Maximising
global opportunity

URALKALI

Integrated report and accounts 2013

Maximising
global opportunity

About Uralkali

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

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 two additional salt fields.

The Company is developing the Verkhnekamskoye potassium and magnesium salt field, the world's second-largest deposit in terms of ore reserves. It employs around 11,300 people in the main production unit.

Uralkali generated US$3.32 billion of revenues and a 61% EBITDA margin for the full year 2013. Uralkali's ordinary shares and Global Depositary Receipts (GDRs) are traded on the Moscow and London Stock Exchanges.

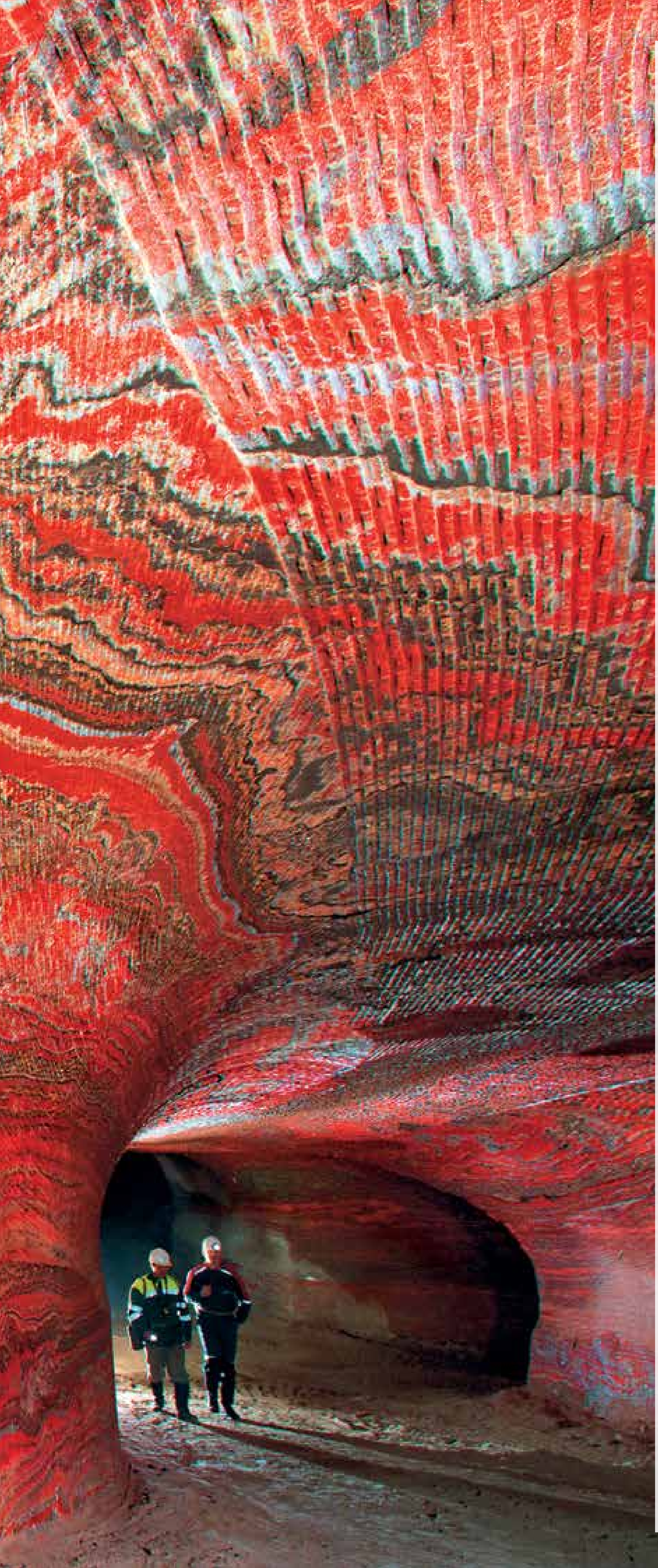
About this report

Welcome to our 2013 Integrated Report. Our aim is to clearly articulate our business, results and objectives to our key audiences, focusing on important issues and maintaining our commitment to address and report on our responsibilities and actions.

Due to the nature of our business, environmental and social issues are naturally important to us and are an integral part of the way we do business. 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 has been prepared in accordance with the Global Reporting Initiative (GRI) G3.1 Sustainability Reporting Guidelines, including the Mining and Metals Sector Supplement. The Report has been awarded a GRI A+ disclosure level. A supplementary GRI table containing additional information on GRI indicators disclosure is available on our website.

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



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Year of transition

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JUL 2013 Sales policy adjustment

Uralkali decided to stop export sales through Belarusian Potash Company (BPC) and direct all export volumes through Uralkali Trading. At the same time the Company announced its revenue maximisation strategy.

DEC 2013 JV with FELDA, Malaysia

Uralkali concluded an agreement with the Federal Land Development Authority of Malaysia (FELDA) to create a joint venture for potash deliveries to FELDA-owned plantations and other government plantations in Malaysia and other countries.

FEB 2014 Uralkali acquired a stake in Brazilian port

Uralkali acquired a 25% stake in the main shareholder in the port terminal in the town of Antonina, Brazil. The location of the port enables the Company to supply the fast-growing regions of the country in the most efficient manner.

For more information see Sales Review 36

Corporate developments

JUN 2013 DEC 2013 Dividend payments

June: The Annual General Meeting approved dividend payments for 2012 of approx. US$ 0.61 per GDR[1].

December: An EGM approved an interim dividend payment for 2013 of approx. US$ 0.34 per GDR[2].

These payments are in line with the Company's policy to pay dividends of not less than 50% of IFRS net profit for the corresponding period.

NOV 2013 Buyback programme

The buyback programme that started in November 2012 was completed. As a result of the programme the Company acquired 127.6 mln shares and 10.2 mln GDRs in the total amount of US$ 1.25 bln. The securities are to be cancelled in 2014 subject to certain corporate procedures.

DEC 2013 Appointment of a new CEO

The Board of Directors of Uralkali appointed Dmitry Osipov as the new CEO of the Company, effective from 24 December 2013, to replace Vladislav Baumgertner.

MAR 2014 Election of a new Board of Directors

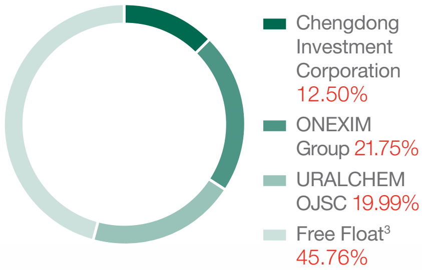
An Extraordinary General Meeting elected the new Board of Directors, including three as independent directors. Sergey Chemezov became the new Chairman of the Board.

For more information see Corporate Governance 64

Shareholder structure

During 2013, there were several changes among major shareholders.

The Company's shareholder structure as of 20 December 2013 is as below.



2,936,015,891

Total number of shares (equivalent to 587,203,178 GDRs)

c.16.6%

of Uralkali share capital is converted to GDRs as of 20 December 2013

For more information see Corporate Governance 64

[1] According to the exchange rate of the Central Bank of Russia as of 4 June 2013 1 US$ = 32.0487 RUB.

[2] According to the exchange rate of the Central Bank of Russia as of 18 December 2013, 1 US$ = 32.8646 RUB.

[3] Includes shares acquired by subsidiaries of Uralkali which are accounted for as treasury shares for the purposes of the Group's consolidated financial statements prepared in accordance with IFRS.

> The challenging market environment in H1 2013 had a negative impact on our operational and financial results. However, following the adjustment in the Company's sales strategy in July 2013, we saw some improvement in H2 2013 and are planning to maintain this momentum in 2014.

Viktor Belyakov

Chief Financial Officer

Group highlights[1]

Sales volume (mln tonnes KCl)

↑5%

2013	9.9
2012	9.4
2011	10.6

Production volume (mln tonnes KCl)

↑10%

2013	10.0
2012	9.1
2011	10.8

Average export potash price (US$, FCA, per tonne KCl)

↓28%

2013	268
2012	370
2011	351

Net revenue[2] (US$ mln)

↓20%

2013	2,665
2012	3,343
2011	3,568

EBITDA[4] (US$ mln)

↓31%

2013	1,634
2012	2,375
2011	2,488

Unit cash COGS (US$/tonne)

↓7%

2013	58
2012	62
2011	55

Earnings per GDR[3] (US$/GDR)

↓59%

2013	1.1
2012	2.7
2011	2.2

Lost time injury frequency rate[5] (LTIFR)

↓29%

2013	0.12
2012	0.17
2011	0.20

[1] Calculated on a pro-forma basis, including financial results of Uralkali and Silvinit starting from 2011, except for earnings per GDR which is calculated on an IFRS basis.

[2] Net revenue represents adjusted revenue (sales net of freight, railway tariff and transhipment costs).

[3] EPS is calculated as net profit divided by the weighted average number of GDRs in issue.

[4] EBITDA is calculated as operating profit plus depreciation and amortisation and does not include one-off expenses.

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

Mineral Resource Statement (as of 1 January 2014)

All mines	Tonnage (mln tonnes)	K_2O[6] (%)	K_2O (mln tonnes)
Measured	2,380.2	19.2	457.9
Indicated	5,826.3	18.5	1,080.1
Total measured + indicated	**8,206.5**	**18.7**	**1,538.0**
Inferred	571.1	21.6	123.1

Source: Uralkali JORC Report as of 1 January 2014, audited by SRK Consulting (UK).

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

Reinforcing our leading positions

"The Company is well positioned as global potash demand recovers and will continue its leadership to solve the needs of the world's agricultural industry and contribute to global food security.

Dear shareholders,

2013 was a challenging year for both your Company and the potash industry as a whole. As the year unfolded, it became clear that global demand for potash was subdued and well down on previous years. Global oversupply resulted in more intensive competition which led to a progressive reduction in price. Uralkali, whilst seeking to maintain price over volume approach, was losing market share to its competitors, which resulted in a much reduced capacity utilisation during the first half of 2013. Whilst this allowed the execution of necessary maintenance, repair and expansion projects, the Company decided in July 2013 to adjust its approach to the market to restore its leading global position. This was substantially achieved during the remainder of the year with rising sales supported by increased levels of production.

In parallel with these market developments, our longstanding and successful cooperation with Belaruskali through Belarusian Potash Company (BPC) came under increased pressure. The Company concluded that the longstanding basis for cooperation was no longer well founded and terminated its participation in BPC.

During 2013, the Company continued to improve its cost leadership position, enhance its global distribution networks to serve customers, and develop and apply international best practices in all of its activities.

Shareholder returns and share buyback

Despite the unfavourable market conditions and weaker financial performance, Uralkali generated solid cash flow and maintained the Company's dividend policy, which provides for the payment of not less than 50% of net income as dividends. In June 2013, the Annual General Meeting resolved to pay dividends for 2012 in the amount of US$ 0.61 per GDR. Overall, around US$ 789 million was allocated for dividend payments for 2012. In addition, in December 2013, an Extraordinary General Meeting approved interim dividends in the amount of approximately US$ 197 million.

On 13 November 2013, the second buyback programme of shares and GDRs was completed. It amounted to US$ 1.25 billion, with the purchased shares to be cancelled in accordance with corporate best practice. The buyback programme took place over the course of a two-year period as part of the Company's long-term commitment to maximise shareholder value.

The Company will continue to look for ways to optimise its shareholder distribution policy.

Ownership structure

During 2013, Uralkali's ownership structure changed significantly.

In June, the Board of Directors approved the purchase of the Company's shares beneficially owned by Zelimkhan Mutsoev. Mr. Mutsoev sold his securities portfolio to focus on his political career, giving Uralkali an opportunity to purchase shares at a significant discount to the prevailing market price.

In July, the ICT Group of companies notified Uralkali that its President, Alexander Nesis, had sold his stake in the Company.

In September, Chengdong Investment Corporation (CIC) acquired a 12.5% stake in Uralkali. CIC's involvement in Uralkali's share capital was a positive signal to the investment community, demonstrating the fundamental attractiveness of the potash industry.

In December, ONEXIM Group announced the acquisition of 21.75% of Uralkali shares from the Suleyman Kerimov Foundation. At the same time, URALCHEM notified the Company about the acquisition of 19.99% of its shares.

Thus, by the end of the year, a number of new key shareholders had joined the Company, including ONEXIM Group, URALCHEM and CIC. I am pleased to welcome all new shareholders and we hope that their involvement in the Company will begin a new chapter in its history.

In March 2014, a new Board of Directors was elected. I am sure the new Board will continue to work for the benefit of all shareholders, staying committed to the best practices of corporate governance.

Management of the Company

In August 2013, following the termination of Uralkali's participation in BPC, Uralkali CEO Vladislav Baumgertner was detained in Belarus, and later extradited to Moscow where he remains under house arrest. We thank Vladislav for his many years of sound leadership of the Company and his commitment to transform Uralkali into a world leader in the potash industry.

Following an interim period with Viktor Belyakov in charge, Dmitry Osipov, an experienced executive from the fertiliser industry, was appointed CEO of the Company in December 2013. We all wish Dmitry every success in the role and believe his in-depth understanding of the industry and a fresh approach to delivering Uralkali's strategy will lead the Company's development forward.

Outlook

The external environment, as we progress through 2014, looks increasingly challenging. The Company, however, is well positioned as global potash demand recovers and will continue its leadership to solve the needs of the agricultural industry and contribute to global food security.

I was glad to work in such an interesting industry and excellent company. I thank my colleagues and Uralkali's team and wish the Company all the best.

Alexander Voloshin

Chairman of the Board of Directors
Independent Director

Meet our new Chairman

> I highly value the trust shown in me by the Company's shareholders. In cooperation with the management, we will work efficiently in the interests of all shareholders while observing corporate governance best practices.
>
> **Sergey Chemezov**

In March 2014, Sergey Chemezov joined the Board and was elected as Chairman.

From 1996 to 1999 Mr. Chemezov was the Head of Foreign Economic Relations in the Administration of the President of the Russian Federation.

From 1999 until 2007, he held various senior posts in state-owned enterprises such as Promexport and ROSOBORONEXPORT. Since 2007, Mr. Chemezov has been CEO of Rostec, the state corporation for promoting the development, production and export of high-tech industrial products.

Mr. Chemezov currently serves on the Boards of Directors of several Russian companies.

For more information see
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Corporate Governance structure

The new Board of Directors was elected in March 2014; and it remains committed to delivering transparent stewardship and long-term sustainable value creation for all shareholders.

General Shareholder Meeting

Board of Directors

Sergey Chemezov Chairman – Independent Director

Sir Robert John Margetts Deputy Chairman of the Board Independent Director	**Dmitry Mazepin** Deputy Chairman of the Board Non-Executive Director
Paul James Ostling Independent Director	**Dmitry Osipov** CEO
Dmitry Razumov Non-Executive Director	**Dmitry Konyaev** Non-Executive Director
Valery Senko Non-Executive Director	**Jian Chen** Non-Executive Director

CEO (General Director)

Management Board

Appointments and Remuneration Committee

Corporate Social Responsibility Committee

Investments and Development Committee

Audit Committee

Internal Audit Department

For more information see
Board of Directors 62

Building on unique fundamentals

Uralkali has a sustainable business model that is able to ensure long-term shareholder value. It has excellent management, a strong Board, an efficient production process, committed personnel, and established customer relationships.

Dear shareholders,

I am delighted to have become the CEO of Uralkali. I have worked with the Company on many occasions in my previous roles in the Russian chemical industry. It is a recognised industry leader and, since joining, I have been able to witness first-hand the dedication and motivation of Uralkali's team, which make it the best in the field.

Uralkali is a successful and ambitious company that strives to be the global industry leader, a trend setter in Russia in terms of corporate governance practices and the voice of agricultural development to foster global food security.

2013 was a year of transition for the Company and a challenging year for the industry. Despite this, Uralkali continued to generate sufficient funds to carry out all of its expansion and maintenance projects, return cash to shareholders through dividends and a share buyback programme, and implement social projects. You can find further details of the Company's performance and financials in the Management Discussion and Analysis section.

As CEO, I am focusing on the following strategic goals:

- enhancing our position as a responsible global leader;
- promoting dialogue with end customers;
- maximising revenue and maintaining cash cost leadership;
- balancing investment in growth with shareholder returns;
- continuing our social and environmental development work;
- following corporate governance best practices.

2014 opened a new chapter for Uralkali. The Company has a newly elected Board, which will provide the management team with strategic guidance. The market is improving: inventory levels decreased, demand for our product is growing again, and crop prices are recovering.

The macroeconomic instability of the last several years remains, and geopolitical developments add to the uncertainty. However, we expect that the solid fundamentals of the potash industry will ensure strong demand for our products.

Enhancing our global leadership position

We aim to sustain our global market share at historic levels in the changed potash market environment. Last summer, Uralkali assumed a more flexible market approach with the aim of maximising revenue. After parting with our Belarusian partner, the Company further strengthened its first-rate sales team. In addition, the development of our logistics network enabled Uralkali to become a more attractive trading partner. As a result, by the end of 2013, the Company had re-established its former market positions, which had been lost to peers due to the previous price over volume approach. We will continue to enhance our trading and logistics to remain the supplier of choice for our customers.

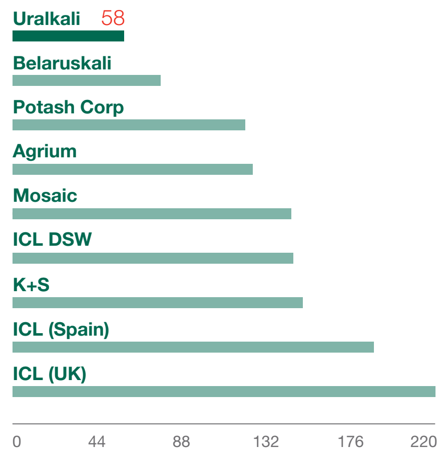
At the same time, we will take advantage of our best-in-class resource base by selectively growing our production capacity. At present, we are expanding primarily by increasing the effectiveness of our production cycle, and we are nearing the completion of our debottlenecking project that will add both our powder and granular potash capacity, with demand for the latter growing strongly. We will continue aligning the current capacity development programme with our customer requirements.

Promoting dialogue with end customers

Developing regions, such as China, India, South East Asia and Latin America, account for over 60% of Uralkali's sales. Potash consumption in these countries is growing, but it is still below the levels recommended by experts for maximum yields.

We see huge potential for increased utilisation in these regions. To stimulate this growth we are sharing our expertise with local agricultural producers, and our specialists, together with international scientific and research institutes and industry associations, are implementing educational programmes for farmers.

Global Potash Cash COGS
(US$ per tonne)



Source: MS report, April 2014.

Maximising revenue and maintaining cash cost leadership

Given the uncertain macroeconomic environment, cost control remains the focus of our team. Uralkali's production expenses are among the lowest in the industry. However, we are not complacent. We constantly seek to optimise all business processes, increase our productivity and efficiency, and improve our logistics and procurement to maximise profitability and preserve our cost leadership position.

The potash museum in Berezniki and Solikamsk.

For more information on our communities see 58

Balancing investment in growth and shareholder returns

We aim to generate high and sustainable shareholder returns. Uralkali has implemented a buyback programme over the past two years. At the same time, the Company adhered to its dividend policy, paying shareholders not less than 50% of its IFRS net profit. We will continue maintaining a balance between investing in capacity development and returning available cash to shareholders.

Continuing social and environmental development

I meet with the local administration of the Perm region regularly and reiterate the Company's commitment to the social and environmental development of both the towns where we operate and the wider region. Uralkali has its roots in the area and will continue to work in partnership with our stakeholders to improve the safety and wellbeing of our people and the environment in which we operate.

2014 is the 80th anniversary of the start of development of the Verkhnekamskoye deposit. The lives of entire generations are closely connected with potash production and it is important to us that our people take pride in their profession and in their employer, and that they want to continue to live and work in the region.

Following corporate governance best practices

The Company has the full support of the Board of Directors and the shareholders, all of whom are committed to encouraging further transparency and adhering to international best practices, which are described in our corporate governance report.

Outlook

Uralkali's strategy targets long-term growth in shareholder value. Potash fundamentals remain very strong. With the need for agricultural products constantly rising and insufficient fertiliser application in many countries, we expect demand for potash to rise by 2-4% a year on average.

This presents growth potential for Uralkali and our investors, as we continue to expand and improve production, develop premium product capacity, encourage the spread of agronomic expertise, and ultimately contribute to global food security.

I would like to thank the Board of Directors and my team for their support and guidance during my first few months at the Company. I am grateful to everyone who has helped me to settle into my new role and I will do my best to lead the Company for the benefit of all stakeholders.

Dmitry Osipov

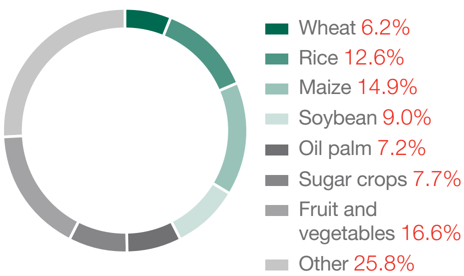
Chief Executive Officer

Contributing to global food security

Why potash is important

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.

Potash use by crop (%)



Source: IFA.

BENEFITS FOR CROPS

- Improves the nutritional value, taste, colour and structure of crops
- Increases resistance to crop diseases and pests
- Helps resist adverse weather conditions
- Facilitates assimilation of nitrogen
- Does not pollute the environment or affect the quality of natural spring water

BENEFITS FOR USERS

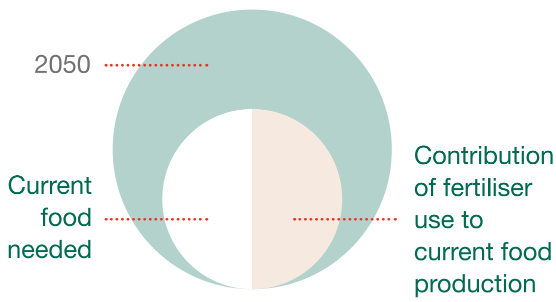
- Consistently high yields
- The maximum effect of use of NPK fertilisers
- Consistently high product quality
- Preservation of the natural balance of micronutrients in the soil and minimisation of impacts on land

For more information about potash please see www.infopotash.com/en

Strong industry fundamentals

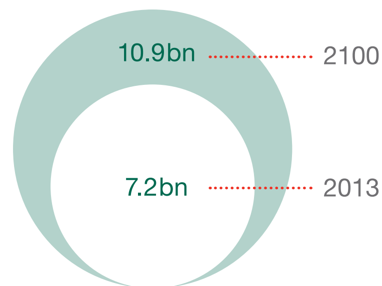
Uralkali capitalises on long-term market fundamentals. Demand for potash is expected to improve steadily in the coming years, as agriculture remains the key source of food and an important provider of fibre and fuel for the world's constantly growing population.

Estimated food need, 2050



Source: IFA.

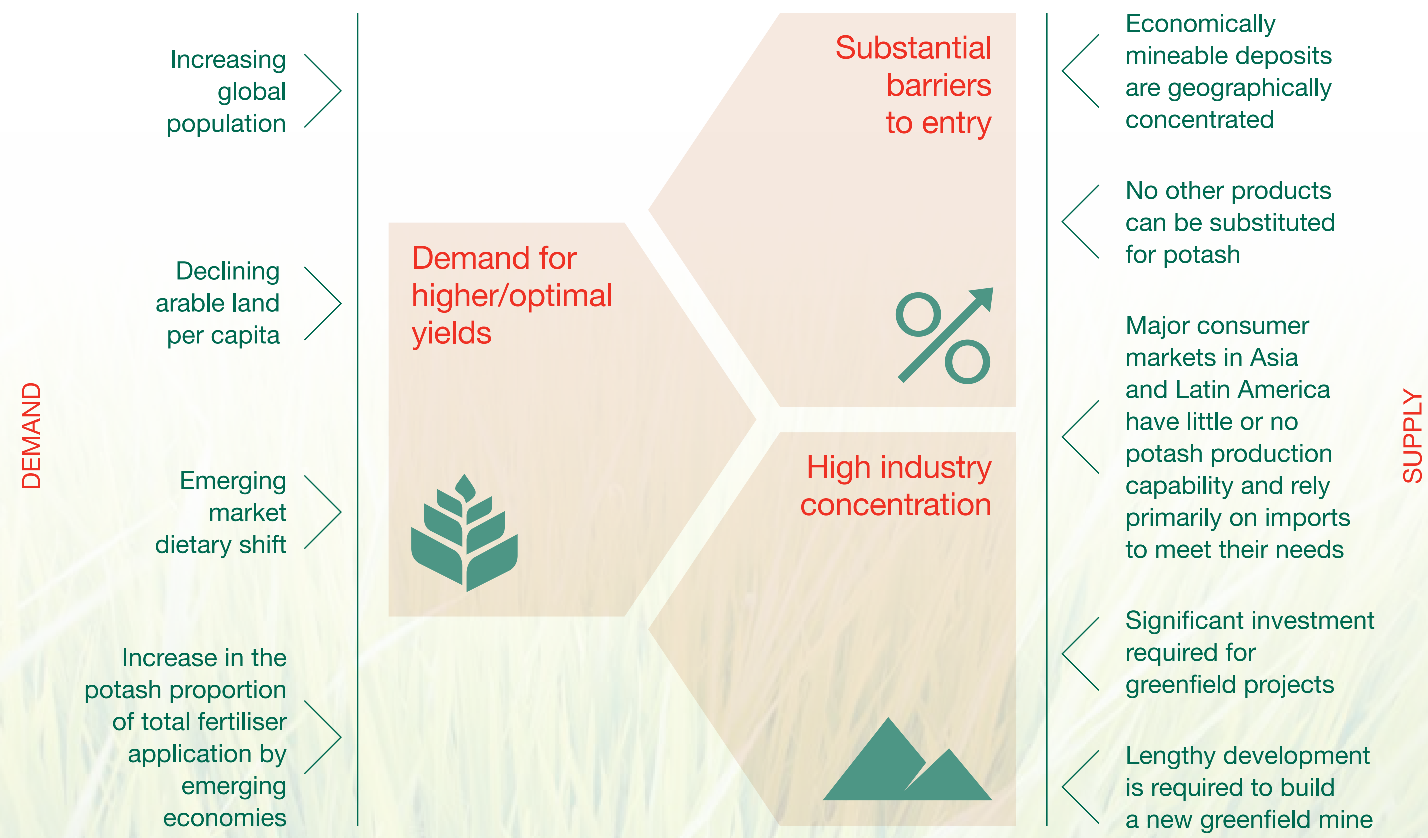
Estimated population, 2100



Source: FAO, IEDC.

Uralkali capitalises on long-term market fundamentals

Positive underlying long-term fundamentals largely remain intact



Maintaining global leadership

We strive to be an efficient and transparent company for all our stakeholders. We create value by the joint efforts of a dedicated team to become the leader of the potash industry in every aspect. While we are working hard to maintain our cost leadership position in the industry, our top priorities are: zero accidents and incidents, minimisation of negative environmental impacts, and the high quality of our products. At the same time, we invest in our people and in developing and promoting high-performing employees.

Our mission

Our values

Our business model

Production · Logistics · Sales

Our strategy

1 · 2 · 3 · 4 · 5 · 6

Creating value for stakeholders

Customers and partners

Shareholders and financial community

Employees

Trade unions

Government and local authorities

Local communities

Media

For more information see Stakeholder engagement 18

Our mission

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

Our values

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 the 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

Our business model

Our vertically integrated business model enables us to maintain control across our entire value chain from potash ore reserves to end customers, which helps to reduce supplier risks and allows us the flexibility to optimise across all stages.

Production

Logistics

Sales

For more information see 14

Our strategy

Our customer-focused revenue maximisation strategy is aimed at Uralkali being a global leader in the potash industry, responding to market opportunities, which is consistent with our continued commitment to the long-term growth of our shareholder value.

1 Enhance global responsible leadership position

2 Focus on enhanced relationships with end customers

3 Maintain cash cost leadership positions

4 Balance investment in growth with shareholder returns

5 Focus on people, communities, safety and environment

6 Continued focus on corporate governance

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Creating value through 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.

Production

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

For more information see
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Feeding the world

As the global population grows together with the need for agriculture products, our leadership position and capacity development programme enable us to 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.

For more information see
Our business in context 10

Logistics

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

For more information see
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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 around 60% of our total sales.

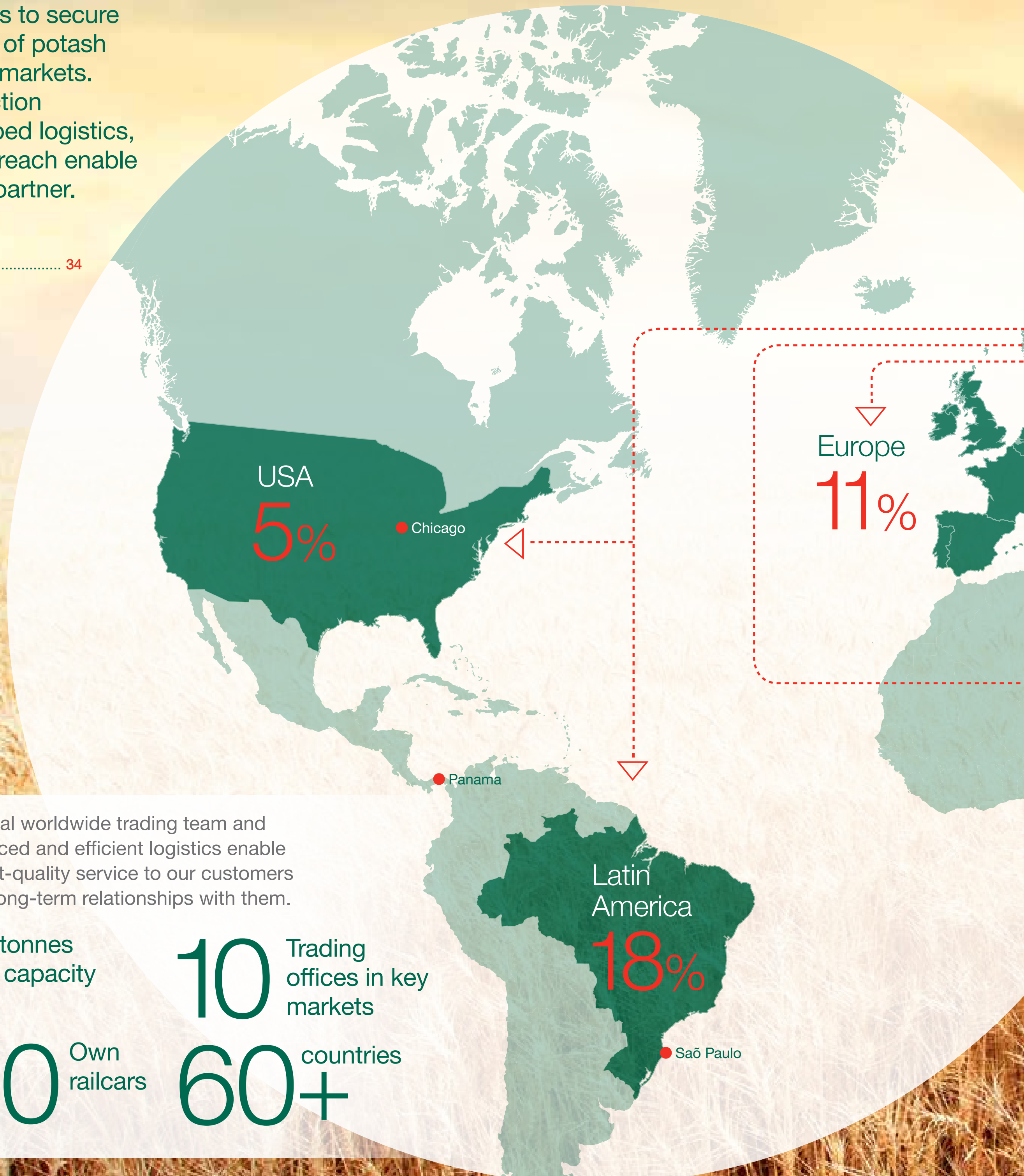
For more information see
Sales review 36

Where we operate

Global sales geography

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

For more information see Sales review 34



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

10 Trading offices in key markets

8,000 Own railcars

60+ countries

Production assets

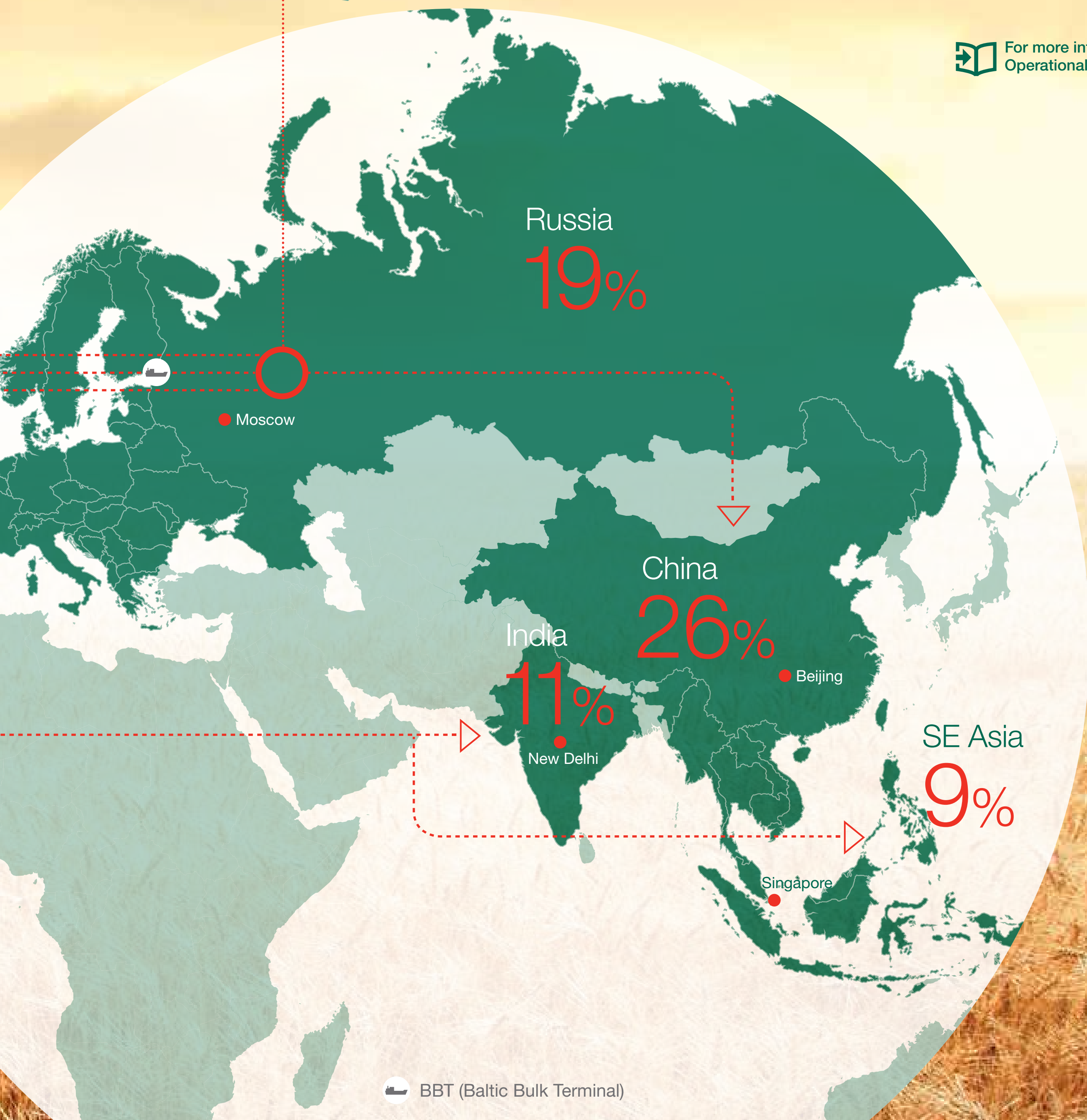
Uralkali's production facilities include five mines, six potash plants and one carnallite plant, situated in the towns of Berezniki and Solikamsk, in the Perm region of Russia. The Company has licences for the development of two additional blocks of the Verkhnekamskoye potash deposit.

5 Potash mines

6 Potash processing plants

2 Greenfield licences

For more information see Operational review 40



Note: The percentage reflects the share in Uralkali sales structure. Other markets' share in total sales volumes is about 1%.

Proactive dialogue

A proactive stakeholder engagement programme helps us to respond effectively to changes in the Company's operating environment. This table identifies our key stakeholder groups. It outlines why we engage with them and reflects the key sustainability issues and progress on our performance and engagement with them.

For more information on our Corporate Social Responsibility see 46

Stakeholder group	Why we engage
Customers and partners	As a vital element of the Company's strategy, the reliable and transparent relationship with our customers and partners drives the Company's performance. Positioned as an industry leader, Uralkali aims to sustain this mutually beneficial partnership to ensure progress and promote development in all spheres.
Shareholders and financial community	As a publicly listed company we need to provide open, timely and transparent information to help our investors make informed decisions about our financial and non-financial performance.
Employees	Every aspect of our strategy is based on the commitment of our people. Their knowledge, their willingness to work and their satisfaction are the keys to the Company's successful operations. We put an emphasis on creating the conditions for professional and career growth for our people. It is essential for us, and strengthens loyalty to the business.
Trade unions	Efficient cooperation with the trade unions is essential for the Company in understanding and fulfilling employees' expectations. Trade unions help to monitor the implementation of all health and safety rules and other important agreements.

In January 2013, the Cardinal Rules for safety, first introduced in the Company's main production unit in 2012, were extended to the whole Uralkali Group. Their successful implementation led to a zero fatality rate and a significant decrease in accident and severity rates in 2013.

> Uralkali's corporate culture encourages open dialogue with all stakeholders, which helps to foster optimal solutions in addressing the Company's challenges.

Dmitry Osipov

Chief Executive Officer

Key focus areas	What we are doing
Customers: – The quality of goods and services provided – Reliability of supplies – Mandatory compliance with contract provisions and legal requirements – Client support for the use of the Company's products **Partners:** – Procurement standards outlined in all tenders – Rigorous due diligence of all partners to establish their integrity and solvency	– Publication of regular market bulletins on the website – Meetings with customers, including industry conferences, round tables and workshops – Master classes and practical training in mineral fertiliser use – Customer surveys – Procurement standards and information on the Company's tenders and procurement plans – Meetings with (potential) suppliers and business partners – Conclusion of supply contracts for products and monitoring performance of requirements for counterparties.
– Corporate governance – Financial results – Potash market developments – Strategy and KPIs – Risks – Sustainability information	– 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
– Principles of social partnership – Mutual respect and trust that underpin HR Policy – Financial and non-financial incentives – Learning and development opportunities – Health, safety and environmental standards	– Employing HR Policy and Health and Safety Policy – The system of internal communications and feedback – Regular meetings between management and employees – Feedback on hotline messages – Ensuring safety in the workplace – Implementation of social programmes and financial incentive programmes – Employee satisfaction and employee engagement surveys
– Employees' loyalty – Compliance with health and safety regulations – Feedback from employees – Important decisions on social issues	– Reports on execution of the provisions and development of the Collective Bargaining Agreement and health and safety agreements – Regular face-to-face meetings with management and trade union members – Collecting written opinions on material and social issues

In 2013, Uralkali launched a five-year project aimed at promoting basketball in the region where it operates. The project involves Russian and foreign coaches and will engage over 1,200 junior players aged between 7 and 17 in Berezniki and Solikamsk.

On 5 December 2013, Uralkali, the government of the Perm region and the administration of Berezniki signed a financing agreement for 2013-2015. The financing plan covers the relocation of people living in inadequate housing in Berezniki, including the construction of new infrastructure facilities and demolition of the vacated buildings. Under the agreement, Uralkali and the regional government will each allocate approximately US$ 77.9 mln for the project.

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

Volunteers from Uralkali's environmental movement Green Contour held several campaigns, including waste collection in the coastal area of Lake Redikor (Solikamsk district) and Seminsky Pond (Berezniki), and in the Ogurdino forest.

The campaigns involved over 150 people – volunteers and employees of the Company; 35 hectares of land were cleaned up, and 480 bags of waste were collected, weighing over 4 tonnes.

The participants from Green Contour also held environmental seminars at the children's health camp "Ural Gems" during the summer holidays.

Key focus areas	What we are doing
– Reporting to regulators – Taxation – Planning and implementing local community development projects and social projects – Maintaining a dialogue with government authorities on current legislative and regulatory issues – Corporate philanthropy	– Information disclosure and reporting – Dialogue with government authorities on legislative and regulatory issues – Development of partnership agreements – Participation in workshops and expert panels – Implementation of joint projects – Local community development planning
– Environmental safety and mitigation of the consequences of industrial accidents – Housing infrastructure development and modernisation – Social infrastructure development and modernisation – Sports development – Supporting cultural events – Support for disadvantaged sections of the community	– Meetings with representatives of local communities – Economic, environmental and social initiatives – Implementation of CSR projects and local community development programmes – Assisting in the design of development plans for the regions in which Uralkali operates – Publications in local media – Public consultations – Maintaining contacts with NGOs
– Adequate media coverage of the Company's strategic messages – Timely disclosure of corporate news and events – Getting feedback from the society and international media – Maintaining the relationship with stakeholders at all levels	– 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

Our strategy in action

1 Enhance global responsible leadership position

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

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 market share in a specific market
- Lack of specific product
- Capacity/production decline

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 contractors' obligations
- Expenditure increase

Stakeholders engaged

For more information see

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; medium-term Net Debt/LTM EBITDA target c.2x
– Maintain balanced approach to capital investment and robust capital discipline
– Dividend payout of minimum 50% of IFRS net income provides an attractive shareholder yield

Risks

– Non-achievement of projected parameters of investment projects

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 & community development
– Deliver value whilst operating in a socially responsible manner, minimising environmental impact of operations

Risks

– Lack of employees with sufficient proficiency
– Non-compliance with environmental and health and safety regulations
– Environmental risks and risks related to mining operations
– Risks related to the accident at Berezniki-1

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 strategic performance

1

Enhance global responsible leadership position

Net revenue (potash) (US$ mln)

$2,665 mln

2013	2,665
2012	3,343
2011	3,568

Relevance to the strategy
Net revenue is the key financial metric that measures the success of 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
Decline in 2013 was predominantly a consequence of the performance in H1 2013 when net revenue decreased by 20%, as Uralkali ceded market share to other potash producers as well as the decline in potash prices. Change of market position at the end of July 2013 helped us to partly offset the impact of a challenging market environment on the Company's financials via a recovery in market share in H2.

Achieved capacity (mln t)

13 mln t

2013	13.0
2012	13.0
2011	11.5

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
Uralkali is a leading potash producer with significant growth potential. We achieved 13 mln tonnes at the end of 2012 and continue to realise our expansion programme according to the announced schedule driven by economic viability.

Total shareholder return (TSR) (%)

-28%

2013	-28
2012	10
2011	2

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
A decline in TSR was driven by Uralkali share price decline in the context of weaker potash market dynamics. At the same time we continued to pay strong dividends despite the challenges we faced in 2013. Another important factor contributing to the TSR decline year on year was the broader underperformance of emerging markets compared to the developed ones: +26% growth of the Dow Jones index in 2013 vs +2% growth of the MICEX index.

2

Focus on enhanced relationships with end customers

Sales volume (mln t)

9.9 mln t

2013	9.9
2012	9.4
2011	10.6

Production volume (mln t)

10.0 mln t

2013	10.0
2012	9.1
2011	10.8

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

Measurement
The amount of potash sold within the period.

The amount of potash produced within the period.

Performance overview
Our sales volume increased in H2 2013 when Uralkali was able to regain its market share. The difference between production and sales volume is not considered significant and is in line with the historical range.

> Challenging market conditions made Uralkali adjust its market positioning in July 2013, which helped the Company to improve its operational and financial indicators in the second half of the year. At the same time, we achieved progress in all other key areas, such as production safety and efficiency, as well as social development.

Viktor Belyakov

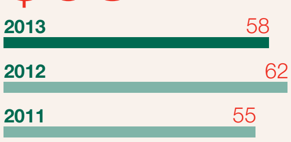
Chief Financial Officer

3

Maintain cash cost leadership positions

Cash COGS per tonne
(US$)

$58



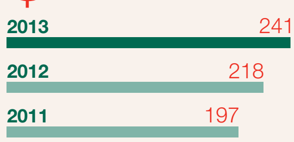
Relevance to the strategy
Cash cost of goods sold (COGS) per tonne measures our competitive cost position in the industry.

Measurement
COGS per tonne less depreciation and amortisation.

Performance overview
Cash costs remained best-in-class and further decreased due to increased production in H2 of the year; ongoing cost cutting programmes; and the depreciation of the ruble.

Sustenance CAPEX
(US$ mln)

$241 mln



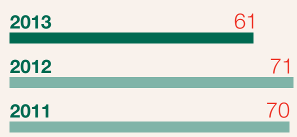
Relevance to the strategy
Sustenance CAPEX measures how efficiently we can sustain our assets post commissioning.

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

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

EBITDA margin
(%)

61%



Relevance to the strategy
EBITDA margin demonstrates successful implementation of our sales strategy and our operating efficiency, as well as the advantages of being a pure-potash producer, and reflects the attractive fundamentals of our business.

Measurement
Adjusted EBITDA/Net sales.

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

Net revenue = Revenue less railway tariff, freight and transhipment.

Performance overview
A decline in the average export potash price from US$ 370 in 2012 to US$ 268 in 2013 on an FCA basis was reflected in EBITDA margin decrease; however, it stayed within cycle averages and remains at a high level compared to other fertiliser producers.

4

Balance investment in growth with shareholder returns

Dividend payout (%)

50%

2013	50%
2012	50%
2011	50%

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/net profit.

Performance overview
50% of IFRS net profit designated for dividend payments in accordance with dividend policy.

Net debt/LTM EBITDA

2.5x

2013	2.5x
2012	0.95x
2011	0.9x

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 Eurobonds) less cash.

LTM EBITDA = Last 12 months' EBITDA.

Performance overview
An increase in the net debt/EBITDA ratio is a result of two factors: EBITDA decrease and increase in net debt. Our medium-term target remains unchanged: to go back to c.2.0 times Net debt/LTM EBITDA.

Expansion CAPEX (US$ mln)

$224 mln

2013	224
2012	208
2011	247

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 CAPEX in 2013 was in line with budgeted levels with c. 50% of it spent at Ust-Yayva construction.

5

Focus on people, communities, safety and environment

Work-related fatal injury frequency rate (FIFR)

0.000

2013	0.000
2012	0.017
2011	0.005

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
The zero fatality rate is the result of responsible management and consistent work to prevent health and safety accidents. In 2013 we continued to further enhance our health and safety practices and expanded the coverage of Cardinal Rules at the Group level.

Lost time injury frequency rate (LTIFR)

0.12

2013	0.12
2012	0.17
2011	0.20

Relevance to the strategy
LTIFR reflects work-related injury frequency. The rate helps us 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
Following the implementation of the Cardinal Rules, the LTIFR rate has decreased continuously, declining over three consecutive years.

Social investments (US$ mln)

$31.7 mln

2013	31.7
2012	29.1
2011	24.7

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
We continue to gradually increase our social investments to support sport activities, donate to charity and contribute to the development of the region where we operate.

Voluntary labour turnover (%)

11.6%

2013	11.6
2012	12.1
2011	11.2

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. compulsory redundancies and transfer to another employer).

Performance overview
The effectiveness of the Company's HR policy and increasing employee loyalty is proved by the decreasing Voluntary Labour Turnover rate.

Average annual wages (production personnel) (US$)

$15,600

2013	15,600
2012	14,262
2011	13,000

Relevance to the strategy
Average annual wages per employee in the main production unit measure how competitive we are in the market in relation to attraction and retention of 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
Uralkali constantly monitors the salary rates and pays the utmost attention to retaining the best people through ensuring its salary levels remain attractive.

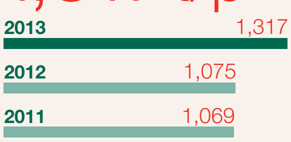
5 (continued)

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

Output per capita (production personnel)

(tonnes per person)

1,317 t/p



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

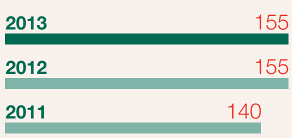
Measurement
Potash output for the year/average production personnel headcount.

Performance overview
As a result of a 10% increase in production volume together with the ongoing programmes aimed at increasing labour productivity production per capita has shown an upward trend within recent years and 23% growth compared to 2012.

Energy consumption

(kWh/tonne)

155 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
The combined effect of higher production volumes and energy efficiency programmes allowed Uralkali to maintain consistent levels of energy consumption per tonne.

6

Continued focus on corporate governance

Maintaining of credit ratings

- **2013: Investment-grade ratings maintained**
- **2012: Investment-grade ratings received**

Relevance to the strategy
Investment-grade ratings acknowledge that Uralkali is a first-class borrower with a strong industry position, balanced financial policy, prudent risk management practices, and adherence to leading corporate governance standards. We remain committed to maintaining our existing credit rating and will follow a financial policy supportive of this.

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

Performance overview
Despite current challenges on both the macro and potash industry levels rating agencies have recognised strong industry fundamentals and maintained Uralkali's ratings at investment-grade levels.

The Company's governance and transparency are not cited by the rating agencies or regulators in any negative decision about the Company.

2013: The Company pursues a consistent policy of enhancing its corporate governance and information transparency. This includes 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 and in line with applicable legal and other requirements. Information about the Board's resolutions and about any other significant events was disclosed in a timely manner. 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 a priority area for Uralkali in 2013. The decision-making process in the Company was strictly in line with legal and regulatory requirements and in full accordance with the best global corporate governance practices.

Integrating our risk controls and measures

Development of an effective risk management and internal control system is among the most important strategic objectives of Uralkali.

The purpose of this activity is to ensure timely identification of events that may adversely affect the Company's achievement of its goals and to take adequate response measures through a balanced distribution of roles among decision-makers.

In 2013, Uralkali continued its risk management activities as part of COSO ERM, an integrated risk management concept.

In 2013, we launched a project to create a system of internal controls that covers financial reporting accuracy, prevention of corruption and fraud, and regular re-assessment of risks.

Key risk factors

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

Other risks, of which Uralkali is unaware or which are currently deemed insignificant, may become material in the future and have a considerable adverse effect on the Company's commercial, financial and operating performance.

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

Activities completed in 2013

- Development of approaches to live risk monitoring
- Formalisation of the internal control system for financial reporting accuracy
- Formalisation of the internal control system for prevention of corruption and fraud
- Introduction of a corruption prevention system and a compliance system
- Further integration of risk management processes and formalisation of risk management development, implementation and monitoring practices for key risk areas

Plans for 2014

- Implementation of a live risk monitoring system
- Systematisation of risks in specialised IT products; development of a 'risk cloud' on the intranet site for prompt access by risk owners
- Finalisation of the internal control system for financial reporting accuracy (implementation and testing)
- Further formalisation of corporate level controls, IT controls, corruption prevention controls and exchange compliance controls
- Further integration of risk management processes and formalisation of risk management development, implementation and monitoring practices for key risk areas

Principal risks

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 the Company 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 risk	↔	The Company continues implementation of its investment programme in line with previously adopted plans.	Our investment decisions are based on market outlook; the most economically efficient projects are then selected, and optimal implementation periods are determined. In project implementation, we use standard project management principles. 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 employees with sufficient proficiency	The specifics of our activities assume that our employees have adequate professional backgrounds and high qualifications. The Company may face difficulty in recruiting and retaining sufficiently qualified personnel and may be forced to incur additional time and financial costs to increase the qualifications of personnel, which may impact the ability of the Company to achieve its goals in a timely manner.	medium risk	→	As competitors launch new capacity in the regions of Uralkali's operations, the risk of shortage of qualified personnel has increased.	The Company took measures to improve the quality of personnel management, create a transparent recruitment process, provide access to the best available workforce and establish an effective competence and performance assessment system.
Capacity production decline	Output of potash may be impacted by various internal factors such as equipment failures, deterioration of infrastructure and external factors such as lower ore quality or curtailment of capacity following modifications to the technology due to new instructions from regulators.	medium risk	→	Following the adoption of a new strategy, the existing capacity is fully utilised, which increases the risk of equipment failures.	For these risks, the Company adopted a risk minimisation strategy through the use of preventative controls, which help timely identification of potential stability threats.

← Probability of the risk decreased
→ Probability of the risk increased
↔ Probability of the risk unchanged
↑ Potential impact of the risk increased
↓ Potential impact of the risk decreased
↕ Potential impact of the risk unchanged
● medium risk
● high risk

> 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

Risk	Description	Risk level	Dynamics	Description of change	Risk minimisation measures
Non-fulfilment of contractors' obligations	The list of our suppliers of goods and services includes a number of key partners, relations with whom are strategically important. Failure of such suppliers to meet their contractual obligations may adversely affect our performance.		→	The Company's activities depend on monopolistic suppliers of energy and the Russian railroad system, whose throughput is decreasing each year.	The Company's demand for railcars is fully covered by an in-house fleet. Uralkali uses logistic optimisation techniques for deliveries to end users. At the same time, we continue to develop our energy efficiency programmes.
Expenditure increase	Risks that production costs may increase due to physical wear of production equipment, utilisation of obsolete technologies, or inefficient spending on operating activities. Occurrence of such risks may directly impact the profit of the Company.		↔	The Company continues its mitigation activities in line with previously approved plans.	The Company is implementing various programmes to increase productivity and reduce operating expenditure.
Financial risks					
Inflation and currency fluctuations	Inflation processes and exchange rate fluctuations, which create additional costs through more expensive materials, resources and services (e.g. transport services), may reduce the net profit of the Company.		↔	Inflation rate in Russia matches previous periods.	The Company tries to smooth exchange rate fluctuations by hedging its currency risks; 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 overall efficiency of the Company's operations.		↔	Given the unpredictable natural factors associated with mining, the Company takes a conservative approach to mitigation.	The Company 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 incident at Berezniki-1	The flooding of Berezniki-1 in October 2006 had a significant impact on the size of mineral reserves and may give rise to additional costs, losses and obligations.		↔	The Company adheres to its safety and social responsibility policies and applies a conservative approach.	The Company follows its social responsibility policy, under which it maintains a constructive and consistent relationship with state authorities to respond to any issues in a timely manner.

Principal risks (continued)

Risk	Description	Risk level	Dynamics	Description of change	Risk minimisation measures
Environment/Development environment (continued)					
Non-compliance with environmental and health & safety regulations	Uralkali's operations and use of its property are governed by various health, safety and environment laws and regulations, which however may be interpreted differently. Compliance with these laws and regulations may create additional costs and obligations.	●	↔	In 2013, the Company implemented comprehensive programmes to minimise the risk.	The Company developed a set of safety standards; it conducts regular safety training of personnel and implements measures to prevent occupational diseases among employees. Uralkali also pays special attention to compliance and performance improvement.
Marketing risks					
Potash demand decline	Macroeconomic factors, which include changes in the global population, insufficiency of cultivated land per capita, decrease in personal incomes and difficulties in raising loans to purchase potash fertilisers, may weaken the global demand for potash.	●	→	The potash demand growth rate does not match the current supply in the markets.	The management of Uralkali is developing a marketing 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 this.
Potash price decrease	Producers' pursuit of high capacity utilisation together with insufficient demand may result in excessive supply of potash and a subsequent drop in global prices, reducing the Company's revenue and profit.	●	↑	The potash demand growth rate does not match the current supply in the market, which affects sales prices.	
Loss of share in a specific market	Competitors' actions and other circumstances may result in a decrease in the Company's sales or market share in one or several markets, thus affecting our revenue and financial performance.	●		A mismatch between potash demand and supply can intensify competition.	The management of Uralkali monitors and supports all key sales markets and is developing a marketing strategy to promote potash.
Lack of specific product	With its production capacity fully utilised, the Company may face a deficit of a particular product for a market.	●		Following a change in our strategy, our production capacity is fully utilised, which increases the risk of a shortage of a particular product.	To manage this risk, the Company applies preventative controls by identifying potential shortage of a particular product and adjusting the product mix.

← Probability of the risk decreased
→ Probability of the risk increased
↔ Probability of the risk unchanged

↑ Potential impact of the risk increased
↓ Potential impact of the risk decreased
↕ Potential impact of the risk unchanged

● medium risk
● high risk

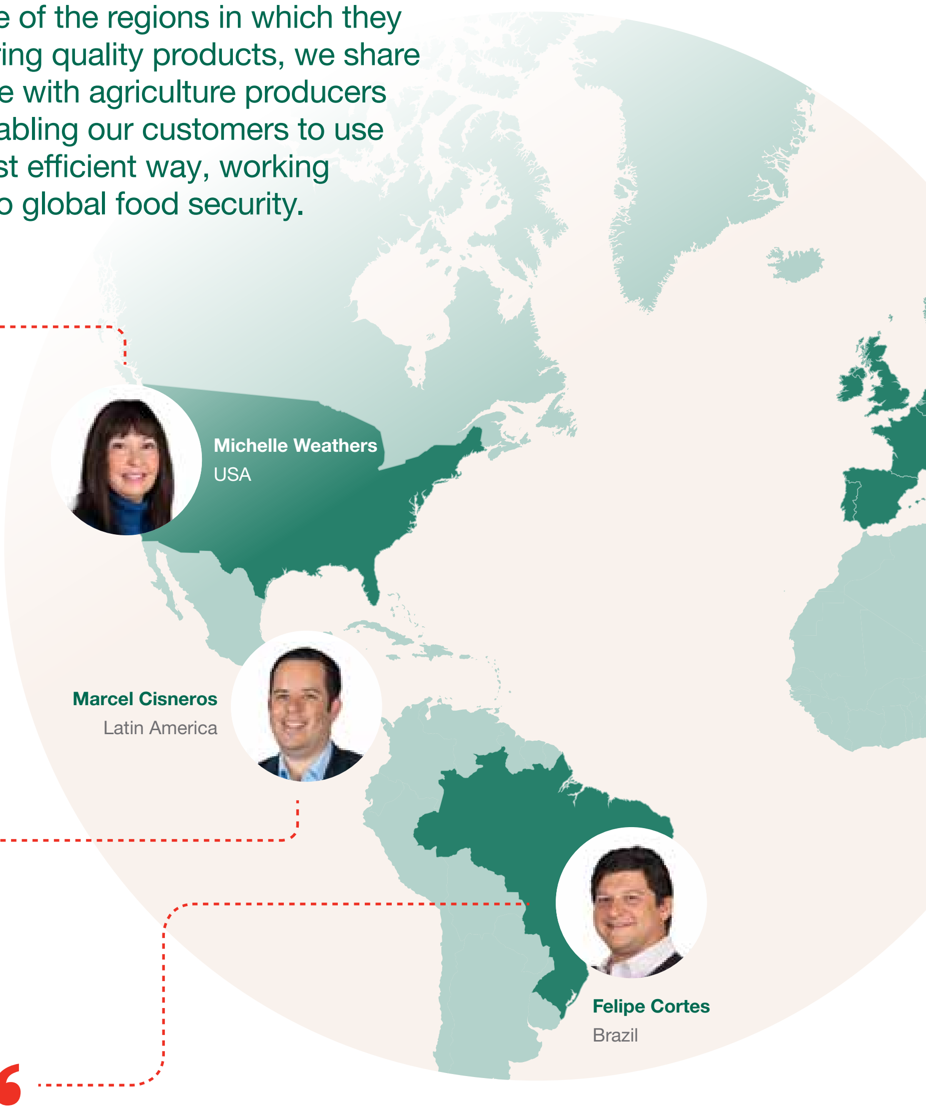
Risk	Description	Risk level	Dynamics	Description of change	Risk minimisation measures
Legal risks					
Licensed activities	Uralkali's operations depend on the continued validity of its licences and the Company's compliance with licence terms. Legislative changes or decisions by regulators to terminate or restrict the licences may have an adverse effect on the activities of the Company.		←	The Company extended its main mining licences in 2013.	The Company has a plan to maintain existing licences and introduced internal controls to follow-up on the plan and respond promptly to any deviation from the plan.
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 Company may breach applicable laws or regulations, or Government may commit unlawful or damaging actions against the Company including tightening its regulation of our activities. It may create additional significant costs or sanctions, and may impact investors' expectations. Our activities are subject to audits by tax authorities, the federal health and safety agency (Rostekhnadzor) and other regulators from time to time, which may create additional obligations, costs and restrictions for the Company.		→	Uralkali was incorporated in Russia, but also operates in a number of emerging markets. This exposes Uralkali to higher risks than those inherent in developed markets, including legal, economic and political risks, in particular frequent changes in laws and law enforcement practices.	The Company's sustainable development depends on its ability to comply with and follow statutory rules and norms. The Company 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 Company.		↔	The Company is subject to special state regulations in various jurisdictions.	The Company is developing a set of measures and internal controls to ensure its legal compliance, including compliance with anti-monopoly laws.

A team of experts around the world

Oleg Petrov

Director of Sales and Marketing

> I am proud to head a team of first-class specialists with strong expertise in sales and marketing and an extensive knowledge of the regions in which they work. As well as delivering quality products, we share our agronomic expertise with agriculture producers across our markets, enabling our customers to use our fertilisers in the most efficient way, working together to contribute to global food security.



> The US is the world's third-largest potash consumer, representing roughly 40% of the world's wheat, corn, soybean and cotton trade. The market is mature and potash use continues to be driven by the health of the farm economy. Although the US has lower growth potential than other export markets, it still offers opportunities for potash sales. Uralkali maintains a market share of around 6%.

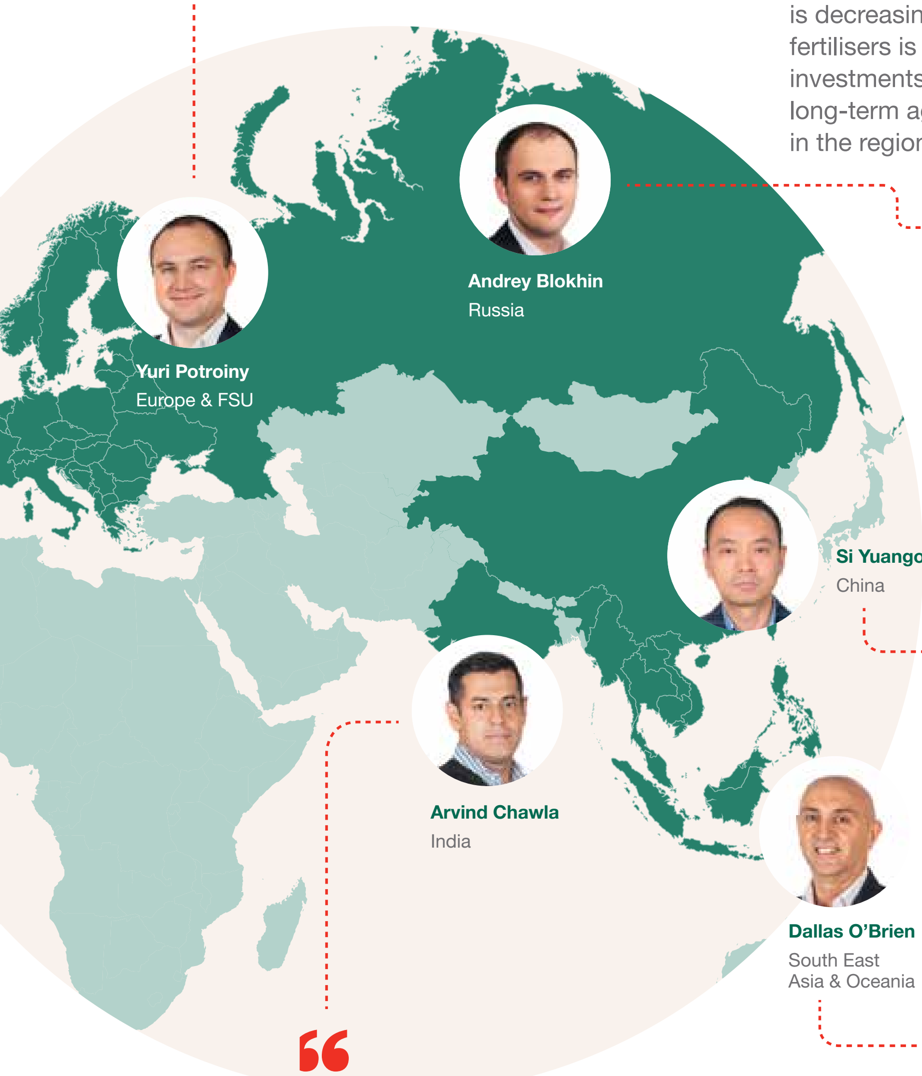
> Latin American soils are typically nutrient-deficient. Coffee, bananas and palm oil are all key crops that require significant amounts of potash. Local potash production is limited to Chile and therefore the region imports approximately 75% of its needs. Uralkali is a long-standing partner in the region, with a market share of around 23%.

> Brazil is the world's largest importer of potash. Its crops require potash nutrients as soils are potassium deficient, particularly in the production of soybeans and sugarcane, which need potash to grow. Brazil currently imports 94% of its potash requirements and Uralkali is one of its primary suppliers, with a market share of around 16%. Uralkali has a strong competitive foothold in the country as it has the lowest freight costs.

Konstantin Solodovnikov

Deputy Director of Sales and Marketing

"Potash fertilisers are sold all over the world. In order to optimise sales and revenues, the team needs to have a thorough understanding of each market's specifics, respond quickly to any changes and requests, and build long-term relations with our customers. This is only possible if we have the right people doing the job – which Uralkali certainly does.



"Uralkali is Europe's and the former Soviet Union's primary potash supplier, accounting for 30% of the market. Although demand is decreasing in mature Western European countries, the use of fertilisers is rising in Central and Eastern Europe, where agricultural investments and subsidies are increasing. Uralkali has strategic long-term agreements with the world's largest NPK producers in the region.

"Russia aims to become largely self-sufficient in food production, which means that the country's agricultural production requires significant intensification. Potash application is far below recommended levels and there is great scope for demand growth. Uralkali understands the country's potential and is working to identify optimal potash application levels and methodologies, and distribute this information to the farming community.

"China is the world's largest potash consumer. Demand has been growing consistently over time, contributing heavily to overall consumption growth in Asia. Uralkali has the unique advantage of rail delivery to northern China. The Company is the largest exporter of potash fertilisers to China, accounting for about 42% of China's import.

"Ranked 10th by agriculture and food exports globally, India has a large and diverse agricultural sector which needs all key nutrients, including potash. India relies entirely on imports to meet its potash demand. Potash application is still below levels required to optimise yields. Indian fertiliser subsidy reforms may deliver big potential for potash demand growth. Uralkali supplies 32% of India's potash and successfully implements its educational programmes for farmers to help improve farming efficiencies.

"South East Asia is one of the world's fastest-growing potash markets. Its soils need regular potash applications to maintain fertility, particularly for the palm oil supply chain, and about 8 million tonnes of potash were imported in 2013. Uralkali's joint venture with Malaysian FELDA is another step towards increasing the Company's strategically-important presence in South East Asia. In 2013, Uralkali's market share was around 12%.

Adapting to market changes

2013 highlights for the global potash market

The global potash industry underwent significant change in 2013

In 2013, the business environment was very challenging for the global potash industry. Although potash demand increased by 6% year on year to 54 million tonnes, the recovery was slower than expected. Purchases were delayed for a number of reasons: the absence of supply contracts with China for the second half of 2013, high inventories accumulated in key markets by Q3 2013, and caution among buyers in India, who took a wait-and-see approach sparked by the weaker rupee combined with political and economic uncertainties. The combination of these factors against lower year-on-year prices for agricultural commodities resulted in further significant reductions in potash prices by the end of 2013 – by 18-20% compared to the previous year.

In the first half of 2013, potash sales volumes were stronger compared to the corresponding period in the previous year, growing by 9% year on year. Most suppliers made consistent deliveries to major markets, trying to improve their performance through aggressive pricing policies. As a result, potash prices fell in spite of healthy demand. There was strong pressure from buyers in Brazil and South East Asia for low prices due to market oversupply. Potash prices also came under downward pressure due to substantial decreases in benchmark phosphate and urea prices and a drop in crop prices.

Although the overall potash market saw increased sales volumes in H1 2013, Uralkali's deliveries fell due to aggressive competition in the market. In H1 2013, the Company cut production substantially because of oversupply in certain key markets. For example, Uralkali did not make deliveries to Brazil, one of its key markets, at the beginning of the year and, as a result, lost substantial market share to other suppliers there.

In maintaining a price-over-volume strategy, the Company progressively lost its market share to other suppliers in key regions. As such, Uralkali's export market share declined by approximately 5% during the first six months of the year.

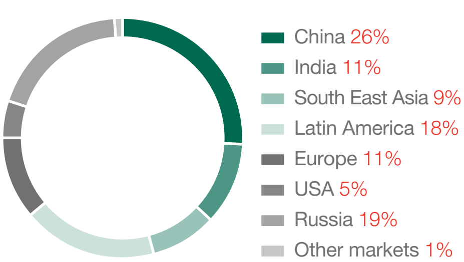
After the H1 2013 reporting period, the Company reconsidered the sales strategy of the business. Following the meeting on 29 July 2013, the Board of Directors decided to stop Uralkali's export sales through Belarusian Potash Company (BPC) and direct all export volumes through Uralkali Trading.

At the same time, the Company re-adjusted its market approach to target revenue maximisation. In line with this approach, in H2 2013, Uralkali focused on pursuing higher sales volumes and re-establishing its position as the market leader, taking advantage of its low production costs.

For most of Q3, the potash market stood at a virtual standstill. Customers drew down their inventories and awaited price clarity. Brazil remained the most active market in the second half of 2013. In India, the strength of the US dollar (INR68/$1) made conditions difficult for importers, who were affected by the maximum retail price for potash. Indian buyers deferred deliveries of outstanding tonnages and pushed for lower prices for the remaining shipments. In the autumn, India renegotiated the contract price (US$ 369-375/t vs. previous US$ 427/t)[1].

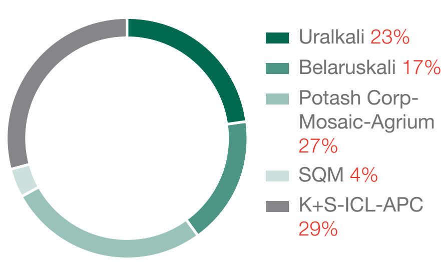
[1] Source: FMB.

Company's sales portfolio in 2013 (%)



Source: Uralkali.

Global exporters in 2013 (%)



Source: IFA, Uralkali, Companies' financial reports.

Depreciation of the Indian rupee since 2010 (US$/INR)

Source: IMF.

Suppliers reported lower potash revenues for Q3 2013 compared to the corresponding period in the previous year due to a weaker pricing environment and lower volumes.

Uralkali has managed to regain its market share in key regions after adopting its revenue maximisation strategy. Since August 2013, the Company has operated close to full capacity utilisation.

By the end of 2013, there were clear signs of stabilisation in many markets around the globe.

Current situation and outlook for 2014

In determining the direction of world potash market development for 2014, demand from key markets, Brazil, China, South East Asia and India will be a major factor.

After delaying H2 2013 contract deliveries, China settled contracts with major potash suppliers for the first half of 2014. India re-entered the market and signed a contract with Uralkali in April 2014. Previously cautious buyers have become very active in spot markets, providing a firmer base for spot pricing.

Lower potash prices are expected to make the fertiliser more affordable for farmers in major markets, and more price certainty will facilitate greater demand.

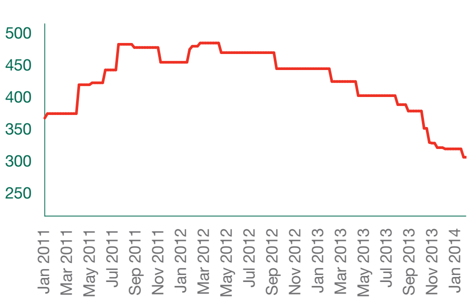
In 2014, global deliveries are expected to reach 56-58 million tonnes, up 3%-7% year on year, as recent contract agreements bolster confidence and limited inventory levels support demand.

In Brazil, potash demand is expected to remain robust and surpass 2013 delivery levels as farmers continue to respond to positive crop economics. Chinese demand is expected to be in the range of 11.9-12.4 million tonnes, up 2-6% year on year. South East Asia ended 2013 with lower inventories than in the previous year, which sets the stage for a substantial improvement in demand in 2014. In North America, we expect demand to be strong as farmers replenish declining nutrient levels in their soils after record crop production in 2013. In Europe, we also anticipate strong demand; distributors in the region began actively purchasing to replenish largely depleted inventories due to low purchasing activity in the second half of 2013. In India, demand challenges due to the weak rupee and fiscal uncertainty are expected to continue in 2014. It is anticipated that India will import 3.5-3.8 mln t in 2014.

Uralkali export sales

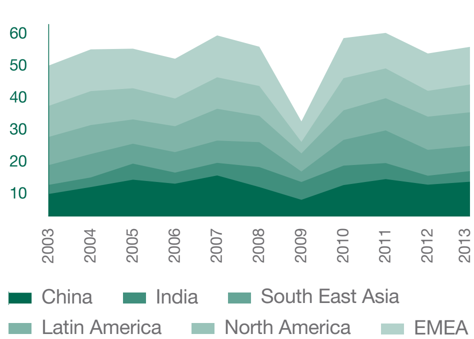
- Uralkali decided to stop sales through Belarusian Potash Company (BPC) and direct all export volumes through Uralkali Trading.
- Revenue maximisation strategy enabled the Company to regain export market share in the second half of 2013.
- Since the Company adopted the new strategy, it has been maximising export revenues by utilising its leading cost position and available capacity, exporting around 0.8-0.9 million tonnes per month.
- Uralkali has a worldwide presence selling its products to more than 60 countries. The Company's sales portfolio is balanced between spot and contract markets. Maintaining a balance between spot and contract markets allows Uralkali to be flexible and to respond quickly to changes in the market.

Average monthly spot prices for standard KCl, FSU FOB (US$/t)



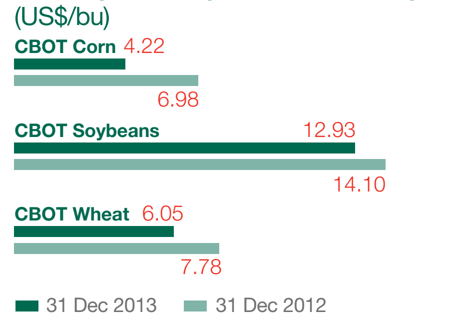
Source: FMB, CRU.

Global potash demand dynamics, 2003-2013 (million metric tonnes)



Source: IFA, Uralkali's estimates.

Low grain price environment in 2013 limited potential potash demand upside (US$/bu)



Source: Bloomberg.

Domestic market

Potash and its consumption in Russia in 2013

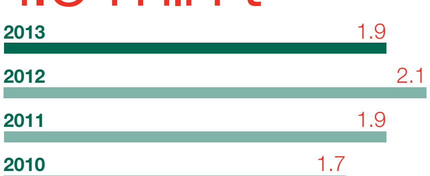
In Russia potash (potassium chloride) is primarily used as a fertiliser. It can be used both as one of the raw materials in the production of compound fertilisers and as a fertiliser to be directly applied to soil. Potash is also used by the oil industry as a component of drilling muds. In addition, it is used in smaller amounts in non-ferrous metallurgy and the food industry.

In 2013, supplies to the Russian market amounted to 1.86 million tonnes, 10.6% lower than in 2012. This was due to changes in the system for providing farmer subsidies and in pricing in the potash market following Russia's accession to the WTO. At the same time, domestic supplies remained at historical levels.

We see significant growth potential in the Russian market and continue to devote considerable attention to our customers by implementing educational and research programmes.

Potash supply volumes to the Russian market (mln t)

1.9 mln t



Key potash consumers in Russia (mln t)

Consumers	2013	2012	Change
Manufacturers of compound fertilisers (including for export)	1.55	1.75	-11.4%
Industrial consumers	0.14	0.12	16.7%
Agricultural producers	0.17	0.21	-19.0%
Total	1.86	2.08	-10.6%

Pricing

The changes in domestic sales policy in 2013 are largely associated with Russia's accession to the WTO and the transition to market-based fertiliser pricing, effective from 1 January 2013.

The principle of setting potash prices for Russian producers of compound fertilisers (NPK) based on minimum export prices was established by the Recommendations of the Federal Antimonopoly Service (FAS) of Russia on securing non-discriminatory access to potash, which are in force from 1 January 2013 to 31 December 2017. Since October 2013, prices for Russian NPK producers have been calculated on a monthly basis, which allows the Russian potash market to be more responsive to changes in international potash prices. Therefore, Russian exporters of compound fertilisers that contain potassium can also modify their prices according to market conditions. The Company strictly adheres to its obligations to ensure non-discriminatory access for potash consumers.

Other products

	Sales in 2013	Main consumers
Enriched carnallite	315.4 thousand tonnes	Solikamsk Magnesium Plant and VSMPO – Avisma Corporation
Technical salt	892.6 thousand tonnes	Companies in the oil, chemical, power, and road construction industries and public utility companies
Sodium chloride solution	2.6 million m^3	Berezniki Soda Plant

Improving cooperation with regional distributors

In 2013, the Company strengthened its cooperation with regional distributors that offer a full range of mineral fertilisers, plant protection products, seeds and other products to domestic agricultural producers.

In order to facilitate the development of a network of reliable regional potash distributors, Uralkali introduced minimum criteria to be met by such companies:

- availability of warehouses with capacity to receive, store and ship potash, as well as deliver to end-customers
- availability of professional agronomists who are able to convey to farmers in every region the importance of integrated application of mineral fertiliser, and improvements in soil fertility and the quality of agricultural products
- financial stability and the capacity to provide loans to farmers.

In 2013, the Company took action to meet the needs of the market for shipments of packaged products. As of 2014, Uralkali is able to fully meet customer demand for packaged products, which will improve access to our product for small consumers across all regions of Russia.

Educational programmes and activities

In 2013, the Company strengthened its position in the field of scientific and applied agronomic expertise.

In Russia, the Company continued its flagship research project entitled "Improvement of recommendations on the use of potash fertiliser in intensive farming", carried out in cooperation with experts from the International Plant Nutrition Institute and the D.N. Pryanishnikov All-Russia Research and Development Institute of Agrochemistry. Following research on sugar beet and other major crops in the Central Black Earth Region and southern Russia, the Company has received the preliminary results. They indicate that the application of potash fertiliser leads to a significant increase in yields and profitability with regard to the tested crops. These experiments will continue in 2014.

The beginning of systematic and large-scale cooperation with Russia's leading agrarian universities was a further step in the development of agronomic expertise in the domestic market. In 2013, together with Voronezh State Agrarian University, V.Y. Gorin Belgorod State Agricultural Academy, and Don State Agrarian University, the Company established demonstration planting plots. This collaborative work focused on potassium-responsive cultures, consideration of geographical diversity and thorough analysis of findings as the basis for the further development of agronomic recommendations.

Joint experiments in 2013 with Kuban State Agrarian University on the application of potash fertiliser in rice cultivation resulted in changes in the main characteristics of the yield structure: the panicle grain mass and 1,000-grain weight increased by an average of 4-5%, accompanied by a decrease in blind-seed disease cases. Particle size distribution improved due to a reduced number of small grains and an increased number of medium and large ones. The vitreousness of rice grains increased by over 5%.

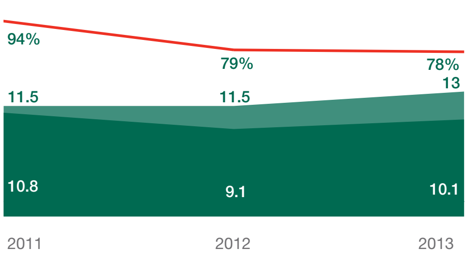
For further information on our Customer events visit our website www.uralkali.com/buyers/

Ongoing production optimisation

Production in 2013

As a result of the increase in capacity of the Berezniki-4 mine and processing plant, the Company's overall potash production capacity reached 13 million tonnes at the beginning of 2013. Total production in 2013 amounted to 10 million tonnes, 10% higher than in 2012. Consequently, the Company's capacity utilisation rate in 2013 was 78%. The implementation of our capacity expansion programme allows us to respond quickly to increasing customer demand. Despite having increased our average output for the year, the Company is operated at a technically comfortable capacity utilisation level of approximately 80%.

Dynamics of production and capacity[1]



Production (mln t KCl) Capacity (mln t KCl)
Capacity utilisation rate

[1] Including production volumes of Uralkali and Silvinit from 1 January 2011.

For more information see Financial management discussion and analysis 43

Capacity expansion programme

In 2013, the Company continued to implement its programme of modernisation and capacity expansion, initiated in previous years.

Expansion Capex (US$)

2013	2014	2015	2016	2017	2018	2019	2020	Total
0.2bn	0.2bn	0.3bn	0.5bn	0.5bn	0.3bn	0.2bn	0.1bn	2.3bn

Project name	Project capacity (mln t KCl)	Capex (mln US$ per tonne)	Commissioning/ Full capacity date[2]
Debottlenecking	1.0	113	2014-2017
Solikamsk-3 (phase 1)	0.4	363	2017
Ust-Yayvinsky field	2.8[1]	541	2020

[1] Including 0.5 mln tonnes of additional capacity and 2.3 million tonnes of new capacity that will replace the depleting capacity of Berezniki-2 mine.

[2] Capacity is given as of the year-end.

Ust-Yayva

In 2013, the Company continued to construct shafts as part of the project to develop the Ust-Yayva site.
The drilling and casing of freezing holes on both shafts has been completed and priority installations and temporary facilities required for the period of shaft sinking have been constructed.
In December 2013, sinking equipment was brought into operation and the sinking of shaft No. 1 began. As of the end of March, the shaft had been sunk to a level of 45m. The designing of the surface complex is in progress.
The start of construction of permanent surface facilities is planned for 2015; this will allow the works to be completed by the time the shafts come into operation.

Capacity

2.8 million tonnes

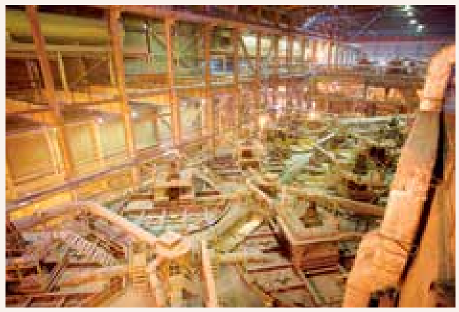
Invested as of the end of 2013

US$248 mln

16%

Total investments

US$1,515 mln



Production optimisation

In 2013, the Company continued to implement projects to increase output in production sections and for debottlenecking. The projects provide for an increase in the extraction ratio of the commercial substance, potash, from sylvinite ore, as well as a 15-25% increase in output in existing technological sections of plants. The project involves the modernisation of existing equipment, as well as its partial replacement with more technologically advanced options. The project will lead to an increase in the Company's potash production capacity of 1.0 million tonnes by the end of 2016.

Capacity

1.0 million tonnes

Invested as of the end of 2013

US$44 mln

39%

Total investments

US$113 mln

Solikamsk-3, phase 1

The first phase of the Solikamsk-3 expansion project involved the installation of equipment for the inspection and re-entry of shaft No. 4, and the development of design documentation.

Capacity

0.4 million tonnes

Invested as of the end of 2013

US$6.7 mln

0.5%

Total investments

US$145 mln

Additional expansion projects[1]

Polovodovo

The Company continues to develop design documentation for the development of the Polovodovo site. The drilling of test and shaft wells for the design of mine shafts is currently ongoing. According to the license conditions, the design documentation should be developed and agreed by 2017. A decision on construction will be taken after the documentation has been prepared.

Solikamsk-3, phase 2

The second phase of the project provides for the launch of an additional main ventilation unit to expand the capacity of the mine and increase its enrichment capacities by 1.7 million tonnes per year. The project is now in the design phase; the preliminary design documentation has been developed. A decision on construction will be taken after the project documentation has been prepared.

[1] Currently under feasibility studies. Decision on the start of construction to be made in 2015.

Other projects

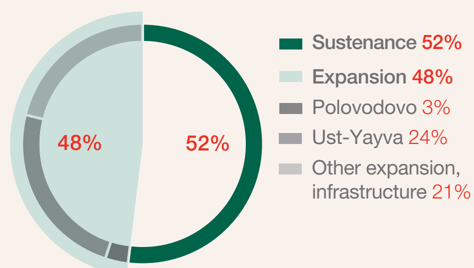
In 2013, the Company continued to reconstruct its carnallite plant. The installation of steam pipe racks, a power grid, a water pipeline and sewerage system is ongoing. The installation of equipment in the adjustable vacuum crystallisation unit is also in progress. All activities are aimed at increasing the capacity of the carnallite plant to 400,000 tonnes per year. The main works should be completed in 2014. Investments in the project in 2013 amounted to approximately US$ 13 million.

As part of work to maintain capacity, a number of activities are taking place: shaft panels are being prepared, mined sites are being prepared for filling, equipment is being replaced and modernised, and industrial safety systems are being adapted to conform to current standards.

The Company is carrying out targeted work to improve mine safety. In 2013, it continued projects to protect waterproof strata and mined objects on the earth's surface. Work on filling mined areas is also underway.

For more information on geological safety see 55

Capex breakdown (%)



Focus on results and continued efficiencies

2013 was a year of significant changes in the potash market.

Compared to 2012, Uralkali's consolidated results were as follows:

- Sales volumes were higher 5% year-on-year;
- Group revenues declined to US$ 3.32 billion in 2013 from US$ 3.95 billion in 2012, representing a 16% decline compared to prior year;
- The average export price was 28% lower in 2013 on an FCA basis (in US$).

The Group has taken measures to optimise costs and to benefit from increasing volume of production.

1. Gross sales

The Company sales volumes in 2013 were 5% above the prior year. The average export price (in US dollars) for Uralkali products was 28% lower than in 2012, with a decrease in revenues of 16% in 2013 to US$ 3.32 billion.

Non-potash sales (primarily sodium chloride (NaCl) solution and carnallite processing services) at US$ 0.1 billion accounted for 3% of gross revenues.

2. Transportation

70% of export sales in 2013 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 St. Petersburg, transhipment to the seaport and freight costs (except for deliveries on an FOB basis).

About 30% of export sales were transported by rail, including China and other regions.

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

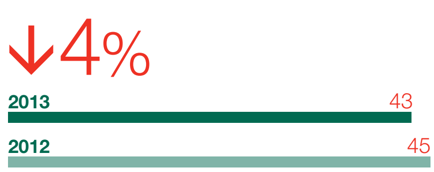
2.1. Freight

Average freight rates expressed in US dollars in 2013 were 4% lower than in 2012 per tonne of product shipped by sea, on a CFR basis.

In 2013, the situation continued to be favourable for the Company. The main factors that influenced freight rates in 2013 were: many newly built ships which entered the market; complex and uncertain economic conditions in Europe; and decline of growth rates in China and India that affected the volume of seaborne trade.

The result of Uralkali's policy is to hedge sea shipping costs using medium and long-term freight contracts, which was another reason for optimisation of freight cost. In 2013, approximately 20% of sea deliveries were carried out using freight contracts for six months or longer.

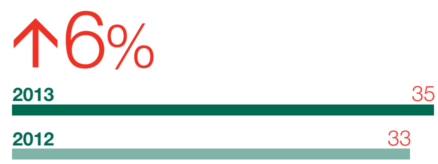
Effective sea freight rates (US$)



2.2 Railway tariffs

The Company carries out direct deliveries by rail to customers in North China, Europe and the CIS. Railway tariffs for all destinations are regulated by the State. In 2013, the State increased the tariffs by 7%. The increase of railway tariffs was consistent with the inflation rate. The weighted average railway tariff[1] in the direction of St. Petersburg was 8% higher in 2013 than in 2012 (resulting in an effective increase of 6% in US dollars equivalent). The China tariff was 4% higher than in 2012 (resulting in an effective increase of 1% in US dollars equivalent) mainly due to a switch to a less costly route to Zabaikalsk.

SPb railway tariff (US$ per tonne)



China railway tariff (US$ per tonne)

3. Net sales

Net sales are defined as the gross revenue for the period net of certain distribution costs, freight costs, railway tariffs and transhipment costs. Net sales decreased in 2013 by 20% to US$ 2.66 billion in comparison with 2012 in accordance with IFRS. The decrease was owing to high competition in Brazil, China and South East Asia. Further improvements made on favourable terms with an extended payment period, compensated by the increase in trade payables, positively affected the working capital.

[1] The weighted average tariff takes into account the volume of shipments of a route in the context of railway crossings.

4. Total expenses: Potash sales

Total expenses for potash sales[1] increased to US$ 219 per tonne in 2013 compared to US$ 213 per tonne in 2012. The increase in costs was primarily due to a new approach to the amortisation of mining licences owing to changes in reserves. Mining licences were evaluated at fair value as at the date of the combination and amortised on a unit of production method. Total potash sales costs in the domestic market amounted to US$ 131 per tonne[2].

5. Cash cost of goods sold[3]

The cash cost for products sold in 2013 was US$ 58 per tonne.

The cash cost of goods sold (COGS) decreased compared to 2012 due to a slight increase in sales volumes which resulted in reduction of fixed share of COGS on unit sold.

Cash cost of sales per tonne (IFRS) (US$)

5.1 Labour

In 2013, the Company undertook out measures to unify and improve the organisational structure and application of best practices. As a result of optimisation of the production process, the Company reduced production and administration staff by around 1,200[4].

The average monthly salary was increased by 9% compared to 2012. The average monthly salary of the main production unit grew to US$ 1,299 compared to US$ 1,190 in 2012.

During 2013, 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 the Group and the headcount of the main production unit.

Headcount of main production unit, employees (as at the year end)

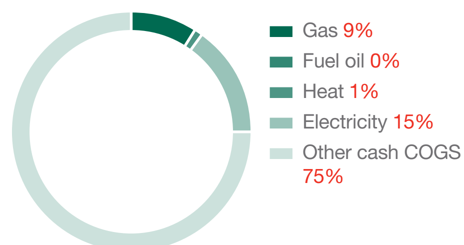
Headcount of Uralkali Group, employees (as at the year end)

5.2 Fuel and energy

Potash production is an energy-intensive process. For the most part, fuel and energy-related costs are variable and are set in roubles. In 2011, the state regulation of tariffs was cancelled. Energy consumed by Uralkali was either purchased on the open market, or produced by the Company (electricity).

As a result, the effective tariff on gas increased by 12% in 2013 (9% in US dollar equivalent) to US$ 103 per thousand cubic metres. The effective tariff on electricity in 2012 rose by 9% (7% in US dollar equivalent) to US$ 69 per thousand kWh. To minimise the negative effect of the growth in tariffs, the Company has created its own power generation facilities (see paragraph 7).

Fuel and energy cost in 2013 (%)



5.3 Other cash costs

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

[1] Total expenses relating to potash sales are calculated according to IFRS and include sales, distribution, general and administrative, and other operating expenses and taxes other than income tax for potash sales (see Note 8 to the Consolidated Financial Statement for the year ending 31 December 2012).

[2] Total expenses for potash sales on the domestic market are calculated according to IFRS and include sales, distribution, general and administrative, and other operating expenses and taxes other than income tax for potash sales (see Note 8 to the Consolidated Financial Statement for the year ending 31 December 2012).

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

[4] Including staff increases of 591 due to the acquisition of OJSC "Galurgy" and CJSC "Institute Galurgy" (368 and 223 respectively).

6. General and administrative expenses

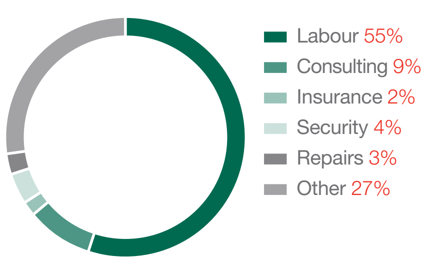
Personnel costs account for more than half (55%) of general and administrative costs. Compared to 2012, administrative cash costs[5] increased by 29% in 2013. The increase was due to payment of LTI for top managers.

Projects to optimise of production processes and staff reduction were the significant factors influencing general and administrative expenses.

7. Cost reduction programmes

In 2013, the Company carried out optimisation of repair and maintenance units which led to a reduction of headcount in service subsidiary companies of the Group.

General and administrative costs in 2013 (%)



8. EBITDA

In 2013, adjusted EBITDA[6] decreased by 31% to US$ 1.6 billion compared with 2012 in accordance with IFRS. Adjusted EBITDA margin[7] amounted to 61% in 2013.

In December, the Government of the Perm region and the Administration of the town of Berezniki signed an agreement outlining the financing plan for the period 2013-2015 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. In line with its commitment to corporate social responsibility, Uralkali has undertaken to provide to the Perm region and the town of Berezniki a total of US$ 77.926 million including US$ 18.026 million already disbursed by Uralkali in 2013.

9. CAPEX

Total CAPEX for 2013 amounted to US$ 465[8] million of which more than half was spent on expansion. The main projects included: the increase in output in production sections and debottlenecking; design of Polovodovo mine; finalisation of carnallite plant expansion; and expansion of granulation capacity. The main expense was the construction of the Ust-Yayvinsky mine. The Company expects to meet construction deadlines.

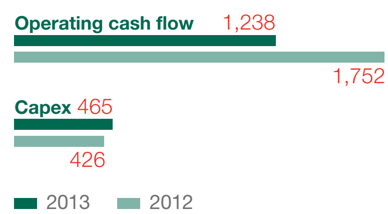
10. Cash flow

Due to a decrease in prices and a strengthening of the US dollar, net cash generated from operating activities in 2013 decreased by approximately 29% from 2012 to US$ 1.3 billion.

As of 31 December 2013, Uralkali had net debt of US$ 4.1 billion. Its cash balance amounted to US$ 0.9 billion, with debt at US$ 5.0 billion.

During 2013 and 2012, the Company used financial instruments (cross-currency interest rate swaps) to optimise the value of the loan portfolio and the conversion of ruble-denominated loans into dollars. The effective interest rate at the end of 2013 was approximately 3.6%.

Operating cash flow vs. Capex (mln US$)



For more information see
Group highlights 3

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

[6] Adjusted EBITDA represents operating profit plus depreciation and amortisation. Adjusted EBITDA does not reflect the impact of finance income and expenses, mine flooding costs and other one-off expenses.

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

[8] Capex for the period includes additions to property, plant and equipment for the period, adjusted for the changes in balances of letters of credit and prepayments for acquisition of PPE.

Developing for all stakeholders

> “We seek to apply global best practices in our own organisation and introduce them into our relations with our business partners.

We believe that responsible behaviour and a strong operational culture based on the principles of sustainable development are crucial to building a long-term business and ensuring maximum benefit for both the Company and all our stakeholders. The CSR Committee analyses all major activities in terms of sustainability and encourages and supports the steps taken by the management to make Uralkali a leader in this area.

For Uralkali, sustainable development means, above all, safety of the production process. As well as education and regular health checks, a key part of our programme is identifying and managing the major health and safety risks to which our employees are exposed. Following extensive analysis, in 2012 we introduced Cardinal Rules for safety across Uralkali’s operations, and in 2013 we began to see the first results. I am pleased to report that last year there were no fatal accidents at our facilities and we saw a marked decrease in the number of work-related injuries and accidents and an improvement in occupational health outcomes. In addition, in 2013 we extended the Cardinal Rules to include our subsidiaries and affiliates across the Group.

The next step is to make these rules obligatory for our contractors. As one of the largest employers in the region, we are aware that we influence the local business environment. As such, we seek to apply global best practices in our own organisation and introduce them into our relations with our business partners.

In addition to health and safety, we are mindful of our environmental impact. In order to minimise this, we continue to replace our equipment with new, more environmentally friendly options and implement projects to reduce our impact from pollution and climate change. We continue with our work within the Carbon Disclosure Project. And above all, and given the specifics of our operations, we exercise comprehensive monitoring of the geological safety and integrity of our open and closed mines.

A further indispensable component of sustainability at Uralkali is the development of leadership and professional talent. In 2012, a talent pool was formed for top and middle-level managers, with comprehensive personal development plans for each individual. In 2013, we expanded the programme to include technical positions.

At the same time, we are continuing our partnerships with educational institutions. Through scholarships and internships, we are searching for talent and motivating students to acquire relevant knowledge and work for the Company on graduation. This will uphold our image as the employer of choice and safeguard the long-term future of the business and the communities that it supports.

Matters considered by the CSR Committee (%)

Sustainability is about future generations and the opportunities available for them. We seek to help children in Berezniki and Solikamsk stay off the streets and have the opportunity to engage in extra-curricular activities close to their homes. Therefore, we have initiated a basketball sports project in 75 schools in both towns. The project will bring the expertise of one of the world's best basketball schools to Russia, as we have engaged renowned Serbian professionals to develop programmes and train local coaches and teams.

We also strive to address the most pressing needs of local communities. One of the major challenges for Russian cities is the condition of ageing buildings. In Berezniki, this problem is further exacerbated by unstable geology. In 2013, Uralkali volunteered to support the state programme to re-settle people from dilapidated houses into new ones. This project will enable our employees, their families and the wider town to improve their living conditions and make the region a more attractive place to live and work.

We aim to continue to make strides in the area of sustainability and will uphold our commitment to corporate social responsibility. Once again, I would like to thank everyone at Uralkali for their efforts and hope that the coming year will bring further notable progress in this area.

Sir Robert Margetts

Chairman of the CSR Committee
Senior Independent Director

Targets for 2013	Achievement of the 2013 targets	Targets for 2014
– development of recommendations to issue the Sustainability Report;	Achieved	– consideration of issues related to pollution and waste management;
– monitoring of the Company's HSE performance in 2013;	Achieved	– review of the Company's HSE activities and performance;
– monitoring of stakeholder engagement in the regions of the Company's presence;	Achieved	– monitoring of stakeholder engagement in the regions of the Company's presence;
– monitoring of HSE activities in 2013;	Achieved	– review and monitoring of the energy saving programme;
– consideration of social projects.	Achieved	– consideration of issues related to mine safety.

Making operational safety our priority

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.

Approach

Safety is a key element of our Code of Corporate Culture, 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.

Policy and strategy

In 2012, Uralkali adopted a Health, Safety and Environment Policy, which demonstrated the Company's belief that health, safety and the environment are key priorities that should be taken into account in all its actions and decisions, regardless of the line of work to which they relate.

Performance indicators

Our 2013 results confirm the effectiveness of the Cardinal Rules that were introduced by Uralkali in May 2012, and extended in January 2013 to include all divisions of the Group adjusted for the specific aspects of their activities. The Uralkali Group registered no fatal accidents, and the number of accidents decreased significantly compared with the previous year, with a total of 21. All accidents were investigated and in light of our findings we adopted the necessary measures to prevent similar incidents. The Group's lost time injury frequency rate (LTIFR) declined by 29% compared to 2012.

The Company continues to promote the Cardinal Rules. We require all employees to adhere to the Cardinal Rules and proven violation is punishable in accordance with the Labour Code of the Russian Federation. We are confident that over time these measures will lead to increased awareness and responsibility among employees and, consequently, to the complete elimination of industrial accidents. For example, 80-90% of violations are usually associated with non-compliance with safety rules when working at heights. In 2013, there were no accidents related to falls when working at heights.

The Company continues to develop the Cardinal Rules for safety and the procedures for their use. All employees of the Company and its subsidiaries and affiliates are annually examined on their knowledge of the Rules. To learn more about the Cardinal Rules, we have created a video that clearly explains each of the rules.

Organisational and technical measures

Occupational safety

- In 2013, workplaces were certified in accordance with legal requirements on assessing conditions in workplaces. Harmful and hazardous working environments were identified, and the risks mitigated;
- The Group began recording all first aid incidents, which do not lead to loss of working capacity;
- 50 alcohol breath-test devices were purchased and installed at the entrances to facilities;
- In order to prevent accidents involving large mining equipment, Uralkali is testing an alarm system for warning vehicle operators of individuals in potentially dangerous proximity;
- LED panels were developed and installed at the Company's production sites to record performance, including the accident rate;
- The Company established a hotline for reporting possible violations of health and safety rules.

Industrial safety

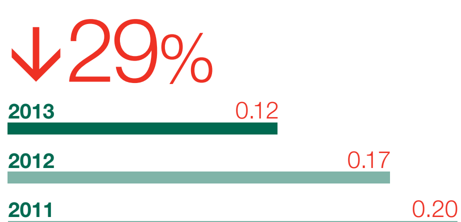
In 2013, there were no accidents or incidents that had to be recorded in accordance with industrial safety requirements.

As a result of the changes in legislation, the following developments took place:

- Identification and re-registration of hazardous production facilities by hazard class;
- Renewal of licence to carry out activities related to handling of industrial explosives;
- Renewal of permits to operate waterworks at the Upper Zyryansky reservoir, and the sludge depositories of mine groups in Berezniki and Solikamsk;
- Gas transport system safety declarations were developed.

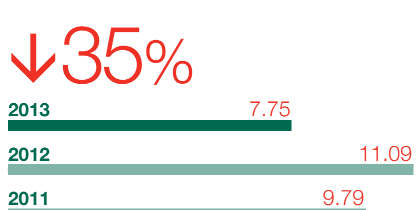
A system of automated control was introduced for examining the industrial safety of lifting mechanisms operated at Uralkali's production facilities.

Lost time injury frequency rate[1] (LTIFR)



[1] For more information see p27.

Lost days rate (LDR) across the Group



2013 key facts

No fatalities
at the Group's facilities.

The Group's lost time injury frequency rate (LTIFR)
decreased by
29%

over 3,350 employees
trained and certified in occupational health and safety.

All of the Group's employees were tested on their knowledge of the Cardinal Rules.

Workplaces at the main production unit were certified by Uralkali according to regulations on working conditions.

Hazardous production facilities were identified and re-registered by hazard class.

Gas transport system safety certificates were issued.

52 facilities
were declared fire safe.

In line with timing requirements, the industrial safety of the equipment used at Uralkali's hazardous production facilities was examined, which was followed by the Company obtaining permits to use the equipment.

Fire safety, civil defence and emergencies

All facilities were declared to have met fire safety standards.

The period of safe operation was extended for 51 automatic firefighting systems in mines, i.e. 100% of the planned number.

The certification of the remaining 17 hazardous facilities was completed. Passports developed for hazardous facilities were approved by the Chief Directorate of Russia's Ministry for Emergencies for the Perm region.

The Company carried out work to prepare units for prevention and mitigating the consequences of an oil spill 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 signals.

An inventory of civil defence structures was carried out and measures to improve their protective properties were adopted.

All existing 1,500 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.

Health

We believe that nothing is more important than people's health, and the Company takes care of its employees by preventing and reducing their exposure to health hazards in the workplace.

An effective system of regular health checks helps the Company to detect occupational diseases at an early stage, to identify the initial effects of exposure to health hazards, and to take measures to protect the health of employees and assist in their recovery.

In 2013, the Group recorded four cases of occupational diseases, three of which occurred within Uralkali, which is 4.5 times lower than in 2012. Two recorded cases of occupational diseases in Uralkali were associated with occupational noise exposure; one case was associated with exposure to whole-body vibration. To reduce the incidence of these types of conditions, we have implemented the following measures:

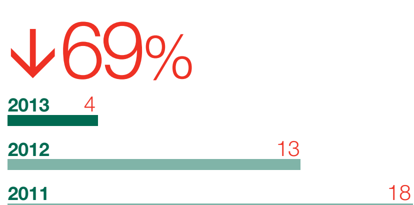
- Mandatory hearing tests for all individuals working at sites with a high background noise level;
- Additional health checks for all employees working at sites with a high background noise or vibration level;
- Mandatory transfer to jobs that do not involve exposure to health hazards for employees found to be susceptible to occupational diseases;
- Use of modern and innovative personal protective equipment to mitigate the impact of negative workplace factors. For this purpose, Uralkali purchased sets of active noise-cancelling headphones.

As part of our health improvement programmes, employees undergo regular mandatory health checks and examinations, and are also given vaccinations.

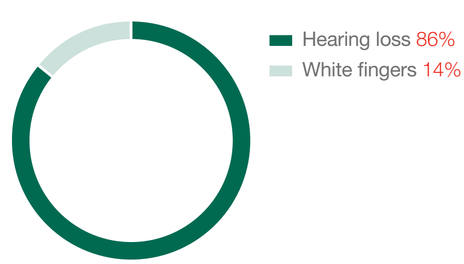
Training and instructions

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.

Occupational diseases (cases registered)



Diseases by type (%)



In 2013, employees were trained and certified as follows:

- In the field of industrial safety – over 2,680 employees
- In the field of occupational safety – over 660 employees
- In the field of civil defence and emergency prevention – over 3,000 employees
- In the field of fire safety – over 1,950 employees

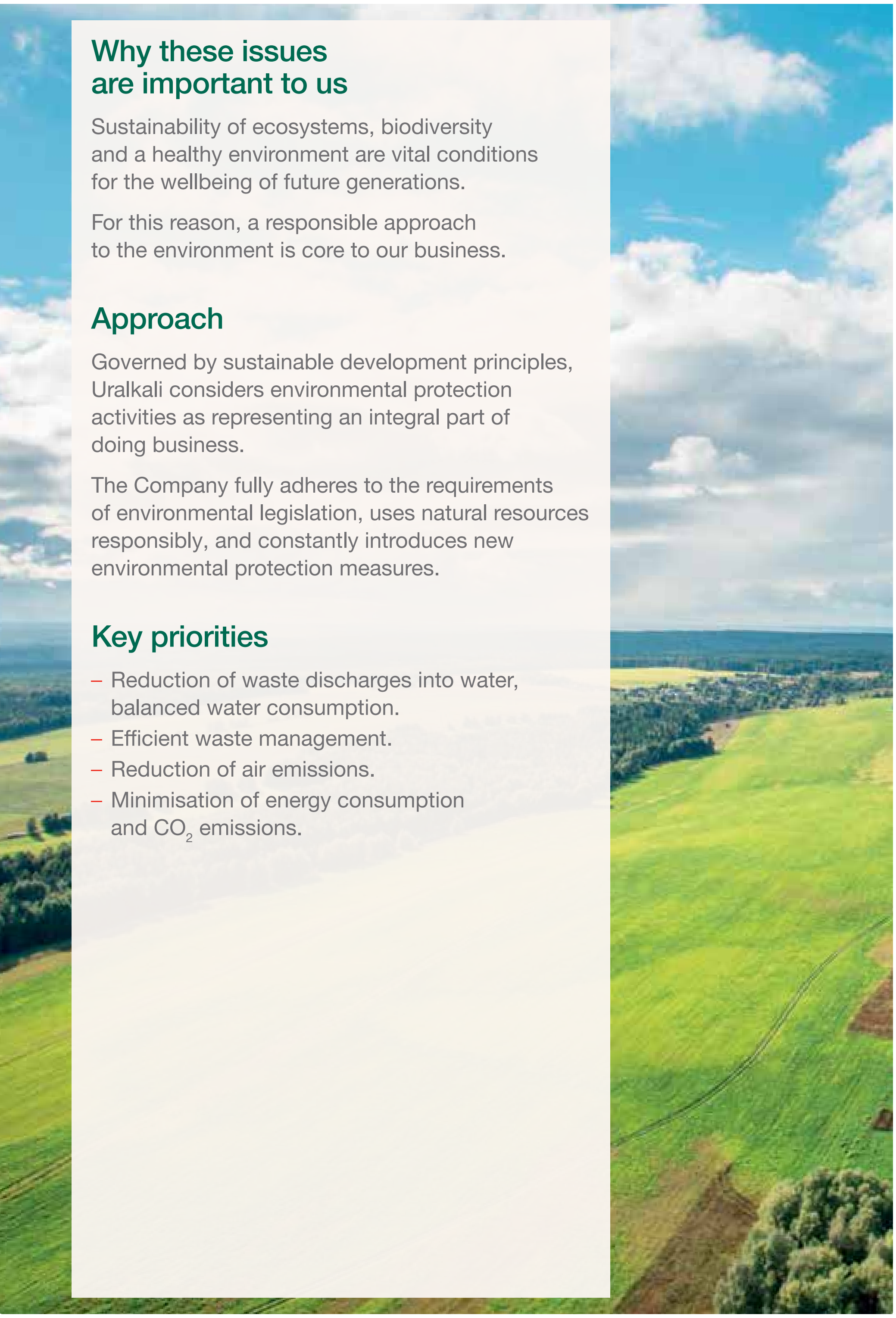
Health and safety requirements for contractors

When it comes to health and safety, Uralkali makes no distinction between its own employees and contractor personnel.

The Company checks all potential contractors to ensure that they have all necessary health and safety permits and that their employees receive health and safety training and certification. Agreements with contractors expressly specify that their employees must comply with their safety requirements and Uralkali's safety standards. Contractor personnel must receive health and safety induction training and Uralkali's officers carry out regular health and safety inspections and checks during contract periods.

Uralkali's contractors also have to comply with the Cardinal Rules: if they break any of them, they are taken off their assignment and banned from Uralkali's facilities for a year. In 2013, 91 people were taken off assignments due to breaching the Cardinal Rules.

Minimising our impact



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.

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.

Due to the impact of the Company's production activities on the environment, Uralkali bears responsibility for tackling global and regional environmental problems. 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.

In 2013, while developing its production capacity, the Company continued to invest in initiatives to protect the environment. In addition to current expenditures associated with protecting the atmosphere, and 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.

Our main activities include:

- Energy efficiency improvements and minimisation of the Company's impact on the climate;
- Protection of water resources;
- Protection of the atmosphere;
- Waste management;
- Rational use of land resources and promotion of biodiversity;
- Ensuring geological safety.

Energy and climate

Energy efficiency

Following the merger with Silvinit, Uralkali initiated an energy audit at the end of 2011 to update information on energy consumption within the Company, including its new divisions. Following the audit, which was completed at the end of 2012, an energy passport was compiled, which comprehensively describes the Company's energy consumption and fully complies with Russian legal requirements on energy saving. In addition, the data obtained during the audit served as the basis for establishing the new Energy Saving Programme for 2013-2018, which will be a continuation of the previous five-year Energy Saving Programme completed in 2012.

The new Energy Saving Programme is aimed at ensuring reduced energy consumption and the efficient use of energy resources, including maintaining an optimal ratio between externally procured and internally generated electricity. The Company implemented the following measures as part of the 2013 programme framework:

- Establishing commissions on energy saving within subdivisions, subsidiaries and affiliates;
- Developing lists of energy-saving measures within subdivisions, subsidiaries and affiliates;
- Initiating a range of investment projects;
- Replacing over 2,000 lighting fixtures with LED upgrades;
- Launching a pilot project on the use of controller-optimisers with flotation machines in Berezniki-1;
- Launching a pilot project on the use of CESS equipment in Berezniki-2 to decrease energy loss during engine work;
- Launching a pilot project on regulating conveyor speed according to the amount of incoming ore;
- Installing 15 frequency drives to enable the control of equipment productivity;
- Inspecting and replacing heating insulation;
- Performing pilot tests on various types of insulation systems;
- Continuing organisational activities;
- Holding an annual competition on optimisation and innovation entitled "Improving energy-saving efficiency: prudent use of industrial water, fuel and energy resources". Approximately 200 entries were received;
- Approving a provision for additional incentives for employees aimed at energy saving.

As a result of these initiatives, Uralkali was a winner in the competition to determine the most energy-efficient enterprises; meanwhile, the Company's Chief Power Engineer, Alexei Ryumkin, was recognised as one of the leading power engineers of the Western Urals. The contest was organised by the Association of Power Engineers of the Western Urals.

Uralkali is working to minimise energy costs. As a result of the Company's Energy Saving Programme, 2013 energy costs associated with the production of 1 tonne of output decreased due to the implementation of technical and organisational measures, while power generation from the Company's gas turbine power plants increased by over 70%.

2013 key facts

$45 million
was invested in environmental protection.

22,541 million kWh
of electricity were conserved by the Group as a result of energy-saving measures.

5,195.6 thousand m³
of gas were conserved by the Group as a result of energy-saving measures.

Electricity production from the Group's own generation facilities

increased by 70%

The Group took part in the Carbon Disclosure Project in connection with the disclosure of information about its activities.

Use of associated petroleum gas

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

In 2013, the volume of associated gas used totalled 70.5 million m^3, which is within the optimal consumption balance range of 70-75 million m^3. The optimal balance between the consumption of associated gas and natural gas is calculated taking into account the capacity utilisation rate and technical characteristics of the equipment used.

Greenhouse gas emissions

Uralkali recognises that its operations are inextricably linked to energy consumption, and that as a result the Company generates greenhouse gases. Greenhouse gas emissions from fertiliser production account for less than 1% of the global total[1]. However, in 2012, we joined the international Carbon Disclosure Project (CDP), which is the most authoritative source of data on global climate change, and have since been providing information on our activities to reduce greenhouse gases.

For the reporting period, emissions of CO_2-equivalent gases across the Group amounted to 1.97 million tonnes compared to 1.87 million tonnes in 2012 due to increased potash production.

Atmospheric emissions

As part of the Company's programme to expand its existing production facilities, Uralkali is upgrading its waste treatment equipment. As a result, the operational efficiency of treatment facilities increases, thus reducing the negative impact on the environment.

In accordance with environmental law, production equipment is commissioned only after treatment equipment has been installed in order to prevent untreated emissions during the implementation of new investment projects.

In 2012-2013, pollutant emissions at Uralkali's main production facilities increased from 3.61 to 4.45 million tonnes year-on-year. This was due to high H_2S concentration in associated gas.

The increase in the overall amount of air pollutants in 2013 was also associated with the appearance of new sources of air pollutants (the Ust-Yayvinsky mine and Berezniki-4).

Water resources

To ensure the efficient consumption and reuse of water in order to minimise waste-water discharges, the Company develops and implements annual environmental action plans.

In 2013, the total water intake for industrial needs and utility services at Uralkali increased by 7% compared to 2012 and amounted to 19.8 million m^3. The water intake from surface sources totalled 14.9 million m^3.

The increase in water consumption in 2013 was due to the increase in potash output.

Water consumption for industrial needs increased slightly in 2013 following the changes of product grades.

Water consumption for industrial needs (m^3 per tonne)

The volume of water recycled and reused at Uralkali Group totalled 85.93 million m^3, representing an increase on 2012 figures (70.1 million m^3), which led to the lower overall amount of water waste.

Waste management

In 2013, Uralkali continued to implement measures to achieve higher levels of waste management efficiency. Such measures included:

- introducing 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 generation;
- filling the mined-out areas of mines, thus reducing not only the environmental impact, but also the risk of accidents due to subsidence;
- crushing concrete slabs at a mobile crushing and sorting plant. The plant was acquired in June 2013 and is designed for processing concrete slabs into crushed stone.

Waste sent for disposal at landfill sites in 2013 decreased by 25% year-on-year and amounted to 41,9 thousand tonnes in the reporting period. The reduced amount of waste sent for disposal was due to the reduced generation of construction debris during the reconstruction of buildings and structural maintenance.

[1] IFA, "Fertilizers and Climate Change", 24.07.2009

Project for conversion of old concrete slabs into crushed stone

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

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

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

Use of the crushing plant for disposal complies with the requirements of the EU Waste Framework Directive. The acquisition of the crushing plant is one of the first steps towards comprehensive waste recycling within the Group.

Uralkali aims to increase transfers of hazardous waste to third parties for further use. In 2013, the Company transferred for reuse 714.5 tonnes of waste, more than triple the amount in 2012. Such a considerable increase is explained by the construction of a new transformer substation for the Baltic Bulk Terminal.

The increase in mass of reclaimed hazardous waste for neutralisation from 0.5 thousand tonnes to 10 thousand tonnes was a result of drilling mud and cuttings from the Ust-Yayvinsky mine and oily waste from the boiler shop of Solikamsk-2 being sent for neutralisation.

Land resources and biodiversity

Uralkali pays close attention to the condition of ecosystems affected by its production activities. The Company regularly monitors water protection zones and the bank lines of small rivers, observing shrub and tree vegetation. As part of the construction of the Ust-Yayvinsky mine and the development of the Polovodovo site, background environmental conditions are monitored in connection with the impact of these activities. In 2013, there were no instances of soil pollution resulting from production activities at industrial sites or in the buffer zones of Uralkali. The results of the surveys suggest no significant damage to biodiversity in the regions where the Company operates.

Geological safety

The prerequisites for the development of a deposit are mining in a safe manner and preserving the functionality of mined areas.

In accordance with legislative requirements, the Company applies mining safeguards in mines where it is technically feasible to do so.

Where restrictions on the application of mining safeguards exist, Uralkali continues to use its own unique monitoring system to identify potentially hazardous sections in a timely way to provide immediate protection for the local population when necessary. The Company performs surveying and visual monitoring of mining territories 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.

Public environmental measures

Uralkali believes that positive results in resolving environmental issues can be achieved through collaborative efforts; for this reason, the Company 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 2013, including:

- "Protection from Environmental Hazards" Days in Berezniki and Solikamsk. Based on the results of the campaign, the Company received:
  - a diploma for Uralkali's active participation in the campaign, fruitful cooperation and successful implementation of practical measures for the protection of the environment, awarded by the Berezniki city administration;
  - a thank you letter from the Ministry of Natural Resources, Forestry and Ecology of the Perm region for assistance in organising the "Protection from Environmental Hazards" Days in the Perm region.
- The environmental campaign "All-Russia Cleanup. Let's Do It! – 2013". The Berezniki authorities expressed their gratitude to Uralkali for its active participation in environmental protection.

Developing our employees

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.

Approach

An efficient workforce is one component of a successful business and an area where Uralkali has a competitive advantage.

The Company is constantly focused on increasing productivity in the Group, including through staff optimisation. At the same time, Uralkali seeks to maintain its position as one of the most attractive employers in the region, retain key specialists, and attract new qualified employees and talented graduates. Uralkali is chosen as an employer by those who are reliable and those who strive for professional growth and self-development. In return, we welcome them to our team of professionals who are ready to share their knowledge and experience.

The Group offers its employees a competitive salary and a comprehensive benefits package, as well as broad opportunities for professional growth.

All HR processes within the Company and its subsidiaries are organised in accordance with the Group's long-term strategies and legal requirements.

Key priorities

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

The labour market situation

The labour market situation in the towns where the main production facilities of the Company are situated remains tense: low unemployment and a reduced working-age population complicate the search for and attraction of new professionals.

An important factor is the increased competition in the labour market in connection with the commissioning of new facilities in the region.

However, despite the current situation, the Company intends to maintain its position as one of the most attractive employers in the region.

The number of employees in the Uralkali Group at the end of 2013 stood at 21,137, with 99.5% coming from the local population.

Uralkali has a comprehensive benefits package, various training and development programmes, and competitive salaries.

Salaries

- US$ 15,600 is the average annual salary for employees in the main production unit[1];
- Salary increases for 2013 exceeded the Russian inflation rate;
- Uralkali's compensation system is built upon uniform principles, i.e. based on grades, accounting for each role's complexity and importance;
- In 2013, the transfer of most line managers to annual bonuses was completed (along with top and mid-level managers), allowing for a more objective evaluation of the managers' work.

[1] Except for top managers.

Professional and career growth

To ensure that the Company's staffing needs are met, the Company uses an integrated approach to the evaluation and development of its staff; it runs Talent pool programmes for different levels of management. In 2013, to improve the management and professional skills of line managers, the Company developed the Foreman's Academy programme. The programme received positive feedback and will be extended.

Corporate culture

The Company's strong corporate culture contributes to the attractiveness of Uralkali for employees. The work carried out to develop the culture, conducted by the HR management, is a necessary step towards improved staff efficiency.

To select and apply the most relevant and effective measures, which can improve employee performance, the Company carries out an employee survey each year. The poll conducted in 2013 differed from the previous version. Previously, Uralkali measured employee satisfaction according to factors such as working conditions, remuneration, social programmes and other "soft" factors, as well as employee loyalty to the Company. In 2013, for the first time, the survey dealt with engagement and conditions for success. Uralkali plans to hold the next survey, involving as many employees as possible.

The HR management promotes the Code of Corporate Culture. In 2013, 100 mid-level and line managers of the Company took part in a specialised training and learned the mechanisms for applying the provisions of the Code in their daily work.

For further information on working with us, visit our website www.uralkali.com/career/

Benefits package

The Company aims to cover as many popular benefits as possible with its overall remuneration package[2]. Uralkali offers its employees a range of benefits, guarantees and privileges, which ensure social stability, address the most pressing social issues and improve living standards. Among the most significant benefits, there is an optional health insurance programme, reimbursement for meal costs (up to 70%), health resort offers for employees (up to 50%), and summer holidays for children of employees in Russia and abroad.

The Company also pays close attention to improving employee healthcare and recreational activities; for example, up to 50% of the cost of visiting swimming pools and ski lodges is reimbursed. In 2013 the Company's corporate polyclinic Uralkali-Med was refurbished and new equipment was installed.

The Company especially values employees who have spent many years at the Company and are now enjoying a well-deserved retirement. Uralkali provides annual financial and organisational support to the Veterans Council through the "Care and Comfort" programme. This support helps potash industry veterans to continue to lead active lives.

[2] Benefits package is for all employees, both with open-ended and fixed-term contract.

2013 key facts

The average annual salary in the main production unit was

$15,600

over 1,000 employees

received corporate training in the Company's Training Centre.

11.3%

of talent pool participants were promoted in 2013.

According to the employee survey, the Company's level of engagement was rated

positively by 54%

of 6,500 participants, while 55% agreed that the Company created conditions for success.

The Foreman's Academy was created to develop the management skills of line managers.

Encouraging regional development

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.

Approach

In taking into account the key principles of sustainability, 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.

The priority areas of Uralkali's CSR initiatives are as follows:

- Improving the quality of life of employees and their families, as well as of the communities of Berezniki and Solikamsk as a whole.
- Supporting cultural, educational, healthcare and sports projects.

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 legal authorities.

Local communities

When implementing its corporate social responsibility policy, Uralkali focuses on the best international practices and aims to ensure a high degree of effectiveness of its social investments.

In 2013, the Company continued to work with local municipal authorities through partnership agreements. These agreements facilitate sustainable change by investing in important socio-economic projects, including the modernisation of social infrastructure facilities.

A number of Uralkali's employees participate in the work of local authorities such as the Berezniki City Duma and Solikamsk City Duma.

At a regional level, the Company collaborates with the governor's office and the government of the Perm region. Uralkali has been actively involved in tackling pressing social problems, including resettling Berezniki residents from old and dilapidated housing.

Activities and results

In 2013, Uralkali continued to implement its social investment policy aimed at the sustainable development of the regions where it operates. Social investment in 2013 amounted to approximately US$ 31.7 million.

Encouraging sport

Uralkali traditionally devotes considerable attention to the development of sport in Berezniki and Solikamsk.

In March 2013, the Company launched a large-scale project to promote basketball among children and young people in Berezniki and Solikamsk. The project is being implemented by the municipal governments and the regional Olympian Sports School for children and young people. In what is only the first year of the project, 20 basketball centres were opened and more than 1,200 children took part in the activities. The sessions were led by five coaches with accreditation from the International Basketball Federation, who were invited to the Kama region from Serbia. The project subsidised the renovation of several gyms and the purchase of sports equipment and clothing. The project will continue in 2014.

In addition, the Company has helped to organise regional boxing and judo competitions. With Uralkali's assistance, athletes from Solikamsk had the opportunity to take part in the Sambo World Cup in Venezuela and the European Kickboxing Championship in Poland; a children's football team from Berezniki also participated in an international football tournament in Ukraine. The Company also provided financial support to children's and youth hockey teams from Solikamsk and the Solikamsk City Federation of Thai Boxing.

Master plan for Berezniki and Solikamsk agglomeration
In 2013, the final master plan for the urban development of Berezniki, Solikamsk and Usolye, designed at Uralkali's request, was shown to representatives of the regional and federal governments and city mayors from the Verkhnekamye region. When working on the master plan, the designers took into account factors such as the condition of housing, infrastructure, economic and historical trends, population migration levels and environmental aspects.

Residential development
On 5 December 2013, Uralkali, the government of the Perm region and the administration of Berezniki signed a financing agreement for 2013-2015. The financing plan covers the relocation of people living in inadequate housing in Berezniki, including the construction of new infrastructure facilities and demolition of the vacated buildings. Under the agreement, Uralkali and the regional government will each allocate approximately US$ 77.9 million for the project.

The budget of the Perm region for 2013-2015 also comprises funding for the resettlement of the residents of Berezniki in the amount of US$ 77.9 million. Comparable funds will be allocated from the federal budget.

These funds will allow for the relocation of those living in dilapidated buildings to a new neighbourhood, which will be built in the coming years on the right bank of the Kama River.

Representatives of the Company are working closely with regional and federal authorities to implement a state programme for the provision of quality housing and utilities for the population of the Perm region.

Medical institutions
In 2013, funds were allocated for the purchase of medical equipment for Solikamsk's central district hospital. The Company participated in the opening of a speleochamber at the hospital and it also funded the renovation of the intensive care unit of Berezniki's Hospital No. 2.

2013 key facts

$9.8 million

was invested in local communities.

$8.4 million

was invested in the socio-economic development of the region where Uralkali operates.

Uralkali signed an agreement with the administration of the Perm region on co-financing. Uralkali will contribute

$77.9 million

to the resettlement programme.

Uralkali developed and presented the master plan for the Berezniki-Solikamsk agglomeration.

The Company launched a project to develop children's and youth basketball in Berezniki and Solikamsk.

The Potash Museum was opened in Berezniki and Solikamsk. The collection is dedicated to the geology of the Perm region and the history of the development of the Verkhnekamskoye deposit.

> We have no doubt that the museum will be interesting for both Uralkali's employees and people as yet unfamiliar with potash production. Working in the Uralkali Museum gives me the opportunity to think creatively and come up with new ideas. To be part of a modern museum is exciting!

Yulia Denisova

Director of the Uralkali Museum

The Potash Museum in Berezniki and Solikamsk

The Potash Museum was opened in Berezniki and Solikamsk. Its exhibition introduces visitors to the geology of the Perm region, the history of the discovery and development of the Verkhnekamskoye deposit and the work of Uralkali employees today – both underground and above ground. The museum's collection includes many unique items, such as the equipment that surveyors and geologists used a century ago.

For more information see
CEO's statement 7

Furthermore, Uralkali decided to launch a joint project with Alfa Insurance for the development and improvement of facilities at the Uralkali-Med clinic. In 2013, the clinic was renovated and provided with modern medical equipment.

Supporting culture

Uralkali continued to support the charitable project initiated by the Solikamsk administration to renovate the Museum of the History of Salt. The Company was the primary sponsor of the restoration of Ust-Borovsky salt plant in 2013.

The International Festival of Sylvinite and Metal Sculptures also received support from the Company, with Uralkali providing sylvinite ore for the sculptures.

Support for non-governmental organisations

Uralkali considers the activities of NGOs as an important element of social development, which in turn maintains social stability in the regions where Uralkali operates.

In 2013, support was provided to the "Journalist Spring" regional festival in Solikamsk and the Company also assisted with socio-environmental projects.

Uralkali supports local ethnic and religious communities. In 2013, it allocated funds for the construction of the church of St. Luke Voyno-Yasenetsky, as well as the church and chapel of the Dormition of the Mother of God in Berezniki.

The Company also allocated funds for the reconstruction of the Athos St. Panteleimon monastery and the repair of the assembly hall and archaeological study room of the Moscow Theological Academy.

Support for municipalities

During 2013, Uralkali assisted municipal governments in matters of local importance.

The Company provided financial support for the introduction of the educational project 'Business School "Your Point of Growth" in Solikamsk, aimed at promoting entrepreneurship among young people and students, as well as forming a community of talented and motivated young people interested in the development and promotion of socially responsible business.

Uralkali was the primary sponsor of the event "Winning Formula", a traditional award ceremony for talented students and teachers from municipal schools in Solikamsk.

Berezniki and Solikamsk received funds for their City Days. In addition, Uralkali sponsored the construction of an ice city in Solikamsk.

Charity and sponsorship

The Company traditionally takes care of disadvantaged groups of the population. Uralkali has provided support to the Berezniki branches of the Russian Association of the Blind, the All-Russian Society of Disabled People and the All-Russian Association of Disabled People's "Chernobyl" of Russia union.

In addition, following the floods in the Amur and Khabarovsk regions, Uralkali provided financial assistance for reconstruction works and support of the affected citizens.

Independent Assurance Report to the Directors of Uralkali Group

pwc

The Directors of Open Joint Stock Company Uralkali engaged us to provide limited assurance on the information described below and set out in the Integrated Report of Open Joint Stock Company Uralkali and its subsidiaries ("Uralkali") for the year ended 31 December 2013 and GRI Tables 2013 publication.

What we are assuring ("Selected Information")

The qualitative and quantitative information disclosed in the 'Sustainable Development' section of the Integrated Report for the year ended 31 December 2013 and GRI Tables 2013. The scope of our work was restricted to the Selected Information for the year ended 31 December 2013 and does not extend to information in respect of earlier periods or to any other information in the Integrated Report.

How the information is assessed ("Reporting Criteria")

We assessed the Selected Information using Uralkali's Reporting Criteria as set out in the Integrated Report and the Global Reporting Initiative ("GRI") Sustainability Reporting Framework, including version 3.1 of the Sustainability Reporting Guidelines and GRI Mining and Metals Sector Supplement (collectively, "GRI G3.1"). We believe that these criteria are appropriate given the purpose of our assurance engagement.

Professional standards applied and Level of assurance[1]

We have used ISAE3000 (limited level of assurance) and we have complied with the IASB Code of Ethics.

Understanding 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 reporting should therefore be read in conjunction with the Selected Information and associated statements reported on Uralkali's website.

Work done

Considering the risk of material misstatement of the Selected Information, we:

- made enquiries of Uralkali's management through interviews of personnel responsible for sustainability reporting and data collection. Interviews were held in Berezniki, Perm region, and Moscow;
- analyzed the relevant policies and basic reporting principles and evaluated the design of the key structures, systems, processes and controls for managing, recording and reporting the Selected Information;
- performed limited substantive testing on a selective basis of the Selected Information to verify that data had been appropriately measured, recorded, collated and reported; and
- assessed the presentation of the Selected Information and compliance of the disclosures with the requirements of GRI G3.1.

Uralkali's responsibilities

The Directors of Uralkali are responsible for:

- designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information 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
- the content of the Integrated Report and GRI Tables 2013.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Directors of Uralkali.

Our conclusions

As a result of our procedures nothing has come to our attention that indicates the Selected Information for the year ended 31 December 2013 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

This report, including our conclusions, has been prepared solely for the Directors of Uralkali as a body in accordance with the agreement between us, to assist the Directors in reporting Uralkali corporate responsibility performance and activities. We permit this report to be disclosed in the Integrated Report for the year ended 31 December 2013, to enable the Directors to show they have addressed their governance responsibilities by obtaining 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 as a body and Uralkali for our work or this report except where terms are expressly agreed between us in writing.

ZAO PricewaterhouseCoopers Audit

ZAO "PricewaterhouseCoopers Audit",
Moscow, Russia

23 April 2014

[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 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 changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on Uralkali's website.

Effective and transparent leadership

Following the change in Uralkali's shareholder structure, a new Board of Directors has been elected. Our new Board is a professional and experienced team with deep and extensive knowledge across various industries, working to ensure that the Company is well-positioned for the future and has the necessary strategic support to maximise global opportunities and to maintain the confidence and trust of shareholders.

Sergey Chemezov
Chairman of the Board of Directors
Independent Director

Election
First elected to the Board of Directors in March 2014.

Skills and experience
In 1980, Sergey Chemezov joined the Luch Experimental Industrial Association, and headed its representative office in GDR in 1983-1988.
1988-1996: Deputy general director of Sovintersport, a foreign trade association.
1996-1999: Head of the foreign economic department of the Presidential Affairs Office.
1999-2001: General director of Promexport.
February 2001: Sergey Chemezov was appointed as the first deputy general director of Rosoboronexport and as its general director from 2004 to 2007.
In December 2007, he was appointed as the general director of Rostekhnologii, the state corporation to support development, manufacturing and export of high-tech industrial products.

Committee membership
Does not serve on any Board committees

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, ROSNANO, Aeroflot, MMC Norilsk Nickel, International Financial Club, Alliance Rostec Auto B.V.
Member of the Supervisory Council of the United Aerospace Corporation.

Sir Robert Margetts
Deputy Chairman of the Board of Directors
Senior Independent Director

Election
Elected to the Board of Directors in June 2011. Re-elected in June 2012, in June 2013, in November 2013 and in March 2014.

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

Committee membership
Chairman of the Corporate Social Responsibility Committee and the Investment and Development Committee. Member of the Audit Committee and the Appointments and Remuneration Committee.

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

Dmitry Mazepin
Deputy Chairman of the Board of Directors
Non-Executive Director

Election
First elected to the Board of Directors in March 2014.

Skills and experience
Since the mid-1990s, Dmitry Mazepin has held senior executive positions in state structures and large companies: Tyumen Petroleum Company, Nizhnevartovskneftegaz, Kuzbassugol, Russian Federal Property Fund.
2002-2003: President of AK Sibur.
In 2007, he was appointed as the 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.

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

Paul Ostling
Member of the Board of Directors
Independent Director
Election
Elected to the Board of Directors in June 2011. Re-elected in June 2012, in June 2013, in November 2013 and in March 2014.
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.
2008-2011: Member of the Boards of Directors of Promsviazbank and URALCHEM Holding P.L.C.
2007-2013: Member of the Boards of Directors of MTS and Cool NRG Pty Ltd.
Committee membership
Chairman of the Audit Committee (financial expert) and the Appointments and Remuneration Committee. Member of the CSR Committee and the Investments and Development Committee.
External appointments
Chairman of the Board of Directors of Brunswick Rail Management Ltd. Board member at Phoenix Neftegaz Services LLC, Innolume GmbH and Datalogix Inc.

Dmitry Osipov
Member of the Board of Directors
Chief Executive Officer of Uralkali
Election
First elected to the Board of Directors in March 2014.
Skills and experience
2005-2007: General director of Kirovo-Chepetsk Chemical Plant.
2007-2011: CEO and a member of the Board of Directors of URALCHEM.
2011-2013: Deputy Chairman of the Board of Directors of URALCHEM.
On 24 December 2013, Dmitry became Uralkali's CEO.
Committee membership
Member of the CSR Committee and the Investments and Development Committee.
External appointments
Does not have executive positions in other companies.

Dmitry Razumov
Member of the Board of Directors
Non-executive director
Election
First elected to the Board of Directors in March 2014
Skills and experience
In 1994-1997 – lawyer at Clifford Chance (international law firm).
In 1997-1998 – Deputy Head of Investment Banking at Renaissance Capital Bank.
In 1998-2003 – Managing director of LV Finance (independing company specializing in corporate finance and direct investments mostly in the sphere of telecommunications).
In 2001-2005 – Deputy General Director of OJSC MMC Norilsk Nickel.
Since 2007 – General Director of ONEXIM GROUP
Dmitry Rauzmov has served on the Board of Directors of Sonic Duo, MegaFonUnited Company, Rusal Plc, OJSC MMC Norilsk Nickel, Polyus Gold International Limited, Renaissance Capital Investments Limited, and has chaired the Board of Directors of the Bank International Financial Club.
Committee membership
Not a member of any of the Board Committees.
External appointments
Chairman of the Board of Directors of OJSC OPIN, IC Soglisiye, LLCё-AUTO, Renaissance Financial Holdings Ltd, Onexim Holdings Limited. Member of the Board of Directors of LLC MC Inergeo and Intergeo MMC Ltd.

Jian Chen
Member of the Board of Directors
Non-Executive Director
Election
First elected to the Board of Directors in March 2014.
Skills and experience
2008-2013: Deputy Minister of Trade of the People's Republic of China.
Committee membership
Member of the Investments and Development Committee.
External appointments
Non-executive director of China Investment Corporation.

Dmitry Konyaev
Member of the Board of Directors
Non-Executive Director
Election
First elected to the Board of Directors in March 2014.
Skills and experience
Since 1998, he has held senior management positions at large production and trade companies: Sederrot International AB, Mineral Trading, Uralkali Trading SA (Singapore).
2007-2011: Head of Commerce at URALCHEM.
Since 2011, Dmitry has been the CEO of URALCHEM.
Committee membership
Member of the Investments and Development Committee, the CSR Committee and the Appointments and Remuneration Committee.
External appointments
Member of the Board of Directors at URALCHEM and several of its affiliates.

Valery Senko
Member of the Board of Directors
Election
First elected to the Board of Directors in March 2014.
Skills and experience
In 2002-2005 Valery held several posts in OJSC MMC Norilsk Nickel where he was in charge of corporate development, international projects and investor relations.
Since 2007 – Investment Director of ONEXIM GROUP.
Valery has served on the Board of Directors of OJSC "Quadra" (Former TGK-4), RUSAL America Corp, CJSC Optogan and as Chairman of the Board of Directors of OJSC Polyus Gold.
Committee membership
Member of the Investments and Development Committee, CSR Committee and Audit Committee.
External appointments
Member of the Board of Directors of LLC IC Soglasiye, OJSC OPIN, Renaissance Credit Bank, LLC ё-AUTO; Deputy Chairperson of OJSC RBC.

Committed to global best practice

2013 governance highlights

- The Company issued its first Integrated Annual Report, supplementing financing information with non-financial indicators in line with GRI standards. This received several awards, including the Best Annual Report Award from the Moscow Exchange for the third year running;
- The Company implemented policies, procedures and compliance processes and reporting of covering anti-trust, fraud and corruption and updated a wide range of other procedures and regulations;
- Three of our Independent Directors were included on the listing of "Russia's best Independent Directors" as part of the Director of the Year Awards.

The Company and Board place great emphasis on the establishment and maintenance of leading global standards in Corporate Governance. We continue to apply global best practice in all our activities whilst, at a minimum, seeking to comply with the requirements of the Moscow and London Stock Exchanges, together with all applicable laws and regulations. We continuously develop, adopt and update Company policies and procedures to secure this objective. We seek to be a transparent organisation and give special attention to the quality and timeliness of information disclosure.

The Board of Directors' Corporate Governance Report

Composition of the Board of Directors

The current Board was elected by the extraordinary general meeting of shareholders held on 24 March 2014. Pursuant to the Company's Charter, it has nine directors. As of now, the Board has three independent directors as defined in the UK Corporate Governance Code; five directors are non-executive directors, and one is an executive director. Dmitry Osipov is also the Chief Executive Officer of Uralkali (see page 7 for more details).

Changes in the Board's composition

In 2013, the composition of the Board of Directors changed on two occasions: following an annual general meeting held in June 2013 and following an extraordinary general meeting held on 29th November 2013.

Two directors resigned from the Board in 2013 – Alexander Mosionzhik and Alexander Malakh – who were elected in September 2010. They had both been directors and Board committee chairmen (Mr Mosionzhik was the Chairman of the Appointments and Remuneration Committee, while Mr Malakh was the Chairman of the Investment and Development Committee).

From June to November 2013, Vladislav Mamulkin was a member of the Board and was also a member of the Audit Committee.

In November 2013, Pavel Grachev rejoined the Board as a director (following his first term from 2010 to 2012).

Vladislav Baumgertner was re-elected to the Board twice in 2013 but was replaced in November 2013 by Victor Belyakov, the Chief Financial Officer of Uralkali, who was acting CEO. He was replaced as CEO by Dmitry Osipov, on 23 December 2013.

In late December 2013, the shareholding structure of Uralkali changed significantly. Substantial shareholdings were acquired by URALCHEM and ONEXIM Group and, before the end of the year, one of the new shareholders requested an EGM, which was held on 24 March 2014. The EGM re-elected the Board of Directors and, at the meeting, the two incumbent independent directors were elected: Sir Robert Margetts and Paul Ostling. The new directors of the Company are: Dmitry Konyaev, Dmitry Mazepin, Dmitry Razumov, Valery Senko, Chen Jian, new independent director Sergey Chemezov and CEO Dmitry Osipov.

The first meeting of the new Board took place on 26 March 2014. Sergey Chemezov was unanimously elected Chairman, with Sir Robert Margetts and Dmitry Mazepin as his deputies. This Board determined the composition of the Management Board (see page 72 for more details) and committees of the Board of Directors.

> I truly believe that the new Board of Directors will continue its firm commitment to transparency and the principles of corporate governance, and pursue the implementation of best global practices.

Dmitry Mazepin

Deputy Chairman of the Board of Directors

Balanced composition of the Board of Directors

The Board has three fully independent directors, which is in line with international standards, and includes experts in all vital areas such as mining, finance, audit, management, investments, HR, safety and corporate social responsibility. Independent and non-executive directors sit on all Board committees.

Review of the Board's performance

A review was conducted in 2013. This evidenced the progress made over the previous year and the effective implementation of the actions identified and agreed from the previous review in 2012. This review identified further needs for director education, adjustments to the risk management system and the inclusion of further information to be supplied to the Board of Directors. These actions are in hand. Following the major changes in Board membership, it has been decided to postpone the next Board review until the new Board has been in operation for a sufficient period.

Distribution of functions within the Board

The new Board maintained its approach in distributing functions among its members in line with the best corporate governance practice; 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 day-to-day management of the Company;
- **The Senior Independent Director** interacts with shareholders on behalf of the Board and conveys shareholders' views to the Board to make sure that the Board understands the interests of shareholders. Where necessary, he also arranges contact between the Board and the Company's shareholders;
- **The Corporate Secretary** arranges the work of the Board and its committees, interacts with the management, and participates in the arrangement of general meetings of shareholders.

Induction and training of directors

In our previous Annual Report we noted that the Company had developed an induction procedure for new directors, which includes a briefing on strategic and operational issues, personal meetings with the management team, a visit to our production sites in Berezniki and Solikamsk, review of key documents, and a briefing on directors' legal, regulatory and other rights, duties and obligations. In 2013, we continued the practice of signing Appointment Letters with directors, which stipulate the directors' rights and obligations, as well as the Company's expectations of the members of the Board of Directors.

In 2012, Uralkali started developing a system of training sessions for directors. Since that time, the Board has selected the best training approach: 1) ad hoc sessions to deal with significant changes in applicable laws; and 2) annual visits to the main production sites, including site walkabouts and personal meetings with members of the management team. This approach was successfully used in 2013.

Objectives for 2014

- Focus on updating the Company's long-term and functional strategies;
- Further improve incentive schemes for employees;
- Continue optimisation of systems and processes for preparation of financial information of the Company;
- Enhance the risk management and internal control system.

Planning and scheduling of the Board's work

The work plan of the Board and its committees for the 2014 calendar year was approved by the Board in December 2013. However, this planning process typically begins as early as April. The Company continued the practice of scheduling meetings of the Board and some or all of its committees into a period of two to three days to make the most effective use of the directors' time. As in previous years, the dates for these sessions are determined by the timing of Board decisions related to legal or corporate requirements, such as approval of an annual budget, financial statements or public reports, or to convene a general meeting. A session's duration depends on the agenda, but typically the sessions are very intense. In 2013, we managed to follow the original schedule of the meetings with very few deviations.

Board activities in 2013

In line with best international practice, one of the main functions of the Board is to set strategic goals for the Company and to adopt, follow-up and review important decisions. The Board is a crucial component of our corporate governance system, and provision of precise and accurate information about the Company's activities is critical.

In 2013, the Board of Directors worked in accordance with a plan developed in December 2012.

Within the prescribed timeframe, the Board approved the 2013 IFRS statements and the H1 2013 consolidated condensed financial information; gave preliminary approval of the Annual Report; convened an annual general meeting, which was held on 4 June 2013, and three extraordinary general meetings:

- An EGM held on 22 October 2013 to approve major transactions to raise financing from VTB Bank and Sberbank of Russia (or their affiliates);
- An EGM held on 29 November 2013 to terminate early the powers of every director and re-elect the Board;
- An EGM held on 18 December 2013 to approve, inter alia, the payment of interim dividends in accordance with the Company's dividend policy.

Other key matters considered by the Board in 2013 included the following:

- The Company's first ever Integrated Annual Report was approved, which combined traditional financial information and a sustainability report that reflects Uralkali's efforts to run a socially responsible business;
- Decisions were made to adjust the Company's approach to export markets;
- Key principles of its Global Anti-Monopoly Policy and the Anti-Corruption Policy were adopted;
- The Company's 2014 Budget was approved;
- The updated Regulations on the Information Policy of Uralkali were adopted, which reflected an improved approach to insider information;
- The powers of the Chief Executive Officer, Vladislav Baumgertner, were terminated early, and the new CEO, Dmitry Osipov, was appointed;
- A decision was made to convene an extraordinary general meeting (held on 24 March 2014) to elect the new Board.

Strategic session

Among the highlights of the Board's work in 2013 was a strategic session, which was held for the second year running in Berezniki on 5-6 June 2013. Directors consider it important to visit the main production facilities and the head office of Uralkali, and to talk to management and employees. During the two-day session, members of the Board continued their discussions of the Company's long-term strategy and several functional strategies, including the IT, social responsibility and production strategies. The Board's plan for 2014 will continue this practice.

Shareholder relations

Maintaining effective relations with the shareholders in 2013 was and remains a priority for the Company and its Board. Last year, we continued the practice of meetings between independent directors and the investors, shareholders and media. It is important to note that the independent directors, including the Board's Chairman, took part in a conference call with investors and analysts to present the Company's IFRS half-year statements. The support which was and is being provided by the members of the Board through their communications with the investor community and the media has proved invaluable in a challenging year.

Board committees

In 2013, all four committees of the Board were fully involved in the Company's activities. The Board has the following committees: the Audit Committee, the Appointments and Remuneration Committee, the Investment and Development Committee, and the Corporate Social Responsibility Committee.

The composition of the committees changed twice in 2013, at a Board meeting held on 5 June 2013 following an AGM and on 29 November 2013 following an EGM, although these changes were not significant.

In total, there were 25 committee meetings in 2013. Just as in 2012, the meetings could be attended by non-member directors to ensure the opportunity for all directors to contribute on important issues.

Total number of meetings of the Board and its committees in 2013. Attendance rate[1]

Name	Board of Directors (16[2])	Audit Committee (7)	Appointments and Remuneration Committee (5)	Investment and Development Committee (8)	Corporate Social Responsibility Committee (5)
Anton Averin	All[3]			All	All
Vladislav Baumgertner	8 of 16				2 of 4
Viktor Belyakov	All				All
Alexander Voloshin	All				
Pavel Grachev	All		All	All	
Anna Kolonchina	All	All	All	All	
Alexander Malakh	7 of 12[4]		All	All	
Vladislav Mamulkin	All	All	All		
Robert John Margetts	All	All	All	All	All
Alexander Mosionzhik	All				
Paul James Ostling	All	All	All	All	All
Gordon Holden Sage	All	All	All	All	All

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

2 Five 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 Although in compliance with the legislation Mr. Malakh remained a member of the Board of Directors of OJSC Uralkali until 29 November 2013, he did not participate in Board meetings having submitted a letter of resignation from the Board of Directors on 26 July 2013.

Directors' remuneration

Independent members of the Board of Directors receive remuneration in line with the Regulations on directors' remuneration and compensation. The current wording of the Regulations was approved by the general meeting of shareholders on 4 June 2013 and encompasses all amendments that have previously been approved as separate documents by several general meetings starting from June 2011. A director's remuneration consists of base remuneration in the amount of US$ 170,000 per annum and remuneration for additional duties as a committee member or chairperson or as the deputy chairperson/Senior Independent Director of the Board of Directors. The Chairman of the Board of Directors is paid US$ 1 million per year.

The remuneration is paid on a monthly basis in equal amounts. Pursuant to the Regulations on directors' remuneration and compensation, directors were paid the following amounts in 2013:

	Remuneration paid[1]	
Name	In RUB	In USD[2]
Alexander Voloshin	36,521,241	1,115,861
Sir Robert Margetts	21,651,434	661,533
Paul Ostling	14,243,029	435,178
Gordon Sage	12,844,787	392,456
Alexander Malakh (from 4 June till 26 July 2013)	1,497,340	45,780
Total	86,757,830	2,650,778
	Expenses	
	In RUB	In USD[2]
Total	3,314,323	101,265

1 Including personal income tax

2 Using the exchange rate on 31 December 2013 (32.7292 RUB/US$)

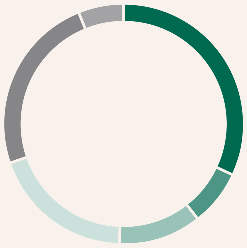
Activities of the Board committees

Members As of 24 March 2014 | **Matters considered** | **Targets for 2013:** | **Targets for 2014:**

Audit Committee

Paul Ostling (Chairman)
Sir Robert Margetts
Gordon Sage
Anna Kolonchina

Matters considered



- Risk management and internal control 32%
- External audit 7.5%
- Internal audit 11.3%
- Reporting 19%
- Corporate governance 24.2%
- Monitoring of KPIs 6%

Targets for 2013:

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

Achieved

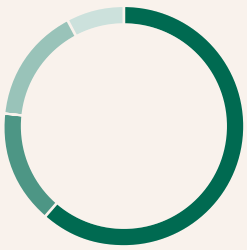
Targets for 2014:

- 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.

Corporate Social Responsibility Committee

Sir Robert Margetts (Chairman)
Paul Ostling
Gordon Sage
Viktor Belyakov
Anton Averin

Matters considered



- Health, Safety and Environment 61.5%
- Social matters 15.4%
- Accidents and injuries 15.4%
- Activity plans and reports 7.7%

Targets for 2013:

- development of recommendations to issue the Sustainability Report
- monitoring of the Company's HSE performance in 2013;
- monitoring of stakeholder engagement in regions where Company operates;
- monitoring of HSE activities in 2013;

Achieved

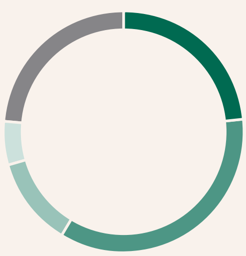
Targets for 2014:

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

Appointments and Remuneration Committee

Pavel Grachev (Chairman)
Paul Ostling
Sir Robert Margetts
Gordon Sage
Anna Kolonchina

Matters considered



- Achievement of KPIs Recommendations to approve KPIs 23.5%
- HR-related projects 35.3%
- Development of the Board's performance review procedure 11.8%
- Composition of the Board committees 5.8%
- Other matters 23.6%

Targets for 2013:

- assessment of management's 2012 performance charts;
- consideration of the succession plan;
- consideration of headcount issues related to labour productivity;
- review of the labour market and salary levels in the Company;
- development of recommendations on key appointments to management bodies of the Company.

Achieved

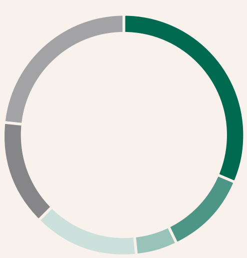
Targets for 2014:

- assessment of 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 management;
- monitoring of headcount issues;
- development of recommendations on key appointments to management bodies of the Company.

Investment and Development Committee

Anton Averin (Chairman)
Paul Ostling
Sir Robert Margetts
Gordon Sage
Anna Kolonchina
Pavel Grachev

Matters considered



- Investment projects 31.4%
- Budgeting 11.4%
- Dividends 5.7%
- Market development projects 14.2%
- Strategy 14.2%
- Other matters 23.1%

Targets for 2013:

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

Achieved

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.

The Audit Committee's report for 2013

The Audit Committee is a consultative body of the Board of Directors, which was created to consider matters falling under its competence pursuant to the Regulations on the competence of the Audit Committee. The Audit Committee's activities are governed by recommendations and requirements of the Russian financial market regulator, requirements of the Moscow and London Stock Exchanges, the Charter of the Company, resolutions of the Board of Directors, and the Regulations on the Audit Committee of the Board of Directors.

The Audit Committee acts under the Regulations on the Audit Committee of the Board of Directors, which were approved in their current wording on 19 December 2013.

The Committee's area of competence mainly covers public reports, internal and external audit, risk management and internal controls, corporate governance and legal and regulatory compliance.

As of 1 January 2013 and 31 December 2013, the Audit Committee had the following members:

- Paul Ostling (Chairman of the Committee, independent director, expert in finance);
- Sir Robert Margetts (senior independent director;
- Anna Kolonchina (non-executive director);
- Gordon Sage (independent director).

Following the AGM held in June 2013, Anna Kolonchina was replaced on a temporary basis by Vladislav Mamulkin.

The Audit Committee held seven meetings in 2013. In addition to these regular meetings, the Chairman of the Committee held a number of meetings with the Company's financial and risk management officers, as well as with external consultants to discuss various issues.

Throughout 2013, the Committee has been monitoring the development and implementation of an enhanced compliance system. It also looked at internal audit issues. In particular, Uralkali engaged Deloitte under a co-sourcing arrangement.

As part of its work, the Audit Committee focused on the preparation of recommendations for minimising potential adverse consequences to the Company arising from the termination of its cooperation with JSC Belaruskali through BPC and the subsequent arrest of the former CEO of the Company, and conducted a comprehensive review of these developments with the input of external advisers.

The Audit Committee recommended to the Board the commissioning of ZAO PricewaterhouseCoopers Audit to conduct the audit of the 2013 corporate financial statements. This was subsequently approved by the Board at the AGM held on 4 June 2013.

On 4 June 2013, the Board of Directors determined the fees of ZAO PricewaterhouseCoopers Audit for the audit and review of the Company's 2013 IFRS accounts in the amount of RUB 32,800,000 excluding VAT and including overheads.

The actual amount paid in 2013 to ZAO PricewaterhouseCoopers Audit and its affiliates was RUB 54,598,443, including:

Company	Payments for audit services (RUB)	Payments for consulting services (RUB)
ZAO PriceWaterhouseCoopers Audit	37,512,200	16,584,226
PriceWaterhouseCoopers Russia B.V.	0	502,016
Total	37,512,200	17,086,243

The Committee concluded that the ratio between fees for audit and consulting services (69% to 31% respectively) did not compromise the impartiality and independence of the auditor of the Company's financial statements.

Risk management and internal control

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

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

In September 2012, the Board of Directors approved the Risk Management and Internal Control Policy, set the basic requirements and key principles of risk management and internal control development and maintenance, and specified the respective responsibilities and roles of Uralkali's management bodies and employees as follows:

Board of Directors

- Is 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);
- Considers the most material risks and monitors risk response measures.

Audit Committee

- Is an expert authority of the Board of Directors and makes recommendations regarding the effectiveness of the RMICS;
- 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; approves general regulating documents and the strategy of the RMICS.

Management Board

- Is an expert authority of the CEO for risk management and internal control;
- Monitors management of specific risks as instructed by the CEO.

Executive Directors

On their own or by delegating authorities:

- Ensure regulation of business processes within their area of activity; identify the processes' objectives and assess key risks of failure to meet such objectives; assess identified risks within their area of activity;
- Ensure identification of control procedures that cover identified risks.

Risk Manager

Coordinates the risk management process in terms of:

- Development of a methodology and programmes for risk management, fraud prevention and response and internal control;
- Identification of risks and opportunities and their consideration by management in making managerial decisions;
- Assessment of risks by heads of subdivisions;
- Identification and assessment of control procedures that cover identified risks;
- Development of missing control procedures and corrective action plans where necessary;
- Ensuring timely performance of duties by the process participants;
- Exercising day-to-day control of the efficiency of risk management and fraud prevention and response processes and of the development and operation of the internal control system;
- Development of consolidated information about the RMICS at all levels for the Audit Committee, the Board of Directors, the CEO and the Management Board.

Internal Audit Department

Is responsible for providing assurance, identifying areas of potential improvement, and consultations on corrective measures related to the:

- Internal Control System;
- Corporate Governance System;
- Risk Management System.

Also monitors compliance with the procedures of the internal control system and informs the Audit Committee about identified violations.

Employees

- Perform duties assigned to them by the RMICS; inform management about risks identified during current activities or about facts that indicate realisation of risk events; perform a primary assessment of identified risks; and carry out actions specified in risk response action plans.

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 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:

- Completeness and integrity of financial statements;

Recommends:

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

External Auditors

Audit:

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

Board of Directors

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

Efficient and accountable management

Uralkali's Management Board is a team of dedicated professionals, focused on ensuring an appropriate level of control over the business processes and aimed at delivering solid performance.

Dmitry Osipov
General Director
Chairman of the Management Board

Member of the Management Board
since December 2013

For more information see page 63

Victor Belyakov
Director for Economics and Finance

Appointment
Member of the Management Board since 2007.

Skills and experience
Director for Economics and Finance in OJSC "Uralkali" since 2007.

External appointments
Member of the boards of directors of several companies affiliated with OJSC "Uralkali". Current member of the Board of Directors of OJSC ACB "Ecoprombank", LLC SA "Sheriff-Berezniki".

Boris Serebrennikov
Production Director

Appointment
Member of the Management Board since 2012.

Skills and experience
In 1994-2011 held various senior posts in OJSC "Silvinit" supervising the mines of the company. In 2011 – Director of the mine Solikamsk -1. Since April 2012 – Production Director in OJSC "Uralkali".

External appointments
Not a member of governance bodies in other organisations.

Yevgeny Kotlyar
Chief Engineer

Appointment
Member of the Management Board since 2011.

Skills and experience
From 2000 until 2007 and from 2010 until 2011 worked as Production Director in OJSC "Silvinit". Production Director of OJSC "Uralkali" after the merger of OJSC "Silvinit" and OJSC "Uralkali" in June 2011.

External appointments
Member of the boards of directors of several companies affiliated with OJSC "Uralkali". Current member of the Board of Directors of OJSC "Kopeisk Machine-Building Plant".

Nadezhda Kiryanova
Procurement Director

Appointment
Member of the Management Board since March 2014.

Skills and experience
1992-2007 – various positions in OJSC “Azot” (Berezniki),
2007-2014 – held various managerial positions in the “Azot” branch of OJSC UCC “URALCHEM” in Berezniki, most recently – commercial director (2010-March 2014)
Since March 2014 – Purchasing Director of OJSC Uralkali.

External appointments
Not a member of governance bodies in other organisations.

Stanislav Seleznev
HSE Director

Appointment
Member of the Management Board since 2011.

Skills and experience
In 2007-2010 – HSE Director iLLC “Lafarge-Cement”
Since 2010 – HSE Director of OJSC “Uralkali”.

External appointments
Not a member of governance bodies in other organisations.

Oleg Petrov
Sales and Marketing Director

Appointment
Member of the Management Board since 2010.

Skills and experience
In 2005-2010 – First Deputy General Director of CJSC “Belarusian Potash Company”.
Since 2010 – Sales and Marketing Director of OJSC “Uralkali”.

External appointments
Member of the Supervisory Board of CJSC “Belarusian Potash Company”.

Marina Shvetsova
Director for Legal and Corporate Affairs

Appointment
Member of the Management Board since 2005.

Skills and experience
Since 2006 – Director of Legal and Corporate Affairs at OJSC “Uralkali”.

External appointments
Member of the boards of directors of several companies affiliated with OJSC “Uralkali”.

Elena Samsonova
HR Director

Appointment
Member of the Management Board since 2004.

Skills and experience
Since 2004 – HR Director of OJSC “Uralkali”.

External appointments
Member of the boards of directors of several companies affiliated with OJSC “Uralkali”.

Nikolay Morozov
Director for Internal Control

Appointment
Member of the Management Board since April 2014.

Skills and experience
1989-1993 worked as an economist in the Ministry of Foreign Affairs of the USSR and RF.
1993-1998 worked in various banks (Mosbusinessbank, International Financial Club, ONEXIMBank) where he was in charge of internal controls and risk management.
1998-2003 – member of the Management Board and Head of the Internal Controls Department of ACB Rosbank.
From 2003 until August 2008 – Director of the Department of Internal Control of Norilsk Nickel.
From September 2008 until end of March 2013 – Deputy General Director for internal control in CJSC Polyus.
Since April 2013 – Executive Director of ONEXIM Group.

External appointments
Not a member of governance bodies in other organisations.

Note: The current Management Board has been appointed following the decision of Uralkali Board of Directors meeting on the 26 March, 2014.

Information about major and related party transactions

In 2013, 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 explain 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 and affiliates). The transactions were deemed related party transactions on the grounds that members of Uralkali's Management Board had parallel positions in the subsidiaries and affiliates' management bodies. As mentioned before, following the change in the management process in relation to the subsidiaries and affiliates, the number of transactions submitted to general meetings of shareholders should decrease significantly.

All the transactions were approved in line with a corresponding procedure specified in the Law to avoid any conflicts of interest arising from the transactions.

Also in 2013, general meetings approved two other related party transactions, under which all directors were deemed related parties. In particular, the general meeting approved:

- The Directors' & Officers' 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 alienated 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 fact becomes a separate ground for submitting the transactions to the general meeting.

An EGM held on 22 October 2013 also approved two major transactions: financing agreements with OJSC Sberbank of Russia and OJSC VTB Bank. Each of these two transactions had to be approved by the Board of Directors according to the transaction evaluation procedure. However, as major transactions require unanimous approval of the directors, the Board of Directors was unable to approve them for external reasons, as Vladislav Baumgertner was physically unable to discharge his duties as a director of the Company.

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.

On 24 December 2013, Dmitry Osipov replaced Vladislav Baumgertner as Uralkali's CEO.

The Management Board is a collective executive body of the Company. Its quantitative and personal composition is determined by the Board of Directors. Currently, the Management Board has 10 members.

As the term of office for the Management Board members directly depends on the tenure of directors, who elected the current Management Board, in 2013 the Board of Directors considered the Management Board's composition on two occasions: in June and November. Both times, the directors confirmed the authority of the Management Board members who had been elected in 2012.

The composition of the Management Board changed in December 2013, following Vladislav Baumgertner's resignation from the Company and Dmitry Osipov's appointment as the CEO and the new head of the management team.

The Management Board had the following composition as of 31 December 2013: Dmitry Osipov, Alexander Babinsky, Vladimir Bezzubov, Viktor Belyakov, Pavel Vakhnin, Yevgeny Kotlyar, Andrey Motovilov, Oleg Petrov, Ildar Sabirov, Elena Samsonova, Stanislav Seleznev, Boris Serebrennikov and Marina Shvetsova.

In 2013, the Management Board held nine meetings and considered 51 agenda items. It continued to optimise the Company's organisational structure and the subsidiary management process, discuss specific business-area strategies and status of current projects, and review performance reports by various subdivisions.

It is important to note that in 2013 the Appointments and Remuneration Committee of the Board of Directors initiated a change in how Uralkali manages its subsidiaries and affiliates. In most of them, Boards of Directors were abolished, while Uralkali created the Subsidiary Management Committee under the CEO. The new committee was joined by several members of the Management Board, who had previously acted as directors of the subsidiaries and affiliates. The new approach helped to significantly ease the management process and has significantly reduced the number of related party transactions, which had to be approved by the Board of Directors only on formal grounds.

Committees under the CEO (Working Groups)

The current structure of management and control bodies in Uralkali is based on Russian legal requirements. At the same time, we have our in-house Corporate Governance Policy, which helps us develop and optimise the management structure by creating special advisory bodies to deepen reviews of important matters. For instance, in 2013 the existing corporate committees under the CEO (the Working Groups):

- The Health, Safety, Environment and Corporate Social Responsibility Committee;
- The Risk and Internal Control Committee;
- The Procurement Committee;
- The Investment Committee;

were joined by the newly created Subsidiary Management Committee, mentioned earlier in this Report.

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 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. In 2013, the Working Groups had a busy schedule: in total, 44 meetings were held. The work of the Working Groups provided a great degree of support both to the CEO and to the Management Board as a whole.

Management's remuneration

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

In April 2011, the Board of Directors approved the key principles of a long-term incentive plan (LTIP) for senior executives of Uralkali. These principles aim at increasing motivation of the top management in their efforts to enhance the market capitalisation of the Company pursuant to shareholders' and investors' interests.

The LTIP was originally designed for three calendar years starting from Q2 2011. Under the plan, the remuneration amount depended on Uralkali's relative return on equity versus its peers (Mosaic Company and Potash Corporation of Saskatchewan), with an allowance for the performance of the Russian versus the US stock markets. The LTIP also had early termination and payment provisions, and so the recent major change in the shareholding structure became the trigger for the termination of the LTIP in December 2013.

All outstanding payments to the LTIP participants were made in January 2014, except for Vladislav Baumgertner, who received his LTIP award in December 2013 due to his resignation from the Company.

On 18 December 2013, the Appointments and Remuneration Committee reviewed the fulfilment of the 2013 performance charts by members of the Management Board and several other executives of the Company.

The total remuneration paid to the Management Board for 2013 was as follows:

	In RUB[1]	In USD[2]
Salary	649,528,389[3]	19,845,532
Annual bonus	90,400,199	2,849,110
LTIP award[4]	499,330,046	15,256,409
Total:	1,239,258,634	37,951,051

1 Including personal income tax.

2 Using the exchange rate set for 31 December 2013 (32.7292 RUB/US$).

3 Including all the payments to Vladislav Baumgertner due to his leave at the end of 2013.

4 Excluding payments to Vladislav Baumgertner.

Information about directors' equity ownership

According to JSC Registrator Intraco, which maintains the register of holders of registered securities of Uralkali, as of 31 December 2013, 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 2013 in the Company's share register either as of 1 January 2013 or as of 31 December 2013. There is no record of any transactions made by members of Uralkali's management bodies to acquire or alienate shares of the Company, including dates and subject of transactions, or the category (type) and number of Uralkali shares which were the subject matter of such transactions from 1 January 2013 until 31 December 2013. The share register has no record of nominal share holders as of 1 January 2013 and 31 December 2013.

Prevention of fraud and corruption

In 2011, Uralkali introduced an Anti-Fraud Programme, which aims to create a mechanism preventing instances of fraud. In the course of 2013, the Company implemented various activities as part of this programme to improve its security. We will also continue to use a very powerful tool of raising awareness among our employees and partners about the existence of the Anti-Fraud Programme so that they know about our zero-tolerance approach to any kind of fraud.

Also in 2013, Uralkali began the development of an anti-corruption compliance system. As part of this system, we developed an Anti-Corruption Policy and conducted extensive training for employees in anti-corruption principles, ways of responding to corruptive actions, receiving and making business gifts, and charity. The training covered all levels of personnel in the Company, from the CEO to line managers to support staff. All key business processes in the Company were enhanced with additional controls to prevent, identify and respond to instances of corruption and fraud.

To further pursue the development of the anti-corruption compliance system, Uralkali introduced a new position of compliance manager. As for our plans for the future, our next activities include creation of a regulation on conflicts of interest, and development and introduction of a media plan to promote anti-corruption principles in the Company. Finally, we intend to introduce the anti-corruption principles at our subsidiaries to expand this single approach to the whole Group.

Ensuring transparency and on-going dialogue

Information for shareholders

Ordinary shares

In accordance with (i) resolution of the Extraordinary General Meeting of shareholders held on 16 April 2012 on reducing the charter capital of Uralkali through cancellation of shares in connection with the reorganisation in the form of a merger of several companies, and (ii) a report on cancellation of ordinary shares of Uralkali, approved by the Board of Directors of Uralkali on 23 July 2012, modifications to the Charter of Uralkali were registered, which contain updated information on the amount of the charter capital of the Company and the number of ordinary shares into which the charter capital is divided.

The charter capital of Uralkali is RUB 1,468,007,945.5 divided into 2,936,015,891 ordinary registered shares with face value of RUB 0.5 each. As of the date of this report the charter capital of the Company remains unchanged since 1 August 2012.

Global Depositary Receipts (GDR)

Global Depositary Receipts (GDRs) are issued in respect of ordinary shares at the ratio of five registered ordinary shares per GDR. The GDRs are traded on the London Stock Exchange.

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 2013, GDRs represent approximately 16.6% of Uralkali's share capital. The Company's depositary bank is Bank of New York.

Buyback programme

The buyback programme valid from 13 November 2012 was completed on 13 November 2013. During the programme securities amounting to US$ 1,25 billion were purchased.

Subject to obtaining the necessary corporate approvals and compliance with the relevant corporate procedures, the purchased shares and GDRs will be cancelled in the course of 2014.

For more information see www.uralkali.com/investors/shareholder_inf/buyback/

The balanced approach towards investing in the Company's growth and returning excess capital to shareholders is the key to creating long-term shareholder value, while keeping capital structure in line with the targeted leverage parameters.

Stock exchanges

As of 31 December 2013, Uralkali's ordinary shares and GDRs are traded on: the London Stock Exchange and Moscow Exchange.

Trading floors of Uralkali's shares and GDRs

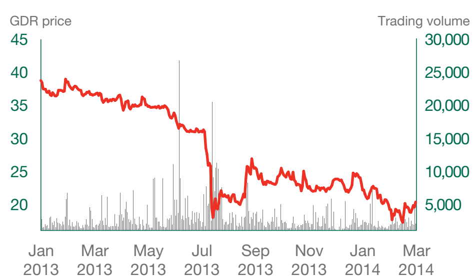
Trading floor	Ticker code
Moscow Exchange	URKA
London Stock Exchange (LSE)	URKA

Uralkali's securities identification numbers

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

Uralkali share price performance and trading volumes 2013 and Q1 2014

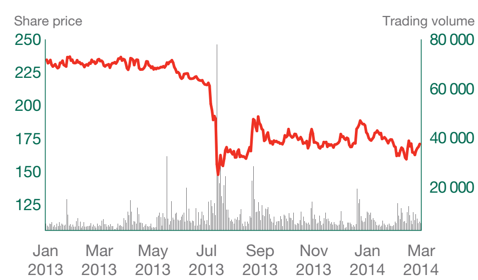
London Stock Exchange: Uralkali GDRs



— GDR price, US$/GDR
— Trading volume, thousand GDRs

Source: Bloomberg.

Moscow Exchange: Uralkali GDRs



— Share price, RUB/share
— Trading volume, thousand shares

Source: Bloomberg.

[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.

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

	LSE (GDR, US$)		Moscow Exchange (shares, RUB)	
	2012	2013	2012	2013
Annual maximum price	43.7	39.7	272.9	235.7
Annual minimum price	34.2	21.7	210.7	143.8
Year-end price	38.2	26.6	234.9	171.9
Trading volume (million pcs.)	420.9	556.0	834.0	1,336.6

Credit ratings

	Standard & Poor's	Moody's	Fitch
Credit rating	BBB-	Baa3	BBB-
Outlook	Negative	Negative	Negative
Last rating date	23.12.2013	24.10.2013	11.07.2013

Total Shareholder Return[3]

	Uralkali	Peer average
TSR 2013	-27.9%	-15.5%
TSR 2012	10.0%	7.2%
TSR 2011	2.0%	-26.6%

Uralkali's securities are included in the main indices of 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's share in major indices

Index	Share,%[1]
MICEX	1.72
RTS	1.72
MSCI Russia	3.12
Market Vectors Russia	4.35
Market Vectors Agribusiness	1.93

[1] As of April 20, 2014.

Sources: Moscow Exchange, MSCI, Market Vectors.

Analyst coverage

The Company enjoys a strong following among equity research analysts with over 20 brokers publishing research on the Company over the last 12 months, including Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan, UBS, VTB Capital, etc.

This coverage universe continues to grow; in 2013, analytical coverage of the Company was initiated by the Canadian bank BMO Capital Markets, Barclays and Berenberg banks.

The analysts' consensus is carefully monitored and routinely communicated to the Board of Directors and top management of the Company.

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

Credit ratings

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

In 2013 the Company's ratings have been reiterated. All three agencies kept an investment grade reflecting strong industry fundamentals with a "negative" outlook due to the challenging market environment in 2013. Uralkali believes that these ratings will allow it to keep attracting financing on favourable terms and to broaden the base of investors.

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 9% for Russian residents and 15% for non-residents;
- for individuals: 9% 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 advising on tax matters related to investments in the shares and GDRs of the Company.

Dividend policy

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

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

Dividend payout

Period	Record date	Date of adoption of decision on dividend payment	Amount of dividend per ordinary share/GDR (RUR)	Amount of accrued dividends (RUR, 000)
Interim dividends	10/29/2013	12/18/2013	2.21/11.05	6,488,595.10
2012	4/25/2013	6/4/2013	3.9/19.5	11,450,461.97
Interim dividends	11/6/2012	12/13/2012	4.71/23.55	13,828,634.85
2011	4/26/2012	6/7/2012	4.0/20.0	12,378,551.62
Interim dividends	11/2/2011	12/8/2011	4.0/20.0	12,378,066.30
2010	5/24/2011	6/29/2011	4.55/22.75	14,080,050.40
2009	5/11/2010	6/18/2010	1.7/8.5	3,611,463.00

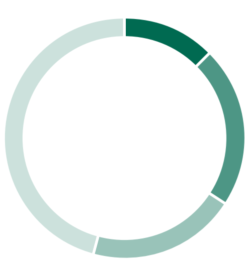
Dividend payout ratio (%)

c.50%

Dividends are paid from the profits of the Company after taxation (net profit of the Company). The size of the net profit is determined on the basis of the accounting (financial) statements of the Company. Pursuant to the Law, the Charter of the Company 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 on the results of the first quarter, six months and nine months of the financial year (interim dividends). The decision to pay (declare) dividends must be taken by the General Meeting of Shareholders. Nevertheless, the total amount of dividends may not exceed the amount recommended by the Board of Directors.

Under the new edition of the Regulations on the Dividend Policy of Uralkali approved by the Board of Directors in September 2011, the Board of Directors of the Company 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 the dividends on the shares of the Company and the procedure of their payment at least twice during one calendar year. Subject to compliance with the Law, other regulations of the Russian Federation, the Charter and the indicated Regulations, the Board of Directors should base its recommendations on the fact that the total amount of funds spent on dividends should be no less than 50% of the net profit of the Company in accordance with the financial statements of the Company developed in compliance with International Financial Reporting Standards (IFRS) for the relevant period.

Share capital structure[2] (%)



[2] The shareholdings are based on data as of 20 December 2013.

[3] Includes shares acquired by subsidiaries of Uralkali which are accounted for as treasury shares for the purposes of the Group's consolidated financial statements prepared in accordance with IFRS.

Geography of Uralkali's shareholders[4] (%)

[4] Free-float excluding treasury shares as of September 2013.

Investor relations

Communication and dialogue

Communication with all our shareholders is a highly prioritised issue for Uralkali. Uralkali management maintains a regular dialogue with institutional investors and sell-side analysts through participation in meetings, presentations, global conferences, webcasts and conference calls to announce financial results and to make an overview of the potash market.

We understand the extreme importance of transparent communication with institutional investors, and sell-side analysts in the interests of continuing relationship building. Uralkali's management team takes part in numerous one-to-one meetings, presentations, global conferences and road shows to build an understanding of the Company, based on the latest available information and forecasts.

In June 2013, Uralkali hosted its annual Capital Markets Day in Moscow and the Perm region, which was attended by around 100 investors and analysts. The event included a presentation given by senior management reviewing Q1 2012 results, discussions with the operational senior management of the Company, site visits to the Company's assets located in Berezniki and Solikamsk (mines and plants), and a visit to the site of a new mine development.

In 2014 Uralkali plans to host a similar trip for the investment community.

CMD included a presentation given by senior management reviewing Q1 2013 results and potash market developments; followed by site visit to the Company's assets located in Berezniki and Solikamsk (mines and plants), and a visit to the site of a new mine development.

For more information see www.uralkali.com/investors/investor_days/

Financial calendar for 2014

Activity	Date
Announcement of production results: 4Q and FY 2013	13 January 2014
Announcement of production results: 1Q 2014	4 April 2014
Announcement of IFRS results: FY 2013	10 April 2014
Roadshow	May 2014
Capital Markets Day & 1Q 2013 Update	19-20 June 2014
Annual Shareholders' Meeting	June 2014
Announcement of production results for 2Q and 1H 2013	July 2014
Announcement of IFRS results: 1H 2013	September 2014
Roadshow	October 2014
Announcement of production results: 3Q 2013	October 2014
Announcement of key figures 3Q 2013	December 2014

Note: Subject to changes closer to the event date.

In 2013 the Company continued to actively communicate with the investment community and completed following activities:

- Roadshows of the senior management involving meetings with institutional investors in the USA, UK and continental Europe;
- The senior management of the Company participated in 17 conferences (leading global market and industry conferences and forums focused on emerging markets);
- Meetings with the Company's Independent Directors to enable the investment community share their views and concerns;
- In total, over 450 meetings with the investment community were held;
- Capital Markets Day hosted by Uralkali was attended by around 100 participants. The programme included meetings with operational senior management as well as a visit to business assets;
- Audio webcasts on financial results and an overview of the potash market were held.

Board oversight

The Board receives regular investor relations reports covering key investor meetings and activities and shareholder and investor feedback. Analyst reports are also circulated on a continuing basis. The Company regularly conducts perception studies among investment community regarding satisfaction with the long-term developmental strategy of the Company, corporate governance quality, 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 posts on the website of the London Stock Exchange through the system of information disclosure (RNS) announcements of financial results, and then the Company publishes this information on its own website in the form of press releases and distributes it to the media. The Company publishes its financial results on a quarterly basis.

The greatest of care is taken to ensure that any relevant information is released to all shareholders and analysts at the same time, in accordance with the FSA's Disclosure and Transparency Rules. The information is distributed across the following channels:

- **Website –** The Company publishes financial results and releases important events, as well as regular updates in relation to Uralkali operations and the status of the expansion programme. Any interested parties can subscribe to receive these news updates by registering online, using the simple application form.

The information is updated on a regular basis. For the convenience of users, the following sections of the site and online tools were developed in 2013:

Investor Day Section, which includes the following information:

- Information on Investor Day agenda
- Photos and videos from the previous Investor Days
- The option to register for the next Investor Day and leave feedback

For more information see
www.uralkali.com/investors/investor_days/

Key Figures section contains financial and operating results of the Company for the previous reporting periods, the data on sustainable development of the Company and the crop prices. The data is presented in numerical and graphical form and can be exported to MS Excel.

Prices and Indexes section contains prices for potash, crops and freight, as well as stock indexes. The data is presented in graphical format and is updated in real time.

For more information see
www.uralkali.com/investors/marketdata/

The Company also organises and hosts real-time audio webcasts with management presentations at leading industry conferences.

The annual report of the Company is posted in electronic form on the Company's website www.uralkali.ru on the day of its official publication, and this is notified in a specially issued press release. A hard copy of the annual report is available upon request via the website.

- **Social Media**

Following recent trends in media communication, Uralkali also selectively uses social media as an additional channel of information disclosure, Company and industry news, publications in the Russian and foreign media. Findings of research institutes can be found on our official page on Facebook

www.facebook.com/UralkaliRU

and on Twitter

www.twitter.com/UralkaliRU

- **E-mail**

The Investor Relations Department can be contacted with respect to any queries at

ir@msc.uralkali.com

Awards

Uralkali won two separate contests for the best annual report for 2012. The Company was awarded in a number of categories.

The 16th Annual Report Competition organised by MICEX-RTS: Best Disclosure of Information in an Annual Report of an Issuer with Capitalization of over RUB 100 billion (1st place).

The 16th 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:

- The Best Annual Report among Industrial Companies;
- The Best Overall Representation of a Company;
- The Best Disclosure on the Corporate Website;
- The Best Design and Navigation of the Corporate Website;
- The Best Disclosure of Information in an Issuer's Annual Report;
- The Best Annual Report of an Issuer in the Ural Federal District.

IR Awards

IR Magazine Russia & CIS/EXTEL Award (October 2012): Best IR in Chemicals.

IR Magazine Russia & CIS Awards 2012 VI Ceremony (July 2012):

- Best investor relations by a CEO;
- Best investor relations by a CFO;
- Best investor relations officer.

Independent Auditor's Report

pwc

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

We have audited the accompanying consolidated financial statements of Open Joint Stock Company Uralkali (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as of 31 December 2013 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 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

10 April 2014
Moscow, Russian Federation

Consolidated Statement of Financial Position

As of 31 December 2013 (in thousands of US Dollars, unless otherwise stated)

	Note	31 December 2013	31 December 2012[1]
ASSETS			
Non-current assets:			
Property, plant and equipment	9	**3,235,456**	3,385,128
Prepayments for acquisition of property, plant and equipment and intangible assets		**145,689**	78,998
Goodwill	10	**1,802,398**	1,939,538
Intangible assets	11	**5,457,299**	5,854,916
Investments in associates	14	**1,259**	12,887
Deferred income tax asset	34	**21,635**	23,465
Income tax prepayments recoverable after more than 12 months	13	**259,455**	–
Other non-current assets		**20,727**	7,220
Derivative financial assets	24	**–**	27,590
Restricted cash	18	**–**	3,576
Total non-current assets		**10,943,918**	11,333,318
Current assets:			
Inventories	15	**250,495**	242,167
Trade and other receivables	16	**518,062**	560,857
Current income tax prepayments		**8,290**	347,528
Derivative financial assets	24	**–**	1,181
Other financial assets at fair value through profit or loss	17	**–**	133,941
Restricted cash	18	**3,055**	142,332
Deposits	18	**–**	137,000
Cash and cash equivalents	18	**930,168**	1,386,244
		1,710,070	2,951,250
Non-current assets held for sale	9	**6,311**	6,469
Total current assets		**1,716,381**	2,957,719
Total assets		**12,660,299**	14,291,037
EQUITY			
Share capital	19	**35,762**	35,762
Treasury shares	19	**(5,722)**	(58)
Share premium		**4,371,815**	6,884,228
Revaluation reserve		**5,302**	5,302
Currency translation reserve		**(1,301,324)**	(680,145)
Retained earnings		**2,621,644**	2,505,035
Equity attributable to the company's equity holders		**5,727,477**	8,750,124
Non-controlling interests		**14,133**	8,265
Total equity		**5,741,610**	8,758,389

[1] These amounts reflect adjustments made in connection with the adoption of IAS 19 (R) (Note 3).

Consolidated Statement of Financial Position (continued)

As of 31 December 2013 (in thousands of US Dollars, unless otherwise stated)

	Note	31 December 2013	31 December 2012[1]
LIABILITIES			
Non-current liabilities:			
Borrowings	22	**2,936,827**	2,820,271
Bonds issued	23	**646,035**	–
Post-employment benefit obligations	35	**43,394**	44,007
Deferred income tax liability	34	**975,531**	1,079,886
Provisions	20	**86,996**	84,670
Derivative financial liabilities	24	**62,043**	13,906
Total non-current liabilities		**4,750,826**	4,042,740
Current liabilities:			
Borrowings	22	**1,459,564**	1,122,075
Bonds issued	23	**4,033**	–
Trade and other payables	25	**556,613**	266,447
Provisions	20	**40,118**	14,684
Derivative financial liabilities	24	**71,340**	17,560
Mine flooding provision	21	**–**	32,924
Current income tax payable		**1,083**	1,602
Other taxes payable		**35,112**	34,616
Total current liabilities		**2,167,863**	1,489,908
Total liabilities		**6,918,689**	5,532,648
Total liabilities and equity		**12,660,299**	14,291,037

[1] These amounts reflect adjustments made in connection with the adoption of IAS 19 (R) (Note 3).

The accompanying notes on pages 90-142 are an integral part of these consolidated financial statements.

Approved for issue and signed on behalf of the Board of Directors 10 April 2014

Dmitry Osipov

Chief Executive Officer

Viktor Belyakov

Chief Financial Officer

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013 (in thousands of US dollars, unless otherwise stated)

	Note	2013	2012
Revenues	26	**3,322,615**	3,949,793
Cost of sales	27	**(944,525)**	(990,799)
Gross profit		**2,378,090**	2,958,994
Distribution costs	28	**(879,924)**	(770,664)
General and administrative expenses	29	**(278,705)**	(231,375)
Taxes other than income tax		**(39,691)**	(39,032)
Other operating income and expenses, net	31	**(117,479)**	(66,074)
Operating profit		**1,062,291**	1,851,849
Mine flooding costs	33	**(4,203)**	(3,534)
Finance income	32	**121,792**	166,880
Finance expense	32	**(352,972)**	(78,788)
Profit before income tax		**826,908**	1,936,407
Income tax expense	34	**(160,580)**	(339,796)
Net profit for the year		**666,328**	1,596,611
Profit attributable to:			
Owners of the Company		**666,859**	1,600,807
Non-controlling interests		**(531)**	(4,196)
Net profit for the year		**666,328**	1,596,611
Earnings per share – basic and diluted (in US cents)	36	**24.35**	54.01

The accompanying notes on pages 90-142 are an integral part of these consolidated financial statements.

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December 2013 (in thousands of US dollars, unless otherwise stated)

	Note	2013	2012
Net profit for the period		**666,328**	1,596,611
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss:			
Remeasurement of post-employment benefit obligations	35	**671**	(6,793)
Items that may be subsequently reclassified to profit or loss:			
Effect of translation to presentation currency		**(621,179)**	464,142
Total other comprehensive (loss)/income for the year		**(620,508)**	457,349
Total comprehensive income for the year		**45,820**	2,053,960
Total comprehensive income for the year attributable to:			
Owners of the Company		**46,351**	2,058,156
Non-controlling interests		**(531)**	(4,196)

The accompanying notes on pages 90-142 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013 (in thousands of US dollars, unless otherwise stated)

	Note	2013	2012
Cash flows from operating activities			
Profit before income tax		**826,908**	1,936,407
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets		**415,304**	459,505
Reversal of mine flooding provision	21	**(31,399)**	–
Net loss on disposals and write-off of property, plant and equipment	31	**14,082**	31,934
Write-down of non-current assets held for sale to fair value less costs to sell and impairment of fixed assets reclassified to non-current assets held for sale	31	**–**	50,912
Write-off of CB "Eurotrust" deposits	31	**34,070**	–
Accrual of provision for impairment of receivables, net	31	**346**	2,115
Net change in provisions	20	**45,040**	(54,739)
Loss from write-off of net assets of BPC	12, 31	**2,602**	–
Other finance income and expense, net		**183,444**	(60,626)
Foreign exchange gain, net	32	**(33,037)**	(37,724)
Operating cash flows before working capital changes		**1,457,360**	2,327,784
Decrease/(Increase) in trade and other receivables		**84,308**	(96,325)
(Increase)/Decrease in inventories		**(18,990)**	15,688
Increase in trade and other payables		**170,805**	29,013
Increase in other taxes payable		**2,618**	11,185
Cash generated from operations		**1,696,101**	2,287,345
Interest paid	22, 23	**(273,441)**	(215,183)
Income taxes paid net of refund received		**(185,149)**	(319,916)
Net cash generated from operating activities		**1,237,511**	1,752,246
Cash flows from investing activities			
Acquisition of intangible assets		**(10,526)**	(4,588)
Acquisition of property, plant and equipment		**(416,192)**	(399,431)
Proceeds from sales of property, plant and equipment and non-current assets held for sale		**1,916**	19,627
Proceeds from sale of other financial assets at fair value through profit or loss and other investments		**128,111**	54,134
Acquisition of associates	14	**(1,259)**	
Acquisition of subsidiaries, net of cash acquired	6	**(3,989)**	–
Acquisition of other investments	41	**(15,000)**	–
Decrease in restricted cash and deposits		**279,853**	130,863
Interest received		**88,692**	67,993
Net cash generated from /(used in) investing activities		**51,606**	(131,402)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2013 (in thousands of US dollars, unless otherwise stated)

	Note	2013	2012
Cash flows from financing activities			
Repayments of borrowings	22	**(4,800,707)**	(523,100)
Proceeds from borrowings	22	**5,410,684**	1,055,329
Syndication fees and other financial charges paid	22	**(40,032)**	(13,873)
Proceeds from bonds issued	23	**650,000**	–
Cash proceeds from derivatives	24	**86,134**	93,714
Cash paid for derivatives	24	**(21,770)**	(18,613)
Purchase of treasury shares		**(2,518,078)**	(539,814)
Finance lease payments	32	**(1,519)**	(1,558)
Dividends paid to the Company's shareholders		**(429,931)**	(901,468)
Net cash used in financing activities		**(1,665,219)**	(849,383)
Effect of foreign exchange rate changes on cash and cash equivalents		**(79,974)**	10,935
Net (decrease)/increase in cash and cash equivalents		**(456,076)**	782,395
Cash and cash equivalents at the beginning of the year	18	**1,386,244**	603,849
Cash and cash equivalents at the end of the year	18	**930,168**	1,386,244

The accompanying notes on pages 90-142 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013 (in thousands of US dollars, unless otherwise stated)

	Attributable to equity holders of the Company								
	Share capital	Treasury Shares	Share premium/ (discount)	Revaluation reserve	Retained earnings	Currency translation reserve	Total attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 1 January 2012[1]	**37,638**	**(746)**	**6,879,880**	**5,302**	**2,269,957**	**(1,144,287)**	**8,047,744**	**12,461**	**8,060,205**
Profit/(loss) for the period	–	–	–	–	1,600,807	–	1,600,807	(4,196)	1,596,611
Other comprehensive income/(loss)	–	–	–	–	(6,793)	464,142	457, 349	–	457,349
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**	**1,594,014**	**464,142**	**2,058,156**	**(4,196)**	**2,053,960**
Transactions with owners									
Dividends declared (Note 19)	–	–	–	–	(815,962)	–	(815,962)	–	(815,962)
Purchase of treasury shares	–	(1,188)	(538,626)	–	–		(539,814)	–	(539,814)
Cancellation of treasury shares	(1,876)	1,876	542,974	–	(542,974)	–	–	–	–
Total transactions with owners	**(1,876)**	**688**	**4,348**	**–**	**(1,358,936)**	**–**	**(1,355,776)**	**–**	**(1,355,776)**
Balance at 1 January 2013[1]	**35,762**	**(58)**	**6,884,228**	**5,302**	**2,505,035**	**(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 19)	–	–	–	–	(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 in business combination	–	–	–	–	–	–	–	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**	**5,302**	**2,621,644**	**(1,301,324)**	**5,727,477**	**14,133**	**5,741,610**

[1] These amounts reflect adjustments made in connection with the adoption of IAS 19 (R) (Note 3).

The accompanying notes on pages 90-142 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

(in thousands of US dollars, unless otherwise stated)

1 The Uralkali Group and its operations

Open Joint Stock Company Uralkali (the "Company") and its subsidiaries (together the "Group") produce mineral fertilizers, primarily potassium based, which are extracted and processed in the vicinity of the 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 2013 approximately 81% of potash fertilizers was exported (for the year ended 31 December 2012: 78%).

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 2013 and 31 December 2012 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. 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 2013 the Group employed approximately 21.1 thousand employees (31 December 2012: 21.2 thousand).

2 Basis of preparation and significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. 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 presented at fair value as described in Note 2.13.

Group companies maintain their accounting records in Russian Roubles ("RR") and prepare their statutory financial statements in accordance with the Federal Law on Accounting of the Russian Federation, except for Uralkali Trading SA and Uralkali Trading (Gibraltar) Limited which maintain their accounting records in US dollars ("US$") and prepare their financial statements in accordance with IFRS. JSC Belarusian Potash Company maintains its accounting records in Belarusian Roubles ("BYR") and in accordance with Belarussian Laws and Regulations. UKT Chicago, Inc. maintains its accounting records in US$ and in accordance with US 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 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.

2 Basis of preparation and significant accounting policies (continued)

2.2 Consolidated financial statements (continued)

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

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

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

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

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

Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as 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 operations

A joint operation is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control. Joint operation is accounted for using continuing recognition of Group's relevant share of assets, liabilities, revenues and expenses. Unrealised gains and losses on transactions between the Group and its joint operation are eliminated.

2.5 Investments in associates

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

Notes to the Consolidated Financial Statements (continued)

(in thousands of US dollars, unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

2.5 Investments in associates (continued)

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

2.6 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.

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

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

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

2.7 Non-current assets classified as held for sale

Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the statement of financial position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction (including loss of control of a subsidiary holding the assets) within twelve months after the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

2 Basis of preparation and significant accounting policies (continued)

2.7 Non-current assets classified as held for sale (continued)

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale property, plant and equipment, investment properties and intangible assets are not depreciated or amortised.

2.8 Operating leases

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

Operating leases include long-term leases of land with rental payments contingent on cadastral values regularly reviewed by the government.

When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

2.9 Finance lease liabilities

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

2.10 Goodwill

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

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

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

Notes to the Consolidated Financial Statements (continued)

(in thousands of US dollars, unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

2.10 Goodwill (continued)

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

2.11 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 on 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.

2.12 Classification of financial assets and liabilities

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 designed as such upon 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.

Financial assets at fair value through profit or loss designed 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 is presented in the interest expense line item. 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 management.

Changes in fair value of financial assets at fair value through profit or loss designed as such upon initial recognition are recognised in the line item fair value gains/(losses) on financial assets at fair value through profit or loss and other investments. Coupon income 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 financial instruments 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 Basis of preparation and significant accounting policies (continued)

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

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 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 instrument 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.

Notes to the Consolidated Financial Statements (continued)

(in thousands of US dollars, unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

2.13 Financial instruments – key measurement terms (continued)

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.

2.14 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.

2.15 Derecognition of financial assets

The Group derecognises financial assets when: (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired; or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets; or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

2.16 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. and in Belorussia for JSC Belarusian Potash Company. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

2 Basis of preparation and significant accounting policies (continued)

2.16 Income taxes (continued)

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

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

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

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

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

2.17 Inventories

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on 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.

2.18 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.

Notes to the Consolidated Financial Statements (continued)

(in thousands of US dollars, unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

2.19 Cash and cash equivalents

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

CHANGE IN THE PRESENTATION OF DUAL CURRENCY DEPOSITS.

In these consolidated financial statements the Group has changed the classification of dual currency deposits placed with banks from Cash and cash equivalents to Deposits. In order to conform with the current period presentation deposits amounting to US$ 137,000 were reclassified in the statement of financial position at 31 December 2012. The consolidated statement of cash flows for the year ended 31 December 2013 and the information in Note 18 “Cash and cash equivalents, deposits and restricted cash” at 31 December 2012 have been adjusted accordingly. The line item change in restricted cash and deposits in the consolidated statement of cash flows for the year ended 31 December 2012 was adjusted from increase US$ (137,739) to decrease US$ 130,863.

2.20 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares, other than on a business combination, are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented as share premium.

2.21 Treasury shares

Where any Group company purchases the Company’s equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company’s equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company’s equity holders.

2.22 Dividends

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

2.23 Value added tax

Output value added tax is payable to the tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where a provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debt, including VAT.

2 Basis of preparation and significant accounting policies (continued)

2.24 Borrowings

Borrowings are initially recognised at fair value and are subsequently 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 take a substantial period of time to prepare for use or sale (qualifying assets) as part of the cost of the asset. The Group considers a qualifying asset to be an investment project with an execution period exceeding one year.

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.

2.25 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.

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 body.

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. The unwinding of the obligation is recognised in profit or loss as part of other financial expenses. 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.

2.26 Trade and other payables

Trade payables are accrued when the counterparty has performed its obligations under contract and are carried at amortised cost using the effective interest method.

2.27 Foreign currency transactions

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

Notes to the Consolidated Financial Statements (continued)

(in thousands of US dollars, unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

2.27 Foreign currency transactions (continued)

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

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

(ii) income and expenses for each statement of income 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 2013, the official rate of exchange, as determined by the Central Bank of the Russian Federation (CBRF), was US$ 1 = RR 32.73 (31 December 2012: US$ 1 = RR 30.37). The official Euro to RR exchange rate at 31 December 2013, as determined by the CBRF, was Euro 1 = RR 44.97 (31 December 2012: Euro 1 = RR 40.23). The average official rate of exchange for the twelve months ended 31 December 2013 was US$ 1 = RR 31.85, was Euro 1 = RR 42.31 (for the year ended 31 December 2012: US$ 1 = RR 31.09, Euro 1 = RR 39.95).

2.28 Revenue recognition

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

Sales of potash of other producers are recognized in the line item other operating income and expenses net of all related costs.

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

2.29 Transhipment costs

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

2.30 Employee benefits

Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group.

2 Basis of preparation and significant accounting policies (continued)

2.31 Social costs

The Group incurs personnel costs related to the provision of benefits such as health services and charity costs related to various social programmes. These amounts have been charged to other operating expenses.

2.32 Pension costs

In the normal course of business, the Group contributes to the Russian Federation state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed as incurred.

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

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

2.33 Earnings per share

Earnings per share are determined by dividing the net income attributable to equity holders of the Company by the weighted average number of participating shares outstanding during the reporting year.

2.34 Segment reporting

The Group identifies 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.

2.35 Cash-settled share-based compensation

For cash–settled share awards, the services received from employees are measured at fair value and recognised in the consolidated statement of profit or loss as an expense over the vesting period with recognition of a corresponding liability. The fair value of the liability is remeasured at each reporting date and at the date of settlement with changes in fair value recognised in the consolidated statement of profit or loss.

2.36 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.

Notes to the Consolidated Financial Statements (continued)

(in thousands of US dollars, unless otherwise stated)

3 Adoption of new or revised standards and interpretations

The following new standards and interpretations became effective for the Group from 1 January 2013:

IFRS 10 "Consolidated Financial Statements" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation – special purpose entities. The Standard did not have any material impact on the Group's consolidated financial statements.

IFRS 11 "Joint Arrangements" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers. The Standard did not have any material impact on the Group's consolidated financial statements.

IFRS 12 "Disclosure of Interests in Other Entities" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements previously found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Standard resulted in additional disclosures in these consolidated financial statements. Refer to Note 40.

IFRS 13 "Fair Value Measurement" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013) improved consistency and reduced complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Standard resulted in additional disclosures in these consolidated financial statements. Refer to Note 39.

IAS 27 "Separate Financial Statements" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013) was changed to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The amended Standard did not have any material impact on the Group's consolidated financial statements.

IAS 28 "Investments in Associates and Joint Ventures" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 incorporates the accounting for joint ventures using the equity method into the Standard because this method is applicable to both joint ventures and associates. The amended standard did not have any material impact on the Group's consolidated financial statements.

Amendments to IAS 1 "Presentation of Financial Statements" (issued in June 2011, effective for annual periods beginning on or after 1 July 2012) changed the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to "statement of profit or loss and other comprehensive income". The amended standard resulted in changed presentation of consolidated financial statements, but did not have any impact on measurement of transactions and balances.

3 Adoption of new revised standards and interpretations (continued)

Amended IAS 19 "Employee Benefits" (issued in June 2011, effective for periods beginning on or after 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Group reported the accumulated amount of these remeasurements in retained earnings in equity. Retrospective application of the standard had the following impact on the consolidated financial statements:

The effect was as follows on amounts at 1 January 2012:

	As originally presented	Effect of adopting revised IAS 19	As adjusted at 1 January 2012
Post-employment benefit obligations	23,450	2,705	26,155

The effect was as follows on amounts at 31 December 2012:

	As originally presented	Effect of adopting revised IAS 19	As adjusted at 31 December 2012
Post employment benefit obligations	37,809	6,198	44,007

The effect was as follows on the amounts in the statements of income and other comprehensive income for the year ended 31 December 2012:

	As originally presented	Effect of adopting revised IAS 19	As adjusted for the year 2012
Cost of sales, General and administrative expenses: employee benefits	13,360	(3,300)	10,060
Other comprehensive income: Remeasurement of post-employment benefit obligations	–	6,793	6,793

"Disclosures – Offsetting Financial Assets and Financial Liabilities" – Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that enable users of an entity's consolidated financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amended standards did not have any material impact on the Group's consolidated financial statements.

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013). The improvements consist of changes IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34. The amended standards did not have any material impact on the Group's consolidated financial statements.

"Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12" (issued in June 2012 and effective for annual periods beginning 1 January 2013). The amendments clarify the transition guidance in IFRS 10 "Consolidated Financial Statements". The amended standards did not have any material impact on the Group's consolidated financial statements other than application of the relief from disclosure of certain comparative information in the notes to the financial statements.

Other revised standards and interpretations: IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", considers when and how to account for the benefits arising from the stripping activity in mining industry. The interpretation did not have an impact on the Group's consolidated financial statements. Amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards – Government Loans". The amendment is not relevant to the Group.

Notes to the Consolidated Financial Statements (continued)

(in thousands of US dollars, unless otherwise stated)

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 2014 or later, and which the Group has not early adopted.

IFRS 9 "Financial Instruments: Classification and Measurement". 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.

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 Group is considering the implications of the amendment and its impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The Group does not expect the amendment to have any impact on its financial statements.

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. The Group is currently assessing the impact of the amendments on its financial statements.

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. The amendment is not expected to have any material impact on the Group's financial statements.

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 Group does not apply hedge accounting.

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 amendment is not expected to have any material impact on the Group's financial statements.

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.

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.

5 Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognised in the 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 flooding. On 28 October 2006, the Group ceased production operations in Mine 1 due to natural groundwater inflow that reached a level which could not be properly controlled. On 1 November 2006, the commission of Rostekhnadzor issued an act on its technical investigation of the 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".

In the appendices to the report of the second commission of Rostekhnadzor, there is a calculation of the value of lost mineral resources (from US$ 775,454 to US$ 2,584,909) and a calculation of losses resulting from mineral extraction tax not received by the government due to flooding (from US$ 29,454 to US$ 98,230). The Company evaluates the risk that claims for compensation for mineral deposits lost as a result of mine flooding could arise as "possible" and the risk of compensation for respective mineral extraction tax as "remote".

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 conditions of assets and estimated period during which these assets will bring economic benefit to the Group (Note 9).

The Group holds operating mining licences which were prolonged 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.

The estimated remaining useful life of some property, plant and equipment and mineral resources is beyond the expiry date of the relevant operating licences (Note 1). The management believes that in the future the licences will be further renewed in due order. Any changes to this assumption could significantly affect prospective depreciation and amortisation charges and asset carrying values.

Impairment of goodwill. The Group tests goodwill for impairment at least annually (Note 10). 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 10).

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

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

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

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations (Note 37).

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 20).

The remeasurement of an existing amount of cavities that result from changes in estimates of mine surveys reflected as an asset and depreciated over its useful life by straight-line method of depreciation. The Company makes provision only for the legal liabilities, which are included in licenses agreements. The periodic unwinding of the discount rate and changes in discount rate are recognised in profit or loss in financial income and expense. The amount of expenses incurred due to filling of the cavities for other reasons are recognised in current period in the consolidated statement of income.

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 works 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 2013;
- 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 2013 management applied discount rates of 6.97%, 7.08%, and 8.15% for different mines, respectively (In 2012: 6.6%).

Ongoing filling cavities costs incurred outside of the agreed plan are recognised as expenses when incurred.

Impairment of intangible assets. Intangible assets are assessed for indicators of impairment at each reporting date.

At 31 December 2013 the intangible assets of the Group primarily comprised mining licences. A certain high degree of management estimates and judgment are required to assess whether the recoverable amount of the intangible assets exceed 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.

Because the assumptions used to estimate the above factors might change from period to period, the results of management estimates might change from period to period. During 2013 the price of potash on the domestic and international markets has decreased. Management considered that as an indicator of potential impairment and performed an assessment of the intangible assets for impairment.

The recoverable amount has been assessed with reference to value-in-use models. Based on the assessment of value-in-use, the recoverable amount of intangible assets at 31 December 2013 exceeds its carrying amount.

The key assumptions used to determine value-in-use, to which the calculation is most sensitive, include future potash prices, the discount rate and the expected start date of production for greenfield projects.

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

Restructuring provision. The Group accrued a provision for the closing down of the ore-treatment plant and carnallite plant subdivision at Berezniki 1 (Note 20).

The 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 real cash outflows associated with the dismantling works, reflecting the time value of money. The discount rate used is in the range from 6.15% to 7.16% depending on the timing of expenses.

6 Business combinations

The following business combinations occurred in 2013:

6.1 Acquisition of OJSC Galurgia

On 6 December 2013 the Company acquired OJSC Galurgia, an institute specializing in scientific research and commercial engineering design in the potash and salt industries. OJSC Galurgia was an associate of the Company before the acquisition. The acquisition was made through the purchase of 162,000 Galurgia ordinary shares, representing approximately 27.11% of its ordinary share capital, for total cash consideration of US$ 1,706.

The financial position and the results of operations of OJSC Galurgia were included in the Group's consolidated financial statements from 6 December 2013.

The table below sets forth the fair values of OJSC Galurgia's identifiable assets, liabilities and contingent liabilities at the date of acquisition:

	Note	Attributed fair value
Assets		
Property, plant and equipment	9	20,243
Intangible assets	11	9,609
Other non-current financial assets		98
Trade and other receivables[1]		4,714
Inventories		82
Cash and cash equivalents		3,686
Total assets		**38,432**
Liabilities		
Deferred income tax liability	34	3,120
Post-employment benefit obligations	35	324
Trade and other payables		13,895
Total liabilities		**17,339**
Total identifiable net assets at fair value		**21,093**

[1] The gross contractual amount of trade and other receivable did not differ from their fair value at acquisition date as management considers it the best estimate of contractual cash flows to be received.

Notes to the Consolidated Financial Statements (continued)

(in thousands of US dollars, unless otherwise stated)

6 Business combinations (continued)

6.1 Acquisition of OJSC Galurgia (continued)

The excess of the fair values of total identifiable net assets over the total consideration was recognized in the consolidated statement of income.

	Note	US$ thousands
Total identifiable net assets at fair value		21,093
Fair value of the non-controlling interest		(5,642)
Fair value of existing interest in acquiree	14	(9,732)
Negative goodwill recognised as income	31	(4,013)
Total purchase consideration		**1,706**

The Group finalised the purchase price allocation in the consolidated financial statements for the year ended 31 December 2013.

If the acquisition had occurred on 1 January 2013, Group revenue for 2013 would have been increased on US$ 4,530 and profit for 2013 would have been increased on US$ 868.

6.2 Acquisition of CJSC VNII Galurgia

On 11 December 2013 the Company obtained control over CJSC VNII Galurgia, an institute dealing with scientific research developments and design in the potash, salt and accompanying industries. The acquisition was made through the purchase of 424 CJSC VNII Galurgia ordinary shares, representing approximately 68.39% of its ordinary share capital, for total cash consideration of US$ 8,665.

The financial position and the results of operations of CJSC VNII Galurgia were included in the Group's consolidated financial statements from 11 December 2013.

The table below sets forth the fair values of CJSC VNII Galurgia's identifiable assets and liabilities at the date of acquisition:

	Note	Attributed fair value
Assets		
Property, plant and equipment	9	691
Intangible assets	11	8,220
Trade and other receivables[1]		6,756
Inventories		1,016
Cash and cash equivalents		2,696
Total assets		**19,379**
Liabilities		
Deferred income tax liability		1,715
Post-employment benefit obligations	35	183
Trade and other payables		8,470
Total liabilities		**10,368**
Total identifiable net assets at fair value		**9,011**

[1] The gross contractual amount of trade and other receivables did not differ from their fair value at acquisition date as management considers it to be the best estimate of contractual cash flow expected to be collected.

6 Business combinations (continued)

6.2 Acquisition of CJSC VNII Galurgia (continued)

The excess of the total consideration paid by the Group over the fair values of assets and liabilities represents the goodwill.

	Note	US$ thousands
Total identifiable net assets at fair value		9,011
Fair value of the non-controlling interest		(1,802)
Fair value of existing interest in acquiree		(1,046)
Goodwill	10	2,502
Total purchase consideration		**8,665**

The goodwill is attributable to the expected future optimization of the construction and repair works for the Group. The goodwill will not be deductible for tax purposes in future periods.

The Group finalized the purchase price allocation in the consolidated financial statements for the year ended 31 December 2013.

If the acquisition had occurred on 1 January 2013, Group revenue for the year ended 31 December 2013 would have been increased on US$ 3,434 and profit for 2013 would have been increased on US$ 753.

7 Related parties

Related parties are defined 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.

In 2013 JSC United Chemical Company URALCHEM and ONEXIM Group have become significant shareholders of the Company.

Statement of financial position caption	Nature of relationship	**31 December 2013**	31 December 2012
Balances			
Prepayments for acquisition of property, plant and equipment	Associate	**–**	4,799
Prepayments for acquisition of property, plant and equipment	Other related parties	**–**	4,022
Trade and other receivables	Associate	**–**	64
Trade and other receivables	Other related parties	**–**	6
Trade and other payables	Associate	**–**	616
Advances received	Related party through significant shareholder	**4,887**	–

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Notes to the Consolidated Financial Statements (continued)

(in thousands of US dollars, unless otherwise stated)

7 Related parties (continued)

		2013	2012
Transactions			
Acquisition of property, plant and equipment	Associate	**13,580**	24,095
Acquisition of property, plant and equipment	Other related parties	**8,225**	4,704
Acquisition of inventories	Associate	**–**	7,572
Acquisition of inventories	Other related parties	**2,676**	–

Statement of income caption	Nature of relationship	2013	2012
Other domestic revenue	Related party through significant shareholder	**1,730**	–
Other domestic revenue	Associate	**–**	202
Other domestic revenue	Other related parties	**–**	9,228
Transportation and other revenues	Associate	**–**	7
Transportation and other revenues	Other related parties	**–**	1
Repairs and maintenance	Associate	**4,371**	3,657
Repairs and maintenance	Other related parties	**–**	915
Other expenses	Associate	**33**	842
Other expenses	Other related parties	**2,321**	2,509
Interest income	Other related parties	**–**	33
Monitoring costs	Associate	**1,912**	2,519

Cross shareholding

As of 31 December 2013 UK-Tehnologia, a 100% owned subsidiary of the Group, owned 12.5% of the ordinary shares of the Company (31 December 2012: nil). As of 31 December 2012 Enterpro Services Ltd., a 100% owned subsidiary of the Group, owned 0.13% of the ordinary shares of the Company.

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 2011 the Board of Directors approved the main principles of the long-term incentive strategy of Uralkali's top management. The amounts payable depended on total shareholder return relative to the Company's peers and adjusted to the volatility of the Russian stock market versus the US market. In 2013 the long-term incentive programme was updated. Several conditions of the program were changed to reflect market developments and specified the conditions in case of changes in shareholder structure.

In December 2013 a one-time premium payment to top management was accrued in accordance with the program due to acquisition of Company's shares by JSC United Chemical Company URALCHEM and ONEXIM Group.

The Group's liability as of 31 December 2012 was estimated to be nil as vesting conditions of the program were not met.

Key management compensation is presented below:

	2013		2012	
	Expense	**Accrued liability (Note 25)**	Expense	Accrued liability (Note 25)
Short-term employee benefits	**21,216**	**6,069**	15,968	4,529
One-time premium payment	**41,629**	**28,826**	–	–
Total	**62,845**	**34,895**	15,968	4,529

8 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	2013	2012
Revenues	26	**3,322,615**	3,949,793
Segment result/Net profit		**666,328**	1,596,611
Depreciation and amortization		**(415,304)**	(459,505)
Mine flooding costs	33	**(4,203)**	(3,534)
Finance income	32	**121,792**	166,880
Finance expense	32	**(352,972)**	(78,788)
Income tax expense	34	**(160,580)**	(339,796)

b) Geographical information

The analysis of Group sales by region was:

	2013	2012
Russia	**523,063**	649,377
Latin America, China, India, South East Asia	**2,159,021**	2,597,574
USA, Europe	**594,827**	676,510
Other countries	**45,704**	26,332
Total revenue	**3,322,615**	3,949,793

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 2013 and 2012, respectively.

d) In addition to the above segment disclosures management is preparing additional information that splits the result of the Potash segment activity between export potash sales, domestic potash sales and other sales. Direct cost of sales and distribution expenses are allocated proportionally based on revenues. Indirect expenses, such as general and administrative expenses, other operating income and expenses and taxes other than income tax are allocated between categories proportionally based on cost of sales. Some costs are considered as unallocated (loss on disposal of fixed assets, impairment of assets reclassified to non-current assets held for sale, write-down of non-current assets held for sale to fair value less costs to sell, reversal and additions of provisions, net results on sale of Belaruskali and Silvinit goods, mine flooding costs, finance income and expense, income tax expense).

Notes to the Consolidated Financial Statements (continued)

(in thousands of US dollars, unless otherwise stated)

8 Segment reporting (continued)

This split for the year ended 31 December 2013 was as follows:

	Export potash sales	Domestic potash sales	Total potash sales	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)	–	(1,315,799)
Operating profit	**881,924**	**163,696**	**1,045,620**	**16,671**	**–**	**1,062,291**
Mine flooding costs					(4,203)	(4,203)
Finance income and expense, net					(231,180)	(231,180)
Profit before income tax					826,908	826,908
Income tax expense					(160,580)	(160,580)
Segment result/Net profit						**666,328**

This split for the year ended 31 December 2012 was as follows:

	Export potash sales	Domestic potash sales	Total potash sales	Other sales	Unallocated	Total
Tonnes (thousands)	**7,281**	**2,081**	**9,362**	**–**	**–**	**9,362**
Revenues	3,300,416	528,494	3,828,910	120,883	–	3,949,793
Cost of sales	(714,888)	(204,355)	(919,243)	(71,556)	–	(990,799)
Distribution, general and administrative expenses, other operating income and expenses and taxes other than income tax	(1,001,222)	(69,051)	(1,070,273)	(36,683)	(189)	(1,107,145)
Operating profit/(loss)	**1,584,306**	**255,088**	**1,839,394**	**12,644**	**(189)**	**1,851,849**
Mine flooding costs					(3,534)	(3,534)
Finance income and expense, net					88,092	88,092
Profit before income tax					1,936,407	1,936,407
Income tax expense					(339,796)	(339,796)
Segment result/Net profit						**1,596,611**

9 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 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 20)	–	(14,955)	–	–	–	–	–	(14,955)
Transfers	85,287	148,446	135,749	24,192	(388,333)	(5,414)	73	–
Disposals	(6,471)	(704)	(40,066)	(2,632)	(2,368)	(1,622)	(20)	(53,883)
Acquisition of subsidiaries (Note 6)	12,119	–	662	450	6,520	73	1,110	20,934
Write-off of fixed assets (Note 31)	–	–	(1,492)	–	(198)	–	–	(1,690)
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	(34,101)	(2,313)	–	(1,325)	–	(39,361)
Write-off of fixed assets (Note 31)	–	–	(1,288)	–	–	–	–	(1,288)
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**

Notes to the Consolidated Financial Statements (continued)

(in thousands of US dollars, unless otherwise stated)

9 Property, plant and equipment (continued)

	Buildings	Mine development costs	Plant and equipment	Transport	Assets under construction	Other	Land	Total
Cost								
Balance as of 31 December 2011	793,300	608,486	1,479,088	285,675	864,357	54,765	35,566	4,121,237
Additions	–	–	–	13,838	373,565	–	–	387,403
Changes in estimates adjusted against property, plant and equipment (Note 20)	–	35,736	–	–	–	–	–	35,736
Transfers	80,724	75,432	192,451	–	(356,204)	4,669	2,928	–
Disposals	(6,997)	(7,739)	(39,823)	(5,391)	(8,213)	(7,826)	(329)	(76,318)
Impairment of fixed assets reclassified to assets held for sale (Note 31)	(5,664)	–	–	–	–	–	(25,277)	(30,941)
Reclassification to non-current assets held for sale	(2,004)	–	–	–	–	–	(6,319)	(8,323)
Write-off of fixed assets (Note 31)	(9,112)	(1,302)	(4,568)	–	–	–	–	(14,982)
Effect of translation to presentation currency	48,977	38,952	92,308	17,351	52,106	3,218	1,448	254,360
Balance as of 31 December 2012	**899,224**	**749,565**	**1,719,456**	**311,473**	**925,611**	**54,826**	**8,017**	**4,668,172**
Accumulated Depreciation								
Balance as of 31 December 2011	143,668	179,767	532,546	83,258	–	12,262	–	951,501
Depreciation charge	25,878	42,533	213,797	22,517	–	3,166	–	307,891
Disposals	(1,230)	(934)	(26,162)	(2,591)	–	(3,231)	–	(34,148)
Reclassification to non-current assets held for sale	(95)	–	–	–	–	–	–	(95)
Write-off of fixed assets (Note 31)	(3,020)	(689)	(1,882)	–	–	–	–	(5,591)
Effect of translation to presentation currency	9,137	11,767	36,383	5,470	–	729	–	63,486
Balance as of 31 December 2012	**174,338**	**232,444**	**754,682**	**108,654**	**–**	**12,926**	**–**	**1,283,044**
Net Book Value								
Balance as of 31 December 2011	**649,632**	**428,719**	**946,542**	**202,417**	**864,357**	**42,503**	**35,566**	**3,169,736**
Balance as of 31 December 2012	**724,886**	**517,121**	**964,774**	**202,819**	**925,611**	**41,900**	**8,017**	**3,385,128**

Fully depreciated assets still in use

As of 31 December 2013 and 31 December 2012 the gross carrying value of fully depreciated property, plant and equipment still in use was US$ 456,043 and US$ 407,516, respectively.

Assets pledged under loan agreements

The Group had no property, plant and equipment pledged as of 31 December 2013. As of 31 December 2012 the carrying value of property, plant and equipment pledged under bank loans was US$ 183,528 (Note 22).

9 Property, plant and equipment (continued)

Property, plant and equipment write-off

During the year ended 31 December 2013 the Group wrote off fixed assets with a gross book value and accumulated depreciation of US$ 1,690 and US$ 1,288, respectively, and recognised a loss of US$ 402 in the consolidated statement of income.

During the year ended 31 December 2012 the Group wrote off fixed assets with a gross book value and accumulated depreciation of US$ 14,982 and US$ 5,591, respectively, due to the abandonment of an ore-treatment plant and carnallite plant at Berezniki 1 (Note 20), and recognised a loss of US$ 9,391 in the consolidated statement of income.

Reclassification to assets held for sale

In the year ended 31 December 2013 the Group did not reclassify any property, plant and equipment to assets held for sale.

In the year ended 31 December 2012 the Group reclassified plots of land and premises with a gross book value and accumulated depreciation of US$ 8,323 and US$ 95, respectively. Impairment in the amount of US$ 30,941 (Note 31) was recognized prior to reclassification to non-current assets held for sale for the year ended 31 December 2012.

In the year ended 31 December 2012 the Group wrote-down the titanium sponge complex held for sale to fair value less costs to sell (Note 31) and then disposed the assets for the amount of US$ 8,445.

10 Goodwill

	Note	2013	2012
Gross book value at 1 January		**1,939,538**	1,829,694
Accumulated impairment losses at 1 January			–
Carrying amount 1 January		**1,939,538**	1,829,694
Acquisition of subsidiaries	6	**2,502**	–
Effect of translation to presentation currency		**(139,642)**	109,844
Carrying amount at 31 December		**1,802,398**	1,939,538
Gross book value at 31 December		**1,802,398**	1,939,538
Accumulated impairment losses at 31 December		**–**	–
Carrying amount at 31 December		**1,802,398**	1,939,538

The goodwill is primarily attributable to the expected future operational and marketing synergies arising from the acquisition of subsidiaries, which are attributable to the combined business as a whole and not to individual assets of subsidiaries. Allocation of goodwill to cash generated unit (CGU):

CGU allocated	Acquisition	31 December 2013	31 December 2012
Uralkali Group	Silvinit Group	**1,774,989**	1,912,705
Uralkali Group	CJSC SST	**13,725**	14,783
Uralkali Group	OJSC BBT	**11,182**	12,050
Uralkali Group	CJSC VNII Galurgia (Note 6)	**2,502**	–
Total carrying amount of goodwill		**1,802,398**	1,939,538

Notes to the Consolidated Financial Statements (continued)

(in thousands of US dollars, unless otherwise stated)

10 Goodwill (continued)

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:

	2013	2012
RR/US$ exchange rate	**From 33 to 39**	32
Growth rate beyond one year	**3% p.a.**	3% p.a.
Pre-tax discount rate	**10.3% p.a.**	10.6% p.a.
Long-term inflation rate	**From 2% to 6% p.a.**	3% p.a.

The Group did not recognise any impairment of goodwill in the consolidated financial statements for the years ended 31 December 2013 and 31 December 2012.

11 Intangible assets

	Note	Mining licences	Software	Other	Total
Cost as of 1 January 2012		**5,703,894**	**19,774**	**447**	**5,724,115**
Accumulated amortisation		**(117,002)**	**(15,074)**	**–**	**(132,076)**
Balance as of 1 January 2012		**5,586,892**	**4,700**	**447**	**5,592,039**
Additions		–	5,316	–	5,316
Capitalised borrowing costs		78,838	–		78,838
Disposals		(84)	(703)	–	(787)
Amortisation charge	27, 29	(151,252)	(3,674)	–	(154,926)
Disposals of accumulated amortisation		84	356	–	440
Effect of translation to presentation currency		333,688	294	14	333,996
Cost as of 31 December 2012		**6,127,042**	**25,681**	**461**	**6,153,184**
Accumulated amortisation		**(278,876)**	**(19,392)**	**–**	**(298,268)**
Balance as of 31 December 2012		**5,848,166**	**6,289**	**461**	**5,854,916**
Additions		–	596	1,672	2,268
Acquisition of subsidiary	6	–	385	17,444	17,829
Capitalised borrowing costs		124,797	–	–	124,797
Disposals		–	(1,270)	(284)	(1,554)
Amortisation charge	27, 29	(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**

11 Intangible assets (continued)

The table below summarises descriptions and carrying amounts of individually material mining licences:

Licensed plot		31 December 2013	31 December 2012
Solikamskiy plot (south part)	SKRU-2	**1,996,792**	2,211,460
Novo-Solikamskiy plot	SKRU-3	**1,898,447**	2,088,882
Solikamskiy plot (north part)	SKRU-1	**177,359**	210,551
Polovodovskiy plot (south part)		**300,611**	293,365
Polovodovskiy plot (north part)		**1,061,497**	1,043,230
Total		**5,434,706**	5,847,488

On 1 April 2013 the Company prolonged its operating licences 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. These licences have been prolonged till 2018 – 2021 at a nominal cost.

In March 2013, simultaneously with the mining licenses prolongation, Uralkali 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. In addition, the Polovodovo mine plot was divided into south and north parts. The south part will be exploited from SKRU-3, while a mine will be constructed for the north part.

These changes 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 methods. If the change in pattern of production occurred from 1 January 2013 the amortization expense would have decreased by a further US$ 18,538. Similar effect is expected in the foreseeable future.

12 Joint arrangement

Until July 2013 the Company had a 50% interest in JSC Belarusian Potash Company ("BPC") – the remaining 50% was divided between Belaruskali (which owns 45%) and Belarusian Railways (which owns 5%). According to BPC's charter, all decisions on shareholders meeting could be taken only with a majority of 75%. Therefore, BPC operations were under the joint control of Belaruskali and the Company (the "Participants"). BPC's principal activity was the marketing and exporting, as an agent, of potash fertilizers produced by the Participants.

On 29 July 2013 Uralkali announced a new sales strategy together with a decision to stop export sales through BPC and direct all export sales through Uralkali Trading SA. At the same time the Group lost joint control over BPC operations and the Group's share in assets and liabilities of BPC was derecognised. The consolidated statement of income reflects the revenue from sales by BPC of Uralkali's products, together with the related costs of sales, distribution and administrative costs for period from 1 January to 29 July 2013.

BPC's charter provides for separate accounting of the operations of each participant, including separate accounting for the sales of the participants' goods and the related cost of sale and distribution costs. Administrative expenses incurred by BPC were shared as follows from 1 January to 29 July 2013: 50% (year ended 31 December 2012: not more than 78%) allocated to Belaruskali operations, and 50% (year ended 31 December 2012: not less than 22%) allocated to Group operations. The Group has assumed that administrative expenses incurred by BPC upon Uralkali's decision as of 29 July 2013 to stop export sales through BPC should be allocated 100% to Belaruskali operations. The distribution of net income to each participant is made on the basis of their relevant results after deducting administrative costs, unless both participants decide not to distribute.

The Group has incurred a loss in the amount of US$ 2,602 due to the termination of the arrangement with BPC for the year ended 31 December 2013 (Note 31). The loss stemmed from the write-off of BPC's net assets.

Notes to the Consolidated Financial Statements (continued)

(in thousands of US dollars, unless otherwise stated)

12 Joint arrangement (continued)

On 26 August 2013, Mr. Vladislav Baumgertner, the Group's Chief Executive Officer at the time, was taken into custody in Minsk, Belarus in relation to an investigation under part 3 of Article 424 of the Criminal Code of Belarus ("Abuse of Power or Authority"). Public statements made by Belarusian officials upon his arrest, stated that, as a result of Mr. Baumgertner's actions, BPC and the Belarusian State had incurred losses of approximately US$ 100,000.

Mr. Baumgertner was released from custody and returned to Russia in November 2013 where he subsequently was placed under house arrest. To Management's knowledge neither Mr. Baumgertner, any Group company nor other member of management have received any official legal claim in relation to the Group's relationship with BPC. While management will continue to monitor the situation, it does not expect any further actions to be taken in relation to this issue by either Belarusian or other governmental authorities.

13 Income tax prepayments – 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$ 183,323) per year in 2013-2015. As a result it will utilize its existing income tax prepayments in several years. The amount of income tax prepayments recoverable after more than 12 months in the amount of US$ 307,035 was recorded at amortised cost using a discount rate of 6.97%. As of 31 December 2013 its carrying value was US$ 259,455.

14 Investments in associates

The Group has the following investments in associates:

	Country of incorporation	31 December 2013	31 December 2012
OJSC Galurgiya	Russia	**Reclassified to Subsidiary**	46%
Intrako	Russia	**33.75%**	–

The table below summarises the movements in the carrying amount of the Group's investment in associates.

	Note	2013	2012
Carrying amount at 1 January		**12,887**	12,563
Share of profit of associates		**(6,561)**	354
Share of net assets of associates		**6,326**	12,917
Acquisition of associate		**1,259**	–
Revaluation of existing interest in acquires	31	**4,402**	
Associate reclassified to subsidiary	6	**(9,732)**	–
Loss from disposals of associate		**–**	(129)
Fair value of disposed associate		**–**	(642)
Effect of translation to presentation currency		**(996)**	741
Carrying amount at 31 December		**1,259**	12,887

On 6 December 2013 the Company acquired OJSC Galurgia, an Institute specializing in scientific research and commercial engineering designing in potash and salt industry branches. OJSC Galurgia was an associate of the Company before the acquisition (Note 6).

15 Inventories

	31 December 2013	31 December 2012
Raw materials and spare parts	**112,542**	115,713
Finished products	**122,585**	115,236
Work in progress	**2,538**	2,204
Other inventories	**12,830**	9,014
Total inventories	**250,495**	242,167

As of 31 December 2013 no inventories were pledged as security for bank loans (31 December 2012: US$ 4,339) (Note 22).

Other inventories mainly represent the residential buildings, which are constructed by the Group.

16 Trade and other receivables

	31 December 2013	31 December 2012
Trade receivables	**348,191**	420,995
Other accounts receivable	**23,374**	16,214
Less: provision for impairment of trade and other receivables	**(9,563)**	(9,576)
Total financial receivables	**362,002**	427,633
VAT recoverable	**75,773**	42,011
Other taxes receivable	**35,778**	60,166
Advances to suppliers	**37,642**	25,033
Insurance expenses prepaid	**–**	626
Other prepayments	**6,867**	5,388
Total trade and other receivables	**518,062**	560,857

As of 31 December 2013 trade receivables of US$ 330,255 (31 December 2012: US$ 349,509), net of provision for impairment, were denominated in foreign currencies. 86% of this balance was denominated in US$ (31 December 2012: 93%) and 14% was denominated in Euro (31 December 2012: 7%). 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:

	2013		2012	
	Trade receivables	Other receivables	Trade receivables	Other receivables
As of 1 January	**(7,175)**	**(2,401)**	(6,121)	(2,268)
Provision accrued	**(440)**	**(1,319)**	(1,833)	(2,927)
Provision acquired	**(157)**	**–**	–	–
Provision reversed	**565**	**848**	1,126	2,927
Effect of translation to presentation currency	**302**	**214**	(347)	(133)
As of 31 December	**(6,905)**	**(2,658)**	(7,175)	(2,401)

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 31). Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

Notes to the Consolidated Financial Statements (continued)

(in thousands of US dollars, unless otherwise stated)

16 Trade and other receivables (continued)

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

	31 December 2013		31 December 2012	
	Trade receivables	**Other receivables**	Trade receivables	Other receivables
Current and not impaired				
Insured	**50,902**	**–**	178,746	–
Not insured or factored	**255,735**	**12,405**	93,439	7,771
Total current and not impaired	**306,637**	**12,405**	272,185	7,771
Past due but not impaired				
less than 45 days overdue	**22,763**	**6,905**	123,675	4,952
45 to 90 days overdue	**1,711**	**–**	16,857	33
over 90 days overdue	**9,380**	**1,375**	–	955
Total past due but not impaired	**33,854**	**8,280**	140,532	5,940
Determined to be impaired (gross)				
45 to 90 days overdue	**1,711**	**61**	2,206	198
over 90 days overdue	**5,989**	**2,628**	6,072	2,305
Total gross amount of impaired accounts receivable	**7,700**	**2,689**	8,278	2,503
Total financial receivables (gross)	**348,191**	**23,374**	420,995	16,214
Less impairment provision	**(6,905)**	**(2,658)**	(7,175)	(2,401)
Total financial receivables	**341,286**	**20,716**	413,820	13,813

As of 31 December 2013 and 2012 no trade and other receivables were pledged as collateral.

As of 31 December 2013 and 2012 accounts receivable classified as "Neither insured nor factored" included receivables from key and prominent customers. A significant portion of receivables trade under letters of credit.

At 31 December 2013, the Group had a residual exposure to factored accounts receivables that had a carrying value of US$ 9,139 immediately after they were factored for US$ 93,993. The associated liabilities were recognised as other payables in amount of US$ 9,139. 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.

17 Other financial assets at fair value through profit or loss

As of 31 December 2013 the balance of other financial assets at fair value through profit or loss is nil. As of 31 December 2012 other financial assets at fair value through profit or loss are represented by highly liquid US$ denominated 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 2013**	31 December 2012
Fitch Ratings	BBB-	**–**	18,526
Fitch Ratings	BBB	**–**	14,535
Moody's/Fitch Ratings	Baa1/BBB	**–**	83,286
Moody's/Standard & Poor's	Baa3/BBB-	**–**	17,594
Total other financial assets at fair value through profit or loss		**–**	133,941

Coupon income from corporate bonds in the amount of US$ 4,821 is included in interest income for the year ended 31 December 2013 (for the year ended 31 December 2012: US$ 12,227) (Note 32).

18 Cash and cash equivalents, deposits and restricted cash

Cash and cash equivalents, deposits and restricted cash comprise the following:

	Interest rates	31 December 2013	31 December 2012
Cash on hand and bank balances			
RR denominated cash on hand and bank balances		**71,624**	251,479
US$ denominated bank balances		**757,956**	235,693
EUR denominated bank balances		**26,486**	7,688
Other currencies denominated balances		**18,694**	890
Term deposits			
US$ term deposits	4% p.a. (2012: from 0.15% to 4.5% p.a.)	**2,312**	816,165
EUR term deposits	2% p.a. (2012: 0.20%)	**17,832**	14,322
RR term deposits	from 4.38% p.a. to 9,25% p.a. (2012: from 5.6% p.a. to 10.2% p.a.)	**35,264**	60,007
Total cash and cash equivalents		**930,168**	1,386,244
Deposits			
Dual currency deposits	nil (2012: from 3.1% to 3.54% p.a.)	**–**	137,000
Total deposits		**–**	137,000
Restricted cash			
Non-current restricted cash	nil (2012: 0.09% p.a.)	**–**	3,576
Current restricted cash	9% p.a. (2012: from 7.8% to 8.5% p.a.)	**3,055**	142,332
Total cash and cash equivalents, deposits and restricted cash		**933,223**	1,669,152

As of 31 December 2013 and 31 December 2012, term deposits, except those included in restricted cash, have various original maturities but may upon request be withdrawn without any restrictions.

At 31 December 2012, non-current restricted cash in the amount of US$ 3,576 consists of cash kept on bank accounts as collateral in accordance with interest rate swap agreements.

Dual currency deposits are deposits where the bank has an option to convert deposits at specified exchange rates in case the US$ exchange rate exceeds the specified threshold.

19 Shareholders' equity

	Number of ordinary shares (in millions)	Ordinary shares	Treasury shares	Total
At 1 January 2012	**3,094**	**37,638**	**(746)**	**36,892**
Cancellation of treasury shares	(158)	(1,876)	1,876	–
Treasury shares purchased	–	–	(1,188)	(1,188)
At 1 January 2013	**2,936**	**35,762**	**(58)**	**35,704**
Treasury shares purchased			(5,664)	(5,664)
At 31 December 2013	**2,936**	**35,762**	**(5,722)**	**30,040**

The number of unissued authorised ordinary shares is 1,730 million (31 December 2012: 1,730 million) with a nominal value per share of 1.528 US cents (0.5 RR) (31 December 2012: 1.646 US cents (0.5 RR)). All shares stated in the table above have been issued and fully paid.

Notes to the Consolidated Financial Statements (continued)

(in thousands of US dollars, unless otherwise stated)

19 Shareholders' equity (continued)

In July 2012 the Group finalized its internal legal restructuring. The Company's authorized share capital decreased from 3,094,637,905 to 2,936,015,891 ordinary shares resulting from the cancellation of treasury shares owned by CJSC IK Silvinit-Resource, CJSC JV Kama, Enterpro Services Ltd. and the Company.

Treasury shares. Treasury shares 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 acquired through a number of transactions during 2013.

Treasury shares as of 31 December 2012 comprise 3,671,000 ordinary shares of the Company owned by Enterpro Services Ltd., a wholly owned subsidiary of the Group.

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 2013, the current period net statutory profit of the Company, as reported in the published annual statutory reporting forms, was US$ 983,548 (for the year ended 31 December 2012: US$ 1,578,486) and the closing balance of the accumulated profit including the current period net statutory profit totalled US$ 2,057,396 (31 December 2012: US$ 1,767,316). 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 to distribute, as dividends, not less than 50% of net profit, as determined in the IFRS consolidated financial statements, at least twice a year.

Dividends. In December 2013 the General Meeting of Shareholders of the Company approved interim dividends amounting to US$ 197,433 (7 US cents per share).

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 2012 the General Meeting of Shareholders of the Company approved interim dividends amounting to US$ 449,703 (15 US cents per share).

In June 2012 the General Meeting of Shareholders of the Company approved dividends (based on the financial results for the year ended 31 December 2011) amounting to US$ 377,523 (12 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.

20 Provisions

	Note	Legal provision	Provision for filling cavities	Restructuring provision	Resettlement provision	Total
Carrying amount at 1 January 2012		**52,869**	**46,607**	**18,562**		**118,038**
Changes in estimates adjusted against property, plant and equipment	9	–	35,736	–	–	35,736
Reversal of provision	31	(54,739)	–	–	–	(54,739)
Utilisation of provision		–	(12,442)	(4,856)		(17,298)
Unwinding of the present value discount and effect of changes in discount rates		–	8,941	2,187	–	11,128
Effect of translation to presentation currency		1,870	3,568	1,051	–	6,489
Current liabilities		–	9,680	5,004	–	14,684
Non-current liabilities		**–**	**72,730**	**11,940**	**–**	**84,670**
Carrying amount at 31 December 2012		**–**	**82,410**	**16,944**	**–**	**99,354**
Carrying amount at 1 January 2013		**–**	**82,410**	**16,944**	**–**	**99,354**
Changes in estimates adjusted against property, plant and equipment	9	–	(14,955)	–	–	(14,955)
Accrual of provision	31	–	–	–	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**
Carrying amount at 31 December 2013		**–**	**56,659**	**12,168**	**58,287**	**127,114**

Legal provision. In January 2011 A.G. Lomakin filed a claim in the Perm Territory Arbitrage (Commercial) Court against OJSC Silvinit and CJSC Komputersher Registrator (a company that kept the share register of OJSC Silvinit) seeking compensation of damages in the amount of US$ 60,528. A.G. Lomakin claimed that shares of OJSC Silvinit belonging to him were unlawfully transferred from his account in the register without his consent. After the merger the Company became OJSC Silvinit's legal successor. The Perm Territory Arbitrage (Commercial) Court sustained the claim of A.G. Lomakin and recovered the damages jointly from the Company and CJSC Komputersher Registrator in the amount of US$ 60,528. The court of appellate and cassation instances upheld the decision of the Perm Territory Arbitrage (Commercial) Court. In April 2012 the claimed amount was paid in full to A.G. Lomakin by CJSC Komputersher Registrator. The provision was reversed in the consolidated financial statements for the year ended 31 December 2012.

Notes to the Consolidated Financial Statements (continued)

(in thousands of US dollars, unless otherwise stated)

20 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.

During the year ended 31 December 2012 the Group reassessed the estimate of provision for filling cavities due to changes in volume of cavities to be filled. Therefore, the amount of provision for filling cavities was recalculated and the appropriate changes were disclosed as a change in estimates.

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 2013-2015 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, Uralkali has undertaken to provide to the Perm Region and the town of Berezniki a total of US$ 77,926 (including US$ 18,026 already disbursed in 2013). The balance is payable in instalments by 1 August 2015. The amount of provision was discounted using a discount rate 6.48% from US$ 61,108 to US$ 58,287.

21 Mine flooding

	Note	2013	2012
Balance at 1 January		**32,924**	31,060
Reversal of provision	5	**(31,399)**	–
Effect of translation to presentation currency		**(1,525)**	1,864
Balance at 31 December		**–**	32,924

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 as of 31 December 2012. 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.

22 Borrowings

	2013	2012
Bank loans	**4,380,953**	3,925,691
Finance lease payable	**15,438**	16,655
Total borrowings	**4,396,391**	3,942,346

a) Bank loans

As of 31 December 2013 and 31 December 2012 the fair value of the current and non-current borrowings is not materially different from their carrying amounts. The Group does not apply hedge accounting. The Group entered into cross-currency interest rate swap agreements in order to decrease interest rate payments (Note 24).

	Note	2013	2012
Balance at 1 January		**3,925,691**	3,282,071
Bank loans received, denominated in US$		**3,296,046**	560,000
Bank loans received, denominated in RR		**2,114,638**	495,329
Bank loans repaid, denominated in US$		**(3,223,308)**	(143,138)
Bank loans repaid, denominated in RR		**(1,577,399)**	(378,461)
Interest accrued		**263,434**	218,564
Interest paid		**(260,858)**	(215,183)
Recognition of syndication fees and other financial charges		**(35,330)**	(13,873)
Amortisation of syndication fees and other financial charges	32	**22,844**	21,179
Foreign exchange gain/(loss), net		**152,247**	(120,235)
Effect of translation to presentation currency		**(297,052)**	219,438
Balance at 31 December		**4,380,953**	3,925,691

The table below shows interest rates as of 31 December 2013 and 31 December 2012 and the split of the bank loans into short-term and long-term.

Short-term borrowings	Interest rates	31 December 2013	31 December 2012
Bank loans in US$: floating interest	From 1 month Libor +1.8 to 3 month Libor +3.1% (31 December 2012: From 1 month Libor +1.8 to 1 month Libor +2.95%)	**394,006**	457,741
Bank loans in US$: fixed interest	nil (31 December 2012 From 1.45% to 1.5%)	**–**	130,104
Bank loans in RR: floating interest	From MosPrime Rate 3M+1.5% to MosPrime Rate 3M+2.59% (31 December 2012: From MosPrime Rate 3M+1.5% to MosPrime Rate 3M+1.9%)	**106,668**	123,562
Bank loans in RR: fixed interest	9.05% (31 December 2012: From 8.05% to 11.5%)	**958,890**	410,668
Total short-term bank loans		**1,459,564**	1,122,075

Long-term borrowings	Interest rates	31 December 2013	31 December 2012
Bank loans in US$: floating interest	From 1 month Libor +1.8% to 3 month Libor +3.1% (31 December 2012: From 1 month Libor +1.8% to 1 month Libor +3.1%)	**1,770,061**	1,505,877
Bank loans in RR: floating interest	From MosPrime 3M +1.5% to MosPrime 3M +2.59% (31 December 2012: MosPrime 3M +1.5%)	**1,151,329**	270,928
Bank loans in RR: fixed interest	nil (31 December 2012: 9.05%)	**–**	1,026,811
Total long-term bank loans		**2,921,390**	2,803,616

As of 31 December 2013 no equipment or inventories were pledged as security for bank loans. As of 31 December 2012, loans (including short-term borrowings) were guaranteed by collateral of property, plant and equipment (Note 9) and other inventories (Note 15).

Notes to the Consolidated Financial Statements (continued)

(in thousands of US dollars, unless otherwise stated)

22 Borrowings (continued)

a) Bank loans (continued)

Bank loans of US$ 1,293,432 (31 December 2012: US$ 2,674,981) 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:

	2013	2012
– within 1 year	**1,459,564**	1,122,075
– between 2 and 5 years	**2,788,057**	2,803,616
– after 5 years	**133,332**	–
Total bank loans	**4,380,953**	3,925,691

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 2013, the leased berths were included in property, plant and equipment with a net book value of US$ 13,836 (31 December 2012: US$ 14,651).

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

	2013	2012
– within 1 year	**1,498**	1,613
– between 2 and 5 years	**5,991**	6,453
– after 5 years	**59,907**	66,178
Minimum lease payments at the end of the year	**67,396**	74,244
Less future finance charges	**(51,958)**	(57,589)
Present value of minimum lease payments	**15,438**	16,655

23 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	2013	2012
Balance at 1 January		**–**	–
Issue of bonds denominated in US$		**650,000**	–
Interest accrued		**16,200**	–
Interest paid		**(12,583)**	–
Recognition of syndication fees		**(4,702)**	–
Amortisation of syndication fees	32	**627**	–
Foreign exchange loss		**30,810**	–
Effect of translation to presentation currency		**(30,284)**	–
Balance at 31 December		**650,068**	–

The fair value of the outstanding bonds issued balance at 31 December 2013 was US$ 626,750 according to Irish Stock Exchange quotations.

24 Derivative financial assets and liabilities

At 31 December 2013, the derivative financial assets and liabilities were represented by the cross-currency interest rate swaps, entered in conjunction with RR-denominated loans in the notional amount of US$ 2,239,682 (31 December 2012: US$ 2,209,451):

	31 December 2013	31 December 2012
Assets		
Current	–	1,181
Non-current	–	27,590
Liabilities		
Current	**71,340**	17,560
Non-current	**62,043**	13,906
Net derivative liabilities	**133,383**	2,695

The Group pays US$ at fixed rates varying from 2.77% to 3.80% (for the year ended 31 December 2012: 2.85% to 4.00%) and recieves RR at fixed rate 9.05% (for the year ended 31 December 2012: 8.05% to 9.31%). Maturity of the swaps is linked to loans redemption.

Movements of the carrying amounts of derivative financial assets and liabilities were as follows:

	Note	2013	2012
Opening balance as of 1 January		**2,695**	97,482
Cash proceeds from derivatives	32	**86,134**	93,714
Cash paid for derivatives		**(21,770)**	(18,613)
Changes in the fair value	32	**70,139**	(173,067)
Effect of translation to presentation currency		**(3,815)**	3,179
Closing balance as of 31 December		**133,383**	2,695

25 Trade and other payables

	31 December 2013	31 December 2012
Trade payables	**208,407**	66,984
Accrued liabilities	**2,475**	15,069
Dividends payable	**205,046**	84,056
Other payables	**21,170**	23,327
Total financial payables	**437,098**	189,436
Accrued liabilities	**65,416**	35,805
Advances received	**25,421**	13,513
Other payables	**28,678**	27,693
Total trade and other payables	**556,613**	266,447

As of 31 December 2013 trade and other accounts payable of US$ 132,804 (31 December 2012: US$ 51,245) were denominated in foreign currencies: 95% of this balance was denominated in US$ (31 December 2012: 94%) and 5% was denominated in Euro (31 December 2012: 6%).

Notes to the Consolidated Financial Statements (continued)

(in thousands of US dollars, unless otherwise stated)

26 Revenues

	2013	2012
Export		
Potassium chloride	**1,763,216**	2,210,088
Potassium chloride (granular)	**1,036,336**	1,090,328
Domestic		
Potassium chloride	**408,201**	528,494
Other	**65,018**	60,972
Transportation and other revenues	**49,844**	59,911
Total revenues	**3,322,615**	3,949,793

27 Cost of sales

	Note	2013	2012
Depreciation		**259,961**	263,700
Employee benefits	30	**213,952**	219,454
Fuel and energy		**143,758**	130,701
Materials and components used		**125,949**	144,732
Amortisation of licences	11	**116,969**	151,252
Repairs and maintenance		**68,845**	59,906
Transportation between mines by railway		**11,851**	10,462
Change in work in progress, finished goods and goods in transit		**(1,127)**	4,918
Utilities		**516**	822
Other costs		**3,851**	4,852
Total cost of sales		**944,525**	990,799

28 Distribution costs

	Note	2013	2012
Railway tariff and rent of wagons		**374,593**	340,268
Freight		**225,038**	217,292
Commissions and loyalty fees		**69,020**	23,898
Transport repairs and maintenance		**48,532**	54,320
Transhipment		**36,567**	34,552
Rent expenses		**13,060**	8,998
Employee benefits	30	**25,704**	16,324
Freight and transhipment of river vessels		**21,422**	23,722
Depreciation		**16,448**	16,688
Customs fees		**4,785**	1,738
Travel expenses		**1,499**	1,351
Other costs		**43,256**	31,513
Total distribution costs		**879,924**	770,664

29 General and administrative expenses

	Note	2013	2012
Employee benefits	30	**144,642**	112,266
Consulting, audit and legal services		**26,514**	18,721
Rent		**11,113**	8,794
Security		**10,911**	10,954
Depreciation		**10,846**	9,164
Materials and fuel		**8,478**	9,520
Mine-rescue crew		**8,029**	8,106
Bank charges		**6,266**	1,949
Repairs and maintenance		**5,902**	4,937
Insurance		**5,013**	5,264
Communication and information system services		**4,670**	3,610
Amortisation of intangible assets	11	**3,728**	3,674
Travel expenses		**3,624**	3,591
Other expenses		**28,969**	30,825
Total general and administrative expenses		**278,705**	231,375

30 Employee benefits

	Note	2013	2012
Employee benefits – Cost of sales	27	**213,952**	219,454
Wages, salaries, bonuses and other compensations		**163,907**	168,696
Contribution to social funds		**48,416**	42,721
Post-employment benefits	35	**1,629**	8,037
Employee benefits – Distribution costs	28	**25,704**	16,324
Wages, salaries, bonuses, other compensations and contribution to social funds		**25,704**	16,324
Employee benefits – General and administrative expenses	29	**144,642**	112,266
Wages, salaries, bonuses and other compensations		**119,716**	88,524
Contribution to social funds		**24,570**	21,719
Post-employment benefits	35	**356**	2,023
Total labour costs		**384,298**	348,044

31 Other operating income and expenses, net

	Note	2013	2012
Resettlement provision	20	**77,926**	–
Write-off of CJSC CB “Eurotrust” deposits		**34,070**	–
Social cost and charity		**18,179**	20,234
Net loss on disposals of property, plant and equipment		**14,082**	31,934
Impairment of fixed assets reclassified to non-current assets held for sale	9	**–**	30,941
Write-down of non-current assets held for sale to fair value less costs to sell	9	**–**	19,971
Loss from write-off of net assets of BPC’s	12	**2,602**	–
Accrual of provision for impairment of receivables	16	**346**	2,115
Loss on sale of other goods and services		**737**	189
Litigation settlements	37	**1,385**	12,750
Reversal of legal provision	20	**–**	(54,739)
Negative goodwill recognised as income	6	**(4,013)**	–
Revaluation of existing interest in acquirees	6	**(4,402)**	–
Reversal of mine flooding provision	21	**(31,399)**	–
Other expenses, net		**7,966**	2,679
Total other operating income and expenses, net		**117,479**	66,074

Notes to the Consolidated Financial Statements (continued)

(in thousands of US dollars, unless otherwise stated)

31 Other operating income and expenses, net (continued)

In May and October 2013 the Company placed cash term deposits with CJSC CB “Eurotrust” (Eurotrust). At 31 December 2013 deposits of US$ 35,000 were owing from the bank of which US$ 9,070 were past due. On 20 January 2014 a part of these deposits totalling US$ 930 was returned. 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. Uralkali had filed claims in court totalling US$ 34,070 plus interest and penalties and requested that the Company be included in the list of creditors. As of 21 March 2014 ZAO CB “Eurotrust” was declared bankrupt. Management has fully written off the value of these deposits.

32 Finance income and expenses

The components of finance income and expenses were as follows:

	Note	2013	2012
Fair value gain on derivative financial assets and liabilities	24	–	58,253
Interest income		82,734	70,244
Foreign exchange income, net		33,037	37,724
Dividend income		–	659
Fair value gain on investments		6,021	–
Finance income		**121,792**	166,880

		2013	2012
Fair value loss on derivative financial assets and liabilities	24	169,538	–
Interest expense, net		92,852	26,240
Syndication fee and other financial charges		28,494	21,179
Discounting, unwinding of the present value discount and effect of changes in discount rates		54,630	11,128
Letters of credit fees		5,939	9,622
Fair value losses on investments		–	9,061
Finance lease expense		1,519	1,558
Finance expenses		**352,972**	78,788

The interest expense was reduced by the income received from currency-interest rate swap transactions in the total amount of US$ 86,134 (for the year ended 31 December 2012: US$ 93,714) (Note 24).

Fair value loss on derivative financial assets and liabilities includes loss on conversion of dual currency deposits in amount of US$ 13,265 (for the year ended 31 December 2012 loss: US$ 21,100).

Coupon income from corporate bonds classified as other financial assets at fair value through profit or loss in the amount of US$ 4,821 is included in interest income (for the year ended 31 December 2012: US$ 12,227).

Interest expense in the total amount of US$ 104,093 was capitalised in the cost of property, plant and equipment and intangible assets for the year ended 31 December 2013 (for the year ended 31 December 2012: US$ 98,612). Foreign exchange loss in the total amount of US$ 60,235 was capitalised for the year ended 31 December 2013 (for the year ended 31 December 2012: nil).The capitalisation rate was 6.04% (for the year ended 31 December 2012: 6.20%).

33 Mine flooding costs

Mine flooding costs comprised from monitoring costs related to flooding at Mine 1 (Note 5) in amount US$ 4,203 (for the year ended 31 December 2012: US$ 3,534).

34 Income tax expense

	2013	2012
Current income tax expense	**187,282**	8,806
Adjustments recognised in the period for current income tax of prior periods	**5,355**	–
Adjustments recognised in the period for deferred income tax of prior periods	**(11,710)**	–
Deferred income tax	**(20,347)**	330,990
Income tax expense	**160,580**	339,796

In the year ended 31 December 2012 the Group utilized deferred tax assets in respect of tax losses carried forward in the amount of US$ 299,394. The tax losses were recognized at OJSC Kamskaya Gornaya Kompania ("KGK"), a wholly owned subsidiary of the Group until July 2012, and were utilized by the Company after its internal legal restructuring.

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

	2013	2012
Profit before income tax	**826,908**	1,936,407
Theoretical tax charge at statutory rate of 15.5%	**128,171**	300,143
Corrections of prior year current tax	**(6,339)**	–
Tax effect of items which are not deductible or assessable for taxation purposes, net	**30,325**	29,912
Effect of different tax rates in countries in which the Group operates	**1,969**	2,870
Other	**6,454**	6,871
Consolidated tax charge	**160,580**	339,796

In the year ended 31 December 2013 and 2012, 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 2013 and 2012, foreign operations were taxed applying respective national income tax rates.

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 (Note 6)	(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**
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)**

Notes to the Consolidated Financial Statements (continued)

(in thousands of US dollars, unless otherwise stated)

34 Income tax expenses (continued)

The tax effect of the movements in the temporary differences for the year ended 31 December 2012 was the following:

	31 December 2011	(Charged)/ credited to profit or loss	Effect on translation to presentation currency	31 December 2012
Tax effects of taxable and deductible temporary differences:				
Property, plant and equipment	(188,413)	3,642	(11,223)	(195,994)
Intangible assets	(866,028)	10,318	(51,746)	(907,456)
Inventories	26,388	(16,026)	1,205	11,567
Borrowings	(1,319)	1,526	(42)	165
Accounts receivable	14,487	(12,791)	570	2,266
Derivative financial assets and liabilities	15,110	(15,487)	536	159
Accounts payable	6,689	(2,160)	350	4,879
Tax loss carry forward	304,317	(299,394)	11,169	16,092
Provision for filling cavities	9,535	2,604	634	12,773
Other	2,289	(3,222)	61	(872)
Net deferred tax liability	(676,945)	(330,990)	(48,486)	(1,056,421)
Reflected in the consolidated statement of financial position as follows:				
Deferred income tax asset	39,289	–	–	23,465
Deferred income tax liability	(716,234)	–	–	(1,079,886)
Deferred income tax liability, net	(676,945)	–	–	(1,056,421)

The tax effects on intangible assets mainly relates to the licenses, which are amortized based on the unit of production method (Note 11).

The Group has not recognised a deferred income tax assets and liability in respect of taxable temporary differences associated with investments in subsidiaries in the amount of US$ 280,831 (31 December 2012: US$ 439,562). The Group controls the timing of the reversal of these temporary differences and does not expect their reversal in the foreseeable future.

35 Post-employment 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.

35 Post employment benefit obligations (continued)

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

	2013		2012	
	Post-employment	**Other long-term**	Post-employment	Other long-term
Present value of defined benefit obligations as of 1 January	**35,965**	**8,044**	26,155	–
Current service cost	**1,877**	**650**	2,085	624
Interest cost	**2,622**	**615**	1,900	17
Past service cost	**–**	**42**	–	7,886
Remeasurement (gains)/losses:				
Actuarial (gains)/losses – Experience	**(934)**	**(281)**	1,413	–
Actuarial (gains)/losses arising from changes in financial assumptions	**(1,280)**	**(652)**	5,380	(536)
Actuarial losses arising from changes in demographic assumptions	**1,543**	**349**	–	–
Benefits paid	**(2,325)**	**(130)**	(2,729)	(133)
Liabilities assumed in a business combination (Note 6)	**453**	**54**	–	–
Effect of translation to presentation currency	**(2,627)**	**(591)**	1,761	184
Present value of defined benefit obligations as of 31 December	**35,294**	**8,100**	35,965	8,042

The amount of net expense for the defined benefit pension plans recognised in the consolidated statement of income (Note 30) was as follows:

	2013		2012	
	Post-employment	**Other long-term**	Post-employment	Other long-term
Service cost				
Current service cost	**1,877**	**650**	2,085	624
Past service loss from settlements and curtailments	**–**	**42**	–	7,886
Net interest expenses	**2,622**	**615**	1,900	17
Remeasurement gains (other long term benefits only)	**–**	**(584)**	–	(535)
Components of defined benefit costs recorded in statement of income	**4,499**	**723**	3,985	7,992

Amounts recognized in other comprehensive income in respect of these defined benefit plans were as follows:

	2013		2012	
	Post-employment	**Other long-term**	Post-employment	Other long-term
Remeasurement (gains)/losses – Experience	**(934)**	**–**	5,380	–
Remeasurement losses – changes in assumptions	**263**	**–**	1,413	–
Components of defined benefit costs recorded in Other comprehensive income	**(671)**	**–**	6,793	–

Notes to the Consolidated Financial Statements (continued)

(in thousands of US dollars, unless otherwise stated)

35 Post employment benefit obligations (continued)

Movements in net liability for the year ended 31 December 2013 and 2012 were as follows:

	2013		2012	
	Post-employment	**Other long-term**	Post-employment	Other long-term
Opening net liability arising from defined benefit obligation	**35,965**	**8,042**	26,155	–
Components of defined benefit costs recorded in statement of income	**4,499**	**723**	3,985	7,992
Components of defined benefit costs recorded in Other comprehensive income	**(671)**	**–**	6,793	–
Contributions from the employer	**(2,325)**	**(130)**	(2,729)	(133)
Increase in liabilities as a result of business combination (Note 6)	**453**	**54**	–	–
Translation difference	**(2,627)**	**(589)**	1,761	183
Closing net liability arising from defined benefit obligation	**35,294**	**8,100**	35,965	8,042

Sensitivity in the current period was as follows:

	2013 Post-employment
Growth in discount rate by 1%	**(2,424)**
Decline in discount rate by 1%	**2,863**
Growth in salary growth by 1%	**1,088**
Decline in salary growth by 1%	**(381)**
Growth in rate of employee turnover by 1%	**(1,298)**
Decline in rate of employee turnover by 1%	**1,473**

As of 31 December 2013 and 2012, respectively, the principal actuarial assumptions for the post-employment benefit plans were as follows:

	2013	2012
Discount rate	**7.75%**	7.1%
Duration of defined benefit obligation	**5.5**	5.4
Salary increase	**6.00%**	6.00%
Inflation	**5.60%**	5.60%
Benefits increase (fixed-amount)	**5.60%**	5.60%
Mortality tables	**Russian popul (2010)**	Russian popul (1986-87)

36 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares (Note 19).

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

	2013	2012
Net profit attributable to owners of the Company	**666,859**	1,600,807
Weighted average number of ordinary shares in issue (millions)	**2,739**	2,964
Earnings per share (expressed in US cents per share)	**24.35**	54.01

37 Contingencies, commitments and operating risks

37.1 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 accrued or disclosed in these consolidated financial statements.

Between September and November 2008, a number of purported class action lawsuits were filed in US federal district courts in Minnesota and Illinois. Class actions are civil lawsuits typically filed by a plaintiff seeking monetary damages on behalf of the named plaintiff and all others who are similarly situated. The plaintiffs in the suits filed in Minnesota and Illinois are various corporations and individuals who have filed the suits purportedly on behalf of all direct and indirect purchasers of potash from one of the defendants in the United States. The complaint alleges price fixing violations of the US Sherman Act since 1 July 2003. The Company and BPC (Note 12) were listed among the defendants, as well as certain other potash producers. On 20 September 2012 the Company signed settlement agreements to exit the US antitrust case. The agreements were signed with direct and indirect plaintiffs for US$ 10,000 and US$ 2,750 respectively. On 6 June 2013, the US District Court for the Northern District of Illinois approved the agreement with direct plaintiffs for US$ 10,000, and on 12 June 2013 – the agreement with indirect plaintiffs for US$ 2,750 was also approved. Under the settlement agreements, the Company was released from any liability in connection with the plaintiffs' claims. BPC as a defendant was also released as well as Uralkali Trading SA. The Company did not admit any liability in the settlement agreements. The Company believes that these settlements were in the best interest of the Company to avoid the burdens, costs and distraction of protracted litigation.

37.2 Tax legislation

Russian tax, currency and customs law are subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such laws as applied to the Group's transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by the relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. 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.

Amended Russian transfer pricing legislation took effect from 1 January 2012. These transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The 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.

Management believes that its pricing policy is arm's length and it has implemented internal controls to be in compliance with this transfer pricing legislation.

Given that the practice of implementation of these Russian transfer pricing rules has not yet developed, 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 2013 and 31 December 2012, 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.

Notes to the Consolidated Financial Statements (continued)

(in thousands of US dollars, unless otherwise stated)

37 Contingencies, commitments and operating risks (continued)

37.2 Tax legislation (continued)

The Russian Ministry of Finance has recently issued draft legislation on controllable foreign companies and is also developing tax residency and beneficial ownership legislation. The Russian Government is committed to introduce the new legislation shortly (potentially starting from 2015). The new rules may have a significant impact on taxation of the Group's foreign trading structure in Russia.

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$ 4,538 as of 31 December 2013 (31 December 2012: US$ 4,445). 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.

37.3 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.

37.4 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.

37.5 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.

37.6 Capital expenditure commitments

As of 31 December 2013 the Group had contractual commitments for the purchase of property, plant and equipment from third parties for US$ 358,141 (31 December 2012: US$ 379,576). As of 31 December 2013, the Group had no contractual commitments for the purchase of property, plant and equipment from related parties (31 December 2012: US$ 47,711).

As of 31 December 2013 the Group had contractual commitments for the purchase of intangible assets from third parties for US$ 12,594 (31 December 2012: 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.

37 Contingencies, commitments and operating risks (continued)

37.7 Operating lease commitments

As of 31 December 2013 and 2012, respectively, the Group leased property, plant and equipment, mainly land plots. The future minimum lease payments under non-cancellable operating leases are as follows:

	2013	2012
Not later than 1 year	**4,052**	3,698
Later than 1 year and not later than 5 years	**18,552**	18,490
Later than 5 years	**69,429**	65,494
Total operating lease commitments	**92,033**	87,682

38 Financial risk management

38.1 Financial risk factors

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

(A) MARKET RISK

(i) Foreign exchange risk

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

The Group operates internationally and exports approximately 81% 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 US$/Euro exchange rate fluctuations. The Company is exposed to the risk of RR/US$ 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 2013, if the RR had weakened/strengthened by 10% against the US$ and Euro with all other variables held constant, the post-tax profit for the year would have been US$ 330,708 higher/lower (31 December 2012: US$ 230,426 higher/lower), 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 22, 23). The Group has interest-bearing assets which are at fixed interest rates (Note 17).

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.

Notes to the Consolidated Financial Statements (continued)

(in thousands of US dollars, unless otherwise stated)

38 Financial risk management (continued)

38.1 Financial risk factors (continued)

(A) MARKET RISK (CONTINUED)

(iii) Interest rate risk (continued)

For the year ended 31 December 2013, if LIBOR rates on US$ and MosPrime rates on RR denominated borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been US$ 14,835 (year ended 31 December 2012: US$ 14,968) and US$ 3,741 (year ended 31 December 2012: US$ 4,184) 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$ 1,300,952 (31 December 2012: US$ 2,266,717).

The Group is exposed to concentrations of credit risk. As of 31 December 2013 the Group had twenty five counterparties (31 December 2012: twenty seven) with aggregated receivables balances above US$ 3,055. The total aggregate amount of these balances was US$ 257,503 (31 December 2012: US$ 427,712) or 69% of the gross amount of financial trade and other receivables (31 December 2012: 98%). 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 16).

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 from developed countries with a high reputation are supplied on a credit basis. Although the collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision already recorded (Note 16).

38 Financial risk management (continued)

38.1 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 2013 and 2012, if otherwise not stated in table below:

Rating	2013	2012
Moody's, Fitch, Standard&Poor's		
From AAA / Aaa to A- / A3 (including national scale)	**799,057**	850,038
From BBB+ / Baa1 to BBB- / Baa3 (including national scale)	**118,713**	469,569
From BB+ / Ba1 to B- / B3 (including national scale)	**7,678**	282,952
Unrated*	**7,775**	66,593
Total cash, cash equivalents, deposits and restricted cash not past due nor impaired	**933,223**	1,669,152

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

(C) LIQUIDITY RISK

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

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

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

	Note	Less than 1 year	Between 2 and 5 years	Over 5 years
As of 31 December 2013				
Trade and other payables	25	**437,098**	**–**	**–**
Borrowings		**1,673,116**	**3,101,237**	**136,904**
Bonds issued		**4,033**	**762,274**	**–**
Provisions		**41,299**	**84,365**	**40,212**
Finance lease liabilities	22	**1,498**	**5,991**	**59,907**
Derivative financial liabilities		**(20,984)**	**(109,434)**	**–**
As of 31 December 2012				
Trade and other payables	25	189,436	–	–
Borrowings		1,300,440	2,957,323	–
Provisions		15,310	63,218	75,898
Finance lease liabilities	22	1,613	6,453	66,178
Derivative financial liabilities		101,394	65,873	–

(in thousands of US dollars, unless otherwise stated)

38 Financial risk management (continued)

38.2 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 Group considers total capital to be total equity as shown in the consolidated statement of financial position.

Starting from 2011, the Group monitors capital using capital employed ratio calculated as the sum of long- and short-term bank borrowings divided by the sum of long- and short-term bank borrowings and total equity.

The capital employed ratios as of 31 December 2013 and 31 December 2012 were as follows:

	31 December 2013	31 December 2012
Total bank borrowings (Note 22)	**4,380,953**	3,925,691
Total equity and bank borrowings	**10,122,563**	12,690,278
Capital employed ratio	**43%**	31%

As of 31 December 2013 and 31 December 2012 management has set a level of 30% capital employed ratio as a long-term strategic goal.

39 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 technique with inputs (discount rates for RR and US$) observable in markets.

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

Liabilities carried at amortised cost. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. As of 31 December 2013 and 31 December 2012, the fair value of the current and non-current borrowings, trade and other payables is not materially different from their carrying amounts.

40 Principal subsidiaries and associates

The Group had the following principal subsidiaries and associates as of 31 December 2013:

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 (Note 6)	Scientific institute	80.00%	80.00%	Russia
OJSC Galurgia (Note 6)	Scientific institute	73.25%	73.25%	Russia
CJSC Solikamskii Stroitelnii Trest	Building	72.05%	72.05%	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

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group:

In thousands of Russian Roubles	Place of business (and country of incorporation if different)	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 2013						
CJSC Solikamskii Stroitelnii Trest	**Russia**	**27.95%**	**27.95%**	**(531)**	**6,689**	**–**
OJSC Galurgia (Note 6)	**Russia**	**26.75%**	**26.75%**	**–**	**5,642**	**–**
CJSC VNII Galurgii (Note 6)	**Russia**	**20.00%**	**20.00%**	**–**	**1,802**	**–**
Year ended 31 December 2012						
CJSC Solikamskii Stroitelnii Trest	Russia	27.95%	27.95%	(4,196)	8,265	47

The summarised financial information of these subsidiaries was as follows at 31 December 2013:

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/(Loss)	Total comprehensive income
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 (Note 6)	**15,000**	**27,777**	**(14,391)**	**(3,142)**	**–**	**–**	**–**
CJSC VNII Galurgii (Note 6)	**10,414**	**8,966**	**(8,653)**	**(1,715)**	**–**	**–**	**–**
Year ended 31 December 2012							
CJSC Solikamskii Stroitelnii Trest	24,589	36,892	(18,618)	(2,480)	36,736	(14,655)	(14,655)

Notes to the Consolidated Financial Statements (continued)

(in thousands of US dollars, unless otherwise stated)

41 Events after reporting date

In December 2013 Uralkali Trading SA has concluded an agreement with Federal Land Development Authority of Malaysia (FELDA) to create a joint venture for potash distribution. The joint venture started operating from 1 January 2014 and will focus on securing potash deliveries to the plantations of FELDA and other government plantations in Malaysia and other countries.

In February 2014 Uralkali acquired 25% in Equiplan Participacoes S.A. for US$ 30,000 paid by cash, which is the main shareholder in Terminais Portuários da Ponta do Felix S.A. port terminal in the city of Antonina, Brazil. A prepayment in amount of US$ 15,000 was made in 2013.

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 24th April 2014.

Information on compliance with the recommendations of the UK Corporate Governance Code

Uralkali is the first Russian chemical company to have gone public, which is why we strive to abide by the best international corporate governance standards and practices. The securities of the Company are traded on the London Stock Exchange, therefore we consider the requirements of the UK Corporate Governance Code (hereinafter the UK Code) to be the best practice. Despite the fact that Uralkali is not obliged to comply with the UK Code, we are guided by it in our attempts to improve the corporate governance of the Company. Last year we decided to describe how our Company complies with the recommendations of the UK Code This year we shall continue this tradition.

In the preamble to the UK Code it is stated that the purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the company. At the same time, it is important to remember that the UK Code is not set in stone and may be adapted to the ever-changing economic and social conditions.

By adopting the Corporate Governance Policy in 2012, the Company publicly stated its principles and goals in corporate governance, described the ways to achieve these goals and declared that Uralkali understands corporate governance as an ongoing process where there may not be any permanently fixed rules. Guided by these main principles, we do our best to improve the corporate governance of the Company on a continuous basis.

As each company is unique, we believe that even the very best practices should be implemented with care. The Company must be ready for change and serious consideration should be given to the potential consequences of the implemented changes and practices in order to understand whether a certain practice will really work or whether it will just be a formality. Besides this, it is important to remember that Russian legislation imposes its own specific rules and obligations. This is why when we talk about how Uralkali complies with the recommendations of the UK Code or why we do not use certain practices, we abide by one of the key principles of the UK Code – "comply or explain".

Provisions of the UK Code of Corporate Governance	Information on compliance with the main principles and provisions of the Code
Underlying provisions	
Attention must be paid to the spirit of the Code.	In accordance with Uralkali's Policy corporate governance we understand corporate governance as an ongoing process where there may not be any permanently fixed rules. Guided by the key principles of corporate governance, we seek to develop and improve the corporate governance of the Company. We are with confidence, moving forward our and we will do our best to achieve our goals, such as: – maintaining and increasing the level of shareholders' and stakeholders' trust; – compliance with the applicable legislation and other regulations; – implementation of the best corporate governance practices in order to meet the highest international standards.
Improve impact of shareholder interaction in monitoring the Code by facilitating increased interaction with the Board.	See page 66 of the Annual Report, Shareholder relations.
Leadership of the Chairman: personal report covering section A&B of the Code (role and effectiveness of the Board).	See page 4 of the Annual Report, Chairman's Statement.
Annual re-election of directors.	Para. 9.5 of the Charter.
Comply or explain.	See page 144 of the Annual Report on the "comply or explain" principle.

Provisions of the UK Code of Corporate Governance	Information on compliance with the main principles and provisions of the Code
Section A – Leadership	
A1 – Role of the Board	
A1.1: The Board should meet sufficiently regularly to discharge its duties effectively. There should be a formal schedule of matters specifically reserved for its decision. The annual report should include a statement of how the board operates, including a high level statement of which types of decisions are to be taken by the Board and which are to be delegated to management.	See page 65 of the Annual Report, Planning and scheduling of the Board's work; page 66, Board activities in 2013; page 74, Executive bodies of the Company.
A1.2: The annual report should identify the Chairman, the deputy Chairman (where there is one), the chief executive, the senior independent director and the chairmen and members of the Board committees. It should also set out the number of meetings of the Board and its committees and individual attendance by directors.	See page 62 of the Annual Report, Board of directors; page 67, Total number of meetings of the Board and its committees in 2013. Attendance rate; page 74, Executive Bodies of the Company.
A1.3: The company should arrange appropriate insurance cover in respect of legal action against its directors.	See page 74 of the Annual Report, Information about major and related party transactions.
A2 – Division of responsibilities	
A3 – The Chairman	
(1) The Chairman is responsible for setting the Board's agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues.	Para 4.3 of the Regulations on the Board of Directors of OJSC Uralkali; para. 5.10 of the Code of Corporate Governance of OJSC Uralkali.
(2) The Chairman should also promote a culture of openness and debate by facilitating the effective contribution of nonexecutive directors in particular and ensuring constructive relations between executive and non-executive directors.	See page 65 of the Annual Report, Distribution of functions within the Board; para. 5.10-5.11 of the Code of Corporate Governance of OJSC Uralkali.
(3) The Chairman is responsible for ensuring that the directors receive accurate, timely and clear information. The Chairman should ensure effective communication with shareholders.	See page 65 of the Annual Report, Distribution of functions within the Board; para. 4.3 of the Regulations on the Board of Directors of OJSC Uralkali; para. 5. of the Code of Corporate Governance of OJSC Uralkali.
A3.1: The Chairman should on appointment meet the independence criteria set out in B1.1 below. A chief executive should not go on to be Chairman of the same company. If, exceptionally, a board decides that a chief executive should become Chairman, the Board should consult major shareholders in advance and should set out its reasons to shareholders at the time of the appointment and in the next annual report.	The Chairman meets the required criteria. The roles of the Chairman and CEO are separated, see page 64, of the Annual Report, Composition of the Board and page 65, Distribution of functions within the Board.
A4 – Non executive Directors	
Main Principle	
(a) As part of their role as members of a unitary Board, non-executive directors should constructively challenge and help develop proposals on strategy.	See page 66 of the Annual Report, Strategic session of the Board.
(b) Non-executive directors should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.	See page 68 of the Annual Report, Activities of the Board Committees.
(c) They should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible. They are responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing and, where necessary, removing executive directors, and in succession planning.	See page 71 of the Annual Report, Use of the RMICS in the development of statements; page 68, Activities of the Board Committees.

Provisions of the UK Code of Corporate Governance	Information on compliance with the main principles and provisions of the Code
A4.1: The Board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the Chairman and to serve as an intermediary for the other directors when necessary. The senior independent director should be available to shareholders if they have concerns which contact through the normal channels of Chairman, chief executive or other executive directors has failed to resolve or for which such contact is inappropriate.	See page 68 of the Annual Report, Board of Directors.
A4.2: The Chairman should hold meetings with the non-executive directors without the executives present. Led by the senior independent director, the non-executive directors should meet without the Chairman present at least annually to appraise the Chairman's performance and on such other occasions as are deemed appropriate.	See page 65 of the Annual Report, Distribution of functions within the Board.
A4.3: Where directors have concerns which cannot be resolved about the running of the company or a proposed action, they should ensure that their concerns are recorded in the board minutes. On resignation, a non-executive director should provide a written statement to the Chairman, for circulation to the Board, if they have any such concerns.	Para. 8.5 of the Regulations on the Board of Directors of OJSC Uralkali.
Section B – Effectiveness	
B1 – Composition of the Board	
The Board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.	See page 68 of the Annual Report, Activities of the Board Committees; page 65, Balanced composition of the Board.
B1.1: Identification of independent NEDs, reference to character and judgement and possible relationships which could affect judgement.	See page 62 of the Annual Report, Board of Directors; page 64, Composition of the Board of Directors.
B1.2: At least half the Board should be made up of independent NEDs.	See page 64 of the Annual Report, Composition of the Board of Directors. The Board's composition is fully in line with statutory requirements imposed on the Company.
B2: Appointments to the Board.	
The Board should be satisfied that plans are in place for orderly succession.	See page 65 of the Annual Report, Planning and scheduling of the Board work and page 68, Activities of the Board Committees.
B2.1: There should be a Nomination Committee which should lead the process for board appointments and make recommendations to the board. A majority of members of the Nomination Committee should be independent non-executive directors. The Chairman or an independent non-executive director should chair the committee, but the Chairman should not chair the Nomination Committee when it is dealing with the appointment of a successor to the Chairmanship. The Nomination Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board.	See page 68 of the Annual Report, Activities of the Board Committees and Regulations on the Appointments and Remuneration Committee.
B2.2: The Nomination Committee should evaluate the balance of skills, experience, independence and knowledge on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.	See page 68 of the Annual Report, Activities of the Board Committees.
B2.3: Non-executive directors should be appointed for specified terms subject to re-election and to statutory provisions relating to the removal of a director. Any term beyond six years for a non-executive director should be subject to particularly rigorous review, and should take into account the need for progressive refreshing of the Board.	The current Russian legislation does not indicate any special (maximum) term in office for a non-executive director serving on the Board. Pursuant to para. 9.5 of the Charter, the Board of Directors is elected annually in compliance with the established procedure after which the status of each director elected to the Board is determined. The current procedure for evaluation of the Board of Directors makes it possible to evaluate each member of the Board of Directors on an annual basis.

Provisions of the UK Code of Corporate Governance	Information on compliance with the main principles and provisions of the Code
B2.4: A separate section of the annual report should describe the work of the Nomination Committee, including the process it has used in relation to Board appointments. An explanation should be given if neither an external search consultancy nor open advertising has been used in the appointment of a Chairman or a non-executive director.	See page 68 of the Annual Report, Activities of the Board Committees.
B3 – Commitment	
B3.1: For the appointment of a Chairman, the Nomination Committee should prepare a job specification, including an assessment of the time commitment expected, recognising the need for availability in the event of crises. A Chairman's other significant commitments should be disclosed to the Board before appointment and included in the annual report. Changes to such commitments should be reported to the Board as they arise, and their impact explained in the next annual report.	The Regulations on the Board of Directors of OJSC Uralkali contain this description.
B3.2: The terms and conditions of appointment of non-executive directors should be made available for inspection. The letter of appointment should set out the expected time commitment. Non-executive directors should undertake that they will have sufficient time to meet what is expected of them. Their other significant commitments should be disclosed to the Board before appointment, with a broad indication of the time involved and the Board should be informed of subsequent changes.	Para. 3.3 of the Regulations on the Board of Directors of OJSC Uralkali, existence of Letters of Appointment for the Board members; page 65, of the Annual Report, Induction and training of directors.
B3.3: The Board should not agree to a full time executive director taking on more than one non-executive directorship in a FTSE 100 company nor the Chairmanship of such a company.	There have been no such appointments.
B4 – Development	
The Chairman should ensure directors update their skills and the knowledge and familiarity with the company required to fulfil their role on the Board and on committees.	See page 65 of the Annual Report, Induction and training of directors.
B4.1: The Chairman should ensure that new directors receive a full, formal and tailored induction on joining the Board. As part of this, directors should avail themselves of opportunities to meet major shareholders.	See page 68 of the Annual Report, Board Committees; page 65, of the Annual Report, Induction and training of directors.
B4.2: The Chairman should regularly review and agree with each director their training and development needs.	The duties mentioned above are performed by the Corporate Secretary based on instructions of the Chairman.
B5 – Information and Support	
Supporting Principles: – The Chairman is responsible for ensuring that the directors receive accurate, timely and clear information. Management has an obligation to provide such information but directors should seek clarification or amplification where necessary. Under the direction of the Chairman, the company secretary's responsibilities include ensuring good information flows within the board and its committees and between senior management and non-executive directors, as well as facilitating induction and assisting with professional development as required.	Organisational issues regarding the Board, including information support, pertain to the competence of the Corporate Secretary. The list of documents and information, submitted to directors during preparation for meetings was approved by the Chairman. See page 65, of the Annual Report, Distribution of functions within the Board; para. 5.5 of the Regulations on the Board of Directors of OJSC Uralkali; para. 5.4 of the Regulations on the Corporate Secretary of OJSC Uralkali.
The company secretary should be responsible for advising the Board through the Chairman on all governance matters.	Para. 8.2 of the Code of Corporate Governance of OJSC Uralkali.
B5.1: The Board should ensure that directors, especially non-executive directors, have access to independent professional advice at the company's expense where they judge it necessary to discharge their responsibilities as directors. Committees should be provided with sufficient resources to undertake their duties.	Para. 3.1 of the Regulations on the Board of Directors of OJSC Uralkali.

Provisions of the UK Code of Corporate Governance	Information on compliance with the main principles and provisions of the Code
B5.2: All directors should have access to the advice and services of the company secretary, who is responsible to the board for ensuring that Board procedures are complied with. Both the appointment and removal of the company secretary should be a matter for the Board as a whole.	Para. 8.2 of the Code of Corporate Governance of OJSC Uralkali, Regulations on the Corporate Secretary of OJSC Uralkali.
B6 – Evaluation	
The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	See page 65 of the Annual Report, Review of the Board's performance.
B6.1: The Board should state in the annual report how performance evaluation of the Board, its committees and its individual directors has been conducted.	See page 65 of the Annual Report, Review of the Board 's performance.
B6.2: The non-executive directors, led by the senior independent director, should be responsible for performance evaluation of the Chairman, taking into account the views of executive directors.	See page 65 of the Annual Report, Review of the Board 's performance.
B7 – Re-election	
Directors should be submitted for reelection at regular interval, subject to continued satisfactory performance.	Pursuant to Russian laws, directors may be re-elected for an unlimited number of times; however, shareholders do not have a legal obligation to nominate the directors.
B7.1: All directors of FTSE 350 companies should be subject to annual election by shareholders. All other directors should be subject to election by shareholders at the first annual general meeting after their appointment, and to re-election thereafter at intervals of no more than three years. Non executive directors who have served longer than nine years should be subject to annual re-election. The names of directors submitted for election or re-election should be accompanied by sufficient biographical details and any other relevant information to enable shareholders to take an informed decision on their election.	Para. 9.5 of the Charter.
B7.2 The Board should set out to shareholders in the papers accompanying a resolution to elect a non-executive director why they believe an individual should be elected. The Chairman should confirm to shareholders when proposing re-election that, following formal performance evaluation, the individual's performance continues to be effective and to demonstrate commitment to the role.	Until now the Company has never evaluated the directors' personal contribution to the work of the Board of Directors. Nevertheless, the existing evaluation procedure makes it possible to assess the personal performance of each director. In accordance with paragraph 8.1.2 of the Regulations on the General Meeting of Shareholders of the Company, the Board of Directors approves the information on candidates for election to the Board of Directors which is provided to the shareholders. This information includes brief biographies of the candidates, information on their most significant achievements and information related to their role as members of Board committees.
Section C – Accountability	
Main Principle	
The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board should maintain sound risk management and internal control systems.	Para. 39 of the Charter, page 70, of the Annual Report, Risk-management and internal control; page 69, Audit Committee report; page 68, Activities of the Board Committees.
C1.1: The responsibility statement from directors in the Annual Report and Accounts should contain a statement by the auditors about their reporting responsibilities.	See page 143 of the Annual Report, Responsibility Statement.
C1.2: Directors' explanation regarding preservation of value over the long term and strategy to deliver objectives.	See page 4 of the Annual Report, Chairman's Statement.

Provisions of the UK Code of Corporate Governance	Information on compliance with the main principles and provisions of the Code
C1.3: Directors should report in half-yearly financial statements that the business is a going concern with the necessary supporting evidence.	Annually, at the beginning of September, the Board approves the financial statements (consolidated condensed financial information), prepared in compliance with IFRS, which contains the relevant statement.
C2 – Risk Management and Internal Control	
Main Principle	
The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board should maintain sound risk management and internal control systems.	Para. 39 of the Charter, page 70, of the Annual Report, Risk-management and internal control; page 69, Audit Committee report, Activities of the Board Committees.
C2.1: The Board should, at least annually, conduct a review of the effectiveness of the company's risk management and internal control systems and should report to shareholders that they have done so. The review should cover all material controls, including financial, operational and compliance controls.	See page 70 of the Annual Report, Risk-management and internal control.
C3 – Audit Committee and Auditors	
Main Principle	
The Board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditor.	See page 65 of the Annual Report, Planning and scheduling of the Board work, page 65, of the Annual Report, Activities of the Board Committees, page 69, Audit Committee report.
Code Provisions	
C3.1: The Board should establish an Audit Committee of at least three, or in the case of smaller companies, two, independent non-executive directors. The Board should satisfy itself that at least one member of the Audit Committee has recent and relevant financial experience.	See page 64 of the Annual Report, Composition of the Board; page 68, Activities of the Board Committees.
C3.2: (a) The main role and responsibilities of the Audit Committee should be set out in written terms of reference and should include: to monitor the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, reviewing significant financial reporting judgements contained in them;	Regulations the Audit Committee.
(b) to review the company's internal financial controls and, unless expressly addressed by a separate board risk committee composed of independent directors, or by the Board itself, to review the Company's internal control and risk management systems;	
(c) to monitor and review the effectiveness of the Company's internal audit function;	
(d) to make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;	
(e) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;	

Provisions of the UK Code of Corporate Governance	Information on compliance with the main principles and provisions of the Code
(f) to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm, and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.	Regulations on the Board of Directors of OJSC Uralkali.
C3.3: The terms of reference of the Audit Committee, including its role and the authority delegated to it by the Board, should be made available. A separate section of the annual report should describe the work of the committee in discharging those responsibilities.	Regulations on the Audit Committee.
C3.4: The Audit Committee should review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Audit Committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.	Regulations on the Audit Committee.
C3.5: The Audit Committee should monitor and review the effectiveness of the internal audit activities. Where there is no internal audit function, the Audit Committee should consider annually whether there is a need for an internal audit function and make a recommendation to the Board, and the reasons for the absence of such a function should be explained in the relevant section of the annual report.	See page 69 of the Annual Report. Audit Committee report; page 68, Activities of the Board Committees, Regulations on the Audit Committee.
C3.6: The Audit Committee should have primary responsibility for making a recommendation on the appointment, re-appointment and removal of the external auditor. If the Board does not accept the Audit Committee's recommendation, it should include in the annual report, and in any papers recommending appointment or re-appointment, a statement from the Audit Committee explaining the recommendation and should set out reasons why the Board has taken a different position.	See page 69 of the Annual Report. Audit Committee report; page 67, Activities of the Board Committees, Regulations on the Audit Committee.
C3.7: The annual report should explain to shareholders how, if the auditor provides non-audit services, auditor objectivity and independence is safeguarded.	Regulations on the Audit Committee of OJSC Uralkali, page 69 of the Annual Report, Audit Committee report.
Section D – Remuneration	
D1 – The Level and Components of Remuneration	
Main Principle	
Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.	See page 67 of the Annual Report, Director's remuneration; page 75, Management's remuneration.
Code Provisions	
D1.1: In designing schemes of performance-related remuneration for executive directors, the Remuneration Committee should follow the provisions in Schedule A to this Code.	Compliant.
D1.2: Where a company releases an executive director to serve as a non-executive director elsewhere, the remuneration report should include a statement as to whether or not the director will retain such earnings and, if so, what the remuneration is.	Executive directors remuneration paid by other companies has not been previously disclosed due to the fact that this is not required by the current Russian legislation.

Provisions of the UK Code of Corporate Governance	Information on compliance with the main principles and provisions of the Code
D1.3: Levels of remuneration for non-executive directors should reflect the time commitment and responsibilities of the role. Remuneration for non-executive directors should not include share options or other performance-related elements. If, exceptionally, options are granted, shareholder approval should be sought in advance and any shares acquired by exercise of the options should be held until at least one year after the non-executive director leaves the Board. Holding of share options could be relevant to the determination of a non-executive director's independence (as set out in provision B.1.1).	Non-executive directors remuneration does not include share options. The amount of remuneration paid to non-executive directors is established by the general meeting of shareholders. See para. 9.2 of the Charter of OJSC Uralkali and Regulations on Remuneration and Reimbursement of the members of the Board of Directors of OJSC Uralkali.
D1.4: The Remuneration Committee should carefully consider what compensation commitments (including pension contributions and all other elements) their directors' terms of appointment would entail in the event of early termination. The aim should be to avoid rewarding poor performance. They should take a robust line on reducing compensation to reflect departing directors' obligations to mitigate loss.	Compliant.
D1.5: Notice or contract periods should be set at one year or less. If it is necessary to offer longer notice or contract periods to new directors recruited from outside, such periods should reduce to one year or less after the initial period.	Pursuant to Cl. 9.5. of the Charter of the Company, Board members are elected for a term until the next annual general meeting of shareholders.
D2 – Procedure	
Main Principle	
There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.	See page 76 of the Annual Report, Managements remuneration, Regulations on the Appointments and Remuneration Committee.
Code Provisions	
D2.1: The Board should establish a Remuneration Committee of at least three, or in the case of smaller companies two, independent non-executive directors. In addition the company Chairman may also be a member of, but not chair, the committee if he or she was considered independent on appointment as Chairman. The Remuneration Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board. Where remuneration consultants are appointed, a statement should be made available of whether they have any other connection with the company.	See page 68 of the Annual Report, Activities of the Board Committees; page 68, Activities of the Board Committees, Regulations on the Appointments and Remuneration Committee.
D2.2: The Remuneration Committee should have delegated responsibility for setting remuneration for all executive directors and the Chairman, including pension rights and any compensation payments. The committee should also recommend and monitor the level and structure of remuneration for senior management. The definition of 'senior management' for this purpose should be determined by the Board but should normally include the first layer of management below board level.	Regulations on the Appointments and Remuneration Committee.
D2.3: The Board itself or, where required by the Articles of Association, the shareholders should determine the remuneration of the non-executive directors within the limits set in the Articles of Association. Where permitted by the Articles, the Board may however delegate this responsibility to a committee, which might include the chief executive.	Para. 9.2 of the Charter, Regulations on Remuneration and Reimbursement of the members of the Board of Directors.
D2.4: Shareholders should be invited specifically to approve all new long-term incentive schemes (as defined in the Listing Rules 26) and significant changes to existing schemes, save in the circumstances permitted by the Listing Rules.	Not applicable. For more information on remuneration of management see page 75 of the Annual Report, Management's remuneration.

Provisions of the UK Code of Corporate Governance	Information on compliance with the main principles and provisions of the Code
Section E – Relations with shareholders	
E1 – Dialogue with Shareholders	
Main Principle	
(a) There should be a dialogue with shareholders based on the mutual understanding of objectives. The Board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.	See page 66 of the Annual Report, Shareholder relations.
Supporting Principles	
(b) Whilst recognising that most shareholder contact is with the chief executive and finance director, the Chairman should ensure that all directors are made aware of their major shareholders' issues and concerns.	
(c) The Board should keep in touch with shareholder opinion in whatever ways are most practical and efficient.	
Code Provision	
E1.1: (a) The Chairman should ensure that the views of shareholders are communicated to the Board as a whole.	See page 66 of the Annual Report, Shareholder relations.
(b) The Chairman should discuss governance and strategy with major shareholders.	See page 66 of the Annual Report, Strategic Session.
(c) Non-executive directors should be offered the opportunity to attend scheduled meetings with major shareholders and should expect to attend meetings if requested by major shareholders.	See page 66 of the Annual Report, Shareholder relations.
(d) The senior independent director should attend sufficient meetings with a range of major shareholders to listen to their views in order to help develop a balanced understanding of the issues and concerns of major shareholders.	See page 66 of the Annual Report, Shareholder relations; page 66, Review of the Board performance.
E1.2: The Board should state in the annual report the steps they have taken to ensure that the members of the Board, and, in particular, the non-executive directors, develop an understanding of the views of major shareholders about the company, for example through direct face-to-face contact, analysts' or brokers' briefings and surveys of shareholder opinion.	See page 66 of the Annual Report, Shareholder relations; page 65, Review of the Board performance.

B1.1.

The Board should identify in the annual report each non-executive director it considers to be independent. The Board should determine whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. The Board should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the director:

- has been an employee of the company or group within the last five years;
- has, or has had within the last three years, a material business relationship with the company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company;
- has received or receives additional remuneration from the company apart from a director's fee, participates in the company's share option or a performance-related pay scheme, or is a member of the company's pension scheme;
- has close family ties with any of the company's advisers, directors or senior employees;
- holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;
- represents a significant shareholder; or
- has served on the board for more than nine years from the date of their first election.

Schedule A: The design of performance-related remuneration for executive directors

The remuneration committee should consider whether the directors should be eligible for annual bonuses.	Compliant.
If so, performance conditions should be relevant, stretching and designed to promote the long-term success of the company.	Compliant.
Upper limits should be set and disclosed.	The company does not pay remuneration in shares.
There may be a case for part payment in shares to be held for a significant period.	Compliant.
The remuneration committee should consider whether the directors should be eligible for benefits under long-term incentive schemes. Traditional share option schemes should be weighed against other kinds of long-term incentive scheme.	The company does not offer share options.
Executive share options should not be offered at a discount save as permitted by the relevant provisions of the Listing Rules.	Compliant.
In normal circumstances, shares granted or other forms of deferred remuneration should not vest, and options should not be exercisable, in less than three years.	The company does not offer share options.
Directors should be encouraged to hold their shares for a further period after vesting or exercise, subject to the need to finance any costs of acquisition and associated tax liabilities.	Incentive schemes are approved by the Board of Directors.
Any new long-term incentive schemes which are proposed should be approved by shareholders and should preferably replace any existing schemes or, at least, form part of a well considered overall plan incorporating existing schemes. The total rewards potentially available should not be excessive.	Compliant.
Payouts or grants under all incentive schemes, including new grants under existing share option schemes, should be subject to challenging performance criteria reflecting the company's objectives, including non-financial performance metrics where appropriate. Remuneration incentives should be compatible with risk policies and systems.	Compliant.
Grants under executive share option and other long-term incentive schemes should normally be phased rather than awarded in one large block.	Compliant.
Consideration should be given to the use of provisions that permit the company to reclaim variable components in exceptional circumstances of misstatement or misconduct.	Compliant.
In general, only basic salary should be pensionable. The remuneration committee should consider the pension consequences and associated costs to the company of basic salary increases and any other changes in pensionable remuneration, especially for directors close to retirement.	The Company does not have a pension plan.

srk consulting

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The Board of Directors
Joint Stock Company Uralkali
63 Pyatiletki Street
Berezniki
618426
Perm Territory
Russian Federation

Dear Sirs,

RE: Review of the Mineral Resources and Ore Reserves of 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 2014) 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 2014. 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).

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

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

[1] Potassium salts, magnesium salts and rock salt.
[2] Potassium salts and rock salt.
[3] Potassium and magnesium salt.

categories, apart from C2, are acceptable for use in supporting mining plans and feasibility studies. In the case of the Uralkali assets, blocks have been assigned to the A category where the drillhole spacing is less than 1km, to the B category where the drillhole spacing is between 1 and 2km and to the C1 category where the drillhole spacing is 2km. Areas drilled at a larger spacing than this, up to a 4km spacing, have been assigned to the C2 category, although only a very small proportion of Uralkali's resources have been categorised as such.

As a result of the above process, each mine is typically drilled on a 2 km by 2 km grid or less before a decision is taken to develop the mine. This information is, however, then supplemented by underground drilling once the access development is in place. This typically creates a grid of intersections measuring 400 m by 200 m. While Uralkali does not regularly upgrade the categorisation of its resources based on this drilling, which it rather uses to optimise the mining layouts, it does periodically undertake a re-estimation calculation on specific areas and will take into account the available data from this underground drilling in doing this where relevant.

The 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 external laboratory 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 is in the process of being updated from the original estimate undertaken in 1975. Exploration has generally been undertaken by State enterprises based in Solikamsk and Berezniki although the recent drilling at Polovodovsky has been undertaken by a third party contractor.

The total number of exploration holes and metres drilled at each mine/prospect is as follows:

- Solikamsk-1 – 53 holes for some 18,600 m;
- Solikamsk-2 – 192 holes for some 5,700 m (of which some 95 are from underground);
- Solikamsk-3 – 117 holes for some 45,250 m; and
- Polovodovsky – 152 holes for some 50,800 m up to 1975 and 36 holes for some 12,650m between 2009 and 2012.

The diamond drillholes, whether drilled from surface or underground, were drilled with a diameter of either 92 mm or 112 mm for surface holes and 50-76 mm for underground holes. Holes were sampled at intervals between 10 cm and 6 m, averaging between 105 cm to 130 cm. Core recovery through the 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 external laboratory for check assaying, which SRK understands to be at the neighbouring Uralkali mine laboratory.

A total of 423 samples have to date been taken for density measurements using the water displacement method.

In the case of these former Silvinit mines, blocks have been assigned to the A category where the drillhole spacing is less than 1,200m, to the B category where the drillhole spacing is up to 2,400m and to the C1 category where the drillhole spacing is up to 4,000 m. Areas drilled at a larger spacing than this, but on average with a spacing of no less than 4,000 m have been assigned to the C2 category. Each mine is drilled on an approximate 2.4km by 2.4km grid or less before a decision is taken to develop the mine. This information is, however, then supplemented by underground drilling once the access development is in place. This typically creates a grid of intersections measuring from 100m by 300m or in cases up to 400 m by 800 m. As is the case with Uralkali, Silvinit does not upgrade the estimation or categorisation of its resources based on this underground drilling on a regular basis but rather uses 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.

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 2014. 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 2013. 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 a portion of the original estimate produced in 1975 has been updated during 2013. The resource estimate on the remaining area of Polovodovksy is also being updated and is due for completion during Q2 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 K_2O and MgO grades are derived for each borehole that intersected each block and mean grades are then derived for each block by simply calculating a length weighted average of all of these composited intersections. No top cuts are applied and all intersections are allocated the same weighting.

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

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

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 2014. 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% K_2O (Polovodovsky) and 15.5% K_2O (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 2014. 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 2014

Category	Tonnage (Mt)	K_2O (%)	K_2O (Mt)
Berezniki 2			
A	7.9	33.5	2.6
B	52.7	22.9	12.1
C1	213.1	24.9	53.0
A+B+C1	**273.7**	**24.8**	**67.7**
C2	–	–	–
Berezniki 4			
A	285.5	21.6	61.8
B	424.2	22.5	95.6
C1	1,013.7	20.6	208.9
A+B+C1	**1,723.4**	**21.3**	**366.4**
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	105.4	18.0	18.9
B	14.2	15.4	2.2
C1	197.1	16.9	33.3
A+B+C1	**316.7**	**17.2**	**54.5**
C2	–	–	–
Solikamsk 2			
A	113.7	19.3	21.9
B	80.5	13.9	11.2
C1	848.0	17.8	150.6
A+B+C1	**1,042.1**	**17.6**	**183.8**
C2	–	–	–
Solikamsk 3			
A	101.9	17.5	17.8
B	208.6	17.0	35.4
C1	1,047.9	17.2	180.3
A+B+C1	**1,358.4**	**17.2**	**233.5**
C2	–	–	–
Polovodovsky			
A	–	–	–
B	504.7	16.7	84.3
C1	1,696.8	17.3	293.5
A+B+C1	**2,201.5**	**17.2**	**377.8**
C2	260.8	15.3	39.8
Summary All Mines			
A	784.2	19.8	155.5
B	1,596.0	18.9	302.4
C1	5,826.3	18.5	1,080.1
A+B+C1	**8,206.5**	**18.7**	**1,538.0**
C2	571.1	21.6	123.1

Table 3: Uralkali Carnalite Mineral Resource Statement at 1 January 2014

Category	Tonnage (Mt)	MgO (%)	MgO (Mt)
Solikamsk 1			
A	117.7	10.0	11.8
B	19.6	8.8	1.7
C1	–	–	–
A+B+C1	**137.3**	**9.9**	**13.6**
C2	–	–	–

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 therefore be considered as additional to this.

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

Table 4: SRK Audited Sylvinite Mineral Resource Statement at 1 January 2014

Category	Tonnage (Mt)	K_2O (%)	K_2O (Mt)
Berezniki 2			
Measured	60.6	24.3	14.7
Indicated	213.1	24.9	53.0
Measured + Indicated	**273.7**	**24.8**	**67.7**
Inferred	–	–	–
Berezniki 4			
Measured	709.7	22.2	157.4
Indicated	1,013.7	20.6	208.9
Measured + Indicated	**1,723.4**	**21.3**	**366.4**
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	119.6	17.7	21.1
Indicated	197.1	16.9	33.3
Measured + Indicated	**316.7**	**17.2**	**54.5**
Inferred	–	–	–
Solikamsk 2			
Measured	194.2	17.1	33.1
Indicated	848.0	17.8	150.6
Measured + Indicated	**1,042.1**	**17.6**	**183.8**
Inferred	–	–	–
Solikamsk 3			
Measured	310.5	17.1	53.2
Indicated	1,047.9	17.2	180.3
Measured + Indicated	**1,358.4**	**17.2**	**233.5**
Inferred	–	–	–
Polovodovsky			
Measured	504.7	16.7	84.3
Indicated	1,696.8	17.3	293.5
Measured + Indicated	**2,201.5**	**17.2**	**377.8**
Inferred	260.8	15.3	39.8
Summary All Mines			
Measured	2,380.2	19.2	457.9
Indicated	5,826.3	18.5	1,080.1
Measured + Indicated	**8,206.5**	**18.7**	**1,538.0**
Inferred	571.1	21.6	123.1

Table 5: SRK Audited Carnalite Mineral Resource Statement at 1 January 2014

Category	Tonnage (Mt)	MgO (%)	MgO (Mt)
Solikamsk 1			
Measured	137.3	9.9	13.6
Indicated	-	-	-
Measured + Indicated	137.3	9.9	13.6
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 2014.

The audited Mineral Resource statement as at 1 January 2014 presented above |is different to that presented as at 1 January 2013. While this is partly a function of mining activity during 2013 and some re-assessments completed during the year by Uralkali, there are a number of significant changes to the Mineral Resource statement that have occurred during 2013 and these are summarised as follows:

– A portion of Polovodovsky, in the southern area of the licence, has been re-estimated during 2013 (termed Polovodovsky 1st Stage by Uralkali). The net effect of this re-estimation has been to reduce the total Polovodovsky Mineral Resource by some 214Mt. The primary reason for this reduction is the exclusion of blocks in the southernmost part of the re-estimated area, which had been included in the original estimate, but which are in an area that has now been designated a 'sanitary protection zone' due to the presence of an underground aquifer above the mineralised horizons that is important for the town of Berezniki. Uralkali believes it would not be permitted to mine beneath this area for the foreseeable future and as such it has been removed from the Mineral Resource Estimate and SRK agrees with this approach.

- As part of long term mine planning considerations Uralkali has also revised the mine boundaries at the Solikamsk mines and re-allocated the resources as follows:
  - A total of some 111Mt has been re-allocated from the northwestern part of Solikamsk-3 to the neighbouring Solikamsk-1 as this area is now planned to be accessed for mining in the future from Solikamsk-1;
  - A total of some 575Mt has been re-allocated from the southern part of Solikamsk-3 to the neighbouring Solikamsk-2 as this area is now planned to be accessed for mining in the future from Solikamsk-2; and
  - A total of some 665Mt has been re-allocated from the re-estimated area of Polovodovsky noted above (Polovodovsky 1st Stage) to the neighbouring Solikamsk-3 as this area is now planned to be accessed for mining in the future from Solikamsk-3.
- The net effect on the total Mineral Resources for the Solkamsk licences for the above boundary changes is zero, however, this has resulted in the Mineral Resources at Solikamsk-1 and Solikamsk-2 increasing by an amount equal to the corresponding decrease from Solikamsk-3, and Solikamsk-3 increasing by an amount equal to the corresponding decrease from Polovodovsky.
- A portion of the Solikamsk-1 carnallite resource has been removed from the estimate during the year (some 27Mt) for safety reasons and specifically due to the presence of infrastructure (mainly railway lines) above these blocks at surface. SRK agrees that it is appropriate to remove this material from the Mineral Resource statements as there is little potential for it to be extracted in the foreseeable future.

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.

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 gained during its site visit 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 2014 to 2033. 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 K_2O/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 six to eight 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 six to eight 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)	39%	93%
Solikamsk 1 (carnallite)	31%	97%
Solikamsk 2	47%	87%
Solikamsk 3	52%	87%
Berezniki 2	37%	82%
Berezniki 4	46%	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 2013 and a revised production forecast for 2014 to 2033 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 at a relatively early stage and 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. 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 review, 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-Yayvibsky 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 USD92/tonne in January 2014 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 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.

Table 7: SRK Audited Sylvinite Ore Reserve Statement at 1 January 2014

Category	Tonnage (Mt)	K_2O (%)	K_2O (Mt)
Berezniki 2			
Proven	22.4	19.9	4.5
Probable	77.5	20.5	15.9
Total	**99.9**	**20.3**	**20.3**
Berezniki 4			
Proven	173.9	18.9	32.9
Probable	162.3	18.7	30.4
Total	**336.2**	**18.8**	**63.3**
Ust-Yayvinsky			
Proven	32.0	16.6	5.3
Probable	105.3	16.6	17.5
Total	**137.3**	**16.6**	**22.8**
Solikamsk 1			
Proven	45.8	16.4	7.5
Probable	46.1	15.7	7.3
Total	**91.9**	**16.1**	**14.8**
Solikamsk 2			
Proven	91.3	15.0	13.7
Probable	132.2	15.6	20.7
Total	**223.4**	**15.4**	**34.4**
Solikamsk 3			
Proven	127.1	14.9	19.0
Probable	132.7	15.0	19.9
Total	**259.8**	**14.9**	**38.8**
Polovodovsky			
Proven	–	–	–
Probable	–	–	–
Total	**–**	**–**	**–**
Summary All Mines			
Proven	492.4	16.8	82.8
Probable	656.0	17.0	111.5
Total	**1,148.5**	**16.9**	**194.4**

Table 8: SRK Audited Carnalite Ore Reserve Statement at 1 January 2014

Category	Tonnage (Mt)	MgO (%)	MgO (Mt)
Solikamsk 1			
Proven	12.9	9.6	1.2
Probable	–	–	–
Total	**12.9**	**9.6**	**1.2**

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. 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: 7 years
- Solikamsk 2: 24 years
- Solikamsk 3: 33 years

Furthermore, Ust-Yayvsinky is assumed to commence production in 2020, and while it is therefore operational over 14 years of the 20 years covered by the Business Plan, at the currently assumed 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 2014 presented above is different to that presented as at 1 January 2013 as a result of mining during 2013, the extension of, and revisions to, the forecast mined tonnages in the Uralkali Business Plan to 2033 and the revisions to the Mineral Resource statements commented upon earlier in this report.

The most significant change in the Ore Reserve compared to the prior year statement is a reduction of some 123Mt at Solikamsk-3. The primary reason for this is that the prior year Business Plan assumed that the planned second stage expansion project at this mine and processing facility would be implemented by 2018 which would have increased the mining and processing capacity to some 21Mtpa from that point. However, due to strategic and marketing decisions made by Uralkali management, the second stage expansion project has been postponed for the foreseeable future and has therefore been removed from the Business Plan. As such Solikamsk-3 is expected to reach a capacity of some 13Mtpa from 2017 (following completion of the current first stage expansion project) resulting in the overall reduction in the total tonnage planned to be mined by the 20 year period of the current Business Plan compared to the previous plan, which correspondingly reduces the Ore Reserve estimate for this mine.

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 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 debottlenecking 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

Dr Mike Armitage
Chairman & Corporate Consultant (Resource Geology),

SRK Consulting (UK) Limited

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Principal Consultant (Geology/Mineral Economics),

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Criteria	JORC Code explanation	Commentary
Section 1 – Sampling Techniques and Data		
Sampling techniques	– Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling. – Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. – Aspects of the determination of mineralisation that are Material to the Public Report. – In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.	The Mineral Resource and Ore Reserve estimates derived for Berezniki projects are primarily based on surface exploration drilling undertaken between 1972 and 1998. The Mineral Resource and Ore Reserve estimates derived for Solikamsk projects are primarily based on surface exploration drilling undertaken between 1925 and 2012. Exploration was generally undertaken by State enterprises based in Solikamsk and Berezniki. Further underground drilling is taking place at the operating mines and data from this is also used to update the Resource Estimates from time to time.
Drilling techniques	– Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).	The diamond drillholes drilled from surface and underground were drilled with a diameter of either 92 mm or 112 mm for surface holes and 50-76 mm for underground holes. In all cases holes were sampled at intervals between 10 cm and 6 m, averaging between 105 cm and 130 cm.
Drill sample recovery	– Method of recording and assessing core and chip sample recoveries and results assessed. – Measures taken to maximise sample recovery and ensure representative nature of the samples. – Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	Core recovery through the sylvinite horizons is reported to be good at an average of 84-85%, while the recovery through the carnallite horizon at Solikamsk 1 is reported to be 74%.
Logging	– Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. – Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography. – The total length and percentage of the relevant intersections logged.	Drill core samples are subject to the follow analysis: – 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.

Criteria	JORC Code explanation	Commentary
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.
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.

Criteria	JORC Code explanation	Commentary
Orientation of data in relation to geological structure	– Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. – If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.	All drill holes have been drilled vertically through a flat lying/gently dipping and undulating orebody, which SRK considers is appropriate.
Sample security	– The measures taken to ensure sample security.	Core samples taken from surface holes are kept in covered storage, until the state Examination is passed, after which this is discarded. Of the core material taken from underground holes, samples are prepared for chemical assays and physical and mechanic studies. Sample duplicates are kept in underground storages and are discarded after panels (blocks) are completely mined out.
Audits or reviews	– The results of any audits or reviews of sampling techniques and data.	The work undertaken by SRK represents an audit of the Mineral Resource estimates derived by Uralkali. SRK considers the sample collection and assaying techniques to be appropriate for the style of geometry and style of mineralisation and the data is suitable for use in the Mineral Resource and Ore Reserve estimates. The Russian State authority RosGeoFond also reviews reports on resource re-estimations (via the 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.

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. **Berezniki 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 K_2O and MgO grades are derived for each borehole that intersected each block and mean grades are then derived for each block by simply calculating a length weighted average of all of these composited intersections. No top cuts are applied and all intersections are allocated the same weighting. A separate plan is produced for each seam showing the results of the above calculations, the lateral extent of each sub-block, and any areas where the seams are not sufficiently developed. The aerial coverage of each block is then used with the mean thickness of the contained intersections to derive a block volume. The tonnage for each block is then derived from this by applying a specific gravity factor calculated by averaging all of the specific gravity determinations made from samples within that block. The data for each resulting block is plotted on a Horizontal Longitudinal Projection (HLP). This shows the horizontal projection of the extent of each block as well as its grade and contained tonnage. The HLP also shows the block classification, this being effectively a reflection of the confidence 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% K_2O. 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.

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		
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.

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.
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.

Criteria	JORC Code explanation	Commentary
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 USD212/t.
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.
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. 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.

Criteria	JORC Code explanation	Commentary
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.
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 USD92/tonne in January 2014 terms. 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.

Terms and abbreviations

Agrium	Agrium Inc., Canada
APC	Arab Potash Company Ltd, Jordan
Belaruskali	OJSC Belaruskali, Belorussia
Canpotex	Canpotex limited, Canada.
ICL	Israel Chemicals Ltd., Israel
K+S	K+S Group, Germany
Mosaic	The Mosaic Company, USA
PotashCorp	Potash Corporation of Saskatchewan, Canada
SQM	Mineral fertilisers producing company (Sociedad Quimica y Minera de Chile), Chili
CFR	"Cost and Freight", title transfers when goods pass the rail of the ship in the port of shipment
FCA	"Free Carrier", title transfers when goods are loaded on the first carrier (railway carriages)
FOB	"Free On Board", title to goods transfers as soon as goods are loaded on the ship
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: $KMgCl3 \cdot 6(H_2O)$
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
Fertecon	Fertiliser Economic Market Analysis and Consultancy, UK
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
RAPU	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
ths.	thousand
US$	US dollar
2014E	Estimated data for 2014
2015F	Forecasted data for 2015
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
FIFR	Work related fatal injury frequency rate
R&D projects	Research and Development projects
AGMs	Annual General Meetings
EGMs	Extraordinary General Meetings
The Group	OJSC Uralkali and its subsidiaries
RM&IC	Risk Management and Internal Control System

Uralkali 2013 Annual Report approval

D.V. Osipov
CEO

S.G. Zotova
Chief Accountant

This Urakali Annual Report has been approved by Uralkali Board of Directors on 24th April 2014 (Minutes of the Board of Directors No 294 dated 24.04.2014).

The Uralkali Revision Commission has confirmed the accuracy of the data included in this Annual Report.

Disclaimer

This Annual Report has been prepared on the basis of the information available to the Open Joint Stock Company Uralkali and its subsidiaries (hereinafter, Uralkali) as at the date hereof. This Annual Report contains forward looking statements. All forward looking statements contained herein and all subsequent oral or written forward looking statements attributable to Uralkali or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statements below. All statements included in this Annual Report, other than statements of historical facts, may be forward looking statements. Words such as “forecasts”, “believes”, “expects”, “intends”, “plans”, “prediction”, “will”, “may”, “should”, “could”, “anticipates”, “estimates”, “seeks”, “considers”, “assumes”, “continues”, “strives”, “projects”, or any expression or word with similar meaning or the negative thereof, usually indicate the forward looking nature of the statement. Forward looking statements may include statements relating to Uralkali’s operations, financial performance, earnings, economic indicators, results of operation and production activities, dividend policies, capital expenditures, as well as trends relating to commodity prices, production and consumption volumes, costs, expenses, development prospects, useful lives of assets, reserves, the commencement and completion dates of certain production projects, and the acquisition, liquidation or disposal of certain entities, and other similar factors and economic projections with respect to Uralkali’s business, as well as the industry and markets in which it operates. Forward looking statements are not guarantees of future performance. They involve numerous assumptions regarding the present and future strategies of Uralkali and the environment in which it operates and will operate in the future and involve a number of known and unknown risks, uncertainties and other factors that could cause Uralkali’s or its industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward looking statements. Uralkali provides no assurance whatsoever that its or its industry’s actual results, levels of activity, performance or achievements will be consistent with the future results, levels of activity, performance or achievements expressed or implied by any forward looking statements contained in this Annual Report or otherwise. Uralkali accepts no responsibility for any losses whatsoever that may result from any person’s reliance on any such forward looking statements. Except where required by applicable law, Uralkali expressly disclaims any obligation or undertaking to disseminate or publish any updates or amendments to forward looking statements to reflect any change in expectations or new information or subsequent events, conditions or circumstances.

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Operating licence to maintain
share register

Licence number: 10-000-1-00252

Date of issue: 06.09.2002

Date of expiry: Perpetual

Issuing authority: Federal Financial
Markets Service

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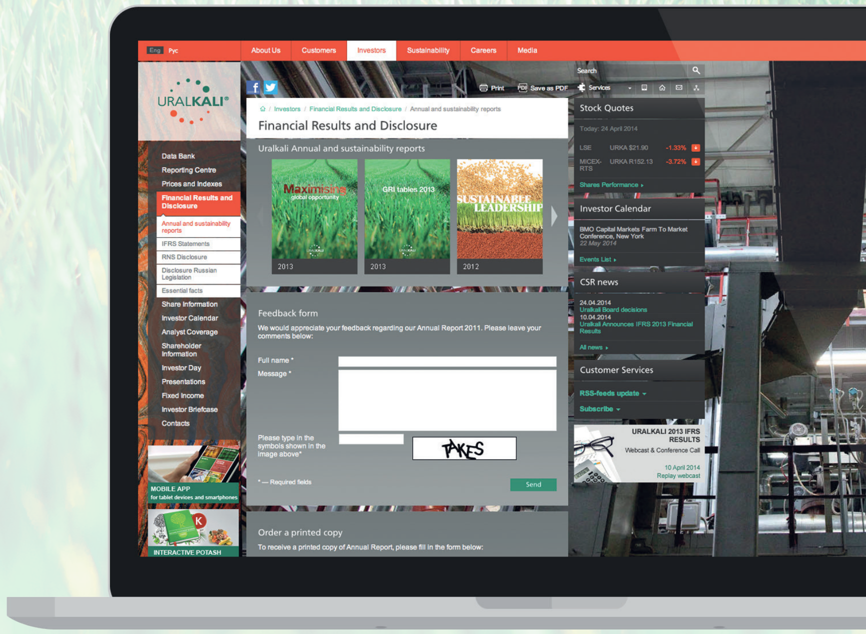

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www.blacksunplc.com

Printed in accordance
with provided files
by Pareto-Print, Tver',
www.pareto-print.ru


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