URALKALI GROUP

Interim Condensed Consolidated Financial Statements for the Six Months Ended 30 June 2015 and Review Report

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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Public Joint Stock Company "Uralkali" and subsidiaries (collectively – the "Group") as of 30 June 2015 and the related interim condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six month then ended, and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial statements in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Moscow, Russian Federation
24 August 2015

Deloitte & Touche

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(in thousands of US dollars, unless otherwise stated)

	Note	30 June 2015	31 December 2014
ASSETS			
Non-current assets:			
Property, plant and equipment	6	1,922,882	1,899,108
Prepayments for acquisition of property, plant and equipment and intangible assets		164,260	129,981
Goodwill		1,062,442	1,048,573
Intangible assets	7	3,208,016	3,192,065
Deferred income tax asset		45,441	14,644
Income tax prepayments	8	-	128,983
Other non-current assets		22,918	22,270
Total non-current assets		**6,425,959**	**6,435,624**
Current assets:			
Inventories		150,588	143,374
Trade and other receivables		427,829	455,283
Advances to suppliers		25,836	25,844
Income tax prepayments	8	154,776	76,610
Derivative financial assets	15	-	12,994
Other financial assets at fair value through profit or loss		68,142	61,209
Deposits	9	70,000	300,000
Cash and cash equivalents	9	2,434,640	2,155,247
		3,331,811	**3,230,561**
Non-current assets held for sale		3,128	3,672
Total current assets		**3,334,939**	**3,234,233**
TOTAL ASSETS		**9,760,898**	**9,669,857**
EQUITY			
Share capital	10	35,762	35,762
Treasury shares	10	(11,610)	(5,759)
Share premium		3,279,264	4,361,346
Currency translation reserve		(3,443,018)	(3,609,136)
Retained earnings		2,430,443	1,879,243
Equity attributable to the company's equity holders		**2,290,841**	**2,661,456**
Non-controlling interests		**11,464**	**9,383**
TOTAL EQUITY		**2,302,305**	**2,670,839**
LIABILITIES			
Non-current liabilities:			
Borrowings	13	4,705,727	4,418,632
Bonds	14	579,868	580,125
Post-employment and other long-term benefit obligations		33,643	30,967
Deferred income tax liability		508,288	459,223
Provisions	11	60,093	41,057
Mine flooding provision	12	-	3,946
Derivative financial liabilities	15	383,023	525,257
Total non-current liabilities		**6,270,642**	**6,059,207**
Current liabilities:			
Borrowings	13	743,208	628,030
Bonds	14	3,847	3,847
Trade and other payables		208,503	163,858
Advances received		25,975	31,723
Provisions	11	35,011	31,661
Mine flooding provision	12	32,351	16,906
Derivative financial liabilities	15	122,354	42,634
Current income tax payable		600	694
Other taxes payable		16,102	20,458
Total current liabilities		**1,187,951**	**939,811**
TOTAL LIABILITIES		**7,458,593**	**6,999,018**
TOTAL LIABILITIES AND EQUITY		**9,760,898**	**9,669,857**

Approved for issue and signed on behalf of the Board of Directors on 24 August 2015.

Dmitry Osipov
Chief Executive Officer

Anton Vishanenko
Chief Financial Officer

(in thousands of US dollars, unless otherwise stated)

	Note	Six months ended 30 June 2015	Six months ended 30 June 2014
Revenues	16	1,562,254	1,725,919
Cost of sales	17	(292,976)	(495,010)
Gross profit		**1,269,278**	**1,230,909**
Distribution costs	18	(316,076)	(500,310)
General and administrative expenses	19	(78,448)	(110,652)
Taxes other than income tax		(12,223)	(24,082)
Other operating income and expenses, net	20	(48,304)	(30,918)
Operating profit		**814,227**	**564,947**
Finance income	21	122,601	11,864
Finance expense	21	(273,776)	(131,246)
Profit before income tax		**663,052**	**445,565**
Income tax expense		(106,884)	(75,275)
Net profit for the period		**556,168**	**370,290**
Profit attributable to:			
Owners of the Company		554,087	366,896
Non-controlling interests		2,081	3,394
Net profit for the period		**556,168**	**370,290**
Earnings per share – basic and diluted (in US cents)		**22.15**	**14.28**

(in thousands of US dollars, unless otherwise stated)

	Six months ended 30 June 2015	Six months ended 30 June 2014
Net profit for the period	**556,168**	**370,290**
Other comprehensive income/(loss)		
Items that will not be reclassified to profit or loss:		
Remeasurement of post-employment benefit obligations	(2,887)	916
Items that may be subsequently reclassified to profit or loss:		
Effect of translation to presentation currency	166,118	(142,226)
Total other comprehensive income/(loss) for the period	**163,231**	**(141,310)**
Total comprehensive income for the period	**719,399**	**228,980**
Total comprehensive income for the period attributable to:		
Owners of the Company	717,318	225,586
Non-controlling interests	2,081	3,394

(in thousands of US dollars, unless otherwise stated)

	Note	Six months ended 30 June 2015	Six months ended 30 June 2014
Cash flows from operating activities			
Profit before income tax		663,052	445,565
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets		119,204	205,565
Changes in the fair value of derivative financial instruments	15	(64,976)	26,473
Net loss on disposals of property, plant and equipment and impairment of prepayments for acquisition of property, plant and equipment and intangible assets	20	13,953	13,779
Reversal of impairment of property, plant and equipment related to Solikamsk-2	20	(2,945)	-
Accrual of provision for impairment of receivables	20	5,197	429
Accrual of mine flooding provision	20	23,698	-
Net change in provisions and other allowances		(18,350)	(5,689)
Other finance expense, net		90,718	80,789
Foreign exchange loss, net	21	125,429	8,546
Operating cash flows before working capital changes		**954,980**	**775,457**
Decrease in trade and other receivables		12,116	19,183
(Increase)/decrease in inventories		(6,758)	17,324
Increase/(decrease) in trade and other payables		51,315	(60,750)
Increase/(decrease) in other taxes payable		197	(11,435)
Cash generated from operations		**1,011,850**	**739,779**
Interest paid	13,14	(143,687)	(127,731)
Income tax paid		(18,254)	(54,769)
Net cash generated from operating activities		**849,909**	**557,279**
Cash flows from investing activities			
Acquisition of intangible assets		(3,090)	(12,750)
Acquisition of property, plant and equipment		(110,560)	(188,453)
Proceeds from sales of property, plant and equipment and non-current assets held for sale		39	1,086
Purchase of other non-current assets		-	(15,009)
Purchase of bonds		-	(56,259)
Sales of bonds		-	54,985
Decrease in deposits		230,000	2,859
Interest received		19,894	6,175
Net cash generated/(used in) from investing activities		**136,283**	**(207,366)**
Cash flows from financing activities			
Repayments of borrowings and bonds	13,14	(513,868)	(982,086)
Proceeds from borrowings	13,14	862,696	754,496
Syndication fees and other financial charges paid		(16,259)	(23,099)
Cash proceeds from derivatives	15	32,481	46,570
Cash paid for derivatives	15	(22,509)	(75,101)
Acquisition of non-controlling interests		-	(800)
Acquisition of treasury shares	10	(1,087,933)	-
Finance lease payments		(432)	(715)
Dividends paid to the Company's shareholders		(100)	(178,819)
Net cash used in financing activities		**(745,924)**	**(459,554)**
Effect of foreign exchange rate changes on cash and cash equivalents		39,125	(10,971)
Net increase/(decrease) in cash and cash equivalents		**279,393**	**(120,612)**
Cash and cash equivalents at the beginning of the period	9	**2,155,247**	**930,168**
Cash and cash equivalents at the end of the period	9	**2,434,640**	**809,556**

(in thousands of US dollars, unless otherwise stated)

	Attributable to equity holders of the Company							
	Share capital	**Treasury Shares**	**Share premium**	**Retained earnings**	**Currency translation reserve**	**Total attributable to owners of the Company**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2014	**35,762**	**(5,722)**	**4,371,815**	**2,626,946**	**(1,301,324)**	**5,727,477**	**14,133**	**5,741,610**
Profit for the period	-	-	-	366,896	-	366,896	3,394	**370,290**
Other comprehensive income/(loss)	-	-	-	916	(142,226)	(141,310)	-	**(141,310)**
Total comprehensive income/(loss) for the period	-	-	-	**367,812**	**(142,226)**	**225,586**	**3,394**	**228,980**
Transactions with owners								
Dividends declared	-	-	-	(123,262)	-	(123,262)	-	**(123,262)**
Total transactions with owners	-	-	-	**(123,262)**	-	**(123,262)**	-	**(123,262)**
Acquisition of non-controlling interest	-	-	-	-	-	-	(2,007)	**(2,007)**
Balance at 30 June 2014	**35,762**	**(5,722)**	**4,371,815**	**2,871,496**	**(1,443,550)**	**5,829,801**	**15,520**	**5,845,321**
Balance at 1 January 2015	**35,762**	**(5,759)**	**4,361,346**	**1,879,243**	**(3,609,136)**	**2,661,456**	**9,383**	**2,670,839**
Profit for the period	-	-	-	554,087	-	554,087	2,081	**556,168**
Other comprehensive (loss)/income	-	-	-	(2,887)	166,118	163,231	-	**163,231**
Total comprehensive income for the period	-	-	-	**551,200**	**166,118**	**717,318**	**2,081**	**719,399**
Transactions with owners								
Purchase of treasury shares (Note 10)	-	(5,851)	(1,082,082)	-	-	(1,087,933)	-	**(1,087,933)**
Total transactions with owners	-	**(5,851)**	**(1,082,082)**	-	-	**(1,087,933)**	-	**(1,087,933)**
Balance at 30 June 2015	**35,762**	**(11,610)**	**3,279,264**	**2,430,443**	**(3,443,018)**	**2,290,841**	**11,464**	**2,302,305**

(in thousands of US dollars, unless otherwise stated)

1 The Uralkali Group and its Operations

Public Joint Stock Company Uralkali (the "Company") and its subsidiaries (together the "Group") produce mineral fertilizers, primarily potassium based, which are extracted and processed in the vicinity of the cities of Berezniki and Solikamsk, Russia. They are distributed both on domestic and foreign markets. The Group manufactures various types of products, the most significant being a wide range of potassium salts. The Group is a major Russia-based potash manufacturer.

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), Novo-Solikamskiy and Romanovskoye plots of the Verkhnekamskoye field. The licences were prolonged on 1 April 2013 till 2018-2021 at nominal cost. The Company also owns a licence for the Ust'-Yaivinskiy plot of the Verkhnekamskoye field, which expires in 2024, and for the Polovodovskiy plot of the Verkhnekamskoye field, which expires in 2028.

As of 30 June 2015 and 31 December 2014 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 facilities and all long-term assets are located in the Russian Federation.

2 Basis of Preparation, Significant Accounting Policies and Critical Accounting Judgements and Estimates

These Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2015 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). These Interim Condensed Consolidated Financial Statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The accounting policies and critical accounting judgements and estimates applied in these Interim Condensed Consolidated Financial Statements are consistent with those of the consolidated financial statements for the year ended 31 December 2014.

Certain prior year balances have been reclassified to conform to the current period presentation (Note 15).

Functional and presentation currency. Functional currency of each company of the Group is the national currency of the Russian Federation, Russian Rouble ("RR"). The presentation currency of these Interim Condensed Consolidated Financial Statements is US dollar ("US$").

Foreign currency exchange rates

The official rates of exchange, as determined by the Central Bank of the Russian Federation (CBRF):

	30 June 2015		31 December 2014		30 June 2014	
	US$	Euro	US$	Euro	US$	Euro
closing rate	55.52	61.52	56.26	68.34	33.63	45.83
average rate	57.40	64.31	38.42	50.82	34.98	47.99

Income tax. Income tax in the interim periods is accrued using the tax rate that would be applicable to the expected total annual earnings.

3 Adoption of New or Revised Standards and Interpretations

The following new standards, amendments to standards and interpretations became effective for the Group from 1 January 2015:

Amendments to IAS 19 - Defined Benefit Plans: Employee contributions

The amendments to IAS 19 Employee Benefits clarify the requirements related to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, amendments permit a practical expedient if the amount of the contributions is independent of the number of years of service, such contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered. There is no any impact of these amendments on the financial statements as the Group's defined benefit plans do not stipulate contributions from employees.

Annual Improvements to IFRSs 2010-2012 cycle

The Annual Improvements to IFRSs 2010-2012 cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 change the definition of 'vesting condition' and 'market condition' and add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IAS 39 or IFRS 9 or a non-financial asset or liability.

The amendments to IFRS 8 require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments and clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

There is no significant effect of these amendments on the Interim Condensed Consolidated Financial Statements for the six months ended on 30 June 2015.

Annual Improvements to IFRSs 2011-2013 cycle

The Annual Improvements to IFRSs 2011-2013 cycle include the following amendments to various IFRSs.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of a financial assets or financial liabilities within IAS 32.

(in thousands of US dollars, unless otherwise stated)

3 Adoption of New or Revised Standards and Interpretations (continued)

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether the property meets the definition of investment property in terms of IAS 40, and whether the transaction meets the definition of a business combination under IFRS 3.

There is no significant effect of these amendments on the Interim Condensed Consolidated Financial Statements for the six months ended on 30 June 2015.

4 Related Parties

Related party transactions were entered into on the terms equivalent to those that prevail in arm's length transactions only if such terms can be substantiated.

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

Statement of financial position caption	Nature of relationship	30 June 2015	31 December 2014
Balances			
Cash and cash equivalents	Related party through significant shareholder	330,077	3,056
Deposits	Related party through significant shareholder	70,000	-
Advances received	Related party through significant shareholder	1,540	630
Advances originated	Related party through significant shareholder	860	35
Prepayments for acquisition of property, plant and equipment and intangible assets	Related party through significant shareholder	794	-
Trade and other payables	Related party through significant shareholder	137	187
Trade and other receivables	Related party through significant shareholder	54	53

		Six months ended 30 June 2015	Six months ended 30 June 2014
Transactions	**Nature of relationship**		
Acquisition of inventories	Related party through significant shareholder	768	-

Statement of income caption	Nature of relationship	Six months ended 30 June 2015	Six months ended 30 June 2014
Revenues	Related party through significant shareholder	15,387	13,720
General and administrative expenses	Related party through significant shareholder	1,056	1,554
General and administrative expenses	Associate	-	220

Onexim Group participated in the Programme to purchase PJSC Uralkali's ordinary shares and Global Depositary Receipts ("GDR") ("Tender Offer") which was approved on 24 April 2015 (Note 10) and as result, Onexim Group's effective shareholding in the Company decreased to 20.0%.

Cross shareholding

As of 30 June 2015, JSC Uralkali-Technologia and Enterpro Services Ltd. (Enterpro), wholly owned subsidiaries of the Group, owned 12.6% and 11.6% of the ordinary shares of the Company, respectively (31 December 2014: 12.6% and 0.0%). Enterpro purchased shares of the Group in May 2015 (Note 10).

(in thousands of US dollars, unless otherwise stated)

4 Related Parties (continued)

Management's compensation

Key management personnel compensation consists of remuneration paid to executive directors and other directors for their services in full- or part-time positions. Compensation is made up of annual remuneration and a performance bonus depending on operating results. Key management compensation is presented below:

	Six months ended 30 June 2015		Six months ended 30 June 2014	
	Expense	**Accrued liability**	**Expense**	**Accrued liability**
Short-term employee benefits	5,967	2,006	3,923	5,406
One-time premium payment	-	-	510	3,107
Total	**5,967**	**2,006**	**4,433**	**8,513**

5 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 Group are regularly reviewed by the chief operating decision maker ("CODM") to analyse performance and allocate resources. The CODM 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 segment is based on management accounts which are based on IFRS.

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

	Note	Six months ended 30 June 2015	Six months ended 30 June 2014
Revenues	16	1,562,254	1,725,919
Segment result/Net profit		**556,168**	**370,290**
Depreciation and amortisation	6,7	(119,204)	(205,565)
Finance income	21	122,601	11,864
Finance expense	21	(273,776)	(131,246)
Income tax expense		(106,884)	(75,275)

b) Major customers

The Group had no external customers which represented more than 10% of the Group's revenues during the six months ended 30 June 2015 and 30 June 2014, respectively.

c) The result of the Potash segment activity split between export potash sales, domestic potash sales and other sales.

This split for the six months ended 30 June 2015 was as follows:

	Export potash sales	Domestic potash sales	Total potash sales	Other sales	Unallo-cated	Total
Tonnes (thousands)	4,587	1,015	5,602	-	-	**5,602**
Revenues	1,358,097	171,363	1,529,460	32,794	-	**1,562,254**
Cost of sales					(292,976)	**(292,976)**
Distribution, general and administrative expenses, other operating income and expenses and taxes other than income tax					(455,051)	**(455,051)**
Operating profit					-	**814,227**
Finance income and expense, net					(151,175)	**(151,175)**
Profit before income tax					-	**663,052**
Income tax expense					(106,884)	**(106,884)**
Segment result/Net profit					-	**556,168**

(in thousands of US dollars, unless otherwise stated)

5 Segment Reporting (continued)

This split for the six months ended 30 June 2014 was as follows:

	Export potash sales	Domestic potash sales	Total potash sales	Other sales	Unallo-cated	Total
Tonnes (thousands)	5,075	978	6,053	-	-	**6,053**
Revenues	1,526,326	152,104	1,678,430	47,489	-	**1,725,919**
Cost of sales					(495,010)	**(495,010)**
Distribution, general and administrative expenses, other operating income and expenses and taxes other than income tax					(665,962)	**(665,962)**
Operating profit					-	**564,947**
Finance income and expense, net					(119,382)	**(119,382)**
Profit before income tax					-	**445,565**
Income tax expense					(75,275)	**(75,275)**
Segment result/Net profit					-	**370,290**

6 Property, Plant and Equipment

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

	Note	Six months ended 30 June 2015	Six months ended 30 June 2014
Cost			
Balance as of 1 January		2,882,043	4,677,110
Additions		78,738	153,003
Disposals and write-offs		(20,568)	(32,533)
Changes in estimates of provision for filling cavities	11	20,239	11,921
Effect of translation to presentation currency		40,764	(120,078)
Balance as of 30 June		**3,001,216**	**4,689,423**
Accumulated Depreciation			
Balance as of 1 January		982,935	1,441,654
Depreciation charge		91,625	152,060
Disposals and write-offs		(11,915)	(17,696)
Effect of translation to presentation currency		15,689	(33,270)
Balance as of 30 June		**1,078,334**	**1,542,748**
Net Book Value			
Balance as of 1 January		**1,899,108**	**3,235,456**
Balance as of 30 June		**1,922,882**	**3,146,675**

Allocation of depreciation charge for the period:	Six months ended 30 June 2015	Six months ended 30 June 2014
Cost of sales (Note 17)	80,034	128,075
Distribution costs (Note 18)	6,681	11,194
General and administrative expenses (Note 19)	3,987	6,089
Capitalised within assets under construction	923	6,702
Total	**91,625**	**152,060**

(in thousands of US dollars, unless otherwise stated)

6 Property, Plant and Equipment (continued)

Fully depreciated assets still in use

As of 30 June 2015 and 31 December 2014 the gross carrying value of fully depreciated property, plant and equipment still in use was US$ 355,752 and US$ 317,997, respectively.

7 Intangible Assets

	Note	Six months ended 30 June 2015	Six months ended 30 June 2014
Cost			
Balance as of 1 January		3,482,332	5,849,582
Additions		3,183	1,429
Capitalised borrowing costs		-	63,894
Disposals		(671)	(143)
Effect of translation to presentation currency		46,227	(154,197)
Balance as of 30 June		**3,531,071**	**5,760,565**
Accumulated Amortisation			
Balance as of 1 January		290,267	392,283
Amortisation charge	17,19	28,502	60,207
Disposals		(582)	(57)
Effect of translation to presentation currency		4,868	(8,129)
Balance as of 30 June		**323,055**	**444,304**
Net Book Value			
Balance as of 1 January		**3,192,065**	**5,457,299**
Balance as of 30 June		**3,208,016**	**5,316,261**

The table below summarises descriptions and carrying amounts of individually material mining licences:

Licence plot	Mining complex	30 June 2015	31 December 2014
Solikamskiy plot (south part)	SKRU-2	1,142,958	1,135,013
Novo-Solikamskiy plot	SKRU-3	1,070,626	1,071,431
Solikamskiy plot (north part)	SKRU-1	87,743	92,555
Polovodovskiy plot (south part)		224,589	221,639
Polovodovskiy plot (north part)		660,707	652,080
Romanovskiy plot		5,870	5,795
Total		**3,192,493**	**3,178,513**

The Group temporarily suspended capitalisation of interest expense to Polovodovskiy plot (north part) since 1 January 2015 until recommencement of construction of mining facilities (according to mining licence requirements).

8 Income Tax Prepayments

On 16 April 2013 the Company concluded an agreement with the government of Perm Region to maintain minimum income tax payments at certain minimum amount per year in 2013-2015.

Management is currently negotiating minimum income tax payments for 2015-2017. Prepayment of income tax is expected to be used in full during the next 12 months.

As of 30 June 2015, the total balance of income tax prepayments in the amount of US$ 154,776 is classified as current income tax prepayments (31 December 2014: US$ 76,610 current and US$ 128,983 non-current parts).

9 Cash and Cash Equivalents, Deposits

	30 June 2015	31 December 2014
Cash on hand and bank balances		
RR denominated cash on hand and bank balances	411,864	53,581
US$ denominated bank balances	1,385,085	1,357,881
EUR denominated bank balances	55,812	112,911
Other currencies denominated balances	16,358	16,479
Term deposits		
US$ term deposits	549,193	556,588
RR term deposits	16,328	57,195
EUR term deposits	-	612
Total cash and cash equivalents	**2,434,640**	**2,155,247**
US$ deposits	70,000	300,000
Total deposits	**70,000**	**300,000**
Total cash and cash equivalents and deposits	**2,504,640**	**2,455,247**

During the six months ended 30 June 2015, the Group placed US$ 70,000 on deposit with a related party with a maturity date of 30 December 2015. According to the terms of the deposit the Group cannot withdraw the deposit before the maturity date.

10 Equity

	Number of ordinary shares (in millions)	Number of treasury shares (in millions)	Ordinary shares	Treasury shares	Total
At 1 January 2014	**2,936**	**(367)**	**35,762**	**(5,722)**	**30,040**
At 30 June 2014	**2,936**	**(367)**	**35,762**	**(5,722)**	**30,040**
At 1 January 2015	**2,936**	**(370)**	**35,762**	**(5,759)**	**30,003**
Treasury shares purchased	-	(339)	-	(5,851)	**(5,851)**
At 30 June 2015	**2,936**	**(709)**	**35,762**	**(11,610)**	**24,152**

Treasury shares. On 24 April 2015 Group approved the Tender Offer to purchase PJSC Uralkali's ordinary shares and GDRs in the amount of up to 468,750,000 at a price of US$ 3.2 per common share and US$ 16.0 per GDR.

A total of 134,490,639 Ordinary Shares and 40,971,683 GDRs representing 204,858,415 Ordinary Shares were purchased by Enterpro pursuant to the Tender Offer, which constitutes in the aggregate approximately 11.6% of Company's outstanding Ordinary Shares. Total amount spent on the Tender Offer equalled to US$ 1,087,933 including transaction costs directly attributable to the acquisition in the amount of US$ 2,016. The difference between the offer price of US$ 1,085,917 and the nominal value of the shares of US$ 5,851 was accounted for as a decrease in Share premium.

Treasury shares as of 30 June 2015 comprise 709,472,831 ordinary shares represented by shares and GDRs of the Company owned by JSC Uralkali-Technologia and Enterpro, wholly owned subsidiaries of the Group (31 December 2014: 370,123,777).

Profit distribution. In April 2015 the Company adopted a new dividend policy providing flexibility to the Board of Directors in determining the amount of dividend payments.

Dividends. In December 2014 and June 2015, the General Meeting of Shareholders of the Company did not approve any dividends.

In June 2014 the General Meeting of Shareholders of the Company approved dividends (based on 2013 financial results) amounting to US$ 142,302 (5 US cents per share).

(in thousands of US dollars, unless otherwise stated)

10 Equity (continued)

In June 2014 the total amount of dividends attributable to treasury shares have been eliminated in the consolidated condensed interim statement of changes in equity. All dividends are declared and paid in RR.

11 Provisions

	Note	Provision for filling cavities	Restruc-turing provision	Resettle-ment provision	Total
Carrying amount at 1 January 2014		**56,659**	**12,168**	**58,287**	**127,114**
Changes in estimate added to property, plant and equipment	6	11,921	-	-	**11,921**
Changes in estimate due to changes in timing of payment		-	-	(2,573)	**(2,573)**
Utilisation of provision		(6,575)	(86)	-	**(6,661)**
Unwinding of the present value discount		1,915	(1,544)	3,174	**3,545**
Effect of translation to presentation currency		(1,205)	(428)	(1,530)	**(3,163)**
Current liabilities		**9,679**	**1,665**	**43,621**	**54,965**
Non-current liabilities		**53,036**	**8,445**	**13,737**	**75,218**
Carrying amount at 30 June 2014		**62,715**	**10,110**	**57,358**	**130,183**
Carrying amount at 1 January 2015		**44,966**	**4,822**	**22,930**	**72,718**
Changes in estimate added to property, plant and equipment	6	20,239	-	**-**	**20,239**
Changes in estimates		-	2,434	**-**	**2,434**
Utilisation of provision		(4,990)	(501)	**-**	**(5,491)**
Unwinding of the present value discount		3,223	325	**-**	**3,548**
Effect of translation to presentation currency		1,223	135	**298**	**1,656**
Current liabilities		**9,837**	**1,946**	**23,228**	**35,011**
Non-current liabilities		**54,824**	**5,269**	**-**	**60,093**
Carrying amount at 30 June 2015		**64,661**	**7,215**	**23,228**	**95,104**

Provision for filling cavities. A provision for filling cavities is recorded in respect of the Group's legal obligation to replace the earth extracted from the mines.

A technical program for mining operations was agreed with the local State mine supervisory body in 1997 – 1998. Based on this framework program, the Group prepares annual mining plans and agrees them with the local State mine supervisory body.

The balance of the provision at the reporting date equals the total of expected future discounted cash outflows associated with replacing the earth extracted from the mine in accordance with the plan of filling cavities work agreed with the State mine supervisory body. The relevant cash flows are discounted at a rate reflecting the time value of money.

Restructuring provision. In 2011 the Board of Directors decided to abandon the ore-treatment plant and carnallite plant at Berezniki 1. The decision to abandon the plants was driven by the lack of the raw materials base due to the flooding of Mine 1. This allowed the Company to reduce operational costs. The Company ceased production at the plants at the end of 2011 and commenced their dismantling. The dismantling is expected to be completed in 2018.

Resettlement provision. In 2013 the Government of the Perm Region and the Administration of the town of Berezniki signed an agreement outlining the financing plan for the period between 2013 and 2015 for the relocation of people living in inadequate housing facilities in Berezniki, including the construction of new infrastructure facilities and demolition of the vacated buildings. The agreement will be effected pursuant to the State programme on "Securing quality housing and facilities for the citizens of the Perm Region" and is in line with the decisions adopted by the Governmental Commission on 24 May 2013. As part of its commitment to corporate social responsibility, the Group had undertaken to provide to the Perm Region and the town of Berezniki a total of US$ 45,149 by instalments in 2013-2015 (including US$ 18,026 already disbursed in 2013). No payments were made during the six months ended 30 June 2015 (six months ended 30 June 2014: US$ 18,479).

(in thousands of US dollars, unless otherwise stated)

12 Mine flooding provision

	Note	Six months ended 30 June 2015	Six months ended 30 June 2014
Balance at 1 January		**20,852**	**-**
Accrual of provision for Solikamsk-2	20	23,698	-
Utilisation of provision Solikamsk-2		(12,840)	-
Effect of translation to presentation currency		641	-
Balance at 30 June		**32,351**	**-**

In line with the accident mitigation plan, the Group continues to comprehensively monitor the situation. Currently the Group is implementing a number of engineering and other arrangements to minimise the impact of the accident and reduce suprasalt water inflows into the mine. During the six months ended 30 June 2015, the Group re-estimated costs required for liquidation of the accident consequences and updated provision for future expenses in the amount of US$ 32,351 as of 30 June 2015.

13 Borrowings

	30 June 2015	31 December 2014
Bank loans	5,439,855	5,037,694
Finance lease payable	9,080	8,968
Total borrowings	**5,448,935**	**5,046,662**

Bank loans

	2015	2014
Balance at 1 January	**5,037,694**	**4,380,953**
Bank loans received, denominated in US$	689,167	652,437
Bank loans received, denominated in RR	173,529	102,059
Bank loans repaid, denominated in US$	(314,205)	(382,164)
Bank loans repaid, denominated in RR	(199,663)	(595,247)
Interest accrued	133,402	122,195
Interest paid	(131,770)	(115,122)
Recognition of syndication fees and other financial charges	(9,141)	(23,087)
Amortisation of syndication fees and other financial charges	3,685	10,095
Foreign exchange (gain)/loss, net	(20,423)	30,723
Effect of translation to presentation currency	77,580	(125,347)
Balance at 30 June	**5,439,855**	**4,057,495**

The table below the split of the bank loans and bonds issued into short-term and long-term as of 30 June 2015 and 31 December 2014:

Short-term borrowings	30 June 2015	31 December 2014
Bank loans in US$: floating interest	527,051	513,554
Bank loans in RR: floating interest	216,157	114,476
Total short-term bank loans	**743,208**	**628,030**

Long-term borrowings	30 June 2015	31 December 2014
Bank loans in US$: floating interest	4,243,148	3,839,689
Bank loans in RR: floating interest	453,499	569,975
Total long-term bank loans	**4,696,647**	**4,409,664**

As of 30 June 2015 and 31 December 2014 no equipment or inventories were pledged as security for bank loans.

Bank loans of US$ 1,399,774 (31 December 2014: US$ 894,550) were collateralised by future sales proceeds of the Group under export contracts with certain customers.

(in thousands of US dollars, unless otherwise stated)

13 Borrowings (continued)

The Group's bank borrowings mature as follows:

	30 June 2015	31 December 2014
Not later than 1 year	743,208	628,030
Later than 1 year and not later than 5 years	4,397,437	4,058,461
Later than 5 years	299,210	351,203
Total bank loans	**5,439,855**	**5,037,694**

14 Bonds

In April 2013 the Group issued US$ denominated bonds at nominal value of US$ 650 million bearing a coupon of 3.723% p.a. maturing in 2018:

	2015	2014
Balance at 1 January	**583,972**	**650,068**
Redemption of bonds denominated in US$	-	(4,675)
Interest accrued	10,886	12,713
Interest paid	(11,917)	(12,609)
Amortisation of syndication fees	261	428
Foreign exchange (gain)/ loss	(6,953)	16,750
Effect of translation to presentation currency	7,466	(16,918)
Balance at 30 June	**583,715**	**645,757**

During 2014 year bonds with a nominal value of US$ 68,100 were redeemed for US$ 65,736.

The fair value of the outstanding bonds issued at 30 June 2015 was US$ 546,986 according to Irish Stock Exchange quotations (31 December 2014: US$ 521,586).

15 Derivative Financial Assets and Liabilities

At 30 June 2015, derivative financial liabilities were represented by the cross-currency interest rate swaps, entered in conjunction with RR-denominated loans in the notional amount of US$ 659,174 (31 December 2014: US$ 684,451).

Discounted cash flows from cross-currency interest rate swaps at the reporting date generated during next twelve months are represented as current liability. Cross-currency interest rate swaps redeemed after twelve months are classified as non-current liability. Prior year balance has been reclassified accordingly to conform to the current period presentation.

The Group pays US$ at fixed rate 3.23% and floating rate USD-ISDA+4.2% (31 December 2014: fixed rate 3.23% and floating rate USD-ISDA+4.2%) and recieves RR at floating rate MosPrime-NFEA 3m+1.5% and MosPrime 3m+2.59% (31 December 2014: floating rates MosPrime-NFEA+1.5% and MosPrime 3m+2.59%). Maturity of the swaps is linked to loans redemption.

(in thousands of US dollars, unless otherwise stated)

15 Derivative Financial Assets and Liabilities (continued)

	30 June 2015	31 December 2014
Assets		
Current derivative financial assets	-	12,994
Liabilities		
Current derivative financial liabilities	(122,354)	(42,634)
Non-current derivative financial liabilities	(383,023)	(525,257)
Total net derivative financial liabilities	**(505,377)**	**(554,897)**

Movements of the carrying amounts of derivative financial assets and liabilities were as follows:

	Note	2015	2014
Opening balance as of 1 January		**554,897**	**133,383**
Cash proceeds from derivatives		32,481	46,570
Cash paid for derivatives		(22,509)	(75,101)
Changes in the fair value	21	(64,976)	26,473
Effect of translation to presentation currency		5,484	(3,647)
Closing balance as of 30 June		**505,377**	**127,678**

16 Revenues

	Six months ended 30 June 2015	Six months ended 30 June 2014
Export		
Potassium chloride	900,320	1,011,447
Potassium chloride (granular)	457,777	514,872
Domestic		
Potassium chloride	171,363	152,117
Other revenues	32,794	47,483
Total revenues	**1,562,254**	**1,725,919**

17 Cost of Sales

	Note	Six months ended 30 June 2015	Six months ended 30 June 2014
Depreciation	6	80,034	128,075
Labour costs		64,309	106,491
Fuel and energy		50,532	79,875
Materials and components		37,398	60,750
Repairs and maintenance		29,936	36,793
Amortisation of licences	7	27,159	58,835
Transportation between mines by railway		4,303	5,861
Change in work in progress, finished goods and goods in transit		(1,612)	13,608
Other costs		917	4,722
Total cost of sales		**292,976**	**495,010**

(in thousands of US dollars, unless otherwise stated)

18 Distribution Costs

	Note	Six months ended 30 June 2015	Six months ended 30 June 2014
Railway tariff and rent of wagons		129,896	199,831
Freight		109,648	174,902
Transport repairs and maintenance		15,197	21,212
Transhipment		13,467	24,929
Labour costs		11,206	10,978
Commissions and marketing expenses		8,495	20,040
Depreciation	6	4,922	8,605
Insurance		1,633	2,830
Customs fees		1,540	1,144
Rent		1,485	1,772
Consulting, audit and legal services		1,053	915
Travel expenses		783	2,744
Freight and transhipment of river vessels		-	9,891
Other costs		16,751	20,517
Total distribution costs		**316,076**	**500,310**

Depreciation in the amount of US$ 1,759 is included into Railway tariff and rent of wagons and Transhipment costs (Note 6) (six months ended 30 June 2014: US$ 2,589).

19 General and Administrative Expenses

	Note	Six months ended 30 June 2015	Six months ended 30 June 2014
Labour cost		45,776	60,407
Depreciation	6	3,987	6,089
Consulting, audit and legal services		3,519	4,060
Security		3,485	6,061
Materials and fuel		2,594	3,631
Mine rescue crew		2,501	3,859
Repairs and maintenance		1,672	2,373
Labour protection		1,492	1,973
Insurance		1,481	2,459
Rent		1,456	4,002
Communication and IS services		1,356	3,745
Amortisation of intangible assets	7	1,343	1,372
Travel expenses		1,080	1,630
Bank charges		821	515
Other costs		5,885	8,476
Total general and administrative expenses		**78,448**	**110,652**

20 Other Operating Income and Expenses, net

	Note	Six months ended 30 June 2015	Six months ended 30 June 2014
Accrual of mine flooding provision	12	23,698	-
Net loss on disposals of property, plant and equipment and impairment of prepayments for acquisition of property, plant and equipment and intangible assets		13,953	13,779
Accrual of provision for impairment of receivables		5,197	429
Social cost and charity		2,525	4,946
Reversal of impairment of property, plant and equipment related to Solikamsk-2		(2,945)	-
Other income and expenses, net		5,876	11,764
Total other operating income and expenses, net		**48,304**	**30,918**

(in thousands of US dollars, unless otherwise stated)

21 Finance Income and Expenses

	Note	Six months ended 30 June 2015	Six months ended 30 June 2014
Fair value gain on derivative financial liabilities	15	64,976	-
Unwinding of the present value discount related to income tax prepayment and provisions, net		26,481	5,832
Interest income		25,321	5,775
Fair value gain on investments		5,540	-
Income from associate		283	257
Total finance income		**122,601**	**11,864**
Interest expense		134,813	81,046
Foreign exchange loss, net		125,429	8,546
Syndication fee and other financial charges		11,063	11,349
Letters of credit fees		2,038	2,859
Finance lease expense		433	715
Fair value loss on derivative financial liabilities	15	-	26,473
Fair value losses on investments		-	258
Total finance expenses		**273,776**	**131,246**

Coupon income from corporate bonds classified as other financial assets at fair value through profit or loss in the amount of US$ 2,554 is included in interest income.

Capitalised interest expense and foreign exchange loss in the cost of property, plant and equipment and intangible assets were as follows:

	Six months ended 30 June 2015	Six months ended 30 June 2014
Interest expense	9,475	55,170
Foreign exchange loss	-	33,076
Total capitalised borrowing costs	**9,475**	**88,246**

22 Contingencies, Commitments and Operating Risks

22.1 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, 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 interim condensed consolidated financial statements.

22.2 Tax legislation

The activity of the Group is subject to tax in Russia and in other countries.

Russian tax legislation regulating business continues to be subject to frequent change. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal tax authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the tax legislation and assessments and as a result, it is possible that those transactions and tax accounting methods for income and expenses recognition that have not been challenged in the past may be challenged during current or future tax audit. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for three calendar years proceeding the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has provided adequately for tax liabilities based on its interpretations of the Russian tax legislation. However, the relevant authorities may have differing interpretations, and the effects on the financial statements could be significant.

22 Contingencies, Commitments and Operating Risks (continued)

22.2 Tax legislation (continued)

Russian transfer pricing legislation was amended starting from 1 January 2012 to introduce additional tax reporting and documentation requirements. The new legislation allows the tax authorities to impose additional tax liabilities in respect of certain transactions, including but not limited to transactions with related parties, if they consider transaction to be priced not at arm's length. As the arbitration court practice of implementation of the new transfer pricing rules has not yet developed and wording of some clauses of the transfer pricing legislation is unclear and controversial, the impact of challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated. The Group's management believes that taxes payable are calculated in compliance with the applicable tax regulations relating to transfer pricing. However there is a risk that the tax authorities may take a different view and impose additional tax liabilities. At 30 June 2015 and 31 December 2014, no provision was recorded in the interim condensed consolidated financial statements in respect of such additional claims.

In 2015, the Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties), income will be subject to a 20% tax rate if CFC is a legal entity and a 13% personal income tax if CFC is an individual.

22.3 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.

22.4 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. The Group's mining activities and the mine flooding may cause subsidence that may affect the Group's facilities, and those of the cities of Berezniki and Solikamsk, State organisations and others.

22.5 Operating environment of the Group

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market, which decreased significantly during 2014.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies.

During 2015 the economic situation is more stable, although the above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, slackening of the economic growth rates and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

22.6 Capital expenditure commitments

As of 30 June 2015 the Group had contractual commitments for the purchase of property, plant and equipment from third parties for US$ 344,410 (31 December 2014: US$ 277,452).

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.

(in thousands of US dollars, unless otherwise stated)

22 Contingencies, Commitments and Operating Risks (continued)

22.7 Operating lease commitments

As of 30 June 2015 and 31 December 2014, respectively, the Group leased property, plant and equipment, mainly land plots. The future minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2015	31 December 2014
Not later than 1 year	2,201	2,357
Later than 1 year and not later than 5 years	9,911	10,793
Later than 5 years	38,461	38,405
Total operating lease commitments	**50,573**	**51,555**

23 Seasonality

Demand for potassium fertilizers is not subject to significant seasonal influence. Seasonality does not impact the Group's revenue or cost recognition policies.

24 Fair value of financial instruments

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

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

Financial assets and liabilities carried at fair value. Derivatives (Level 2) and other financial assets at fair value through profit or loss (Level 1) are carried in the consolidated statement of financial position at their fair value. Fair values of corporate bonds and shares were determined based on prices quoted in an active market. Fair values of derivative financial assets and liabilities were determined using discounting cash flows valuation techniques with inputs (discount rates for RR and US$) observable in markets. To determine the fair value of derivative financial instruments, the Group uses interest rate curves S179, S237 and S23.

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

Liabilities carried at amortised cost. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. As of 30 June 2015 and 31 December 2014, the estimated fair value of the current and non-current borrowings, trade and other payables is not materially different from their carrying amounts.

25 Events after Reporting Date

As of 6 August 2015 Uralkali's Exchange Traded Bonds Programme (hereinafter - "the Programme") has been authorised by the Moscow Stock Exchange. The Programme has a nominal value of up to RUB 100 billion and is valid for a term of 20 years. The Programme allows for an unlimited number of bond issues in any currency and with maturity period of up to 10 years.

25 Events after Reporting Date (continued)

As of the date of the Interim Condensed Consolidated Financial Statements the Group did not issue any bonds as part of the Programme.