URALKALI®

Annual Report 2018

TRANSFORMATION FOR THE FUTURE

ABOUT THIS REPORT

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

This Integrated Report was prepared with application of the GRI Sustainability Reporting Standards, the Mining and Metals Sector Disclosures, and the separate regulations of the International Integrated Reporting Standard (concepts of funds and value creation).

The report covers the entire Uralkali Group, including PJSC Uralkali and companies that are included in the consolidation perimeter.

For more information about Uralkali please visit our corporate website: http://www.uralkali.com/ru/

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ABOUT THE COMPANY

PJSC Uralkali is one of the largest producers and exporters of potash, which is an essential component for growth and development of all living organisms. The Company accounts for a significant share of global potassium chloride production and effectively manages its entire production chain — from potash ore mining to supply of potassium chloride to consumers worldwide.

Competitive Advantages

- Leadership in production costs.
- Strong asset base.
- Availability of own transshipment capacity.
- Global business reach.
- 9 sales and representative offices in key regions.
- Focus on expanding relations with international customers.

Main Products

Standard white MOP

White MOP is applied directly to the soil and used for producing compound NPK fertilisers, as well as for other industrial needs. We supply this product mainly to China, Russia, and Europe. According to the specification, MOP is produced in concentrations of 95% and 98%.

Standard pink MOP

Pink MOP is applied directly to the soil and used for producing compound NPK fertilisers. It is supplied mainly to India and Southeast Asia.

Granular MOP

Granular MOP is a premium product bought in countries which use advanced soil fertilisation methods. Granulation slows down the absorption of fertiliser nutrients into the soil, thus prolonging their action. Uralkali exports granular MOP to Brazil, the USA, Europe, and the Central America, where it is applied directly to the soil or blended with nitrogen and phosphate fertilisers.

Our Assets

The Verkhnekamskoye deposit of potassium and magnesium salts, which is being developed by the Company, is the world's second-largest deposit in terms of potash ore reserves. Uralkali's production assets include five mines, six potash plants and one carnallite plant, all situated in the towns of Berezniki and Solikamsk in the Perm Region of Russia. Around 12,000 people work in Uralkali's main production unit.

5 potash mines

6 potash processing plants

3 licenses for development of new blocks

1 license for conducting geological studies

1 carnallite plant

WHAT IS POTASSIUM

We Ensure Global Food Safety

Potassium is a vitally important element for all living organisms. It is a natural component of soils and, along with phosphate and nitrogen, an irreplaceable nutrient for plants.

A balanced agricultural crops nutrition can only be ensured by regular and timely application of these three main macronutrients.

POTASSIUM CONSUMPTION BY AGRICULTURAL CROPS

Source: International Fertilizer Industry Association (IFA).

Why plants need potassium

- Potassium increases the nutrient content, improves the taste, colour and structure of fruits.
- Improves crop resistance to various diseases and pests.
- Improves resistance to droughts and frost.
- Participates in photosynthesis and protein synthesis.
- Increases the rate of nitrogen assimilation.

Why people need potassium

- Potassium improves supply of oxygen to the brain.
- It is involved in the transmission of neural impulses.
- Potassium compounds activate enzymes.
- It normalises heart rhythm.
- It has a beneficial effect on kidneys.
- Potassium regulates the water balance in cells and tissues.
- It regulates metabolic processes.
- It has a beneficial effect on skin.
- Potassium regulates the acid base balance of blood.
- Potassium prevents accumulation of sodium in cells.
- It helps to eliminate toxins from the body.

Why farmers use potassium

- Ensures balanced nutrition of plants in order to achieve high yield.
- Increases product quality.
- Prevents soil degradation and maintains nutrient balance of the soil.
- When used correctly, potash fertilisers do not pollute the environment.

Why mankind cannot do without potash fertilisers

The world's population is growing, while the area of arable land per capita is declining, so people feel the need for higher crop yields to ensure food safety.

Scientific studies show that the maximum yield and consistently high quality of crops can only be achieved by providing plants with all necessary nutrients (including potassium) in the required amounts.

DEMAND FOR POTASSIUM GROWS ALONG WITH POPULATION GROWTH AND CHANGE OF PRIORITIES

DEMAND

- World population growth
- The area of arable land per capita is declining
- Diet changes in developing countries
- Increasing percentage of potassium in fertilisers used in developing countries

Demand for higher/optimal yields

Significant barriers to entry into the market

High concentration

SUPPLY

- A limited number of regions that have potash deposits with commercial reserves
- Other chemical elements cannot replace potassium
- Large consumer markets in Asia and Latin America have almost no own production of potassium and have to import it
- Implementation of projects requires significant investments
- Long-term preparatory work is required for the construction of a new mine

Uralkali continues to maintain a leading position in the industry against the growing competition background.

The market environment strengthened its fundamental industry characteristics in 2018.

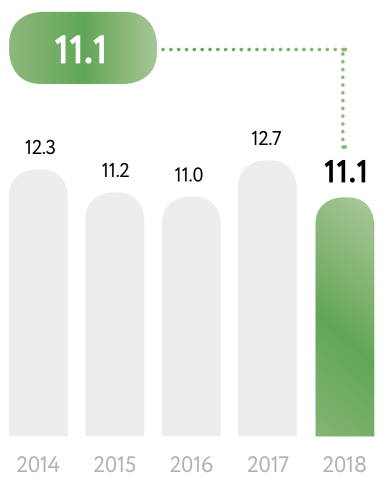
The Company's EBITDA was 9% higher compared to 2017 and amounted to USD 1,459 million.

URALKALI IN FIGURES

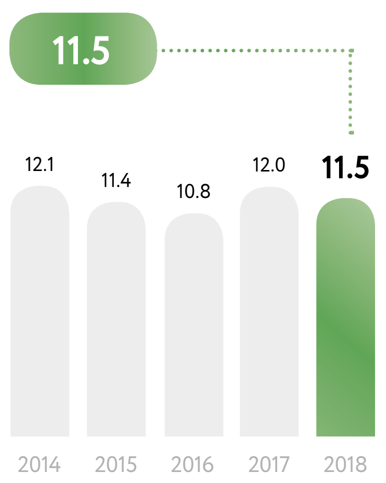
Market conditions throughout 2018 were characterised by the strengthening of fundamental industry characteristics. Global prices for potash fertilisers showed strong growth, and on the domestic market, an increase was seen in the consumption level of the Company's main products.

The Company's net revenue reached USD 2.28 billion, which is 4% higher compared to 2017 and was due to the growth in FCA export prices by 23%.

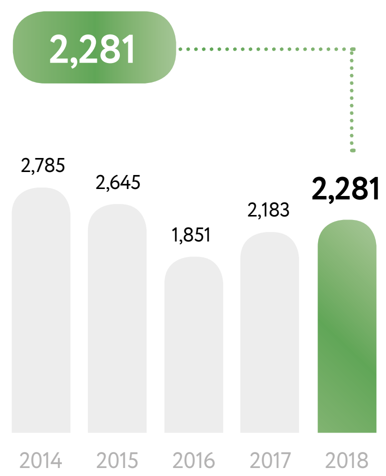
SALES VOLUME, MLN TONNES KCL



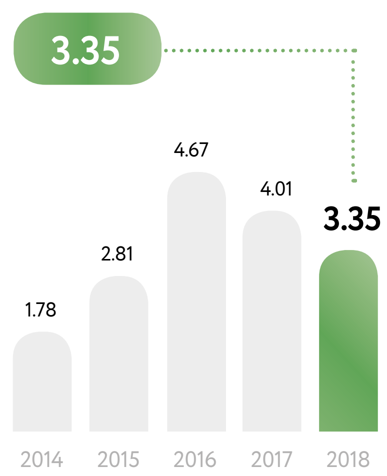
PRODUCTION VOLUME, MLN TONNES KCL



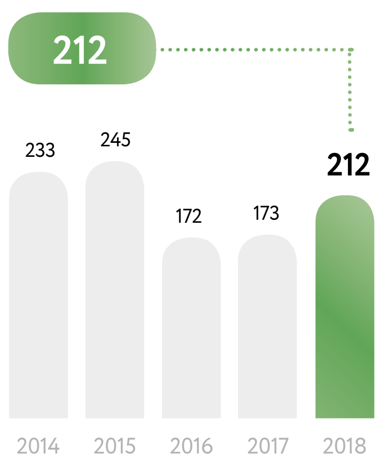
NET REVENUE, USD MLN



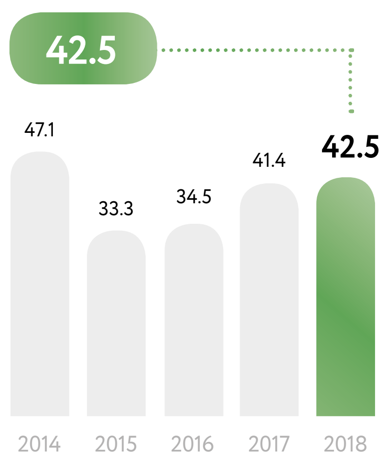
NET DEBT/EBITDA FOR THE LAST 12 MONTHS



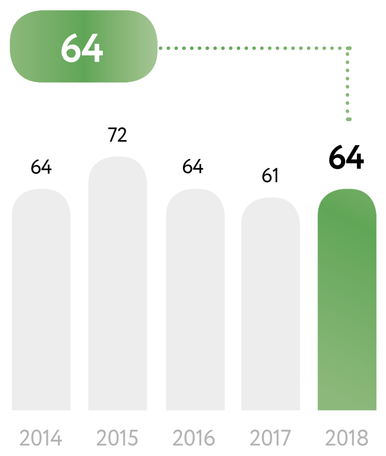
AVERAGE POTASH EXPORT PRICE, FCA, USD PER TONNE



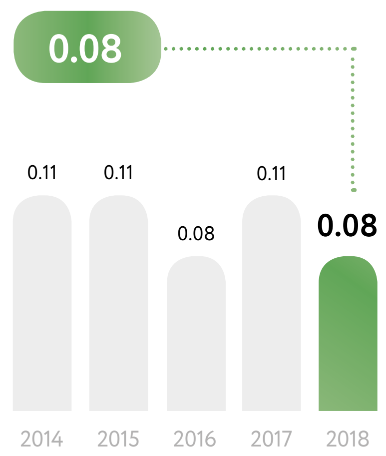
UNIT CASH COGS, USD PER TONNE



EBITDA MARGIN, %



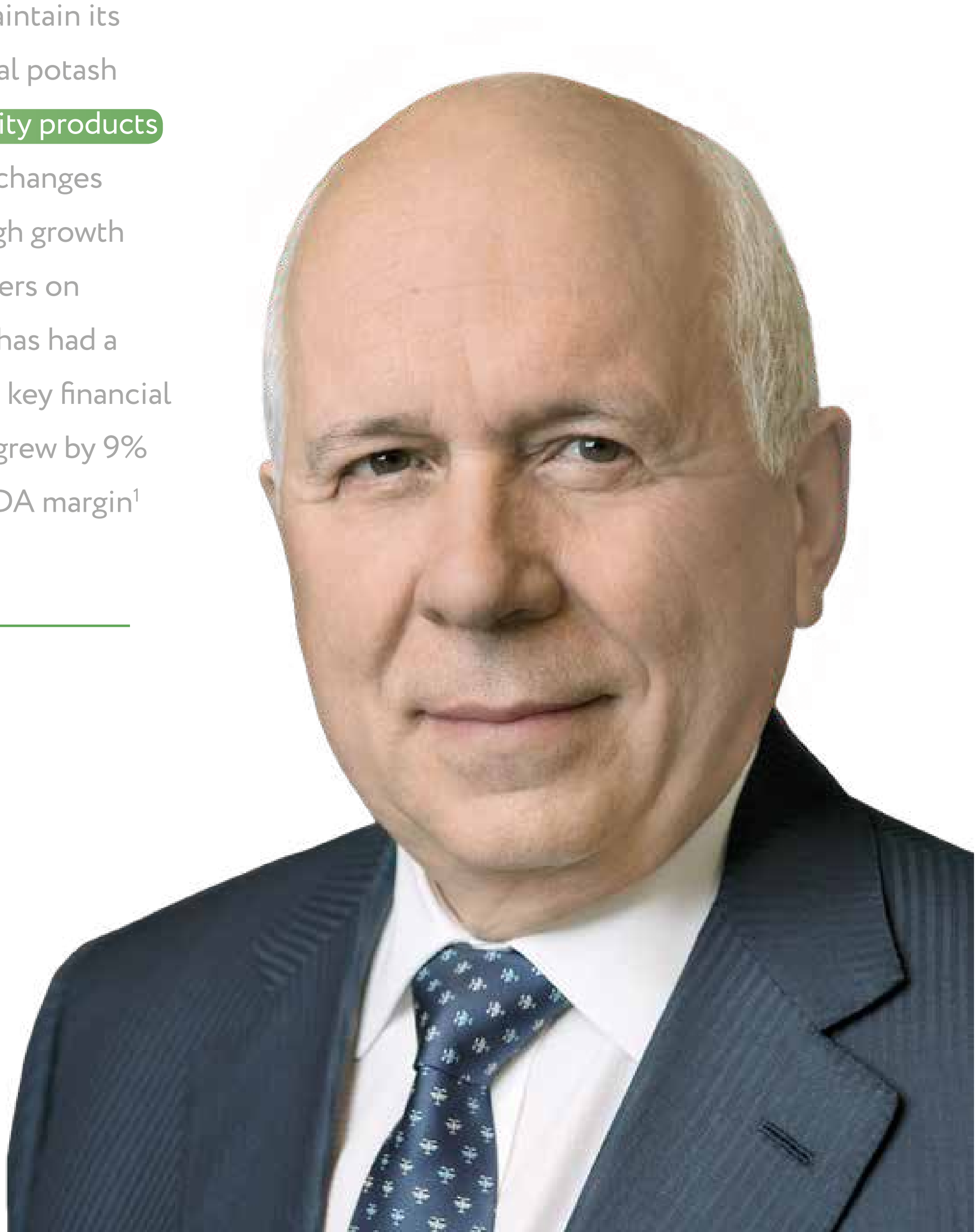
LOST TIME INJURY FREQUENCY RATE (LTIFR)



CHAIRMAN'S STATEMENT

Dear shareholders,

Amid increasing competition, Uralkali continues to successfully maintain its leading position on the global potash market, producing high-quality products and adapting flexibly to any changes in market conditions. The high growth in demand for potash fertilisers on the main consumer markets has had a positive impact on Uralkali's key financial indicators in 2018: EBITDA grew by 9% compared to 2017, and EBITDA margin[1] reached 64%.



[1] EBITDA margin is calculated as EBITDA divided by net revenue minus freight, transshipment and railway costs.

Improving efficiency of the distribution network

Socio-economic development in the towns of Berezniki and Solikamsk

Sustainable use of natural resources

Sustainable development in all Company activities

In addition to its core operations, the Company focused on improving the efficiency of its distribution network in the reporting period, including through partial automation of business processes in the sphere of logistics.

The socio-economic development of the towns of Berezniki and Solikamsk continued to be a priority area in the Company's social activities in 2018, where the Company successfully implemented various infrastructure projects. Uralkali ensures stable employment for the population and fulfils tax obligations. Furthermore, the Company began construction of housing in the cities where it operates, thus contributing to comfortable living conditions of its employees and their families.

Uralkali continues to ensure strict compliance with the requirements of current environmental legislation, utilising natural resources in a sustainable manner and enhancing its activities in the field of environmental protection.

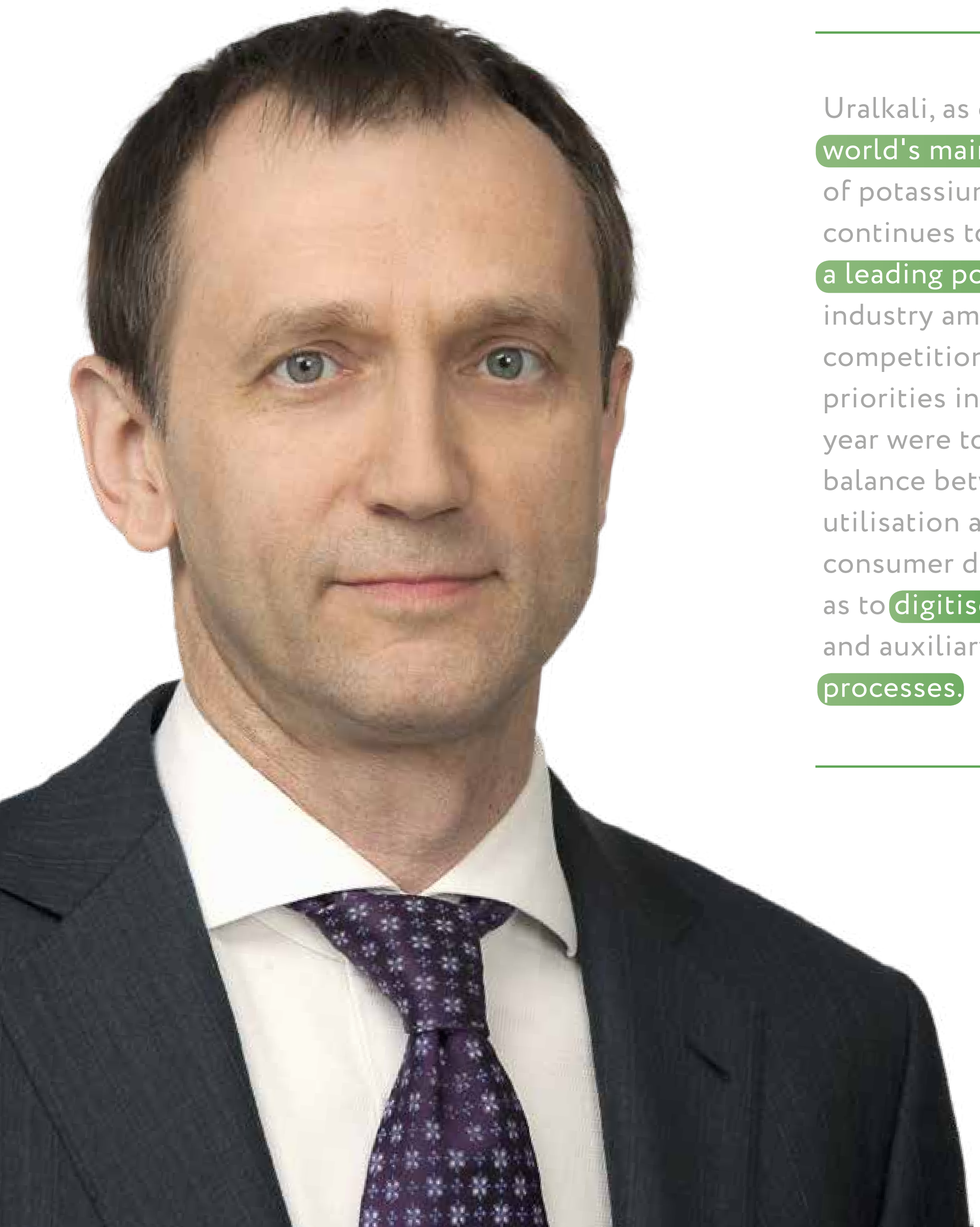
On the whole, the Company continues to demonstrate steady and sustainable development in all areas of its activity, largely due to the efficient work carried out by its management and employees.

On behalf of the Board of Directors and myself, I would like to thank all Uralkali employees, regardless of their position and level of competence, for their significant contribution to the development of the Company and to ensuring its leading position in the potash industry.

Sergey Chemezov,

Chairman of the Board of Directors

CEO'S STATEMENT



Dear shareholders!

Uralkali, as one of the world's main producers of potassium chloride, continues to maintain a leading position in the industry amid growing competition. The main priorities in the reporting year were to preserve the balance between capacity utilisation and ensuring consumer demand, as well as to digitise the main and auxiliary production processes.

Production and sales

Market conditions throughout 2018 were characterised by the strengthening of fundamental industry characteristics. Global price trends showed strong growth, and on the domestic market, an increase was seen in the consumption level of the Company's main products. Meanwhile, Uralkali revised its production strategy, refraining from entering into a long-term contract with India in favour of higher-margin spot markets, which had a positive effect on almost all annual financial indicators. In the future, the updated strategy will reduce the amount of overproduction, as well as sales of such products at prices below the level of current market indicators.

Financial performance

The high level of support for the Company from the international and Russian banking community allowed Uralkali to attract another USD 825 million pre-export financing within the framework of an agreement signed with 11 international banks, as well as to optimise its credit portfolio.

During the reporting period, the Company conducted 2 successful placements of its own Exchange Bond Programme.

After raising external funds in the second half of 2018, the Company had sufficient liquidity for the planned repayments of loans to the amount of USD 1 billion in Q1 2019.

In 2018, Uralkali's net debt decreased to USD 4,887 million compared to USD 5,371 million in the previous year, and the net debt to EBITDA ratio was 3.35x versus 4.01x respectively.

Dividends

In 2018, the Company placed 30 million preferred shares in favour of the Company's main shareholders. Dividends on preferred shares in the minimum amount as stipulated by the Company Charter (RUB 0.1 per preferred share) were approved at the Annual General Meeting (AGM) of Uralkali held on 29 June 2018.

The dividend payment was made in order to both maintain the current ratio of voting and non-voting shares of the Company and preserve the current fraction of voting shares of Uralkali's minority shareholders, while dividends on the Company's ordinary shares for 2017 were not paid.

Corporate social responsibility

Socio-economic development of the towns and cities where the Company operates is one of Uralkali's main areas of corporate social activity. 2018 was no exception: The Company continued to work effectively with all stakeholders at local, regional and federal levels. More information can be found on page 81 in the Our Communities section.

Outlook

The fundamental characteristics of the industry are gradually strengthening, and the prices of the Company's main products are growing consistently due to not only the full commitment by most producers, but also the decreased amount of new production capacities being commissioned by both existing and new market players.

As for the Company, in the future it may continue to adjust its production plans to the current market conditions.

For my part, I would like to thank the management and personnel of Uralkali, along with the representatives of other stakeholders, for their assistance and support in our projects and initiatives.

Dmitry Osipov,
CEO

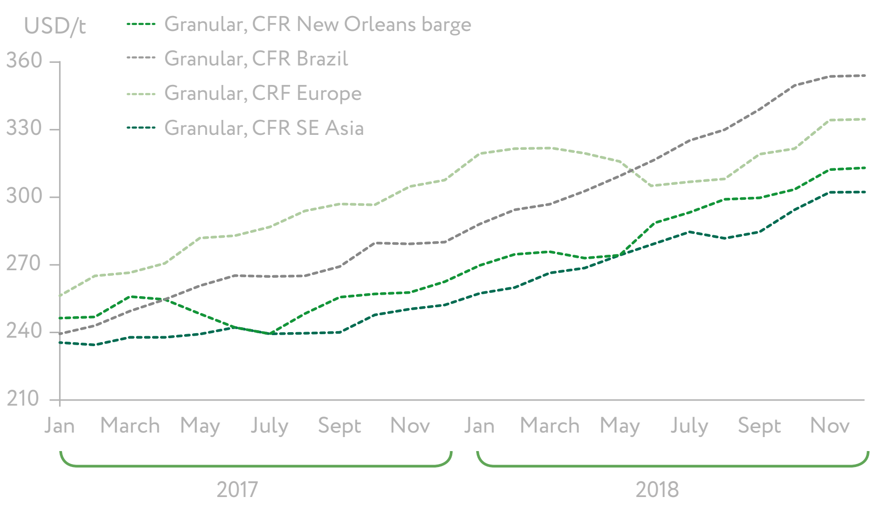
POTASH DEMAND IN 2018

Year 2018 was another strong year for potash demand and pricing, with industry having operated at high capacity utilisation rates through the year. Potash prices have surged to the highest levels in two years: up USD 30–70/t year-on-year depending on the market. The key driver of price rally was tight product availability due to production restrictions, slow ramp times, and low end year potash stocks both at producer and distributor levels.

The pace of global potash shipments remained robust, with potash demand almost in all major markets having experienced some upward momentum over the last year.

2018 global potash demand is estimated to have climbed to a record high of 66 million tonnes compared to 65 million tonnes in 2017. The increase in demand has been led by Brazil, which has outperformed the rest of the world in terms of demand and potash price growth. Favourable soybean economics helped to promote strong distributor potash purchases last year, supporting potash price increase of USD 70/t CFR since the start of the year. According to ANDA data, Brazil's 2018 potash imports increased by 9% year-on-year to 10.0 million tonnes. Seaborne contracts with Chinese and Indian buyers — although they came late — were settled at higher prices, both at USD 290/t CFR.

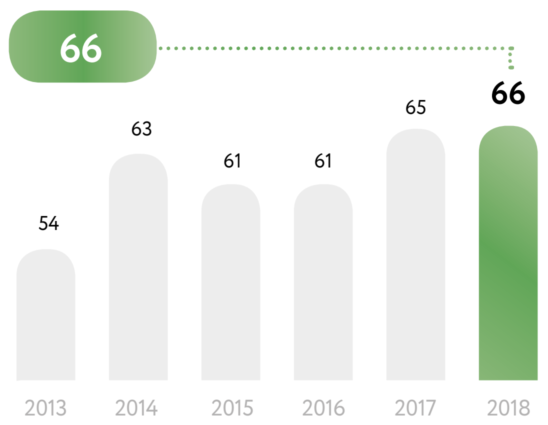
DYNAMICS OF POTASH PRICES ON KEY MARKETS



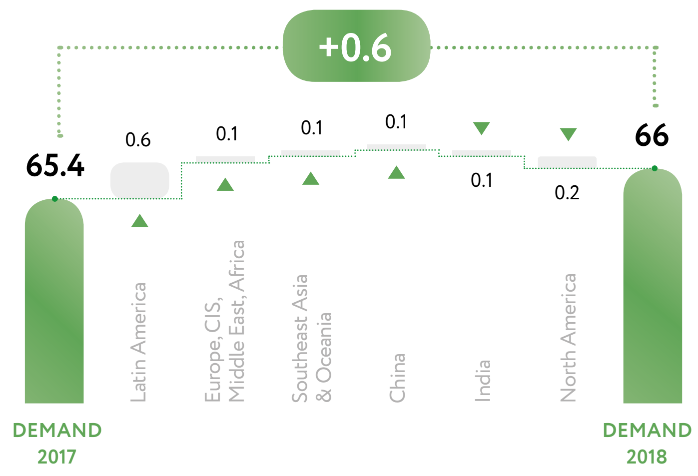
Despite significant delays in contract settlements, China imported 7.5 million tonnes of potash, representing a 1% decrease over the previous year, according to China Customs data. In 1H 2018, potash shipments to China were more robust than previously anticipated with high optional volumes of 2017 seaborne contract having delivered through the first half of the year. Indian demand last year was weaker than expected due to potash subsidy reduction by 10% compared to previous level and increase in potash retail prices. Total potash shipments to India in the calendar year are estimated to have totalled about 4.6 million tonnes compared to 4.7 million tonnes in the previous year.

On major Southeast Asian markets, potash imports were running strongly during the first three quarters. Large buyers in Malaysia and Indonesia concluded their contracts at significantly higher prices. However, in the fourth quarter, potash demand was weakened by falling palm oil prices, and the contract activity remained below traditional levels for the fourth quarter. Southeast Asia & Oceania are estimated to have imported 10.9 million tonnes of potash last year compared to 10.8 million tonnes in 2017.

2018 GLOBAL POTASH DEMAND REACHED RECORD HIGH , MLN TONNES KCL



2018 DYNAMICS OF POTASH DEMAND, MLN TONNES KCL



On EMEA & FSU markets, demand is estimated to have grown by 1% year-on-year and reached 12.9 million tonnes in 2018. Strong demand on Former Soviet Union markets (FSU) and Africa offset decrease in shipment on European markets. In Europe, full-year demand is estimated to have slightly fallen below that of 2017 due to adverse weather in Europe, which had eroded most of spring potash application.

In the US, demand has been steady through most of the year, with price levels having remained below other granular markets. Demand upside has been limited due to unfavourable weather conditions in the fall season. Full-year demand is estimated to have been slightly down year-on-year and totalled about 10 million tonnes in 2018.

2019 Market Outlook

Going into 2019, the market looks promising.

This year we expect Brazilian demand to accelerate through the second quarter and carry into historically strong third quarter. Farmers are unlikely to substantially change potash application rates, given their nutrient deficient soils.

China and India have good potential in terms of demand growth. In China, potash demand is expected to be supported by encouraging consumption trends, particularly for compound fertilisers. While India remains a difficult market to forecast due to subsidy policy implemented by government, potash consumption is more likely to improve in 2019.

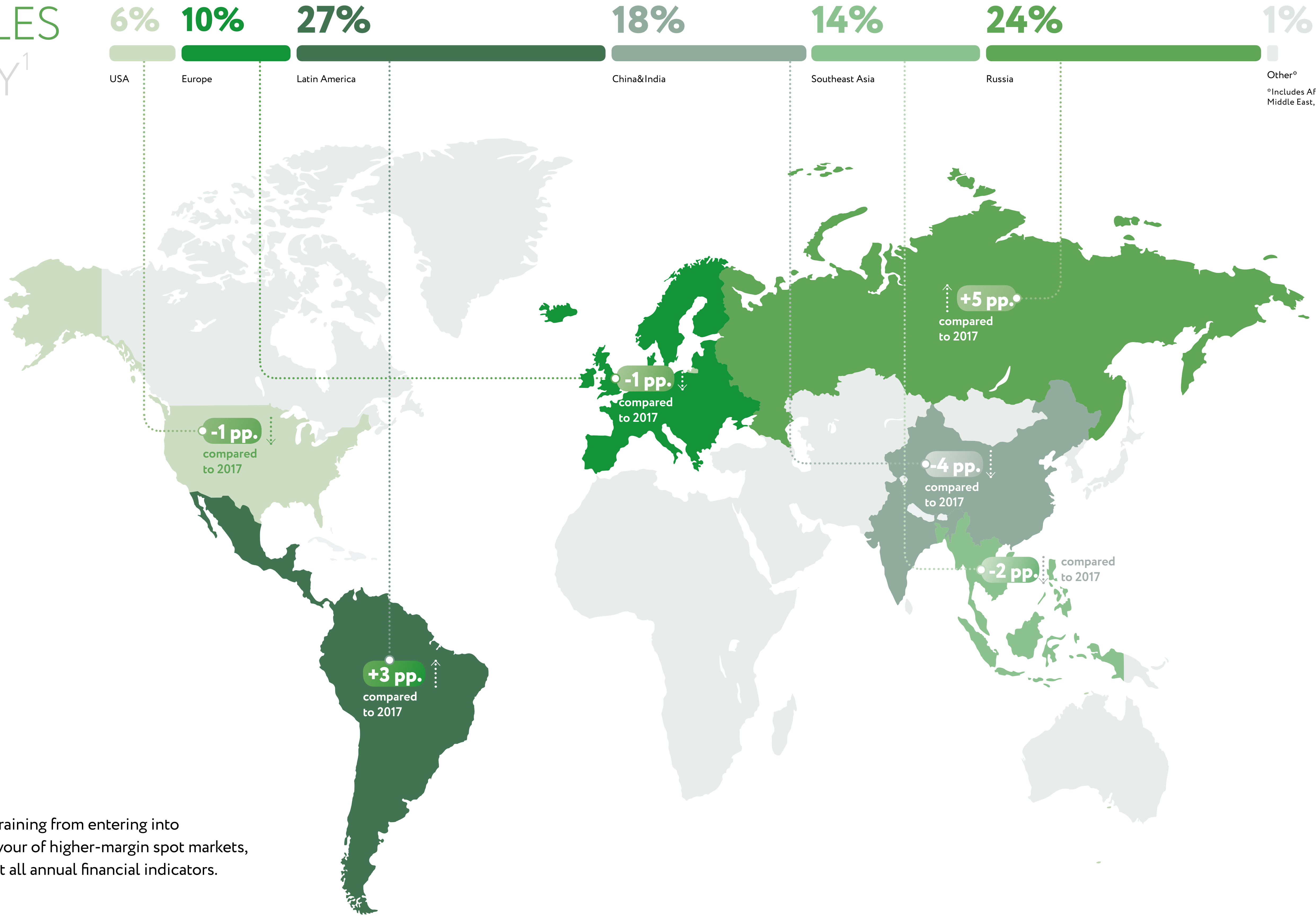
In Southeast Asia, lower farm profitability has negatively affected buying activity since the fourth quarter 2018. We believe demand is going to accelerate this year as palm oil pricing remains within the limits that is supportive of farmer economics and fertilisation.

In North America, the environment for demand appears favourable due to expected increase in corn acreage in the spring season. What could hinder demand upside in 2019 are soft major crop prices.

In Europe, potash demand is projected to grow this year as European farmers are expected to return to more normalised application rates this spring and restock their channels.

FSU, Africa and Middle East markets are expected to demonstrate some increase in potash demand compared to previous year.

GLOBAL SALES GEOGRAPHY[1]



>60
countries
Uralkali's sales geography

76%
Exports in the Company's total sales volume

11.1
mln tonnes KCL
Total sales volume in 2018

Uralkali revised its sales strategy, refraining from entering into a long-term contract with India in favour of higher-margin spot markets, which had a positive effect on almost all annual financial indicators.

[1] Data by volumes of products sold.

2018 URALKALI EXPORT SALES

We hope that positive market dynamics that we were observing last year will continue this year and support further potash demand and price growth.

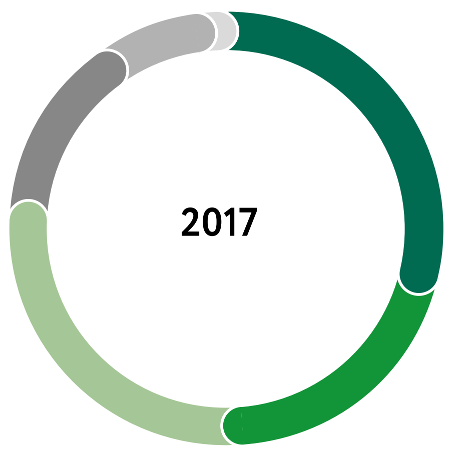
Alexander Terletsky,
Head of Uralkali Trading SIA

The Company's performance in the export sales segment has been robust, with higher realised prices having enabled us to report 1% growth in FCA export revenue over last year. Strong growth in average FCA export price (23% year-on-year) more than offset a decline in export sales volumes, which is mainly attributed to tight product availability in 2018.

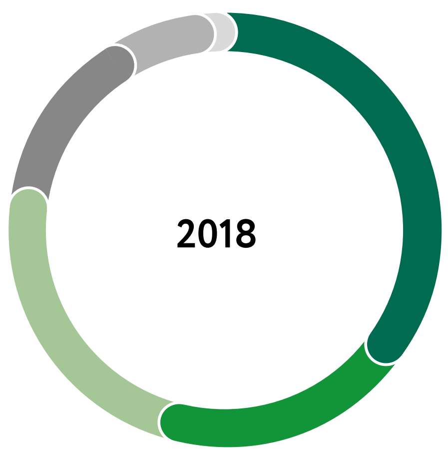
Consistent with our announcements, we decreased sales volumes on long-term contract markets in 2018 due to tight product availability and lower prices compared to those of other standard potash markets.

In 2019, we continue to pursue strategy aimed at maximising export revenue by reallocating volumes to more profitable markets.

URALKALI'S EXPORT SALES STRUCTURE[1]



29% Latin America
20% Southeast Asia
27% China & India
14% Europe
8% USA
2% Other[2]



35% Latin America
19% Southeast Asia
23% China & India
14% Europe
7% USA
2% Other[2]

[1] In terms of sales volumes.
[2] Africa, Middle East, FSU.

DOMESTIC SALES

The main consumers of the Company's products on the domestic market have traditionally been manufacturers of compound mineral fertilisers; in 2018 their deliveries amounted to 89% of the total supply volume.

Vladislav Lyan,
Director of Domestic Sales

The main consumers of the Company's products on the domestic market are producers of compound mineral fertilisers: the volume of deliveries for these companies kept growing (+ 6% compared to 2017) and amounted to 2.35 million tonnes.

On the Russian market, potassium chloride (KCl) is mostly used as raw material for the production of compound (NPK) and mixed fertilisers and other chemical products, as well as a component for drilling fluids used at oil plants, and as a single-component fertiliser for direct application to the soil. Potassium chloride is also used in small amounts in the non-ferrous metals industry and the food industry.

In 2018, the volume of potash supplies to the Russian market increased by 9% year-on-year and amounted to 2.64 million tonnes.

The main consumers of the Company's products on the domestic market have traditionally been manufacturers of compound mineral fertilisers (NPK producers); in 2018 their deliveries amounted to 89% of the total supply volume.

More than half of the arable lands in Russia is occupied for crops that need increased use of potash — wheat, sunflower, corn and sugar cane. The orientation of the Russian agricultural sector to increasing yields, gross harvest and exports provides a high market potential for selling potash fertilisers to agricultural producers.

The main regions that consume potash for agricultural purposes are:

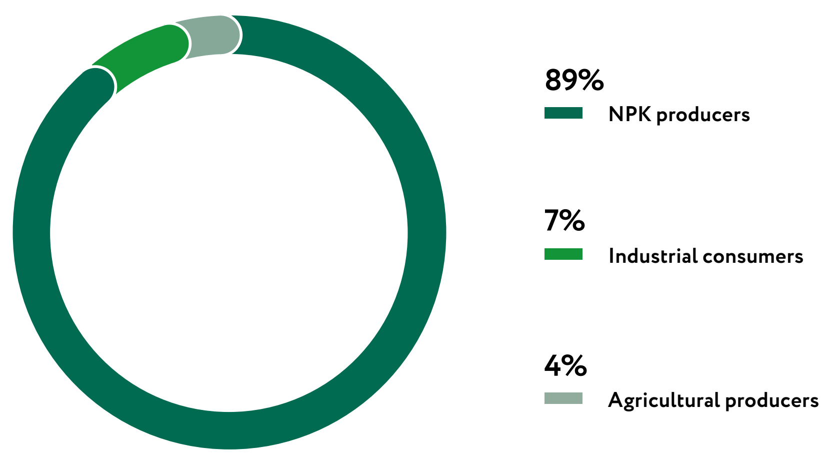
Bryansk, Nizhny Novgorod, Lipetsk, Voronezh, Kursk, Oryol, and Krasnodar.

In 2018, their share accounted for 0.095 million tonnes of potash as a single-component fertiliser.

Total consumption of Uralkali's potash by Russian agricultural producers (including consumption of potash in compound fertilisers) in 2018 amounted to about 0.63 million tonnes, which is 8% more than in 2017.

Industrial consumers — oil, chemical and nuclear enterprises — traditionally acquire potash for special production processes. In 2018, the supply volume of potassium chloride to this group of customers amounted to 0.192 million tonnes.

URALKALI'S STRUCTURE OF KCL SALES ON THE DOMESTIC MARKET IN 2018



Positioning the Company as a leader in the industry is anchored in its high level of expertise and social responsibility. Today, it is not enough to simply produce high-quality products, it is also essential to introduce international scientific expertise in the daily practices of farmers (our end customer), in order to ensure optimal crop yield. Uralkali is a member of Russian and international associations, such as the International Fertilizer Industry Association (IFA) and the Russian Association of Fertilizer Producers (RAFP), and serves on the scientific committee of a recognised international institute engaged in applied agricultural chemistry research — The Fertiliser Institute (TFI).

In addition to potassium chloride, Uralkali sold 0.39 million tonnes of enriched carnallite and 1.23 million tonnes of industrial salt on the domestic market in 2018. The main consumers of enriched carnallite are the Solikamsk Magnesium Plant and PSC VSMPO-AVISMA Corporation, which use it in the production of magnesium.

Domestic Pricing

The Company strictly complies with its obligations to ensure non-discriminatory access to potash fertilisers for consumers.

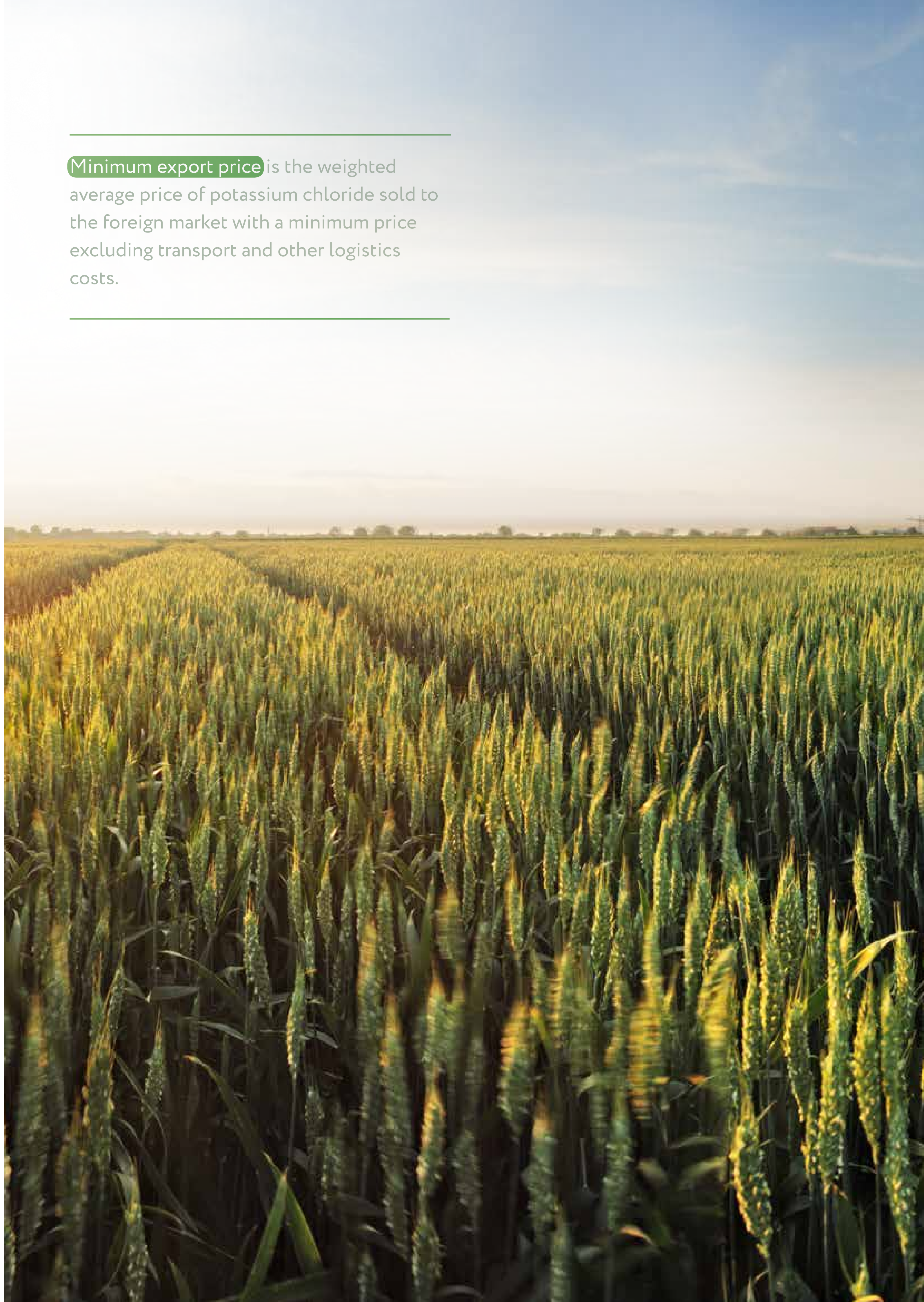
In November 2010, the Federal Antimonopoly Service of the Russian Federation approved the Rules according to which the price of potassium chloride for Russian producers of compound fertilisers (NPK producers) shall be based on the minimum export price starting from 2011. Since October 2013, prices have been calculated on a monthly basis, enabling the Company to respond promptly to changes in market conditions. When calculating selling prices for 2018, NPK producers were provided with an additional discount of USD 13 (in the rouble equivalent) for some volumes.

Since July 2013, in accordance with the FAS Recommendations on ensuring non-discriminatory access to the acquisition of potassium chloride, the price of supplies of potassium chloride to Russian agricultural producers is also established according to the formula of the minimum export price.

Based on Russia's accession to the WTO and transition to market pricing on the domestic mineral fertiliser market starting 1 January 2013, the Non-Profit Organisation Russian Association of Fertiliser Producers (RAFP) and the Union "Russian Agroindustrial Association of Employers" Agroindustrial Union of Russia (Rosagropromsoyuz) regularly enter into cooperation agreements. The aim of this agreement is to meet the demand for mineral fertilisers in Russia's agroindustrial sector. The agreements determine the main economic principles of interaction, in particular, that members of the RAFP and Rosagropromsoyuz are recommended to use market pricing principles.

When setting the price for industrial consumers, Uralkali also uses the formula based on the minimum export price.

Minimum export price is the weighted average price of potassium chloride sold to the foreign market with a minimum price excluding transport and other logistics costs.



OUR STRATEGY

Uralkali is a leading international potash producer with a significant share of global potash production. The Company's strategy aims to ensure its comprehensive development and retain its leading positions in the sector.

Our Mission and Vision

OUR MISSION

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

OUR VISION

- Uralkali is one of the world's leading potash producers.
- Our production priorities remain providing high-quality products, zero accidents, and the lowest possible environmental footprint.
- Our work is based on principles of clear division of responsibilities, KPI-based management, / and risk minimisation.
- Uralkali is one of the most attractive employers in the mining industry.
- We attach a great importance to our people: we develop and promote our best employees.
- We actively participate in the development of cities where the Company operates.

OUR VALUES

Uralkali's values are the basis of our work. They unite all Company employees, regardless of their department, role or responsibility. Our values give us strength and support to drive further development. They are designed to help each and every one of us in what we do.

Our activities are guided by the following values:

- **Safety:** We comply with the relevant rules and demonstrate zero tolerance towards violations of them.
- **Responsibility:** We perform quality work in due time.
- **Efficiency:** We strive for achieving the best results with minimum costs.
- **Teamwork:** We respect each other, which helps us to face challenges and address them more effectively.

Delivering on Our Strategy

	OUR VISION	KPIS	PRIORITIES
MAINTAINING INDUSTRY LEADERSHIP POSITIONS	• We strive to sustain a leading market position in the global fertiliser industry and contribute to the global food security. • We are focused on meeting the world's growing demand for food and seek to take advantage of our unique resource base.	• Net revenue (potash segment). • Achieved production.	• Revenue maximisation. • Stimulation of growing demand for potash. • Increasing potash capacity on the lowest cost basis in the industry; an option to add more volumes if economically viable. • Focusing on products of the highest quality.
FOCUSING ON ENHANCED RELATIONSHIP WITH END CUSTOMERS	• We ensure secure and risk free routes to market through enhanced distribution capabilities from the mines to consumers.	• Sales volume. • Production volume.	• Strengthening customer relationships and reliability of supply. • Enhancing logistics platform to secure long-term supply on key markets. • Focusing on efficient distribution on key markets.
MAINTAINING LEADERSHIP POSITIONS IN TERMS OF CASH COST OF GOODS	• We seek to maintain our leading position in cost-efficiency among potash producers.	• Cash cost of goods sold. • Maintenance CAPEX. • EBITDA margin.	• 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.
BALANCED APPROACH TO INVESTMENT IN EXPANSION AND RETURN OF FREE CASH FLOW TO SHAREHOLDERS	• We are committed to retaining a robust capital structure and maximising total shareholder return.	• Net debt/EBITDA for the last 12 months. • Expansion CAPEX.	• Retaining an efficient capital structure. • Maintaining balanced approach to capital investment and robust capital discipline.
FOCUSING ON PEOPLE, COMMUNITIES, SAFETY, AND ENVIRONMENT	• We aim to be the employer of choice in the industry. • We are pursuing the highest level of occupational health and industrial safety practices to protect our employees. • We take significant steps to minimise the environmental impact of our operations. • We actively participate in the development of cities and local communities.	• Work-related fatal injury frequency rate (FIFR). • Lost time injury frequency rate (LTIFR). • Social investments. • Voluntary labour turnover. • Average annual wages (in the main production unit). • Energy consumption.	• Seeking to be a regional and industry employer of choice. • Operating in a socially responsible manner and minimising environmental impact of operations.
CONTINUED FOCUS ON BEST CORPORATE GOVERNANCE PRACTICES	• We are guided by the principles of openness, transparency, and risk minimisation for all stakeholders and are committed to continuous improvement in our effective corporate governance practices.	• Credit rating maintenance corresponding to the Company's current financial position and status. • The Company's governance and transparency are not negatively cited by rating agencies/regulators.	• Securing our shareholders' rights and interests.

BUSINESS MODEL

63.6 mln USD investments in environment protection

16.1 mln USD social investments

358 mln USD investments in projects for the construction of new and maintenance of existing production facilities

RESOURCES

Ore reserves (potash, carnallite)

5 mines

Licenses for development

12 thousand employees work in the main production unit

Social capital (partnerships in the field of socio-economic development of the regions where the Company operates)

PRODUCTION

6 potash plants

1 carnallite plant

PRODUCTS

Standard white MOP

Standard Pink MOP

Granular MOP

LOGISTICS

Warehouse capacity

Baltic Bulk Terminal

7.8 thousand mineral wagons

SALES

Sales volume of **11.1 million tonnes KCl**

Agriculture

Industry

Compound fertilisers

Russia 24% of sales volume

Export 76% of sales volume

15% rail transport

85% marine transport

>60 countries

CONTROL

Corporate governance system | Risk management system | Internal control and audit system

STRATEGY

RISK MANAGEMENT

Key risk factors

The table below describes mainly the major and most significant risk factors, which may have a considerable impact on the financial and operating performance of Uralkali. All estimates and forecasts contained herein should only be viewed taking these risks into account.

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

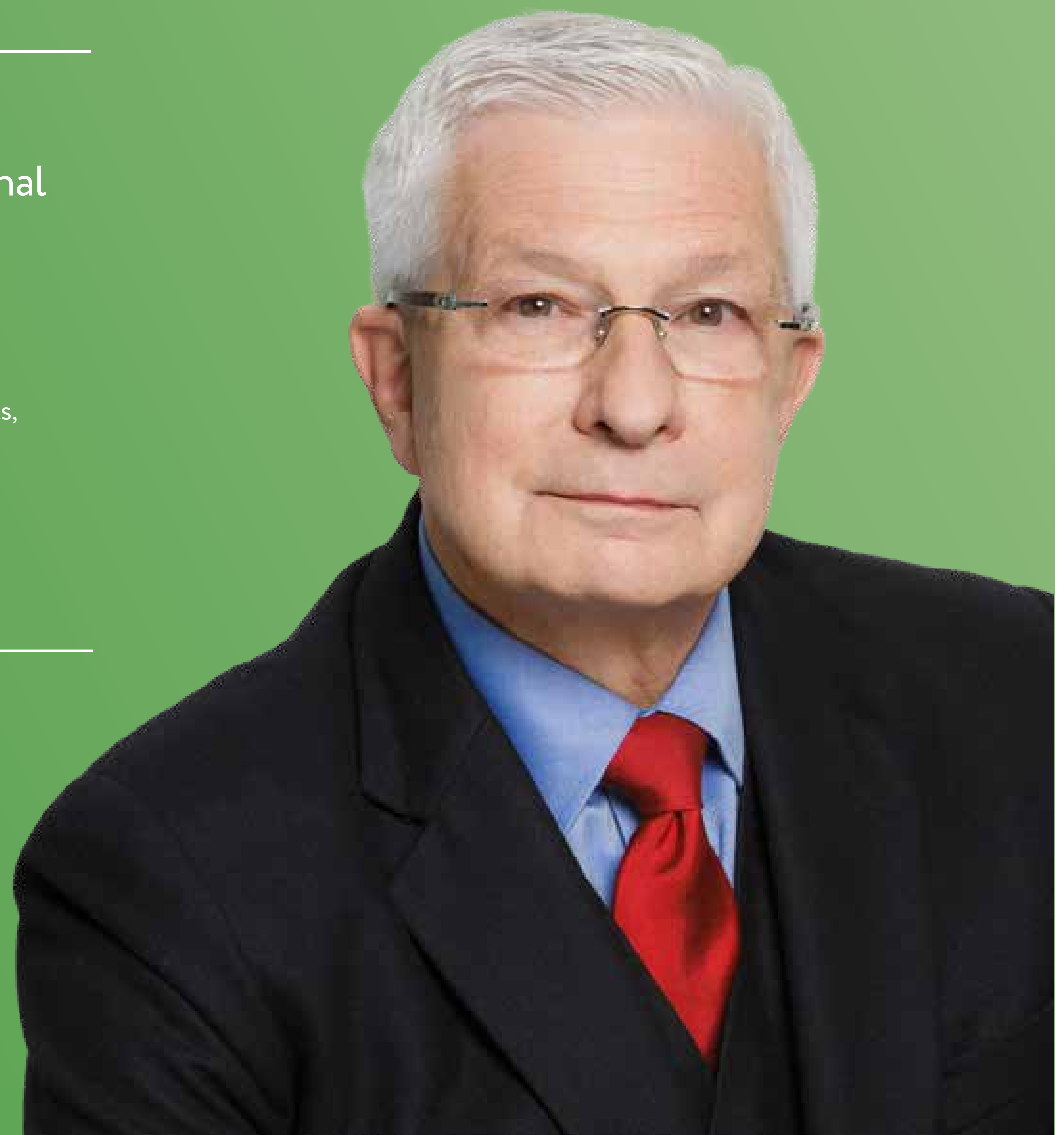
The Annual Report does not aim to give an exhaustive description of all risks that may impact the Company. Uralkali will disclose any necessary information in a timely manner according to the applicable Russian and foreign laws.

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

An effective risk management and internal control system remains one of the Company's priorities.

As part of these activities, at all levels, measures are taken to reduce the likelihood of negative consequences that may result from certain events.

Paul Ostling,
Chairman of the Audit Committee



RISK	RISK DESCRIPTION	RISK LEVEL	DEVELOP-MENT	COMMENTS	RISK MINIMISATION MEASURES
Strategic and marketing risks					
Failure to meet targets set for investment projects	Expansion CAPEX, costs associated with productivity increase and other investment costs of Uralkali are an important part of the Company's expenditure budget. There are risks that investment projects' deadlines and budgets will be exceeded, and risks that the projects' technical parameters will not be achieved, or risks of project termination taking into account current factors and forecasts.	high	◄►	The Company continues to implement its investment programme.	• The Company continuously monitors and controls the implementation of its investment programme. • The Company makes investment decisions based on market outlook; it selects the most economically efficient projects, based on its financial abilities and the market balance of supply and demand, and determines optimal implementation periods. • The Company follows the project management principles when implementing investment projects. • Major investments are made after the design stage activities are completed and after the time frame, costs and feasibility of the projects are confirmed.
Change of the supply and demand balance on the main potash markets	Change of the supply and demand balance on the main markets of potash consumption, because of decrease in demand and price of potash due to both political and economic factors, may have a negative impact on the Company's operations. The desire of potash producers to achieve high capacity utilisation in the context of insufficient demand can lead to potassium chloride oversupply and thereby to a reduction of the global prices. All this may affect revenues and result in a decrease of the Company's profits.	high	◄►	The demand for potash on major sales markets does not comply with the level of supply, which leads to a price reduction, decrease of the Company's revenue, and affects the ability to meet assumed obligations.	• Uralkali's management is developing a marketing strategy to promote potash. • The Company actively supports agricultural producers (e.g. by updating farmers' calculators). • The Company maintains a flexible production strategy, increasing or decreasing production depending on current demand and market forecasts.

RISK	RISK DESCRIPTION	RISK LEVEL	DEVELOP-MENT	COMMENTS	RISK MINIMISATION MEASURES
Operating risks					
Reduction of production capacity/ production volumes	External and internal factors, including accidents, downtime, a general decline in potash demand, can affect potash production.	medium	◀▶	Production capacity decreased in connection with the accident at Solikamsk-2 in 2014.	• Uralkali continues to expand its production capacity and replace retired assets, maintaining them in working order. The Company sets the production targets in accordance with current market situation and the adopted strategy.
Lack of qualified employees	The specific nature of the Company's business implies indepth professional training and high qualification of its employees, particularly, in production, mining, and geology. Uralkali may face the difficulty of attracting and retaining staff with sufficient qualifications and the need for additional time and material resources to train and develop its employees. All this can negatively affect the Company's timely achievement of goals.	high	◀▶	In the context of the planned launch and development of a number of mining projects in the Perm and neighbouring regions by other companies in the coming years, retention of qualified personnel is becoming one of the main tasks for the Company.	• The Company constantly monitors the labour market and takes measures to retain personnel, mainly in production through different ways, including surveys to determine the degree of personnel engagement and monitoring the reasons for resignation. • The Company has implemented a system for in-house personnel assessment and training. For example, Uralkali has established a Corporate University, which is licensed to deliver 370 training programmes; an e-learning system is being implemented; also in place is the talent pool programme for key positions in the Company. Uralkali offers one of the most attractive social benefits packages in the industry, market-matching salaries, and compensates mortgage payments to the key employees.
Non-fulfilment of obligations by contractors, suppliers or customers	The failure of key partners, relations with whom are strategically important, to meet their contractual obligations may adversely affect Uralkali's performance.	high	◀▶	The Company's activities depend on monopolistic energy suppliers and the Russian railways. In the context of macroeconomic instability, suppliers and contractors can raise the price of their products and services. Timely fulfilment by suppliers, contractors and buyers of their obligations related to the implementation of the Company's investment projects is critical in order to ensure compliance with deadlines within the approved financial investments.	• The Company strives to ensure alternative suppliers and contractors are available for all its needs. • Uralkali is working towards enhancing contractual discipline to ensure the obligations undertaken by the parties are fulfilled on time and in full, including monitoring compliance with the terms of contracts through the introduction of additional controls (including KYC, credit policy and risk assessment model) to improve the quality of documentation, interact with counterparties at various contractual stages, and to ensure timely and complete performance of the obligations assumed by the parties.
Expenditure increase	Risks of production costs increase may occur due to wear-and-tear of production equipment, utilisation of obsolete technologies, the inefficient spending of funds on operating activities or growth of energy prices.	medium	◀▶	The Company is implementing programmes to increase productivity and reduce operating expenditures.	• The Company is engaged in thorough budgeting and planning activities, ensures continuous monitoring and control of expenses of its bodies and officials. • The Company constantly improves performance discipline and implements additional controls that allow it to stay on budget and keep costs at an approved level.
Financial risks					
Currency rates fluctuations and interest rates growth	Inflation processes and currency fluctuations significantly affect the financial performance of the Company and may lead to a reduction of net profits.	high	◀▶	Part of the Company's loan portfolio consists of loans with floating interest rates and is denominated in foreign currency. The bulk of Company's expenses denominated in roubles, while the main export revenues are denominated in US dollars.	• The Company minimises the currency fluctuation risks and the risk of a significant increase in the floating interest rate by means of financial derivatives and other available hedging instruments.

RISK	RISK DESCRIPTION	RISK LEVEL	DEVELOP-MENT	COMMENTS	RISK MINIMISATION MEASURES
Environmental risks					
Environmental and mining risks	Uralkali's ore mining and beneficiation activities are exposed to risks associated with the geological structure of the Verkhnekamskoye deposit of potassium salts, and general mineral exploration, extraction and processing risks including possible flooding, fires and other emergencies that can lead to unforeseen costs and a general decline in the efficiency of Company's operations.	high	◀▶	Given unpredictable natural factors associated with mining, the Company takes a conservative approach to mitigate environmental risks.	• The Company follows its previously developed mining plan, which includes an extensive safety section. • The Company regularly audits the sufficiency of measures aimed at minimising mining risks. Mining safety monitoring is one of the key Company priorities that is regularly followed up by the CEO, the Board of Directors and their respective committees.
HSE non-compliance	Uralkali's activities and the use of its property are regulated by various health, safety and environmental laws and regulations. Additional costs and obligations may be incurred due to the need to comply with these requirements.	medium	◀▶	The Company pays considerable attention to industrial safety, treating human life and health as the highest value, and making HSE compliance its main task.	• The Company has adopted safety standards, including Cardinal Safety Rules. Regular safety training and examinations of personnel are held; a set of measures to prevent occupational diseases are in place. • The Company pays close attention to complying with environmental legislation and improving its environmental performance; all recommendations and instructions from environmental supervisory authorities are duly taken into account and followed.
Political and legal risks					
Risks related to the incidents at Berezniki-1 and Solikamsk-2	The flooding of Uralkali's Berezniki-1 in October 2006, as well as the incident at Solikamsk-2 in 2014 had a significant impact on the size of mineral reserves and may lead to additional costs, losses and obligations.	high	◀▶	The Company adheres to the safety and social responsibility policies and adopts 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 issue in a timely manner.

RISK	RISK DESCRIPTION	RISK LEVEL	DEVELOP-MENT	COMMENTS	RISK MINIMISATION MEASURES
Political and regulatory risks	Uralkali operates on the Russian market and a number of developing markets that are exposed to higher risks than more developed markets, including significant legal, economic, and political risks. The Company may breach applicable laws or regulations on the markets where it operates. Certain measures of governmental bodies or increased regulation could lead to additional costs, as well as affect creditors' expectations. Risks of additional obligations, costs and restrictions for Uralkali due to audits by tax authorities, the federal health and safety agency (Rostechnadzor) and other regulators.	medium	◀▶	Uralkali is registered in Russia and operates in a number of developing markets that are exposed to higher risks than more developed markets, including legal, economic and political risks, i.e. rapidly changing legislation and legal practice.	• The Company's sustainable development depends on its ability to be fully compliant with legal requirements and other binding standards, rules, and instructions. The Company has developed a set of interconnected measures to ensure compliance of its activities. • The Company also monitors any relevant legislative changes in all applicable jurisdictions and liaises with supervisory authorities to promptly adjust its documents and practices. • The corporate governance procedures applied to the Company allow the quickest possible adoption of the necessary operational and strategic decisions at different management levels.
Compliance with applicable legislation and internal policies	Uralkali is subject to the laws of Russia and other countries of its operations, including anti-monopoly regulations. Claims, including anti-monopoly claims, may create additional costs for the Company.	medium	◀▶	The Company is subject to special state regulations in various jurisdictions. Due to macroeconomic instability, regulators can tighten their requirements.	• The Company constantly improves its internal control system in order to ensure compliance of its activities with the requirements of applicable law including anti-monopoly legislation. • In 2017, the Russian Federal Anti-Monopoly Service (FAS) extended its recommendations on provision of non-discriminative access to purchase of potash in Russia for five years, whereby it confirmed the existing pricing and thus reduced destabilisation risks during domestic sales of potash by the Company.

◀ – risk probability decreased
▶ – risk probability increased
◀▶ – risk probability did not change

KEY PERFORMANCE INDICATORS

Uralkali continues to maintain a leading position in the industry against the growing competition background.

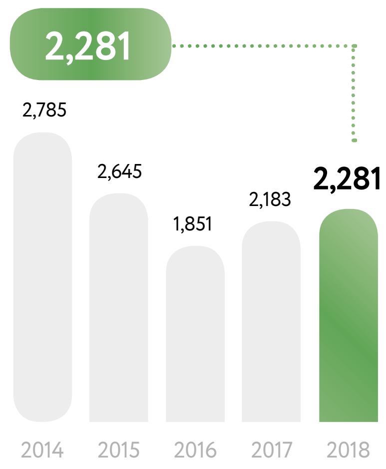
The market environment strengthened its fundamental industry characteristics in 2018.

The Company's EBITDA was 9% higher compared to 2017 and amounted to USD 1,459 million.

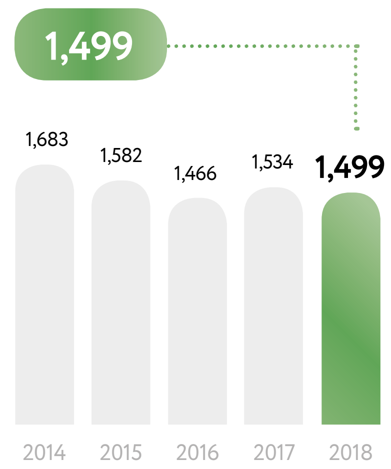
Dmitry Osipov,
CEO

Strengthening Industry Leadership Positions

NET REVENUE, USD MLN



LABOUR PRODUCTIVITY TONNES PER PERSON



Relevance to the strategy

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

Measurement

Net revenue represents revenue net of freight, railway tariff, lease of wagons, and transshipment costs.

Performance overview

Compared to 2017, the net revenue growth in 2018 was due to high potash demand and higher prices.

Relevance to the strategy

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

Measurement

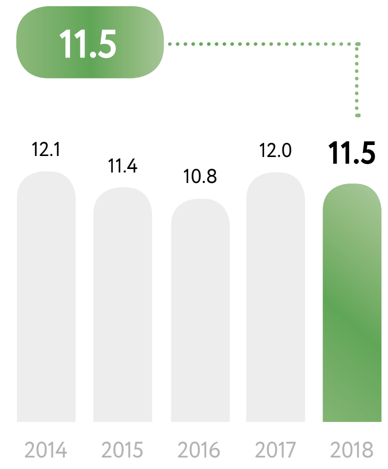
Potash fertilisers output divided by average production personnel headcount.

Performance overview

The production volume in 2018 decreased year-on-year due to the sales redistribution to more profitable markets.

Focus on Relationship with End Consumers

PRODUCTION VOLUME, MLN TONNES KCL



Relevance to the strategy

Achieved production shows the volume of products produced by the Company and based on the market conditions and the current strategy.

Measurement

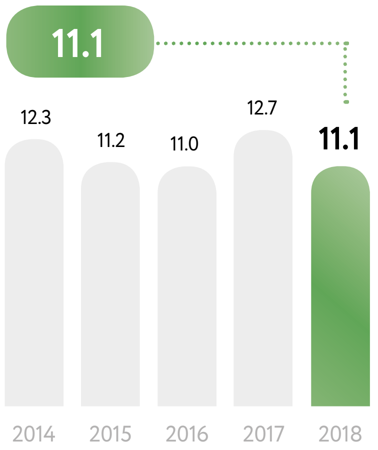
The volume of potash fertilisers produced within the reporting period.

Performance overview

The production volume in 2018 decreased year-on-year due to the sales redistribution to more profitable markets.

Focus on Relationship with End Consumers

SALES VOLUME, MLN TONNES KCL



Relevance to the strategy

Sales volume is one of the indicators representing the efficiency of our logistics, trading performance, and route to the market.

Measurement

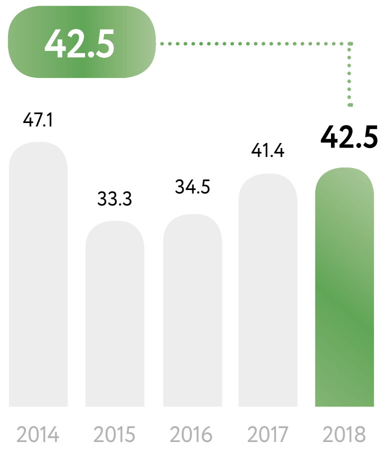
The volume of potash fertilisers sold within the reporting period.

Performance overview

In 2018, the Company followed the strategy aiming at export revenue maximisation based on production volume redistribution to more profitable markets.

Maintaining a Leadership Position in Cash Cost of Goods

UNIT CASH COGS, USD PER TONNE



Relevance to the strategy

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

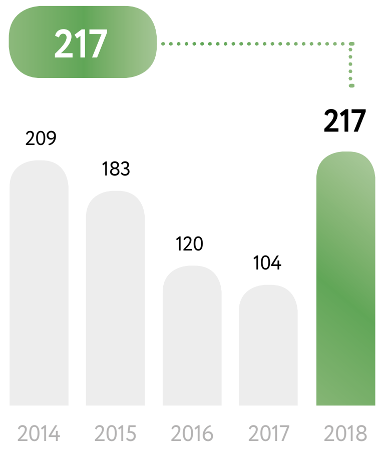
Measurement

COGS less depreciation and amortisation per tonne.

Performance overview

In 2018, our costs increased to USD 42.5 per tonne. The main reason for this increase in COGS per tonne were larger cost of materials and energy resources as well as payroll indexation.

MAINTENANCE CAPEX, USD MLN



Relevance to the strategy

Maintenance CAPEX shows investments in maintenance of our facilities once they are put in operation.

Measurement

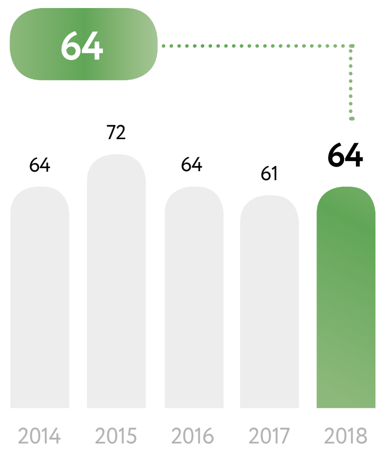
Capital expenditures aimed at maintaining the current production facilities in sound technical condition.

Performance overview

The cost of production capacity maintenance corresponds to the historical level. The equipment is being replaced and the panels are being prepared for testing in accordance with the production cycle. Investments are being made in the construction of hydraulic stowage facilities to ensure safety of mining operations.

Balanced Approach to Investment in Expansion and Return of Free Cash Flow to Shareholders

EBITDA MARGIN, %



Relevance to the strategy

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

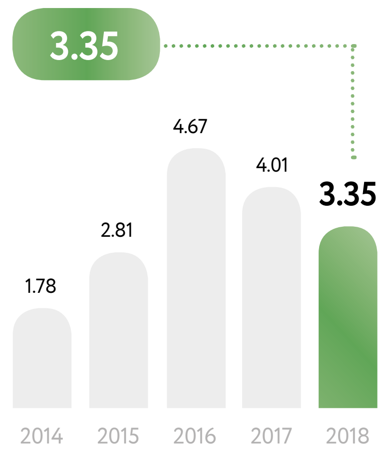
Measurement

EBITDA margin divided by net revenue. EBITDA margin is operating profit plus depreciation and amortisation.

Performance overview

The EBITDA margin rose from 61% to 64% in 2018, mainly due to a price increase on the potash market caused by the weakening of rouble.

NET DEBT/EBITDA FOR THE LAST 12 MONTHS



Relevance to the strategy

Net debt/EBITDA measures how robust our capital structure is and how we manage our balance sheet.

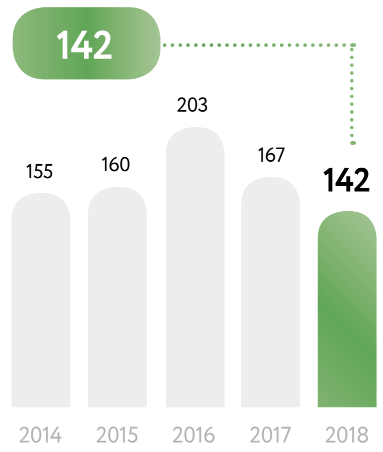
Measurement

Net debt is debt (including bank loans and bonds) less cash and deposits.

Performance overview

The fall in the net debt/EBITDA ratio was caused by an increase in EBITDA due to favourable market conditions in 2018 and the growth in net debt.

EXPANSION CAPEX, USD MLN



Relevance to the strategy

Expansion CAPEX reflects how efficiently we bring new potash capacity on line.

Measurement

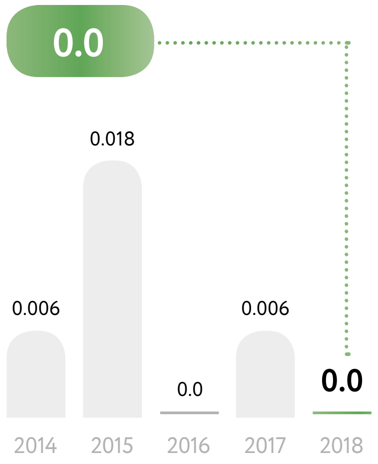
Capital expenditures attributable to the expansion programme.

Performance overview

The Company's expansion programme remains one of the most efficient in the field. In 2018, the total expansion CAPEX corresponded to the schedule of launching new capacities aimed to maintain the leading position on the market.

Focus on People, Communities, Safety and Environment

WORK-RELATED FATAL INJURY FREQUENCY RATE (FIFR)



Relevance to the strategy

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

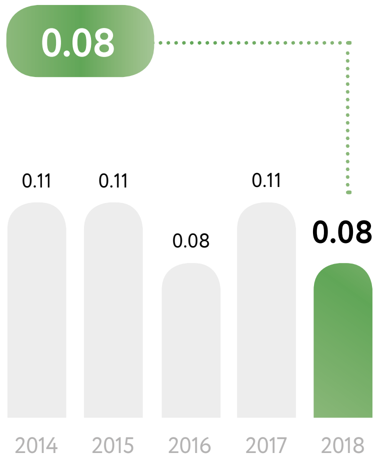
Measurement

FIFR is calculated based on the number of fatalities per 200 thousand hours worked.

Performance overview

In 2018, no fatal accidents took place at Uralkali or its subsidiaries and affiliates.

LOST TIME INJURY FREQUENCY RATE (LTIFR)



Relevance to the strategy

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

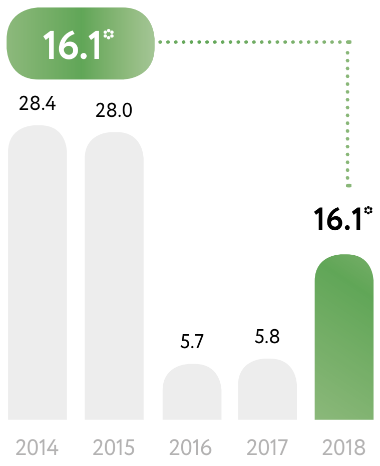
Measurement

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

Performance overview

In 2018, 13 accidents were registered at Uralkali's enterprises and subsidiaries in Russia. No fatal outcomes took place. All cases were investigated; the Company took the necessary measures to prevent similar accidents in future.

SOCIAL INVESTMENTS, USD MLN



Relevance to the strategy

Social investments demonstrate and reflect the Company's important role in the community in which it operates.

Measurement

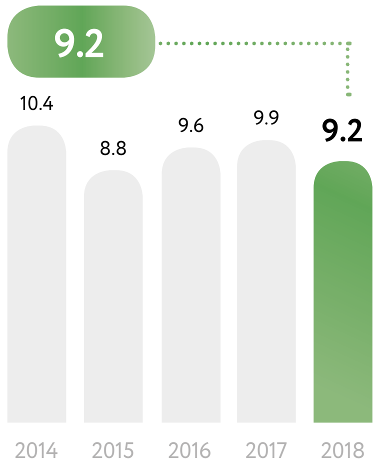
Total amount of social expenditures including charity, support of infrastructure, and sport.

Performance overview

In 2018, Uralkali continued to support sport activities, donate to charity, and contribute to the development of the region where it operates.

* Social expenditures in roubles amounted to RUB 1,008 million for 2018. Average rate of the Central Bank of the Russian Federation for 2018: USD 1 = RUB 62.7078.

VOLUNTARY LABOUR TURNOVER, %



Relevance to the strategy

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

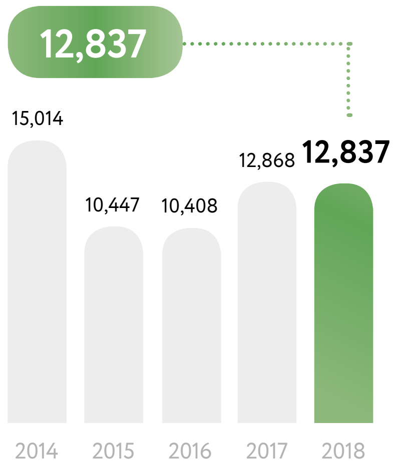
Measurement

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

Performance overview

In 2018, the labour turnover index decreased due to an increase in payment to key staff, free employee transportation and other measures taken by the Company.

AVERAGE ANNUAL WAGES, USD



Relevance to the strategy

The average annual wages per employee indicator in the main production unit measures how competitive we are on the market in relation to attracting and retaining the best people.

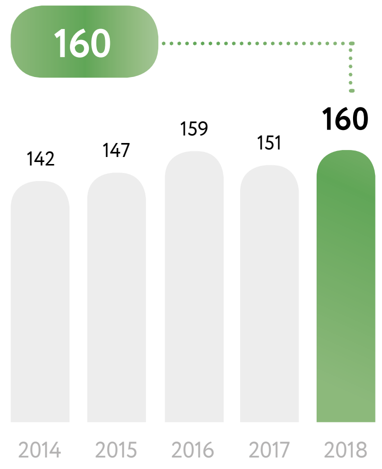
Measurement

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

Performance overview

In 2018, the average annual wages denominated in US dollars remained at the level of the previous year due to the weakening of rouble and indexation. Uralkali constantly monitors salary rates and pays the utmost attention to retaining people through ensuring its salary levels remain attractive.

ENERGY CONSUMPTION KWH/T



Relevance to the strategy

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

Measurement

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

Performance overview

Increase in energy consumption per tonne of production was due to the decrease in production volume amid other factors.

Continued Focus on Best Corporate Governance Practices

CREDIT RATING MAINTENANCE

2012–2013 Investment-grade ratings received and maintained

2014 Investment-grade ratings maintained

2015–2017 Stable credit outlook maintained

2018 Stable credit outlook maintained

THE COMPANY'S GOVERNANCE AND TRANSPARENCY ARE NOT NEGATIVELY CITED BY RATING AGENCIES/REGULATORS

2013 The Company pursued a consistent policy of enhancing its corporate governance and information transparency, which also includes improving the information uploaded to its website and the quality of public reporting. No complaints were received from regulators.

2014–2018 Uralkali continued implementing consistent measures to maintain the existing corporate governance system and information transparency.

Relevance to the strategy

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

Measurement

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

Performance overview

In 2018, Expert RA assigned the Company the ruA rating.

In 2018, Fitch and Standard & Poor's improved the outlook on the Company's rating from Negative to Stable. Moody's rating agency's outlook remained at the same level.

Relevance to the strategy

The corporate governance system, based on the best international standards, is the backbone of shareholders' trust.

Measurement

Any defects in the Company's corporate governance, transparency, disclosure or ethical standards, practices or procedures cited by any rating agency or 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 among the Company's key priorities in 2018. The decision-making process in the Company is in line with legal and regulatory requirements and the best international corporate governance practices.

INVESTING IN THE FUTURE

The Company aims to retain and increase its share on the global market. Uralkali implements a programme for the development of production capacities and continues to invest in modernisation of its current facilities. The programme will be implemented taking into account the current situation and expected developments on the potash market.

Production Capacity Development and Maintenance Programme

Ust-Yayvinsky block

$54 mln

Investments in 2018

In 2018, the construction of the surface complex facilities continued and the acquisition of the main technological equipment is being carried out.

New Solikamsk-2 mine

$31 mln

Investments in 2018

The shaft sinking was conducted in 2018, and the designing of the surface complex continued.

Other expansion projects

$57 mln

Investments in 2018

In order to improve the production efficiency, programmes are being implemented aimed to increase the load on the sections and the extraction; geological exploration of new areas, as well as the railway infrastructure development is continued; new projects for raising the volume of granular products are carried out.

Maintenance of existing capacity

$217 mln

Investments in 2018

As part of the capacity maintenance work, the preparation of the mine panels for operation and worked out sectors for closing, as well as replacement and upgrade of the equipment is being carried out.

FINANCIAL MANAGEMENT DISCUSSION AND ANALYSIS

Promoting Financial Stability

In 2018, a higher demand was registered at all markets and, as a result, export average price increased against 2017.

Compared to 2017, the results of the Group were as follows:

- **the total revenue** decreased by 0.3% compared to 2017 (USD 2.75 billion in 2018 against USD 2.76 billion in 2017);
- **the average export price on a delivery** basis in US dollars increased by 18% in 2018;
- **the average FCA export price**[1] in US dollars increased by 23% in 2018 due to the growth of demand on the potash market;
- **EBITDA** increased by 9%, from USD 1.34 billion in 2017 to USD 1.46 billion in 2018;
- **cash COGS** per tonne increased from USD 41.4 in 2017 to USD 42.5 per tonne;
- **CAPEX** increased by 32%, from USD 271 million in 2017 to USD 358 million in 2018;
- **the Company's sales volume** decreased by 12% year-on-year.

Gross sales

In 2018, world potash prices continued to grow which had a positive impact on the financial performance of the industry. In 2018, the Company's sales volumes decreased by 12% against 2017 as part of its strategy to maximise the average FCA price by redistributing shipments to profitable markets. In 2018, the average export price in US dollars for the Company's products on a delivery basis increased by 18% compared to 2017. All these factors led to a growth in net revenue by 5% to USD 2.28 billion compared to the previous year, while the amount of revenue in the potash segment remained at the level of 2017.

Other sales (enriched carnallite, pit-run industrial sodium, sodium and magnesium chloride solutions, as well as other services) accounted for 3% or USD 86 million of the total revenue in 2018.

Transportation

The Company shipped 85% of the exported products in 2018 by marine transport, mainly through its own terminal in St. Petersburg. The costs of marine transportation of exported products include railway tariffs from Berezniki and Solikamsk to the ports of transshipment, transshipment expenses at the seaports, and freight costs (except for deliveries on a FOB basis).

15% of export sales were transported by rail.

Costs of these deliveries include the railway tariff to China and other regions, respectively.

[1] The average FCA export price is an average export price on a delivery basis clear of transport costs: railway tariff, freight rates and transshipment.

Freight

The average freight rate in US dollars increased in 2018 by 15% per tonne of the product shipped by sea on a CIF/CFR basis and amounted to USD 34 per tonne (against USD 29 per tonne in 2017).

The freight market continued to grow up to August 2018 due to the worldwide economic revival, decreased fleet supply in all segments and the growth in oil prices. The Baltic Dry Index, the main market indicator, saw an 18% increase according to the Baltic Exchange (the average annual index increased from 1,145 in 2017 to 1,353 in 2018). Marine fuel prices increased by 30% as the annual average according to AXS Marine (prices in the Port of Rotterdam for heavy fuel used in ocean passages were estimated, as well as for fuel used in Northern European waters and the Baltic Sea).

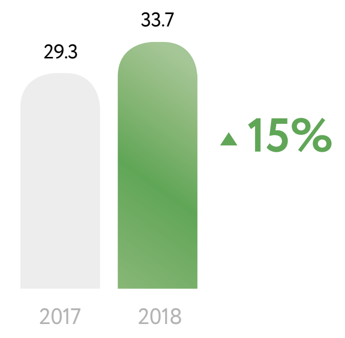
The Company also covered barge freight costs in the USA, which were less significant compared to the sea transportation costs.

Railway tariffs

The weighted average railway tariff[1] remained at the level of last year (in US dollar terms, it fell by 7% due to the rouble weakening) mainly due to the tariff indexation (5.4%), which was balanced by a discount on the loaded tariff to the port railway stations of Oktyabrskaya Railway and a decrease in the tariff range coefficient.

FREIGHT EFFECTIVE RATES

34 USD PER TONNE



Transshipment

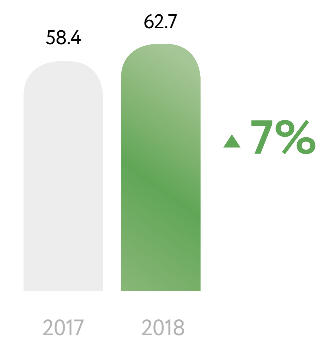
The transshipment expenses decreased by 26% against 2017 to USD 21.21 million in 2018.

Net revenue

Net revenue is the sales revenue net of variable distribution costs on freight, railway tariff, and transshipment.

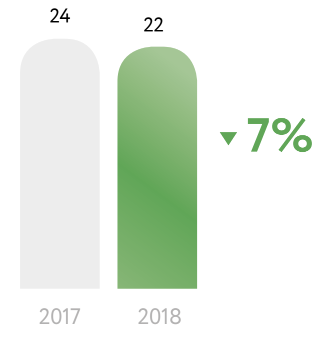
ANNUAL AVERAGE USD/RUB EXCHANGE RATE

62.7 RUB/USD



WEIGHTED AVERAGE EFFECTIVE RAILWAY TARIFF

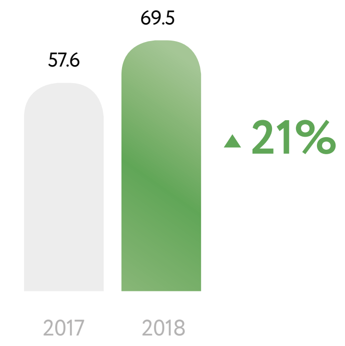
22 USD PER TONNE



According to the International Financial Reporting Standards, net revenue increased by 5%, to USD 2.28 billion in 2018 against 2017 due to a 23% growth in export prices on the FCA basis, which was partially balanced by a 12% decrease in sales volumes.

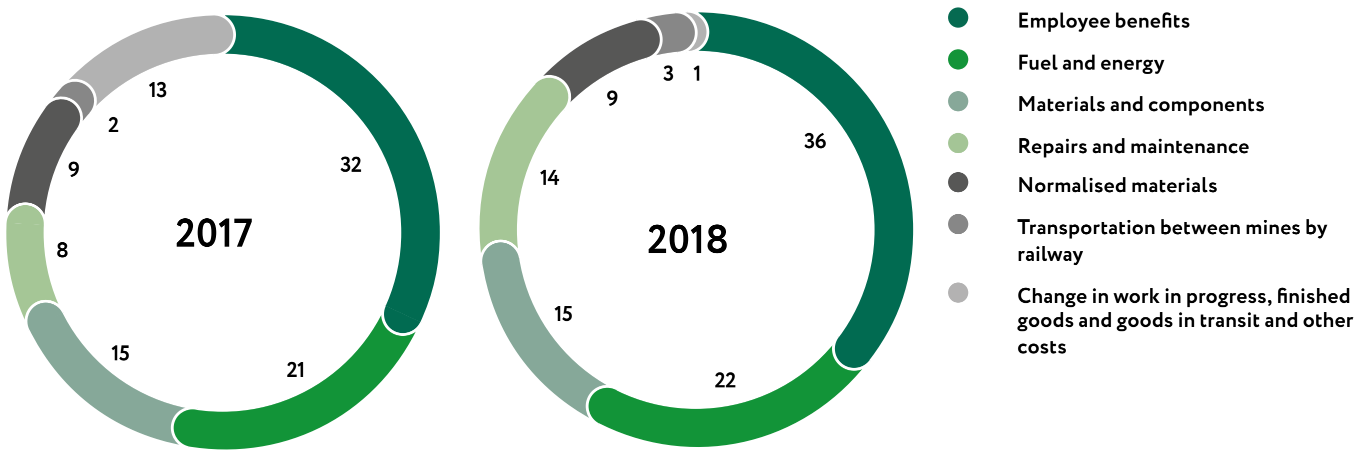
USD EXCHANGE RATE AT THE REPORTING DATE

69.5 RUB/USD

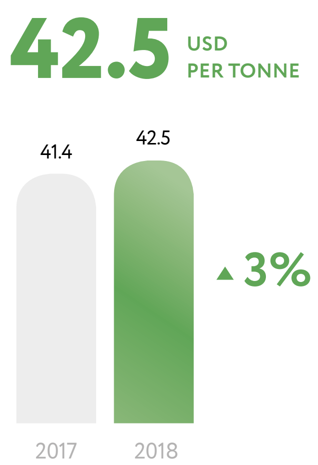


[1] The weighted average tariff takes into account the volume of the Company's sales in different directions.

CASH COGS STRUCTURE, %



CASH COGS



Cash COGS[1]

Cash COGS increased from USD 41.4 per tonne in 2017 to USD 42.5 per tonne in 2018. Growth of the cash cost per tonne was mainly caused by increased cost of materials and energy resources and lower volumes of production, as well as payroll indexation.

HEAT CONSUMPTION

		NATURAL VALUE, GCAL	MONETARY VALUE, RUB THOUSAND
2017	TOTAL consumption	2,720,700	-
	incl. purchased	11,165	14,713
2018	TOTAL consumption	2,825,489	
	incl. purchased	90,349	82,291

GAS CONSUMPTION

	ASSOCIATED GAS		NATURAL GAS	
	NATURAL VALUE, THOUSAND M³	MONETARY VALUE, RUB MLN	NATURAL VALUE, THOUSAND M³	MONETARY VALUE, RUB MLN
2017	106,615	415	448,929	1,694
2018	104,871	421	430,475	1,658

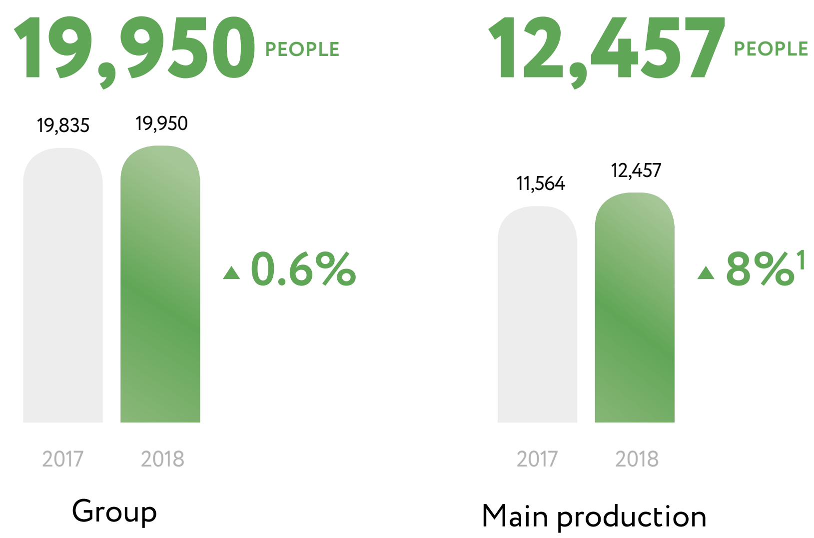
[1] Cash COGS is the cost of goods sold net of depreciation of property, plant and equipment and amortisation of intangible assets.

Labour

The average salary at the Group without remuneration of senior management rose by 9.2% in roubles against 2017 (a growth of 1.6% in US dollars due to the rouble weakening). It amounted to some USD 1,120 per month against USD 1,102 in 2017 (RUB 70.2 thousand and RUB 64.3 thousand, respectively). The growth in the average salary was mainly caused by the indexation due to increased consumer prices.

Around 20 thousand people worked for the Group in 2018.

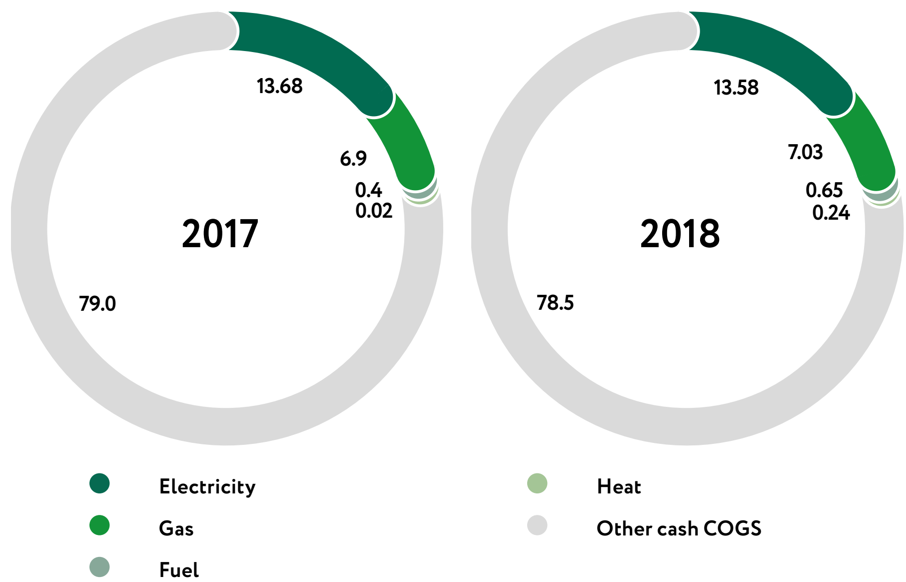
AVERAGE ANNUAL HEADCOUNT OF URALKALI GROUP



Fuel and energy

The potash production process is very energy-intensive. Expenses on fuel and energy largely depend on production volume and are denominated in roubles. Electric power and gas were purchased at unregulated rates. However, the price of electricity and gas transmission services was regulated by the government. The Company's power needs were partially met by its own generation. The effective gas tariff in US dollars decreased by 5% in 2018 (growth by 2% in rouble terms) compared to 2017 and amounted to USD 62 per 1,000 m³.

FUEL AND ENERGY COSTS IN CASH COGS, %



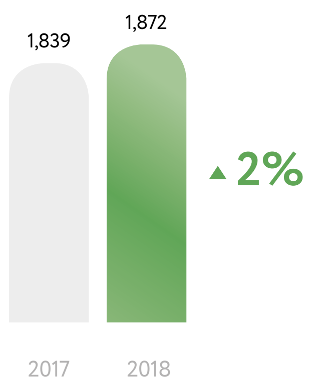
FUEL CONSUMPTION

	DIESEL		PETROL		FUEL OIL	
	NATURAL VALUE, T	MONETARY VALUE, RUB THOUSAND	NATURAL VALUE, L	MONETARY VALUE, RUB THOUSAND	NATURAL VALUE, TONNES	MONETARY VALUE, RUB THOUSAND
2017	2,025	69,405	21,714	698	11,778	126,655
2018	2,260	94,986	24,391	865	11,183	192,135

[1] The growth was mainly caused by the transfer of the Group's personnel of the underground maintenance service to Uralkali's staff.

ELECTRICITY CONSUMPTION

1,872 MLN KWH



The effective tariff on purchased electricity in US dollars decreased by 6% in 2018 (a 1% decrease in rouble terms) compared to 2017 and amounted to USD 47 per 1,000 kWh.

Other cash costs in cost of goods

Other cash costs are costs of materials, repairs, and transportation between mines, etc.

Other cash costs include variable costs (costs of production materials and transportation between mines), and fixed costs (costs related to outsourced repairs and maintenance and materials for repairs).

General and administrative expenses

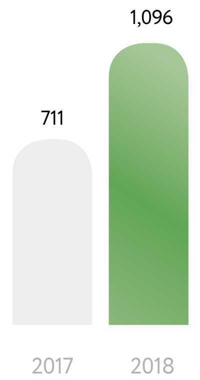
In 2018, general and administrative expenses[1] increased by 10% in US dollars against 2017. Their main component was labour costs (59%).

ELECTRICITY CONSUMPTION

		NATURAL VALUE, MLN KWH	MONETARY VALUE, RUB MLN
2017	TOTAL consumption	1,839	
	incl. purchased	1,496	4,447
2018	TOTAL consumption	1,872	
	incl. purchased	1,547	4,527

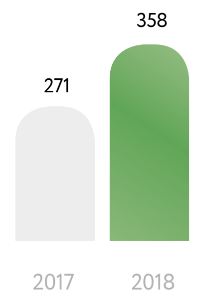
OPERATING CASH FLOW AND CAPEX

1,096 USD MLN



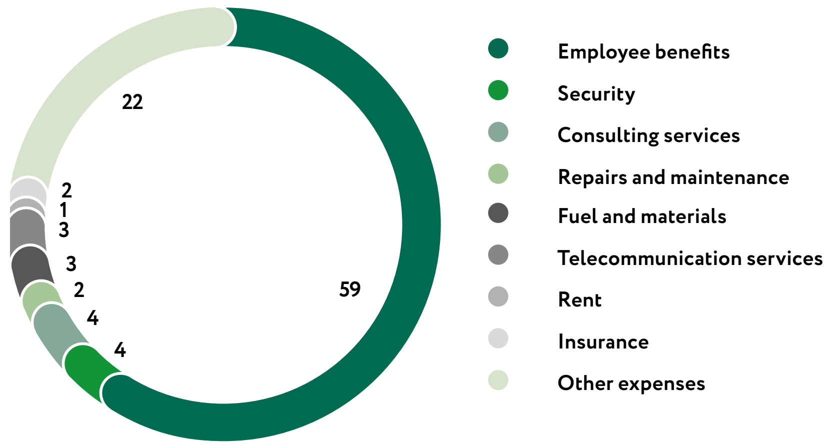
Operating cash flow

358 USD MLN



CAPEX

GENERAL AND ADMINISTRATIVE EXPENSES IN 2018, %



[1] General and administrative expenses are general and administrative expenses net of depreciation of property, plant and equipment and amortisation of intangible assets.

Financial income and expenses

The rouble rate as of the end of 2018 decreased by 21% against the beginning of the year and resulted in foreign exchange losses in the amount of USD 0.74 billion, in line with the losses on revaluation of the fair value of derivative financial instruments in the amount of USD 0.1 billion.

EBITDA analysis

In 2018, EBITDA[1] increased by 9% against 2017 and amounted to USD 1.46 billion. The EBITDA margin[2] was 64% in 2018.

No income and expenses were taken as non-recurring and excluded from calculation of EBITDA 2017 and 2018.

CAPEX

In 2018, total CAPEX amounted to USD 358 million, 40% of which accounted for the expansion CAPEX. The main expenses in 2018 were related to the construction of new mines: Ust-Yayva and Solikamsk-2. To improve production efficiency, programmes are implemented aimed at increasing the load on the sections and the extraction.

Cash flow

The indicator of cash funds received from operating activities increased in 2018 by 54% against 2017, to USD 1.1 billion. The increase in cash

CALCULATION OF EBITDA

Operating profit

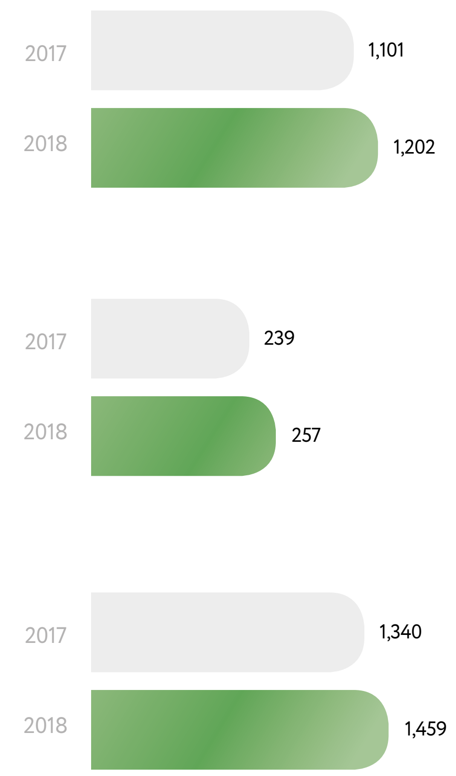
1,202 USD MLN

Adjusted for depreciation and amortisation

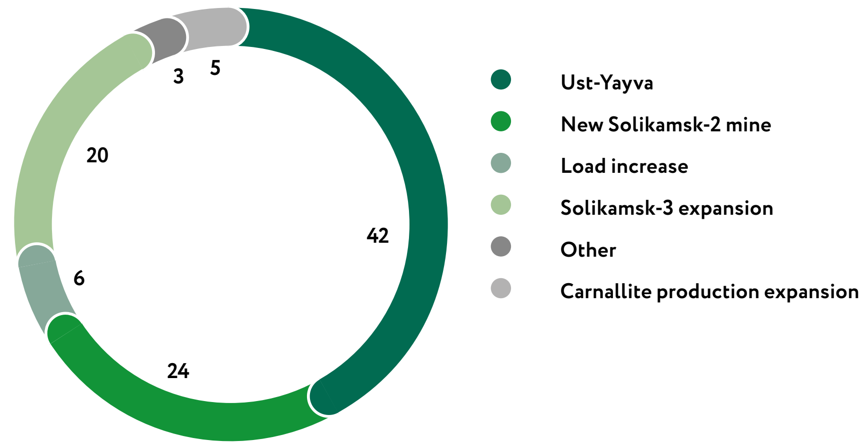
257 USD MLN

EBITDA

1,459 USD MLN



EXPANSION CAPEX IN 2018, %



[1] EBITDA index is an operating profit plus depreciation and amortisation.
[2] EBITDA margin is the ratio of EBITDA to the net revenue.

income from operating activities in 2018 compared to 2017 was mainly due to the price increase on the global potash market, as well as due to the changes in the Company's sales structure in favour of more profitable markets.

Loan portfolio

As of 31 December 2018, the Company's net debt amounted to USD 4.89 billion. At that, the cash balance amounted to some USD 1.01 billion, and the total debt to USD 5.9 billion. The rouble weakening resulted in a loss on revaluation of the fair value of derivative financial instruments. The loss on the revaluation of the fair value amounted to USD 0.1 billion in 2018. The effective loan interest rate as of the end of 2018 amounted to around 4.87% (including cross-currency interest rate swaps).

Share buyback

The Company acquired 52 million of ordinary shares during 2018 as a result of redemption right exercise pursuant to Joint Stock Company Law.

The total amount spent on the purchase of the Company's ordinary shares[1] during 2018 amounted to USD 126 million (against USD 26 million in 2017). All transaction costs were included into the purchase price.

The listing and admission to trading of the Company's Rule 144A and Regulation S GDRs on the London Stock Exchange have been cancelled with effect from start of trading on 22 December 2015. The Company's Rule 144A GDR programme has been terminated with effect from 12 January 2016. The Moscow Stock Exchange made decision to downgrade the listing of Company's shares from Level 1 to Level 3 effective from 26 June 2017 following the decrease of the free float of the Company's shares to 7.5% of the share capital for a period longer than 6 months. The Extraordinary General Meeting made a decision to delist the Company's shares from the Moscow Exchange on 18 December 2017. As of the reporting date, the procedure was not completed.

The number of free-floating shares reached 3.44% of the share capital as of 31 December 2018.

[1] According to the consolidated statement of changes in equity according to IFRS.

SETTING STANDARDS FOR SHIP CHARTERING

With an annual volume of more than 7 million tonnes of products shipped by sea, Uralkali is one of the largest Russian exporters aimed to expand its influence on the freight market.

Industry Challenges

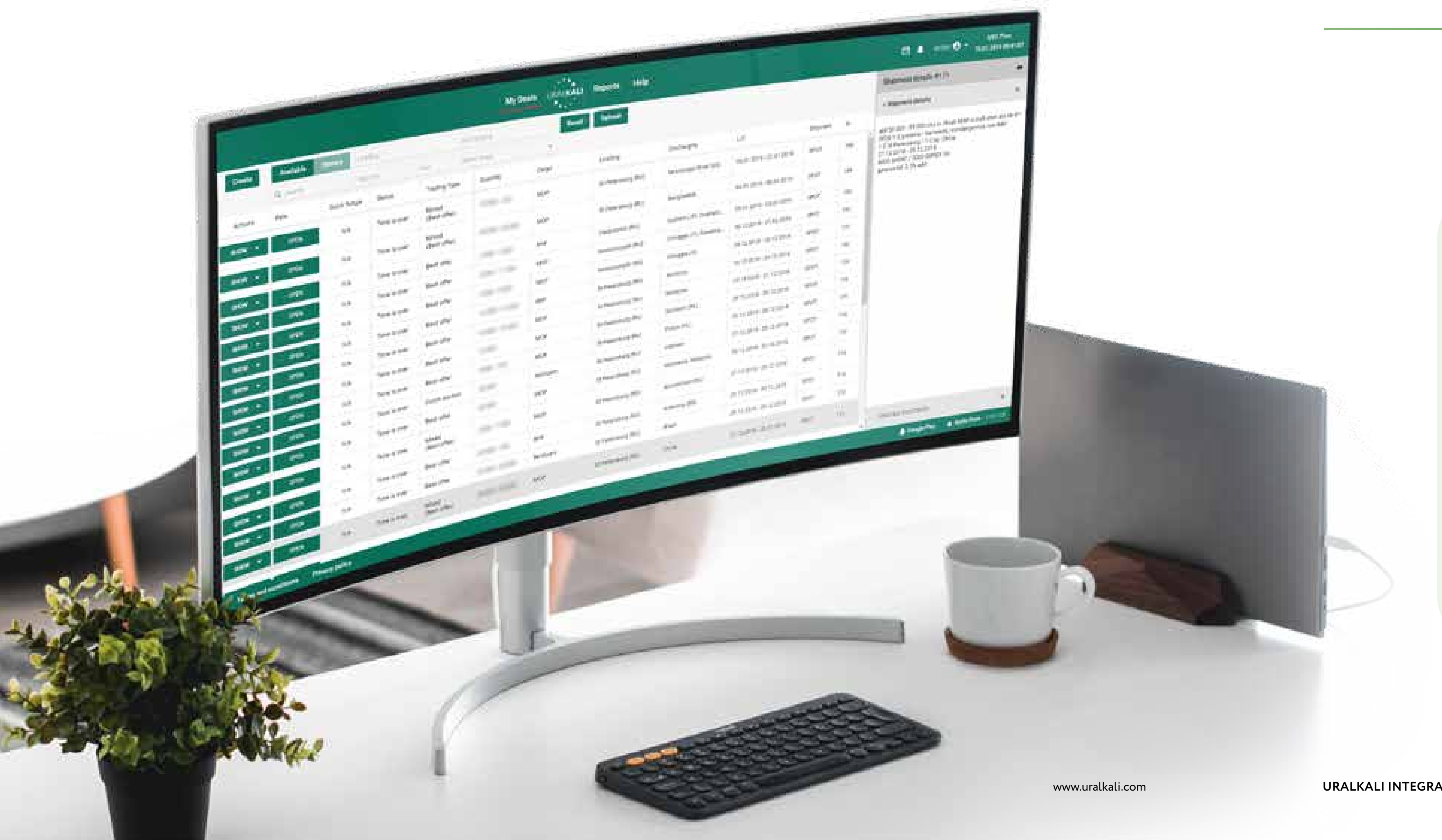
Russia's main mining companies can spend up to USD 500 million a year for export of their own products. Maritime transportation constitutes a considerable part of these expenses.

The freight market is a traditionally closed and conservative industry with a large number of intermediaries, consultants, and agents influencing the results of negotiations and transactions.

Absence of centralised data on market participants and transport owners makes it harder to communicate directly and results in an increased cost of transportation, including due to cost of services provided by intermediaries.

The industry has no standard and transparent algorithms helping to select a partner and thus making cost-effective transactions.

As a result, transportation on similar routes can vary and be determined by subjective factors.



World Practice

Implementation of corporate freight platforms may be the solution of all these problems.

Recently implemented projects proved that the freight market is ready to adopt the new interaction format.

The future of the freight market is in the development of fair competition, standardisation and anonymisation of communication via digital transformation of processes.

Freight platforms significantly increase the transparency of chartering, facilitate the search, collection and analysis of data necessary for audit, and minimise the human factor.

Uralkali has decided to develop own freight platform making use of the experience of the world's largest charterers.

Integration in corporate business systems raises the information transmission quality and reduces errors.

>95

ports

loading/unloading in 37 countries worldwide

Our Perspective

By setting our digitalisation policy in motion, we create a unique electronic environment built on the principles of privacy, transparency and awareness and representing a new format of interaction with market participants.

Our system covers the full cycle of freight operations: from submitting indicative quotes to issuing charter parties.

≈7

mln tonnes

of products shipped through the terminal in port St. Petersburg

≈400

ships

involved in the transportation of our cargoes

208

USD mln

cost of freight in 2018

Fair Competition

Instant data dissemination and freight market participants' awareness of new cargo encourages the development of a competitive environment and obtaining best offers.

Consolidation of operational market information, as well as analytical tools ensures conclusion of direct contracts between shipowners and charterers without intermediaries.

Maintaining Safety

Maintaining strict confidentiality on the information transmitted, especially the terms of agreements, is the key feature of the freight market.

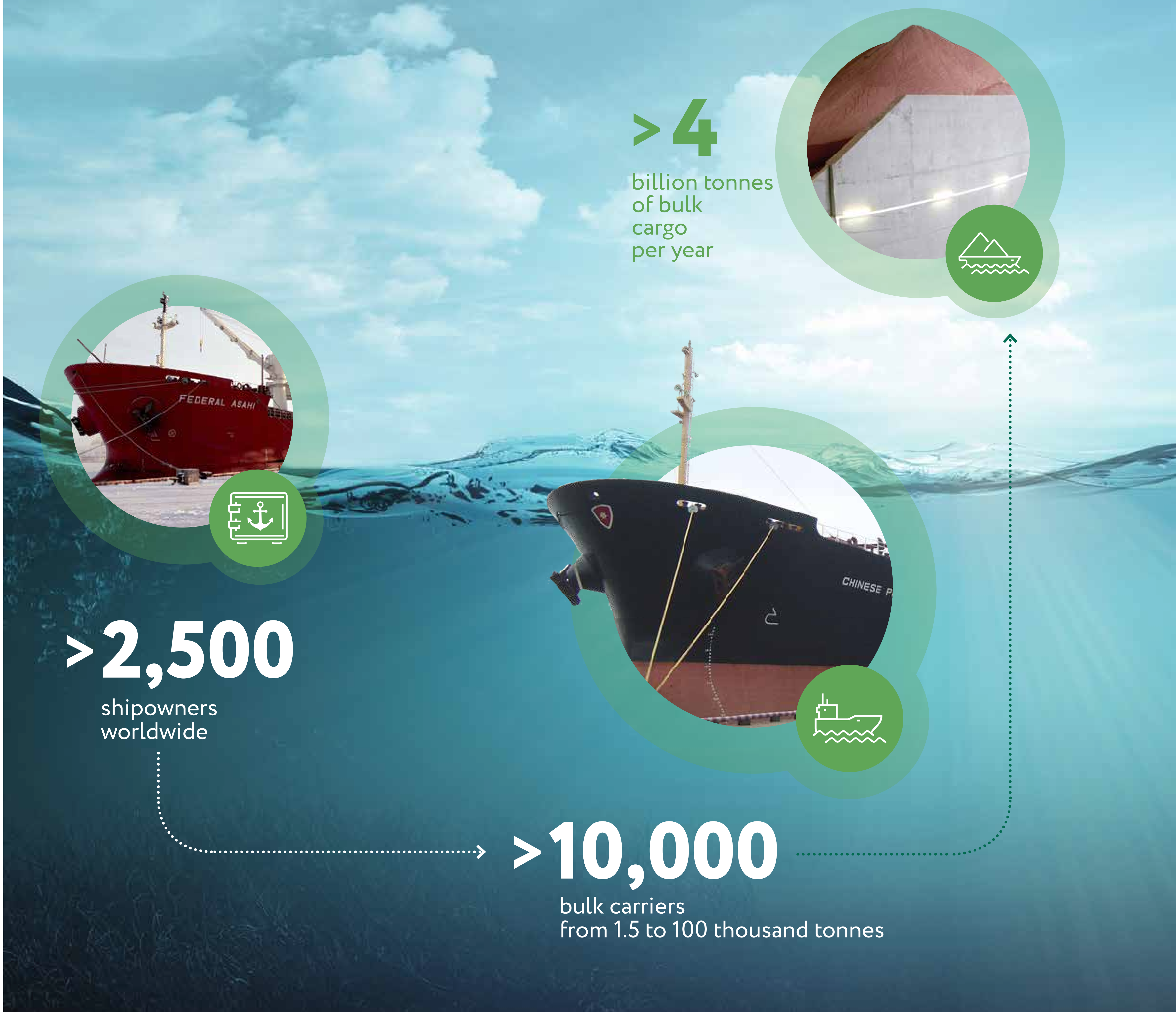
Together with IT leaders in the field of information security, we create a different pattern that will serve as a basis of the future freight market.

Anonymisation and encryption are the general principles of our solution that guarantee maximum safety and privacy for our partners.

Our Focus

Attracting the largest Russian exporters of bulk cargoes as new nodes of the united freight environment is our priority.

Our platform will provide leading Russian exporters with a unique opportunity not only to completely get rid of the above mentioned problems, but also to consolidate freight flows thus strengthening positions of companies and having a serious impact on the freight market and its participants



MINING AND GEOLOGICAL INFORMATION SYSTEM

In February 2018, Uralkali started a complex pilot operation of the mining and geological information system (MGIS) unique for the world potash industry. The Solikamsk-1 mine was selected as a pilot site.

Mining and Geological Information System

2014–2020
Term of the project implementation

214
RUB mln
Investments of the Company

Pilot site:
Solikamsk-1 mine

System developer:
Perm National Research Polytechnic University, on Uralkali's special task.

MGIS is designed to create a single information space and to structure mining and geological data during the development of the Verkhnekamskoye deposit of potassium and magnesium salts. Each development goes hand in hand with the statistical data storage and accumulation:

- information on deposit formation;
- qualitative indicators of the useful component in the ore;
- volumes of voids and backfilling, sections of harvesters;
- mining;
- a number of other indicators.

All data previously stored in Solikamsk-1 archives on paper are now digitised and stored on the Company's servers. They are being supplemented with today's geological data and surveying information. These data will be stored throughout Uralkali's existence and used by scientific institutions in designing new mining enterprises, as well as by scientists and producers who will work on the production of potash fertilisers in the future.

At this stage the pilot industrial operation of MGIS is carried out. Around hundreds of automated workplaces were created where specialists of surveying, geological and mining departments maintain their records and use digitised reports.

The integrated mining and geological system, being implemented by the Company, is unique, as it ensures efficient and safe development of the Verkhnekamskoye deposit taking into account the large amount of statistical data and scientific methods of analysis. Moreover, the system provides for the increased efficiency of solving mining and geological problems. After implementing the system at all mines, we will have digitised data on potassium salts development since 1927 — almost from the discovery of the deposit and the start of the first mine.

Eduard Smirnov,
Director of Subsoil Use of PJSC Uralkali

The extensive collaboration between mining engineering services is a key advantage of the system. Site data obtained in the mine are digitised and used in calculation algorithms to determine production indicators and to study geology and mining situation. Each specialist, within the limits of their competence, sees the current state of affairs at the sites. MGIS allows one specialist to use a large data array, reduces the time needed for information processing and increases efficiency of the specialist. Eventually, the system will be expanded, and the technical director and the CEO will use the needed data.

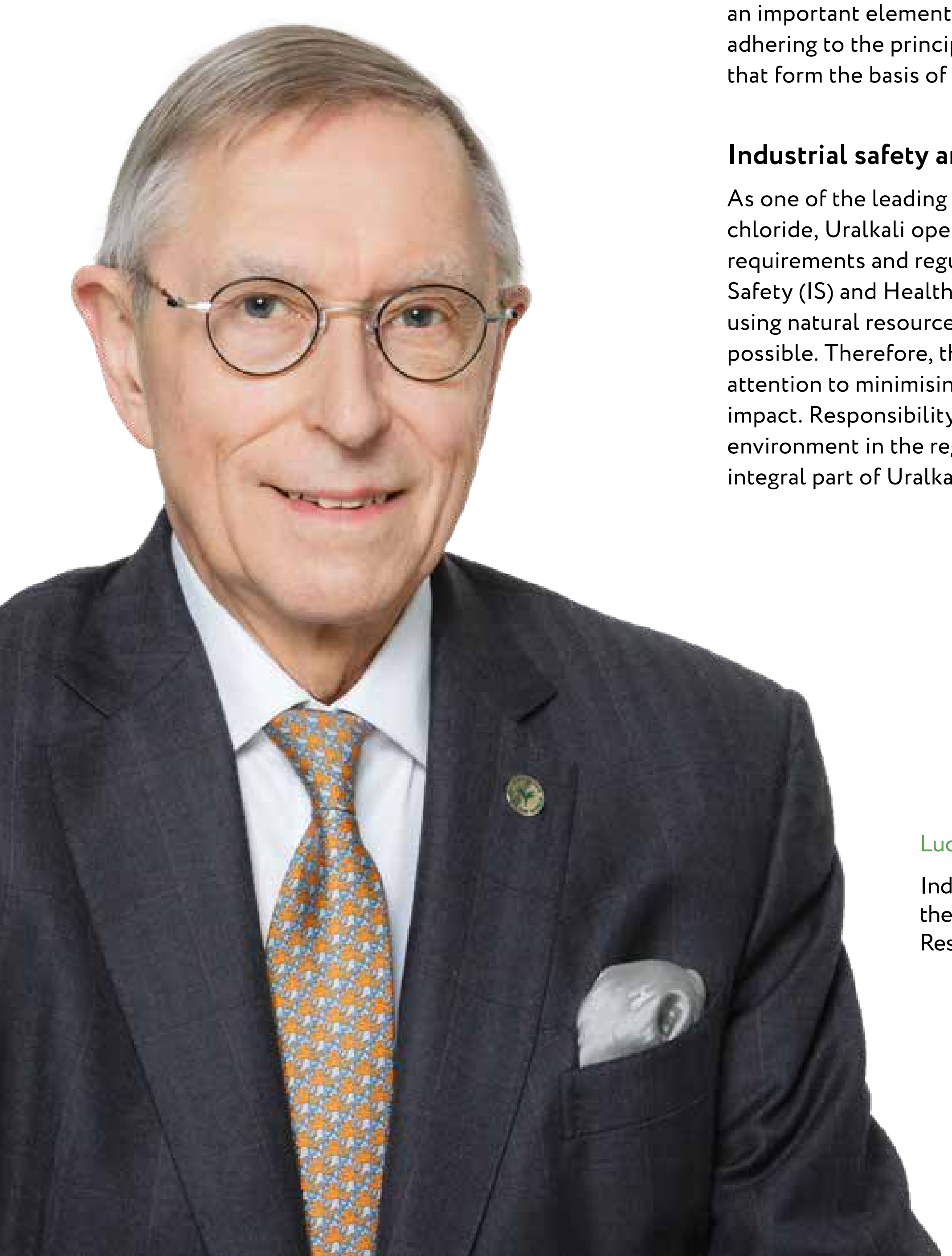
To date, in addition to the mines, specialists of the JSC “VNII Galurgii” institute, who develop new projects for PJSC Uralkali, use the data contained in MGIS. It is very important for them to know all the processes that have taken place in the mine field in order to control the risks when creating projects.

The safe development of the mine field is another main goal of the MGIS introduction. Designers should take into account all the mining and geological information that is available for the given time as they have to be sure of the safety of the mine fields proposed for development. The new system will keep under special control areas with complex mining and geological structure.

Later on, the experience gained will be used in the implementation of MGIS at the Company's other mines. Completion of the project is scheduled for 2020, when about 500 Company specialists will be able to work online in various MGIS modules, and this will significantly optimise the process of resolving mining and geological tasks.

500
company specialists
will be able to work online in various MGIS modules in 2020

CHAIRMAN OF THE CSR COMMITTEE STATEMENT



Taking into account all stakeholder interests remains an important element of Uralkali's activities in terms of adhering to the principles of sustainable development that form the basis of the Company's corporate strategy.

Industrial safety and environmental protection

As one of the leading global producers of potassium chloride, Uralkali operates in accordance with legislative requirements and regulations concerning of Industrial Safety (IS) and Health, Safety and Environment (HSE), using natural resources as effectively and sustainably as possible. Therefore, the Company devotes considerable attention to minimising its negative environmental impact. Responsibility for preservation of the environment in the regions where it operates is an integral part of Uralkali's business.

The main priorities in 2018 in the field of sustainable development were minimisation of climate impact, protection of atmospheric air, protection of water resources, implementation of effective and sustainable waste management, as well as ensuring geological safety.

In most cases, developing potash deposits involves a number of risks which the Company must bear in mind during mining operations. Activities include implementing integrated monitoring of mine fields at active and decommissioned mines, and backfilling of mined-out areas in order to reduce rock deformation.

More details on the Company's 2018 operations in this area can be found on page 64.

Health and safety

Ensuring safe working conditions for Uralkali employees and minimising the risks associated with extracting and processing potassium chloride are among the Company's key priorities.

The current HSE Policy at Uralkali, which includes a set of Cardinal Rules, complies with the highest international standards and is aimed at a constant reduction of the accident and injury level at Uralkali Group enterprises. It is very important for the Company to maintain a balance between comfortable working conditions for its specialists on the one hand, and strict compliance with employer requirements and legislation regulating issues of Labour Safety and Industrial Safety on the other hand.

More information on Uralkali's activity can be found on page 70.

Community engagement

Uralkali's activities are focused on continuous development, modernisation of existing facilities and construction of new ones. Considering the Group's headcount, which today exceeds 20,000 people, and the high concentration of Uralkali production facilities in the regions where the Company operates, these activities are impossible without the socio-economic development of said regions.

The Company is aware of the need to improve the quality of life for residents in the towns of Berezniki and Solikamsk. During the reporting period, it continued to fund social projects initiated by regional authorities and public organisations, including in the field of education, culture and sport.

In total, Uralkali's social investments in 2018 amounted to USD 16.1 million (RUB 1,008 million) . More information on the Company's 2018 contribution to the development of the regions where it operates are available on page 81.

Global food security

Food security is currently one of the world's most pressing issues. The production of potash fertilisers, which contain one of the most important nutrients that is an indispensable element of nutrition for plants and has neither a natural nor artificial equivalent, has made a significant contribution to the solution.

Selling its products on key markets with a highly developed culture of soil fertilisation, Uralkali is also focusing on new markets, particularly in Africa, where the problem of ensuring food security is particularly acute and serious efforts are needed to raise consumer awareness on how to use potash fertilisers efficiently.

In conclusion, I would like to express my gratitude to the Board of Directors and the management and personnel at Uralkali for the effective implementation of the Company's initiatives in the field of corporate social responsibility, and assure you that we will continue to apply best global practices of sustainable development of the Group as a whole, including when it comes to interacting with all stakeholders.

Luc Maene,

Independent Director, Chairman of the Committee for Corporate Social Responsibility

SUSTAINABLE DEVELOPMENT

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

We are constantly improving interaction with our key stakeholders carefully studying their needs and expectations, striving to strengthen a mutually beneficial relationship.

Uralkali continues using best practices for creating public non-financial reporting. We prepared our Report 2018 using GRI Standards relying on the multistage analysis of its essentiality.

Based on the analysis results, Uralkali's strategic priorities were grouped into four key areas:

- sustainable economic development;
- employees;
- lowering environmental impact;
- stakeholder impact.

The Company uses these aspects to define, review, and prioritise its sustainable development initiatives.

Key Activities

Sustainable economic development

Focus on corporate governance, openness, transparency, and risk mitigation for all stakeholders.

The business model focusing on maintaining cost leadership, vertical integration, capacity development, and premium products.

Maintaining leading positions on the global market, which fosters enduring customer relations.

Employees

Recruitment and retention of talented experts includes cooperation with educational institutions, talent pool development, and grievance resolution mechanism.

Labour and industrial safety implies adherence by the Company's employees and contractors to cardinal rules and other safety requirements aimed at reducing occupational accident risks.

Personnel development focuses on KPIs, training, and employee satisfaction surveys.

Lowering impact on the environment

Ensuring geological safety includes safety monitoring of operational and idle mines in cooperation with R&D institutes.

Responsible water usage includes wastewater treatment and minimisation, water intake, and recycling systems.

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

Providing energy efficiency implies a range of activities aimed at optimising energy consumption in the Company's operations.

Stakeholder engagement

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

Compliance management implies compliance with all applicable laws and regulations.

Local community relations include social investments, charity, sponsorship, and the resettlement programme.

ENVIRONMENTAL PROTECTION

Responsibility for preservation of the environment is an integral part of Uralkali's business. The Company invested RUB 3,987 million in environmental protection in 2018. In addition to current expenditures associated with protecting the atmosphere, water, and land resources, Uralkali is investing in the modernisation of existing machinery and the installation of new pollution control equipment, staff training, and the development of internal monitoring and control systems, as well as scientific research.

Our approach

Uralkali focuses on measures to minimise the negative environmental impact of its activities. Responsibility for preserving the environment is 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.

Particular attention in the environmental management system is given to the development and implementation of waste management activities, monitoring the environment, upgrading our equipment to reduce its negative impact, and industrial environmental monitoring programmes.

Uralkali thoroughly assesses the environmental impact of planned and ongoing production activities.

The Company strictly complies with the requirements of environmental legislation and internal environmental standards, constantly assessing environmental risks and ensuring the transparency and openness of its operations. PJSC Uralkali's activity for providing environmental safety is carried out in accordance with the environmental legislation of the Russian Federation, complies with environmental standards and rules, and takes into account the requirements of international standards.

3,987

RUB mln

The Company's investment in environmental protection in 2018

The main areas of Uralkali's activities:

- geological safety;
- energy efficiency and minimising our climate impact;
- protection of the atmosphere;
- protection of water resources;
- waste management.

Why this is important to us

Environmental protection implies a set of measures taken to prevent the negative impact of the Company's operations on the environment, which creates favourable and safe conditions for human life.

Key priorities

- Reduction of waste discharges into bodies of water, balanced water usage.
- Efficient waste management.
- Reduction of air emissions.
- Lower energy consumption.

Stakeholders

- Employees.
- Trade unions.
- Government and local authorities.
- Local communities.

Geological Safety

The Company mines minerals at the Verkhnekamskoye deposit on the basis of technical specifications developed in accordance with applicable regulations and subject to examination and approval as prescribed by the legislation of the Russian Federation.

The main condition for the development of the Verkhnekamskoye deposit is safe mining and preservation of the functional state of the undermined areas. In compliance with legal requirements, the Company applies mining protection measures in the mined-out areas of mines where it is technically possible.

In the event of any restrictions in the use of mining and technical protection measures, Uralkali takes advantage of its own complex monitoring system to identify potentially hazardous sections in a timely manner and to ensure protection for the local population.

The Company carries out instrumental observations of soil surface subsidence (survey monitoring) on the territory of mines and visual monitoring of the under-worked facilities. Geophysical and hydrogeological research is carried out in all of the mines; seismic activity monitoring was organised.

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

The high level of production organisation and the use of advanced technologies enable Uralkali to successfully achieve its sustainable development goals. These include the efficient use of non-renewable resources and adherence to the highest environmental protection standards to minimise the environmental impact of the Company's business.

Energy and Climate

Energy efficiency

From the end of 2017 to the middle of 2018, Uralkali conducted another energy audit. According to the audit results an energy passport of the enterprise and a draft energy saving programme for 2019–2023 were prepared.

Targeted funding of energy saving measures was provided in 2018. In the reporting year, 20 frequency converters were put into operation, over 3,000 light fixtures were replaced for energy efficient, more than 9,000 meters of pipelines were repaired with the replacement of thermal insulation, and 205 valve blankets were installed.
The Company is implementing a project on renovation of the boiler house's reserve fuel complex at Berezniki-4.

Target indicators in relation to fuel and water saving were achieved in full. Uralkali is considering the possibility of awarding staff members of the production facilities that reached the established indicators.

In 2018, the actual amount of generated electricity decreased by 5% compared to 2017 and totalled 324.85 million kWh. The reduction in generation was due to the scheduled overhauls of generating equipment.

The volume of electricity consumption in 2018 saw an increase compared to 2017 due to putting new equipment in operation.

Use of associated petroleum gas

As part of the Energy Saving Programme, the Company uses associated petroleum gas, which it purchases from oil and gas companies of the Perm Region. This approach makes it possible not only to reduce the Company's natural gas consumption by providing economic efficiency, but also to prevent the flaring of associated gas by oil companies, thus contributing to atmosphere protection.

In 2018, the volume of associated gas used by Uralkali and its subsidiaries and affiliates in Russia totalled 149.42 thousand tonnes of oil equivalent.

Atmospheric emissions

The Company's enterprises have an environmental protection department which is responsible for emissions of pollutants into the atmosphere.

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 is increasing, thus reducing the Company's environmental impact.

The Group's pollutant emissions remained at the level of 2017. All atmospheric emissions from stationary sources are within the regulated limits.

Greenhouse gas emissions

Greenhouse gas emissions are the main factor of climate change, regulated by the UN Framework Convention on Climate Change. Higher concentration of greenhouse gases in the atmosphere increases the natural greenhouse effect, which can have adverse effects on natural ecosystems and humanity. In December 2015, 175 countries, including Russia, signed the Paris Climate Agreement, defining measures to combat climate change, primarily aimed at reducing the emissions.

Uralkali understands the importance of controlling greenhouse gas emissions and keeps relevant records. During the reporting period, the Group's CO_2-equivalent emissions amounted to 1,819.8 thousand tonnes, which is 5.4 thousand tonnes less compared to 2017 due to a decrease in the total energy consumption.

Water resources

The Company aims to reduce consumption of water for industrial needs and minimise the impact of wastewater disposal on the environment.

In 2018, the total water intake for industrial needs and utility services at Uralkali in Russia increased by 0.9% to 18.94 million m^3 from 18.77 million m^3 in 2017. The water intake from surface sources totalled to 15.04 million m^3 (excluding water intake for third parties).

The flow rate of water in recycled and reused water supply systems at Uralkali increased by 18.129 million m^3 compared to 2017 and totalled 122.439 million m^3.

Biodiversity

Uralkali is aware of the importance of minimising possible negative environmental impact and implements projects aimed at preserving biodiversity. In 2018, sterlet (sturgeon) juvenile fish was raised in special conditions on the territory of Dobryanskiy Rybovodnyy Tsentr LLC upon the Company's order. On ecologists opinion, this type of fish shall play positive role in ecological balance of the Kama fauna. An optimal site was chosen for releasing juvenile fish so they could adapt in the open water body. Presence of sterlet food potential in the water body, and water and air temperatures, as well as the distance which the juvenile fish was expected to overcome in the container, were taken into account. Employees of the State Research Institute of Lake and River Fisheries strictly monitored the observance of all these factors. The total number of the juvenile fish was over 57 thousand, and the total weight was around 233 kilograms.

Waste Management

Mining activities generate significant amounts of waste. The Company is doing everything possible to prevent its negative impact on the environment. In particular, Uralkali is making the following efforts:

- modernising both existing and new facilities to increase the recovery ratio of valuable components from ore (top priority);
- backfilling the mined-out areas of mines;
- recycling waste into products;
- involving waste in secondary use (waste recycling into products for sale, transfer for the preparation of raw materials used in soda production);
- neutralising and disposing of waste at sites that meet the requirements of sanitary and environmental legislation.

The Company's enterprises produced 32.38 million tonnes of waste in 2018. More than 99% of it was industrial waste of hazard class V (halite waste and clay-salt slurries). In 2018, the Company reached a 8% growth of halite waste and clay-salt slurries compared to 2017 and a 75% growth compared to 2013. The increase in waste utilisation was due to the increase in backfilling the mined-out areas of the mine.

Over the past six years, 79.6 million tonnes of waste have not been received by the Company's facilities due to the increase in the backfilling rates, which contributed to the reduction of environmental impact in regions where Uralkali operates.

The Company's halite waste is also used for the production of:

- industrial sodium chloride;
- halite mineral concentrate.

Halite waste is transferred to third parties for the production of:

- deicing agent;
- saline solution for production of soda.

In 2018, 1.12 million tonnes of halite waste from previously accumulated at Company facilities were used.

Waste tonnage at in-house facilities has been declining over the recent years. By the end of 2018, the decrease amounted to 10%.

> The Company's work to increase waste utilisation for the production of commercial products and the backfilling of the mined-out areas allows to reduce the impact on the environment: the decrease in tonnage of waste placed at salt tailing piles and slurry storages, as well as at the municipal solid waste landfill.

In the reporting period, Uralkali's waste placement at the municipal landfill amounted to 18.8 thousand tonnes. The decrease has been detected over the last six years and amounted to 54% compared to 2013 and 20% compared to 2017. This decrease in waste disposal is due to the efficient operation of the crushing and sorting plant and the increase in the tonnage of waste transferred to third parties. In 2018, 1.1 million tonnes of waste were transferred to third parties for use and neutralisation from 1.04 million tonnes in 2017.

Since 2013, the Company has successfully implemented a project for processing old reinforced concrete slabs into crushed stone. During this time, more than 115 thousand tonnes of large reinforced concrete products that remained after total buildings and structures renovation were recycled. The produced crushed stone was used as fill for temporary roads, dams and temporary construction sites. By doing this, placement of 25,000 tonnes of reinforced concrete waste at the Berezniki municipal solid waste landfill was prevented in 2018.

Environmental Measures

The Company's environmental activities are not limited to environmental measures alone. Uralkali's employees actively participate in all environmental campaigns in the towns of Berezniki and Solikamsk. The potash industry workers are an encouraging example; they believe that we should start from ourselves to make the town clean. Environmental problems can only be solved by joining forces.

To this end, Uralkali actively participates in national and municipal environmental campaigns, supports the initiatives of the employees and NGOs, promotes green thinking, and contributes to attracting the employees and their family members attention to the environmental problems. Uralkali supported the following environmental events in 2018:

- volunteer clean-ups in the towns of Berezniki and Solikamsk as part of the All-Russian Environmental Volunteer Clean-Up Green Spring and Green Russia, at the places of public amusement of Berezniki and Solikamsk (the Usolka River in Solikamsk, the coastal area of the Nizhne-Zyryanskoye reservoir), as well as in Home for Elderly People in Solikamsk;
- campaigns for planting greenery and clean up debris in Berezniki and Solikamsk during the All-Russian event Protection from Environmental Hazard Days;
- a town event Save Trees' Life 2018 in Berezniki;
- the Clean Environment regional ecological event;
- all-Russian ecological quest Clean Games;
- the Best Ecological Fairy Tale contest and the Best Ecological Poster organised by the Green Contour movement together with the administration of the Ural Gems summer camp for four summer shifts.

Uralkali has also won the Grand Prix award in the ECOIMAGE 2018 Contest organised by the Administration of Berezniki among the town's enterprises and organisations.

Uralkali has conducted special monitoring of the potentially dangerous area of the Solikamsk-2 mine since 5 January 1995, when an earthquake led to the destruction of pillars and the formation of a soil subsidence area about 4 meters deep and 950 meters by 750 meters across under the mined-out areas of northeastern panels 1&2 of the Solikamsk-2 mine. In order to mitigate the consequences, the Company backfilled areas around the collapsed zone. Since 1995, the accident area has been subject to detailed comprehensive monitoring.

On 18 November 2014, Uralkali detected higher levels of brine inflow in the Solikamsk-2 mine and immediately implemented an emergency plan. All employees were evacuated from the mine. On 18 November 2014, at around 16:00 (MSK), a sinkhole with a diameter of approximately 30–40 meters was discovered east of the Solikamsk-2 production site, outside the metropolitan area. The sinkhole is mainly associated with the area where the rocks and inter-bed pillars collapsed on 5 January 1995. The emergency area around the sinkhole was immediately fenced off.

According to the Act of the technical investigation into the cause of the accident, the fresh water inflow into the worked-out areas of the Solikamsk-2 mine on 18 November 2014 was caused by the mass collapse of rock in the mine during the accident in 1995. Thus, the cause of the accident on 18 November 2014 at the Solikamsk-2 mine was an emergency that was unavoidable under the given circumstances.

The danger zone around the sinkhole with restricted access for people is determined, and the perimeter is monitored round-the-clock.

Monitoring of the danger zone has been expanded: additional operating methods have been implemented and observation of developments in the situation has been intensified. The following special scientific and project entities were engaged in the emergency mitigation work: Mining Institute of the Ural Branch of the Russian Academy of Sciences, and JSC "VNII Galurgii".

The Company is now implementing a number of engineering and other measures to minimise the impact of the accident and reduce suprasalt water inflows into the mine. In order to reduce water inflow into the mine, a dewatering system has been set up around the sinkholes, and voids and sinkholes are being plugged.

Boundaries of the danger zone were determined in order to avoid negative consequences in the Solikamsk-2 mine. Beyond this zone, the mining operations are being performed in order to stow the area with materials formed in the result of mineral extraction. Constant monitoring of the situation is carried out in the Solikamsk-2 mine.

LABOUR AND INDUSTRIAL SAFETY

Uralkali states that health, labour, industrial and environment safety are the key priorities that are taken into account in all actions and decisions of the Company, regardless of the line of work to which they relate.

In 2012, the Company adopted an HSE Policy, which was later updated and brought into compliance with the legislative requirements.

Our approach

Safety is an unconditional value and an integral part of our actions and decisions. 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. We understand that there is nothing more important than being alive and healthy.

Why this is important to us

Absence of fatalities, incidents, emergencies, and occupational diseases is one of the key goals of an efficient business. Each employee expects to work in favourable conditions. At the same time, the Company expects its employees to follow safety rules.

By jointly supporting these principles, we will be able to bring our business to a higher level of performance and ensure the Company's sustainable development.

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. We understand that there is nothing more important than being alive and healthy.

Key priorities

- Absence of industrial accidents.
- Absence of emergencies.

Stakeholders

- Employees.
- Trade unions.
- Local communities.
- Media.

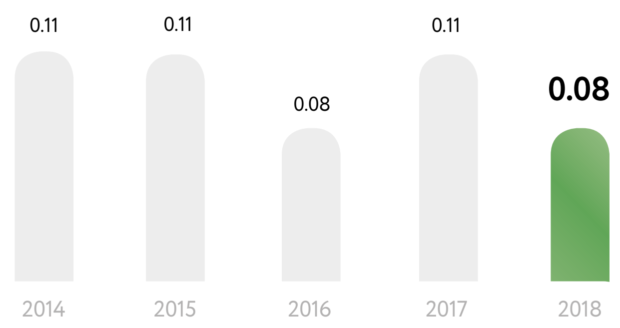
Performance Indicators

There were 13 accidents at Uralkali and its subsidiaries and affiliates in the Russian Federation in 2018. No fatalities were recorded. All cases were investigated; the Company took the necessary measures to prevent similar accidents in the future. It should be noted that all accidents occurred for organisational reasons, and not for technical or technological ones.

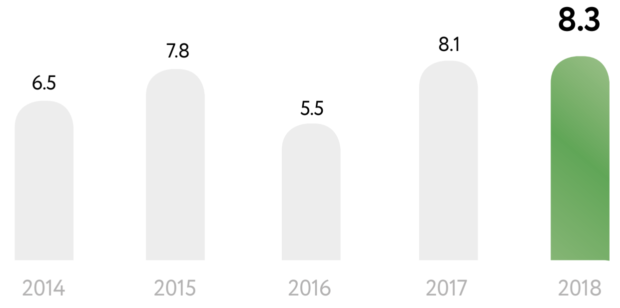
The lost time injury frequency rate (LTIFR) was 0.08 in PJSC Uralkali and its subsidiaries in Russia. Thus, there is a noticeable decrease in injuries in the Group compared to the previous year. The lost days rate (LDR) was 8.3.

In 2018 one emergency was recorded at PJSC Uralkali. There were no incidents at PJSC Uralkali's operational sites in 2018.

LOST TIME INJURY FREQUENCY RATE, LTIFR



LOST DAYS RATE, LDR



Organisational and Operational Measures

Labour safety

In 2018, the labour safety management corporate system was certified for compliance with the state regulatory requirements and with the international standard OHSAS 18001-2007. The validity of the OHSAS certificate has been extended to 2021.

In accordance with the requirements of the Federal Law No. 426-FZ on Special Assessment of Working Conditions dated 28 December 2013, the works on carrying out the procedure of special assessment of working conditions in the Company are completed.

In order to ensure the safety of people transportation and the goods delivery in the underground conditions, a schedule has been developed for the installation of tachographs on vehicles in the Company's mines.

To record the facts of violation of the requirements of labour, industrial and fire safety in the divisions, PJSC Uralkali purchased DIAMANTE badge cameras and voice recorders.

In order to prevent occupational diseases related to hearing loss, the Year of Hearing Protection programme, aimed at promoting the use of PPE for hearing protection, was implemented.

The Company has installed a simulator for training safe methods and techniques of works at height, the training rooms are being repaired.

At Solikamsk-1 a pilot project for providing the workplaces with Quick Access Manuals, aimed at compliance with the requirements of labour safety and maintenance of order at the workplace, was implemented.

Construction of separate sites for storage of scrap metal has been completed at the industrial sites of Berezniki-2, Berezniki-3, Solikamsk-3.

In 2018, the work on the Initiative programme continued, the main goal of which is to involve and motivate staff to search for potentially dangerous working conditions and develop the initiatives on their improvement.

During 2018, 11 topics on the Iniviative programme were implemented, 23 employees were awarded for active participation.

The Lean Production programme continues its work at three mining groups (Berezniki-3, Solikamsk-1, Solikamsk-3), 37 meetings of the working groups were held.

Industrial safety and operation of hydraulic structures

In 2018, Uralkali continued to develop and improve production control over compliance with Industrial Safety requirements at its hazardous production facilities.

On the basis of the list of technical devices, buildings and structures operated at hazardous production facilities (HPF), within the framework of the implementation of the Regulation on the Procedure for Organising and Conducting Industrial Safety Reviews of Technical Devices, Buildings and Structures of Hazardous Production Facilities at PJSC Uralkali, the Strategic Plan of Performing Industrial Safety Examinations of Engineering Devices, Buildings, and Constructions of Hazardous Production Facilities was developed and approved by the CEO. This document allows the Company to assess and plan expenses required for performing Industrial Safety examinations based on engineering devices, buildings, and constructions, the time of safe operation of which expires in the current year and within next 5–10 years as well.

Due to the changes in the legislation regulating the HPF registration procedure, in 2018 work was done to update the information on operated HPF, which were sent to the Rostechnadzor's Western Urals bodies. As a result, the total number of HPF in operation decreased from 82 to 76.

In 2018, the work on declaring the safety of hydraulic structures (HS) continued. Safety declarations were developed and approved for hydraulic structures of slurry storages Berezniki-2, Berezniki-4, Solikamsk-1, 2, 3, and the Verkhne-Zyryansky reservoir. The Western Urals Department of Rostechnadzor revised and agreed the Rules of HS Operation, and the Company obtained the relevant permits for their operation for a period of five years.

In 2018, a set of measures aimed at declaring the safety of hydraulic structures of the insulating dam in the port's haven and the protective dam of the cargo area Berezniki-1 was carried out:

- conducting a pre-declaration survey and issuing a certificate;
- obtaining the conclusion of the Ministry of Emergency Situations on the readiness of PJSC Uralkali for disaster management and protection of local communities and the territory in the event of the HS emergency;
- preparing and agreeing the estimations related to the amount of probable damage with the Ministry of Natural Resources, Forest Management and Ecology of the Perm Region;
- developing the safety declaration;
- obtaining the expert opinion on the HS safety declaration.

In 2018, in the spring and autumn periods, inspections of hydraulic structures Berezniki-1, 2, 3, 4 and Solikamsk-1, 2, 3 were carried out with the involvement of JSC "VNII Galurgii" specialists.

Radiation technology and safety

In May 2018, as part of the state service of the Russian Federal Accreditation Service No. 3223-GU, the Department of Radiation Technology and Safety underwent an assessment of compliance with the accreditation criteria due to the change of the place of its activities (Berezniki). As a result, the technical feasibility of carrying out measurements (tests) and competence of the Department of Radiation Technology and Safety were confirmed. The Expert Commission confirmed compliance with the accreditation criteria approved by the Ministry of Economic Development of the Russian Federation and GOST R ISO/IEC 17025-2009.

Within the framework of the state service of the Russian Federal Accreditation Service No. 3228-GU, the Department of Radiation Technology and Safety passed examination of documents and assessment of its activity for compliance with the accreditation criteria in connection with expansion of the area of accreditation. According to the results, it was found that the Department of Radiation Technology and Safety is provided with the necessary documents and material and technical resources for carrying out works in the extended accreditation area, and the staff of the department have the necessary skills and competencies.

Fire safety, civil defence, and emergency prevention

No fires or emergencies were recorded at the Company's facilities in 2018. The number of fires in the surface complex decreased by 11% from 9 cases to 8 year-on-year.

Work was carried out on the implementation of measures specified in the regulations of the Department of Supervisory and Preventive Activities of the Ministry of Emergency Situations of the Perm Region for two types of supervision: fire safety and civil defence. As a result of the work carried out, the Company obtained inspection certificates confirming the 100% implementation of more than 270 measures prescribed in 2017. No sanctions (administrative practice) on the part of the Ministry of Emergency Situations against the Company were applied.

Within the framework of compliance with forest legislation, the work on compliance with fire safety requirements on leased forest plots was carried out: two warehouses of firefighting equipment for extinguishing possible forest fires were established and maintained at the Company's facilities, mineralised lines were formed on leased forest plots with a total length of more than 89 km, and 26 banners on fire safety were set.

Calculations of fire risk for 13 facilities of the Company were made, which allowed to reduce the "excess" costs and to confirm that the facilities comply with the requirements of FZ-123 Technical Report on Fire Safety Requirements dated 22 July 2008. The calculations showed that the fire safety permissible values were not exceeded.

In the reporting year, regular and preventive maintenance was done on more than 1,180 automatic fire alarm units and systems, warning and evacuation control systems, automatic fire suppression systems and emergency warning systems to ensure the fire safety of surface complex facilities.

In order to improve the fire protection of employees and property in 2018, the phased implementation of round-the-clock monitoring of fire alarm systems and automatic fire extinguishing units in the facilities of the Company's surface complex continued, which will allow to react quickly to possible failures in the operation of the fire automation system through the monitoring centre.

As part of the technical re-equipment of the professional rescue service divisions in 2018, the necessary mine-rescue and fire-fighting equipment was additionally purchased, as well as the main and auxiliary fire equipment.

In the reporting period, work was carried out to improve the warning systems (through the Civil Defence and Emergency Situations line). The Ministry of Emergency Situations of Russia adopted and put into operation local warning systems of HS Verkhne-Zyryansky reservoir of Berezniki-2 and HS Solikamsk-3. Works on the installation of technical complexes Local Alarm System at hydraulic structures (slurry storages) Berezniki-2 and Berezniki-3 are coming to the end.

Necessary measures were taken to prevent accidental spills of oil products. Comprehensive targeted inspections at all the Company's mining departments were carried out, as well as the Plans for Emergency Oil Spills Elimination were updated for fuel and lubricant materials storage sites at Berezniki-2, 3, 4 and Solikamsk-1, 2, 3.

Work on maintaining readiness of Civil Defence structures to serve their purpose continued. In 2018, the necessary measures were taken to improve their protective properties. PJSC Uralkali took part in the annual contest reviewing civil defence shelters of the Perm Region. According to the results of the contest, the protective construction of the civil defence on Solikamsk-3 traditionally takes prize-winning places (the second place among similar shelters of the Perm Region).

Work was carried out on the preparation of children's health-improving camp Ural Gems for safe leisure time of Company employees' children during the Summer Health Campaign 2018. In the 2018 summer season, special attention was paid to teaching children how to observe safety measures, including at home and when on water bodies.

Training and briefing

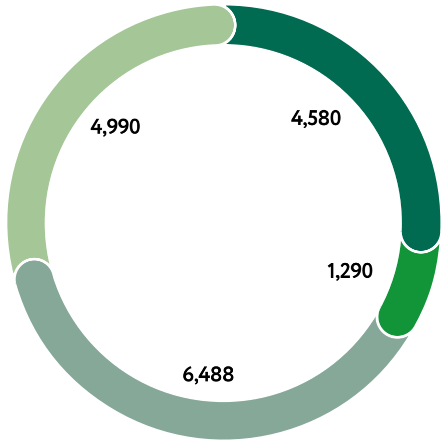
Making employees aware of the latest labour, industrial and fire safety requirements and developing a culture of compliance play a key role in ensuring workplace safety. Before starting work at Uralkali's production facilities, employees attend a workplace briefing. Ensuring workplace safety and monitoring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

In 2018, the composition of PJSC Uralkali's Certification Commission, which certifies Company employees in the areas of industrial safety, was changed. Members of the commission successfully passed certification in the Central Attestation Commission of Rostechnadzor (in Moscow).

Uralkali continued training and assessment of the mine rescue crew (MRC) members at the Berezniki-2, Berezniki-4, Solikamsk-1, Solikamsk-2, and Solikamsk-3 mines in the reporting period. More than 225 MRC members were trained periodically and initially, 16 of them were mine workers who received the status of rescuers for the first time.

In 2018, the certificate of the Industry Attestation Commission of the Ministry of Industry and Trade of Russia on certification of more than 60 gas rescuers among Company employees (non-professional emergency response team) was obtained.

NUMBER OF EMPLOYEES TRAINED AND CERTIFIED IN 2018, PERS.



- Industrial safety
- Labour safety
- Civil defence and emergency prevention
- Fire safety

Our Plans for 2019

- To initiate an educational process in the training complex in the premises of the restored building on the territory of Berezniki-3 in order to obtain practical skills and carry out trainings at height.
- To organise the implementation of the measures developed on the basis of special assessment of working conditions in the Company.
- To carry out a special assessment of working conditions in renewed workplaces, as well as in workplaces where technological changes, accidents and occupational diseases have occurred.
- To continue the implementation of projects on providing jobs with Quick Access Instructions aimed to comply with the requirements of labour safety and to maintain order in the units of other mining departments.
- To update data on the number of technical devices, buildings and structures at the Company's hazardous production facilities subject to examination of industrial safety to extend the period of safe operation, as well as to prepare a strategic plan for expert examination of industrial safety.
- To prepare the Company's hazardous production facilities for the scheduled field inspection of the Western Urals Rostechnadzor Department.
- To calculate the stability of dams and dikes of slurry storages Berezniki-3, Berezniki-4, Solikamsk-2, Solikamsk-3 and the Verkhne-Zyryansky reservoir in order to obtain recommendations for their further safe operation.
- To continue implementing a system to monitor efficiency of the existing fire protection systems to guarantee detection of fires and combustions at early stages at the Company's surface complex facilities in Solikamsk.
- To conduct works on assembling the technical complex Local Alarm System in case of an emergency on HS (slurry storage) Berezniki-4.

OUR PEOPLE

The great expertise of Uralkali management and employees makes the Company a leader of the global potash industry. Thus we consider their motivation one of our focus areas. The Company fully supports those who are ready to make progress, grow professionally, and go the extra mile. Initiative, experience and competence are of key importance for us. Being an attractive employer, Uralkali works with the most experienced and promising specialists of the mining industry.

Irina Konstantinova,
Human Resources Director of PJSC Uralkali

Our approach

Uralkali's HR programmes are primarily aimed at addressing issues of greatest relevance to all stakeholders. The Company benefits are balanced, efficient, and recognised as some of the best in the industry. Our practices in the human capital development area take into account specific features of all target audiences and are highly evaluated by experts.

Why this is important to us

The specific features of the Verkhnekamsky labour market require development of the Companys' initiatives aimed at attracting attention to manual labour occupations and enhancing prestige of engineer and technical professions.

Key priorities

- Creating conditions for personnel success and efficiency.
- Managing the professional development of employees.
- Making emphasis on our own personnel when appointing managers.
- Supporting succession in the professional dynasties.

Stakeholders

- Employees.
- Trade unions.
- Government and local authorities.
- Local communities.

Mining and production of potash fertilisers is a job not everyone can do. Uralkali is looking for a special category of staff responsible, enthusiastic and qualified people who are ready to involve in exciting and rewarding work. The Company's HR policy aims to select and retain such people in our staff.

HR Management

In 2017, PJSC Uralkali signed a collective agreement for 2018–2020. The Company continues providing all key social benefits and guarantees together with developing the motivation system for employees.

In 2018, the special assessment of working conditions (SAWC) was completed as part of the set of measures to improve working conditions in the workplace, mitigate the negative impact of harmful factors, and provide guarantees and compensations stipulated by Russian legislation.

Motivation

Personnel motivation is an important element of the Company's HR strategy. Uralkali's labour remuneration system is transparent, fair, and unified for all categories of employees. The grade and KPI systems used by the Company ensure connection between the amount of remuneration and working results. The Company encourages the subdivisions and employees that achieve better results comparing with others in same conditions.

The grade system allows the Company to assess the importance of positions and to decide on the fair remuneration for employees. The KPI system makes it possible to objectively assess the efficiency of the business units. The Company pays remuneration to all categories of employees at a competitive level, takes into account their contribution, and encourages competence and efficiency.

In 2018, a programme was renewed that allows to increase the basic salary of the most efficient employees within the limits of the quotas approved by the Company. As a socially responsible employer, Uralkali strictly complies with the requirements of the collective agreement, particularly indexing the salary on an annual basis. The amounts of tariff rates and salaries indexation are determined by the results of the labour market analysis and the consumer price index in the Perm Region.

From 1 April 2018 tariff rates of employees who work in production units of the surface complex and participate in production and shipment of mineral fertilisers have been increased by 4%. Tariff rates of second and third level employees who work underground were partially affected and increased to 3%. The Company encourages professional skill and efficiency of combine teams which have been demonstrating high productivity from the beginning of operation of combine complexes.

Rewarding

1,187 people received the main corporate awards in 2018. Uralkali has established new corporate awards in addition to the key ones (Honoured Potash Industry Worker, PJSC Uralkali Letter of Honour, placing a photo on the Subdivision Honours Board, Subdivision Letter of Honour, Letter of Acknowledgement in honour of the employee's jubilee) including:

- a memorable award pin and a Letter of Acknowledgement for employees working for the Company for 25, 35 and 45 years (289 people received the award in 2018);
- the Best Foremen at enriching plants and complexes of loading and unloading operations, as well as the Best Plant and the Best Loading Complex are selected by Chemical Worker's Day.

All these awards involve material remuneration and contribute to preserving the significant corporate culture based on the attention paid by the management to achievements and success of the Company's subdivisions and employees.

An open competition for employees Person of the Year holds a special place in Uralkali. The winner is selected by general voting, in which every employee of Uralkali Group can participate.

Career and Development

We appreciate great expertise of our employees, and their aspiration for self-development is always welcomed. The Company's HR Policy is aimed at creating conditions for professional development and training of employees. Our employees have an opportunity to take part in various cross-functional projects, hence constantly expanding their competencies.

12,837
USD
Average annual salary in the main production unit (including annual bonus)

By Chemical Worker's Day in 2018:

25
specialists
were awarded the Certificate of Merit of the Ministry of Industry and Trade of Russia

13
employees
were awarded the highest corporate award Honoured Potash Industry Worker

The Company incorporates a successfully operating Corporate University which provides the personnel with a wide range of training programmes and online platforms for their development. The list of services provided by the university is expanded every year. The main types of training:

- professional development in the Company's areas of activity;
- implementation of new equipment, machinery and methods of production;
- pre-certification training and certification for admission to hazardous production facilities;
- development of the Talent Pool;
- training and retraining of employees.

The WorldSkills movement is another advanced tool for the development of personnel. It develops labour resources in accordance with market requirements and conducts championships for talented specialists in order to compare and improve their professional skills in relation to global standards. In 2018, the Company took part in a national championship of end-to-end professions of high-tech industries according to the WorldSkills methodology in the competence of “non-destructive management”.

To ensure personnel continuity and prepare managers, the Company carries out the centralised formation and improvement of managerial personnel reserve. In 2018, a group-wide personnel reserve of 1,612 people was established ensuring personnel stability and safety of the Company.

Up to 70%

reimbursement of meal expenses

43,900

training activities

were held by PJSC Uralkali and its subsidiaries in Russia in 2018

Social Support

Today Uralkali's benefits are some of the most attractive in the industry. They include medical service and recreation, food expenses, free shuttle service, arrangement and reimbursement of summer recreation for children of the potash industry workers, material support to veterans, arrangement of cultural, sports, health, and fitness work, and material assistance in difficult circumstances.

Implementation of Uralkali's housing programme is one of the priority directions for the Company. The programme enables to compensate mortgage loans repayment rates in accordance with the Company's current regulations on the improvement of housing conditions.

3.34

USD mln

expenses for the corporate catering in 2018

Personnel housing programme

The construction of residential buildings was started for Uralkali Group employees in Autumn 2018: two houses with 100 apartments in Berezniki, and two houses with 175 apartments in Solikamsk.

Company employees decided on construction projects of the apartment buildings during the presentation meetings with potential developers. The projects provide for the European concept of improved urban environment. Indoor areas will be equipped with various recreation areas for children and adults, including sports grounds. In addition to the ample parking area, there is a separate covered area for bicycle storage.

Employees of the most demanded and scarce specialities in the Group will be given first priority to purchase apartments in the new houses.

2.92

USD mln

expenses for the transportation of employees to and from work in 2018

Up to 50%

reimbursement of expenses for visits of employees to swimming pools and rental of sports equipment (skis and bicycles)

Volunteers

The Company's volunteer movement was actively developing throughout the reporting year. Representatives of the movement support federal, regional and urban projects hold charity events and organise activities in nursing homes and orphanages, shelters for homeless animals, for children from low-income families, in line with environmental clean-up days. In 2018, Company employees initiated a new direction of volunteering — assistance in children's hospitals.

The achievements of Uralkali's volunteers have been acknowledged: potash industry workers took 2nd and 3d places in the city competition Volunteer of the Year in Berezniki.

Veterans

In accordance with the Attention and Care Programme, Uralkali supports the activities of a public organisation of veterans of potash industry in the towns of Berezniki and Solikamsk. Funding of the Veteran Council amounted to USD 979, and USD 179 was spent on health resort treatment for veterans in 2018.

The Veteran Council held report and pre-election meetings in the same year. A chairman and deputies were elected for the next five years.

The veterans willingly participate in events organised in order to share their experience with younger generation and conduct patriotic work together with educational institutions in Berezniki and Solikamsk.

In 2018, Alfa-Tsentr Zdorovya LLC itself conducted medical examinations for all comers, participants of World War II and home front workers, with the issuance of a health passport.

Communication and Feedback

Uralkali is always open to any proposals, questions, and ideas of its employees. The Company has a call-centre for collection and processing inquiries of all stakeholders. Representatives of the working team and veterans can discuss the most relevant issues with the CEO at annual informative meetings.

Uralkali Group has an Institute of Ethical Representatives, activities of which are aimed at enhancing the Company's efficiency and psychological state of the team by reducing the risk of conflicts or violations in subdivisions.

979

USD thousand

were allocated to the Veteran Council

Due to the system of internal and external communication, Uralkali employees get timely and full information on all key issues, which results in better performance.

Students and Scholarships

University scholarships have been provided since 2006 as part of the cooperation agreement between the Company, Perm National Research Polytechnic University, and its branch in Berezniki. The amount of the scholarship is RUB 3,000 and it is awarded based on the results of each term. Maintaining high performance, conducting scientific research related to the areas of activities of the enterprise, successful passing of the working practice, and participating in the public life of the university are the general criteria of a potential candidate. In 2018, scholarships were awarded to students who were trained in professions Uralkali required: Production Machines and Equipment, Chemical Technology, and Automation of Technological Processes and Productions.

Uralkali provides scholarships to students studying in Berezniki Polytechnic College and in Solikamsk Mining and Chemical College as well.

Even more than that, Uralkali helps the university to improve its material and technical base by means of allocating funds for grants which are distributed among teachers to carry out research work, as well as for equipping laboratories. From 2012 to 2018, Uralkali allocated more than RUB 29 million for the development of Perm National Research Polytechnic University's branch in Berezniki.

OUR COMMUNITIES

Being one of the largest employers in the Perm Region, Uralkali contributes significantly to the economic development of the region and cities where it operates, actively participates in the implementation of socially important projects and initiatives, and takes part in solving pressing social problems.

In 2018, the Company continued its work with local authorities through partnership agreements aimed at ensuring the long-term effect from investments in key social projects in the field of socio-economic development of the territories.

In 2018, Uralkali became a partner of the Perm Engineering and Industrial Forum and IV Interregional Exhibition Rudnik.

Uralkali's employees participate in the work of local government, such as Berezniki Town Duma and Solikamsk Town Duma. At the regional level, the Company collaborates with the Governor's office and the Government of the Perm Region.

In addition to providing stable employment and meeting the tax obligations, the Company undertakes voluntary commitments to create comfortable living conditions in Berezniki and Solikamsk, where the main production facilities are located. In 2018, Uralkali continued to implement its social investment policy aimed at sustainable development in the regions where it operates. In 2018, the size of the Company's social investments amounted to nearly RUB 1,008 million.

Encouraging Sports

Uralkali pays special attention to the development of sports and encouraging healthy lifestyle in local communities.

With the Company's support, an annual ski festival in memory of S. I. Krylov is arranged. The most skilful skiers of the Perm Region participate in it. In 2018, the Company allocated funds to repair a sports hall for the Taekwondo Federation of Berezniki, as well as to buy inventories and equipment for the Triathlon Federation of the Perm Region.

In the reporting period the Company also allocated funds for charity, that is for implementation of a large-scale construction project of a covered skating rink Berezniki Arena-Sport in the town of Berezniki. The full-fledged ice arena with a hockey platform, 26 by 56 meters, will be able to host 300 visitors. The indoor ice rink is designed for year-round mass skating, hockey and figure skating classes for children, sporting and mass participation events and competitions. The new modern sports facility will make a significant contribution to the popularisation of sports in the town and will additionally encourage the development of hockey and figure skating.

With the Company's support, young trainees of the Solikamsk Kickboxing Federation won 34 awards on various national and interregional competitions, including 21 gold medals. As a part of the Russian national team, kickboxers from Solikamsk proved their skill in four international tournaments — the Cup and the World Junior Championships in Italy, the European Championships in Slovakia and Slovenia. In total, Solikamians won 8 awards, including three gold medals.

Uralkali's support allowed Solikamian hockey players to participate in the Perm Region Cup and Championship. With the Company's participation, the Open Solikamsk Cup of Greco-Roman Wrestling took place.

Uralkali annually provides funds to the Perm Region Swimming Federation. In 2018, with the Company's support, the National Swimming Championships and two Perm Region Swimming Championships were held in Perm.

In the Usolsky District, with Uralkali's support, significant sports festivals of regional and interregional levels were held: snowkiting competitions Stroganovskaya Mile, sailing competitions Stroganovskaya Regatta, one of the stages of the Russian Triathlon Cup. Open hockey tournament for non-professional neighbourhood sports teams, sports competitions in rural settlements and national mass race Ski Track of Russia were supported in the Solikamsky District. Uralkali supported skiing race competitions for schoolchildren in the town of Solikamsk as well.

People with disabilities were also supported. Specifically, with Uralkali's support, Solikamian disabled arm wrestlers participated in the European Championship in Sofia, Bolgaria, and in the World Championship in Antalya, Turkey, and won.

Project for the development of basketball as a popular sport for children and adolescents

In 2018, 24 basketball centres, training 1,550 children, were operating in Berezniki and Solikamsk. The project employs 25 coaches, including those from the best basketball clubs of Russia and Serbia.

In the 2017–2018 season more than 1,300 schoolchildren participated in the School Basketball League Kali-Basket Junior in Berezniki and Solikamsk. 18 teams of young basketball players were formed. These players participate in international, national and regional competitions on the account of the project, as well as in the Russian Basketball Championships.

In 2018 the young basketball players took part in 42 tournaments at the national and regional levels and won 57 awards (1–3 places). A boy team of 2003 year of birth among these players took the first place in the international tournament Victory Cup and the Perm Region Basketball Championships, and a boy team of 2005 year of birth took the fourth place in the Finals of the Russian Basketball Championships. Teams of 2006, 2005, 2004, 2002 years of birth won silver medals of the regional Basketball Championships finals securing their participation in the interregional stage of the national Championships. The boy team of 2002 made a successful start in the Basketball League For Children and Young People of Russia and took the fourth place in the 2018-2019 season.

In 2018, the Company supported streetball competitions among the cities, where more than 117 teams took part.

During the summer period, a training camp was arranged in the town of Zarechny in the Penza Region. It was visited by 127 children. 113 young basketball players went through training in day-time sport camps of Berezniki and Solikamsk.

Moreover, as a part of the project, the material base of basketball centres was further improved — the necessary equipment and sports inventories were purchased, as well as 2,248 sets of sportswear.

Support for Culture and Education

Year after year, Uralkali promotes creative development and takes care of education of the growing generation.

In 2018 the Company traditionally supported the commemorative events held to mark the International Workers' Day and Victory Day in Solikamsk. There were also funds allocated to the Folklore Festival for students of Solikamsk.

Festive performances with gifts, including gifts for children from large and needy families, were arranged in Berezniki and Solikamsk. Around two thousand children took part in the festive events.

As usually, Uralkali was the main sponsor for celebration of Berezniki Town Day. The Company allocated RUB 2.5 million for the event and arranged interactive sites. Uralkali also supported the Solikamsk City Day annual celebration where it was unified with the Coal Miner's Day celebration.

A number of cultural and mass social events, including the GTO Festival ("Ready for Labour and Defence"), district family clubs and parent committees meeting, III Verkhnekamsk Festival Dobry Drug Shanson, Christmas and Maslenitsa festivities, took place in the Solikamsky District due to Uralkali's support.

A number of significant cultural, mass and social events and projects was supported in the Usolsky District, including the National Russian Festival Bells of Russia, the Cossack Culture Festival Ermakova Bratina and the Russian Mosquito Festival. Support of the municipal social and cultural project competition was also very significant.

The Company supported the cultural educational project The Light of Valaam, which, among other things, organises performances of Valaam Monastery's choir in Russia, including Berezniki and Solikamsk.

Uralkali allocated funds needed to purchase equipment for the creation of a robotics lab, 3D modelling and prototyping based on the Children's Centre of Scientific and Technical Activities in Berezniki. 550 schoolchildren will attend the centre.

Support for Municipalities and Public Organisations

During 2018, Uralkali provided assistance to municipalities in addressing issues of local importance. Specifically, the Company allocated funds to repair roads and renovate schools in the Solikamsky District.

In 2018 Uralkali continued contributing to the creation of comfortable living conditions where it operates. The Company helped to build new playgrounds for children in Solikamsk. To implement measures ensuring safe living conditions for Berezniki residents, funds were allocated for the purchase of the hardware road unit Road Officer. In 2018 Solikamsk and Uralkali continued to work jointly on comprehensive safety measures in educational institutions in the town. Stationary metal detectors were installed in three schools, and one portable metal detector was purchased.

In 2018, the Company provided funds to build an ice town and an ice rink in Solikamsk, and presented the city with an artificial Christmas tree and winter modular-type portable slopes that may be used for many years to come. Uralkali funded the construction of a rotunda in the Berezniki Town Park for Recreation and Leisure.

The Company charitably helped the Region Hospital of E. Vagner to acquire computers and to repair road and pavement.

Due to the initiative of elected officials of Bereznik City Duma and with Uralkali's financial support, the My Courtyard Is the Most Beautiful contest was arranged. Over 200 people participated in the contest, over 100 flower beds and flower gardens were arranged.

The Company initiated a summer vacation pastime programme with health protection elements for children Letnie Zabavy. 6,000 preschool children of Berezniki and Solikamsk participated in this programme.

In 2018 the Company also arranged celebrations for veterans of the Great Patriotic War who live in Berezniki and Solikamsk.

With the Company's support, urban environmental protection projects are implemented. Specifically, the educational eco game Clean Games (Chistye Igry). As a part of the game, participants helped cleaning the Dubravsky Forest and the Lanynsky Fields in Solikamsk.

Support for faith-based organisations

Uralkali regards the activities of public and religious organisations as an important element of social environment development that serves to maintaining stability in the regions where the Company operates.

With the support of Uralkali, the construction of St. Nicholas

Cathedral, one of the largest in the Perm Region, continued in 2018. Stairways and basement entrance gallery were renovated, anti-lightning protection was implemented, heating, water supply and sewerage systems are being installed. Inner walls are being plastered for future fresco painting. Works on granite rendering of the foundation, site improvements and ring road construction around the building have begun.

The Company also provides assistance in transporting citizens to festive services.

Charity and Sponsorship

Uralkali regularly helps disadvantaged population groups. In 2018 it helped:

- Solikamsk Town Public Organisation of Disabled People Luch;
- public Organisation Large Families of Solikamsk;
- Berezniki Local Organisation All Russia Society of Disabled People;
- Solikamsk Local Organisation All Russia Association of the Blind;
- Berezniki Town Organisation All Russia Organisation of Disabled People Chernobyl Russia Union;
- town counsels of war, labour, military and law enforcement veterans of Berezniki and Solikamsk;
- town Wildlife Conservation Society of Berezniki;
- Childhood's Planet (Planeta Detstva) Charity Fund of Berezniki;
- local Public Organisation Army Veterans Union of Berezniki.

Uralkali is a partner of the 4th Interregional Exhibition “Rudnik-2018”

Uralkali became a partner of the 4th Interregional Exhibition of Technologies, Equipment and Custom Machinery for Mining and Processing of Ores and Minerals “Rudnik-2018”, which was held in Perm in September 2018.

Uralkali's booth enabled the visitors of the exhibition to get acquainted with the main types of products, the technology of ore extraction and potash fertilisers production, in line with scientific developments applied in the potash industry.

A round table Project Presentation of Enterprises Operating in the Perm Region was organised on behalf of PJSC Uralkali within the framework of the exhibition. The Ministry of Industry and Trade of the Perm Region, the Regional Centre of Engineering, and the Design Institute of JSC “VNII Galurgii” supported the organisation of the presentation platform. The purpose of the event was to attract the scientific and technical potential of enterprises in the region to solve Uralkali's scientific, technical, engineering and production problems. Thanks to the enhanced interaction with local suppliers, the Company can implement the policy of import substitution and support of small and medium-sized business of the Perm Region in practice.

STAKEHOLDER ENGAGEMENT

STAKEHOLDERS GROUP	WHY WE ENGAGE	KEY FOCUS AREAS	WHAT WE DO
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.	**Customers** • The quality of goods and services provided • Reliability of supplies • Mandatory compliance with contract provisions and legal requirements • Customer 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	• 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 current and potential suppliers and business partners • Conclusion of contracts for delivery of products and services and monitoring to ensure counterparties meet requirements
SHAREHOLDERS AND INVESTMENT COMMUNITY	Being 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.	• Corporate governance • Financial and non-financial results • Potash market developments • Strategy and KPIs • Risks • Sustainable development	• Presentations, webcasts and conference calls between the Company's management and financial community • Website publication of relevant GSM documents • Management presentations at industry and regional conferences • Investor and analyst days, including site visits • General shareholders meetings • Press releases on material issues and key Company events

STAKEHOLDERS GROUP	WHY WE ENGAGE	KEY FOCUS AREAS	WHAT WE DO
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 Company's keys to success. We put an emphasis on creating conditions for the professional and career growth of our employees, which strengthens their loyalty to the business.	• Principles of social partnership • Mutual respect and trust that underpin HR Policy • Financial and non-financial incentives • Learning and development opportunities • Compliance with health and safety standards	• HR Policy and Labour Safety Policy • The system of internal communication and feedback • Regular meetings between management and employees • Feedback on hotline (call-centre) messages • Ensuring safety in the workplace • Implementation of social programmes and financial incentive programmes • Employee satisfaction and employee engagement surveys
TRADE UNIONS	Efficient cooperation with trade unions is essential for the Company in understanding and fulfilling employees' expectations. Trade unions help monitor the implementation of all health and safety rules and other important agreements.	• Employee loyalty • Compliance with labour safety regulations • Feedback from employees • Decisions on important social issues	• Reports on the execution of provisions of collective bargaining agreements and labour safety agreements • Regular face-to-face meetings with management and trade union members • Collecting written opinions on most important social issues
GOVERNMENT AND LOCAL AUTHORITIES	The Company strictly follows industry standards and complies 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.	• Reporting to regulators • Paying taxes • Planning and implementing social projects • Maintaining a dialogue with government authorities on current legislative and regulatory issues	• Information disclosure and reporting • Dialogue with government authorities on legislative and regulatory issues • Development of partnership agreements • Participation in workshops and expert panels • Implementation of joint projects • Local community development planning

STAKEHOLDERS GROUP	WHY WE ENGAGE	KEY FOCUS AREAS	WHAT WE DO
LOCAL COMMUNITIES	The Company's development 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 employees and local communities through our social and cultural projects contributes to regional social and economic development and ensures the sustainability of our operations, helping us fulfil our commitments as an industry leader.	• Environmental safety and mitigation of the consequences of industrial accidents • Housing infrastructure development and modernisation • Social infrastructure development and modernisation • Sports development • Support for cultural events • Support for disadvantaged groups 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 hearings • Maintaining contact with NGOs
MASS MEDIA	Uralkali is interested in objective, accurate, and timely media coverage of all its operating results, key external and internal events, social activities, participations in the industry conferences, international and Russian exhibitions, and other events. An objective perception of Uralkali and its strategy by all stakeholders is important both for the Company and its target audiences.	• Accurate media coverage of the Company's strategic messages, corporate events, and news • Getting feedback from the public and the media • Maintaining relationship with stakeholders at all levels	• Press releases on significant issues and key events • Interviews with management • Press tours and press conferences • Relationship building events for media • Perception studies among target media

CORPORATE GOVERNANCE

Corporate governance is a system enabling interaction between executive bodies, the board of directors, shareholders, and other stakeholders of a joint-stock company[1].

Report of the Board of Directors on Corporate Governance

This section gives an overview of the corporate governance system in Uralkali, by means of which the Company is governed and controlled.

In Uralkali, the Board of Directors is a central part of the corporate governance system; however, its success depends not only on the Board of Directors, but also on the performance of the Company's executive bodies and key members of the management team.

We apply the basic principles and standards of corporate governance in all areas of our activity. Even though Uralkali's public presence has been significantly reduced, the continuing efforts to implement best corporate governance practices have not been in vain, as compliance has become an essential part of the Company's corporate culture. Maintaining an efficient and transparent system of corporate governance, where the roles and responsibilities of each body are understood by stakeholders, remains a key priority for the Company.

This is also evidenced by a fixed number of independent directors on the Company's Board of Directors. As before, we maintain the balance between independent and non-executive directors, and ensure the directors possess the professional competencies needed by the Company, including their industry-specific and international experience.

The number of meetings of the Board and its committees in 2018 was less than the year before, although this is only because we have improved the planning process to optimise the agenda for the meetings held in praesentia.

The structure of the Company's governance bodies is fully in line with Russian legislation. The General Meeting is the highest governance body, while the Board of Directors provides general guidance and steering of the Company. The Board of Directors created four committees acting advisory bodies. The committees do a preliminary consideration of matters raised to the Board and give their recommendations to the Board and also for the management team (for more information about the composition and competence of the committees, please refer to the Activities of the Board Committees table). The committees are as follows:

- Audit Committee;
- Investment and Development Committee;
- Corporate Social Responsibility Committee; and
- Appointments and Remuneration Committee.

For preliminary and additional consideration of issues that fall within the competence of the Board of Directors and executive bodies of the Company, a number of committees and commissions, represented by senior and middle managers and reporting directly to the CEO, were established. The CEO is not obliged to support their decisions, but the opinion of these committees and commissions is taken into account when final managerial decisions are made (for more information about the committees and commissions under the CEO, please see section Committees (Working Groups) Under the CEO).

Corporate Secretary

Maria Klimashevskaya has been the Corporate Secretary of Uralkali since 2011. The Corporate Secretary acts in accordance with the relevant regulations approved by the Board of Directors. The key functions of the Corporate Secretary are as follows:

- facilitate interaction between different governance bodies of the Company;
- arrange meetings of the Board and its committees, and the General Meetings of Shareholders;
- implement procedures set by external legislation and internal regulations of the Company to protect the rights and legitimate interests of shareholders;
- participate in disclosure activities;
- monitor and implement best practices in corporate governance.

Ms. Klimashevskaya first joined the Company in 2008 as a leading legal counsel; in 2010, she became the Board's Secretary and was then appointed the Corporate Secretary in 2011 while continuing to act as the Secretary of the Board of Directors and its committees. In 2003, Maria Klimashevskaya graduated from the department of law of the Lomonosov Moscow State University, and in 2018 received an MBA degree from the Cass Business School in London. She is also a member of the Council of the National Association of Corporate Secretaries and an active member of the professional community.

BOARD OF DIRECTORS

Members of the Board of Directors

In 2018, the Annual General Meeting elected Daniel Wolfe to the Board as an independent Director, while Sir Robert John Margetts left his directorship position. The Board therefore is represented by a) Independent directors Sergey Chemezov (Chairman of the Board of Directors), Paul Ostling (Senior Independent Director), and Luc Maene; b) non-executive directors Dmitry Mazepin (Deputy Chairman of the Board of Director), Dmitry Lobyak (Deputy Chairman of the Board of Directors), Dmitry Konyaev, and Dimitry Tatyanin; and c) one executive director Dmitry Osipov, the CEO of Uralkali.

PJSC Uralkali is guided by the independence criteria established by the Code of Corporate Governance of the Bank of Russia. The Board's composition ensures a diverse set of skills necessary for its effective performance. The Directors have professional knowledge and significant experience in production, sales, specifics of the potash industry, finance and audit, HR, and law. Many of the Directors are members of professional and industry associations and participate in various international events, conferences and seminars, which ensures that they are always aware of latest market trends and use their knowledge for the benefit of the Company.

[1] The Code of Corporate Governance by the Bank of Russia.

Sergey CHEMEZOV
Chairman of the Board of Directors
Independent Director

Year of birth
1952

Citizenship
Russian Federation

Education
Irkutsk Institute of National Economy.

Election to the Board of Directors
March 2014.

Career background
Since 1980, he has held senior positions in a number of public entities, including Promexport and Rosoboronexport.

1996–1999: headed the foreign economic relations office of the Russian President's Administrative Department.

In December 2007, he was appointed the CEO of Rostec, the state corporation for the support of the development, production, and export of high-tech industrial products.

Membership in Board Committees
Not a committee member.

External appointments
Chairman of the Board of Directors of JSC Rosoboronexport, PJSC VSMPO-AVISMA Corporation, and PJSC Kamaz.

Member of the Boards of Directors of PJSC Aeroflot – Russian Airlines, JSC JSCB International Financial Club, Alliance Rostec Auto B.V., and Rostec.

Does not own PJSC Uralkali's shares.

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

Year of birth
1968

Citizenship
Russian Federation

Education
Moscow State Institute of International Relations.

Election to the Board of Directors
March 2014.

Career background
Since the mid-1990s, he has held senior management positions in governmental and privately owned companies including JSC Tyumen Oil Company, JSC Nizhnevartovskneftegaz, OJSC KuzbassUgol, and the Russian Federal Property Fund.

2002–2003: President of OJSC Sibur.

Since 2007: Chairman of the Board of Directors of JSC UCC URALCHEM and also the management company, UralChem Holding P. L. C.

Since 2015: Member of the Management Board of the Russian Union of Industrialists and Entrepreneurs.

Since 2016: Chairman of the Commission on Mineral Fertilisers Production and Trading of the Russian Union of Industrialists and Entrepreneurs.

Membership in Board Committees
Not a committee member.

External appointments
Chairman of the Board of Directors of JSC UCC URALCHEM and also the management company UralChem Holding P. L. C. Director at CI-Chemical Invest Limited.

Does not own PJSC Uralkali's shares.

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

Year of birth
1967

Citizenship
Republic of Belarus

Education
Kirov Leningrad Higher Command School.

Election to the Board of Directors
September 2016.

Career background
1993–2005: worked as an engineer at Poliprint (Minsk, Belarus).

2005–2010: Head of the Commercial Department at Juras Oil LLC (Minsk, Belarus).

Since 2010: Member and the Director of Juras Oil LLC.

Membership in Board Committees
Member of the Appointment and Remuneration Committee and the Investment and Development Committee.

External appointments
Director at Juras Oil LLC and Rinsoco Trading Co. Limited.

Does not own PJSC Uralkali's shares.

Dmitry OSIPOV
CEO

Year of birth
1966

Citizenship
Russian Federation

Education
Lobachevsky Nizhny Novgorod State University.

Election to the Board of Directors
March 2014.

Career background
2007–2011: CEO of JSC UCC URALCHEM.

2007–2013: Member of the Board of Directors of JSC UCC URALCHEM.

2011–2013: Deputy Chairman of the Board of Directors of JSC UCC URALCHEM.

Since 24 December 2013: CEO of Uralkali.

Since 2016: Member of the Commission on Mineral Fertilisers Production and Trading of the Russian Union of Industrialists and Entrepreneurs.

Membership in Board Committees
Member of the CSR Committee and the Investment and Development Committee.

External appointments
Member of the Board of Directors of JSC UCC URALCHEM. Member of the Board of Directors at a number of Uralkali's affiliates.

Does not own PJSC Uralkali's shares.

Dmitry TATYANIN
Non-Executive Director

Year of birth
1967

Citizenship
Russian Federation

Education
Voronezh State University.

Election to the Board of Directors
September 2016.

Career background
Since 1993, he has held senior management positions in the legal departments of various companies, including LLC Infistrakh, JSC KredoBank, Alfa-Eco Group, and JSC AK Sibur. Since 2007, he has served as Director of Law at UralChem. Since 2007, he has served as a member of the Board of Directors of UralChem.

Membership in Board Committees
Member of the CSR Committee.

External appointments
Member of the Board of Directors of JSC UCC URALCHEM and several companies affiliated with JSC UCC URALCHEM.

Does not own PJSC Uralkali's shares.

Dmitry KONYAEV
Non-Executive Director

Year of birth
1971

Citizenship
Russian Federation

Education
Lomonosov Moscow State University.

Election to the Board of Directors
March 2014.

Career background
Since 1998, he has held a number of senior management positions in major industrial and trading companies: Sederrot International AB, LLC Mineral Trading and Uralkali Trading SA (Singapore).

2007–2011: Commercial Director of JSC UCC URALCHEM.

Since 2011: Director General of JSC UCC URALCHEM.

Since 2016: Deputy Chairman of the Commission on Mineral Fertilisers Production and Trading of the Russian Union of Industrialists and Entrepreneurs.

Membership in Board Committees
Member of the Investment and Development Committee, the CSR Committee and the Appointments and Remuneration Committee.

External appointments
Member of the Board of Directors of JSC UCC URALCHEM and several companies affiliated with JSC UCC URALCHEM.

Does not own PJSC Uralkali's shares.

Paul OSTLING
Senior Independent Director

Year of birth
1948

Citizenship
United States of America

Education
Fordham University.

Election to the Board of Directors
June 2011.

Career background
1977–2007: held various executive positions at Ernst and Young, eventually becoming global chief operating officer.

2007–2013: held executive positions in various companies, including Kungur Oil and Gas Equipment and Services, first as the CEO, then from 2010 as a member of the Board of Directors; a member of the Board of Directors of OJSC Promsvyazbank and UralChem Holding P. L. C., OJSC MTS, and Datalogix Inc.

Membership in Board Committees
Chairman of the Audit Committee (as a finance expert) and the Appointments and Remuneration Committee, a member of the Corporate Social Responsibility Committee and the Investment and Development Committee.

External appointments
Member of the Board of Directors of CJSC NRD, the Business Council for International Understanding and the Boy Scouts of America Transatlantic Council.

Does not own PJSC Uralkali's shares.

Luc MAENE
Independent Director

Year of birth
1946

Citizenship
Belgium

Education
University of Ghent.

Election to the Board of Directors
June 2016.

Career background
In 1987, Luc Maene joined the International Fertilizer Industry Association (IFA), where he worked his way up from Executive Secretary to Secretary-General. From 1998 to 2012, Mr. Maene led the organisation as Director General. Over the years Mr. Maene has served on the Board of Directors of the International Fertilizer Development Center (IFDC) as Deputy Chairman of the Board. He also took the position of Chairman of the Board of Directors of FIRT (fertiliser manufacturers round table) and a member of the Board of Directors of CEDAP – French organisation for Leaders of Association.

Membership in Board Committees
Chairman of the CSR Committee and the Investment and Development Committee. Member of the Appointment and Remuneration Committee, and the Audit Committee.

External appointments
Member of the Board of Directors of LM AGRI Ltd., and IRM Ltd.

Does not own PJSC Uralkali's shares.

Daniel WOLFE
Independent Director

Year of birth
1965

Citizenship
United States of America

Education
Dartmouth College, Columbia University.

Election to the Board of Directors
June 2018.

Career background
From November 2010 to May 2014, Daniel was a Deputy CEO, a member of the Management Board and a member of the Board of Directors of PJSC Quadra (former TGC-4), where he also was a member of the Board of Directors, a member of the Compensation and Remuneration Committee and a member of the Audit Committee from 2011 to June 2018.

Membership in Board Committees
Member of the Audit Committee and the Appointments and Remuneration Committee.

External appointments
Member of the Board of Directors of New York Bakery (Tortopia LLC).

Does not own PJSC Uralkali's shares.

Planning and Review of the Board's Activities

The activities of the Board and its Committees in 2018 traditionally followed the work plan approved in December 2017. The Directors also gave enough focus to their work in the Committees.

In line with the Code of Corporate Governance of the Bank of Russia, the Board of Directors conducts an annual performance review of the Board itself, its Committees and individual Directors in terms of the necessary balance of professional experience, expertise and independence. In 2018, this review was conducted in May and followed a procedure that has been in place for several years. In particular, the Directors completed a survey with questions regarding various aspects of the Board's activities, including the quality of planning and preparation of documents, the effectiveness of Board discussions, and the performance of the Committees, the management team, and the corporate secretary. All comments were duly considered and initiatives will be taken for improving the work of the Board where necessary.

Activities of the Board of Directors and the General Meeting in 2018

In 2018, eleven meetings of the Board of Directors were held, including six meetings in absentia, as well as one annual general meeting (AGM) and one extraordinary general meeting (EGM). In June 2018, the Company issued preferred shares at the price determined by the Board of Directors in February 2018.

The AGM's agenda included a number of matters related to the election of members of the Board of Directors and the Revision Commission, approval of the auditor of the Company, and approval of certain transactions.

The participants of the AGM also resolved to pay dividends on the Company's outstanding preferred shares in the amount of RUB 0.1 per preferred share in order to maintain the existing balance between the Company's voting and non-voting shares and prevent a reduction in the number of voting shares owned by minority shareholders.

At the Extraordinary General Meeting held in December 2018, the shareholders approved a major transaction to increase the credit line from Sberbank.

In 2018, as part of the mandatory buyback based on the results of the Extraordinary General Meeting of Shareholders held on 18 December 2017, the Board of Directors approved the report on the results of the shareholders' demand for redemption, and the Company bought 1.77% of ordinary shares from shareholders, which are on the Company's balance sheet as of 31 December 2018.

The Board of Directors also passed a number of resolutions related to placement of preferred shares; approval of annual IFRS and RAS financial statements; approval of the annual report; approval of the list of candidates to the Board of Directors and the Revision Commission; approval of the annual budget; and recommendations to approve the major transaction.
In addition, the Board of Directors adopted certain HR decisions related to changes in the composition of the executive team and the Management Board; approved a five-year appointment of Dmitry Osipov as the CEO; and a number of other decisions.

ATTENDANCE OF THE BOARD MEETINGS AND MEETINGS OF ITS COMMITTEES IN 2018*

FULL NAME	BOARD OF DIRECTORS (11** MEETINGS)	AUDIT COMMITTEE (6 MEETINGS)	APPOINTMENTS AND REMUNERATION COMMITTEE (4 MEETINGS)	INVESTMENT AND DEVELOPMENT COMMITTEE (2 MEETINGS)	CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (4 MEETINGS)
Dmitry Konyaev	All***		All	All	All
Dmitry Lobyak	All		All	All	
Dmitry Mazepin	All				
Luc Maene	All	All	All	All	All
Robert John Margetts[1]	All	All	All	All	All
Daniel Wolfe	All	All	All		
Dmitry Osipov	All			All	All
Paul James Ostling	All	All	All	All	All
Dimitry Tatyanin	All				All
Sergey Chemezov	All				

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

** In 2018, six out of eleven Board meetings were held in absentia in 2018.

*** "All" refers to the number of Board/Committee meetings where a member had to be present either before the termination of the member's term of office or following their election to the Board/Committee.

In its work, PJSC Uralkali consistently follows the main principles of the Code of Corporate Governance and most recommendations by steadily complying with the requirements of applicable law and applying best corporate governance practices.

[1] Robert John Margetts was a Board member up to 29 June 2018.

Activities of the Board Committees

BOARD COMMITTEE	MEMBERS (AS OF 31 DECEMBER 2018)	KEY FUNCTIONS	TARGETS FOR 2018	TARGET ACHIEVEMENT IN 2018
Audit Committee	Paul Ostling (Chairman) Daniel Wolfe Luc Maene	Risk management and internal control External and internal audit Corporate governance and legal compliance. Evaluation of candidates to the Company's auditors. Evaluation of auditors' reports	• Development of recommendations to approve the IFRS and RAS annual and semi-annual statements and the Annual Report • Recommendations on approval of the IFRS and RAS auditors • Improvement of the risk management and internal control system	☑ ☑ ☑
CSR Committee	Luc Maene (Chairman) Dmitry Konyaev Dmitry Osipov Paul Ostling Dimitry Tatyanin	Oversight of health, safety Environment and social responsibility matters to develop an effective management system for these areas	• Monitoring of the Company's HSE performance • Consideration of mine safety issues, including backfilling operations	☑ ☑
Appointments and Remuneration Committee	Paul Ostling (Chairman) Daniel Wolfe, Dmitry Konyaev Luc Maene Dmitry Lobyak	Recruitment of qualified executive personnel Development of incentive plans to facilitate implementation of strategic plans and ensure succession in management	• Assessment of the management's 2017 KPI charts • Review of headcount and communications related matters • Recommendations on key appointments	☑ ☑ ☑
Investment and Development Committee	Luc Maene (Chairman) Paul Ostling, Dmitry Konyaev Dmitry Lobyak Dmitry Osipov	Strategic development, Participation in budgeting Major investment projects	• Consideration of matters related to the Company's development programme • Monitoring of investment projects' efficiency	☑ ☑

Report of the Audit Committee

In 2018, the Audit Committee was made up exclusively of independent directors, which is in line with the best corporate governance standards and despite there being no requirements to the composition or the existence of an Audit Committee.

As of 31 December 2018, the Audit Committee included the following members:

- Paul Ostling (Chairman, Independent Director, and a financial expert);
- Daniel Wolfe (Independent Director);
- Luc Maene (Independent Director).

The Audit Committee's traditional competence covers public reporting, internal and external audits, risk management and internal control.

In April 2018, the Audit Committee recommended to the Board of Directors and the General Meeting to retain the previous auditors — CJSC Deloitte & Touche for the IFRS financial statements, and JSC Energy Consulting for the RAS financial statements, and also recommended the amount of the auditors' fees.

Total remuneration paid to the auditors in 2018 was RUB 48,973,428. In 2018, JSC Energy Consulting received RUB 3,025,520 including VAT, without any other remuneration. CJSC Deloitte & Touche CIS and its affiliates were paid RUB 45,947,908, including:

AUDITOR	FEE FOR AUDIT SERVICES (RUB)	FEE FOR CONSULTING SERVICES (RUB)
CJSC Deloitte & Touche CIS	41,300,000	3,540,000
Deloitte Consulting LLC		1,107,908
TOTAL	41,300,000	4,647,908
Audit/consulting fee ratio	89.88%	10.12%

Taking into account the internal standards adopted by the auditors in order to ensure their independence and to avoid conflicts of interests, the Company is reasonably assured that the provision of non-audit (consulting) services does not threaten the auditors' independence in terms of the provided audit services. At its meeting held on 14 March 2019, the Committee reviewed the non-audit services provided to the Company and established that the audit/consulting fee ratio indicates the impartiality and independence of the auditors of the Company's financial statements.

The Audit Committee also assessed the efficiency of the external audit processes and concluded that the auditors had duly discharged their obligations which included regular monitoring of the accounting, fiscal and tax book-keeping practices of the Company and that the auditors' reports reflected the actual RAS statements and the IFRS consolidated financial statements.

In 2018, the Committee spent considerable time updating of the risk management and internal control system. In 2019, it will continue to address this activity and will also be dealing with preparation of financial statements.

EXECUTIVE BODIES

The Company's executive bodies are the Chief Executive Officer (who is the sole executive body) and the Management Board (which is the collective executive body). The executive bodies manage the Company's day-to-day operations. The responsibilities of the CEO and the Management Board are defined in the Company's Charter. In addition, the CEO also reviews matters which by law are outside the competence of the general meeting or the Board of Directors. The Management Board is chaired by the CEO, while its quantitative and personal composition is determined by the Board of Directors.

At the end of 2018, the composition of the Management Board changed as Alexey Yashnikov resigned as the Capital Construction Director and left the Management Board and the Company. As of 31 December 2018, the Management Board included six persons:

- Dmitry Osipov (Chairman);
- Anton Vishchanenko;
- Irina Konstantinova;
- Vitaly Lauk;
- Alexander Kulbitsky;
- Marina Shvetsova.

In 2018, the Management Board held seven meetings.

Committees (Working Groups) Under the CEO

The Company's structure includes several committees and commissions (Working Groups) which report directly to the CEO and focus on key aspects of the Company's activities. To date, there are 9 Working Groups:

- Health, Safety, Environment and Corporate Social Responsibility;
- Procurement;
- Investments;
- Subsidiary Management;
- Mine Safety;
- Compensation and Benefits;
- Information Technology;
- Innovation; and
- Quality.

These groups are represented by senior executives and are personally led by the CEO. The Working Groups' competence includes information monitoring and review; preliminary discussions and risk analysis; and follow-up of scheduled activities. This approach ensures a continuous dialogue with the management team and a two-way flow of information on the most crucial aspects of the Company's activities. 87 meetings of the Working Groups were held in 2018.

Members of the Management Board as of 31 December 2018

Dmitry OSIPOV
CEO,
Chairman of the Management Board

Year of birth

1966

Citizenship

Russian Federation

Education

Lobachevsky Nizhny Novgorod State University.

Appointment

A member of the Management Board since December 2013.

Career background

In 2007–2011: CEO of JSC UCC URALCHEM.

In 2007–2013: Member of the Board of Directors of JSC UCC URALCHEM.

In 2011–2013: Deputy Chairman of the Board of Directors of JSC UCC URALCHEM.

On 24 December 2014, Mr. Osipov was appointed the CEO of PJSC Uralkali.

Since 2016, he has been a member of the Commission on Mineral Fertilisers Production and Trading of the Russian Union of Industrialists and Entrepreneurs.

External appointments

A member of the Board of Directors of a number of PJSC Uralkali's affiliates. Member of the Board of Directors of JSC UCC URALCHEM. Since 2016, a member of the Commission on Mineral Fertilisers Production and Trading of the Russian Union of Industrialists and Entrepreneurs.

Does not own PJSC Uralkali's shares.

Anton VISHCHANENKO
Chief Financial Officer

Year of birth

1979

Citizenship

Russian Federation

Education

Moscow State Aviation Institute.

Appointments

A member of the Management Board since 2014.

Career background

Since 2000, Anton Vishchanenko has held various mid-level and executive positions at JSC Wimm-Bill-Dann, PJSC Mechel, and JSC UCC URALCHEM.

In 2012, he was appointed the CFO (also the Deputy CEO) of the Novorossiysk Commercial Sea Port.

In October 2014, Mr. Vishchanenko became Uralkali's CFO.

External appointments

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

Does not own PJSC Uralkali's shares.

Alexander KULBITSKY
Procurement Director

Year of birth

1974

Citizenship

Russian Federation

Education

Belarusian Trade-Economic University of Consumer Cooperation.

Appointment

A member of the Management Board since 2017.

Career background

September 2015–December 2016: Deputy Marketing Director at Juras Oil LLC (Minsk, Belarus). In 1996, he began to work as a planning engineer at JSC LMZ Universal, a casting and mechanical plant (Soligorsk, Belarus), the largest manufacturer of mining and chemical processing equipment in Belarus.

2009–2015: 1st Deputy CEO.

External appointments

Does not have executive positions in other companies.

Does not own PJSC Uralkali's shares.

Marina SHVETSOVA
Legal and Corporate Affairs Director

Year of birth

1972

Citizenship

Russian Federation

Education

Perm State University.

Appointment

A member of the Management Board since 2005.

Career background

1999–2006: lecturer at the Perm State University.

2001–2005: various positions at CJSC Sibur-Khimprom, including as Head of the Legal Department.

Joined Uralkali in 2005. Since 2006, she has been the Legal and Corporate Affairs Director.

External appointments

A member of management bodies of a number of Uralkali's affiliates.

Does not own PJSC Uralkali's shares.

Irina KONSTANTINOVA
Human Resources Director

Year of birth

1978

Citizenship

Russian Federation

Education

Perm State Technical University.

Appointment

A member of the Management Board since 2017.

Career background

Since 2000, Ms. Konstantinova has held various positions in PJSC Uralkali: head of the personnel training department, a senior training specialist, a recruitment and appraisal specialist in the personnel recruitment and development department.

Since September 2015: Head of the Corporate University.

Since November 2017: Head of the Personnel Recruitment and Development Department.

External appointments

A member of the Management Board of a non-profit organisation.

Does not own PJSC Uralkali's shares.

Vitaly LAUK
Chief Technical Officer

Year of birth

1968

Citizenship

Russian Federation

Education

Perm Scientific Research Technological Institute.

Appointment

A member of the Management Board since 2017.

Career background

Mr. Lauk started his career in 1990 as a loader engine driver at Solikamsk-3. This was followed by a path of professional growth: area electrician, deputy mine manager, deputy chief mechanic, mine chief mechanic, chief mining engineer, head of mine, and the chief mechanic of PJSC Uralkali. Since 2016: 1st Deputy Chief Technical Officer.

External appointments

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

Does not own PJSC Uralkali's shares.

REMUNERATION

Remuneration of the Board of Directors and the Management Board

Members of the Board of Directors receive remuneration in line with the Regulations on Remuneration and Reimbursement of Directors (the Remuneration Regulations). According to the Remuneration Regulations, remuneration is provided to independent and non-executive directors. Directors may voluntarily waive their remuneration.

In 2018, the Remuneration Regulations were amended. Before 29 June 2018, remuneration was also paid for membership in each Board Committee. After the AGM, the remuneration structure has changed, and now the annual remuneration of Directors consists of several parts:

- remuneration for activities on the Board of Directors;
- remuneration for additional duties (chairman of a committee, senior independent director, or deputy chairman of the Board of Directors). These remuneration amounts are fixed and are added if a Director performs several additional duties.

Remuneration payable to the Chairman of the Board of Directors is governed by a specific section of the Remuneration Regulations. The Chairman's remuneration is also fixed and is paid on a monthly basis in equal amounts.

In 2018, remuneration was paid to five Board members including four independent directors[1] (Sergey Chemezov, Daniel Wolfe[2], Paul Ostling and Luc Maene), and one non-executive director (Dmitry Lobyak).

In accordance with the Remuneration Regulations, directors are reimbursed for their travel expenses (in relation to meetings of the Board), accommodation expenses and the expenses not directly related to participation in the meetings but still connected with the business of the Company.

TOTAL PAYMENTS TO THE BOARD MEMBERS IN 2018

PAYMENT	RUB	USD*
Remuneration	**200,675,174**	**2,888,634.53**
Expenses	**13,910,785**	**200,239.88**
Total	**214,585,959**	**3,088,874.41**

*Based on the exchange rate as of 31 December 2018: RUB/USD 69.4706.

Remuneration payable to members of the Management Board consists of two parts: a monthly salary, the size of which is specified in individual employment contracts, and an annual bonus. The amount of the bonus depends on the achievement of individual annual KPIs, which reflect the contribution of a member of the management team to the achievement of strategic and operating goals of the Company. Members of the Management Board do not receive any additional remuneration for their work on the Management Board.

Currently, the Company does not have a long-term management incentive programme, and so senior executives of the Company are not paid additional bonuses.

[1] Until 29 June 2018, Robert Margetts was a member of the Board of Directors and received remuneration as Deputy Chairman of the Board of Directors, a member of all Board Committees, and Chairman of the Investment and Development Committee and the Corporate Social Responsibility Committee.

[2] After the election to the Board of Directors in the AGM on 29 June 2018.

TOTAL AMOUNTS PAID TO THE MANAGEMENT BOARD IN 2018

PAYMENT	RUB*	USD**
Salary	**536,666,164**	**7,725,083.19**
Annual bonus	**197,903,134**[1]	**2,848,732.18**
Reimbursement of costs	**1,416,108**	**20,384.27**

* After personal income tax.

** Based on the exchange rate as of 31 December 2018: 69.4706 RUB/USD.

CEO's Remuneration Policy

The CEO is appointed by the Board of Directors. The competence of the Board of Directors also includes the approval of the CEO's employment contract and his annual KPI cards (after the cards have been reviewed by the Investment and Development Committee and the Appointments and Remuneration Committee). The Board of Directors generally follows the committees' recommendations but may introduce certain amendments if deemed necessary.

The size of the CEO's remuneration (salary) is specified in the employment agreement. Total remuneration payable to the CEO (as well as to other executive directors including members of the Management Board) consists of two parts: a monthly salary, the size of which is specified in individual employment contracts, and an annual bonus. The CEO may also receive a bonus in line with the Regulations on Bonuses for Senior Executives, which is based on a performance management system adopted by the Company. This system provides for a correlation between the corporate and individual goals and ensures that performance is measurable and transparent. Bonuses are only paid if an executive (including the CEO) has met their individual KPIs and are subject to deductions applied in certain situations.

The CEO's KPI-based performance is reviewed by the Board Committees including the Appointments and Remuneration Committee, which makes the final recommendation to the Board of Directors. The Appointments and Remuneration Committee may also recommend an ad hoc bonus or another type of remuneration not expressly provided for in the employment contract. In 2018, the Board of Directors made appropriate amendments to the employment contract with the CEO.

The CEO is also the Chairman of the Management Board; however, the CEO and other members of the Management Board do not receive additional remuneration for these roles.

All security and reimbursement clauses provided by internal regulations and the collective bargaining agreement also apply to the CEO. The CEO's expenses incurred in relation to his office duties are reimbursed against supporting documents. Just like any other employee, the CEO's travel expenses are fully reimbursed within the limits set by internal regulations. In addition, the CEO's hospitality expenses are also reimbursed.

[1] Annual bonus for 2017 amounted to RUB 139,953,872 and was actually paid in 2018. Annual bonus for 2018 amounted to RUB 57,949,262.

Management's Equity Ownership

According to the Company's registrar JSC VTB Registrar, as of 1 January 2018 and as of 31 December 2018, the Company's register of registered securities did not include persons who held positions in the governance bodies of Uralkali in 2018. There is no record of any transactions made by members of Uralkali's governance bodies to acquire or dispose of shares of the Company, including dates and essence of such transactions, the category (type) and number of Uralkali's shares, which were the subject matter of such transactions from 1 January 2018 until 31 December 2018. There is no information the members of Uralkali's management bodies are persons whose rights on shares are taken into account by nominee shareholders as of 1 January 2018 and as of 31 December 2018.

Directors' and Officers' Liability Insurance

In accordance with best practices, the Company has been providing liability insurance for its directors and officers (D&O) at its own expense. The D&O policy protects members of the Board of Directors, the Management Board and Uralkali's management team and covers possible damages arising from claims against them or persecution by public authorities for their actions/inaction in the exercise of their duties.

Bonus payments to top managers (including the CEO) are paid in relations with their KPIs. The achievement of their KPIs are assessed by the corresponding Board committees.

RESPONSIBLE MANAGEMENT

Risk Management and Internal Control

In 2018, important steps were taken to update the risk management and internal control system. The Company's management devoted considerable time to update the risk map. In 2017, a risk manager was appointed, and in 2018 a Risk Management Office was formed as part of the Internal Audit Directorate. This Office worked towards significantly updating the Company's key risks map and on plans to minimise them, ensuring the involvement of all responsible managers and their subordinates.

The risk management and internal control system (RMICS) is based on the principles incorporated in ERM (Enterprise Risk Management)[1], an integrated risk management system, which:

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

Taking into account the numerous changes that took place in the reporting year, the Company plans to update the current Risk Management and Internal Control Policy in 2019, to ensure that it is aligned to the fullest possible degree with the actual model used in Uralkali.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM OF PJSC URALKALI

Board of Directors	Approves the overall risk management and internal control policy; identifies the major risks related to the Company's activities; and approves the corporate risk management system.
Audit Committee	Monitors the reliability and effectiveness of the RMICS; assesses the internal control procedures and makes improvement recommendations; reviews and evaluates compliance with the risk management and internal control policy; develops recommendations to approve the risks map.
CEO	Provides an overall guidance for the risk management process.
Management Board	Reviews matters raised by the CEO, including those related to the RMICS.
Executive Directors	Regulate their respective business processes; identify the goals of these processes; and assess key risks.

[1] ERM (Enterprise Risk Management) is an Integrated Framework developed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO)..

Internal Audit Directorate	Assesses efficiency of the risk management, internal control and corporate governance systems. The Risk Management Office coordinates the risk management process and consolidation of information about the risk management process and internal control system at all levels for the Audit Committee, the Board of Directors, the CEO, and the Management Board. The Control and Revision Department conducts independent inspections and offers consultations in relation to the reliability and effectiveness of risk management, internal control and corporate governance systems; verifies accuracy of financial statements and annual reports; assesses financial and economic activities of the Company and its subsidiaries and affiliates.
Employees	Perform the duties imposed by the RMICS and promptly inform their management about any risks arising in their day-to-day work.

Use of the risk management and internal control system in the development of financial statements

Transparency and reliability in 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. In 2018, Uralkali continued to use the previously developed controls designed to ensure information is properly collected and prepared and to ensure reliability of reporting data.

The process of preparing financial statements involves employees, officers, governance bodies and external auditors of the Company.

ROLE OF THE COMPANY'S GOVERNANCE BODIES AND EMPLOYEES IN THE PREPARATION OF FINANCIAL STATEMENTS

MANAGEMENT AND STAFF	MANAGEMENT AND STAFF ROLES
Chief Financial Officer	Ensures: • availability and reliability of information in the enterprise resource management system; • interaction with auditors; • inventory count of the 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 reviews: • Uralkali's financial statements; • draft reports of the external auditor, as well as auditing processes. Monitors: • completeness and integrity of financial statements. Recommends: • external auditor candidates for preliminary approval by the Board of Directors and final approval by the General Shareholders Meeting.
External Auditors	Audit: • RAS accounting statements; • IFRS annual and half-year consolidated financial statements.
Board of Directors	Approves financial statements taking into account recommendations made by the Audit Committee.

Anti-Fraud and Anti-Corruption Compliance System

In 2011, the Company adopted an anti-fraud programme, which established a mechanism to prevent corporate fraud. The programme covers internal, economic and information security and provides for a hotline service to receive messages about suspected fraudulent activities. The Security Directorate, in turn, checks incoming messages. In 2018, various activities related to safety and security were implemented in the Company as a part of this programme. The Security Directorate's report for 2018 was considered by the Audit Committee in March 2019.

In 2013, the Company started a project to create an anti-corruption compliance system. As of the end of 2018, the compliance system includes the following components:

- anti-trust compliance;
- ethical compliance;
- sanctions compliance.

The Audit Committee regularly reviews reports on the anti-fraud and compliance systems.

Prevention of Conflict of Interest

The Russian legislation provides for a number of mechanisms to prevent conflicts of interests among the Company's directors and members of executive bodies, which, for instance, may be related to their employment in governance bodies of the Company's competitors. These mechanisms include:

- directors' and officers' duty to inform the Company of any positions and/or of any equity ownership they may hold in other organisations.
- a director is obliged to refrain from voting on a transaction if he or she may be considered an interested party in the Company entering into this transaction;
- a director must inform the Company of any parties where the director may be deemed an interested party in transactions with such parties.

The Company also has a number of internal controls to identify a conflict of interests. In particular, a director is obliged to inform the Company of any persons in relation to which the director is an affiliate. Moreover, the corporate information system has a regularly updated list of related parties, which is used to pinpoint the transactions that have to be put before the Board of Directors or the General Meeting of the Company.

In 2018, Uralkali and other members of Uralkali Group did not grant any loans to directors of the Company.

Major and Related Party Transactions[1]

In 2018, the Company entered into a number of transactions, 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 and the identity and number of related parties, and explains the approval procedure.

All related party transactions were approved in accordance with the Law. Most related party transactions were approved by the Board of Directors as transactions which can be made within the established limits, i.e. transactions with Uralkali's subsidiaries.

[1] For more information about major and related party transactions see the Appendix hereto.

INFORMATION FOR SHAREHOLDERS AND INVESTORS

Share Capital

Uralkali's share capital amounts to RUB 1,483,007,945.5 divided into 2,936,015,891 ordinary registered shares with a face value of RUB 0.50 each and 30,000,000 preferred shares with a face value of RUB 0.50 each.

Global Depositary Receipts (GDRs)

In respect of PJSC Uralkali's ordinary shares, GDRs under Regulation S were issued at a ratio of five ordinary shares per one GDR. The GDRs under Regulation S were traded on the London Stock Exchange (LSE) until 22 December 2015, after which they were delisted. The Company's depositary bank is The Bank of New York Mellon.

The GDR programme of PJSC Uralkali under Regulation 144A was closed on 12 January 2016 due to the extremely small volume.

Uralkali's securities are interchangeable: ordinary shares can be converted to GDRs and vice versa.

As of 31 December 2018, GDRs represented approximately 24.95% of the Company's share capital.

Stock Exchange

As of 31 December 2018, Uralkali's ordinary shares were traded on the Moscow Exchange. Uralkali's GDRs were traded on the LSE up to their delisting on 22 December 2015.

Preferred Shares

On 18 December 2017, the decision was made at the Extraordinary General Meeting to increase the Company's share capital by issuing non-convertible preferred shares in the amount of up to 150 million shares.

As of 31 December 2018, the Company placed 30 million preferred shares by private offering among its shareholders, who own over 10% of the Company's outstanding ordinary shares as of the date of defining (registering) persons having the right to participate in the General Shareholders Meeting on 23 November 2017.

The difference between the total placement cost of RUB 3,210 million and the face value of preferred shares of RUB 15 million was considered as a reduced issuing discount.

According to Russian legislation and the Company's Charter, preferred shares are non-cumulative and generally do not grant the right to vote, except for in cases expressly provided for by the legislation. Shareholders who own preferred shares have the right to vote starting from the meeting following the General Shareholders Meeting at which the decision was made not to pay dividends on preferred shares or to pay them partially.

The minimum dividend amount is stated in the Charter and is RUB 0.1 per preferred share. In July 2018, the Company paid minimum dividends in the amount of RUB 3 million to owners of the preferred shares.

Share and GDR Buyback Programme

Uralkali didn't implement the share and GDR buyback programme in 2017 and 2018.

In 2018, as part of the mandatory buyback based on the results of the General Shareholders Meeting held on 18 December 2017, the Board of Directors approved the report on the results of the shareholders' demand for redemption, and the Company bought 1.77% of shares from shareholders, which are on the Company's balance sheet as of 31 December 2018.

TRADING FLOORS OF URALKALI'S SHARES

STOCK EXCHANGE	TICKER
Moscow Exchange	URKA

URALKALI'S SECURITIES IDENTIFICATION NUMBERS

CUSIP[1]:	
• Regulation S GDRs	91688E206
ISIN[2]:	
• Regulation S GDRs	US91688E2063
• Ordinary shares	RU0007661302

URALKALI'S ORDINARY SHARES TRADED ON THE MOSCOW EXCHANGE

	2017	2018
Annual maximum price, RUB	170.50	130.00
Annual minimum price, RUB	116.30	78.95
Year-end price, RUB	117.50	84.46
Trading volume, million pcs	69.8	45.0

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

[2] ISIN (International Securities Identification Number) is an international identification number of a security.

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

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

Credit Ratings

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

In 2016, S&P and Fitch changed their outlook for PJSC Uralkali's securities from stable to negative.

During 2017, the rating agencies did not change the rating and outlook for PJSC Uralkali's securities.

In 2018, Fitch and Standard & Poor's changed their outlook for PJSC Uralkali's securities from negative to stable and Expert RA assigned the Company the ruA rating.

Dividends

The Annual General Meeting of Uralkali shareholders was held on 29 June 2018 in the town of Berezniki of the Perm Region. The decision was made at the meeting not to pay dividends on ordinary shares for 2017. However, taking into account that in June 2018 the Company placed preferred shares in the amount of 30,000,000 pieces aiming to maintain the voting and non-voting shares ratio and thereby the current percentage of voting shares held by Uralkali's minority shareholders, the Board of Directors recommended to pay dividends on PJSC Uralkali's preferred shares in a minimum amount of RUB 0.1 (10 kopecks) per preferred share, provided by the Company's Charter.

Taxation

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

- **for legal entities:**
  - 0% — for tax residents of the Russian Federation, if such an entity owns over 50% of the Company's share capital for a period of more than 365 days at the day of the decision on dividend payment;
  - 13% — for other Russian entities;
  - 15% — for foreign entities.
- **for individuals:**
  - 13% — for Russian tax residents;
  - 15% — for tax non-residents.

Should the recipient of a dividend be a tax resident of a state with which the Russian Federation has signed a treaty on avoidance of double taxation, the tax payments must be made in compliance with the tax rate indicated under the relevant treaty (subject to the conditions set forth in the treaty). This information is provided for illustrative purposes only. Potential and current investors should seek the advice of professional consultants on tax matters related to investments in the Company's shares and GDRs.

Dividend policy

The payment of dividends is regulated by the legislation of the Russian Federation. Dividends are paid from the Company's profits after taxation (net profit). The net profit size is determined on the basis of the Company's accounting (financial) statements. Pursuant to the Federal Law on Joint-Stock Companies and the Company's Charter and the Regulation on the Dividend Policy, the Company has the right to make the decision (declare) to pay dividends on outstanding shares upon the results of the first quarter, half a year, nine months, and (or) upon the results of a financial year (interim dividends). PJSC Uralkali's Regulation on the Dividend Policy approved by the Board of Directors in April 2015, stipulates that the Company's Board of Directors shall submit recommendations to the General Shareholders Meeting on dividend payment based on performance in the reporting period, taking into account the Company's financial results. The Board of Directors considers the main areas of net profit distribution and determines the shares of net profit which can be reasonably used for paying dividends. The Board of Directors decides on the dividend amount recommended to the General Shareholders Meeting, the payment procedure, and the date for determining those entitled to receive dividends, in accordance with the Federal Law on Joint-Stock Companies, the Charter and the Regulation on the Board of Directors by a majority vote of the Board members attending the meeting.

The Company's General Shareholders Meeting decides on dividend payment (declaration). The amount of dividends cannot exceed the amount of dividends recommended by the Company's Board of Directors. Uralkali informs shareholders and other stakeholders, including potential investors and professional participants of the securities market about its dividend policy by publishing the Regulation on the Dividend Policy on the Internet and outlining its main provisions in the Company's annual reports. For more information please see Uralkali's website: http://www.uralkali.com/investors/shareholder_inf/dividends/.

On 26 December 2014, the Extraordinary General Shareholders Meeting was held at Uralkali. The decision to pay interim dividends in monetary terms in the amount of RUB 2.96 per one PJSC Uralkali's ordinary share was not made (Minutes No. 44 of 29 December 2014).

Information about the dividends accrued and paid on the Company's shares in 2012–2018

ORDINARY SHARES

PERIOD	DATE ON WHICH PERSONS ELIGIBLE TO RECEIVE DIVIDENDS ARE DETERMINED	DATE OF THE DECISION ON DIVIDEND PAYMENT	DIVIDEND PER ORDINARY SHARE/GDR, RUB	ACCRUED DIVIDENDS (THOU RUB)
2013	20 June 2014	9 June 2014	1.63/8.15	4,785,705.90
Interim dividends	29 October 2013	18 December 2013	2.21/11.05	6,488,595.10
2012	25 April 2013	4 June 2013	3.9/19.5	11,450,461.97

PREFERRED SHARES

PERIOD	DATE ON WHICH PERSONS ELIGIBLE TO RECEIVE DIVIDENDS ARE DETERMINED	DATE OF THE DECISION ON DIVIDEND PAYMENT	DIVIDEND PER PREFERRED SHARE, RUB	ACCRUED DIVIDENDS (THOU RUB)
2017	**10 July 2018**	**29 June 2018**	**0.1**	**3,000**

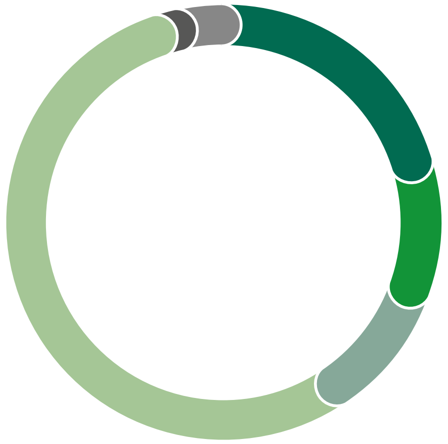
On 15 June 2015, the Annual General Shareholders Meeting was held at Uralkali. At the meeting, it was decided not to pay the dividends upon the results of 2014 (Minutes No. 45 of 16 June 2015).

On 17 June 2016, the Annual General Shareholders Meeting was held at Uralkali. At the meeting, it was decided not to pay the dividends upon the results of 2015 (Minutes No. 51 of 22 June 2016).

On 20 June 2017, the Annual General Shareholders Meeting was held at Uralkali. At the meeting, it was decided not to pay the dividends upon the results of 2016 (Minutes No. 55 of 20 June 2017).

On 29 June 2018, the Annual General Shareholders Meeting was held at Uralkali. At the meeting, it was decided to pay dividends for 2017. The dividends on outstanding ordinary shares shall not be paid for 2017. The dividends on outstanding preferred shares shall be paid in monetary terms in the amount of RUB 0.1 per Uralkali's preferred share (Minutes No. 57 of 29 June 2018).

SHARE CAPITAL STRUCTURE AS OF 31 DECEMBER 2018



20.3% UralChem[1]

10.4% RINSOCO TRADING CO. LIMITED[1]

9.9% Sberbank Investments LLC

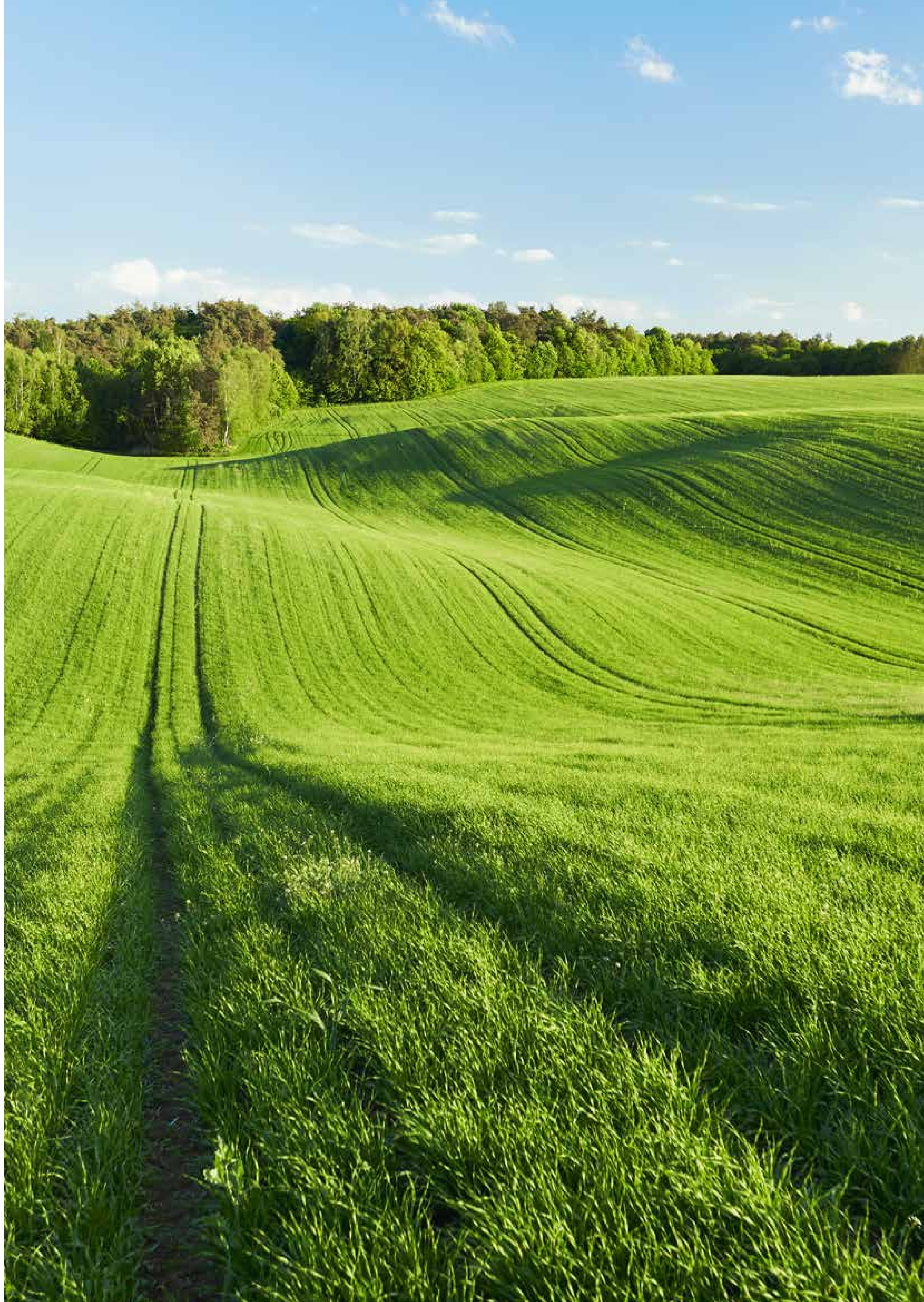
54.21% Quasi-treasury shares[2]

1.75% Treasury shares

3.44% Free float

[1] The given share percentage includes non-voting preferred shares.

[2] Quasy-treasury shares amount to less than 30% of PJSC Uralkali's share capital.



Contents

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Public Joint Stock Company Uralkali and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, its consolidated financial performance, and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

WHY THE MATTER WAS DETERMINED TO BE A KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Assessment of compliance with covenants Refer to Note 2: Basis of preparation and significant accounting policies, and Note 15: Borrowings. The Group is highly leveraged with net debt of US$ 4,886,872 thousand as at 31 December 2018 and has to comply with certain financial and non-financial covenants stipulated in loan agreements. In addition to an analysis of compliance with covenants at the reporting date, Management prepares financial forecasts to assess going concern and the Group's ability to comply with covenants in the future. These financial forecasts are particularly sensitive to changes in potash prices. Due to the factors above, we consider assessment of compliance with covenants to be a key audit matter.	We obtained an understanding of the process for monitoring compliance with financial and non-financial covenants stipulated in loan agreements. We reviewed the terms and conditions of loan agreements and recalculated covenants. We challenged Management's key assumptions used in the financial forecast by: • Assessing covenant compliance forecasts, including stress test scenarios and related mitigation plans; • Testing the appropriateness of Management's assumptions including foreign currency exchange rates and potash prices, the inflation rate, and the discount rate based on the available market information; • Performing our own sensitivity analysis to test the adequacy of the available headroom related to covenant compliance.

WHY THE MATTER WAS DETERMINED TO BE A KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Expected credit losses for the loan issued	
Refer to Note 4: Critical accounting judgements and key sources of estimation uncertainty, and Note 5: Related parties. The Group issued a loan to a related party amounting to US$400,615 thousand (including accrued interest) as at 31 December 2018. After initial recognition, the loan is measured at amortised cost using the effective interest rate method, less allowance for expected credit losses. This is a key audit matter due to the materiality of the outstanding balance as at 31 December 2018 and the significance of Management's estimates and judgements in assessing the expected credit losses for the loan. These estimates and judgements primarily relate to projections of potash prices and foreign currency exchange rates.	Our audit procedures included, but were not limited to, understanding the methodology and analysing the valuation model and inputs used by Management to assess the expected credit losses for the loan. We evaluated the appropriateness and consistency of Management's judgments and estimates, including the following: • Analysing different scenarios of the loan repayment; • Comparing the key assumptions used in the cash flows model to the available market information; • Challenging the historical accuracy of Management forecasts; • Assessing the sensitivity of the model to changes in key parameters. We assessed the financial condition and financial performance of the related party.

Other Information

Management is responsible for other information. Other information comprises the information included in the Annual report for 2018 and the Issuer's report for the first quarter of 2019, but does not include the consolidated financial statements and the auditor's report thereon. The Annual and Quarterly reports are expected to be made available to us after the date of the auditor's report.

Our opinion on the consolidated financial statements does not cover other information and we do not express any form of assurance conclusions thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or with our knowledge obtained during the audit or otherwise appears to be materially misstated.

When we read the Annual report for 2018 and the Quarterly report for the first quarter of 2019, if we conclude that there is a material misstatement therein, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, which constitute the key audit matters included herein.

Ilya Ryabtsev, Team leader

14 March 2019

Audited entity: Public Joint Stock Company "Uralkali"

Certificate of state registration №. 1128 issued on 14 October 1992 by the Berezniki Administration, Perm region

Certificate of registration in the Unified State Register of Legal Entities № 1025901702188 issued on 11 September 2002

Location: 63 Pyatiletki ul., Berezniki, 618426, the Perm region

Audit Firm: AO "Deloitte & Touche CIS"

Certificate of state registration №. 018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Primary State Registration Number: 1027700425444

Certificate of registration in the Unified State Register

№ 77 004840299 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Member of Self-regulated organization of auditors "Russian Union of auditors" (Association), ORNZ 11603080484

Consolidated Statement of Financial Position as of 31 December 2018

(in thousands of US dollars, unless otherwise stated)

	NOTE	31 DECEMBER 2018	31 DECEMBER 2017
ASSETS			
Non-current assets			
Property, plant and equipment	7	2,387,976	2,461,948
Prepayments for acquisition of property, plant and equipment and intangible assets		265,680	221,246
Goodwill	8	849,151	1,024,146
Intangible assets	9	2,414,466	2,973,680
Deferred income tax asset	25	24,278	16,615
Prepaid transaction costs on bank facilities		103,833	70,397
Loan receivable	5	400,615	-
Investment in associate		3,092	23,789
Derivative financial assets	12	338	6,047
Other non-current assets		56,739	63,242
Total non-current assets		**6,506,168**	**6,861,110**
Current assets			
Inventories	10	139,636	91,939
Trade and other receivables	11	351,887	533,959
Advances to suppliers		43,494	26,608
Income tax prepayments		21,115	3,812
Derivative financial assets	12	30,261	16,783
Loan receivable	5	-	379,232
Other financial assets		15	1,927
Cash and cash equivalents	13	1,013,015	1,072,609
Total current assets		1,599,423	2,126,869
TOTAL ASSETS		**8,105,591**	**8,987,979**

	NOTE	31 DECEMBER 2018	31 DECEMBER 2017
EQUITY			
Share capital	14	35,762	35,762
Preference shares	14	239	-
Treasury shares	14	(27,996)	(27,101)
Share premium		409,814	483,572
Currency translation reserve		(3,924,941)	(3,717,237)
Retained earnings		4,264,935	4,362,544
Equity attributable to the company's equity holders		**757,813**	**1,137,540**
Non-controlling interests		12,654	12,017
TOTAL EQUITY		**770,467**	**1,149,557**
LIABILITIES			
Non-current liabilities			
Borrowings	15	3,240,385	3,490,666
Bonds	16	575,243	1,059,954
Post-employment and other long-term benefit obligations		28,782	36,604
Deferred income tax liability	25	631,335	645,605
Provisions	17	340,497	221,314
Derivative financial liabilities	12	121,523	11,609
Other non-current liabilities		1,810	14,027
Total non-current liabilities		**4,939,575**	**5,479,779**
Current liabilities			
Borrowings	15	1,263,632	1,291,875
Bonds	16	820,627	601,237
Trade and other payables	18	217,745	272,918
Advances received		22,177	22,448
Provisions	17	62,820	40,996
Derivative financial liabilities	12	7,130	109,815
Current income tax payable		1,418	19,354
Total current liabilities		**2,395,549**	**2,358,643**
TOTAL LIABILITIES		**7,335,124**	**7,838,422**
TOTAL LIABILITIES AND EQUITY		**8,105,591**	**8,987,979**

Approved for issue and signed on behalf of the Board of Directors on 14 March 2019:

Dmitry Osipov
Chief Executive Officer

Anton Vishanenko
Chief Financial Officer

Consolidated Statement of Profit or Loss for the year ended 31 December 2018

(in thousands of US dollars, unless otherwise stated)

	NOTE	2018	2017
Revenues	19	2,753,577	2,760,874
Cost of sales	20	(702,867)	(739,076)
Gross profit		**2,050,710**	**2,021,798**
Distribution costs	21	(632,923)	(747,804)
General and administrative expenses	22	(174,652)	(157,390)
Taxes other than income tax		(22,818)	(21,706)
Other operating (expenses) / income, net	23	(17,830)	6,404
Operating profit		**1,202,487**	**1,101,302**
Finance expenses, net	24	(1,194,753)	(8,285)
Profit before income tax		**7,734**	**1,093,017**
Income tax expense	25	(104,740)	(218,389)
Net (loss) / profit for the period		**(97,006)**	**874,628**
(Loss) / profit attributable to:			
Company's equity holders		(97,643)	873,979
Non-controlling interests		637	649
Net (loss) / profit for the period		**(97,006)**	**874,628**
Weighted average number of ordinary shares in issue (million)		1,284	1,336
(Loss) / earnings per share — basic and diluted (in US cents)		**(7.60)**	**65.42**

Consolidated Statement of Other Comprehensive Income for the year ended 31 December 2018

(in thousands of US dollars, unless otherwise stated)

	2018	2017
Net (loss) / profit for the period	**(97,006)**	**874,628**
Other comprehensive (loss) / income		
Items that will not be reclassified to profit or loss:		
Remeasurement of post-employment benefit obligations	560	2,382
Effect of translation to presentation currency	(207,704)	22,734
Total other comprehensive (loss) / income for the period	**(207,144)**	**25,116**
Total comprehensive (loss) / income for the period	**(304,150)**	**899,744**
Total comprehensive (loss) / income for the period attributable to:		
Company's equity holders	(304,787)	899,095
Non-controlling interests	637	649

Consolidated Statement of Cash Flows for the year ended 31 December 2018

(in thousands of US dollars, unless otherwise stated)

	NOTE	2018	2017
Cash flows from operating activities			
Profit before income tax		7,734	1,093,017
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets	7, 9	256,766	239,176
Loss on disposals of property, plant and equipment and intangible assets	23	6,241	8,318
Loss on impairment of prepayments for acquisition of property, plant and equipment and intangible assets		202	448
Reversal of write-down of inventories to net realisable value		(616)	(798)
Accrual / (reversal) of impairment of property, plant and equipment and assets under construction	7	878	(2,849)
Accrual of impairment of trade and other receivables and advances to suppliers		7,853	1,304
Change in provisions, net	17	7,421	(8,696)
Fair value loss / (gain) on derivative financial instruments, net	24	106,246	(51,662)
Foreign exchange loss / (gain), net	24	737,676	(271,908)
Other finance expenses, net	24	350,831	331,855
Operating cash flows before working capital changes		**1,481,232**	**1,338,205**
Decrease / (increase) in trade and other receivables and advances to suppliers		122,203	(277,104)
(Increase) / decrease in inventories		(69,408)	78,687
Decrease in trade and other payables, advances received and provisions		(73,153)	(18,275)
Increase / (decrease) in other taxes payable		13,472	(6,934)
Cash generated from operations		**1,474,346**	**1,114,579**
Interest paid		(328,723)	(326,436)
Income taxes paid		(49,143)	(77,643)
Net cash generated from operating activities		**1,096,480**	**710,500**

	NOTE	2018	2017
Cash flows from investing activities			
Acquisition of property, plant and equipment		(356,818)	(269,782)
Acquisition of intangible assets		(1,623)	(1,106)
Proceeds from sales of property, plant and equipment		3,185	2,575
Loans issued		(131,279)	(333,973)
Proceeds from loans repayments		104,639	160,192
Purchase of other financial assets		(537)	(1,704)
Proceeds from sale of other financial assets		-	70,010
Acquisition of subsidiaries, net of cash acquired		164	(165)
Proceeds from sale of subsidiaries, net of cash disposed		319	-
Dividends and interest received		12,962	10,149
Net cash used in investing activities		**(368,988)**	**(363,804)**
Cash flows from financing activities			
Repayments of borrowings	15	(1,841,598)	(3,244,000)
Proceeds from borrowings		1,521,883	1,603,010
Proceeds from issuance of bonds	16	389,056	1,070,181
Arrangement fees and other financial charges paid		(83,309)	(32,391)
Redemption of bonds	16	(581,900)	-
Cash proceeds from derivatives	12	17,816	12,710
Cash paid for derivatives	12	(111,507)	(151,792)
Purchase of treasury shares	14	(125,640)	(26,104)
Proceeds from issuance of preference shares	14	51,226	-
Finance lease payments		(35)	(34)
Dividends paid to the Company's shareholders		(48)	-
Net cash used in financing activities		**(764,056)**	**(768,420)**
Effect of changes in foreign exchange rate on cash and cash equivalents		(23,030)	8,812
Net decrease in cash and cash equivalents		**(59,594)**	**(412,912)**
Cash and cash equivalents at the beginning of the period	**13**	**1,072,609**	**1,485,521**
Cash and cash equivalents at the end of the period	**13**	**1,013,015**	**1,072,609**

Consolidated Statement of Changes in Equity for the year ended 31 December 2018

(in thousands of US dollars, unless otherwise stated)

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY								
	NOTE	SHARE CAPITAL	PREFERENCE SHARES	TREASURY SHARES	SHARE PREMIUM	RETAINED EARNINGS	CURRENCY TRANSLATION RESERVE	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at 1 January 2017		**35,762**	**-**	**(26,909)**	**509,484**	**3,486,183**	**(3,739,971)**	**264,549**	**11,533**	**276,082**
Profit for the period		-	-	-	-	873,979	-	873,979	649	874,628
Other comprehensive income		-	-	-	-	2,382	22,734	25,116	-	25,116
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**876,361**	**22,734**	**899,095**	**649**	**899,744**
Transactions with owners										
Purchase of non-controlling interest		-	-	-	-	-	-	-	(165)	(165)
Purchase of treasury shares	14	-	-	(192)	(25,912)	-	-	(26,104)	-	(26,104)
Total transactions with owners		**-**	**-**	**(192)**	**(25,912)**	**-**	**-**	**(26,104)**	**(165)**	**(26,269)**
Balance at 31 December 2017		**35,762**	**-**	**(27,101)**	**483,572**	**4,362,544**	**(3,717,237)**	**1,137,540**	**12,017**	**1,149,557**
Balance at 1 January 2018, as previously reported		**35,762**	**-**	**(27,101)**	**483,572**	**4,362,544**	**(3,717,237)**	**1,137,540**	**12,017**	**1,149,557**
Adjustment due to adoption of IFRS 9	3	-	-	-	-	(478)	-	(478)	-	(478)
Balance at 1 January 2018, adjusted		**35,762**	**-**	**(27,101)**	**483,572**	**4,362,066**	**(3,717,237)**	**1,137,062**	**12,017**	**1,149,079**
(Loss) / profit for the period		-	-	-	-	(97,643)	-	(97,643)	637	(97,006)
Other comprehensive (loss) / income		-	-	-	-	560	(207,704)	(207,144)	-	(207,144)
Total comprehensive (loss) / income for the period		**-**	**-**	**-**	**-**	**(97,083)**	**(207,704)**	**(304,787)**	**637**	**(304,150)**
Transactions with owners										
Dividends declared for preference shares	14	-	-	-	-	(48)	-	(48)	-	(48)
Purchase of treasury shares	14	-	-	(895)	(124,745)	-	-	(125,640)	-	(125,640)
Preference shares issue	14	-	239	-	50,987	-	-	51,226	-	51,226
Total transactions with owners		**-**	**239**	**(895)**	**(73,758)**	**(48)**	**-**	**(74,462)**	**-**	**(74,462)**
Balance at 31 December 2018		**35,762**	**239**	**(27,996)**	**409,814**	**4,264,935**	**(3,924,941)**	**757,813**	**12,654**	**770,467**

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(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, which are extracted and processed in the vicinity of the cities of Berezniki and Solikamsk, Russia. They are distributed both on foreign and domestic markets. The Group manufactures various types of products, the most significant being a wide range of potassium salts.

The Company holds operating licences, issued by the Department of Subsoil Use of the Privolzhsky Federal district for the extraction of potassium, magnesium and sodium salts from the Durimansky, Bigelsko-Troitsky, Solikamsky (northern and southern parts) and Novo-Solikamsky plots of the Verkhnekamskoye field. On 1 April 2013 the licences were prolonged till 2018 – 2021 at insignificant cost. In 2016 the licences previously valid till 2018 were prolonged till 2043 – 2055 (northern part of Solikamsky plot, Bigelsko-Troitsky and Novo-Solikamsky plots). In 2017 the licences for Durimansky plot and the southern part of Solikamsky plot previously valid till 2021 were prolonged till 2024 and 2026, respectively. The Company also owns licences for the Ust'-Yaivinsky plot of the Verkhnekamskoye field, which expires in 2024, for the Polovodovsky plot of the Verkhnekamskoye field, which expires in 2054, and for the Romanovskoye plot of the Verkhnekamskoye field, which expires in 2039. In 2017 the Company received a licence for geological exploration of the Izversky plot on the territory of Usolsky and Alexandrovsky districts of the Perm region, which is valid until 2022.

As at 31 December 2018 and 31 December 2017, the Group had no ultimate controlling party.

The Company was incorporated in the Russian Federation on 14 October 1992 and has its registered office at 63 Pyatiletki St., Berezniki, Perm region, Russian Federation.

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 and presentation

Compliance with International Financial Reporting Standards
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Going concern
These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

As at 31 December 2018, the Group's current liabilities exceeded its current assets by US$ 796,126 (31 December 2017: US$ 231,774).

In making its going concern assessment the Group has taken into account its financial position, expected commercial results, its borrowings and available but not yet used credit lines, as well as planned capital expenditures and capital commitments and other risks to which the Group is exposed.

After making appropriate enquires, the Group considers that it has adequate resources to cover the working capital deficit and continue in operational existence for at least the next 12 months from the date of issuance of these consolidated financial statements. The Group has sufficient available credit lines (including revolving credit lines with Russian and international banks) to cover short-term liquidity gaps, if any. For more detailed information refer to Note 15.

Consequently, the Management of the Group determined that it is appropriate to adopt the going concern basis in the preparation of these consolidated financial statements.

Basis of presentation
The Company and its subsidiaries maintain their books and records in Russian roubles in accordance with statutory accounting and taxation principles and practices applicable in respective jurisdictions. The accounting principles and financial reporting procedures in these jurisdictions may differ substantially from these generally accepted under IFRS. Accordingly, such financial information has been adjusted to ensure that the consolidated financial statements are presented in accordance with IFRS.

2.2 Consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its variable returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.3 Non-controlling interests

Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to a parent.

Non-controlling interests are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from equity attributable to the company's equity holders.

2.4 Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment loss. 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 and accumulated impairment since acquisition date.

At each reporting date Management reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the Management estimates the recoverable amount, which is determined as the higher of an asset's or cash generating unit's, to which the asset is attributable, 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 are 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 costs to their residual values over their estimated useful lives:

	USEFUL LIVES IN YEARS
Buildings	10 to 60
Mining assets[1]	5 to 30
Plant and equipment	2 to 30
Transport vehicles	5 to 15
Other	2 to 15
Land	Not depreciated

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

2.5 Operating leases

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

2.6 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.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. 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.

2.7 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (hereinafter — "CGU") or groups of CGUs that is expected to benefit from the synergies of the combination.

CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

2.8 Intangible assets

The Group's intangible assets, other than goodwill, have definite useful lives and primarily include mining licences. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, or, in the case of assets acquired in a business combination,

[1] Mining assets include mine infrastructure and present value of future decommissioning and filling cavities costs. Future decommissioning costs for buildings and equipment are included in Buildings and Plant and equipment groups.

at fair value as at the date of the combination and subsequently on the same basis as intangible assets that are acquired separately.

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 amortised under a unit of production method.

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

2.9 Financial instruments

Accounting policies applied since 1 January 2018
Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recorded at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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 assets are recognised on the trade date, which is the date that the Group commits to purchase or sell the financial assets.

Classification of financial assets and liabilities
The Group classifies its financial assets into the following measurement categories:

(a) Financial assets at fair value through profit or loss ("FVTPL");

(b) Financial assets at fair value through other comprehensive income ("FVTOCI"); and

(c) Financial assets at amortised cost.

The classification and subsequent measurement of financial assets depend on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

The Group classifies its financial assets at amortised cost if both of the following conditions are met:

(a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Otherwise, they are classified as financial asset measured at fair value.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

Financial liabilities have the following measurement categories:

(a) Financial liabilities at FVTPL;

(b) Financial liabilities at amortised cost;

(c) Financial guarantee contracts.

Subsequent measurement of financial assets

Debt financial assets
Debt financial assets at amortised cost are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest method. Impairment losses are recognised in the statement of profit or loss.

Debt financial assets at amortised cost comprise trade and other receivables, loans issued, cash and cash equivalents.

Debt financial assets at FVTOCI that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in financial income using the effective interest rate method.

Debt financial assets at FVTOCI are included trade receivables under factoring agreements, where the Group's objective is to realise the cash flows primarily through selling.

Financial assets at FVTPL that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss in the period in which it arises. The Group doesn't have investments into debt financial assets at FVTPL.

Equity financial assets
The Group subsequently measures all equity investments at fair value (except investments in associates). Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains / (losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

The Group doesn't have investments into equity instruments.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the Notes 3, 5, 11.

Trade and other receivables. The Group always recognises lifetime ECL for all trade and other receivables. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics (international counterparties with high ratings, insured counterparties (including letters of credits), non-insured counterparties, other) and the days past due.

Other financial assets. For all other financial assets, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Other financial assets include loan to related party and other receivables.

The expected credit loss on trade receivables and other debt financial assets is calculated based on the amount at risk, the lifetime of receivables, and the probability of default, taking the following characteristics into account: corporate risk, country of origin, insurance company and use of bank letters of credit when paying the debt.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default

occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. The management of the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 45 days past due, unless the Group has reasonable and supportable information that demonstrate otherwise.

Definition of default
For internal credit risk management purposes the Group considers the following events indicating that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Derecognition of financial assets
Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement of financial liabilities
Borrowings, loans and bonds 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.

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are subsequently measured at amortised cost using the effective interest method.

Pledge agreements
A pledge agreement is a contract that requires the issuer to provide its property as security for debt or other obligation. This pledged property is transferred to the holder as reimbursement for a loss incurred in the event a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

IFRS 9 prescribes to measure the pledge similar to financial guarantees at the higher of:

- The loss allowance determined as expected credit loss under IFRS 9; and
- The amount initially recognised (fair value) less any cumulative amount of income recognised in line with IFRS 15.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or a part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

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

Derivative financial instruments
Derivative financial instruments, represented by cross-currency interest rate and interest rate swaps and collars. Derivatives are recognised initially at fair value at the date of a derivative contract is entered into and are subsequently remeasured to the their fair value at each reporting date. Changes in the fair value of derivative instruments are included in profit or loss for the year. Derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The income received from currency-interest rate swap transactions reduces interest expense. The Group does not apply hedge accounting.

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. 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.

Accounting policies applied until 31 December 2017
The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

Classification. Until 31 December 2017, the Group classified its financial assets in the following categories:

(a) financial assets at FVTPL;

(b) loans and receivables;

(c) investments held-to-maturity; and

(d) available-for-sale financial assets.

Subsequent measurement. The measurement at initial recognition did not change on adoption of IFRS 9, see description above. Subsequent to the initial recognition, loans and receivables were carried at amortised cost using the effective interest method.

Impairment. The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

Fair value of financial assets and financial liabilities
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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

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

(i) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

(ii) Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

(iii) Level 3 inputs are unobservable inputs for the asset or liability.

Financial assets and liabilities carried at fair value. Derivatives (Level 2) are carried in the consolidated statement of financial position at their fair value. Fair values of derivative financial assets and liabilities were determined using discounting cash flows valuation techniques with inputs (discount rates for Russian Rouble ("RR") and US$, exchange and interest rates) observable in markets.

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally equal to 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 cos . 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.

2.10 Income tax

Income tax has been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the reporting date in each of the jurisdictions where the Group's entities are incorporated. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax losses carried forward 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 not recognised on post-acquisition retained earnings of subsidiaries unless there is an intention to sell subsidiary in the foreseeable future, since 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.

2.11 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. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

The Group has capitalised transportation costs incurred related to finished goods and necessary for their transportation to the warehouses, where the shipment is performed, in the cost of finished goods.

2.12 Share capital

Ordinary shares and Global Depositary Receipts ("GDRs") 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.

2.13 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.

2.14 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.

2.15 Value added tax (VAT)

Output VAT 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 (if the Company has no right to set-off) and disclosed separately as an asset and liability. Where an allowance for ECL has been made for receivables, the impairment loss is recorded for the gross amount of the debt, including VAT.

2.16 Borrowing costs

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

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

2.17 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 a cash outflow 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.

Net present value of provisions is determined by discounting future real cash outflows associated with the specific past event. The Group determined the yield to maturity of the Russian government bonds as a discount factor for discounting the future real cash outflows associated with provisions to reflect the time value of money.

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

The present value of expected expenses on filling cavities is recognised at property, plant and equipment and ecspective liabilities. Remeasurement of an existing amount of these cavities that result from changes in estimates of mine surveys is recorded as an addition or disposal of an asset and is depreciated over its useful life using the straight-line method of depreciation. Unwinding of the discount is recognised in profit or loss in finance income and finance costs. The amount of expenses incurred due to filling of the cavities for other reasons is recognised in the current period in the consolidated statement of profit or loss.

Provision for asset retirement obligations.
The company recognises provisions for decommissioning obligations (also known as asset retirement obligations) primarily related to mining activities. The major categories of asset retirement obligations are restoration costs at its potash mining operations, including decommissioning of underground and surface operating facilities and general cleanup activities aimed at returning the areas to an environmentally acceptable condition.

The present value of a liability for a decommissioning obligation is recognised in the period in which it is incurred if a reasonable estimate of present value can be made. The associated costs are capitalised as a separate part of the property, plant and equipment and then depreciated over the estimated remaining useful life of mine. The best estimate of the amount required to settle the obligation is reviewed at the end of each reporting period and updated to reflect changes in the discount and inflation rates and the amount and/or timing of the underlying cash flows. Changes to estimated future costs are recognised in the consolidated statement of financial position by either increasing or decreasing the provision for asset retirement obligations and asset to which it relates. The unwinding of the discount of decommissioning obligations due to the passage of time is included in the consolidated statement of profit or loss as finance costs.

2.18 Foreign currency translation

Functional and presentation currency. Functional currency of each entity of the Group is the national currency of the Russian Federation, Russian Rouble. The presentation currency of these consolidated financial statements is US dollar ("US$").

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.

Translation to the presentation currency. 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 consolidated statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) Income and expenses for consolidated statements of profit or loss, other comprehensive 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.

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

	31 DECEMBER 2018		31 DECEMBER 2017	
	US$	Euro	US$	Euro
closing rate	69.47	79.46	57.60	68.87
average rate	62.71	73.96	58.35	65.90

2.19 Revenue recognition

From 1 January 2018 the Group recognises revenue from contracts with customers under IFRS 15. The impact of the change in accounting policy is disclosed in Note 3.

The Group uses a single five-step revenue recognition model that is applied to all contracts with customers and is based on the transfer of control over goods and services. The Group recognises revenue from sale of potassium and delivery services.

Revenue from sale of potassium is recognised when control of the goods is transferred to the customer.

Contracts with buyers for the supply of potassium use a variety of delivery terms. In a number of contracts the Group is obliged to provide services for the delivery of potassium to a certain place after the control of the goods passed to the buyer. According to IFRS 15 revenue from rendering such delivery services is treated as a separate performance obligation, which should be recognised over period of time of service, not at moment of control for potassium transfer to the buyer, as recognised earlier under IAS 18.

Transportation cost related to the revenue from rendering transportation services is included into the Distribution cost.

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.

Revenue from sales of products other than potassium chloride (such as carnallite, salts, etc.) is recognised as Other revenue.

2.20 Transshipment, transport repairs and maintenance costs

Most of the transshipment costs are incurred by JSC "Baltic Bulker Terminal", a 100% subsidiary whose activity is related to the transshipment of fertilisers produced by the Group, and presented within distribution costs. In addition to this, distribution costs include transport repairs and maintenance costs which are incurred by LLC "Vagon Depo Balahonzi", a 100% subsidiary of the Group. These costs include depreciation, payroll, material expenses and various general and administrative expenses.

2.21 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.

2.22 Social costs

The Group incurs social 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.

2.23 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 other comprehensive income.

As at 31 December 2017, the Group used assumptions of the retirement's dynamics upon reaching the retirement age established by Russian law (60 years for men, 55 years for women).

In October 2018, a federal law that stipulates for a gradual (from 1 January 2019) increase of the retirement age was published. The increase of the statutory retirement age changes the formalised conditions of defined benefit plans and was accounted in the cost of past services. According to the new legislation the pension obligation has to be distributed over a longer period of services rendered to the Group. As at 31 December 2018, the pension obligation decreased due to a decrease in the cost of services for past periods.

2.24 Earnings/loss 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. During current and comparative periods diluted earnings per share are not different from basic earnings per share.

2.25 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 Group are regularly reviewed by the chief operating decision maker to analyse performance and allocate resources. The chief operating decision-maker has been determined as Chief Executive Officer (hereinafter — "CEO"). It was determined, that the Group has one operating segment — the extraction, production and sales of potash fertilisers.

3 IFRS standards update

The Group has adopted standards that are mandatory for financial periods beginning on 1 January 2018.

IFRS 9 Financial Instruments. IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement. The standard provides amended guidance on the classification, recognition and measurement of financial assets and liabilities. The major impact from the transition relates to the classification of financial assets and introduction of an expected credit loss model which results in the earlier recognition of credit losses and is more forward looking than the previous incurred loss model. The Group used an exemption in IFRS 9 allowing not to restate prior periods presented as a result of adoption of the new measurement requirements, but rather recognise any differences in the retained earnings as at 1 January 2018. The impact of the adoption of the expected credit losses model on the Group's consolidated financial statements is disclosed below. The accounting approach of ECL calculation is disclosed in Note 2.

	BALANCE AT 31 DECEMBER 2017, AS PREVIOUSLY REPORTED	ADJUSTMENT, IFRS 9	BALANCE AT 1 JANUARY 2018, ADJUSTED
Trade receivables	533,959	(580)	533,379
Deferred income tax assets	16,615	102	16,717
Retained earnings and other reserves	4,362,544	(478)	4,362,066

Once the Group expected to redeem a loan in March 2018, there was no significant impact of the adoption of the expected credit losses model for the loan issued as at 1 January 2018.

There were no significant changes in classification and measurement of financial instruments as a result of adoption of IFRS 9, except for classification of factored receivables which will be accounted at FVTOCI (Note 2).

IFRS 15 Revenues from Contracts with Customers. IFRS 15 provides a single five-step revenue recognition model that will apply to all contracts with customers is based on the transfer of control over goods and services. IFRS 15 replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. In accordance with the transition provisions in IFRS 15 the Group has elected to apply the standard retrospectively without restating the comparatives with the effect of transition to be recognised as at 1 January 2018. The impact of IFRS 15 adoption on the Group's consolidated financial statements is disclosed in Note 19. The revenue's accounting approach is disclosed in Note 2.

The following standards and interpretations, which have not been applied in these consolidated financial statements, were in issue but not yet effective:

TITLE	SUBJECT	EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER	EXPECTED EFFECT ON THE CONSOLIDATED FINANCIAL STATEMENTS
IFRS 16	Leases	1 January 2019	Under review, see below
IFRIC 23	Uncertainty Over Income Tax Treatments	1 January 2019	Under review
Amendments to IFRS 9	Prepayment Features With Negative Compensation	1 January 2019	Under review
Amendments to IAS 28	Long-Term Interests in Associates and Joint Ventures	1 January 2019	Under review
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019	Under review
Annual Improvements to IFRS Standards 2015-2017 Cycle:		1 January 2019	
• amendments to IFRS 3	Obtaining control of a business		Under review
• amendments to IFRS 11	Obtaining joint control of a business		Under review
• amendments to IAS 12	Income tax consequences of dividends		Under review
• amendments to IAS 23	Specific borrowing outstandings		Under review
Amendments to Conceptual Framework	Fair value, improved definitions and recommendations	1 January 2020	Under review
Amendments to IFRS 3	Definition of a business	1 January 2020	Under review
Amendments to IAS 1 and IAS 8	Definition of a materiality	1 January 2020	Under review
IFRS 17	Insurance contracts	1 January 2021	Not applicable

IFRS 16 Leases. As at 31 December 2018, the Group has non-cancellable operating lease commitments of US$ 43 million (31 December 2017: US$ 21 million) (Note 26). IAS 17 does not require the recognition of any right-of-use assets or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in Note 26. A preliminary assessment indicates that some of these arrangements would meet the definition of a lease under IFRS 16, and hence the Group would recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have an impact on the amounts recognised in the Group's consolidated financial statements and Management is currently assessing its full potential effect. It is not practicable to provide a reasonable estimate of the financial effect until the Management completes the review.

4 Critical accounting judgements and key sources of estimation uncertainty

In regard to the application of the Group's accounting policies, which are described in Note 2, Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Group's Management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements

Remaining useful life of property, plant and equipment and mining licences
Management assesses the remaining useful life of property, plant and equipment in accordance with the current technical condition of assets and the estimated period during which these assets will be bringing economic benefits to the Group (Note 7).

The Group holds operating mining licences for the production of potassium salts, magnesium, and sodium, which were extended to 2018–2021 upon their expiry on 1 April 2013. In 2016, licences that were previously valid until 2018 were prolonged to 2043–2055 (the northern part of the Solikamskiy, Bigelsko-Troitsky and Novo-Solikamskiy plots). Management assesses the remaining useful life of mining licences on the basis of estimated mining reserves.

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

Classification of loan issued to a related party
In 2016, the Group issued an unsecured revolving loan facility to a related party for a period of two years (Note 5). In 2018, the loan facility was extended and Management prepared an analysis of the key parameters of the market terms of the loan including the interest rate, historical payments, maturity, security and recoverability and concluded that the loan was issued at market terms and should be classified as a financial asset in the consolidated financial statement of financial position.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision for filling cavities
The Group accrued a provision for its obligation to replace ore and waste extracted from the Solikamsk, Berezniki-2, and Berezniki-4 mines (Note 17).

The major uncertainties over the amount and timing of the cash outflows related to filling cavities and judgements made by Management in respect of these uncertainties are as follows:

- Estimated time to fill cavities. Cash flow payments are expected to occur principally between 2019 and 2028;
- The extent of the filling cavities work which will have to be performed in the future may vary depending on the actual environmental situation. Management believes that the legal obligation to replace the ore and waste mined is consistent with the cavities filling plan agreed with Rostechnadzor;
- The future unit cost of replacing one cubic meter of the ore and waste mined may vary depending on the technology and the cost of methods utilised. Management estimates that the unit cost of replacing a cubic meter of waste and ore mined in future years, for the period of the current filling cavities plan, adjusted for the effect of inflation, will not be materially different from the actual cost incurred in the current period;
- The forecasted inflation rate in the Russian Federation is expected to be in the range of 4.1% to 4.5% for the period starting from 2019 until 2022 (2017: from 4.0% to 4.9%). Starting from 2023, the expected inflation rate in the Russian Federation is forecasted to be 4% (2017: 4.3%); and
- In 2018, Management applied discount rates ranging from 8.3% to 8.8% based on government bonds interest rates (2017: from 7.1% to 9.3%).

During the third quarter 2018, as a result of changes in operational geological information the Group reassessed the volume and duration of its expenses for the liquidation of Solikamsk-2 ("SKRU-2") accident in 2014 (Note 4.2 Provision for SKRU-2 mine flooding) as well as the volume of SKRU-2 reserves, which slightly reduced the projected end of mining from the end of 2023 to the beginning of 2023. After the end of mining, the Group will be carrying out filling cavities and liquidation works in the northern part of the mine. According to preliminary estimates by the experts of the Group, the filling cavities and liquidation works are to be completed in the beginning of 2025 and in 2028 respectively. However, the completion dates, methods of liquidation and the revised expenses for mine liquidation will be determined by the technical liquidation project that will be prepared on or after the end of 2019.

During the mining period at SKRU-2, the Group will continue to incur expenses to mitigate consequences of the accident. During the remaining period of mining, the Group will be recording the above expenses within cost of sales as they relate to the day-to-day operation of the mine. After the end of mining, all similar expenses are to be incurred by the Group to ensure the safety of filling cavities and liquidation works until 2027. Thus as at 31 December 2018, the above expenses and overhead expenses for the period from 2023 to the beginning of 2025 estimated by the Group's experts are recognised within the provision for filling cavities. As a result the provision increased by US$ 82 million and US$ 54 million, respectively (Note 17), with the corresponding increase in property, plant and equipment.

The geological process is a subject to significant uncertainty; therefore, in the event of unforeseen circumstances related to the accident liquidation, there is a risk that mining may cease before 2023. For instance, if mining would have ended in 2019, the provision for filling cavities would have been higher than the current provision by US$ 156 million (the increase would also be capitalised within property, plant and equipment).

The carrying amount of assets that will be used to both replace ore and waste extracted from the mine and to perform other decommissioning activities are depreciated over 6 years until the beginning 2025. The Group's Managements estimates the activity on cavity filling and part of decommissioning activities to be completed during the above period.

Provisions for Solikamsk-2 mine flooding
On 18 November 2014, a burst of suprasalt water was detected into the mined-out area of SKRU-2, which was caused by the negative development of the 1995 accident related to a mass collapse of rock and subsequent substantial destruction of the water-proof layer — emergency circumstances that could not be prevented.

The Group immediately developed a comprehensive mitigation plan that has been executed throughout 2015–2018.

In line with the 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.

The major uncertainties associated with the provision for Solikamsk-2 mine flooding are as follows:

- The amount of expenses that are best available estimates of future costs based on available information;
- The period over which expenses are expected to be incurred. Major cash outflows are expected to be incurred up to 2027; and
- In 2018, Management applied a discount rate of 8.8% based on government bonds interest rates (2017: 7.3%).

Due to changes in 2018 (Note 4.2 Provision for filling cavities) the mine flooding provision increased by US$ 6 million as at 31 December 2018.

As at the date of the approval of these consolidated financial statements, there are no lawsuits against the Group for reimbursement of expenses resulting from the negative impact of the accident in the Solikamsk-2 mine.

Management believes that there are no liabilities relating to the SKRU-2 flooding other than those disclosed in the consolidated financial statements for the year ended 31 December 2018.

Provision for asset retirement obligations
The Group has recorded a provision relating to asset retirement obligations (Note 17), which will be settled at the end of the estimated lives of mines, therefore requiring estimates to be made over a long period of time.

Environmental laws, regulations and interpretations by regulatory authorities, as well as circumstances affecting the Group's operations could change, either of which could result in significant changes to its current mining plans.

The recorded provision is based on the best estimate of costs required to settle the obligations, taking into account the nature, extent and timing of current and proposed restoration and closure techniques in view of the present environmental laws and regulations. It is reasonably possible that the ultimate costs could change in the future and that changes to these estimates could have a material effect on the Group's consolidated financial statements.

The estimation of asset retirement obligation costs depends on the development of environmentally acceptable closure and post-closure plans. The Group uses appropriate technical resources, including internal consultants from the scientific institute JSC "VNII Galurgii", to develop specific site closure and post-closure plans in accordance with the requirements of the legislation of the Russian Federation.

The major uncertainties over the amount and timing of the cash outflows associate with the asset retirement obligations and assumptions made by Management in respect of these uncertainties are as follows:

- Mine life estimates. Cash flow payments are expected to be incurred principally between 2019 and 2060. These estimates are based on Management's current best assessment of the Group's reserves.
- The extent of the restoration works that will have to be performed in the future may vary depending on the actual environmental situation. Management believes that the legal obligation for decommissioning of the underground and surface complex is consistent with the terms of the licences.
- The future unit cost of decommissioning works may vary depending on the technology and the cost of resources used, as well as the inflation rate. The forecasted inflation rate in the Russian Federation is expected to be in the range of 4.1% to 4.5% for the period starting from 2019 until 2022 (2017: from 4.0% to 4.9%). Starting from 2023, the expected inflation rate in the Russian Federation is forecasted to be 4% (2017: 4.3%).
- In 2018, Management applied discount rates ranging from 7.5% to 8.9% based on government bonds interest rates (2017: from 7.6% to 9.3%).

During 2017, the Group completed its assessment of future costs to fulfil its current decommissioning obligations for the Ust'-Yayvinskii mine. The total estimated provision for asset retirement obligations amounts to US$ 585 as at 31 December 2018 (31 December 2017: US$ 613).

Due to changes in 2018 (Note 4.2 Provision for filling cavities) accident liquidation expenses for the period from the beginning 2025 to the middle 2027 are recognised within the provision for northern part of SKRU-2 asset retirement obligations, thus the provision increased by US$ 49 million as at 31 December 2018.

Annual impairment test of goodwill
The Group tests goodwill for impairment at least annually. The main assumptions used in value-in-use calculations are described in Note 8.

Mining licences
Management makes estimates, judgements and significant assumptions to assess whether the recoverable amount of the licences exceeds their carrying value. This largely depends on the estimates regarding a range of technical and economic factors, including technology for the construction of the mines, the level of capital expenditure needed to develop the deposit, the expected start of production, the future potash prices and exchange rates. Since the assumptions used to estimate the above factors might change from period to period, the results of Management's estimates might also change from period to period.

Review of impairment indicators for property, plant and equipment
The Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets are impaired as at each reporting date. No impairment indicators were identified as at 31 December 2018.

Recoverability of a loan issued to a related party
At the end of each reporting period, Management considers the financial position and financial performance of the debtor to identify whether the loan is recoverable. The ability of the debtor to repay the loan depends on returns from its investments in companies operating in the fertiliser industry. Management applied a number of significant assumptions in their financial model to assess the recoverability of the loan, which are disclosed in Note 8.

Tax legislation
Russian tax, currency and customs legislation is subject to varying interpretations (Note 26.2).

5 Related parties

Related parties include shareholders, associate, entities under control of the Group's major shareholders and key management personnel. The Company and its subsidiaries, in the ordinary course of their business, enter into various sale, purchase and service transactions with related parties. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this Note.

Details of outstanding balances between the Group and its related parties are disclosed below:

OUTSTANDING BALANCES WITH RELATED PARTIES UNDER CONTROL OF SHAREHOLDERS WITH SIGNIFICANT INFLUENCE OVER THE GROUP	31 DECEMBER 2018	31 DECEMBER 2017
Loan receivable	386,974	358,684
Interest receivable	13,641	20,548
Loan payable including interest payable	(43,288)	-
Trade and other receivables and other financial assets	10,874	17,776
Trade and other payables	(6,704)	(5,308)
Other non-current liabilities	(1,809)	(14,026)
Advances to suppliers	7,952	-
Advances received	-	(1,115)

OUTSTANDING BALANCES WITH ASSOCIATE	31 DECEMBER 2018	31 DECEMBER 2017
Trade and other receivables and other financial assets	-	83
Trade and other payables	-	(160)
Advances to suppliers	1,641	-
Other accrued liabilities	-	(4,274)

The loan to a related party is a US$ denominated unsecured revolving loan facility granted in April 2016 initially for a period of two years under market conditions. In 2018, this facility was prolonged till 2023.

The loan was issued at a market rate with interests payable at the maturity date.

In 2018, Management prepared an analysis of the key parameters of the market terms of the loan including interest rate, historical payments, maturity, security and recoverability. Considering all factors above Management concluded that the loan should continue to be treated as an asset.

In December 2017, the Group entered into a share pledge agreement with PJSC Sberbank of Russia (hereinafter — "Sberbank") whereby the Company pledged some of its own shares held by JSC Uralkali-Technologiya, wholly owned subsidiary of the Group, as follows:

- Ordinary shares of PJSC Uralkali representing 1.4% of the Company's share capital as primary pledge; and
- Ordinary shares of PJSC Uralkali representing 8.6% of the Company's share capital as secondary pledge, which are also pledged as primary security for credit facilities received by the Group from Sberbank in 2016 (Note 15).

In April 2018, the Group additionally pledged:

- Ordinary shares and GDRs of PJSC Uralkali representing 24.7% of Company's share capital as primary pledge; and
- Ordinary shares and GDRs of PJSC Uralkali representing 20.0% of Company's share capital as secondary pledge, which are also pledged as primary security for credit facilities received by the Group from Sberbank in 2016 (Note 15).

The pledge was provided as a security for the loan of one of the Group's related parties with Sberbank effective till March 2023. The pledge was provided on paid basis at market terms.

As at 31 December 2018, the fair value of the pledge of US$ 7.2 million (31 December 2017: US$ 17.7 million) was recognised in other non-current assets; US$ 4.5 million in other payables (31 December 2017: US$ 3.7 million) and US$ 1.8 million in other non-current liabilities (31 December 2017: US$ 14 million).

In 2018, the Company placed preference shares among some of the Group's shareholders, who are related parties of the Group (Note 14).

Details of significant transactions between the Group and its related parties are disclosed below:

TRANSACTIONS WITH RELATED PARTIES UNDER CONTROL OF SHAREHOLDERS WITH SIGNIFICANT INFLUENCE OVER THE GROUP	2018	2017
Revenue (sales of potassium chloride)	49,200	39,357
Other revenue	8,446	1,355
Interest income	26,400	17,411
Purchase of inventories	(11,490)	(11,156)
Purchase of property, plant and equipment and assets under construction	(397)	(2,077)
Distribution costs	(16,281)	(10,406)
Interest expenses	(2,729)	-
General and administrative expenses	(1,534)	(1,603)
Bargain purchase	1,350	-
Other finance income, net	3,863	-
Other expenses	(365)	(209)
Acquisition of subsidiaries, net of cash acquired	164	-

TRANSACTIONS WITH ASSOCIATE	2018	2017
Other income	185	-
Transportation expenses	1,385	4,920
Change in accrued liabilities	4,252	-
Distribution costs	(2,789)	(5,081)

Key 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's compensation is presented below:

	EXPENSES		ACCRUED LIABILITIES	
	2018	2017	31 DECEMBER 2018	31 DECEMBER 2017
Short-term employee benefits	12,927	7,071	2,933	4,837
Termination benefits	-	137	-	-
Total	**12,927**	**7,208**	**2,933**	**4,837**

6 Segment information

The Group evaluates performance and makes investment and strategic decisions based on a review of the profitability of the Group as a whole, and based on operating segments. The Company's operating segment has been determined based on reports reviewed by CEO, assessed to be Company's chief operating decision maker ("CODM"), that are used to make strategic decisions.

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. The CODM performs an analysis of the operating results based on the measurements of:

- Revenues;
- Revenues net of freight, railway tariff, rent of wagons and transshipment costs;
- Operating profit;
- Cash capital expenditures net of VAT ("Cash CAPEX").

Business segment assets and liabilities are not reviewed by the CODM and therefore are not disclosed in this Note.

(a) The following is an analysis of the Group's revenue and results from continuing operations for the reportable segment:

	NOTE	2018	2017
Revenues	19	2,753,577	2,760,874
Revenues net of freight, railway tariff, rent of wagons and transshipment costs	19, 21	2,281,082	2,182,681
Operating profit		1,202,487	1,101,302
Cash CAPEX		358,441	270,888

(b) Geographical information

THE ANALYSIS OF GROUP SALES BY REGION WAS:	2018	2017
Russia	485,562	412,953
China, India, South East Asia	872,055	1,032,799
Latin America, USA	1,061,879	936,119
Europe, other countries	334,081	379,003
Total revenues	**2,753,577**	**2,760,874**

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 years ended 31 December 2018 and 31 December 2017.

7 Property, plant and equipment

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

	BUILDINGS	MINING ASSETS	PLANT AND EQUIPMENT	TRANSPORT	OTHER	LAND	ASSETS UNDER CONSTRUCTION	TOTAL
Cost **Balance at 1 January 2017**	**702,547**	**803,391**	**1,143,817**	**202,791**	**19,964**	**7,601**	**617,092**	**3,497,203**
Additions	29	-	33	-	-	-	244,644	244,706
Changes in estimates added to property, plant and equipment (Note 17)	(12,566)	71,466	(1,177)	-	-	-	-	57,723
Recognition of asset related to decommissioning obligations (Note 17)	201	-	-	-	-	-	412	613
Commissioning of assets and transfers	38,135	115,622	55,869	3,334	(927)	24	(212,057)	-
Disposals	(548)	(7,963)	(16,965)	(7,810)	(105)	-	(3,629)	(37,020)
Effect of translation to presentation currency	37,610	44,974	61,145	10,703	1,094	406	33,112	189,044
Balance at 31 December 2017	**765,408**	**1,027,490**	**1,242,722**	**209,018**	**20,026**	**8,031**	**679,574**	**3,952,269**
Acquired on acquisitions of subsidiaries	-	-	-	44,444	-	-	-	44,444
Additions	119	382	14	-	56	13	330,158	330,742
Changes in estimates added to property, plant and equipment (Note 17)	18,301	202,660	1,880	-	1	-	18	222,860
Commissioning of assets and transfers	23,542	99,945	37,727	24,301	620	46	(186,181)	-
Disposals	(1,893)	(1,457)	(22,979)	(3,096)	(283)	(15)	(6,091)	(35,814)
Effect of translation to presentation currency	(134,684)	(204,919)	(213,966)	(42,106)	(3,458)	(1,387)	(129,629)	(730,149)
Balance at 31 December 2018	**670,793**	**1,124,101**	**1,045,398**	**232,561**	**16,962**	**6,688**	**687,849**	**3,784,352**

	BUILDINGS	MINING ASSETS	PLANT AND EQUIPMENT	TRANSPORT	OTHER	LAND	ASSETS UNDER CONSTRUCTION	TOTAL
Accumulated depreciation and impairment **Balance at 1 January 2017**	**(168,034)**	**(277,541)**	**(693,206)**	**(95,524)**	**(9,987)**	**-**	**(8,758)**	**(1,253,050)**
Depreciation charge	(27,603)	(82,396)	(73,795)	(12,585)	(1,268)	-	-	(197,647)
Disposals	186	6,610	15,149	4,178	102	-	-	26,225
Transfers	(29)	(81)	(370)	315	182	-	(17)	-
Reversal of impairment	14	137	568	589	-	-	1,541	2,849
Effect of translation to presentation currency	(9,275)	(15,718)	(37,549)	(5,199)	(514)	-	(443)	(68,698)
Balance at 31 December 2017	**(204,741)**	**(368,989)**	**(789,203)**	**(108,226)**	**(11,485)**	**-**	**(7,677)**	**(1,490,321)**
Depreciation charge	(28,204)	(100,947)	(58,309)	(15,052)	(1,097)	-	-	(203,609)
Disposals	1,068	1,166	21,047	2,867	274	-	24	26,446
Impairment	-	-	-	-	-	-	(878)	(878)
Effect of translation to presentation currency	37,625	72,762	138,480	19,679	2,042	-	1,398	271,986
Balance at 31 December 2018	**(194,252)**	**(396,008)**	**(687,985)**	**(100,732)**	**(10,266)**	**-**	**(7,133)**	**(1,396,376)**
Net Book Value								
Balance at 1 January 2017	**534,513**	**525,850**	**450,611**	**107,267**	**9,977**	**7,601**	**608,334**	**2,244,153**
Balance at 31 December 2017	**560,667**	**658,501**	**453,519**	**100,792**	**8,541**	**8,031**	**671,897**	**2,461,948**
Balance at 31 December 2018	**476,541**	**728,093**	**357,413**	**131,829**	**6,696**	**6,688**	**680,716**	**2,387,976**

Allocation of depreciation charge for the period is presented below:

ALLOCATION OF DEPRECIATION CHARGE FOR THE PERIOD	NOTE	2018	2017
Cost of sales	20	176,565	169,512
Distribution costs	21	11,154	11,847
General and administrative expenses	22	9,738	7,862
Other operating expenses		1,206	1,364
Capitalised within assets under construction		4,946	7,062
Total		**203,609**	**197,647**

Fully depreciated assets still in use

As at 31 December 2018 and 31 December 2017, the gross carrying value of fully depreciated property, plant and equipment still in use was US$ 329,365 and US$ 416,046 respectively.

Capitalised interest expense and foreign exchange lossess capitalised in the cost of assets under construction were as follows:

	2018	2017
Capitalised interest expenses	42,647	36,280
Capitalised foreign exchange losses	20,512	600
Total capitalised borrowing costs	**63,159**	**36,880**

In 2018, the Group used average interest capitalisation rate 4.6% (2017: 4.2%).

8 Goodwill

	2018	2017
Carrying value at 1 January	**1,024,146**	**972,536**
Effect of translation to presentation currency	(174,995)	51,610
Carrying value at 31 December	**849,151**	**1,024,146**

The goodwill is primarily attributable to the expected future operational and marketing synergies arising from the business combinations with Silvinit Group and not to individual assets of the subsidiaries and was allocated to CGU — PJSC Uralkali. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on actual financial results, budget approved by Management and discount rates reflecting time value of money and inherent risks.

Management analysed the impact of changes in key assumptions on the value-in-use amount. Changes in key assumptions which may lead to potential impairment of goodwill are not probable considering current market estimates.

The Management uses cash flow projections until 2040, which defined by the Management of the Group as reasonable planning horizon. The period of more than 5 years is used as the mining period based on the volume of mineral resources the Company can extract is longer than 5 years.

Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

	2018	2017
RR/US$ exchange rate (till 2040)	From 65 to 97.7	From 61 to 138
Growth rate beyond one year	4.0% p.a.	4.0% p.a.
US$ weighted average cost of capital	10.9% p.a.	10.2% p.a.
Long-term inflation rate in Russia	4.0% p.a.	4.0% p.a.

The Group did not recognise any impairment of goodwill in the consolidated financial statements for the years ended 31 December 2018 and 31 December 2017.

9 Intangible assets

	NOTE	MINING LICENCES	SOFTWARE	OTHER	TOTAL
Cost **Balance at 1 January 2017**		**3,214,118**	**16,473**	**9,576**	**3,240,167**
Additions		-	603	903	1,506
Disposals		-	(946)	(209)	(1,155)
Effect of translation to presentation currency		170,566	874	508	171,948
Balance at 31 December 2017		**3,384,684**	**17,004**	**10,778**	**3,412,466**
Additions		-	1,027	519	1,546
Disposals		-	(1,717)	(61)	(1,778)
Effect of translation to presentation currency		(578,339)	(2,850)	(1,882)	(583,071)
Balance at 31 December 2018		**2,806,345**	**13,464**	**9,354**	**2,829,163**
Accumulated amortisation **Balance at 1 January 2017**		**(361,614)**	**(5,219)**	**(3,947)**	**(370,780)**
Amortisation charge	20, 22	(45,327)	(2,394)	(870)	(48,591)
Disposals		-	884	2	886
Effect of translation to presentation currency		(19,782)	(296)	(223)	(20,301)
Balance at 31 December 2017		**(426,723)**	**(7,025)**	**(5,038)**	**(438,786)**
Amortisation charge	20, 22	(54,274)	(2,950)	(879)	(58,103)
Disposals		-	1,704	18	1,722
Effect of translation to presentation currency		78,197	1,383	890	80,470
Balance at 31 December 2018		**(402,800)**	**(6,888)**	**(5,009)**	**(414,697)**
Net book value **Balance at 1 January 2017**		**2,852,504**	**11,254**	**5,629**	**2,869,387**
Balance at 31 December 2017		**2,957,961**	**9,979**	**5,740**	**2,973,680**
Balance at 31 December 2018		**2,403,545**	**6,576**	**4,345**	**2,414,466**

10 Inventories

	31 DECEMBER 2018	31 DECEMBER 2017
Raw materials and spare parts	62,575	65,213
Finished products	67,105	16,986
Work in progress	3,750	3,671
Other inventories	6,206	6,069
Total inventories	**139,636**	**91,939**

11 Trade and other receivables

	31 DECEMBER 2018	31 DECEMBER 2017
Financial receivables		
Trade receivables at amortised cost	241,218	484,536
Trade receivables at FVTOCI	63,260	-
Contract assets	4,150	-
Other receivables	16,616	11,936
Less: allowance for ECL	(18,877)	(14,010)
Total financial receivables	**306,367**	**482,462**

	31 DECEMBER 2018	31 DECEMBER 2017
Non-financial receivables		
VAT recoverable	40,527	49,570
Other taxes recoverable	798	1,927
Other non-financial receivables	4,195	-
Total non-financial receivables	**45,520**	**51,497**
Total trade and other receivables	**351,887**	**533,959**

As at 31 December 2018, advances received comprise contract liabilities of US$ 6,292 (31 December 2017: null).

As at 31 December 2018, trade receivables of US$ 275,733 (31 December 2017: US$ 464,628), net of allowance for ECL, were denominated in foreign currencies; 81% of this balance was denominated in US$ (31 December 2017: 89%) and 19% was denominated in Euro (31 December 2017: 11%).

As at 31 December 2018, ECL for other receivables of US$ 7,076 (1 January 2018: US$ 4,044) was measured at an amount equal to 12-month ECL, ECL for other receivables of US$ 9,540 (1 January 2018: US$ 7,892) was measured at an amount equal lifetime ECL.

Movements of the allowance for ECL were as follows:

	2018		2017	
	TRADE RECEIVABLES	OTHER RECEIVABLES	TRADE RECEIVABLES	OTHER RECEIVABLES
31 December — calculated under IAS 39	**(6,920)**	**(7,090)**	**(6,673)**	**(6,640)**
Adjustment IFRS 9 (Note 3)	(539)	(41)	-	-
Opening balance at 1 January	**(7,459)**	**(7,131)**	**(6,673)**	**(6,640)**
Allowance accrued	(6,244)	(3,494)	(762)	(1,138)
Allowance reversed	1,219	708	490	345
Allowance utilised	606	417	188	710
Foreign exchange (loss) / gain, net	(674)	-	190	(13)
Effect of translation to presentation currency	1,733	1,442	(353)	(354)
Balance at 31 December	**(10,819)**	**(8,058)**	**(6,920)**	**(7,090)**

The accrual and reversal of the allowance for ECL have been included in other operating expenses in the consolidated statement of profit or loss.

Analysis of trade and other receivables by quantity of days overdue is as follows:

31 DECEMBER 2018	CURRENT	LESS THAN 45 DAYS OVERDUE	45 TO 90 DAYS OVERDUE	OVER 90 DAYS OVERDUE	TOTAL
Gross carring amount — trade receivables (insured)	153,376	17,590	72	63	171,101
Gross carring amount — trade receivables (non-insured)	116,799	12,221	2,562	5,945	137,527
Gross carring amount — other receivables	5,312	1,764	677	8,863	16,616
Allowance for ECL	(1,713)	(1,641)	(2,390)	(13,133)	(18,877)
1 JANUARY 2018	**CURRENT**	**LESS THAN 45 DAYS OVERDUE**	**45 TO 90 DAYS OVERDUE**	**OVER 90 DAYS OVERDUE**	**TOTAL**
Gross carring amount — trade receivables (insured)	307,743	6,510	-	-	314,253
Gross carring amount — trade receivables (non-insured)	158,008	4,514	144	7,617	170,283
Gross carring amount — other receivables	2,711	1,333	813	7,079	11,936
Allowance for ECL	(747)	(104)	(330)	(13,409)	(14,590)

As at 31 December 2018 and 31 December 2017, no trade and other receivables were pledged as collateral.

12 Derivative financial instruments

As at 31 December 2018, the derivative financial instruments were represented by:

					NOTIONAL AMOUNT	
	THE GROUP PAYS	THE GROUP RECEIVES	ISSUE	MATURITY	31 DECEMBER 2018	31 DECEMBER 2017
Cross-currency interest rate swap	US$ at fixed rate	RR at fixed rate	2018	2023	US$ 239 mln (RR 15,000 mln)	-
	US$ at fixed rate	RR at fixed rate	2018	2021	US$ 149 mln (RR 10,000 mln)	-
	US$ at fixed rate	RR at fixed rate	2017	2020	US$ 265 mln (RR 15,000 mln)	US$ 265 mln (RR 15,000 mln)
	US$ at floating rate	RR at floating rate	2013	2018	-	US$ 250 mln (RR 8,213 mln)
Interest rate swap	US$ at fixed rate	US$ at floating rate	2016	2019	US$ 333 mln (RR 23,134 mln)	US$ 833 mln (RR 47,981 mln)
	US$ at fixed rate	US$ at floating rate	2017	2020	US$ 1,000 mln (RR 69,470 mln)	US$ 1,000 mln (RR 57,600 mln)

In these consolidated financial statements derivative financial instruments were as follows:

	31 DECEMBER 2018	31 DECEMBER 2017
Assets		
Current derivative financial assets	30,261	16,783
Non-current derivative financial assets	338	6,047
Total derivative financial assets	**30,599**	**22,830**
Liabilities		
Current derivative financial liabilities	(7,130)	(109,815)
Non-current derivative financial liabilities	(121,523)	(11,609)
Total derivative financial liabilities	**(128,653)**	**(121,424)**

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

	NOTE	2018	2017
Balance at 1 January		**98,594**	**277,125**
Cash proceeds from derivatives		17,816	12,710
Cash paid for derivatives		(111,507)	(151,792)
Changes in the fair value	24	106,246	(51,662)
Effect of translation to presentation currency		(13,095)	12,213
Balance at 31 December		**98,054**	**98,594**

Derivatives are carried at their fair value and categorised within Level 2 of the fair value hierarchy.

13 Cash and cash equivalents

	INTEREST RATES	31 DECEMBER 2018	31 DECEMBER 2017
Cash on hand and bank balances			
RR denominated cash on hand and bank balances		49,716	73,165
US$ denominated bank balances		475,309	856,422
EUR denominated bank balances		31,226	32,387
Other currencies denominated balances		369	110
Highly liquid risk-free bonds		-	70,158
Term deposits			
US$ term deposits	0.6% p.a. – 3.5% p.a. (31 December 2017: 0.6% p.a. – 1.38% p.a.)	452,327	39,134
RR term deposits	4% p.a. – 7.4% p.a. (31 December 2017: 5.7% p.a. – 6.52% p.a.)	4,068	1,233
Total cash and cash equivalents		**1,013,015**	**1,072,609**

As at 31 December 2018 and 31 December 2017, all term deposits had maturity within three months.

In 2017, the Group purchased US government bonds. These bonds were short-term, highly liquid with AAA rating from Fitch and Moody's agencies and were considered risk-free. These bonds were sold in 2018.

14 Equity

	NUMBER OF ORDINARY SHARES (IN MLNS)	NUMBER OF PREFERENCE SHARES (IN MLNS)	NUMBER OF TREASURY SHARES (IN MLNS)	ORDINARY SHARES	PREFERENCE SHARES	TREASURY SHARES	TOTAL
At 1 January 2017	**2,936**	**-**	**(1,596)**	**35,762**	**-**	**(26,909)**	**8,853**
Treasury shares purchased	-	-	(11)	-	-	(192)	(192)
At 31 December 2017	**2,936**	**-**	**(1,608)**	**35,762**	**-**	**(27,101)**	**8,661**
At 1 January 2018	**2,936**	**-**	**(1,608)**	**35,762**	**-**	**(27,101)**	**8,661**
Treasury shares purchased	-	-	(52)	-	-	(895)	(895)
Issuance of own shares	-	30	-	-	239	-	239
At 31 December 2018	**2,936**	**30**	**(1,660)**	**35,762**	**239**	**(27,996)**	**8,005**

The number of unissued authorised ordinary shares is 1,730 million (31 December 2017: 1,730 million) with a nominal value per share of 0.720 US cents (0.5 RR) (31 December 2017: 0.868 US cents (0.5 RR)).

The number of unissued authorised preference shares is 120 million (31 December 2017: 150 million) with a nominal value per share of 0.720 US cents (0.5 RR) (31 December 2017: 0.868 US cents (0.5 RR)) according to the Company's Charter on 27 July 2018. In 2018, the Company issued 30 million preference shares.

All shares presented in the table above have been issued and fully paid.

Treasury shares. During 2018, the Company purchased 51,908,433 (2017: 11,109,568) ordinary shares for a total amount of US$ 125,640 (2017: US$ 26,104) as a result of a mandatory redemption procedure pursuant to Russian Federal Law On Joint Stock Companies. The difference between the total acquisition cost of US$ 125,640 (2017: US$ 26,104) and the nominal value of the shares of US$ 895 (2017: US$ 192) was reflected as a decrease in share premium.

As at 31 December 2018, the treasury shares comprise 1,659,834,963 ordinary shares (31 December 2017: 1,607,926,530) represented by the shares and GDRs of the Company.

On 16 November 2018, the Board of Directors of the Company recommended to the shareholders to approve a major transaction (that together with other related transactions is worth over 50% of the carrying value of the Company's assets) to increase the credit limit of one of the Group's loan facilities with Sberbank. On 26 December 2018, this transaction was approved by the general shareholders meeting. According to the Federal Law on Joint Stock Companies the shareholders who voted against or did not take part in voting on the transaction became entitled to submit their shares to the Company for buyback. As at 31 December 2018, the Group did not accrue any liabilities in the statement of financial position related to the major transaction. Within the 45-day period prescribed by the law (which ended on 9 February 2019), 7,537,670 ordinary shares were to be repurchased for a total amount of RR 666 million (US$ 9.6 million).

Delisting. The Moscow Stock Exchange downgraded the listing of the Company's shares from Level 1 to Level 3 effective from 26 June 2017 following a decrease of the Company's free float to below 7.5% of the issued capital for over six months. Taking into account this fact and the reduced trading activity with the Company's shares on the Moscow exchange, the Board of Directors unanimously recommended that the Company's shareholders approve the delisting of the Company's shares from the Moscow Exchange. On 18 December 2017, the delisting was approved by the extraordinary general shareholders' meeting ("EGM"). As of the reporting date, the delisting procedure has not been completed yet.

Preference shares. On 18 December 2017, the EGM approved the decision to increase the share capital of the Company by way of issuing 150 million non-convertible preference shares.

As at 31 December 2018, the Company placed 30 million preference shares through a closed subscription among the shareholders who owned more than 10% of the issued ordinary shares of the Company on 23 November 2017.

The difference between the total value of the issue of US$ 51,226 and the nominal value of preference shares of US$ 239 was reflected as an increase in share premium.

According to Russian law and the Company's Charter, preference shares are non-cumulative and generally do not provide voting rights, except as expressly provided for by law. Holders of preference shares are entitled to vote starting from the meeting that follows the annual general meeting, which resolved to refrain from paying dividends or to partially pay dividends on preference shares.

The minimum dividend size is fixed in the Charter and amounts to 0.1 roubles per preference share. In July 2018, the Company paid the minimum dividends in the amount of US$ 48 to the holders of preference shares.

Dividends on ordinary shares. All dividends are declared and paid in RR. The current dividend policy provides certain flexibility to the Board of Directors in determining the amount of dividends.

General meetings held in 2018 and 2017 resolved not to pay any dividends on ordinary shares.

15 Borrowings

The table below shows interest rates as at 31 December 2018 and 31 December 2017 and the split of bank loans into short-term and long-term.

SHORT-TERM BANK LOANS AND CURRENT PORTION OF LONG-TERM BANK LOANS DUE WITHIN 12 MONTHS	INTEREST RATES	31 DECEMBER 2018	31 DECEMBER 2017
Bank loans in US$: floating interest	From 3 month LIBOR + 1.45% to 3 month LIBOR + 3.55% (31 December 2017: From 1 month Libor +2.2% to 3 month LIBOR +3.55%)	1,259,371	1,145,987
Bank loans in US$: fixed interest	From 3,8% to 5.22% (31 December 2017: From 3,8% to 4.61%)	2,570	1,852
Bank loans in EUR: floating interest	6 month EURIBOR + 1.05%	1,674	-
Bank loans in RR: floating interest	(31 December 2017: 3 month MosPrime + 2.59%)	-	144,018
Total short-term bank loans and current portion of long-term bank loans due within 12 months		**1,263,615**	**1,291,857**
Long-term bank loans			
Bank loans in US$: floating interest	From 3 month Libor + 1.45% to 3 month LIBOR + 3.55% (31 December 2017: From 1 month LIBOR +2.2% to 3 month LIBOR +3.55%)	2,228,939	2,731,858

SHORT-TERM BANK LOANS AND CURRENT PORTION OF LONG-TERM BANK LOANS DUE WITHIN 12 MONTHS	INTEREST RATES	31 DECEMBER 2018	31 DECEMBER 2017
Bank loans and other borrowings in US$: fixed interest	From 3% to 5.22% (31 December 2017: From 3.8% to 4.61%)	993,045	749,629
Bank loans in EUR: floating interest	6 month EURIBOR + 1.05%	10,816	-
Total long-term bank loans and borrowings		**3,232,800**	**3,481,487**
Finance lease payable			
Short-term finance lease payable		17	18
Long-term finance lease payable		7,585	9,179
Total finance lease payable		**7,602**	**9,197**
Total borrowings		**4,504,017**	**4,782,541**

	2018	2017
Balance at 1 January	**4,773,344**	**6,409,114**
Bank loans and other borrowings received, denominated in US$	1,550,625	1,603,010
Bank loans received, denominated in EUR	16,883	-
Bank loans repaid, denominated in US$	(1,708,783)	(3,056,349)
Bank loans repaid, denominated in EUR	(1,851)	-
Bank loans repaid, denominated in RR	(130,964)	(187,651)
Interest accrued	233,176	278,922
Interest paid	(232,449)	(293,041)
Recognition of syndication fees and other financial charges	(14,820)	(13,486)
Amortisation of syndication fees and other financial charges	12,425	20,727
Foreign exchange loss / (gain), net	826,278	(292,516)
Effect of translation to presentation currency	(827,449)	304,614
Balance at 31 December	**4,496,415**	**4,773,344**

As at 31 December 2018 and 31 December 2017, no equipment or inventories were pledged as security for bank loans.

As at 31 December 2018, bank loans amounting US$ 2,585,075 (31 December 2017: US$ 2,025,340) were collateralised by future sales proceeds of the Group under export contracts with certain customers.

In March 2016, a credit line agreement with Sberbank was signed in the amount of up to US$ 3.9 billion for the purpose of refinancing of other loans received from the bank as well as for other general corporate purposes, which, together with related agreements, were secured by way of pledge to Sberbank of the Company's shares and GDRs constituting 28.6% of the Company's issued ordinary shares (equivalent of 389,981,286 ordinary shares and 89,959,526 GDRs). In 2017 and 2018, amendments to Sberbank facilities were signed — the term of the credit facility was extended and the interest rate was decreased. Funds under the committed credit line in the amount of US$ 2.0 billion are available to be drawn down from

1 January 2020 till 31 December 2020; funds in the amount of US$ 1.9 billion are available to be drawn down from 23 November 2019 till 19 June 2020.

In April 2017, the Company signed a revolving credit line agreement in the amount of up to US$ 750 million with Sberbank, Sberbank AG (Switzerland) and SIB LIMITED (CYPRUS). The availability period of the credit line is 3 years, during which the Company can borrow funds in tranches and with different maturities within the limit and the tenor of the credit line availability. The funds raised can be used for the Company's general corporate purposes, including refinancing of its current debt obligations. In October 2018, the Company signed an amendment to the credit line agreement. The amount of the line was increased to US$ 1,250 million. The final maturity date should not exceed 1 July 2023. As at 31 December 2018, the credit line was utilised in the amount of US$ 950 million.

On 16 August 2017, the Company signed a US$ 850 million 5-year pre-export facility with 11 international banks. The interest rate is 1 month LIBOR + 2.2%. The loan was used for refinancing of the Company's existing loans including PXF facilities of 2013 and 2015 and for general corporate purposes. As at 31 December 2018, the credit line was fully utilised.

In October 2017, the Company signed uncommitted revolving facility agreement in the amount up to US$ 500 million with Gazprombank with an availability period of 23 months from the signing date. The borrower shall apply all amounts borrowed by it under the facility towards its general corporate purposes (including, but not limited to, refinancing of its existing indebtedness). As at 31 December 2018, the Company has not utilised the facility.

In January 2018, the Company signed an uncommitted revolving credit facility in the amount of up to US$ 100 million with Credit Agricole, which is available for one year. In December 2018, the availability period was extended till 31 March 2019. As at 31 December 2018, the Company has not utilised the facility.

In May 2018, the Company signed an uncommitted credit facility in the amount of up to US$ 80 million with Rosbank, which is available for two years.
As at 31 December 2018, the Company has not utilised the facility.

In June 2018, the Company signed a US$ 825 million 5-year pre-export facility with 11 international banks. The interest rate is 1 month LIBOR + 1.9%. The loan was used for refinancing of the Company's existing loans and for general corporate purposes. As at 31 December 2018, US$ 825 million of the facility was drawn-down.

The Group was in compliance with all financial and non-financial covenants as at 31 December 2018.

16 Bonds

In April 2013, the Group issued US$ denominated Eurobonds at the nominal value of US$ 650 million bearing a coupon of 3.723% p.a. maturing in 2018. These bonds were fully redeemed in 2018.

In May 2017, the Company issued RR bonds in the amount of RR 15 billion (US$ 265.4 million) under its exchange bond programme. The coupon rate was 8.80% p.a., coupon period is 182 days. Nominal value of the bond is RR 1,000. The bond matures in 3 years. The Group has concluded cross-currency interest rate swap agreements to translate debt and interest payments to US$ (Note 12).

In October 2017, JSC "Uralkali-Technologia" sold bonds issued by the Company to JSC VTB Capital. At the same time the Company entered into an interest rate swap to exchange the coupon rate with the interest rate of financing (Note 12).

In June 2018, the Company issued RR bonds in the amount of RR 15 billion (US$ 241 million) at par under its exchange bond programme. The coupon rate was 7.70% p.a., and the coupon period is 182 days. Nominal value of the bond is RR 1,000. The bond matures in 5 years. The Group has concluded cross-currency interest rate swap agreements to translate debt and interest payments to dollars (Note 12).

In November 2018, the Company issued RR bonds in the amount of RR 10 billion (US$ 148 million) at par under its exchange bond programme. The coupon rate was 9.30% p.a., and the coupon period is 182 days. Nominal value of the bond is RR 1,000. The bond matures in 3 years. The Group has concluded cross-currency interest rate swap agreements to translate debt and interest payments to dollars (Note 12).

	2018	2017
Balance at 1 January	**1,661,191**	**584,907**
Issuance of bonds	389,056	1,070,181
Redemption of bonds	(581,900)	-
Interest accrued	96,723	44,125
Interest paid	(95,424)	(32,480)
Recognition of syndication fees and other financial charges	(678)	(745)
Amortisation of syndication fees	472	604
Foreign exchange loss / (gain), net	196,957	(31,019)
Effect of translation to presentation currency	(270,527)	25,618
Balance at 31 December	**1,395,870**	**1,661,191**

	31 DECEMBER 2018	31 DECEMBER 2017
Short-term bonds		
Short-term bonds quoted on Irish Stock Exchange	-	585 329
Short-term bonds quoted on Moscow Stock Exchange	820 627	15 908
Total short-term bonds	**820,627**	**601,237**
Long-term bonds		
Long-term bonds quoted on Moscow Stock Exchange	575 243	1,059,954
Total long-term bonds	**575,243**	**1,059,954**
Total bonds	**1,395,870**	**1,661,191**

17 Provisions

	NOTE	FILLING CAVITIES	ASSET RETIREMENT OBLIGATIONS	RESETTLEMENT	MINE FLOODING	RESTRUCTURING	LEGAL	TOTAL
Balance at 1 January 2017		**98,182**	**64,290**	**10,822**	**9,223**	**6,287**	**19,006**	**207,810**
Changes in estimates added to property, plant and equipment	7	77,675	(19,952)	-	-	-	-	57,723
Changes in estimates charged to profit or loss		-	-	(817)	(3,152)	(32)	-	(4,001)
Accrual of provision		-	613	10,084	-	-	6,084	16,781

	NOTE	FILLING CAVITIES	ASSET RETIREMENT OBLIGATIONS	RESETTLEMENT	MINE FLOODING	RESTRUCTURING	LEGAL	TOTAL
Utilisation of provision		(18,079)	-	(3,397)	(896)	(140)	(66)	(22,578)
Reversal of provision		-	-	-	-	-	(21,476)	(21,476)
Unwinding of the present value discount		8,522	5,724	54	799	555	808	16,462
Effect of translation to presentation currency		6,100	3,234	652	447	339	817	11,589
Current liabilities		**23,314**	**-**	**11,179**	**1,033**	**297**	**5,173**	**40,996**
Non-current liabilities		**149,086**	**53,909**	**6,219**	**5,388**	**6,712**	**-**	**221,314**
Balance at 31 December 2017		**172,400**	**53,909**	**17,398**	**6,421**	**7,009**	**5,173**	**262,310**
Changes in estimates added to property, plant and equipment	7	150,413	72,447	-	-	-	-	222,860
Changes in estimates charged to profit or loss		-	-	137	6,343	702	-	7,182
Accrual of provision		-	-	-	-	-	362	362
Reversal of provision		-	-	-	-	-	(123)	(123)
Utilisation of provision		(23,366)	(518)	(10,268)	(1,564)	(159)	(4,691)	(40,566)
Unwinding of the present value discount		10,483	4,475	378	389	426	-	16,151
Effect of translation to presentation currency		(42,844)	(16,649)	(2,023)	(1,600)	(1,292)	(451)	(64,859)
Current liabilities		**58,264**	**-**	**2,316**	**1,641**	**329**	**270**	**62,820**
Non-current liabilities		**208,822**	**113,664**	**3,306**	**8,348**	**6,357**	**-**	**340,497**
Balance at 31 December 2018		**267,086**	**113,664**	**5,622**	**9,989**	**6,686**	**270**	**403,317**

Due to changes in 2018 (Note 4.2 Provision for filling cavities) the provision for filling cavities, provision for asset retirement obligations and mine flooding provision increased by US$ 136 million, US$ 49 million and US$ 6 million, respectively as at 31 December 2018.

In the first half of 2018, the Group revised methodology of mines flooding protection due to changes in regulatory requirements. The above changes in the regulatory requirements caused the mining period revision, which is resulted in change in the provision for asset retirement obligations to the amount of by US$ 27 million.

18 Trade and other payables

	31 DECEMBER 2018	31 DECEMBER 2017
Financial payables		
Trade payables	49,813	66,334
Accrued liabilities	72,581	90,552
Salary payable and related accruals	39,498	53,798
Other payables	24,618	37,716
Total financial payables	**186,510**	**248,400**
Non-financial payables		
Other taxes payable	23,676	19,342
Other non-financial payables	7,559	5,176
Total non-financial payables	**31,235**	**24,518**
Total trade and other payables	**217,745**	**272,918**

As at 31 December 2018, trade and other payables of US$ 12,889 (31 December 2017: US$ 42,716) were denominated in foreign currencies: 67% of this balance was denominated in US$ (31 December 2017: 38%) and 31% was denominated in Euro (31 December 2017: 54%).

19 Revenues

	NOTE	2018	2017
Potassium chloride		1,580,990	1,710,530
Potassium chloride (granular)		896,629	959,164
Revenue from rendering transportation services	3	190,174	-
Other revenues		85,784	91,180
Total revenues		**2,753,577**	**2,760,874**

20 Cost of sales

	NOTE	2018	2017
Depreciation	7	176,565	169,512
Employee benefits		168,110	168,708
Materials and components		115,310	123,929
Fuel and energy		101,865	108,085
Repairs and maintenance		64,703	43,526
Amortisation of licences	9	54,274	45,327
Transportation between mines by railway		12,636	12,228
Change in work in progress, finished goods and goods in transit		(41,156)	36,951
Other costs		50,560	30,810
Total cost of sales		**702,867**	**739,076**

21 Distribution costs

	NOTE	2018	2017
Railway tariff and rent of wagons		242,806	301,033
Freight		208,477	248,343
Transport repairs and maintenance		29,806	31,892
Commissions and marketing expenses		23,813	23,003
Transshipment		21,212	28,817
Employee benefits		17,244	10,855
Depreciation	7	8,176	8,567
Other costs		81,389	95,294
Total distribution costs		**632,923**	**747,804**

Depreciation of property, plant and equipment in the amount of US$ 2,978 is included into Transport repairs and maintenance and Transshipment costs (2017: US $3,280).

22 General and administrative expenses

	NOTE	2018	2017
Employee benefits		95,600	89,953
Depreciation	7	9,738	7,862
Consulting, audit and legal services		7,227	4,349
Mine rescue crew		5,924	6,134
Security		5,783	6,475
Materials and fuel		5,167	5,182
Communication and information system services		4,480	4,413
Amortisation of intangible assets	9	3,829	3,264
Repairs and maintenance		3,546	3,167
Other expenses		33,358	26,591
Total general and administrative expenses		**174,652**	**157,390**

23 Other operating income and expenses

		2018	2017
Loss on disposals of property, plant and equipment and intangible assets		6,241	8,318
Change in legal provision	17	239	(15,392)
Social cost and charity		6,784	6,242
Other operating expenses / (income), net		4,566	(5,572)
Total other operating expenses / (income), net		**17,830**	**(6,404)**

24 Finance income and expenses

		2018		2017	
	NOTE	INCOME	EXPENSES	INCOME	EXPENSES
Foreign exchange (loss) / gain		-	(737,676)	271,908	-
Interest income / (expenses)		40,149	(287,252)	25,600	(286,767)
Fair value (loss) / gain on derivative financial instruments, net	12	-	(106,246)	51,662	-
Loss from unwinding and effect of changes in effective interest rate, net		-	(43,070)	-	(14,590)
Fair value losses on investments		-	(33,850)	-	-
Syndication fees and other financial charges		-	(19,660)	-	(50,243)
Letters of credit fees		-	(10,710)	-	(4,349)
Loss from associate		-	(1,071)	-	(1,463)
Finance lease expense		-	(850)	-	(915)
Other finance income / (loss)		6,032	(549)	966	(94)
Total finance income / (loss)		**46,181**	**(1,240,934)**	**350,136**	**(358,421)**
Total finance expenses, net		**-**	**(1,194,753)**	**-**	**(8,285)**

The syndication fees and other financial charges in 2017 include the write-off of the prepaid commission in the amount of US$ 16,641 related to a US$ 1.5 billion credit line from Sberbank. The credit line was available till 3 March 2017. This credit line has not been used due to it being more costly as compared to other available funding options.

25 Income tax expense

	2018	2017
Current income tax expense	9,976	156,527
Adjustments recognised in the period for current income tax of prior periods	(107)	(6,187)
Deferred income tax (benefit) / expense	94,871	68,049
Income tax expense	**104,740**	**218,389**

Income before taxation and non-controlling interests for consolidated financial statements purposes is reconciled to income tax as follows:

	2018	2017
Profit before income tax	**(7,734)**	**(1,093,017)**
Theoretical tax charge at a rate of 16.5%	1,276	180,348
Corrections of profit tax for prior years	(107)	(6,187)
Tax effect of expenses which are not deductible, net	3,541	14,567
Effect of different tax rates in countries and regions	(1,720)	(3,565)
Effect of changes in tax rate	106,625	457

	2018	2017
Write-off of deferred tax asset	2,392	27,779
Effect of previously unrecognised tax losses for disposed entities	-	5,501
Other	(7,267)	(511)
Income tax expense	**104,740**	**218,389**

As at 31 December 2018, most companies of the Group were registered in the Russian Federation, Perm region and were taxed at a rate from 16.5% to 20%, however, the main income tax temporary differences relate to the Company, which was taxed at a preferential tax rate of 16.5% in 2018.

In August 2018, the Legislative Assembly of the Perm region enacted a law, among others, imposing a limitation on minimal income tax rates and cancelling the preferential tax rate application from 2021. However as in 2016 the Company concluded a regional special investment contract valid until 2022, the Company is able to apply the minimum income tax rate of 16.5% until 31 December 2022. Starting from 2023, the Company will apply the general income tax rate of 20%.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Due to changes in legislation, the Group revised the impact of 20% income tax rate on the temporary differences that are expected to be realised after 2022, the corresponding difference is recognised in profit or loss.

In 2018 and 2017, foreign subsidiaries were taxed applying respective national income tax rates.

The tax effect of the movements in the temporary differences for the year ended 31 December 2018 was the following:

	31 DECEMBER 2017	RECOGNISED IN PROFIT OR LOSS	ADJUSTMENT, IFRS 9	EFFECT OF TRANSLATION TO PRESENTATION CURRENCY	31 DECEMBER 2018
Tax effects of taxable and deductible temporary differences					
Property, plant and equipment	(189,436)	(70,188)	-	39,201	(220,423)
Intangible assets	(490,480)	(77,785)	-	91,380	(476,885)
Inventories	2,242	(1,518)	-	(235)	489
Borrowings	(6,572)	(604)	-	1,182	(5,994)
Trade and other receivables	4,448	6,253	102	(1,384)	9,419
Prepaid transaction costs on bank facilities	(11,623)	(8,324)	-	2,803	(17,144)
Derivative financial instruments	16,278	5,231	-	(3,291)	18,218
Trade and other payables	(461)	1,758	-	(92)	1,205
Tax loss carry-forward	1,762	7,048	-	(987)	7,823
Provisions	45,173	43,408	-	(11,945)	76,636
Other	(321)	(150)	-	70	(401)
Total net deferred tax liability	**(628,990)**	**(94,871)**	**102**	**116,702**	**(607,057)**

The tax effect of the movements in the temporary differences for the year ended 31 December 2017 was the following:

	31 DECEMBER 2016	RECOGNISED IN PROFIT OR LOSS	EFFECT OF TRANSLATION TO PRESENTATION CURRENCY	31 DECEMBER 2017
Tax effects of taxable and deductible temporary differences				
Property, plant and equipment	(153,573)	(27,356)	(8,507)	(189,436)
Intangible assets	(473,305)	7,840	(25,015)	(490,480)
Inventories	6,029	(4,054)	267	2,242
Borrowings	(6,290)	51	(333)	(6,572)
Trade and other receivables	(2,027)	6,489	(14)	4,448
Prepaid transaction costs on bank facilities	(13,432)	2,498	(689)	(11,623)
Derivative financial instruments	45,726	(31,463)	2,015	16,278
Trade and other payables	1,510	(2,025)	54	(461)
Tax loss carry-forward	19,651	(18,687)	798	1,762
Provisions	34,294	8,942	1,937	45,173
Other	9,588	(10,284)	375	(321)
Total net deferred tax liability	**(531,829)**	**(68,049)**	**(29,112)**	**(628,990)**

Deferred tax balances presented in the consolidated statement of financial position were as follows:

	31 DECEMBER 2018	31 DECEMBER 2017
Deferred income tax asset	24,278	16,615
Deferred income tax liability	(631,335)	(645,605)
Deferred income tax liability, net	**(607,057)**	**(628,990)**

As at 31 December 2018, the Group has not recognised a deferred income tax liability in respect of taxable temporary differences associated with investments in subsidiaries in the amount of US$ 187,832 (31 December 2017: US$ 177,482). The Group controls the timing of the reversal of these temporary differences and does not expect their reversal in the foreseeable future.

26 Contingencies, commitments and operating risks

26.1 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, Management is of the opinion that there are no current legal proceedings or other claims outstanding that could have a material effect on the results of operations or financial position of the Group which have not been disclosed in these consolidated financial statements.

26.2 Tax legislation

Laws and regulations affecting business in the Russian Federation continue to change rapidly. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for three calendar years preceding 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 tax legislation. However, the relevant authorities may have differing interpretations, and the effects on the consolidated financial statements could be significant.

According to the amendments introduced into the Russian tax legislation, the undistributed profits of the Group foreign subsidiaries, recognised as controlled foreign companies, may result in an increase of the tax base of the controlling entities. According to current forecasts the profits of controlled foreign companies does not increase the taxable profits of the Company due to application of appropriate norms of tax legislation of the Russian Federation. Despite the fact that the Group has developed a tax planning strategy with regard to the legislation on controlled foreign companies applicable to the Group foreign subsidiaries, Management of the Group does not exclude the fiscal approach of regulating authorities to the order of determination of taxable profits in controlling entities of the Group in Russia.

Since 1 January 2019, the VAT rate in Russia has increased from 18% to 20%. In Russia, VAT rate of 20% has been applied prospectively since 1 January 2019 (2018: 18%).

26.3 Insurance

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 4.

26.4 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 4. The Group's mining activities and the recent 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.

26.5 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.

The Russian Federation 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. During 2014, the oil price decreased significantly.

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. This led to reduced access of the Russian businesses to international capital markets.

The impact of further economic and political developments on future operations and financial position of the Group might be significant.

26.6 Capital expenditure commitments

As at 31 December 2018, the Group had contractual commitments for the purchase of property, plant and equipment and intangible assets for US$ 442,986 (31 December 2017: US$ 485,160) from third parties. As at 31 December 2018 and 31 December 2017, the Group had no contractual commitments for the purchase of property, plant and equipment from related parties.

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.

26.7 Operating lease commitments

As at 31 December 2018 and 31 December 2017, the Group leased property, plant and equipment, mainly land plots. The future minimum lease payments under non-cancellable operating leases are as follows:

	31 DECEMBER 2018	31 DECEMBER 2017
Not later than 1 year	3,285	3,139
Later than 1 year and not later than 5 years	8,945	8,724
Later than 5 years	31,187	9,355
Total future minimum lease payments	**43,417**	**21,218**

27 Financial risk management

27.1 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.

27.2 Categories of financial instruments

	NOTE	31 DECEMBER 2018	31 DECEMBER 2017
Financial assets			
Loan receivable (including interests receivable)	5	400,615	379,232
Trade and other receivables	11	306,367	482,462
Derivative financial assets	12	30,599	22,830
Other financial assets		15	1,927
Cash and cash equivalents	13	1,013,015	1,072,609
Financial liabilities			
Borrowings and finance lease	15	4,504,017	4,782,541
Bonds	16	1,395,870	1,661,191
Derivative financial liabilities	12	128,653	121,424
Trade and other payables	18	186,510	248,400

27.3 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. Market risk is the possibility that currency exchange rates, reduction in the prices of potash products and changes in interest rates will adversely affect the value of assets, liabilities or expected future cash flows. 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 significant part of potash fertilizers sales. 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 is exposed to the risk of significant RR/US$ and RR/Euro exchange rates fluctuations. The Group's operating profit benefits from the weak exchange rate of the RR against the US$ and Euro, since all the Group major operating expenses are denominated in RR. The net profit suffers from the weak Rouble exchange rate mainly due to the foreign exchange differences on the Group's loans which are predominantly denominated in USD.

For the year ended 31 December 2018, if during the year the foreign currencies had strengthened by 10% against the RR with all other variables held constant, the net profit for the year would have been US$ 404,559 (31 December 2017: US$ 386,626) lower, including US$ 409,391 (31 December 2017: US$ 391,905) lower due to US$ appreciation and 4,832 (31 December 2017: US$ 5,279) higher due to other currencies appreciation, if during the year the foreign currencies had weakened by 10% against the RR with all other variables held constant, the net profit for the year would have been US$ 397,718 (31 December 2017: US$ 392,556) higher, including US$ 402,550 (31 December 2017: US$ 397,835) higher due to US$ depreciation and 4,832 (31 December 2017: US$ 5,279) lower due to other currencies depreciation, mainly as a result of foreign exchange gains/losses on the translation of assets and liabilities denominated in foreign currencies and changes in 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 (Notes 15, 16). The Group uses cross-currency interest rate and interest rate swaps to reduce interest payments (Note 12). The objective of managing interest rate risk is to prevent losses due to adverse changes in market interest rates. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, the renewal of existing positions and alternative financing.

For the year ended 31 December 2018, if LIBOR rate on US$ denominated borrowings had been 200 basis points higher/lower with all other variables held constant, net profit for the year would have been US$ 68,783 lower/higher (year ended 31 December 2017: if LIBOR and ISDA rates on US$ denominated borrowings had been 200 basis points higher/lower with all other variables held constant net profit for the year would have been US$ 98,430 lower/higher).

The effect is mainly as a result of higher/lower interest expense on floating rate borrowings and changes in the 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 in counterparties.

Financial assets, which potentially subject Group entities to credit risk, consist primarily of loan issued, trade receivables, cash and bank deposits.

As at 31 December 2018, the maximum exposure to credit risk resulting from financial assets is equal to the carrying amount of the Group's financial assets of US$ 1,750,611 (31 December 2017: US$ 1,959,060).

The Group is not exposed to significant concentrations of credit risk. As at 31 December 2018, the Group had 62 counterparties (31 December 2017: 63 counterparties), each of them having receivables balances above US$ 1,000. The total aggregate amount of these balances was US$ 300,091 (31 December 2017: US$ 462,644) 92% of the total amount of financial trade and other receivables (31 December 2017: 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.

As at 31 December 2018, the Group has a loan issued to a related party which gives exposure to credit risk at the amount of US$ 400,615 (31 December 2017: US$ 379,232).

Loan to related parties and pledge agreements (Note 5) involve related parties without publicly available credit ratings. Management therefore prepared financial models to assess the credit risk associated with loans to related parties and pledged agreements which involved a number of judgements as described in Note 4. The impairment methodology on loans to related parties is described in Note 2.

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. 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 11). 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.

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 11).

The table below shows the credit quality of cash, cash equivalents and deposits neither past due nor impaired on the reporting date, based on the credit ratings of independent agencies as at 31 December 2018 and 31 December 2017, if otherwise not stated in table below:

RATING – MOODY'S, FITCH, STANDARD&POOR'S	31 DECEMBER 2018	31 DECEMBER 2017
From AAA / Aaa to A- / A3	207,823	172,577
From BBB+ / Baa1 to BBB- / Baa3	492,213	836,201
From BB+ / Ba1 to B- / B3	305,857	7,716
Unrated*	7,122	56,115
Total cash and cash equivalents, not past due nor impaired	**1,013,015**	**1,072,609**

* 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.

AT 31 DECEMBER 2018	NOTE	LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Trade and other payables	18	186,510	-	-	**186,510**
Borrowings		1,467,802	3,350,206	123,061	**4,941,069**
Bonds		878,469	669,981	-	**1,548,450**
Finance lease liabilities		781	3,122	28,067	**31,970**
Derivative financial liabilities		-	40,218	-	**40,218**
Total		**2,533,562**	**4,063,527**	**151,128**	**6,748,217**

AT 31 DECEMBER 2017	NOTE	LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Trade and other payables	18	248,400	-	-	**248,400**
Borrowings		1,485,196	3,631,248	60,509	**5,176,953**
Bonds		662,368	1,119,912		**1,782,280**
Finance lease liabilities		941	3,765	34,416	**39,122**
Derivative financial liabilities		106,987	1,851	-	**108,838**
Total		**2,503,892**	**4,756,776**	**94,925**	**7,355,593**

28 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. Management has used all available market information in estimating the fair value of financial instruments.

The table below discloses the Group's financial assets and financial liabilities stated at amortised cost within levels of the fair value hierarchy:

		31 DECEMBER 2018		31 DECEMBER 2017	
FINANCIAL ASSETS	LEVEL	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Loan issued (including interests receivable)	3	400,615	382,970	379,232	383,413
Trade and other receivables	3	306,367	306,367	482,427	482,427
Other financial assets	3	15	15	1,912	1,912
Total		**706,997**	**689,352**	**863,571**	**867,752**

		31 DECEMBER 2018		31 DECEMBER 2017	
FINANCIAL LIABILITIES	LEVEL	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Borrowings	3	4,504,017	4,492,803	4,782,541	4,771,134
Bonds	1	1,395,870	1,377,855	1,661,191	1,645,938
Trade and other payables	3	186,510	186,511	248,402	248,402
Total		**6,086,397**	**6,057,169**	**6,692,134**	**6,665,474**

29 Principal subsidiaries

The Group had the following principal subsidiaries as at 31 December 2018 and 31 December 2017:

NAME	NATURE OF BUSINESS	PERCENTAGE OF VOTING RIGHTS	PERCENTAGE OF OWNERSHIP	COUNTRY OF REGISTRATION
LLC "SMT "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
LLC "Avtotranskali"	Transportation	100.00%	100.00%	Russia
JSC "Baltic Bulker Terminal"	Sea terminal	100.00%	100.00%	Russia
JSC "VNII Galurgii"	Scientific institute	85.25%	85.25%	Russia
Uralkali Trading SIA	Trading	100.00%	100.00%	Latvia
Uralkali Trading Chicago	Trading	100.00%	100.00%	USA

30 Events after reporting date

On 15 February 2019, the Company repurchased 7,537,670 ordinary shares for a total amount of RR 666 million (US$ 9.6 million) (Note 14). The Company has no outstanding obligation related to this transaction.

In March 2019, the Company signed uncommitted credit facilities in the amount of up to 50 million Euro with ING Bank, which is available for 36 months and in the amount of up to 105 million Euro with Commerzbank, which is available for 18 months. As at issue date the ING Bank's credit line was fully utilised, the Commerzbank's credit line was utilised in the amount of 100 million Euro.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- 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.
- 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;

On behalf of the Board of Directors, which approved this responsibility statement at its meeting held on 24 April 2019.

Dmitry Osipov,
CEO

REPORT ON COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CODE OF CORPORATE GOVERNANCE

This report on compliance with the principles and recommendations of the Code of Corporate Governance was reviewed by the Company's Board of Directors at its Meeting on 24 April 2019. The Board of Directors confirms that this report contains complete and reliable information regarding the Company's compliance with the principles and recommendations of the Code of Corporate Governance for 2018.

Uralkali consistently follows the main principles of the Code of Corporate Governance and its recommendations by steadily complying with requirements of the relevant laws and using best corporate governance practices. The Company's corporate governance structure (model) is a traditional one: the General Shareholders Meeting comprises a superior management body, the Board of Directors is responsible for general oversight, the Management Board is a collegial executive body, and the CEO is the sole executive body. The Board of Directors has established four committees which are consultative and advisory bodies chaired by independent directors. The committees and commissions (working groups) to the CEO were established for advancing Uralkali's various activities. Decisions of such working groups are offered in the format of recommendation. The Company has a corporate secretary who guarantees observance of the national legal regulations and procedures, participates in information disclosure, as well as ensures cooperation between the Company's governing bodies, shareholders, and regulators. The Company has created an internal audit division — the Internal Audit Directorate as well, which reports to the Audit Committee. Other significant aspects of the Company's corporate governance models and practices are described in section Corporate Governance of the Annual Report.

The Company has performed the assessment of compliance with the principles of corporate governance in accordance with the methodology that can be described as follows: Since the main principles and recommendations of the Code of Corporate Governance are related to activities of the Company's management bodies and the procedure of performing such activities, the Company, represented by the Corporate Secretary and the Corporate Governance's members in cooperation with the Company's management bodies, continuously monitors, collects and evaluates information in the form recommended by the Bank of Russia (as follows). Information on the Company's key events is disclosed in accordance with the established procedure in a form of essential facts or, in some cases, in a form of press releases, and quarterly reports. The Company has a reporting system for its individual departments that regularly submits reports to meetings of the Board's relevant committees; the CEO also regularly submits reports on the results of the Company's operations at Board meetings. By determining the status of compliance with the principle of corporate governance and explaining deviations from the criteria for assessing compliance with the principle of corporate governance, the Company describes the existing practices, and the Board of Directors discusses the Report and assesses its completeness and reliability. At present, the Company does not plan to bring about significant changes in the established system of the corporate governance and deems it relevant to the Company's needs at the current stage of its development. At the same time, the Company constantly keeps up to date with the development of corporate governance both in Russia and in the world, looking for opportunities to apply new practices in the Company.

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1.1	**The company shall ensure the equal and fair treatment of all its shareholders in the course of exercising their rights to participate in the management of the company.**			
1.1.1	The company shall create the most favourable conditions possible for its shareholders, enabling them to participate in general meetings and develop informed positions on the agenda issues, as well as providing them with the opportunity to coordinate their actions and express their opinions regarding issues under discussion.	1. The company's internal document which regulates the procedure for holding general shareholders meetings, and which was approved by the general shareholders meeting, shall be available within the public domain. 2. During the period of meetings preparation, the company provides a special telephone line (hotline), a special email address, and a forum on its website for communication with shareholders, enabling them to express their opinion and pose questions concerning agenda items. The above-mentioned actions were performed by the company on days before meetings that were held in the reporting period.	observed observed	
1.1.2	Procedures for notification of general shareholders meetings and provision of relevant materials shall enable the company's shareholders to properly prepare for participation therein.	1. An announcement of general shareholders meetings shall be published on the company's website at least 30 days before the date of meetings. 2. The announcement shall contain information about the meeting's location and documents required for access therein. 3. Shareholders were provided with the information about the persons having proposed agenda items or nominated a particular candidate to the board of directors or the revision commission.	observed observed not observed	The comments below are relevant to paragraph 3 of the assessment criteria. The shareholders are not are not provided information about the persons having proposed agenda items for the General Shareholders Meeting(GSM) or those that have nominated a particular candidate for consideration of inclusion in the Company's bodies. This is due to the fact, that most of the questions to be considered by the GSM are stipulated in the Federal Law on Joint-Stock Companies (hereinafter — JSC Law), or, in accordance with the provisions of the JSC Law and the Charter of Company, are presented for consideration of the GSM by the Board of Directors with a recommendation to approve them. For the Company it does not matter who has proposed the relevant item because all members of the Board of Directors accept proposals, and extracts from the meeting minutes with recommendations are provided to the shareholders as part of the materials on the GSM's agenda items. As far as candidates nominated for election are concerned, the Company discloses detailed biographical information about the candidates, their current places of employment, and their positions, as well as their current status (independent, non-executive or executive director). In our opinion, this information is sufficient for the shareholders to make a decision and elect certain candidates to the Board of Directors. The Company considers that there are no reasons to change the current approach in the foreseeable future.
1.1.3	When preparing and holding a general shareholders meeting, shareholders shall be able to freely and in a timely manner receive information about the meeting and its materials, pose questions to members of the company's executive bodies and the board of directors, and communicate with each other.	1. During the reporting period, the shareholders were provided with the opportunity to pose questions to members of the company's executive bodies and the board of directors before and during the annual general meeting. 2. The materials to the general shareholders meeting set out the stands of the board of directors regarding agenda, as well as dissenting opinions of board members on each item included in the minutes. 3. The company is recommended to provide authorised shareholders with an opportunity to review the list of persons entitled to participate in general shareholders meetings starting from the date when the company receives such information.	partially observed partially observed observed	Comment to paragraph 1 of the assessment criteria. The obligation of the members of the Board of Directors to attend the Annual General Meeting is neither stipulated in the law nor in the Charter of the Company; nevertheless, they may be invited to participate in it. The Company has an e-mail address for shareholders to submit their questions to the Board of Directors. Traditionally, attendance at general shareholders meetings in presentia is very low, despite the fact that these meetings are held at the location of most of the Company's shareholders (Berezniki, Perm Region), so the presence of Board members seems unnecessary. Some of the Board members, including the CEO, attend meetings and they are available to answer any questions that the shareholders may have. Comment to paragraph 2 of the assessment criteria. The position of the Board of Directors on agenda items is stated in the decisions adopted by the Board of Directors. Notices of essential facts disclosed by the Company reflect the number of votes in support of a particular decision given by Board members present at the Meeting. There were no dissenting opinions of Board members which had to be recorded in the minutes and subsequently disclosed. The Company discloses the position of the Board of Directors regarding all issues, which, in accordance with the law, the General Shareholders Meeting's decision may only be made upon the proposal of the Board of Directors. In other instances, the Company has a right to disclose the position and does so in some cases. We believe that disclosing the opinion of the Board of Directors regarding all issues to be reviewed by the General Shareholders Meetings is not expedient as the Company generally discloses the information on the entire agenda voting of the Board of Directors, indicating that the decision is made by the required majority of votes. We consider it unnecessary to disclose information on the items that are not subject to disclosure according to the law in greater detail.
1.1.4	There were no unjustified difficulties preventing the shareholders from exercising their right to demand that a general shareholders meeting is convened, to nominate candidates to the company's management bodies, and to place proposals on the meeting's agenda.	1. The shareholders had the opportunity to propose items to be included in the agenda of its annual general meeting within a 60-day period following the end-date of the respective calendar year. 2. In case of any typos and other insignificant flaws in shareholders' proposals, the company did not refuse to include these proposals on the agenda or refuse to allow proposing a candidate to the company's bodies.	observed observed	Comment to paragraph 1 of the assessment criteria. Shareholders can propose items to be included in the agenda during a 2-month period after the end of the financial year as is stipulated in the Charter of the Company and the Regulations on the General Shareholders Meetings.
1.1.5	Each shareholder should be able to freely exercise the right to vote in a straightforward and most convenient way.	1. The internal documents of the company include a provision whereby a person filling out a voting ballot may, until the end of the general meeting, request a copy of the ballot certified by the company's counting commission.	not observed	The Company believes that the principle whereby shareholders are able to freely exercise the right to vote in a straightforward and most convenient way is generally observed. However, the Company does not follow the specified assessment criterion of the principle observance as the internal Company documents do not contain any provisions, according to which each General Shareholders Meeting participant may request a copy of the ballot certified by the counting commission that he filled out prior to the closing of the corresponding meeting. Holding of the General Shareholders Meetings is regulated by the Company's Charter and Regulation on General Shareholders Meetings (hereinafter — the "Regulation") approved by the shareholders. The most recent Charter and Regulation do not contain any provisions stipulating a possibility for the Company shareholder to request a copy of the ballot that they filled out that was certified by the counting commission. There is no legal requirement to introduce such provision to the internal documents of the Company. Taking into account that no shareholder has ever been refused a copy of the ballot that he filled out, the Company does not consider it necessary to additionally regulate this issue should a shareholder apply for one in the future. However, in order to ensure compliance with the specified assessment criterion of the Code of Corporate Governance's principle, the Company is planning to introduce the required provision to the Regulation when the next amendments or a new version of the document are approved.

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1.1.6	Procedures for holding a general meeting set by the company should provide equal opportunity to all persons present at the general meeting to express their opinions and ask questions that might be of interest to them.	1. In the reporting period, general shareholders meetings in presentia (when shareholders were present) were conducted in such a way that all reports on agenda items were announced and all items were discussed. 2. The candidates nominated for management bodies attended the meetings and were ready to answer shareholders' questions. 3. The board of directors considered the use of telecommunication systems to provide the shareholders with remote access to their general shareholders meetings (for example, by broadcasting its proceedings via the company's website or by using video conferencing).	observed partially observed not observed	Comments to paragraph 2 of the assessment criteria: See the comment to paragraph 1 of the assessment criteria p. 1.1.3. Comments to paragraph 3 of the assessment criteria: See the comment to paragraph 1 of the assessment criteria p. 1.1.3. Many of the Company's shareholders live in the city of Berezniki, where the Company's fixed productive assets are located, and, in the Company's opinion, holding General Shareholders Meetings in presentia in the city of Berezniki is convenient. It is also worth mentioning that shareholders attendance at the meeting is generally low. Taking the above into account, the Company believes that to date, the costs of telecommunication facilities and providing the shareholders with the possibility to participate remotely are not justified.
1.2	**Shareholders should have equal and fair opportunities to participate in the profits of the company by means of receiving dividends.**			
1.2.1	The company should develop and implement a transparent and clear mechanism for determining the number of dividends and their payment.	1. The company developed and disclosed the dividend policy, which was approved by the board of directors. 2. If the dividend policy of the company applies indicators from the financial statements of the company to determine the size of the dividend, the relevant provisions of the dividend policy should include the consolidated indicators of financial statements.	observed partially observed	Comments to paragraph 2 of the assessment criteria. Although the Company's Dividend Policy does not specify that the consolidated indicators shall be taken into account when defining the size of the dividends, the Regulation on Dividend Policy stipulates a possibility of dividend payment based on the financial results of the relevant reporting period that is subject to preliminary review by the Board of Directors. By default, the Company normally assumes that the consolidated indicators of the Financial Statements are entirely accurate.
1.2.2	The company should not make a decision on the payment of dividends if such decision, without formally violating limits set by the law, is nevertheless unjustified from the economic point of view and might lead to the formation of false assumptions about the company's activity.	1. The dividend policy of the company contains clear indications of financial/economic circumstances which prohibit the company from paying dividends.	observed	
1.2.3	The company should not allow deterioration of dividend rights of its existing shareholders.	1. The company has not taken any actions which would allow for the deterioration of dividend rights of existing shareholders in the reporting period.	observed	

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1.2.4	The company should strive to rule out any means through which the shareholders can obtain profit or gain at the company's expense except dividends, and distributions of its liquidation value.	1. In order to prevent from receiving the profit (income) by the shareholders at the company's expense apart from dividends and liquidation value, the internal documents contain the control mechanisms, which ensure timely detection and approval procedure for the transactions with entities affiliated (connected) to substantial shareholders (entities entitled to control votes attached to voting shares) in cases when the law does not formally recognise such transactions as interested-party transactions.	observed	
1.3	**The system and practices of corporate governance should ensure equal terms and conditions for all shareholders owning shares of the same class (category) in the company, including minority and foreign shareholders. Equal treatment should be unilateral and beyond dispute.**			
1.3.1	The company created conditions which would force the management bodies and controllers of the company to treat each shareholder fairly, including conditions ensuring that there is no abuse of minor shareholders by major shareholders.	1. During the reporting period, the procedures adopted for the management of potential conflict between major shareholders were effective, and the board of directors paid sufficient attention to conflicts between shareholders if there were any.	observed	
1.3.2	The company should not perform any acts which would or could result in a reallocation of corporate control by third parties therein.	1. There were no quasi-treasury shares or they did not participate in voting during the reporting period.	not observed	In September 2016, the size of the quasi-treasury block of the Company exceeded 50% of the share capital. In this regard, holding the General Shareholders Meeting (securing a quorum that makes the Meeting legally qualified), as well as taking decisions on a number of issues of the Company's activities (in particular, approval of the revised Company Charter, due to the need to obtain a qualified majority of votes of at least 75% of shareholders registered for participation in the General Meeting) became impossible without using the quasi-treasury block. At the same time, considering the fact that the quasi-treasury block includes Global Depositary Receipts, certifying shareholder's rights, the Company used only a part of the quasi-treasury shares required to ensure eligibility of the meeting and making the above-mentioned decisions. Please note that the Board of Directors of the Company recommended the General Shareholders Meeting to adopt the related decisions.
1.4	**The shareholders should be provided with reliable and efficient means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner.**			
1.4	The shareholders are provided with reliable and efficient means of recording their rights for shares, as well as with the opportunity to freely dispose of such shares in a non-onerous manner.	1. The quality and reliability of the work on administering the shareholder's registry performed by the registrar of the company comply with the requirements of the company and its shareholders.	observed	

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2.1	**The board of directors is in charge of strategic management of the company, determines major principles of and approaches to the creation of a risk management and internal control system within the company, monitors the activity of the company's executive bodies, and carries out other key functions.**			
2.1.1	The board of directors should be responsible for decisions to appoint and remove members of executive bodies, including taking action in response to the failure of the latter to properly perform their duties. The board of directors also controls that the company executive bodies act in accordance with the approved development strategy and main business goals of the company.	1. According to the charter of the company, the board of directors has the authority to appoint, dismiss and determine the terms and conditions of contracts with members of executive bodies of the company.	partially observed	The Company believes that the specified approach is generally observed. As for the specified assessment criteria of compliance with the principles, each of such criteria is observed partially. Comment to paragraph 1 of the assessment criteria. According to the Charter of the Company, the Board of Directors has the authority to appoint, terminate the appointment, and determine the terms and conditions of the employment contract only in relation to the CEO (Sole Executive Body) of the Company. The matter of forming the Management Board and early termination of the powers of its members also falls within the purview of the Board of Directors. Persons that are included in the Company Management Board upon the decision of the Board of Directors are the Company employees. According to the Company's Charter, approval of employment contract terms with the employees and issuing orders for dismissal are within the purview of the CEO. The terms of employment contracts with the employees are determined in accordance with the Company's internal documents (hereinafter — the remuneration policy) that regulates the payment of remuneration (including salaries and bonuses) of the relevant employee category. The power to determine the terms of the contracts with the members of the Management Board (excluding the CEO) does not fall within the terms of reference of the Board of Directors as the Management Board members are acting in accordance with the Regulation on the Management Board implemented in the Company that stipulate the working procedure of the Management Board. The members of the Management Board are not remunerated for their service on the Management Board (the information is appropriately disclosed in this Annual Report). The Company does not have plans to change its position in terms of who has to be authorized to determine the contract terms for members of the Executive Bodies in the foreseeable future due to the fact that 1) any employee may at any time become a member of the Management Board or be dismissed from it (the Company's Charter does not stipulate which positions have to be included in the Management Board, traditionally, the Management Board is comprised of heads of the Company's key operations), and the number of members of the Management Board may vary); 2) members of the Management Board perform their duties based on the Regulation on the Management Board and they are not remunerated for performing these responsibilities; 3) employment contracts with such persons are signed and terminated by the CEO in compliance with the terms of reference stipulated by the Company's Charter. Moreover, the terms of these contracts are determined in accordance with the current internal documents of the Company.
		2. The board of directors reviewed report(s) of the sole executive body and members of the collective executive body on the implementation of the company strategy.	partially observed	Comment to paragraph 2 of the assessment criteria. The Board of Directors regularly reviews reports on the results of the Company's activities, which also include information on the progress of strategy implementation. These reports are presented by the CEO of the Company. Members of the Company's Management Board do not prepare reporting on strategy issues. The CEO of the Company is the Chairman of the Management Board who represents the entire Management Board. The Company considers that such reporting is the most appropriate. Individual members of the Management Board may be invited to present reports or comment on matters related to the areas that they oversee or other matters in the framework of separate meetings of the Board of Directors, committees of the Board of Directors or strategic sessions that the Company holds annually. The Company does not foresee any risks for the Company or its shareholders implied by the current practice, and does not plan to change the current practice any time soon, as it considers the current practice reasonable and relevant to the Company and its shareholders. The Board of Directors approves the Company's strategy, and the management led by the CEO implements it. The Company believes that the CEO is the person who should present official reports to the Board of Directors.
2.1.2	The board of directors sets main long-term goals, evaluates and approves key performance indicators as well as business objectives, the strategy, and business plans on the key operation areas of the Company.	1. In the reporting period, the board of directors reviewed items related to execution of the company's strategy, approval of its financial plan (budget), in line with the criteria and indicators (including interim) pertaining to the execution of the company's strategy and business plans.	observed	
2.1.3	The board of directors determines principles of and approaches to developing the risk management and internal control system of the company.	1. The board of directors determined principles of and approaches to developing the risk management and internal control system of the company. 2. The board of directors evaluated the risk management and internal control system in the reporting period.	observed partially observed	Comment to paragraph 2 of the assessment criteria. Pursuant to the Regulation on the Audit Committee, monitoring of reliability and effectiveness of the risk management and internal control system's operation, assessment of the Company's internal control procedures effectiveness including proposals on their improvement, analysis and assessment of the risk management and internal control policies implementation, as well as preparation of recommendations for approval of the Company's key risks map, monitoring of effectiveness of the measures aimed at minimising key risks and giving recommendations on amendments to such measures fall within the authority of the Committee. During 2018, the Audit Committee devoted considerable time to assessing the state of the risk management and internal control system and improving it, as well as regularly informing the Board of Directors of the work performed.

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2.1.4	The board of directors determines the company's policy on remuneration and/or reimbursement of costs incurred by its Board members, members of the executive bodies, and other key managers.	1. The company developed and implemented a policy (policies) on remuneration and/or reimbursement of costs incurred by its board members, members of the executive bodies and other key managers. 2. During the reporting period, the board of directors reviewed items related to the indicated policy (policies).	observed not observed	Comment to paragraph 2 of the assessment criteria. During the reporting year, the items related to the indicated policies were not reviewed by the Board of Directors, as it did not find it necessary to change existing policies which they believed to be efficient. The Board of Directors does not consider that the failure to follow this assessment criterion will incur additional risks.
2.1.5	The board of directors plays a key role in prevention, detection, and resolution of internal conflicts between the company's bodies, shareholders, and employees.	1. The board of directors plays a key role in prevention, detection, and resolution of internal conflicts. 2. The company developed a system of identification of transactions related to conflicts of interest, and a system of measures intended to resolve such conflicts.	observed observed	
2.1.6	The board of directors plays a key role in ensuring that the company is transparent, discloses information in full and in due course, and provides its shareholders with unhindered access to its documents.	1. The board of directors approved a regulation on the information policy. 2. The company has appointed persons in charge of the implementation (enforcement) of the information policy.	observed observed	
2.1.7	The board of directors should monitor the company's corporate governance practices and play a key role in its material corporate events.	1. During the reporting period, the board of directors reviewed the corporate governance practices in the company.	observed	
2.2	**The board of directors should be accountable to the company's shareholders.**			
2.2.1	Information about the board of directors' work should be disclosed and provided to the shareholders.	1. The company's annual report for the reporting period contains information regarding the attendance of individual directors at the board of directors and committee meetings. 2. The annual report contains information about key results of the evaluation of the board of directors' performance in the reporting period.	observed observed	
2.2.2	The chairman of the board of directors should be available for communication with shareholders.	1. The company has a transparent procedure allowing its shareholders to send questions to the board of directors' chairman and clarify their position on them.	observed	

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2.3	**The board of directors is an efficient and professional management body of the company, capable of making objective and independent judgements and pass resolutions in the best interests of the company and its shareholders.**			
2.3.1	Only persons with impeccable business and personal reputation should be elected to the board of directors; such persons should also have knowledge, skills, and experience necessary to make decisions that fall within the jurisdiction of the board of directors and to perform all such functions efficiently.	1. The assessment procedure of the board of directors' effectiveness also includes the assessment of the professional qualifications of members of the board of directors. 2. In the reporting period, the board of directors (or its nominations committee) evaluated candidates nominated to the board in terms of their experience, knowledge, business and personal reputation, absence of conflicts of interest etc.	not observed not observed	Comment to paragraph 1 of the assessment criteria. The Company has put a procedure in place to assess the performance of the Board of Directors; however, it does not include an assessment of the professional qualifications of Board members. The Company considers that the actual assessment of the professional qualifications of Board members is carried out by the shareholders when a candidate is nominated for election and when he or she is elected to the Board of Directors. The Company provides its shareholders with detailed biographies of members of the Board of Directors, including their professional experience, which allows the shareholders to elect the candidates of their choice. Comment to paragraph 2 of the assessment criteria. During the reporting period, the Board of Directors did not assess the candidates from the perspective of them having the necessary experience, knowledge, and business reputation. The shareholders nominate and elect candidates to the Board of Directors; the procedure of refusal to accept candidates or refusal to elect candidates to the Board of Directors does not exist in the law with regard to any particular absence of knowledge or skills. With regard to a potential conflict of interest: 1) such conflict is identified at the stage of nomination of candidates due to the fact that the candidates are obliged to provide certain information about themselves including disclosure of the affiliates of the candidate; 2) the possibility of a conflict of interest after a candidate's election to the Board is minimised by the fact that the members of the Board of Directors who are interested parties for the purpose of the Company's transactions do not take part in voting on these transactions because the law provides for the obligation of a Board member to inform the company of his/her being an interested party; 3) in 2018, the Nomination and Remuneration Committee assessed the candidates for election to the Board of Directors against the independent criteria set by the Moscow Exchange Listing Rules. The information on compliance with the independence criteria and absence of a conflict of interest is acknowledged.
2.3.2	Board members should be elected pursuant to a transparent procedure enabling the shareholders to obtain information about respective candidates sufficient for them to get an idea of the candidates' personal and professional qualities.	1. Biographical data on all candidates nominated to the board of directors, the results of the evaluation of such candidates conducted by the board of directors (or its nominations committee), as well as information regarding a candidate's conformity with independence criteria in accordance with recommendations 102–107 of the Code, and the candidates' written consent to be elected to the board, were provided to shareholders in preparation for all meetings where the election of board members was on the agenda.	observed	

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2.3.3	The membership of the board of directors should be balanced, in particular in terms of qualifications, expertise, and the business skills of its members. The board of directors should enjoy the confidence of the shareholders.	1. During the procedure of assessment of the board of directors' performance conducted in the reporting period, the board of directors analysed the conformity of its membership to the needs of the company and its shareholders.	not observed	See the comment to p. 2.3.1
2.3.4	The membership of the company's board of directors should enable the board to organise its activities in the most efficient way possible, in particular, to create committees of the board of directors, as well as enable substantial minority shareholders of the company to put forth a candidate to the board of directors for whom they would vote.	1. During the procedure of assessment of the board of directors' performance conducted in the reporting period, the board of directors analysed the conformity of its membership to the needs of the company and its shareholders.	not observed	Such assessment procedure was not carried out by the Board of Directors. The question of whether or not the number of members of the Board of Directors corresponds to the Company's needs has never been raised, as there have not been any requests from any interested parties to change this number. The Company has no information on the matter of whether or not the number of members of the Board of Directors corresponds to the interests of the Company and its shareholders. The number of Board members is in line with the law, and the Company sees no reason to change it.
2.4	**The board of directors should include a sufficient number of independent directors.**			
2.4.1	An independent director is any person who has the required professional skills and expertise and is sufficiently able to have his/her own position and make objective and fair judgements free from the influence of the company's executive bodies, any individual group of its shareholders or other stakeholders. It should be noted that under the usual circumstances, a candidate (or an elected director) may not be deemed to be independent if he/she is associated with the company, any of its substantial shareholders, material trading partners or competitors, or the government.	1. During the reporting period, all independent board members met all the requirements of recommendations 102–107 of the Code or were deemed independent pursuant to a decision of the board of directors.	observed	
2.4.2	It is recommended to evaluate whether candidates nominated to the board of directors meet the independence criteria as well as to review on a regular basis whether or not independent board members meet the independence criteria. When carrying out such evaluation, substance should take precedence over form.	1. During the reporting period, the board of directors (or its nominations committee) issued an opinion regarding the independence of each candidate nominated to the board and provided the shareholders with an appropriate conclusion.	observed	
		2. At least once in the reporting period, the board of directors (or its nominations committee) evaluated the independence of its current members indicated by the company in the annual report as independent directors.	observed	
		3. The company developed procedures indicating the actions which should be taken by a board member once he/she ceases to be independent, including their obligation to inform the board of directors of these circumstances in a timely manner.	observed	
2.4.3	Independent directors should account for at least one-third of all directors elected to the board of directors.	1. Independent directors should account for at least one-third of all directors elected to the board of directors.	observed	
2.4.4	Independent directors should play a key role in the prevention of internal conflicts in the company and performance by the latter of material corporate actions.	1. Independent directors (with no conflict of interest) should preliminarily review material corporate actions related to a potential conflict of interest, and a document setting out the results of such evaluation should be made available as part of materials to be provided in connection with a board meeting where a respective matter is to be considered.	observed	
2.5	**The chairman of the board of directors should help to carry out the functions imposed thereon in a most efficient manner.**			
2.5.1	An independent director is elected as the chairman of the board of directors, or a senior independent director is appointed from the independent directors who coordinates work of the independent directors and interacts with the chairman of the board of directors.	1. The chairman of the board of directors is an independent director or a senior independent director who is appointed from the independent directors[39].	observed	Comments to paragraph 2 of the assessment criteria:
		2. The role, rights, and responsibilities of the chairman of the board of directors (and, if applicable, of the senior independent director) are clearly determined in the internal documents of the company.	observed	
2.5.2	The chairman of the board of directors should ensure that board meetings are held in a constructive atmosphere, and that any items on the meeting agenda are discussed freely. The chairman should also monitor fulfilment of decisions made by the board of directors.	1. The performance of the board chairman was evaluated within the framework of the board performance assessment procedure in the reporting period.	not observed	The role of the Chairman was not evaluated separately within the framework of the assessment; however, the work of the board as a team and its effectiveness as a whole was.. According to the Law, the Chairman of the Board of Directors organizes the work of the Board of Directors, and, overall, it was found to be effective. This is why we did not see any need to assess the work of the Chairman in 2018.
2.5.3	The chairman of the board of directors should take any necessary measures to provide the board members with information required for making decisions on agenda items in a timely manner.	1. The obligation of the chairman of the board of directors to take any necessary measures to provide the board members with information required for making decisions in a timely manner is stipulated in the company's internal documents.	observed	

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2.6	**Board members must act reasonably and in good faith in the best interests of the company and its shareholders, being sufficiently informed, with due care and diligence.**			
2.6.1	Acting reasonably and in good faith means that board members should make decisions considering all available information, in the absence of a conflict of interest, treating shareholders of the company equally, and assuming normal business risks.	1. The company's internal documents stipulate that if a board member has a conflict of interest, he/she should promptly inform the board of directors (through its chairman or the company's corporate secretary) both of the existence of and grounds for such conflict of interest. In any case, such notification shall be made before the issue is discussed at a meeting of the board of directors or by any of its committees at which such board member is present. 2. According to the company's internal documents, if a board member has a conflict of interest, he/she may not take part in decision-making. He/she should abstain from voting on any issues in which he/she has a conflict of interest. 3. The company should provide for a procedure (and a related budget) enabling board members to receive, at the expense of the company, professional advice on issues relating to the jurisdiction of the board of directors.	partially observed partially observed observed	Comments refer to paragraphs 1–2 of the assessment criteria, as these criteria are interrelated. According to p. 3.3 of the Regulation on the Board of Directors, Board members should provide the Board of Directors, the Revision Commission, and the auditor of the Company with the information specified in Article 82 of the JSC Law, as well as inform the Board of Directors in a timely manner of any changes in the indicated information. At the same time, there is no separate notion that if a board member has a conflict of interest, he/she should abstain from voting on any issues of this nature. There were no cases of voting in the Company when a conflict of interest was present. The absence of such provision in the Company's internal documents is, in our opinion, compensated by the provision of p. 3.3 of the Regulation on the Board of Directors of PJSC Uralkali, which obliges Board members to act reasonably, in good faith, and with appropriate consideration for the Company.
2.6.2	Rights and duties of board members should be clearly stated and documented in the company's internal documents.	1. The company adopted and published an internal document whereby the rights and duties of board members are clearly stated.	observed	
2.6.3	Members of the board of directors should be given sufficient time to perform their duties.	1. Individual attendance at the board and committee meetings and time devoted to preparation for participation in meetings were considered during the procedure of assessment of the board of directors in the reporting period. 2. In accordance with the internal documents of the company, board members should notify the company's board of directors that they intend to take a position in the management bodies of other entities (except for affiliates and entities controlled by the company) and also that they have been elected.	not observed not observed	Comment to paragraph 1 of the assessment criteria. During the procedure of Board assessment, an individual assessment of the Board members' performance, including attendance, was not carried out. Typically, the meetings of the Board of Directors and Board Committees are attended by almost 100% of their members. The Corporate Secretary administers the attendance statistics in a regular manner, which all the members of the Board of Directors are aware of. The Company regularly discloses Board attendance statistics in its Annual Report, that is why the Company considers a formal assessment of attendance to be excessive. The Company does not intend to change its approach to this criterion. Comment to paragraph 2 of the assessment criteria. The Company's internal documents do not require that Board members should notify the Board of Directors of their intention to take a position in management bodies of other entities. Board members shall inform the Board of Directors of the fact of their appointment (election) to the management bodies of other entities in compliance with the law and subclause 3.3 of the Regulation on the Board of Directors. We consider that charging the member of the Board of Directors with the duty to report their intentions is excessive, as: 1) up until the moment such an appointment occurs the information in question may be confidential and the Company should not be aware of it; 2) the appointment may not occur for different reasons.

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2.6.4	All board members should have equal access to the company's documents and information. Newly elected board members should be provided with sufficient information about the company and its board of directors as soon as possible.	1. In accordance with internal documents of the company, board members are given an access to documents and the right to make a request for any information on the company and legal entities controlled by the company. The duty of the company's executive bodies is to provide the board members with such information and documents. 2. The company has a formal induction programme for newly elected board members.	observed observed	
2.7	**Meetings of the board of directors, preparation for meetings, and participation of board members therein should ensure efficient work of the board.**			
2.7.1	Meetings of the board of directors should be held when needed, with due account of the company's scope of activities and its current goals.	1. The Board of Directors held at least six meetings in the reporting period.	observed	
2.7.2	The company's internal documents contain a set of procedures for preparation and arrangement of the board of directors' meetings, enabling its members to prepare for them properly.	1. The company has an internal document regulating the procedure for preparation and holding of board meetings, which also requires that the notification of a meeting shall be made, as a rule, at least five days before the date of the meeting.	observed	Note: The Company's internal documents require that notifications of meetings and materials thereto be provided to Board members at least three business days before the meeting (five calendar days at the most). In exceptional cases, materials may be provided one business day before the meeting.
2.7.3	The form of a meeting of the board of directors should be determined with due account of the importance of issues on the meeting agenda. Most important issues should be decided at meetings held in person.	1. According to the company's charter or internal document, the most important issues (in accordance with the list provided in recommendation 168 of the Code) should be considered and decided at meetings held in person.	partially observed	The Company considers this principle to be generally and substantially observed. As for compliance/non-compliance with the principle, the Company provides information about its partial compliance with the criterion. The Company's internal document, i.e. the Regulation on the Board of Directors, stipulates that the Chairman of the Board of Directors or a person who calls a meeting, has a right to determine the form of the meeting with consideration of the agenda. The key issues of the Company and its affiliate operations are reviewed during the face-to-face meetings of the Board of Directors. It should be noted that correspondence decision of the Board that is made in absentia (by ballot) is frequently a continuation and logical closing of lengthy discussions held during previous meetings during which the committees and members thereof have formed a common opinion. In such situations, the Company is correct to restrict the Board of Directors from choosing the form of the meeting. Moreover, a meeting in absentia (by ballot) does not relieve the Company of its obligation to present exhaustive information on the agenda items to the members of the Board of Directors, nor does it prevent the directors from asking additional questions on a particular item put to vote. The Company does not plan to change the established practice. It considers the current policy of the Board of Directors towards holding meetings to be in the best interest of the Company and its shareholders. It does not imply additional risks.

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2.7.4	The decisions on the most important aspects of the company's operations are adopted in a meeting of the board of directors by qualified majority or majority of all elected members of the board of directors.	1. According to the Charter of the company, the most important issues described in recommendation 170 of the Code should be decided at a meeting of the board of directors by a qualified majority vote, at least three-quarters of the votes or by a majority vote of all elected board members.	not observed	The Company's Charter does not presuppose that the issues listed in the recommendation 170 of the Code shall be decided by a qualified majority vote. According to the law, all members of the Board of Directors should vote unanimously to adopt decisions pertaining to the conclusion of major transactions that fall within the purview of the Board of Directors. Other matters (except interested-party transactions) are decided by a majority vote of board members present at the respective meeting, as required by law. This approach conforms to the law and it seems excessive to establish other quorum requirements for Board meetings. Board meetings are attended by almost 100% of all Board members, and virtually all decisions are adopted by a majority vote of all elected members of the Board of Directors.
2.8	**The board of directors should form committees for preliminary consideration of the most important issues of the company's business.**			
2.8.1	For the purpose of preliminary consideration of any matters of control over the company's financial and business activities, it is recommended to form an audit committee comprised of independent directors.	1. The board of directors established an audit committee comprised exclusively of independent directors. The objectives of the audit committee, including the objectives listed in recommendation 172 of the Code, are determined in the internal documents of the company. 2. At least one member of the audit committee, being an independent director, should have the experience and knowledge in the field of preparation, analysis, assessment, and audit of accounting (financial) statements. 3. Meetings of the audit committee were held at least once in a quarter during the reporting period.	observed observed observed	
2.8.2	For the purpose of preliminary consideration of any matters of developing efficient and transparent remuneration practices, a remuneration committee should be established comprised of independent directors and chaired by an independent director who is not the board of director's chairman.	1. The board of directors established a remuneration committee comprised exclusively of independent directors. 2. The committee is chaired by an independent director who is not the chairman of the board of directors at the same time. 3. The objectives of the remuneration committee, including the objectives listed in recommendation 180 of the Code, are determined in the internal documents of the company.	partially observed observed observed	Comment to paragraph 1 of the assessment criteria. Most members of the Nomination and Remuneration Committee are independent directors which complies with the Moscow Exchange First Listing Level, despite the fact that the Company shares are at the Third Level and the plan is to delist them. For objective reasons, the Company cannot make the Nomination and Remuneration Committee consist exclusively of independent directors. The Chairman of the Board of Directors is not a member of Board Committees and heads only the Company's Board of Directors as a whole. Currently, the Regulations on the Nomination and Remuneration Committee fully complies with the requirements of the Moscow Exchange, which are, however, no longer obligatory for the Company as its shares are in the Third Listing Level.
2.8.3	For the purpose of preliminary consideration of any items related to the human resources planning (plans regarding succession), highly-qualified personnel and efficiency of the board of directors, it is recommended to form a nominating committee (a committee on nominations, appointments, and human resources) with a majority of its members being independent directors.	1. The board of directors formed a nominating committee (or its objectives, indicated in recommendation 186 of the Code, are implemented by a different committee[40]), with a majority of its members being independent directors. 2. The objectives of the nominating committee (or a relevant committee performing its functions), including the objectives indicated in recommendation 186 of the Code, are determined in the internal documents of the company.	observed observed	Combined with the Nomination and Remuneration Committee. See the comment to p. 2.8.2.
2.8.4	Taking into account the company's scope of activities and level of risks, the board of directors should be assured that members of the committees fully comply with goals of the company's business. The company should form other committees or consider them to be unnecessary (a strategy committee, a corporate governance committee, an ethics committee, a risk management committee, a budget committee or a committee on health, safety, and environment, etc.).	1. In the reporting period, the board of directors considered the conformity of the members of its committees to the goals of the company and its board of directors. Additional committees were either established or deemed unnecessary.	observed	
2.8.5	The membership of the committees should be determined in such a way that it would allow a comprehensive discussion of issues being stated on a preliminary basis with due consideration of different opinions.	1. Board committees are chaired by independent directors. 2. According to the regulations of the company's internal documents (policies), persons who are not members of the audit committee, the nominating committee, and the remuneration committee, can attend meetings of the committees mentioned above only at the invitation of their chairpersons.	observed observed	
2.8.6	Chairpersons of the committees should inform the board of directors and its chairperson about the work of the committees on a regular basis.	1. During the reporting period, chairpersons of the committees presented regular reports on their activities to the board of directors.	observed	

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2.9	**The board of directors should make an assessment of the quality of its work and that of its committees and board members.**			
2.9.1	Assessment of quality of the board of directors' performance is aimed at determining operating efficiency level of the board of directors, committees, and members of the board of directors, and whether their work meets the company's development needs, as well as at intensifying their work and identifying areas of improvement.	1. Internal or external assessment of the board of directors' performance in the reporting period should include the assessment of the performance of the board committees, particular members of the board of directors, and the board of directors as a whole. 2. The results of internal or external assessment of the board of directors, performed in the reporting period, should be reviewed at a meeting of the board of directors in presentia.	partially observed observed	The self-assessment did not include an evaluation of individual Board members — at this stage, the Company does not think it is necessary. Most of the Board members have held their positions for several years. The Company's shareholders continue nominating and electing them as candidates to the Board of Directors which proves that the work of the Board satisfies the shareholders.
2.9.2	Assessment of performance of the board of directors, committees, and members of the board of directors is regularly carried out at least once a year. An external organisation (consultant) carries out an independent assessment of the operating quality of the board of directors at least once in three years.	1. An external organisation (consultant) was retained to evaluate the work of the board of directors at least once in the last three reporting periods.	not observed	The Company did not enlist the services of an external consultant. The culture of performance assessment is gradually being developed by the Company. At this stage, retaining an external consultant seems premature.
3.1	**The company's corporate secretary shall be responsible for efficient interaction with its shareholders, coordination of the company's actions designed to protect the rights and interests of its shareholders, and support of efficient work of the board of directors.**			
3.1.1	The corporate secretary possesses the knowledge, experience, and qualifications sufficient to perform the assigned duties, as well as impeccable reputation, and enjoys the trust of the shareholders.	1. The company adopted and disclosed an internal document — regulation on the corporate secretary. 2. The company disclosed on its website and in its annual report information on the corporate secretary which is as detailed as that required to be disclosed in relation to board members and members of the executive bodies of the company.	observed observed	

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3.1.2	The corporate secretary is sufficiently independent from the company's executive bodies and has the necessary powers and resources for achieving the objectives.	1. The board of directors approves the appointment, termination of employment, and additional remuneration of the corporate secretary.	observed	
4.1	**The level of remuneration paid by the company should be sufficient to enable it to attract, motivate, and retain persons with required skills and qualifications. Remuneration due to board members, the executive bodies, and other key managers of the company should be paid in accordance with a remuneration policy approved by the company.**			
4.1.1	The level of remuneration paid by the company to members of the board of directors, executive bodies, and other key managers is sufficient to motivate them to work efficiently enabling the company to attract and retain knowledgeable, skilled, and duly qualified persons. At the same time, the company avoids paying higher remuneration than needed, as well as creating a big unjustified gap between the remuneration for individual persons and the company's employees.	1. The company adopted an internal document (documents) — a remuneration policy (policies) in relation to members of the board of directors, executive bodies, and other key managers whereby the approaches to the remuneration of the specified persons are clearly determined.	observed	
4.1.2	The company's remuneration policy is developed by the remuneration committee and approved by the board of directors of the company. The board of directors, supported by the remuneration committee, follows up on introduction and implementation of the remuneration policy in the company, and, if necessary, revises and amends it.	1. During the reporting period, the remuneration committee reviewed the remuneration policy (policies) and the practice of its (their) implementation and, when it was necessary, provided the board of directors with relevant recommendations.	not observed	The Committee saw no necessity in revising the policy related to the Company's executive bodies and top managers in 2018.
4.1.3	The company's remuneration policy contains transparent mechanisms for defining the size of remuneration for members of the board of directors, executive bodies, and other key managers of the company, as well as regulates all types of benefits paid to indicated persons.	1. The remuneration policy (policies) of the company contains (contain) transparent mechanisms for defining the size of remuneration for members of the board of directors, executive bodies, and other key managers of the company and regulates (regulate) all types of benefits paid to indicated persons.	observed	

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4.1.4	The company determines the policy of reimbursement (compensation) of costs which details the list of costs for reimbursement, and the service level which members of the board of directors, executive bodies, and other key managers of the company may claim for. Such policy may become a part of the company's remuneration policy.	1. The remuneration policy (policies) of the company or other internal documents of the company set forth the rules of reimbursement of expenses of board members, members of executive bodies, and other key managers of the company.	observed	
4.2	**The remuneration system for members of the board of directors ensures that financial interests of directors get closer to the long-term financial interests of the shareholders.**			
4.2.1	The company pays out a fixed annual remuneration to members of the board of directors. The company does not compensate participation in individual meetings of the board of directors or its committees. The company does not apply short-term motivation and additional material motivation tools in relation to members of the board of directors.	1. A fixed annual fee was the only form of monetary remuneration for members of the board of directors for their work during the reporting period.	observed	
4.2.2	Long-term possession of the company's shares contributes the most efficiently to bringing the financial interests of members of the board of directors closer to the long-term interests of the shareholders. At the same time, the company does not restricts the right to sell shares by achievement of certain KPIs, and members of the board of directors do not participate in stock option plans.	1. If an internal document (documents) — remuneration policy (policies) — stipulates provision of the company's shares to members of the board of directors, there shall be set forth and disclosed clear rules regulating the ownership of shares by the members of the board of directors aimed at motivating them to keep possessing such shares on a long-term basis.	does not apply to the Company	The Company's internal document does not stipulate provision of the Company's shares to members of the Board of Directors.. The information about share ownership by the Company's directors is disclosed in the Annual Report.
4.2.3	No additional payouts or compensations are provided in the company in case of early termination of powers of members of the board of directors in connection with change of control of the company or other circumstances.	1. No additional payouts or compensations are provided in the company in case of early termination of powers of members of the board of directors in connection with change of control of the company or other circumstances.	observed	

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4.3	**The system of remuneration for the executive bodies and other key managers of the company should provide that their remuneration is dependent on the company's performance results and their personal contributions to the achievement thereof.**			
4.3.1	Remuneration of members of the executive bodies and other key managers of the company is determined in a way that it ensures reasonable and justified ratio of a fixed and variable parts of remuneration, where variable depends on the company's operating results and personal (individual) contribution of an employee to the final result.	1. During the reporting period, the performance indicators approved by the board of directors were used to determine the size of variable remuneration for members of the executive bodies and other key managers of the company. 2. In the course of the last assessment of the remuneration system for the members of executive bodies and other key managers of the company, the board of directors (remuneration committee) made sure that the company applied an effective ratio of the fixed and variable remuneration parts. 3. There is a procedure in the company which ensures that any bonus payouts wrongfully obtained by members of the executive bodies or other key managers are repaid to the company.	observed not observed not observed	Comments to paragraph 2 of the assessment criteria. The system of remuneration was not reviewed by the Board of Directors (Nomination Committee) in 2018. In the opinion of the Board of Directors, there was no need to revise this system in 2018. Comments to paragraph 3 of the assessment criteria. The Company does not have a formalised procedure for having wrongfully obtained award/bonus funds returned to the Company by members of the executive bodies and key managers. Bonuses are paid based on approved performance charts where the real KPI result is shown making wrongful payments impossible. There were no cases of wrongful payouts in the Company. Should any such error occur in the future, the necessary repayments will be made in compliance with the law.
4.3.2	The company introduced a long-term motivation programme for members of the executive bodies and other key managers of the company involving the company's shares (or options or other derivative financial instruments, the underlying assets for which are the company's shares).	1. The company introduced a long-term motivation programme for members of the executive bodies and other key managers of the company involving the company's shares (or options or other derivative financial instruments, the underlying assets for which are the company's shares). 2. The long-term motivation programme for members of the executive bodies and other key managers of the company provides that the right to sell shares or other financial instruments shall arise no earlier than after three years from the date when such shares were provided. At the same time, the right to sell them is restricted by a condition that the company achieves certain performance indicators.	not observed not observed	Comments to paragraphs 1 and 2 of the assessment criteria. The Company does not observe the specified principle and assessment criteria for observing it. The Company does not have a long-term motivation programme due to financial instability in Russia in general and a number of financial constraints in the Company; we believe that developing a long-term motivation programme is untimely. The current Remuneration Policy for members of the executive bodies and key managers includes payment of salaries and annual bonuses based on the achievement of the objectives specified in the performance charts (which the Company reports of in the Annual Report). The Company does not consider this policy to be a mechanism or a tool to replace a long-term motivation programme. Nor does the Company apply any other corporate governance mechanisms or tools that would replace a long-term motivation programme. The Company does not plan to introduce a long-term motivation programme for members of the executive bodies or key managers in the foreseeable future.

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4.3.3	The amount of compensation (golden parachute), paid by the company in case of early termination of authorities of members of the executive bodies or key managers upon the company's initiative and in case there is no frauds from their side, does not exceed its two-fold fixed annual remuneration.	1. The amount of compensation (golden parachute), paid by the company in case of early termination of authorities of members of the executive bodies or key managers upon the company's initiative and in case there is no frauds from their side, did not exceed its two-fold fixed annual remuneration in the reporting period.	observed	The Company's policies do not provide for payment of "golden parachutes".
5.1	**The company developed an effective risk management and internal control system aimed at providing reasonable confidence that the company goals will be achieved.**			
5.1.1	The board of directors determined principles of and approaches to arrangement of the risk management and internal control system in the company.	1. The functions of various management bodies and subdivisions of the company in the risk management and internal control system are clearly determined in the internal documents/corresponding policy of the company approved by the board of directors.	observed	
5.1.2	The executive bodies of the company ensure development and maintenance of functioning of the effective risk management and internal control system in the company.	1. The executive bodies of the company provided distribution of functions and authority related to the risk management and internal control between subdivision and department managers (heads) that report to the executive bodies.	observed	
5.1.3	The company's risk management and internal control system ensures impartial, fair, and clear understanding of the current state and prospective of the company, integrity and transparency of the company's reporting, and rationality and eligibility of risks accepted by the company.	1. The company has a corruption prevention policy in place. 2. The company developed a procedure for informing the board of directors or the audit committee of violations of the law, internal procedures, and the ethics code of the company.	observed observed	
5.1.4	The board of directors of the company takes necessary measures to ensure that the risk management and internal control system of the company functions effectively and complies with the principles and approaches defined by the board of directors.	1. During the reporting period, the board of directors or its audit committee reviewed the efficiency of the risk management and internal control system of the company. Information on the results of such assessment are included in the annual report of the company.	observed	

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5.2	**To independently evaluate the reliability and efficiency of the risk management and internal control system and corporate governance practices on a regular basis, the company should arrange for internal audits.**			
5.2.1	The company established an individual structural subdivision or engaged an independent external organisation in order to carry out internal audit in the company. Functional and administrative reporting lines of the internal audit subdivision are separated. The internal audit subdivision functionally reports to the board of directors.	1. An individual structural internal audit subdivision functionally reporting to the board of directors or the audit committee was established in the company or an independent external organisation with the same reporting line was engaged to conduct the internal audit.	observed	
5.2.2	The internal audit subdivision carries out assessment of efficiency of the internal control, the risk management, and the corporate governance systems. In the area of internal audit, the company applies common operational standards.	1. During the reporting period, the efficiency of the internal control and the risk management systems was assessed within the framework of internal audit procedures. 2. The company uses generally accepted approaches to internal control and risk management.	observed observed	
6.1	**The company and its activities should be transparent to the shareholders, investors, and other stakeholders.**			
6.1.1	The company developed and implemented an information policy enabling the information exchange between the company and its shareholders, investors, and other stakeholders.	1. The board of directors approved the information policy of the company, developed in compliance with the recommendations of the Code. 2. The board of directors (or one of its committees) reviewed the company's compliance with the information policy at least once in the reporting period.	observed observed	
6.1.2	The company discloses information on the corporate governance system and practices including detailed information on observance of the principles and recommendations of the Code.	1. The company discloses information on the corporate governance system and general principles of the corporate governance applied in the company and its website. 2. The company discloses information regarding the composition of the executive bodies and the board of directors, independence of the board members and their membership in the committees of the board of directors (in compliance with the Code). 3. If there is a person who controls the company, that person sets their plans with respect to the company in a special memorandum which is then disclosed.	observed observed not applicable	Note: the Company does not have a controller. Over 50% of the Company's shares are represented by quasi-treasury shares owned by PJSC Uralkali's affiliated company, which holds 100% of PJSC Uralkali's voting shares. The Company qualifies this affiliated company as a controlling entity approving related-party transactions to comply with the formal legal requirements. However, the affiliated company — JSC "Uralkali-Technologia" does not control PJSC Uralkali. In view of the above, we believe that Criterion 3 does not apply to the Company in 2018.

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6.2	**The company should disclose full, updated, and reliable information about itself on a timely basis so as to enable its shareholders and investors to make informed decisions.**			
6.2.1	The company discloses information in accordance with the principles of regularity, consistency, and timeliness, as well as accessibility, reliability, completeness, and comparability of disclosed data.	1. The information policy of the company determines the approaches and criteria of identifying information, which may substantially affect the standing of the company and the value of its securities and the procedures, which ensure that such information is disclosed in a timely fashion. 2. If the company's securities are traded on international organised markets, material information is disclosed both in the Russian Federation and on such markets simultaneously and equally within the reporting year. 3. If foreign shareholders own a substantial number of the company's shares, the company discloses information not only in Russian, but in one of the most common foreign languages as well.	observed observed observed	
6.2.2	The company avoids formal approach when disclosing information and discloses the information on its operations even if such disclosure is not stipulated by the law.	1. During the reporting period, the company disclosed annual and semi-annual financial statements prepared in compliance with IFRS. Annual reports of the company for reporting years contain annual financial IFRS statements and a relevant audit report. 2. The company discloses full information about the capital structure of the company in the annual report and on the corporate website in compliance with recommendation 290 of the Code.	observed partially observed	Comments to paragraph 2 of the assessment criteria. The Company's disclosure of information on the share capital structure does not fully comply with Recommendation 290 of the Code, but the Company considers that it fully characterises the share capital structure of the Company and does not require any additional details.
6.2.3	The annual report, being one of the most important tools of information exchange with the shareholders and other stakeholders, contains information allowing to evaluate annual performance of the company.	1. The annual report of the company contains information about key aspects of the company's operating activities and its financial results. 2. The annual report of the company contains information about the environmental and social aspects of the company's activities.	observed observed	
6.3	**The company should provide information and documents upon requests of its shareholders in accordance with the principle of equal and unhindered accessibility.**			
6.3.1	Providing the shareholders with information and documents upon their request is performed in compliance with the principle of equal and unhindered access.	1. The company's information policy determines the unhindered procedure of providing the shareholders with an access to information, including information of the legal entities affiliated with the company, upon their request.	observed	
6.3.2	When providing the shareholders with information, the company ensures reasonable balance between individual interests of its shareholders and the company's own interests, as the company is committed to keep the confidentiality of the important commercial information that can significantly affect its competitiveness.	1. During the reporting period, the company did not deny shareholders' requests to provide information or such refusals were justified. 2. In cases, specified in the information policy of the company, shareholders are warned of the confidential nature of the information and undertake to protect its confidentiality.	observed observed	
7.1	**Any actions which can significantly affect the company's share capital structure and its financial position and, accordingly, the position of its shareholders ("significant corporate actions") should be taken on fair terms and conditions ensuring that the rights and interests of the shareholders as well as other stakeholders are observed.**			
7.1.1	Material corporate actions shall be deemed to include reorganisation of the company, acquisition of 30 or more percent of the company's voting shares (takeover), entering by the company into any material transactions, increasing or decreasing the share capital, listing and delisting of shares, as well as other actions, which may result in material changes in the rights of the shareholders or violation of their interests. The company's charter determines the list (criteria) of transactions or other actions that are significant corporate actions, and such actions are attributed to the competence of the board of directors of the company.	1. The company's charter determines the list of transactions or other actions recognised as significant corporate actions, and criteria for their identification. Decisions related to significant corporate actions are attributed to the competence of the board of directors of the company. In cases when the given corporate actions are carried out within the purview of the general shareholders meeting in compliance with the law requirements, the board of directors issues corresponding recommendations to the shareholders. 2. The Charter of the company determines as significant corporate actions at least the following: reorganisation of the company, acquisition of 30% and more of voting shares (takeover), major transactions, increase or reduction of the company share capital, listing or delisting of the company's shares.	not observed not observed	Comments to paragraphs 1 and 2 of the assessment criteria. The Company believes that the outlined principle is partially observed. At the same time, the Company does not observe the indicated criteria, as the Charter of the Company does not specify the list of significant corporate actions. The Charter of the Company does not provide a list of material corporate actions and transactions. In addition: • Decisions on the Company's reorganization are in the purview of the General Shareholders Meeting, nonetheless, such decisions can only be made by the General Meeting upon the proposal of the Board of Directors (cl. 3 art. 49 of the JSC Law)[1]; • Decisions to purchase the Company's outstanding shares are attributed to the jurisdiction of the Board of Directors (sub-cl. 8, cl. 1, art. 65 of JSC Law) regardless of the size of the purchased block; • The matters of authorisation of transactions or recognition of certain major transactions and related-party transactions falls within the terms of reference of the Board of Directors (sub-cl. 15–16, cl. 1, art. 65 of JSC Law). In any other case such decisions shall be made by the General Shareholders Meeting; • Decisions on listing are within the purview of the Board of Directors (sub-cl. 17.2 cl. 1 art. 65 of JSC Law). As for delisting, such decisions are within the jurisdiction of the General Shareholders Meeting, although they may only be made upon a proposal of the Board of Directors of the Company (sub-cl. 19.2, cl. 1, art. 48 of JSC Law). The Company considers that regardless of whether or not the specified transactions are attributed to the list of significant corporate transactions by the Charter of the Company, they certainly are such transactions. Moreover, the Regulation on the Audit Committee provided for a special procedure for items related to strategic transactions, the criteria of which are described in the Regulation. Additionally, the Company's Charter attributes the review of programs to purchase the Company's shares and GDRs to the jurisdiction of the Board of Directors. At the same time, the Company approves such transactions regardless of whether or not the acquisition is carried out by the Company or its affiliates.

[1] Federal Law on Joint-Stock Companies

NO.	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA FOR ASSESSMENT OF THE PRINCIPLES OBSERVANCE	STATUS OF COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	EXPLANATION FOR DEVIATION FROM COMPLIANCE/NON-COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE
				The Company believes that additional regulation of significant corporate transactions would be excessive. The Company also believes that there is no need to lower the transaction threshold or attribute the transactions valued below 25% of the book value of the assets in terms of size and below RUB 500 million in terms of interest to the terms of reference of the Board of Directors of the Company. The established practice used to approve transactions and significant corporate actions shows that the Company approves significant corporate actions with utmost responsibility and enters into transactions in compliance with the existing law and the best corporate governance standards. The Company believes that such an approach does not imply any additional risks for the Company. PJSC Uralkali does not have plans to change the established practice nor approve significant corporate actions, as it will continue to observe the law, handling each serious action with consideration of the relevant circumstances, to make the corresponding decisions and to ensure appropriate disclosure.
7.1.2	The board of directors plays a key role in approving decisions or giving recommendations related to significant corporate activities; the board of directors rely upon opinion of the company's independent directors.	The company has a procedure according to which independent directors state their position regarding significant corporate activities before their approval.	observed	
7.1.3	When taking any significant corporate actions which would affect the rights or legitimate interests of the company's shareholders, equal terms and conditions should be ensured for all of the shareholders; if statutory mechanisms designed to protect the shareholder rights prove to be insufficient for that purpose, additional measures should be taken with a view to protecting the rights and legitimate interests of the company's shareholders. In such instances, the company should not only seek to comply with the formal requirements of the law but should also be guided by the principles of corporate governance set out in this Code.	1. The criteria considering the categorisation of the company's transactions as significant corporate actions, listed in the charter of the company, are lower than those specified by the law. 2. During the reporting period, all significant corporate actions were subject to approval prior to their execution.	partially observed observed	The Company believes that the specified principle is generally observed. Comments to paragraph 1 of the assessment criteria. The Charter of the Company does not provide for less than that stipulated by the law, and employs the criteria of attributing the transactions to such significant corporate actions as: 1) most of the significant corporate actions provided by the Code of Corporate Governance have already been attributed to the jurisdiction of the Board of Directors by JSC Law and, as the Company believes, are deemed to be material by default, regardless of whether or not the Company's Charter provides for it; 2) the Regulation on the Audit Committee provides for a special procedure of strategic transactions review, which proves that the Company's attitude towards approval of the transactions is not formulaic but meaningful (even those, which in certain cases do not fall under the jurisdiction of the Board of Directors stipulated by the Company's Charter); 3) the regulation stipulated by the law for performing such corporate transactions is believed to be sufficient for the Company (more detailed explanations are provided in the above cl. 7.1.1 of the report). Comments for paragraph 2 of the assessment criteria. A list of significant corporate actions is not defined in the Company's Charter. However, in 2018, the Company performed a number of significant corporate actions, in particular: it approved large transactions and issued preferred shares. All these transactions were approved in accordance with the established procedure. The Company believes that the indicated approach does not imply risks for the shareholders and it does not have plans to change the established practice in the foreseeable future as it considers that equal rights are ensured for all of the Company's shareholders, while the mechanisms of protection of the rights and interests of the shareholders stipulated by the law are sufficient.

NO.	PRINCIPLES OF CORPORATE GOVERNANCE	CRITERIA FOR ASSESSMENT OF THE PRINCIPLES OBSERVANCE	STATUS OF COMPLIANCE WITH THE PRINCIPLE OF CORPORATE GOVERNANCE	EXPLANATION FOR DEVIATION FROM COMPLIANCE/NON-COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE
7.2	**The company should have in place such a procedure for taking any significant corporate actions that would enable its shareholders to receive full information about such actions in due course and thus be in a position to influence them, which would also guarantee that the shareholders' rights are observed and duly protected in the event such actions are brought.**			
7.2.1	Disclosure of information on performing significant corporate actions is accompanied with explanation of the causes, conditions, and consequences of performing such actions.	1. During the reporting period, the company disclosed information (in detail) about significant corporate actions in a timely manner, including the reasons for, conditions, and consequences of such actions.	observed	
7.2.2	Rules and procedures related to the significant corporate actions performed by the company are reflected in the company's internal documents.	1. The internal documents of the company provide for a procedure of engaging an independent appraiser to determine the value of the property subject to alienation or acquisition under a major transaction or a related party transaction. 2. The internal documents of the company provide for a procedure of engaging an independent appraiser in order to determine the value of shares purchased or bought back by the company. 3. The internal documents of the company provide an extended list of reasons to deem members of the board of directors and other persons specified by the law to be interested parties in the transactions of the company.	not observed not observed observed	Comments to paragraphs 1 and 2 of the assessment criteria. The internal documents of the Company do not provide for an independent appraiser involvement procedure; the Company retains an appraiser in cases specified by the law and also, if necessary, in cases when the Company is taking significant corporate actions in line with the high standards of corporate governance adopted in the Company. The Company's internal documents do not provide for an expanded list of reasons for interest. We believe there are enough reasons for interest stipulated by the law to ensure fair voting on related party transactions. The Company finds no other risks related to absence of additional grounds for interest in the Company's internal documents both for itself and its shareholders.

MINERAL RESOURCES REVIEW

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Our Ref: U30237 Uralkali JORC Report Dec 2018_Final 210119.docx

The Board of Directors
Public Joint Stock Company Uralkali
63 Pyatiletki Street
Berezniki
618426
Perm Territory
Russian Federation

21 January 2019

Dear Sirs,

RE: Review of the Mineral Resources and Ore Reserves of Public 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 2019) reported Mineral Resource and Ore Reserve statements for the mining assets of Public 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 2019. SRK has restricted its assessment to the Mineral Resources and Ore Reserves at Berezniki-2, Berezniki-4, Ust-Yayvinsky, Solikamsk-1, Solikamsk-2, Solikamsk-3 and Polovodovsky.

Table 1-1 below summarises the current licence status for each of the assets noted above.

TABLE 1 1: URALKALI LICENCE SUMMARY

ASSET/DEPOSIT	REGISTRATION NO.	EXPIRY DATE	LICENCE TYPE	AREA (KM^2)
Berezniki-2	2546	31st December 2024	Mining[2]	67.25
Berezniki-4	2545	1st January 2043	Mining[1]	185.5
Ust-Yayvinsky	2543	15th April 2024	Exploration and Mining[3]	83.6
Solikamsk-1	2547	1st January 2047	Mining[1]	44.47
Solikamsk-2	2548	31st December 2026	Mining[2]	50.38
Solikamsk-3	2549	1st January 2055	Mining[2]	110.01
Polovodovsky	2551	31st December 2054	Exploration and Mining[1]	381.01
Romanov	2550	25th July 2039	Exploration and Mining[1]	58.07
Solikamsk-1	2541	6th April 2035	Exploration and Mining[4]	8.58
Izversky (Berezniki-4 extension)	2682	2nd November 2022	Exploration	49.11

[1] Potassium salts, magnesium salts and rock salt
[2] Potassium salts and rock salt
[3] Potassium and magnesium salt
[4] Magnesium salt

Uralkali acquired an exploration licence during 2014, termed Romanov (#2550), which covers an area to the south of the current Berezniki operations. SRK understands this licence area was explored historically and is currently estimated to have resources classified in the Russian P1 and P2 categories. SRK understands that Uralkali has plans in place to undertake further exploration drilling on this licence and to then re-estimate the resources based on this drilling with a view to increasing the confidence in the assigned classification. SRK considers there to be insufficient data currently available to report these P1 and P2 resources as Mineral Resources as defined by the JORC Code in this case and therefore this licence is not discussed any further in this report.

In addition to this, during 2017 Uralkali acquired a further exploration licence termed Izversky (#2682) which is immediately adjacent to the eastern portion of the current Berezenki-4 mine. SRK understands this has the potential to increase the Mineral Resources and therefore extend the Berezniki-4 operations to the east, however, there are currently no estimated resources on this licence. SRK understands that Uralkali has plans in place to undertake further exploration drilling on this licence and to then estimate the resources based on this drilling. There is therefore insufficient data currently available to report Mineral Resources as defined by the JORC Code and therefore this licence is not discussed any further in this report.

While not reflected in the current licences held by Uralkali, SRK understands that Uralkali is considering applying for an extension of its licence for Solikamsk-2 (#2548) to the west to encompass an additional area which would have the potential to increase the Mineral Resource associated with this licence (albeit that this would be done under a separate license). This became allowed following the adoption of the Decree of the Government of the Russian Federation No. 429 dated 3 May 2012, which means that it is now possible to increase the boundaries of subsoil plots granted for geological exploration and/or detailed prospecting and production of minerals in any spatial direction. This can be done repeatedly throughout the term of the mineral licence but applies only to the same mineral(s) as specified on the existing licence and, notably the amount of additional resource encompassed by the increase in area may not exceed 20% of the resources of the initial licence and as entered into the state balance. SRK understands that Uralkali is evaluating this further before applying for a licence extension. While the area under consideration was drilled previously in the Soviet era, and while this confirmed the presence of mineralisation, assuming this licence extension is applied for and granted, then further exploration and drilling will be required to determine the quantity and quality mineralisation present to the level of confidence that could then be potentially reported as a Mineral Resource.

SRK has been provided with copies of the licences above and has confirmed that the Mineral Resources and Ore Reserves stated in this report fall within the boundaries of such licences. SRK notes that all licences have been re-issued and amended between 2015 and 2017 and the expiry dates extended to the dates shown above. SRK notes that for the licence for mining of carnallite ore (#2541) which relates to an area adjacent to Solikamsk-1 and the extreme western portion of Soliamsk-3, Uralkali has indicated that this material is being accessed for mining of carnallite from the existing infrastructure of Solikamsk-1 and therefore SRK has reported this material alongside the sylvinite estimates given for this mine.

The licenses for some 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 and the resource and reserve estimates given here reflect this assumption.

2. QUANTITY AND QUALITY OF DATA

2.1. Introduction

The descriptions of data quantity and quality given in Section 2.2 below relate to the original Uralkali sites before the merger with JSC Silvinit; namely Berezniki-2, Berezniki-4 and Ust-Yayvinsky while those in Section 2.3 relate to the former JSC Silivinit sites; namely Solikamsk-1, Solikamsk-2, Solikamsk-3 and Polovodovsky.

2.2. Original Uralkali Operations

The resource and reserve estimates derived by Uralkali for the original Uralkali sites 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 of the three categories. All of these categories, apart from C2, are acceptable for use in supporting mining plans and feasibility studies. In the case of the Uralkali assets, blocks have been assigned to the A category where the drillhole spacing is less than 1 km, to the B category where the drillhole spacing is between 1 and 2 km and to the C1 category where the drillhole spacing is 2 km. Areas drilled at a larger spacing than this, up to a 4 km spacing, have historically been assigned to the C2 category, although it is noted that as at 1 January 2019, there are no C2 resources reported for these assets.

As a result of the above process, each mine is typically drilled on a 2 km by 2 km grid or less before a decision is taken to develop the mine. This information is, however, then supplemented by underground drilling once the access development is in place. This typically creates a grid of intersections measuring 400 m by 200 m. While Uralkali does not regularly upgrade the categorisation of its resources based on this drilling, which it rather uses to optimise the mining layouts, it does periodically undertake a re-estimation calculation on specific areas and will take into account the available data from this underground drilling in doing this where relevant. The most recent update of the estimation for Berezniki-4 for example was undertaken in 2006.

The drillholes, whether drilled from surface or underground, are sampled at intervals of at least 16 cm and the samples are crushed and milled under the control of the geology department to produce an approximate 100 g sample prior to submission to the laboratory.

Assaying is carried out at an in-house laboratory. Approximately 5–6% of samples are repeat assayed internally while a similar percentage are sent to an independent third party external laboratory located in Berezniki (JSC Persil) for check assaying. All assaying is by classical wet chemistry techniques.

2.3. Former Silvinit Operations

These deposits were discovered in 1925 and each has been subjected to a number of exploration and drilling campaigns as follows:

- Solikamsk-1 — 7 phases between 1925 and 1990 (including exploration outside the current mining lease);
- Solikamsk-2 — 7 phases between 1925 and 2002 (including exploration outside the current mining lease); and
- Solikamsk-3 — 7 phases between 1957 and 1975.

The resource and reserve estimates are therefore primarily based on exploration drilling undertaken between 1925 and 2002. There is no exploration drilling currently being undertaken from surface at the operating mines, however, exploration drilling has recently been undertaken at the Polovodovsky prospect and the resource estimate for this asset has been updated following two phases of work during 2013 and 2014 respectively and this updated estimate has superseded 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 12,650 m between 2009 and 2012.

The diamond drillholes, whether drilled from surface or underground, were drilled with a diameter of either 92 mm or 112 mm for surface holes and 50–76 mm for underground holes. Holes were sampled at intervals between 10 cm and 6 m, averaging between 105 cm to 130 cm. Core recovery through the sylvinite horizons is reported to be good at an average of 84–85%, while the recovery through the carnallite horizon at Solikamsk-1 is reported to be 74%.

Core is split in half with one half retained for reference and the other half crushed, milled and split under the control of the geology department to produce a small sample (100 g) for submission to the laboratory for assay.

Assaying is carried out at an in house laboratory using classical wet chemistry techniques. Approximately 5–6% of samples are repeat assayed internally while a similar percentage are sent to an independent third party external laboratory located in Berezniki (JSC Persil) for check assaying, which SRK understands to be at the neighbouring Uralkali mine laboratory.

A total of 423 samples have to date been taken for density measurements using the water displacement method.

In the case of these former Silvinit mines, blocks have been assigned to the A category where the drillhole spacing is less than 1,200 m, to the B category where the drillhole spacing is between 1,200 m and 2,400 m and to the C1 category where the drillhole spacing is 2,400 m. Areas drilled at a larger spacing than this, but on average with a spacing of up to 4,000 m have been assigned to the C2 category. Each mine is drilled on an approximate 2.4 km by 2.4 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 from 100 m by 300 m 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 available.

3. RESOURCE ESTIMATION

3.1. Introduction

The most up to date resource statements produced by Uralkali are those derived for the annual 5GR reports which give the status as of 1 January each year. The completion of 5GR reports is a statutory requirement.

These estimates are produced using standard classical Russian techniques and are essentially based on calculations made in previous years and adjusted for mining during the prior year. Given that the estimates reported herein are being produced before the end of 2018 and before the formal submission of 5GR reports by Uralkali, SRK notes that for the purposes of these estimates the depletion for mining is based on actual production data for January to October 2018 inclusive and forecast data for November to December. This section comments primarily on these statements.

The first resource estimates undertaken and approved for each of the former Silvinit operations were as follows:

- Solikamsk-1 and 2 — 1952;
- Solikamsk-3 — 1962; and
- Polovodovsky — 1975.

The resource estimates at each of the active mines have undergone various updates since this time, the most recent of which was in 2006. These estimates were approved by the State Committee for Reserves and take into account all surface and underground drilling data available at that time. As noted above, additional exploration drilling has recently been undertaken at Polovodovsky, and the original estimate produced in 1975 has been updated during 2013 and 2014.

3.2. Estimation Methodology

Each seam and each mine is treated separately in the resource estimation procedure. In each case the horizons are first divided into blocks such that each sub-divided block has reasonably consistent borehole spacing within it; that is more intensely drilled areas are subdivided from less intensely drilled areas. Each resulting "resource block" is then evaluated separately using the borehole intersections falling within that block only.

Specifically, composited 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 3-1 below summarises SRK's understanding of the sylvinite resource statements prepared by Uralkali to reflect the status of its assets as of 1 January 2019. Uralkali's statements are based on a minimum seam thickness of 2 m 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 3-2 below summarises SRK's understanding of the carnallite resource statement prepared by Uralkali to reflect the status of its assets as of 1 January 2019. Uralkali's carnallite statements (Solikamsk-1 only) are based on a minimum seam thickness of 2 m and a minimum block grade of 7.2% MgO.

TABLE 3-1: URALKALI SYLVINITE MINERAL RESOURCE STATEMENT AT 1 JANUARY 2019

MINE	CATEGORY	TONNAGE (Mt)	K_2O (%)	K_2O (Mt)
Berezniki-2	A	7.7	33.7	2.6
	B	38.2	22.5	8.6
	C1	113.7	24.8	28.1
	A+B+C1	**159.6**	**24.7**	**39.4**
	C2	-	-	-
Berezniki-4	A	193.0	21.8	42.1
	B	375.3	22.4	83.9
	C1	1,193.3	21.8	260.2
	A+B+C1	**1,761.6**	**21.9**	**386.2**
	C2	-	-	-
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	74.7	18.1	13.6
	B	9.0	16.6	1.5
	C1	137.7	17.0	23.3
	A+B+C1	**221.4**	**17.3**	**38.4**
	C2	-	-	-
Solikamsk-2	A	14.2	19.8	2.8
	B	68.8	13.8	9.5
	C1	710.0	17.5	124.6
	A+B+C1	**793.0**	**17.3**	**136.9**
	C2	-	-	-
Solikamsk-3	A	90.3	17.7	16.0
	B	185.5	16.8	31.3
	C1	948.2	17.1	162.4
	A+B+C1	**1,224.0**	**17.1**	**209.7**
	C2	-	-	-
Polovodovsky	A	-	-	-
	B	312.8	17.1	53.6
	C1	1,261.9	16.6	209.8
	A+B+C1	**1,574.7**	**16.7**	**263.3**
	C2	-	-	-
Total for all mines	A	549.8	19.9	109.4
	B	1,300.7	19.2	250.1
	C1	5,174.4	18.7	968.8
	A+B+C1	**7,024.9**	**18.9**	**1,328.2**
	C2	-	-	-

TABLE 3-2: URALKALI CARNALLITE MINERAL RESOURCE STATEMENT AT 1 JANUARY 2019

MINE	CATEGORY	TONNAGE (Mt)	MgO (%)	MgO (Mt)
Solikamsk-1	**A**	104.3	10.0	10.5
	B	18.4	8.8	1.6
	C1	53.5	8.0	4.3
	A+B+C1	**176.2**	**9.3**	**16.4**
	C2	-	-	-

SRK notes that while Mineral Resources for carnallite are only shown in this report at Solikamsk-1, as this is the only operation that is currently mining and processing such and where there is a plan to mine this in the future as is reflected in the Business Plan, there is carnallite present at other Uralkali sites, in particular at Ust-Yayvinsky. This has been estimated by Urakali and been assigned generally to the B and C1 classification categories, however, as there is no plan currently to exploit this material at present then this mineralisation has been excluded from this report.

3.4. SRK Audited Mineral Resource Statements

Table 3-3 and Table 3-4 below present SRK's audited Mineral Resource statements for sylvinite and carnallite respectively. SRK has re-classified the resource estimates using the terminology and guidelines proposed in the JORC Code. In doing this, SRK has reported those blocks classified as A or B by Uralkali as Measured, those blocks classified as C1 as Indicated and those blocks classed as C2 as Inferred. SRK's audited Mineral Resource statements are reported inclusive of those Mineral Resources converted to Ore Reserves. The audited Ore Reserve is therefore a sub set of the Mineral Resource and should not be considered as additional to this.

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

TABLE 3-3: SRK AUDITED SYLVINITE MINERAL RESOURCE STATEMENT AT 1 JANUARY 2019

CATEGORY	TONNAGE (Mt)	K_2O (%)	K_2O (Mt)
Berezniki-2			
Measured	45.9	24.4	11.2
Indicated	113.7	24.8	28.1
Measured + Indicated	**159.6**	**24.7**	**39.4**
Inferred	-	-	-
Berezniki-4			
Measured	568.3	22.2	126.0
Indicated	1,193.3	21.8	260.2
Measured + Indicated	**1,761.6**	**21.9**	**386.2**
Inferred	-	-	-
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	83.7	18.0	15.1
Indicated	137.7	17.0	23.3
Measured + Indicated	**221.4**	**17.3**	**38.4**
Inferred	-	-	-
Solikamsk-2			
Measured	68.8	13.8	9.51
Indicated	705.1	17.5	123.59
Measured + Indicated	**773.9**	**17.2**	**133.10**
Inferred	-	-	-
Solikamsk-3			
Measured	275.8	17.1	47.3
Indicated	948.2	17.1	162.4
Measured + Indicated	**1,224.0**	**17.1**	**209.7**
Inferred	-	-	-
Polovodovsky			
Measured	312.8	17.1	53.56
Indicated	1,261.9	16.6	209.79
Measured + Indicated	**1,574.7**	**16.7**	**263.34**
Inferred	-	-	-
Total for all mines			
Measured	1,836.2	19.4	356.6
Indicated	5,169.5	18.7	967.8
Measured + Indicated	**7,005.7**	**18.9**	**1,324.4**
Inferred	-	-	-

TABLE 3-4: SRK AUDITED CARNALLITE MINERAL RESOURCE STATEMENT AT 1 JANUARY 2019

CATEGORY	TONNAGE (Mt)	MgO (%)	MgO (Mt)
Solikamsk-1			
Measured	122.7	9.8	12.1
Indicated	53.5	8.0	4.3
Measured + Indicated	**176.2**	**9.3**	**16.4**
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 2019.

The audited Mineral Resource statement as at 1 January 2019 presented above is different to that presented as at 1 January 2016, as last reviewed and reported by SRK, largely as a function of mining depletion during 2016, 2017 and 2018 and also some re-assessments completed over the three-year period (2016 to 2018) by Uralkali.

The two most material changes to the Mineral Resource statement, excluding mining depletion, are as follows:

- During 2016, Uralkali undertook a re-estimation of blocks classified in the C2 category (Inferred according to JORC Classification) in the eastern portion of Berezniki-4 and also reclassified these as the C1 category (Indicated according to JORC Classification). A total of 310.3 Mt was removed from the C2 category with 225.8 Mt added to the C1 category. The re-estimation was undertaken incorporating the results of 10 additional drillholes that had been drilled over this area since the original estimate. As a result of the new information obtained, revised block boundaries were demarcated which reduced the overall tonnage largely due to two holes with low grade intersections and the block areas were correspondingly reduced to take this into account.
- During 2018, Uralkali undertook a number of resource block re-evaluations at Solikamsk-2 and made a series of re-assessments and write-offs for parts of blocks. Notably, Uralkali intends on temporarily suspending production from the existing shaft infrastructure at Solikamsk-2 during 2019 and as such has undertaken a review of the remaining Mineral Resources that will be able to be accessed and mined prior to this and has made adjustments to the Mineral Resources accordingly. Overall a total of 148.0 Mt has been removed from the resource estimate as a result of these re-evaluations. This is spread across resource categories with 32.1 Mt removed from the A category blocks, 6.8 Mt from the B category blocks and 109.1 Mt from the C1 category blocks.

There is also a difference of some 19.1 Mt between the Uralkali and SRK Audited Sylvinite Mineral Resource Statements. The reason being that the SRK Audited Statement does not include certain resources Uralkali plans to write off during 2019 at Solikamsk-2, which, as noted above, relate to the planned temporary suspension of production at the existing mine during 2019. Uralkali has provided an approximation of the block tonnages and grades that will be written off and these have been removed from the SRK Audited Mineral Resource Statement as at 1 January 2019. Notwithstanding these adjustments, it is noted that there are significant Mineral Resources remaining at Solikamsk-2 which will be accessed from new shafts which are currently under construction in the southern part of the licence area and this is discussed further below.

4. ORE RESERVE ESTIMATION

4.1. Introduction

Uralkali does not report reserves as these are typically defined by reporting guidelines and terminology developed in Europe, North America and Australia; that is, estimates of the tonnage and grade of total material that is planned to be delivered to the various processing plants over the life of the mine. SRK has therefore derived estimates of such using historical information supplied by Uralkali and gained during its site visits regarding the mining losses and dilution experienced during mining to date. SRK has also restricted the resulting estimates to those areas planned to be mined by Uralkali in its Business Plan during the next 20 years from 2019 to 2038 inclusive. The Business Plan assumes that Uralkali will successfully re-negotiate some its licences as required over this period 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 carnallite being mined at each of the assets are shown below in Table 4-1 below. **The Tonnage Conversion Factor** takes into account both the percentage of material expected to be left behind in pillars and the amount of dilution expected to be 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 expected 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 11–13 years that SRK has reviewed to derive the 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 11–13 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 4-1: SRK MODIFYING FACTORS

DESCRIPTION	TONNAGE CONVERSION FACTOR (%)	GRADE CONVERSION FACTOR (%)
Solikamsk-1 (sylvinite)	41%	92%
Solikamsk-1 (carnallite)	29%	97%
Solikamsk-2	44%	88%
Solikamsk-3	48%	88%
Berezniki-2	35%	79%
Berezniki-4	44%	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 2018 and a production forecast for 2019 to 2038 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 second 10 years of the Business Plan, as a Probable Ore Reserve.

SRK's Ore Reserve statement does not include any material from Polovodovsky as further work and assessment of this is required to enable the reporting of Ore Reserves in accordance with the JORC Code. However, it does include an Ore Reserve for Ust-Yayvinsky which is currently under construction. At Ust-Yayvinsky, the work has been completed to an advanced stage, detailed project documentation has been completed and the necessary permits are in place. Furthermore, work on shaft construction has commenced and is in progress. SRK has derived Ore Reserve estimates for Ust-Yayvinsky using information obtained from Uralkali but also taking cognisance of the historical information regarding the mining losses and dilution experienced during mining to date at Uralkali's existing operations.

SRK can confirm that the Ore Reserve Statements presented in Table 4-2 and Table 4-3 below, for sylvinite and carnallite respectively, have been derived from the resource blocks provided to SRK and incorporate sufficient estimates for ore losses and dilution based on actual historical data. The break-even price required to support this statement over the period of the business plan is between USD 80–110/tonne product produced, in January 2019 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, G&A operating costs and corporation tax).

TABLE 4-2: SRK AUDITED SYLVINITE ORE RESERVE STATEMENT AT 1 JANUARY 2019

CATEGORY	TONNAGE (Mt)	K_2O (%)	K_2O (Mt)
Berezniki-2			
Proven	16.1	19.3	**3.1**
Probable	39.8	19.6	**7.8**
Total	**55.9**	**19.5**	**10.9**
Berezniki-4			
Proven	166.5	18.8	**31.4**
Probable	195.3	18.7	**36.4**
Total	**361.8**	**18.7**	**67.8**
Ust-Yayvinsky			
Proven	60.1	16.6	**10.0**
Probable	110.1	16.7	**18.4**
Total	**170.2**	**16.7**	**28.4**
Solikamsk-1			
Proven	34.3	16.5	**5.7**
Probable	56.4	15.6	**8.8**
Total	**90.8**	**16.0**	**14.5**
Solikamsk-2			
Proven	30.3	11.9	3.6
Probable	125.9	15.1	19.0
Total	**156.1**	**14.5**	**22.6**
Solikamsk-3			
Proven	132.4	15.1	20.0
Probable	156.6	15.1	23.6
Total	**289.0**	**15.1**	**43.6**
Polovodovsky			
Proven	-	-	-
Probable	-	-	-
Total	**-**	**-**	**-**
Total for all mines			
Proven	439.7	16.8	73.7
Probable	684.1	16.7	114.0
Total	**1,123.7**	**16.7**	**187.7**

TABLE 4-3: SRK AUDITED CARNALLITE ORE RESERVE STATEMENT AT 1 JANUARY 2019

CATEGORY	TONNAGE (Mt)	MgO (%)	MgO (Mt)
Solikamsk-1			
Proven	**13.1**	**9.6**	**1.3**
Probable	**-**	**-**	**–**
Total	**13.1**	**9.6**	**1.3**

SRK can also confirm that no Inferred Mineral Resources have been converted to Ore Reserves and notes that the Mineral Resource statements reported above are inclusive of, and therefore include those Mineral Resources used to generate the Ore Reserves.

The large difference between SRK's audited Mineral Resource statement and its audited Ore Reserve statement is partly a function of the relatively low mining recovery inherent in the room and pillar mining method employed and partly a function of the fact that SRK has limited the Ore Reserve statement to that portion of the Mineral Resource on which an appropriate level of technical work has been completed. In this case, this relates to the period covered by the next 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 currently assumed 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-2: 18 years;
- Solikamsk-3: 20 years.

4.4. SRK Comments

While the overall audited total Ore Reserve statement as at 1 January 2019 presented above of 1,123.7 Mt with an average grade of 16.8% K_2O has a similar total tonnage to that presented as at 1 January 2016 of 1,102.1 Mt with an average grade of 17.1% K_2O (the previous time SRK produced an audited Ore Reserve Statement for the Uralkali Mineral Assets), individual differences at each individual mine are as a result of mining between 2016 and 2018, the extension of, and revisions to, the forecast mined tonnages in the Uralkali 20-year Business Plan from 2019 to 2038 and the revisions to the Mineral Resource statements commented upon earlier in this report.

In summary, the following key changes are noted between the 1 January 2016 and 1 January 2019 Ore Reserve statements:

- **Berezniki-2:** The total Ore Reserve as at 1 January 2019 of 55.9 Mt with an average grade of 19.5% K_2O compares to 81.7 Mt with an average grade of 20.5% K_2O as at 1 January 2016. The reduction in the Ore Reserve tonnage in the current statement is primarily a function of mining depletion between 2016 and 2018 while the grade reduction is function of a lower 'Grade Conversion Factor' being applied which reflects the lower conversion achieved over the last 3 years based on analysis of actual mining and plant data. Based on the Uralkali Business Plan projections and the remaining Ore Reserve, this mine is forecast to be fully depleted by 2026.
- **Berezniki-4:** The total Ore Reserve as at 1 January 2019 of 361.8 Mt with an average grade of 19.2% K2O compares to 325.1 Mt with an average grade of 19.5% K2O as at 1 January 2016. Despite mining depletion between 2016 and 2018, the Ore Reserve tonnage reported as at 1 January 2019 has increased as a function of the latest Uralkali Business Plan projections which are forecasting higher annual mined tonnages than previous projections of the 20-year Business Plan period. The forecast projections now assume that this mine will operate at near capacity of some 19.8 Mt of ore mined per annum for most of the 20-year Business Plan period (compared to up to 18.9 Mt in previous Business Plans) and Uralkali has budgeted investments in additional mining equipment in order to achieve this. Notwithstanding the increase to higher mine output in the current 20-year Business Plan, SRK considers the forecast mined tonnages achievable and as noted above, even allowing for this, Berezniki-4 still has potential to continue mining for some 21 years beyond the current 20-year Business Plan at the forecast production rate.
- **Ust-Yayvinsky:** The total Ore Reserve as at 1 January 2019 of 170.2 Mt with an average grade of 16.7% K_2O compares to 163.8 Mt with an average grade of 16.7% K_2O as at 1 January 2016. The slight increase in the Ore Reserve tonnage is a function of the latest Uralkali Business Plan. The Ust-Yayvinsky Project is under construction and work is ongoing on the surface facilities and conveyor to Berezniki-3 (and Berezniki-3 expansion). SRK has reviewed the current status of the Ust-Yayvinsky Project and the further work required to complete this and considers the forecast remaining construction schedule and mined tonnages assumed by the Uralkali Business Plan to be reasonable.
- **Solikamsk-1:** The total Ore Reserve as at 1 January 2019 of 90.8 Mt with an average grade of 15.8% K_2O compares to 91.9 Mt with an average grade of 16.1% K_2O as at 1 January 2016. The Ore Reserve tonnages between statements are similar despite mining depletion between 2016 and 2018 as the resource remains sufficient to support mining at the same rate throughout the 20-year Business Plan. SRK considers the projections to be reasonable and based on the Uralkali Business Plan projections, but notes that this mine is forecast to be fully depleted in the last year of the 20-year Business Plan by 2038 and so it should be expected that this Ore Reserve will reduce in future years as this is depleted by mining.
- **Solikamsk-2:** The total Ore Reserve as at 1 January 2019 of 156.1 Mt with an average grade of 14.5% K_2O compares to 168.4 Mt with an average grade of 15.1% K_2O as at 1 January 2016. The reduction in the Ore Reserve tonnage in the current statement is a function of the water inflow event which occurred in late 2014 in the northern extremity of the Solikamsk-2 licence area. Production has continued from this mine using the existing shafts since this time, albeit at approximately half the capacity, however, production is forecast to resume at full capacity following the sinking of a new shaft and construction of a new surface complex in the southern portion of this licence area to service a 'new Solikamsk-2' mine (including a conveyor system to transport ore to the existing Solikamsk-2 processing facility). Preliminary shaft sinking commenced during 2018. SRK has reviewed the current status of the new Solikamsk-2 Project and the further work required to complete this and while SRK considers the forecast construction period to be achievable, this will be challenging and there is a risk to a delay in mining production commencing from the 'new Solikamsk-2' mine from that currently envisaged in the Uralkali Business Plan. Should a delay in construction occur, it is however likely that Uralkali would be able to compensate for the resulting production shortfall by temporarily increasing production from other mines which have spare operating capacity. Notwithstanding this and as noted above, Solikamsk-2 also has potential to continue mining for some 18 years beyond the current 20-year Business Plan at the forecast production rate.
- **Solikamsk-3:** The total Ore Reserve as at 1 January 2019 of 289.0 Mt with an average grade of 15.1% K_2O compares to 271.0 Mt with an average grade of 15.1% K_2O as at 1 January 2016. The Ore Reserve tonnage in the current statement is higher than the previous one due to the current Business Plan assuming expanded mine production occurs over a longer period of the 20-year plan and also higher expanded mining output levels of some 14.6 Mt compared to the 13.7 Mt assumed previously. Work on the expansion of the Solikamsk-3 mine is on-going. Notwithstanding this higher mining rate, SRK considers the forecast remaining construction period to achieve expanded production and the forecast mined tonnages to be reasonable and, as noted earlier in this report, Solikamsk-3 also has potential to continue mining for some 20 years beyond the current 20-year Business Plan at the forecast production rate.
- **Solikamsk-1 (carnallite):** The total Ore Reserve as at 1 January 2019 of 13.1 Mt with an average grade of 9.1% MgO compares to 9.6 Mt with an average grade of 9.6% K_2O as at 1 January 2016. The Ore Reserve tonnages between statements are similar despite mining depletion between 2016 and 2018 as the resource remains sufficient to support mining at the same rate throughout the 20-year Business Plan. Solikamsk-1 has the potential to continue mining carnallite ore well beyond the current 20-year Business Plan period.

The 20-year Business Plan includes a number of large capital investment projects and expansions to both the Berezniki and Solikamsk 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 also notes that the forecast production assumptions at some of the mines and processing facilities are somewhat higher than that actually achieved at times in the last few years but understands that this reduced production rate historically has primarily partly been driven by the prevailing market conditions rather than capacity constraints (with the exception of Solikamsk-2 due to the water inflow incident) 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 and capital investments proposed by Uralkali and considers the work proposed and the timeline assumed for the work to be completed to be generally reasonable and achievable although as noted above we consider the timeframe for construction of the 'new Solikamsk-2' mine to be challenging and there is a risk this could be delayed. Should a delay in construction occur, it is however likely that Uralkali would be able to compensate for the resulting production shortfall by temporarily increasing production from other mines which have spare operating capacity. In some cases, the expansion projects are already underway and some of the increases to mining and processing capacities are assumed to be achieved by de-bottlenecking the existing facilities in addition to upgrading and adding new equipment (mining and processing) 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 taking place simultaneously and alongside major construction projects, such as that underway at Ust-Yayvinsky, Solikamsk-2 and Solikamsk-3.

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 2019. In accordance with additional reporting requirements of the JORC Code (2012), included in an Appendix to this report are the JORC checklist tables which include additional details and commentary on "Sampling Techniques and Data", "Estimation and Reporting of Mineral Resources" and "Estimation and Reporting of Ore Reserves".

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

Yours faithfully

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APPENDIX. JORC CHECKLIST TABLES

Section 1. Sampling Techniques and Data

CRITERIA	JORC CODE EXPLANATION	COMMENTARY
Sampling techniques	• Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling. • Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. • Aspects of the determination of mineralisation that are material to the public report. • In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.	The Mineral Resource and Ore Reserve estimates derived for Berezniki projects are primarily based on surface exploration drilling undertaken between 1972 and 1998. The Mineral Resource and Ore Reserve estimates derived for Solikamsk projects are primarily based on surface exploration drilling undertaken between 1925 and 2012. Exploration was generally undertaken by State enterprises based in Solikamsk and Berezniki. Further underground drilling is taking place at the operating mines and data from this is also used to update the Resource Estimates from time to time.
Drilling techniques	• Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).	The diamond drillholes drilled from surface and underground were drilled with a diameter of either 92 mm or 112 mm for surface holes and 50–76 mm for underground holes. In all cases holes were sampled at intervals between 10 cm and 6 m, averaging between 105 cm and 130 cm.
Drill sample recovery	• Method of recording and assessing core and chip sample recoveries and results assessed. • Measures taken to maximise sample recovery and ensure representative nature of the samples. • Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	Core recovery through the sylvinite horizons is reported to be good at an average of 84–85%, while the recovery through the carnallite horizon at Solikamsk-1 is reported to be 74%.
Logging	• Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support an 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.

CRITERIA	JORC CODE EXPLANATION	COMMENTARY
		For Berezniki operating mines some 76,600 m of core from exploration holes have been logged. For Solikamsk operating mines some 69,600 m of core from exploration holes have been logged.
Sub-sampling techniques and sample preparation	• If core, whether cut or sawn and whether quarter, half or all core taken. • If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry. • For all sample types, the nature, quality and appropriateness of the sample preparation technique. • Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. • Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. • Whether sample sizes are appropriate to the grain size of the material being sampled.	Core is split in half with one half retained for reference and the other half crushed, milled and split under the control of the Company geology department to produce a small sample (100 g) for submission to the laboratory for assay. Assaying is carried out at an in house laboratory using classical wet chemistry techniques. Approximately 5–6% of samples are repeat assayed internally while a similar percentage are sent to an external laboratory for check assaying.
Quality of assay data and laboratory tests	• The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. • For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. • Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.	See comments above.
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 the 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.

CRITERIA	JORC CODE EXPLANATION	COMMENTARY
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 1,000 m. B category: between 1,000 m and up to 2,000 m. C1 category: 2,000 m spacing. C2 category: Up to 4,000 m spacing. **Solikamsk mines** A category: less than 1,200 m. B category: between 1,200 m and up to 2,400 m. C1 category: 2,400 m spacing. C2 category: Up to 4,000 m spacing. In addition to the above, underground drilling is undertaken at the operating mine on a general spacing of approximately 400 m.
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 the 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 annual site visits between 2007 and 2015 and again in 2018 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 the Mineral Resource estimation. • The use of geology in guiding and controlling the 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.
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 7.9 km north-south and 7.7 km east-west and covers an area of about 67 km^2. The average depth of the seams mined is about 345 m and the average thickness between 2.5 m and 4.5 m. **Berezniki Mine 4** (Bygelso-Troitski Licence). This licence extends some 12 km north-south and 17 km east-west and covers an area of about 185 km^2. The average depth of the seams mined is about 320 m and they have an average thickness of 3 m. **Ust-Yayvinksy Mine** (Ust-Yayvinsky Licence). This is currently under construction. The licence extends up to some 10.8 km by 10.3 km and covers an area of about 84 km^2. The average depth of the seams to be mined is about 390 m and they have an average thickness of between 3 m and 5 m. **Solikamsk Mine 1** (Solikamsk Lease Northern Part). This licence extends some 6.3 km by 6.3 km and covers an area of about 44 km^2. The depth of the seams mined is between 260 m and 350 m with they have a thickness of between 3 m and 5.5 m. **Solikamsk Mine 2** (Solikamsk Lease Southern Part). This licence extends some 8.6 km by 7.3 km and covers an area of about 50 km^2. The depth of the seams mined is between 200 m and 300 m and they have a thickness of between 4.5 m and 6 m. **Solikamsk Mine 3** (Novo-Solikamsk Licence). This licence extends some 16.4 km by 8.9 km and covers an area of about 110 km^2. The depth of the seams mined is between 250 m and 380 m with they have a thickness of between 3 m and 4 m. **Polovodovsky**. This licence extends up to some 30 km by 29 km and covers an area of about 381 km^2. The average depth of the seams is about 270 m and they have a thickness of between 3.4 m and 4.2 m. 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 modelling 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 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 2 m and a minimum block grade which dependent on the mine varies between 11.4% and 15.5% K_2O. Uralkali's carnallite Mineral Resource statements are based on a minimum seam thickness of 2 m 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.
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 the comment above regarding mining factors and assumptions and also to Section 4 regarding Ore Reserves.

CRITERIA	JORC CODE EXPLANATION	COMMENTARY
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.
Discussion of relative accuracy/ confidence	• Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate. • The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. • These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.	The Mineral Resource estimates have been prepared and classified in accordance with the Russian system of reporting resources and have been re-classified by SRK using the terminology and guidelines of the JORC Code (2012). The resource quantities should be considered as global estimates. Five of the seven areas with Mineral Resources are operating mines and also have Ore Reserves declared. Uralkali undertakes annual reconciliations and SRK has used this information in deriving appropriate Modifying Factors for conversion to Ore Reserves (Refer to Section 4 below).

Section 3. Estimation and Reporting of Ore Reserves

CRITERIA	JORC CODE EXPLANATION	COMMENTARY
Mineral Resource estimate for conversion to Ore Reserves	• Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve. • Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves.	The Mineral Resource estimates as presented in Table 3-3 and Table 3-4 of this report have been used as the basis for conversion to Ore Reserves as presented in Table 4-2 and Table 4-3 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 between 2007 and 2015 and again in 2018 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.
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 carnallite being mined at each of the assets are shown in Table 4-1 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.

CRITERIA	JORC CODE EXPLANATION	COMMENTARY
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.
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 some USD 235/t (weighted average of domestic and export prices).
Market assessment	• The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future. • A customer and competitor analysis along with the identification of likely market windows for the product. • Price and volume forecasts and the basis for these forecasts. • For industrial minerals the customer specification, testing and acceptance requirements prior to a supply contract.	Detailed analysis on demand, supply and stocks for the potash sector are widely available in the public domain. Uralkali has been successfully producing and selling potash products for a number of years.
Economic	• The inputs to the economic analysis to produce the net present value (NPV) in the study, the source and confidence of these economic inputs including estimated inflation, discount rate, etc. • NPV ranges and sensitivity to variations in the significant assumptions and inputs.	Uralkali has produced a real terms 20-year Business Plan in USD for the existing operations and the new Ust-Yayvinsky mine and this has been reviewed by SRK to confirm the economic viability of the operations. Forecast operating costs are based on operating experience, current budgets 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.

CRITERIA	JORC CODE EXPLANATION	COMMENTARY
Other	To the extent relevant, the impact of the following on the project and/or on the estimation and classification of the Ore Reserves: • Any identified material naturally occurring risks. • The status of material legal agreements and marketing arrangements. • The status of governmental agreements and approvals critical to the viability of the project, such as mineral tenement status, and government and statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and discuss the materiality of any unresolved matter that is dependent on a third party on which extraction of the reserve is contingent.	The main technical risk to underground potash mines is through water ingress. Uralkali has historically closed two mines due to previous flooding incidents. Berezniki-1 operated from 1954 but flooded late in 2006 while Berezniki-3 operated from 1973 until flooding in 1986. Solikamsk-2 experienced water ingress in November 2014 and this has been taken into account of in the current Business Plan. Extraction via the existing shaft infrastructure is forecast to be temporarily suspended in 2019. The 'new Solikamsk-2 mine' is currently under construction. 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 1-1 of this report. The licenses for the operating and development for some of the mines will expire within the term of the 20-year Business Plan, even though some of these mines are planned to continue operating beyond this time and have Mineral Resources and Ore Reserves to support this. SRK considers it reasonable to expect that Uralkali will obtain extensions to these licences in due course on application as long as it continues to fulfil its licence obligations.
Classification	• The basis for the classification of the Ore Reserves into varying confidence categories. • Whether the result appropriately reflects the Competent Person's view of the deposit. • The proportion of Probable Ore Reserves that have been derived from Measured Mineral Resources (if any).	SRK's audited Ore Reserve statement is confined to those seams that are currently being considered for mining within the next 20 years only. Specifically, SRK has classed that material reported as a Measured Mineral Resource, and which is planned to be exploited within the first ten years of the Business Plan, as a Proved Ore Reserve; and that material reported as an Indicated Mineral Resource, and which is planned to be exploited within the Business Plan, and also that material reported as a Measured Mineral Resource, but which is planned to be mined during the following 10 years of the Business Plan, as a Probable Ore Reserve.
Audits or reviews	• The results of any audits or reviews of Ore Reserve estimates.	SRK has derived the Ore Reserve estimates presented in this report.
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 4-2 and Table 4-3 of this report, for sylvinite and carnallite respectively, have been derived from the resource blocks provided to SRK and incorporate sufficient estimates for ore losses and dilution based on actual historical data. The break-even price required to support this statement is between USD 80–110/t of product in January 2019 terms and based on current expectation of inflation and exchange rates. This is calculated as the price required to cover all cash operating costs excluding distribution and including corporation tax. Including proposed capital investments over the period of the 20-year Business Plan gives a total break-even price of some USD 120/t of product. Finally, SRK can also confirm that no Inferred Mineral Resources have been converted to Ore Reserves. The large difference between SRK's audited Mineral Resource statement and its audited Ore Reserve statement is partly a function of the relatively low mining recovery inherent in the room and pillar mining method employed. It is also partly a function of the fact that SRK has limited the Ore Reserve statement to that portion of the Mineral Resource on which an appropriate level of technical work has been completed. In this case this relates to the period covered by the remaining 20 years of Uralkali's Business Plan. Notwithstanding this, SRK considers that the actual life of some of the mines will extend beyond the current 20-year period covered by the Business Plan.

GLOSSARY

BBT	Baltic Bulk Terminal, St. Petersburg, Russia
Berezniki-1, 2, 3, 4	Potash production units in Berezniki
EGM	Extraordinary General Meeting
GDR	Global Depositary Receipt
AGM	Annual General Meeting
The Group	PJSC Uralkali, its subsidiaries and affiliates
USD	US dollar
Carnallite	A hydrated potassium magnesium chloride with formula KMgCl3 x 6H2O
Headframe	A structural frame above an underground mine shaft
KPI	Key Performance Indicator
CSR	Corporate Social Responsibility
LSE	London Stock Exchange
IFRS	International Financial Reporting Standards
Mln	Million
Bln	Billion
Moscow Exchange	Moscow Exchange Group, Russia
Soil subsidence	A section of the earth's surface, at which, under the influence of underground mineral mining, shifts (horizontal and vertical) and deformations (inclination, curvature, tension, compression) occurred
VAT	Value added tax
GSM	General Shareholders Meeting
HSE	Health, Safety and Environment
LS	Labour Safety
IS	Industrial Safety
RAFP	Russian Association of Fertiliser Producers
RAS	Russian Accounting Standards
RUB	Russian rouble, RF
ICS	Internal Control System
CIS	Commonwealth of Independent States
Solikamsk-1, 2, 3	Potash production units in Solikamsk
CDP	Carbon Disclosure Project
CFR	Cost and Freight, title transfers when goods pass the rail of the ship in the port of shipment
COSO ERM	Enterprise Risk Management Integrated Framework developed by the Committee of Sponsoring Organizations of the Treadway Commission
CUSIP	Committee on Uniform Security Identification Procedures
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
FAO	Food and Agriculture Organization
FCA	Free Carrier, title transfers when goods are loaded on the first carrier (railway carriages)
Fertecon	Fertiliser Economic Market Analysis and Consultancy, UK, provider of market information and analysis of the fertiliser market
FIFR	Work related fatal injury frequency rate
FMB	Fertiliser Market Bulletin, FMB Limited, UK
FOB	Free On Board, title to goods transfers as soon as goods are loaded on the ship
FSU	Former Soviet Union
GRI	Global Reporting Initiative
IFA	International Fertilizer Industry Association, France
IPNI	International Plant Nutrition Institute, USA
ISIN	International Securities Identification Number
JORC	Joint Ore Reserves Committee standards for public reporting on mineral resources and mineral (ore) reserves, Australia

K	Potassium, chemical element
K_2O	Potassium oxide
KCl	Potassium chloride (1 KCl = 1.61 K_2O)
LDR	Lost days rate
LTIFR	Lost time injury frequency rate
MSCI Russia	Morgan Stanley Capital International Russia Index
NPK	Nitrogen-phosphorus-potassium fertiliser
TSR	Total shareholder return

DISCLAIMER

This Annual Report has been prepared on the basis of the information available to the Public Joint-Stock Company Uralkali and its subsidiaries (hereinafter — "Uralkali") as at the date hereof. This Annual Report contains forward looking statements. All forward looking statements contained herein and all subsequent oral or written forward looking statements attributable to Uralkali or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statements below. All statements included in this Annual Report, other than statements of historical facts, may be forward looking statements. Words such as “forecasts”, “believes”, “expects”, “intends”, “plans”, “prediction”, “will”, “may”, “should”, “could”, “anticipates”, “estimates”, “seeks”, “considers”, “assumes”, “continues”, “strives”, “projects”, or any expression or word with similar meaning or the negative thereof, usually indicate the forward looking nature of the statement. Forward looking statements may include statements relating to Uralkali’s operations, financial performance, earnings, economic indicators, results of operation and production activities, dividend policies, capital expenditures, as well as trends relating to commodity prices, production and consumption volumes, costs, expenses, development prospects, useful lives of assets, reserves, the commencement and completion dates of certain production projects, and the acquisition, liquidation or disposal of certain entities, and other similar factors and economic projections with respect to Uralkali’s business, as well as the industry and markets in which it operates. Forward looking statements are not guarantees of future performance. They involve numerous assumptions regarding the present and future strategies of Uralkali and the environment in which it operates and will operate in the future and involve a number of known and unknown risks, uncertainties, and other factors that could cause Uralkali’s or its industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward looking statements. Uralkali provides no assurance whatsoever that its or its industry’s actual results, levels of activity, performance or achievements will be consistent with the future results, levels of activity, performance or achievements expressed or implied by any forward looking statements contained in this Annual Report or otherwise. Uralkali accepts no responsibility for any losses whatsoever that may result from any person’s reliance on any such forward looking statements. Except where required by the 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.

Verification of PJSC Uralkali Integrated Report 2018

D. Osipov
CEO

E. Kalinina
Chief Accountant

PJSC Uralkali Annual Report is approved by the decision of the Company’s Board of Directors of 24 April 2019 (the Board of Directors’ Meeting Minutes No. 361 dated 24 April 2019).

Data validity of the Annual Report is confirmed by the Revision Commission of PJSC Uralkali.

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