", "assumes", "continues", "strives", "projects", or any expression or word with similar meaning or the negative thereof, usually indicate the forward looking nature of the statement. Forward looking statements may include statements relating to Uralkali's operations, financial performance, earnings, economic indicators, results of operation and production activities, dividend policies, capital expenditures, as well as trends relating to commodity prices, production and consumption volumes, costs, expenses, development prospects, useful lives of assets, reserves, the commencement and completion dates of certain production projects, and the acquisition, liquidation or disposal of certain entities, and other similar factors and economic projections with respect to Uralkali's business, as well as the industry and markets in which it operates. Forward looking statements are not guarantees of future performance. They involve numerous assumptions regarding the present and future strategies of Uralkali and the environment in which it operates and will operate in the future and involve a number of known and unknown risks, uncertainties and other factors that could cause Uralkali's or its industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward looking statements. Uralkali provides no assurance whatsoever that its or its industry's actual results, levels of activity, performance or achievements will be consistent with the future results, levels of activity, performance or achievements expressed or implied by any forward looking statements contained in this Annual Report or otherwise. Uralkali accepts no responsibility for any losses whatsoever that may result from any person's reliance on any such forward looking statements. Except where required by applicable law, Uralkali expressly disclaims any obligation or undertaking to disseminate or publish any updates or amendments to forward looking statements to reflect any change in expectations or new information or subsequent events, conditions or circumstances.

Uralkali 2014 Annual Report approval

D.V. Osipov
CEO

A.V. Orlova
Chief Accountant

This Urakali Annual Report has been approved by Uralkali Board of Directors on 23rd April 2015 (Minutes of the Board of Directors No 303 dated 23 April 2015).

The Uralkali Revision Commission has confirmed the accuracy of the data included in this Annual Report.

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Operating licence to maintain share register
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