URALKALI®

PROACTIVE
PROGRESSIVE
PROUD

ANNUAL REPORT 2019

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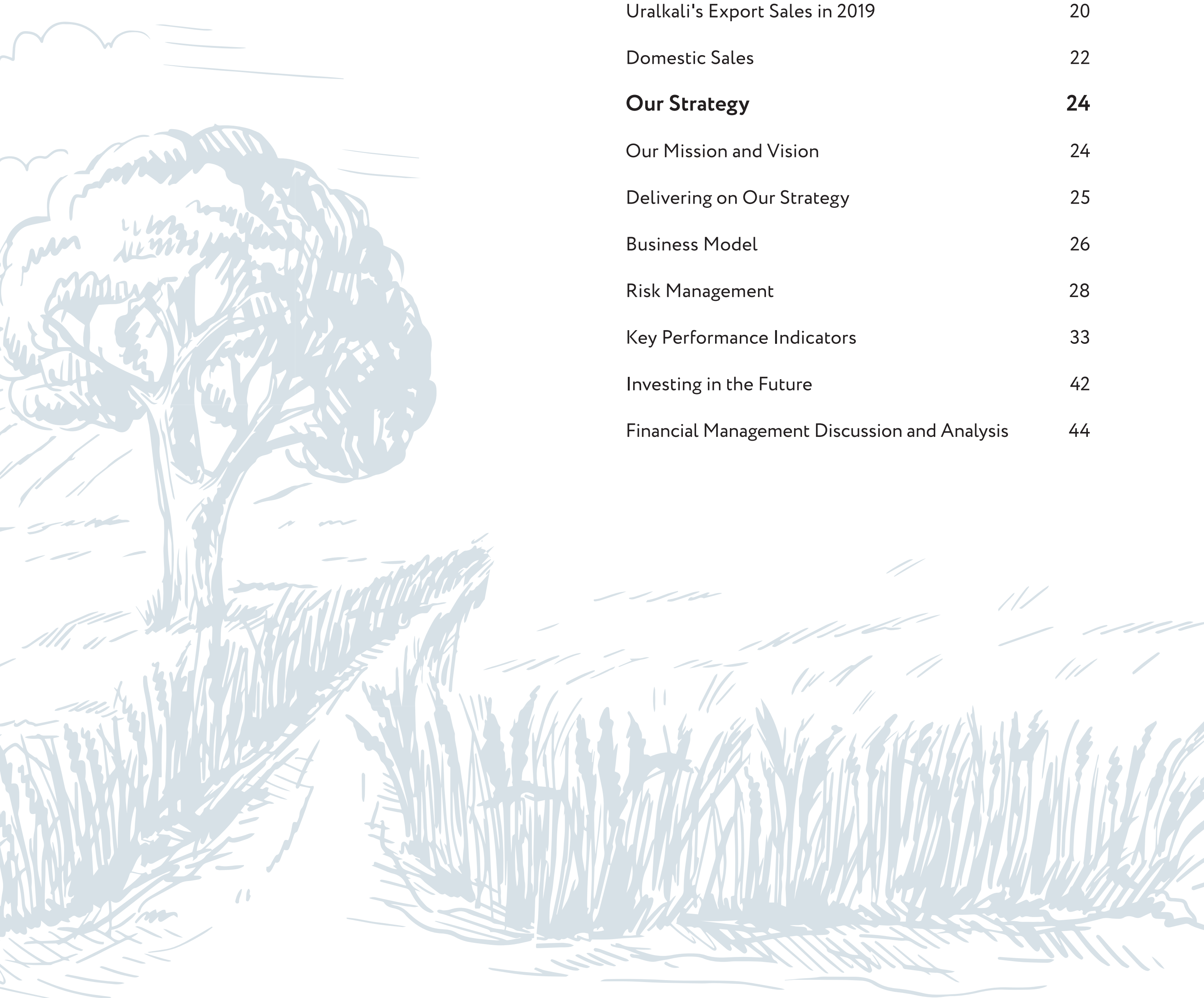
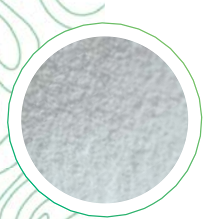


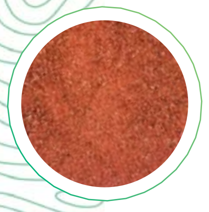
ABOUT THE COMPANY

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 key business processes – from potash ore mining to supply of potassium chloride to consumers worldwide.

MAIN PRODUCTS



Standard white MOP: White MOP is applied directly to the soil and is used for producing compound NPK fertilisers, as well as for other industrial applications. Uralkali supplies this product mainly to China, Russia, and Europe. Depending on the specifications, MOP is produced in concentrations of 95% and 98%.

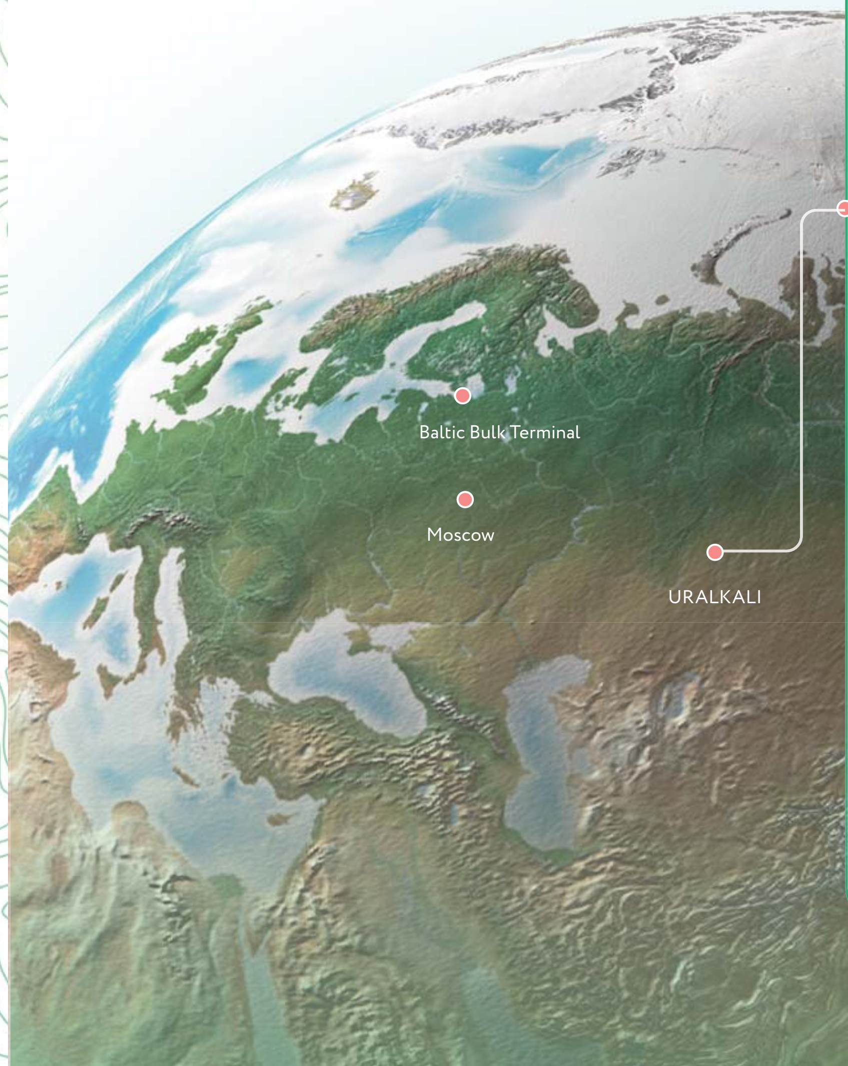


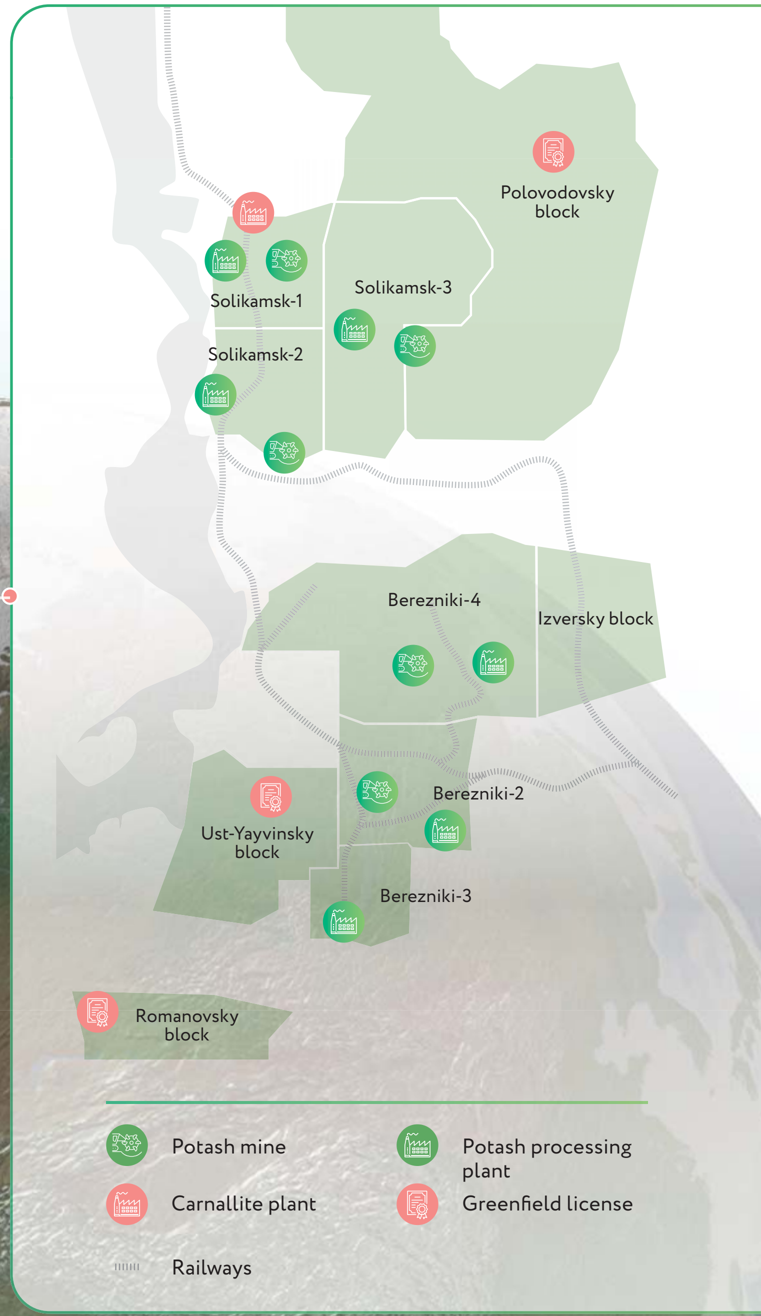
Standard pink MOP: Pink MOP is applied directly to the soil and is used for producing compound NPK fertilisers. It is mainly supplied to India and Southeast Asia.

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

OUR ASSETS

Uralkali is developing the Verkhnekamskoye deposit, a multi-layered deposit of potassium and magnesium salts and 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 located in the towns of Berezniki and Solikamsk in Russia's Perm Region. Around 12.7 thousand people work at Uralkali's main production unit and the Uralkali Group employs over 20 thousand people.





5 potash mines

6 potash processing plants

3 licenses for development of new blocks

1 license for conducting geological studies

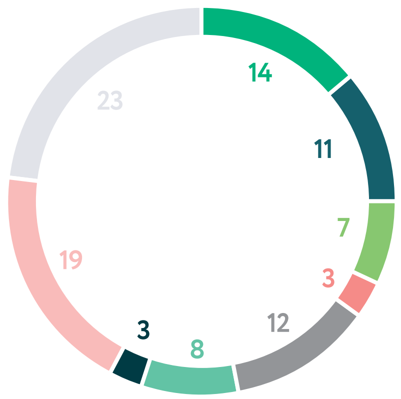
1 carnallite plant

KEY FACTS ABOUT POTASSIUM

WE ENSURE GLOBAL FOOD SECURITY

K 19
Potassium

Potassium consumption by agricultural crops, %



Source: International Fertilizer Industry Association (IFA)

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

Balanced nutrition for agricultural crops requires the regular administration of these three main macronutrients.

Potassium for plants

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

Potassium for people

- Potassium improves the supply of oxygen to the brain
- Potassium supports the transmission of neural impulses
- Potassium compounds activate enzymes
- Potassium normalises cardiac function
- Potassium is good for the kidneys
- Potassium regulates the water balance in cells and tissues
- Potassium regulates metabolic processes
- Potassium is good for skin
- Potassium regulates the acid-base balance in human blood
- Potassium prevents the accumulation of sodium in cells
- Potassium helps to eliminate toxins from the body

Potassium for farmers

- Potassium ensures plants are nutritionally balanced, promoting high yield
- Potassium increases product quality
- Potassium prevents soil degradation and maintains its balance of nutrients
- 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 we have to achieve higher crop yields to ensure food security.

Scientific studies show that maximum yield and consistently high crop quality can only be achieved by providing plants with the right amounts of all of the necessary nutrients (such as potassium).

DEMAND FOR POTASSIUM INCREASES AS THE POPULATION GROWS AND PRIORITIES CHANGE

DEMAND

- Global population growth
- Declining area of arable land per capita
- 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

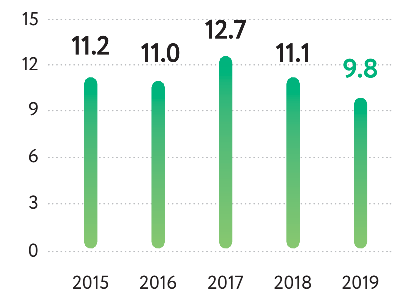
SUPPLY

- 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 domestic production of potassium and have to import it
- Projects require considerable investment
- Mine development takes time

URALKALI IN FIGURES[1]

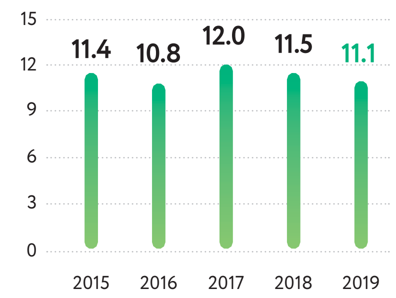
Sales volume, mln tonnes KCL

9.8



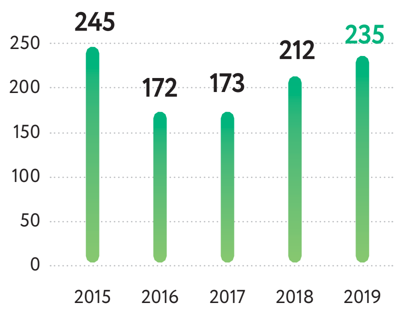
Production volume, mln tonnes KCL

11.1



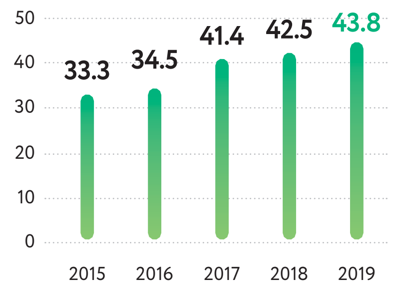
Average potash export price, FCA, USD per tonne

235



Unit cash COGS, USD per tonne

43.8

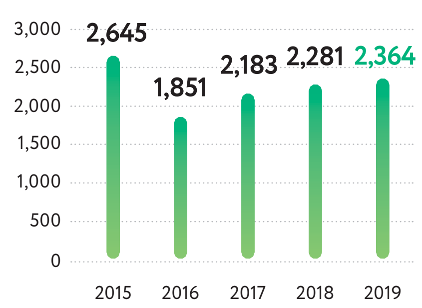


[1] Methodology for calculating is described in details in the Key Performance Indicators section, p. 33.

Despite the fact that in 2019 the global potash market saw relatively tough trends, Uralkali managed to improve its financial performance.

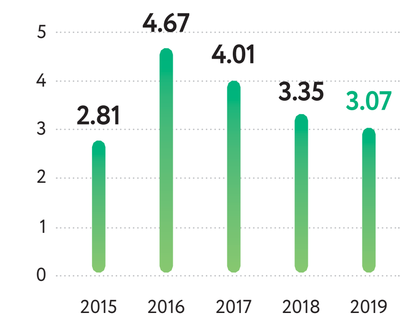
Net revenue, USD mln

2,364



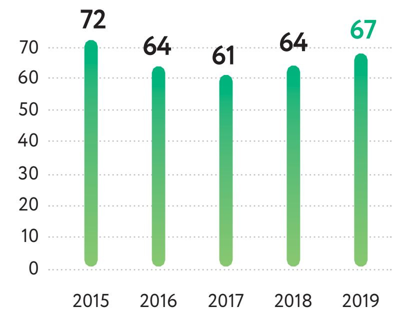
Net debt/EBITDA for the last 12 months

3.07



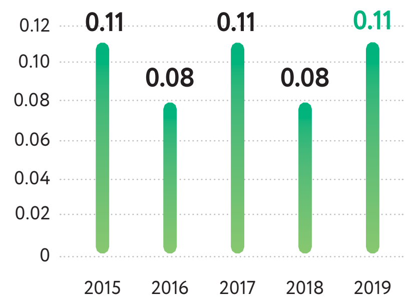
EBITDA margin, %

67



Lost time injury frequency rate, LTIFR

0.11



URALKALI SUCCESS PILLARS

FUNDAMENTAL COST ADVANTAGE
underpinning superior profitability and FCF generation through the cycle

67%

Industry leading margins
EBITDA margin[1] (2019)

76%

Consistently high Free Cash Flow conversion
OpFCF conversion[2] (2019)

[1] Adjusted EBITDA divided by net revenue. Adjusted EBITDA is operating profit plus amortisation of fixed assets, intangible assets and right-of-use assets, impairment of fixed assets and non-recurrent expenses.

[2] Free cash flow (FCF) to Adjusted EBITDA. Operating free cash flow is defined as the difference between Adjusted EBITDA and CAPEX.

ACCRETIVE ORGANIC GROWTH
options with one of the lowest costs for capacity expansion in the industry

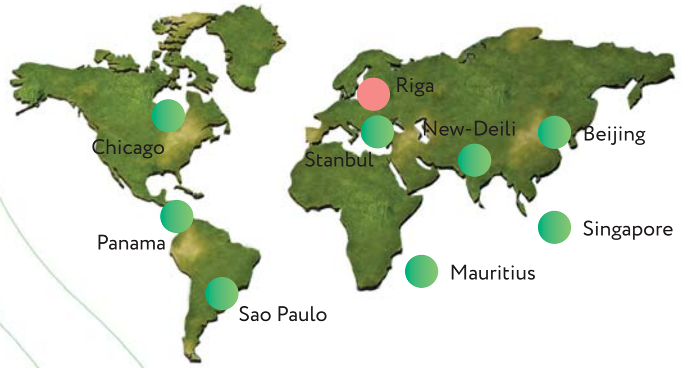
Source: Argus, Uralkali, third-party company information

- One of the lowest CAPEX per tonne levels in the industry, driven by geology and characteristics of our mines, and existing highly developed infrastructure in the region.
- Uralkali's average greenfield CAPEX of ~USD 470/t compares to ~USD 2,500–3,000/t for conventional Canadian greenfield projects that require substantial infrastructure such as rail, utilities and port facilities.

[3] CAPEX on mine construction.

[4] Nutrien's assessment for a new mine in Saskatchewan, including the construction of a railway, utility systems and port facilities. Source: Nutrien.

LEADING POSITIONS IN PREMIUM MARKETS



WORLD-CLASS PURE PLAY POTASH PRODUCER
with access to the large reserve base globally

Share of potash revenue[5] 2019, %

[5] Potash revenue includes revenue from potash sales and revenue from transportation services

SEASONED MANAGEMENT TEAM
with an extensive track record; commitment to best practices in ESG

15+ years of average industry experience and track record of successfully navigating the business through the cycle

CHAIRMAN'S STATEMENT

Sergey Chemezov

Chairman of the Board of Directors

Dear shareholders,

A difficult market environment in 2019 had a significant impact on the operational activities of most of the world's leading potash producers, including Uralkali. However, in the reporting period, the Company displayed good financial performance: EBITDA growth was 8% year-on-year, while EBITDA margin rose to 67%.

I would like to note that the weakening demand in the key export markets enabled the Company to focus on important comprehensive repairs at the Group's production facilities. In 2019, Uralkali also paid great attention to enhancing corporate social responsibility.

As one of the largest entities in the Perm Region, the Company runs programmes aimed at developing the region and improving the quality of people's lives. For example, in the reporting year, Uralkali initiated a project to support healthcare by providing medical facilities with modern equipment and attracting qualified health professionals to Berezniki and Solikamsk. The Company also continued its housing programme for employees. As part of the project, eight buildings with 730 apartments with a total area of around 49,000 square metres are under construction.

Uralkali Group seeks a transparent and mutually advantageous dialogue with all stakeholders; therefore, by the end of 2019, we expanded the set of published indicators related to the ESG methodology.

I am convinced that our efficient development strategy and the professionalism of our management and employees will continue to provide Uralkali with sustainable growth and maintain its leading position in the global potash industry.

I express gratitude to all employees of Uralkali for their great contribution to the Company's development, and to our shareholders for their trust and support.

Dmitry Osipov

CEO

CEO'S STATEMENT

Dear shareholders,

Uralkali, as one of the key players in the global potash industry, continues to be guided by best practices in business administration, corporate governance and corporate social responsibility.

Production and sales

In 2019, a relatively difficult situation was seen in the global potash market. Increased competition between major producers amid excess supply in almost all key sales markets, the absence of contracts for seaborne shipments to China for the second half of 2019, along with delayed long-term contracts for the supply of potash fertilisers to India resulted in lower potash prices compared to those in early 2019.

Given the market environment and with the aim of scheduled shutdown repairs at production facilities, Uralkali reduced the output of its main products in the second half of 2019, fully in line with the Company's strategy to correlate the production of potassium chloride with prices and demand in key consumer markets.

Financial activities

The situation in the potash industry in the reporting period did not adversely affect Uralkali's access to long-term external financing. The Company not only entered into an agreement with 13 international banks to raise the largest syndicated and first dual-currency loan in its history with tranches of USD 725 million and EUR 650 million, but also successfully placed five-year Eurobonds totalling USD 500 million. Considering the high level of demand from investors, the coupon rate was set at 4% per annum.

Against this background, we continue to optimise our loan portfolio and conscientiously and timely discharge our obligations under existing loan agreements. Therefore, Uralkali's net debt, as of 2019 year-end, dropped to USD 4,837 million compared to USD 4,887 million a year earlier, while the net debt/EBITDA ratio was 3.07x versus 3.35x, respectively.

Corporate social responsibility

Doing business in a socially responsible way is without a doubt one of the global trends of the current decade. Being one of the largest tax residents and employers in the region, we are fully aware that our activities have a significant impact on many societal aspects, including social, economic and environmental ones. Given these factors, the Company is committed to providing stakeholders with the most objective and transparent information on its operations and prospects in the field of sustainable development and in integrating the ESG methodology into the corporate business strategy.

Prospects

The issue of global food security is still relevant. Despite the current weakening of the industry, key global producers and consumers of mineral fertilisers understand the overall importance and need to ensure the financial and economic stability of agricultural production, which is why, in the medium and long term, we remain confident in the fundamental industry characteristics and actively invest in the Company's development.

As part of the strategy approved by the shareholders, Uralkali is developing Shaft 4 at Solikamsk-3 and is running projects to build the new Solikamsk-2 and Ust-Yayva mines.

In this regard, I would like to thank all stakeholders for their trust and note that Uralkali will continue to contribute to the solution of the food security problem, efficiently and responsibly developing unique potash deposits and ensuring the social and economic development of the regions where it operates, the Company's investment appeal and the well-being of its employees.

Challenges

In addition to the trends described above, an epidemic of the coronavirus disease COVID-19 started in China in December 2019, and developed into a pandemic around the world. COVID-19 is now spreading around many countries creating a paralysis and many significant economic impacts. This pandemic may have a dramatic impact on many industries in these countries. We hope that the impact of COVID-19 on agricultural and distribution systems to deliver mineral fertilizers will be limited, since food is a basic industry, which provides security and stability for countries' well-being.

Taking into account an extremely fast development of the situation and extraordinary measures taking by different countries, financial authorities and legislative bodies around the world we have yet to assess financial impact from coronavirus on our business and businesses of our subcontractors, distributors and final consumers of mineral fertilizers.

OVERVIEW OF THE GLOBAL POTASH MARKET IN 2019

In 2019, the global potash market conditions were relatively challenging across the industry. China did not sign any new seaborne contract for the supply of potash in 2H 2019–1H 2020, and India settled new contracts only in October.

From the beginning of the year, global potash prices were under downward pressure due to high potash inventories, unfavourable weather conditions in North and Central America, and the deterioration of farmer margins in Southeast Asia.

Demand in major spot markets was under pressure, largely due to customer concerns of further price erosion.

From the beginning of the year, global potash prices were under downward pressure due to high potash inventories, unfavourable weather conditions in North and Central America, and the deterioration of farmer margins in Southeast Asia. In 2019, Brazil was the most active spot market. According to the Brazilian National Fertilizer Association, potash imports to Brazil increased by 2% in 2019 compared to the previous year, and totalled about 10.2 million tonnes, as a result of surging Chinese demand for Brazilian soybeans. In spite of strong demand, ample supply amid weak potash demand in other major markets of granular potash, was the key factor of potash price softening in Brazil.

The US market has been under heavy downward price pressure, as weak demand due to unfavourable weather conditions resulted in build up of potash inventory which led to decrease of potash prices.

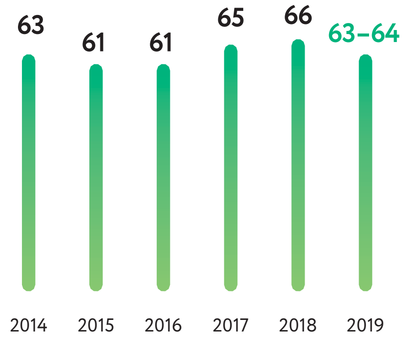
In Europe, potash demand and prices have come under downward pressure due to intense competition and softening prices in other key markets of standard and granular products.

Major markets in Southeast Asia remained slow amid palm oil producers' profitability/liquidity concerns. Given poor demand trends in Malaysia and Indonesia amid record-low palm oil futures, the bulk of potash volumes were reallocated to China. The combination of continuously high import volumes and insufficient demand from end-consumers led to accumulation of port inventories which reached historical records. As a result, China has suspended seaborne deliveries after September.

India delayed signing new contracts until the start of the fourth quarter due to sufficient potash inventories. Uralkali was the first supplier to agree on the contract price and sign a supply agreement with Indian Potash Limited (IPL), the major Indian importer of fertilisers.

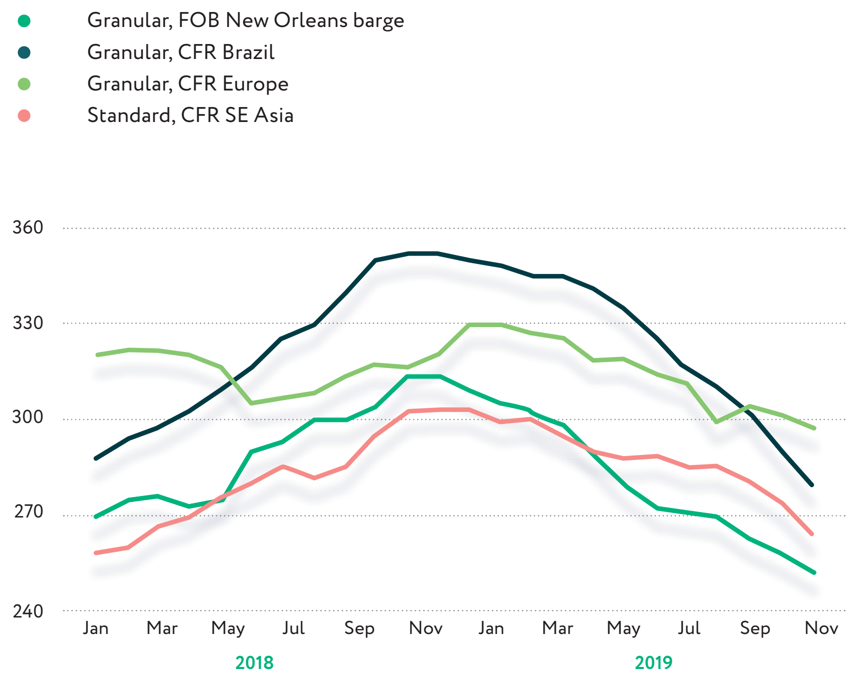
Dynamics of global demand for potash , mln tonnes

63–64



Source: IFA, Uralkali's estimate

Dynamics of potash prices on key markets, USD/t



Source: Argus FMB, CRU, Uralkali

The contract was signed at a price of USD 280/t CFR, a USD 10/t discount from previous year.

In response to the challenging market environment, the world's major potash producers announced production cuts at the end of the third quarter. Uralkali also announced production curtailments for the fourth quarter of 2019.

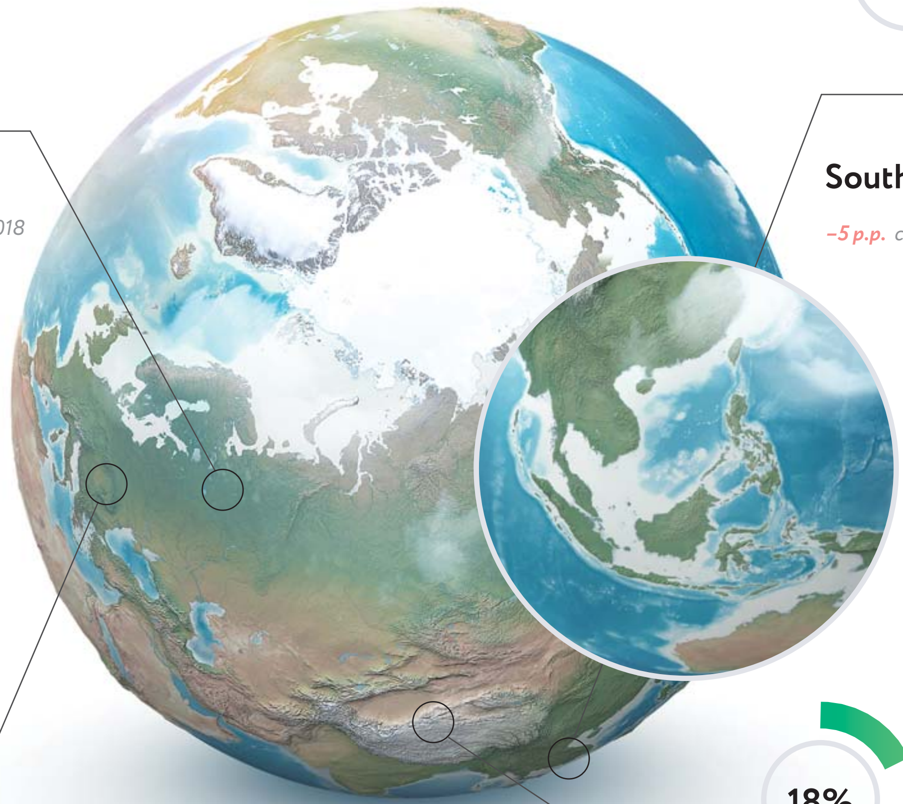
According to Company estimates, global potash demand decreased to 63–64 million tonnes in 2019, compared to 66 million tonnes in 2018.

2020 DEMAND OUTLOOK

Potash demand outlook for 2020 is cautiously optimistic. In 2020, global potash sales are expected to increase to 65–66 million tonnes compared to 2019, mainly due to expected rebound in the major markets of Southeast Asia, the USA and Central America, and good demand in Brazil.

COVID-19 is having a significant impact on countries, which are the main consumers of potash (China, Europe and US) and other producers of potash around the world. We do not rule out a negative effect of COVID-19 on potash industry, while agricultural sector is a defensive industry which addresses the basic needs of food security and we hope that negative impact will be mitigated by local authorities in order to provide smooth application of potash fertilizers during spring and autumn seasons in 2020.

GLOBAL SALES GEOGRAPHY[1]



25%

Russia

+1 p.p. compared to 2018

9%

South East Asia

–5 p.p. compared to 2018

10%

Europe

0 p.p. compared to 2018

18%

India & China

0 p.p. compared to 2018

5%

USA

–1 p.p. compared to 2018

1%

Other[1]

32%

Latin America

+5 p.p. compared to 2018

In 2019, the Brazilian market remained premium against other markets.

>60

countries

In 2019, the Company continued to efficiently manage the distribution of volumes by market.

75%

Share of exports in the Company's total sales volume

9.8

Sales volume in 2019 (million tonnes KCL)

[1] Calculated from the volume of products sold.

[1] Including Africa, Middle East and the CIS.

URALKALI'S EXPORT SALES IN 2019

Alexander Terletsky

Head of Uralkali Trading SIA

Most of the potassium chloride produced by Uralkali is traditionally sold internationally. In 2019, exports accounted for 75% of Uralkali's sales.

In 2019, the Company's export sales amounted to about 7.4 million tonnes, which represents a 13% decline on the previous year.

Higher average FCA prices compared to 2018 partially compensated the reduction in sales volumes. Average export price of USD 235/t FCA was 11% higher than average price in 2018 mainly due to significant price changes on the global potash market.

In 2019, the Company continued to maximise net revenue by reallocating export volumes to premium markets where possible.

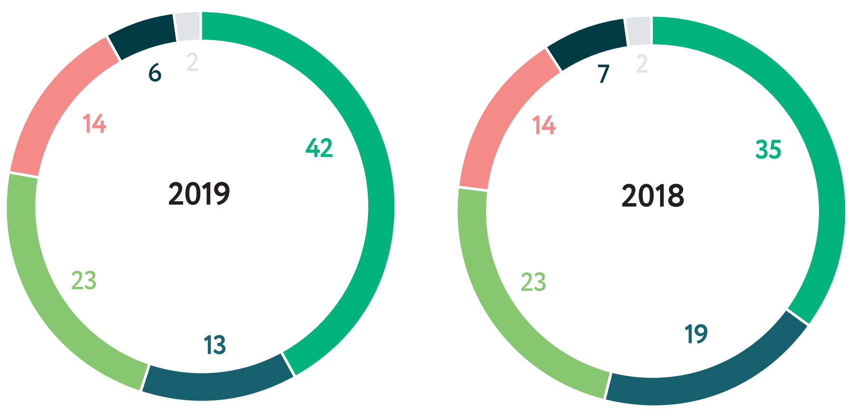
In 2019, Brazil remained a premium market in comparison with other export markets. At the end of the year, Latin America's share in Uralkali's export portfolio increased to 42%, compared to 35% in 2018, mainly due to the increase in export sales to Brazil.

The Company evaluates the market conditions and adjusts its production and sales volumes in accordance with global demand.

The combination of such factors as the absence of a Chinese seaborne contract in the second half of the year, the delayed signing of a contract with Indian customers, low demand in the major markets of Southeast Asia, destocking in key markets during the second half of the year, and a decline in potash prices had adverse impact on the Company's potash sales in 2019.

Uralkali's export sales structure in 2018–2019[1], %

Latin America · China/India · USA · Southeast Asia · Europe · Other[2]



[1] By sales volumes.

[2] Africa, the Middle East, the CIS.

Share of exports in total sales volume

75%

25%

The Company's domestic sales

DOMESTIC SALES

The biggest consumers of Uralkali's products on the domestic market are manufacturers of compound mineral fertilisers; in 2019 they accounted for 89% of Uralkali's domestic sales volumes.

The main regions that consume potash for agricultural purposes are Bryansk, Lipetsk, Moscow, Oryol, Voronezh, the Republic of Bashkortostan and Krasnodar.

On the Russian market, potassium chloride (KCl) is mostly used as a 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 soil application. Potassium chloride is also used in small amounts in the non-ferrous metals industry and the food industry.

In 2019, Uralkali supplied 2.39 million tonnes of potassium chloride to the Russian market, representing a 9% decrease versus 2018.

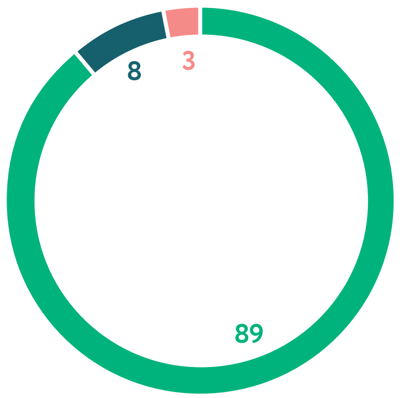
More than half of the arable lands in Russia are used to grow crops that require the increasing use of potash – wheat, sunflower, corn and sugar beet. Therefore, the Russian agricultural sector's need to grow yields, gross harvest and exports represents a significant opportunity for potash fertiliser sales. In 2019, Russian farmers consumed 0.075 million tonnes of potash as a single-component fertiliser. Total consumption of Uralkali's potash by Russian agricultural producers (including the consumption of potash in compound fertilisers) increased by 2% in 2019, to approximately 0.64 million tonnes.

Industrial consumers – oil, chemical and nuclear enterprises – traditionally acquire potash for special production processes. In 2019, this group purchased 0.186 million tonnes of Uralkali's potassium chloride.

In addition to potassium chloride, Uralkali sold 0.36 million tonnes of enriched carnallite and 1.70 million tonnes of industrial salts on the domestic market in 2019.

The Company's main consumers of enriched carnallite are the Solikamsk Magnesium Plant and PSC VSMPO-AVISMA Corporation, which use it in the production of magnesium.

Uralkali's KCl sales structure on the domestic market in 2019, %



Uralkali's leading position 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 drive scientific progress and innovation to support in the daily work of farmers (our end customers), to ensure optimal crop yield. To this end, Uralkali works with Russian and international partners as a member of major associations such as the International Fertiliser Industry Association (IFA) and the Russian Association of Fertiliser Producers (RAFP), and serves on the scientific committee of a recognised international institute engaged in applied agricultural chemistry research – The Fertiliser Institute (TFI).

DOMESTIC PRICING

The 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.

PJSC Uralkali 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. This principle is also stated in the FAS Recommendations for ensuring non-discriminatory access to potassium chloride. Since October 2013, prices for NPK producers have been calculated on a monthly basis, enabling the Company to respond promptly to changes in market conditions.

Based on Russia's accession to the WTO and transition to market pricing on the domestic mineral fertiliser market since 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 a Cooperation Agreement. The aim of this Agreement is to meet the demand of mineral fertilisers in Russia's agroindustrial sector. The Agreement determines the main economic principles of interaction, in particular, that members of the RAFP and Rosagropromsoyuz are advised on using market pricing principles.

Since December 2012, the FAS Recommendations (later amended and prolonged until 2022) are in force. Under these Recommendations, potassium chloride prices for the domestic market have been calculated according to the minimum export price formula.

OUR STRATEGY

Uralkali is a leading international potash producers with a significant share of global potash production. The Company's strategy is aimed at supporting Uralkali's comprehensive development and retaining its leading position 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. We are committed to supporting the development of our communities, the welfare of our 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 are to provide high-quality products, achieve zero accidents and ensure the lowest possible environmental impact
- Our work is based on the 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 highly value our people: we develop and promote our employees
- We contribute to the development of cities in which the Company operates

OUR VALUES

Uralkali's values are the core of our work. They underpin our continuous development and unite all of the Company's employees from all departments regardless of their role or area of responsibility. Our values 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 applicable rules and have zero tolerance towards any violations
- **Responsibility:** We perform quality work on time
- **Efficiency:** We strive to achieve the best results with minimum costs
- **Teamwork:** We respect each other, which helps us to address challenges 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.	• 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

RESOURCES

Ore reserves (potash, carnallite)

Greenfield licenses

5 mines

12.7 thousand
employees at the main production unit

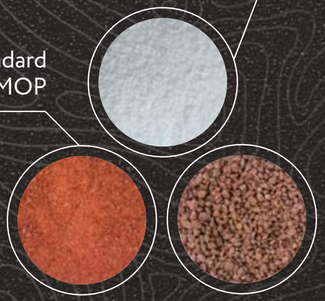
PRODUCTION

6
potash plants

1
carnallite plant

Uralkali adjusts production volume depending on the market situation and the need for scheduled maintenance shutdowns

PRODUCTS



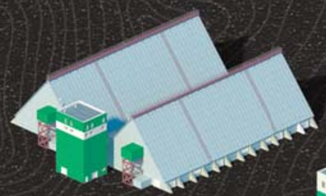
Standard white MOP

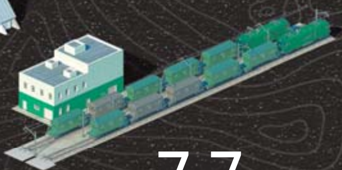
Standard pink MOP

Granular MOP

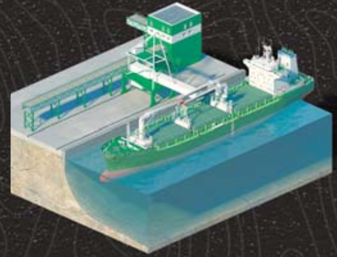
LOGISTICS

Warehouse capacity





7.7
thousand mineral wagons



Baltic Bulk Terminal

SALES

75%
Export of sales volume

>60
countries

10%
rail transport

90%
marine transport

25%
Russia of sales volume

Agriculture
Industry
Compound fertilisers

The Company's major consumers on the domestic market are producers of compound mineral fertilisers

75.7
investments in environment protection, USD mln

28
Social investments, USD mln

378
Investments in projects for the construction of new and maintenance of existing production facilities, USD mln

Uralkali's investment programme is one of the most efficient in the industry.

RISK MANAGEMENT

An effective risk management and internal control system remains one of the Company's key priorities. As part of this system, measures are taken at all levels to reduce the probability of negative consequences which may result from certain events.

Paul Ostling

Chairman of the Audit Committee

Our approach

Uralkali's risk management and internal control system is based on COSO ERM and ISO 31000.

The Company's Board of Directors considers risk management issues. The performance of the risk management system is regularly reviewed by the Audit Committee of the Board of Directors.

Taking into account the significant opportunities and challenges we face in our markets, the continuous development of the risk management and internal control system is essential for the timely identification and assessment of risks and the effective performance of the tools for their management.

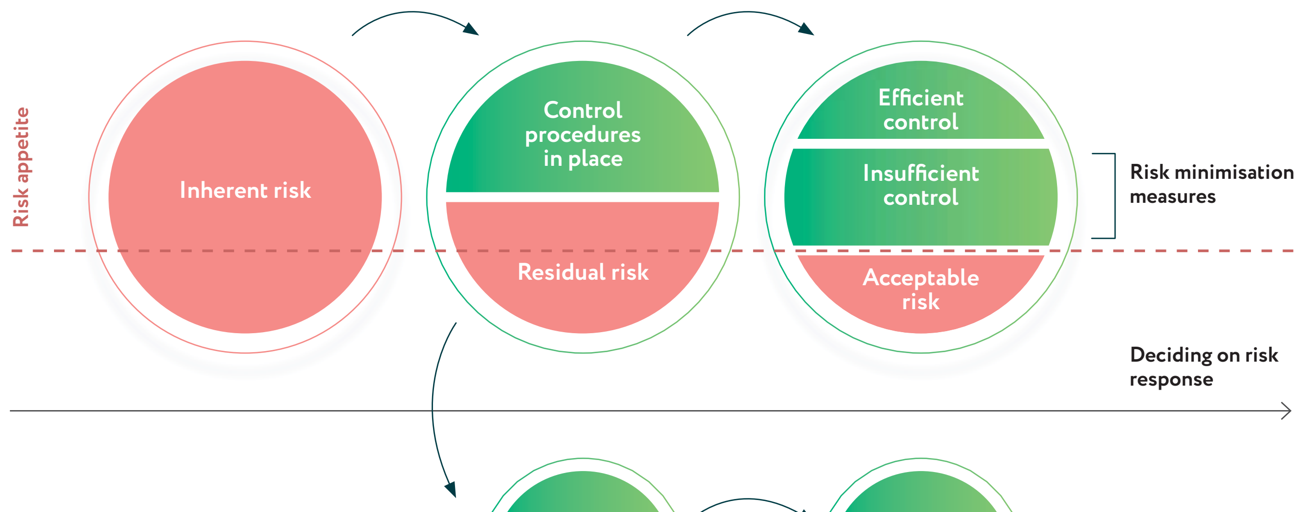
To this end, the Risk Committee under the CEO, which includes all functional directors, performs its work. The Risk Committee considers changes in the Company's risk map, actual key risk indicators data and risk minimisation measures. This enables the Company to approach new or increasing risks in a timely manner and to develop adequate measures to minimise them.

All of the Company's employees have the opportunity to report identified risks directly to their manager or via a hotline.

Internal documents governing the Risk Management System:

- Risk Management and Internal Control Policy of PJSC Uralkali;
- Other internal regulatory documentation:
  - standards;
  - provisions;
  - instructions governing the RMS

RISK MANAGEMENT. APPROACH



Integrated risk management model developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)

Risk management aspects are taken into account when determining the remuneration of the Company's managers by means of a corresponding motivation system.

Sustainable Development Risk Management

We strive to apply a responsible business approach to all areas of our operations. The Company is focused on environmental and social risks, which are included in the risk register and assessed, and management activities are developed. The Board's Corporate Social Responsibility Committee reviews material risks related to sustainable development.

In keeping with the global agenda, PJSC Uralkali has also begun to consider possible risks and opportunities associated with climate change. The Company analyses the effects of climate change from different angles.

Another significant risk for the Company, which can be realised by natural disasters, is the occurrence of man-made accidents at production facilities. The Company carefully analyses the risks that could potentially cause accidents/incidents which include climate and natural disasters. The Company has emergency response procedures for various emergencies, including environmental ones.

If necessary, the Company will consider the necessary measures for the Group's business adaptation in order to take into account the risks and opportunities associated with climate change.

Key Risk Factors

This section describes major 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 material, 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's operations. Uralkali will disclose any necessary information in a timely manner according to the applicable Russian and international laws.

Our risk management approach is based on an understanding of our current risk exposure, risk probability and impact, and risk dynamics in the course of the Company's operations.

Overview of the Main Risk Factors and Uncertainties Affecting the Company's Operations

Risk	Risk Description	Management/Impact on Risk Level
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.	The Company continuously monitors and controls the implementation of its investment programme, and makes current decisions based on the outlook of the market situation, while taking into account the economic efficiency of the projects, the balance of demand and supply in the market, its own financial capabilities, and optimal project implementation time. When implementing investment projects, the Company adheres to its project management principles. Major investments are made after the design stage activities are completed and after the deadline, costs and feasibility of the projects are confirmed.
Change of the supply and demand balance in the main potash markets	Change of the supply and demand balance in the main markets of potash consumption due to a decrease in demand and price of potash as a result of political or 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 global prices. All this may affect revenues and result in a decrease in the Company's profits.	The demand for potash in major sales markets does not align with the level of supply, which can lead to a price reduction and a decrease in the Company's revenue, as well as affecting the ability to meet assumed obligations. Uralkali's management is developing a marketing strategy to promote potash and actively supports agricultural producers (e.g. by updating farmers' calculators). The Company maintains a flexible production strategy and operations, increasing or decreasing production depending on current demand and market outlook.
Operating risks		
Reduction of production capacity/ production volumes	External and internal factors, including accidents, downtime and a general decline in potash demand may affect potash production.	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 the current market situation and adopted strategy.
Lack of qualified employees	The specific nature of the Company's business implies in-depth 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. This can negatively affect the Company's timely achievement of goals.	Due to other companies' plans to launch and develop a number of mining projects in the Perm and neighbouring regions in the upcoming years, the 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, particularly in production. It conducts surveys to determine the degree of personnel engagement and monitors 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. Additionally, an e-learning system is being implemented and a talent pool programme is in place for key positions in the Company. Uralkali offers one of the most attractive social benefits packages in the industry and market-matching salaries, as well as compensating mortgage payments to key employees.
Non-fulfilment of obligations by contractors, suppliers or customers	Uralkali's list of goods suppliers and service providers includes a number of key counterparties. Collaboration with such counterparties is of strategic importance to the Company. The failure of key partners, which are strategically important for the Company, to meet their contractual obligations may adversely affect Uralkali's performance.	The Company's activities depend on monopolistic energy suppliers and the Russian railways, as well as on unique exclusive suppliers of a number of items. In the context of macroeconomic instability, suppliers and contractors may increase the price of their products and services, as well as refusing to supply them due to anti-Russian sanctions. 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, and is focused on improving the execution and contractual discipline. Measures include strict control of contractual obligations performance through implementing monitoring procedures (including KYC, development of the credit policy and risk assessment model) in order to improve the quality of documents and cooperation with partners at various steps of contract execution, as well as ensuring timely and complete execution 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.	The Company undertakes thorough budgeting and planning activities, ensures continuous monitoring and control of expenses of its bodies and officials, and constantly improves performance discipline, as well as implementing additional controls that allow it to stay on budget and keep costs at an approved level.
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 profit.	Part of the Company's loan portfolio consists of loans with floating interest rates and is denominated in foreign currency. 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.
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.	Each year the Company develops mining plans, which include an extensive safety section. The Company, if needed, audits the sufficiency of measures aimed at minimising mining risks. Mining safety monitoring is one of the Company's key priorities that is regularly reviewed 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.	The Company pays considerable attention to industrial safety, treating human life and health as the highest value, and making HSE compliance its key priority. 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 also 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.	The Company adheres to the safety and social responsibility policies and adopts a conservative approach. The Company follows its social responsibility policy and maintains a constructive and consistent relationship with state authorities to respond to any issue in a timely manner.

Risk	Risk Description	Management/Impact on Risk Level
Political and regulatory risks	Uralkali operates in Russia and a number of developing markets which are exposed to higher risks than more developed markets, including significant legal, economic and political risks. The Company may breach applicable laws or regulations in the markets where it operates. Certain measures taken by 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. Results of such audits may lead to imposing additional obligations, costs and restrictions on Uralkali.	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, such as 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 Company's corporate governance procedures enable it to quickly make necessary operational and strategic decisions at different managerial 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 legislation. Claims, including anti-monopoly claims, may create additional costs for the Company.	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.

Risk insurance

PJSC Uralkali organises a corporate insurance programme as a protection measure against risks in partnership with major Russian insurance companies and the international reinsurance market.

The Company continuously aims to improve the terms of insurance coverage and closely cooperates with the insurance and reinsurance community.

Insurance is only one way of minimising risk and the use of different methods helps reduce the maximum aggregate risk.

Development of the Risk Management System

The Company's risk management and internal control system is regularly improved. In 2020, the Company plans to hold training sessions on risk management for new managers of the Company. The same sessions were also conducted in 2018.

Corporate insurance programme includes the following:

- property and downtime insurance;
- hazardous facilities insurance;
- cargo and charterer's liability insurance;
- receivables insurance;
- directors' liability insurance;
- accident insurance;
- other insurance.

KEY PERFORMANCE INDICATORS

Dmitry Osipov

CEO

Uralkali improved its financial performance in 2019 despite a relatively difficult situation in the global potash market our revenue grew by 1%[1] in the reporting period, and our adjusted EBITDA by 8%. In 2019, the Company continued with its strategy to reallocate export volumes to higher-margin markets while effectively managing its capital flows.

Overall, the challenging potash industry environment did not adversely affect Uralkali's access to long-term financing: in the reporting period, the Company placed Eurobonds, and attracted the largest syndicated loan and the first dual currency loan in its history.

Uralkali's strategy continues to be underpinned by its sustainable development principles committed to social responsibility, reliability, and other elements that will support the organic growth of both the Company and the development of its region of presence.

11.1

Production volume, million tonnes KCl

2,364

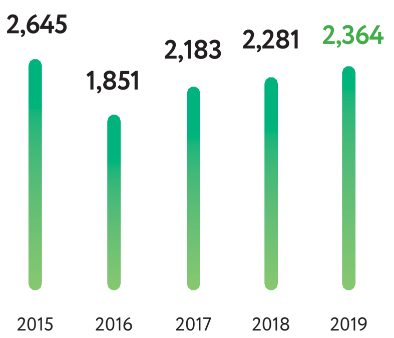
Net revenue, USD million

[1] In US dollar terms in accordance with the consolidated financial statements for 2019.

STRENGTHENING INDUSTRY LEADERSHIP POSITIONS

Net revenue,
USD mln

2,364



Relevance to the strategy

Net revenue is the key financial metric that measures the success of our revenue maximisation strategy. We use net revenue to eliminate the effect of trading transportation costs in order to achieve a more relevant cross-industry comparison.

Measurement

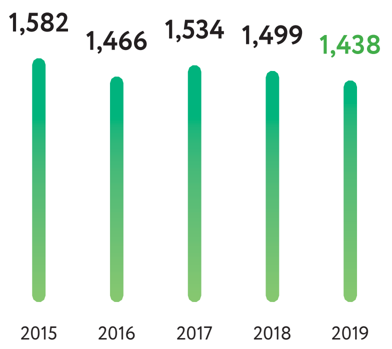
Net revenue represents revenue net of freight, railway tariffs, and rent of wagons, and transshipment costs.

Performance overview

The net revenue growth was driven by an increase in prices which peaked in the first quarter of 2019, and were higher on average compared to 2018.

Labour productivity,
t per pers.

1,438



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.

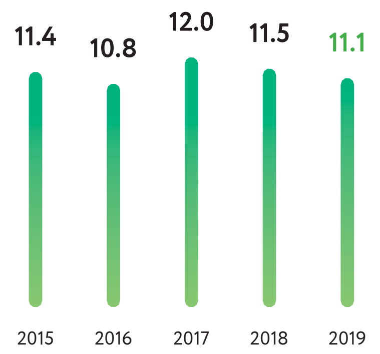
Performance overview

The relatively tough trends in the global potash market did not have a significant impact on this indicator.

FOCUS ON RELATION-SHIP WITH END CON-SUMERS

Production volume,
mln t KCl

11.1



Relevance to the strategy

Achieved production shows the volume of products produced by the Company, which can be adjusted to reflect market conditions and the current strategy.

Measurement

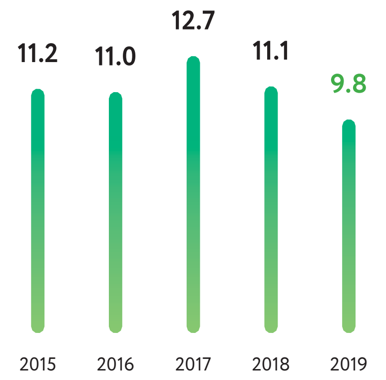
The volume of potash fertilisers produced within the reporting period.

Performance overview

Uralkali partially reduced the production of its main products in the second half of 2019, based on market conditions and scheduled maintenance shutdowns.

Sales volumes,
mln t KCl

9.8



Relevance to the strategy

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

Measurement

The volume of potash fertilisers sold within the reporting period.

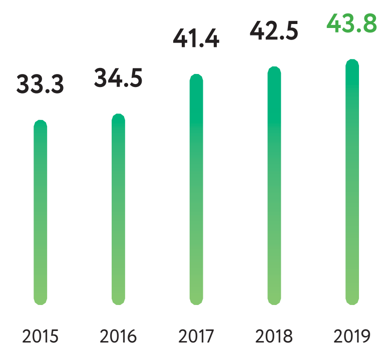
Performance overview

The Company studies market trends and adjusts its production and sales volumes to meet global demand.

MAINTAINING A LEADERSHIP POSITION IN CASH COST OF GOODS

Cash COGS,
USD per t

43.8



Relevance to the strategy

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

Measurement

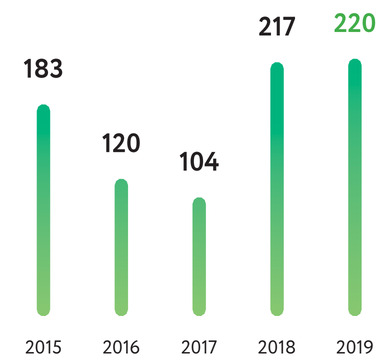
COGS less depreciation and amortisation per tonne and cost of goods for resale.

Performance overview

In 2019, cash COGS per tonne of KCl increased to USD 43.8. The key driver was an increase in the number of repairs against the previous year and higher ore transportation costs as part of COGS.

Maintenance CAPEX,
USD mln

220



Relevance to the strategy

Maintenance CAPEX shows efficiency of our operating facilities maintenance.

Measurement

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

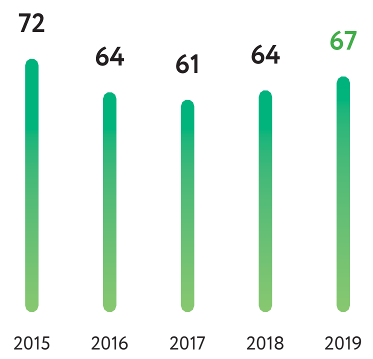
Performance overview

The 2019 maintenance CAPEX is in line with levels for 2018. Equipment was replaced and panels were prepared for mining in accordance with the production cycle in the reporting period. Investments were also made in the construction of hydraulic stowage facilities to ensure the safety of mining operations.

MAINTAINING A LEADERSHIP POSITION IN CASH COST OF GOODS

EBITDA margin,
%

67



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

Adjusted EBITDA divided by net revenue. Adjusted EBITDA is operating profit plus depreciation of fixed assets* and amortisation of intangible assets and depreciation of right-to-use assets, as well as impairment of fixed assets and non-recurrent expenses.

Performance overview

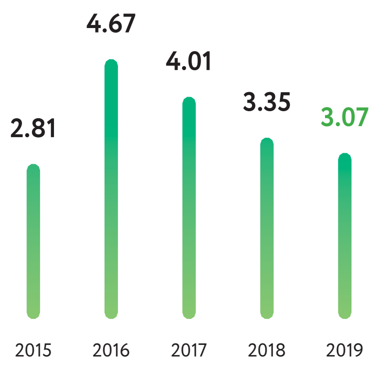
EBITDA margin increased by 3 p.p. in 2019 and is in line with the average over the last five years.

* Depreciation of right-of-use assets and impairment of fixed assets are included in the indicator calculation since 2019.

BALANCED APPROACH TO INVESTMENT IN EXPANSION AND RETURN OF FREE CASH FLOW TO SHAREHOLDERS

Net debt/EBITDA for last 12 months

3.07



Relevance to the strategy

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

Measurement

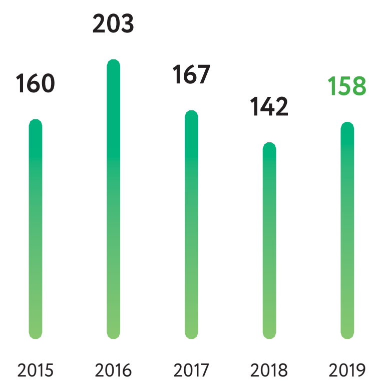
Net debt is debt (including bank loans and bonds) less cash and deposits.

Performance overview

The drop in the net debt/EBITDA ratio reflected the EBITDA growth and decrease in net debt.

Expansion CAPEX,
USD mln

158



Relevance to the strategy

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

Measurement

Capital expenditures attributable to the expansion programme.

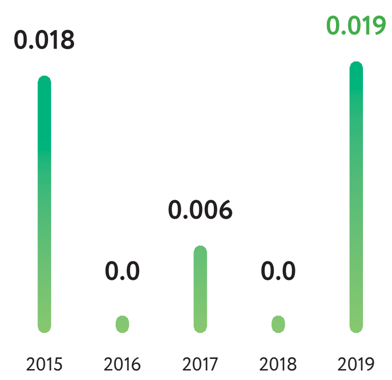
Performance overview

The Company's expansion programme remains one of the most efficient in the industry. In 2019, the total expansion CAPEX was in line with our programme of new capacity launches to ensure the Company maintains its leading market position.

FOCUS ON PEOPLE, COMMUNITIES, SAFETY AND ENVIRONMENT

Work-related fatal injury frequency rate (FIFR)

0.019



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

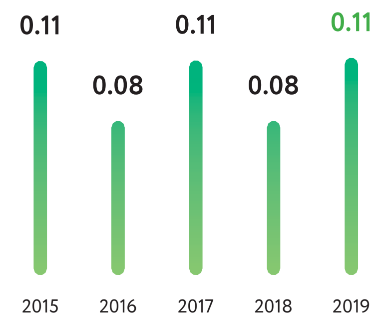
FIFR is calculated based on the number of fatalities per 200 thousand hours worked.

Performance overview

We deeply regret the deaths of 3 Company employees in 2019. All cases were investigated, and measures have been taken to prevent similar accidents in the future.

Lost time injury frequency rate (LTIFR)

0.11



Relevance to the strategy

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

Measurement

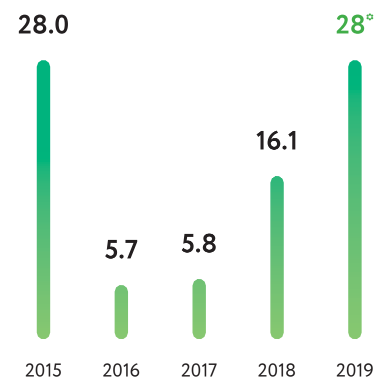
LTIFR is calculated based on the number of lost time injuries per 200 thousand hours worked.

Performance overview

In 2019, 18 accidents were registered at Uralkali's enterprises and subsidiaries in Russia, including 3 accidents with fatal outcome. All cases were investigated; the Company has taken all of the necessary measures to prevent similar accidents in the future.

Social investments,
USD mln

28*



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 on charity, infrastructure, and sports.

Performance overview

In 2019, Uralkali continued to support sports activities, donate to charity, and contribute to the development of the region where it operates.

* The amount is calculated on an accrual basis. Social expenditures in roubles amounted to RUB 1,795 million in 2019. Average rate of the Central Bank of the Russian Federation for 2019: USD 1 = RUB 64.7362.

USD 43.8

Lowest production cost per tonne in the potash industry

Access to a large resource base

Sylvinite ore reserves

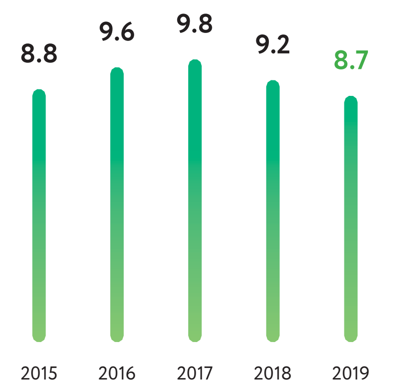
as of 31 December 2019

1,256 million tonnes

Find more on p. 206

Voluntary labour turnover, %

8.7



Relevance to the strategy

Voluntary 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

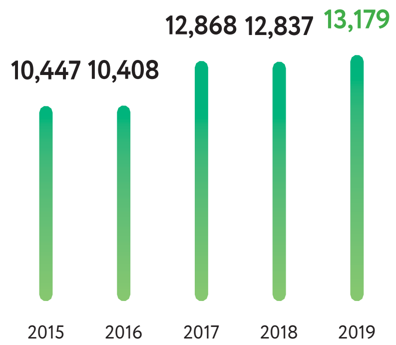
Turnover is the number of permanent employee resignations as a percentage of total employees (excl. transfer to another employer and staff reduction). Since 2019, foreign companies of the Group have been included in the indicator. Data were revised retrospectively starting from 2017.

Performance overview

In 2019, the effective HR Policy aimed at strengthening employee engagement contributed to a decline in this indicator.

Average annual salaries in the main production unit, USD

13,179



Relevance to the strategy

The average annual salary 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

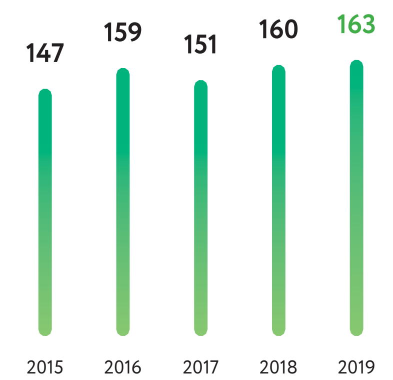
The annual payroll is divided by the average number of employees in the main production unit, excluding top managers and Moscow rep.office.

Performance overview

In 2019, average annual salaries denominated in US dollars grew by 3% y-o-y mainly thanks to salary indexation. The Company offers all of its employees competitive salaries, recognises their contribution, and encourages efficient work and professional development.

Energy consumption, kWh/t

163



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

An increase in energy consumption per tonne of production reflected the decrease in production volumes due to strategic factors.

CONTINUED FOCUS ON BEST CORPORATE GOVERNANCE PRACTICES

CREDIT RATING MAINTENANCE

2012–2013	2014	2015–2017	2018	2019
Investment-grade ratings received and maintained	Investment-grade ratings maintained	Stable credit outlook maintained	Investment-grade ratings received and maintained.	Stable credit outlook maintained

Relevance to the strategy

Investment-grade ratings acknowledge that Uralkali is a first-class borrower with a strong industry position, balanced financial policy, and prudent risk management that adheres 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 2019, Fitch, Standard & Poor's, and Moody's improved the outlook on the Company's rating from Stable to Positive.

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

2013	2019
The Company pursued a consistent policy of enhancing its corporate governance and information transparency, which also included the quality of public reporting on the corporate website along with timely and accurate disclosure	Uralkali maintained its existing corporate governance system and standards and information transparency

Relevance to the strategy

The corporate governance system, based on best international standards, is fundamental to shareholder trust and underpins our attractiveness to investors.

Measurement

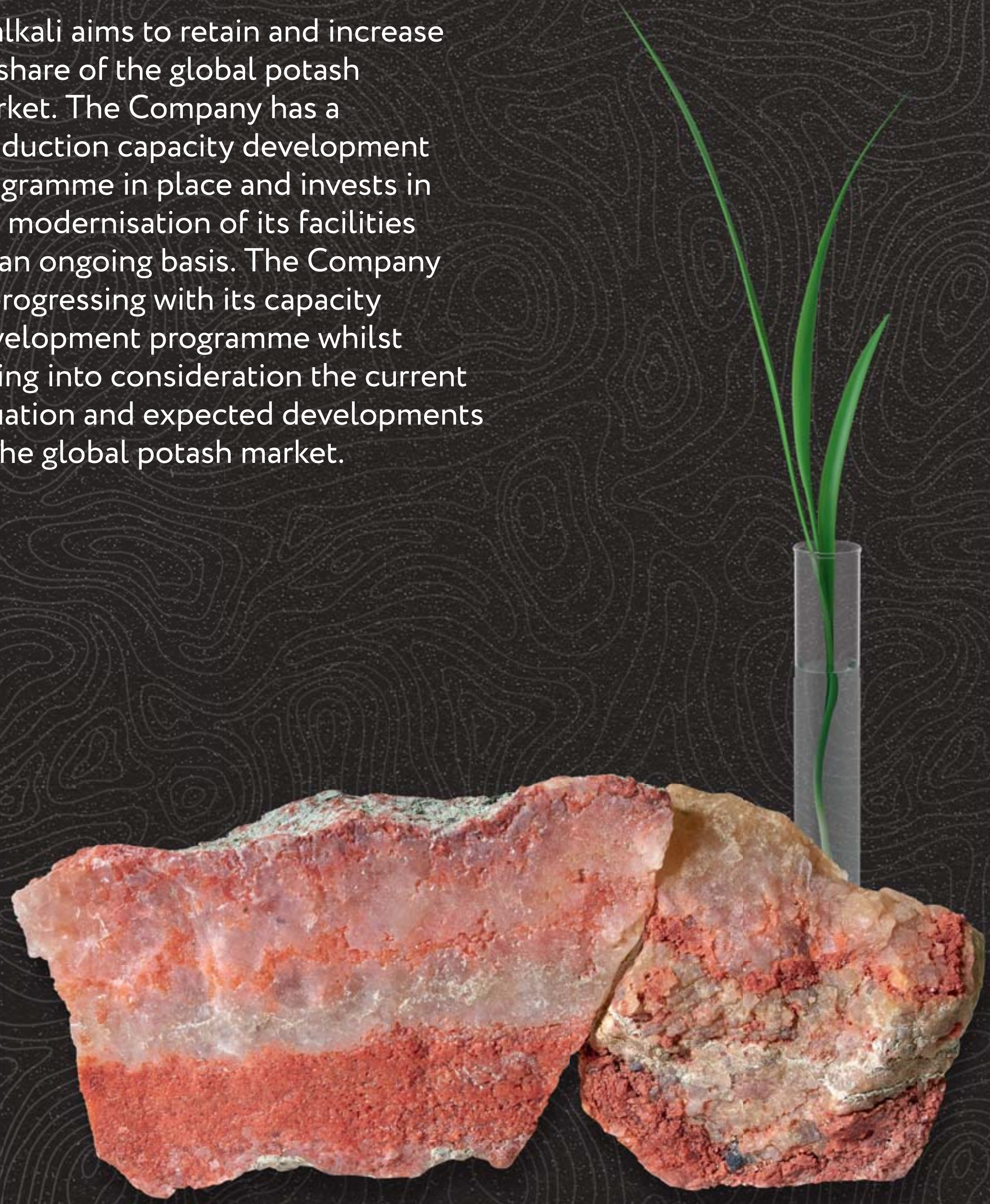
Any defects in the Company's corporate governance, transparency, disclosure or ethical standards, practices or procedures cited by any rating agency or regulator with jurisdiction over the Company's securities as a reason for an adverse decision with respect to the Company.

Performance overview

Corporate governance continued to be one of the Company's key priorities in 2019. The decision-making process in the Company is in line with legal and regulatory requirements, and the Company constantly improves its corporate governance practices in order to comply with the best international standards.

INVESTING IN THE FUTURE

Uralkali aims to retain and increase its share of the global potash market. The Company has a production capacity development programme in place and invests in the modernisation of its facilities on an ongoing basis. The Company is progressing with its capacity development programme whilst taking into consideration the current situation and expected developments in the global potash market.



PRODUCTION CAPACITY DEVELOPMENT AND MAINTENANCE PROGRAMME

$50

Investments in 2019 (mln)

Ust-Yayvinsky mine

In 2019, we continued the construction of surface complex facilities, completed work on energy facilities, our shaft construction works approached their final stage, and the first designs of the underground complex were drafted.

$40

Investments in 2019 (mln)

New Solikamsk-2 mine

In 2019, shaft sinking continued, and the Company began to construct surface complex facilities.

$20

Investments in 2019 (mln)

Solikamsk-3 expansion

In 2019, construction of the mine surface complex continued.

$3

Investments in 2019 (mln)

Polovodovo

In 2019, engineering documentation was developed, and preliminary works for shaft sinking began.

$265

Investments in 2019 (mln)

Other projects and maintenance CAPEX

In order to increase production capacity for granular MOP, equipment is being upgraded to improve its productivity, and additional new process equipment is being installed. To improve production efficiency, programmes are being implemented to increase the section load and the extraction rates. As part of the capacity maintenance works, mine panels are being prepared for operation, worked-out sectors are being prepared for backfilling, and the current equipment is being replaced and upgraded with state-of-the-art technology, which will facilitate further improvements.

FINANCIAL MANAGEMENT DISCUSSION AND ANALYSIS

Promoting financial stability

Despite the relatively challenging situation in the global potash market in Q4 2019, Uralkali managed to improve its financial performance in the reporting period. The average export price on a delivery basis[1] in US dollars in 2019 was 8% higher than in 2018, due to price changes for the Group's main products in global potash markets.

Compared to 2018, the Group's results were as follows:

- the Company's sales volumes decreased by 12% year-on-year;
- total revenue increased by 1% compared to 2018 (USD 2.78 billion in 2019 against USD 2.75 billion in 2018);
- the average price on a delivery basis in US dollars increased by 11% in 2019;
- the average export price on a delivery basis[1] in US dollars increased by 8% in 2019;
- the average FCA[2] export price in US dollars increased by 11% in 2019 due to the growth of demand on the potash market in the second half of 2018;
- cash COGS per tonne increased by 3% compared to 2018 and amounted to USD 43.8 per tonne;
- adjusted EBITDA[3] increased by 8%, from USD 1.46 billion in 2018 to USD 1.58 billion in 2019;
- CAPEX increased by 6%, from USD 358 million in 2018 to USD 378 million in 2019.

Revenue

Despite the reduction of sales volumes in 2019, revenue increased by 1% against prior year comparatives, amounting to USD 2,782 million. Total sales volumes decreased by 12% compared to 2018 and amounted to 9.8 million tonnes (11.1 million tonnes in 2018), due to adverse weather conditions that affected demand for potash and the Group's export sales during 2019.

The main factor that affected revenue and offset the reduction in sales volumes during the period was an 11% growth in the weighted average price (USD 268 per tonne in 2019 compared to USD 242 per tonne in 2018). Prices for the Group's main products peaked in the first quarter of 2019, followed by a gradual decline. Other sales (carnallite enriched, pit-run industrial sodium, solutions of sodium chloride and magnesium, as well as the revenue from sales of other services and goods, namely, nitrogen fertilisers) amounted to 13% of total revenue in 2019, or USD 364 million (USD 276 million in 2018). Significant growth in other revenue is due to the Company's new activities — trading operations on the purchase and sale of nitrogen fertilisers in the African market.

[1] Weighted average price on a delivery basis is a weighted average price including transport costs: railway tariff and rent of wagons, freight rates and transshipment.

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

[3] Adjusted EBITDA is the amount of operating profit, adjusted for depreciation of fixed assets, amortisation of intangible assets and right-of-use assets, as well as for impairment of fixed assets and one-off expenses.

Transportation

90% of the Group's exported products in 2019 were shipped by sea, mainly through its own terminal in the port of St. Petersburg. The Group's maritime transportation export costs include the railway tariffs and rent of wagons from Berezniki and Solikamsk to ports of transshipment, transshipment expenses at the seaports and freight costs (except for deliveries on a FOB basis).

10% of export sales were transported by rail, including 8% to China and 2% to other regions. The Group's costs for these deliveries include railway tariffs and railcar rental.

Freight

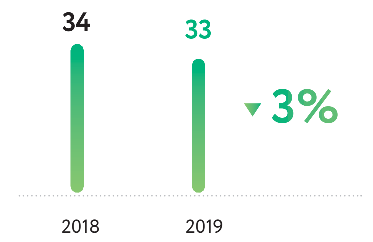
Effective freight rate in US dollars decreased by 3% per tonne of product shipped by sea on a CIF/CFR basis in 2019 against 2018 and amounted to USD 33 per tonne (USD 34 per tonne in 2018).

The reduction in freight rates was mainly due to alterations in the shipment structure. At the same time, the introduction of the use of expensive low-sulfur fuel around the world and subsequent higher fuel costs affecting shipowners since the end of 2019 did not significantly affect the freight rate.

In addition, the winter of 2019/2020 was abnormally warm, as a result of which freight rates for shipments from St. Petersburg in November–December 2019 remained at the same levels (without significant ice component).

Effective freight rate, USD per tonne

33



The Company also incurred barge freight costs within the USA, which are less significant than shipping products by sea.

Railway tariffs

The Company ships directly to its customers in Northern China, Europe, and the CIS countries by rail. The weighted average railway tariff[1] to St. Petersburg increased by 7% in 2019 (a 4% increase in US dollars terms) mainly due to tariff indexation and the expiration of the decreasing factor on the loaded tariff to stations of Oktyabrskaya railroad.

The tariff to China increased by 3% (a 1% decrease in US dollars terms), mainly due to tariff indexation.

Transshipment

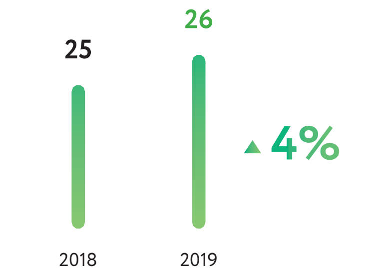
In 2019, transshipment costs remained at 2018 levels, amounting to USD 21.2 million.

Net revenue

Net revenue is sales revenue, net of variable distribution costs on

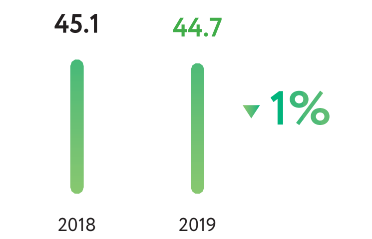
Weighted average railway tariff to St. Petersburg, USD per tonne

26



Weighted average railway tariff to China, USD per tonne

44.7



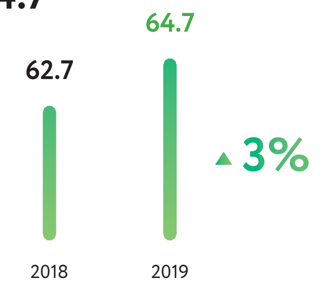
freight, railway tariff and rent of wagons, and transhipment costs.

According to the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), net revenue increased by 4%, to USD 2.36 billion in 2019 against 2018 due to an 11% growth in export prices on the FCA basis, which was partially offset by a 12% decrease in sales volumes.

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

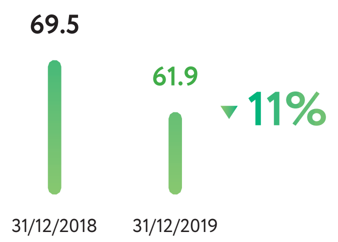
Annual average USD/RUB Exchange rate

64.7



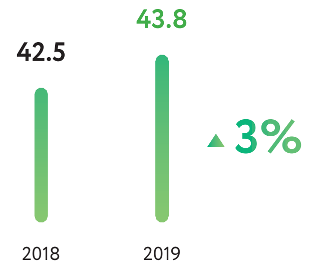
USD exchange rate as of the reporting date

61.9

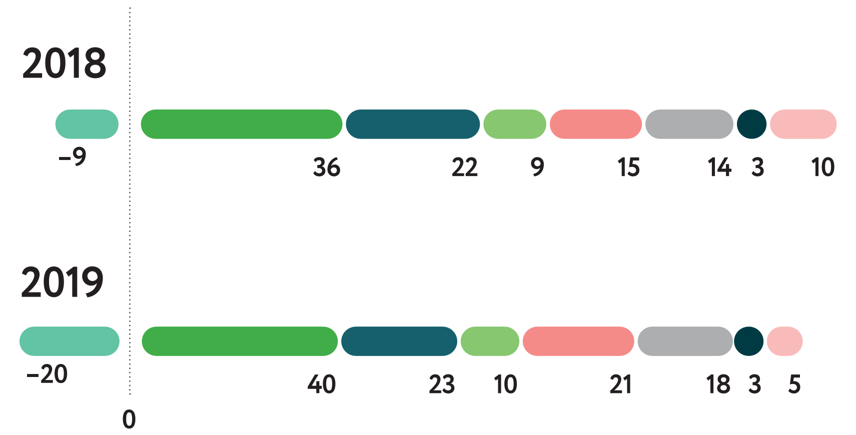


Cash COGS, USD per tonne

43.8



Cash COGS structure, %



- Employee benefits
- Fuel and energy
- Normalised materials
- Materials and components
- Repairs and maintenance
- Transportation between mines by railway
- Other costs
- Change in work in progress, finished goods and goods in transit

Cash COGS (KCl)[1]

Cash COGS amounted to RUB 2,837 per tonne in 2019, 6% higher than in 2018 (a 3% increase in US dollar terms to USD 43.8 per tonne). The main reasons for an increase in cash cost per tonne were higher volumes of repairs compared to the previous year and greater expenses for transportation between mines.

Labour

Average salaries at the Group in 2019, with the exception of top management's remuneration, rose by 0.5% compared to 2018 (a 2.7% reduction in US dollar terms). The growth in the average salary in RUB was a result of salary indexation due to increased consumer prices. Average expenses per one employee at the Group, excluding the remuneration of senior management, amounted to around USD 1,090 per month against USD 1,120 in 2018 (RUB 70.5 thousand and RUB 70.2 thousand, respectively).

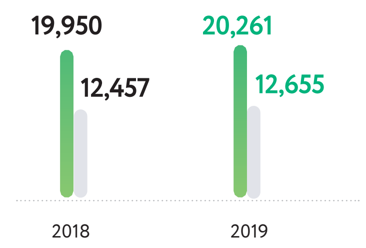
Around 20.3 thousand people worked for the Group in 2019.

[1] Unit cash COGS per tonne is the amount of cost of goods sold, adjusted for depreciation of fixed assets, amortisation of intangible assets and right-of-use assets included in the cost, as well as for the cost of goods for resale, divided by the output of the goods sold (KCl).

Average number of Group employees per year, pers.

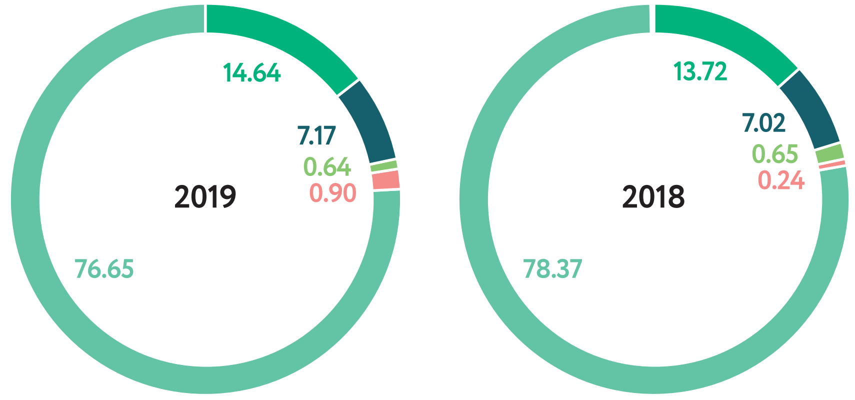
20,261
Group

12,655
Main production



Share of fuel and energy costs, %

- Electric power
- Gas
- Fuel
- Heat
- Other cash COGS



Fuel and energy

The potash production process is very energy-intensive. Fuel and energy expenses largely depend on production volumes and are denominated in roubles. Electric power and gas were purchased at unregulated rates. However, prices of electricity and gas transmission services were regulated by the government. The Company's power needs were partially met through its own power generation. The effective gas tariff in USD remained flat in 2019 (growth by 3.1% in RUB terms) and amounted to USD 62 per 1,000 m³. The effective tariff on purchased electricity in USD increased by 5% in 2019 (a 9% increase in RUB terms) compared to 2018 and amounted to USD 49 per 1,000 kWh.

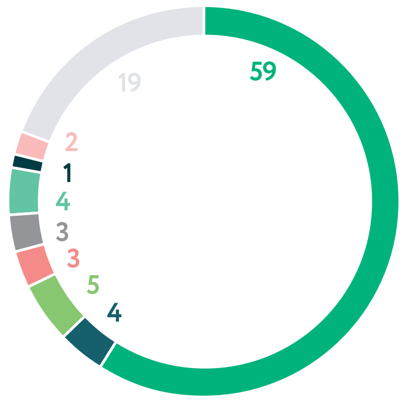
Other cash costs in cost of goods

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

These are made up of variable costs (costs of production materials and transportation between mines), and fixed costs (costs relating to outsourced services and materials for repairs).

The reduction in production volumes as a result of market conditions allowed the Company to carry out planned shutdown maintenance works, which contributed to the increase in repair costs. Repair costs increased by 11% in 2019 compared to 2018 (USD 71.8 million in 2019 and USD 64.7 million in 2018). In addition to shutdown maintenance, the increase in costs was also due to the postponement of part of the repair work in 2018 to 2019, as well as higher materials and services costs.

General and administrative cash expenses in 2019, %



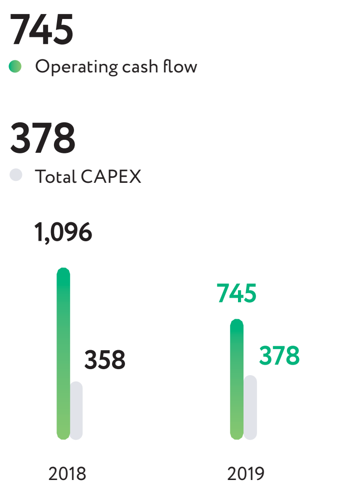
- Employee benefits
- Security
- Consulting, audit and legal services
- Repairs and maintenance
- Materials and fuel
- Telecommunication services
- Rent
- Insurance
- Other expenses

General and administrative cash expenses

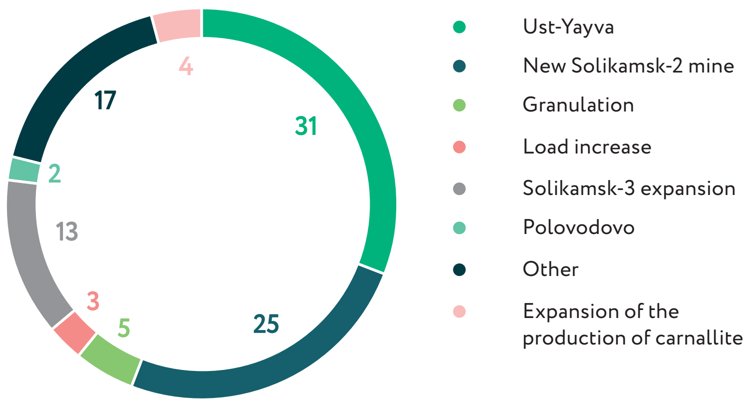
IIn 2019, general and administrative cash expenses[1] increased by 2% in USD against 2018. The primary component of general and administrative cash expenses was employee benefits (59%).

[1] General and administrative cash expenses are calculated as amount of general and administrative expenses adjusted for depreciation of property, plant and equipment and amortisation of intangible assets and assets in the form of rights of use included in general and administrative expenses.

Operating cash flow and CAPEX, USD mln



CAPEX for production expansion in 2019, %



Financial income and expenses

The 11% appreciation of RUB against the US dollar at 31 December 2019 compared to the beginning of the year resulted in a foreign exchange gain of USD 417 million and a fair value gain of USD 130 million on derivative financial instruments, primarily as a result of the revaluation of the foreign currency loan portfolio.

The decrease in the Company's debt level as well as the attraction of financing at lower rates resulted in a 25% reduction in interest expenses in 2019 compared to 2018 (USD 217 million and USD 288 million, respectively).

Adjusted EBITDA analysis

In 2019, adjusted EBITDA increased by 8% compared to 2018, amounting to USD 1.58 billion. The EBITDA margin[1] was 67% in 2019.

In 2019, the Company made a decision to write off the property, plant and equipment related to the liquidation of consequences of the accident at the Solikamsk-2 mine, which completed their purpose prior to the end of their expected value-added use. The volume of this writing-off amounted to USD 10.5 million. During the reporting period, the Company also incurred unplanned social and charitable expenses in the amount of USD 28 million. When calculating the adjusted EBITDA for 2019, these expenses in the amount of USD 38.5 million were assumed to be non-recurring.

No income and expenses were taken as one-off and excluded from calculation of the adjusted EBITDA in 2018.

CAPEX

In 2019, total CAPEX amounted to USD 378 million, 42% of which accounted for expansion CAPEX. The Group's main expenses in 2019 were related to the construction of new mines: Ust-Yayva and Solikamsk-2. Moreover, projects aimed at increasing production volumes of standard and granular products at existing mines were implemented in 2019 as part of the capacity expansion programme.

The Company's expansion programme remains one of the most efficient in the industry. In 2019, expansion CAPEX amounted to USD 158 million. This indicator was in line with the scheduled and planned commissioning of capacities to maintain its leading market position. Maintenance CAPEX in 2019 was in line with historical levels and amounted to USD 220 million. This included equipment replacement, and preparation of panels for testing in accordance with the production cycle. The Group additionally invested in the construction of hydraulic stowage facilities, to ensure the safety of mining operations.

[1] Adjusted EBITDA margin is the ratio of adjusted EBITDA to the net revenue.

Calculation of adjusted EBITDA , USD mln

	2019	2018
Operating profit	1,255	1,202
Depreciation of property, plant and equipment and amortisation of intangible assets in the form of rights of use	272	257
Impairment of property, plant and equipment	12	-
One-off expenses		
Non-recurring writing-off of facilities related to the liquidation of the accident at the Solikamsk-2 mine	10.5	-
Unplanned charity and social expenses	28	-
Adjusted EBITDA	**1,578**	**1,459**

Cash flow

Cash funds received from the Group's operating activities in 2019 decreased by 32% against prior-year comparatives, to USD 0.7 billion. The decrease in cash inflows was due to accumulation of inventories related to a decrease in sales volumes resulting from negative market conditions, as well as increased income tax payments.

Loan portfolio

As of 31 December 2019, the Company's net debt amounted to USD 4.84 billion. At that, the cash balance amounted to some USD 0.48 billion, and total debt amount to USD 5.32 billion.

In May 2019, the Company signed a USD 725 million and EUR 650 million 5-year pre-export facility agreement with 13 international banks. The interest rate is 1 month LIBOR + 1.9% for US dollar tranches and EURIBOR +1.7% for euro tranches.

In October 2019, the Group issued Eurobonds at a nominal value of USD 500 million, with a coupon of 4.00% p.a. maturing in 2024.

At the end of 2019, the effective interest rate amounted to 4.50% on loans in USD and 1.64% on loans in EUR.

STATEMENT OF THE CSR COMMITTEE CHAIRMAN

Luc Maene

Independent Director,
Chairman of the Corporate Social Responsibility Committee

Introduction

Being aware of our responsibility to both current and future generations, the Company in all its operations pays close attention to ESG-aspects of business, which provides great opportunities for efficiency improvement, and does everything possible to lend social and economic support to the communities in which it operates, to reduce the negative impact on the environment and to ensure environmental and industrial safety.

Industrial and labour safety

"Zero injuries" is one of the key production priorities for the Company. This approach is based, first of all, on developing the safety culture of our workers, refining management systems in the field of occupational and industrial safety, including both informing our staff about existing risk factors and training them to prevent injuries and reduce accidents. The main goal is to develop a culture of deliberate aversion to any kind of violations, which can lead to irreparable consequences.

This principle should be used at all management levels, from entry-level workers to the Company's top management. I would like to emphasise that much has already been achieved in this area: all Uralkali's production sites have introduced an occupational safety management system certified for compliance with the requirements of OHSAS 18001 international standards. We run various programmes, including a set of internal labour safety Cardinal Rules and have in place other corporate procedures regulating safety issues in this area not only in Uralkali, but also in its contracting organisations working in the territory of the Company.

More information about this area of Uralkali's activities can be found on page 64.

Environmental protection

Since large-scale industry, in the majority of cases, is associated with a negative impact on the environment, preservation is also among the most important activities of Uralkali. The Company uses advanced treatment technologies, regularly optimises the industrial waste disposal system and enhances production-related energy efficiency. All production processes are based on the principle of compliance with environmental legislation requirements.

More information about our 2019 activities in this area can be found on page 55.

Local communities engagement

The Company pursues a consistent policy with the aim of creating favourable living conditions in the region for both employees of Uralkali Group and their families and for the population of Berezniki and Solikamsk. In 2019, we initiated a programme to support medical institutions in the cities where we operate. The programme includes purchasing new equipment for healthcare facilities and attracting qualified medical personnel to the region. We also continued the housing project for Uralkali Group's employees to build eight residential buildings in Berezniki and Solikamsk.

In the reporting period, Uralkali continued funding of the projects for the development of social infrastructure, sport, culture and education and rendered support to local authorities and non-governmental organisations, including through sponsorship and charity.

Uralkali's social investments in 2019 totalled USD 28 million. More information about our contribution to the development of the cities where we operate can be found on page 76.

Global food security

Through its operating activities, Uralkali makes a great contribution to achieving the UN's Sustainable Development Goal No. 2: "End hunger, achieve food security and improved nutrition and promote sustainable agriculture". The production of potash fertilisers to supply people around the world with quality food is the Company's mission.

An important role in solving this global problem is played by Uralkali's research and educational activities, which include a range of educational projects on the benefits of balanced fertilisation in agriculture.

All of these corporate initiatives would have been impossible without the involvement of qualified personnel and professional management of the Company and the support for our work from all stakeholders. Therefore, I want to thank everyone for their help in studying, adapting and applying international experience in the field of social responsibility and sustainable development.

SUSTAINABLE DEVELOPMENT

The Management of Uralkali recognises that in order to secure the long-term sustainability and the competitiveness of its business, it needs to take a responsible approach to the sustainability of its operating activities.

The Company strives to ensure the right balance between the interests of the business and the society, as well as the harmonious management of economic, environmental and social aspects of its activities.

Uralkali regularly improves its sustainable development practices, and continuously builds an integrated approach to managing the negative and positive impacts on the environment and local communities.

Our sustainable development activities consist of four key areas:

- sustainable economic development;
- employees;
- mitigating environmental impact;
- stakeholder engagement.

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.
- **Business model focus on maintaining cost leadership,** vertical integration, capacity development, and premium products.
- **Maintaining a leading position on the global market,** which fosters long-term relationship with its customers.

Employees

- **Recruitment and retention of talented experts** include cooperation with educational institutions, talent pool development, the expansion of the competencies of employees and self-development.
- **Labour and occupational safety** implies strict adherence by the Company's employees and contractors to cardinal rules and other safety requirements aimed at reducing the risk of accidents at work.
- **Employee development** focuses on KPIs, training, and employee satisfaction surveys.
- **Diversity and equality** imply equal opportunities for all employees regardless of their nationality, social background, religion, and gender.

Mitigating environmental impact

- **Geological safety** includes safety monitoring of operational and idle mines in cooperation with R&D institutes.
- **Responsible water usage** includes wastewater treatment and usage minimisation, water intake, and recycling systems.
- **Waste management** focuses on reducing waste volumes, waste recycling and reusage.
- **Energy efficiency** implies a range of activities aimed at optimising energy consumption in the Company's operations.

Stakeholder engagement

- **Business ethics** involves compliance with the Code of Corporate Culture as well as the fight against corruption and fraud.
- **Compliance management** means compliance with all applicable laws and requirements.
- **Local community relations** include social investments, charity, sponsorship, and the resettlement programme.
- **Respect for human rights** ensures and protects the dignity and freedom of every individual within the course of our operations.

ENVIRONMENTAL PROTECTION

Why this is important to us

A crucial principle of Uralkali's sustainable development and responsible operations is the reduction of negative impact on the environment and its preservation.

The sustainable functioning of natural or established ecosystems, favourable environment and the preservation of its biological diversity are essential to human health and create conditions for the development of future generations. In this regard, Uralkali implements all necessary measures to protect the environment.

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

Responsibility

- Subsurface Use Directorate
- Chief Power Engineer Department
- Environmental Protection Department

Stakeholders

- Employees
- Trade unions
- The government and local authorities
- Regulatory authorities
- Local communities

Key priorities

- Ensuring geological safety
- Compliance with existing standards and requirements of the Russian HSE legislation
- Sustainable use of energy and natural resources

Our approach

The Company has approved the IS, LS and HSE Policy, which defines the key aspects and main areas of the Company's HSE activity:

- production optimisation for efficient use of natural resources;
- minimisation of impact on the environment, including the use of advanced treatment systems, development and implementation of new methods for waste disposal, its recycling for secondary use;
- implementation of environmental initiatives, participation in volunteer environmental campaigns in locations where the Company operates.

Uralkali focuses on measures to minimise the negative environmental impact of its activities.

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.

Uralkali's main HSE goals are as follows:

- minimisation of risks of negative impact on the environment during planning and implementation of production activities;
- planning and implementation of environmental measures;
- efficient waste management;
- reducing energy consumption.

The Company has developed and approved internal HSE regulations, which form the basis of the Environmental Activities Plan developed annually.

In 2019, as part of the plan implementation, activities were carried out in the following key areas:

- protection of the atmosphere;
- environmental monitoring;
- waste management (disposal, use);
- staff training;
- research activity.

The Company conducts its operations in accordance with the HSE legislation of the Russian Federation, complies with environmental regulations, takes into account the requirements of the Russian Federation regulations and international standards, and strictly adheres to the requirements of internal regulatory documents.

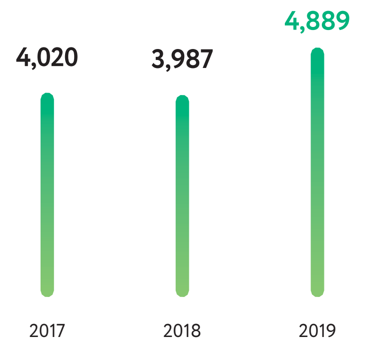
Uralkali's production facilities carry out regular measures to monitor compliance with environmental standards and regulations as part of the environmental control programme. At the same time, the results of the environmental impact measurement are noted in the internal measurement forms and must be provided to the environmental authorities and recorded in the state statistical reporting forms.

HSE expenditures in 2019 amounted to RUB 4,889 million which is 22.6% more than 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.

In September 2019, Uralkali received the IFA Product Steward Excellence status of the Protect & Sustain international standard by International Fertilizer Industry Association (IFA). The uniqueness of the Protect & Sustain standard is in its combination of many aspects reflected in the quality management systems (ISO 9001), labour safety (OHSAS18001) and environmental management (ISO 14001), as well as the requirements of technical specification RC14001, which formulates the provisions for management systems of chemical industry organisations.

Dynamics of Uralkali's environmental expenditure in 2017–2019, RUB mln

4,889



The certificate confirms the effective management mechanisms for all stages of production, transportation and sales of potash fertilisers, as well as commitment to best practices in production safety and environmental friendliness of products. Uralkali's certification for compliance with the Protect & Sustain standard was carried out by international auditors covering 113 issues of various aspects of the Company's activity. The certificate is valid for three years.

Dmitry Osipov, CEO of PJSC Uralkali, noted:

"Certification for compliance with the Protect & Sustain standard is an important evidence of successful implementation of the Company's sustainable development strategy. Uralkali introduces the best global practices for all stages of production, delivery and sale of potash fertilisers.
We pay special attention to the safety and environmental friendliness of all production processes."

ENERGY AND CLIMATE

In December 2015, 175 countries, including Russia, signed the Paris Climate Agreement, defining measures to combat climate change, primarily aimed at reducing the 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 impact on natural ecosystems and humanity.

In 2019, Uralkali continued to carry out activities aimed at improving energy efficiency, as well as accounting and control of greenhouse gas emissions. The Company also began to consider possible risks and opportunities related to climate change.

Furthermore, as a member of the International Fertilizer Industry Association (IFA), the Company accepts and supports the position of the association on the importance of climate change management for producers and consumers of fertilisers.

Energy efficiency

The Company is committed to the sustainable use and preservation of energy resources, and, as a result, minimising the impact on the environment by annually reducing its energy consumption. The Company aims to reduce the share of energy expenditures in the cost of its products.

The Company's technical specialists make an account for energy consumption data, monitor and control production power supply, as well as implement energy efficiency measures. Since 2013, the Company has adhered to its Energy Management Technical Policy. In order to achieve the best performance, the Company has also introduced the Regulation "On bonuses for energy saving".

The main strategic goal of the Company in energy efficiency is to reduce energy consumption by 10% by 2022 compared to 2017.

In 2019, the Company's energy saving measures were implemented in full. Uralkali is considering the possibility of awarding its staff at production facilities that reached the established KPIs.

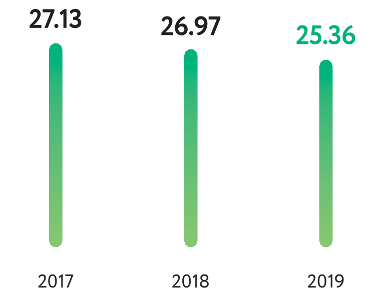
In 2019, total consumption of fuel and energy resources, in physical and monetary terms, amounted to 2,324.1 tonnes of diesel or RUB 103,282, 15.6 thousand litres of petrol (11.73 tonnes) or RUB 561,000, and 9,487 tonnes of fuel oil or RUB 167,345.

Total electricity consumption for the reporting period amounted to 1,806 million kWh, including 1,538 million kWh of purchased electricity. In monetary terms, it totalled RUB 4,930 million. The actual volume of electricity generated in 2019 decreased by 17.6% year-on-year and amounted to 267.6 million kWh.

Total heat consumption at PJSC Uralkali facilities amounted to 2,646,203 Gcal, including 279,488 Gcal of purchased heat energy, or RUB 242,544 in monetary terms. In the reporting period, Uralkali facilities sold 25,100 Gcal of heat energy for the total amount of RUB 26,413.

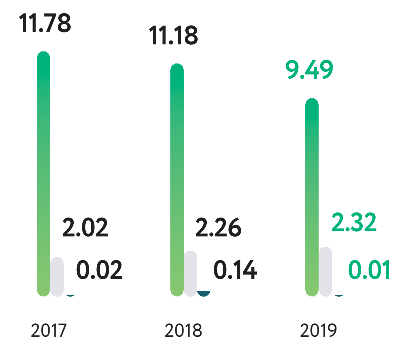
Total energy consumption at PJSC Uralkali in 2017–2019, PJ

25.36



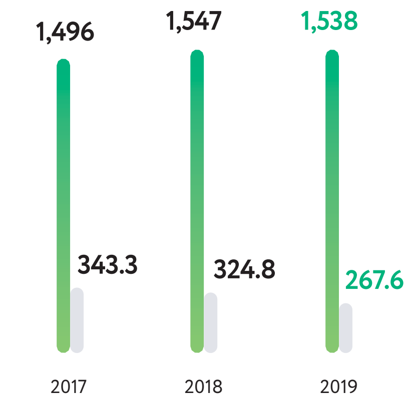
Fuel and energy resources consumed by PJSC Uralkali in 2017–2019, thousand tonnes

9.49 Fuel oil **2.32** Diesel **0.01** Petrol

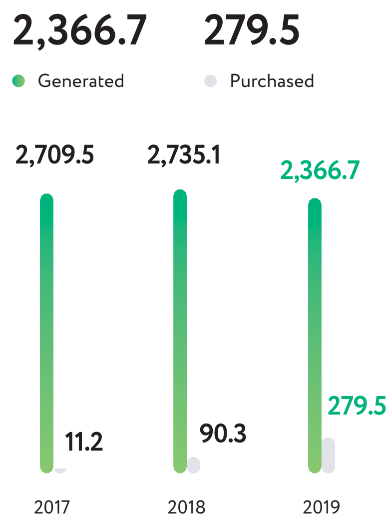


Electricity consumed by PJSC Uralkali in 2017–2019, mln kWh

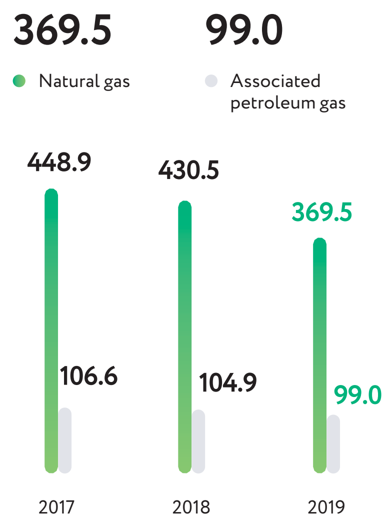
1,538 Purchased **267.6** Generated



Heat energy consumed by PJSC Uralkali in 2017–2019, ths Gcal



Gas consumed by PJSC Uralkali in 2017–2019, mln m³



The Company uses natural gas for its operations. In 2019, natural gas consumption totalled 369.5 million cubic metres, with natural gas procurement costs amounting to RUB 1,475 million. Natural gas accounts for 79% of the total volume of gas consumed, with the share of associated petroleum gas at 21%. In 2019, consumption of natural gas decreased by 14% year-on-year.

Energy consumption by type, 2017–2019

	2017		2018		2019	
	physical units	RUB mln	physical units	RUB mln	physical units	RUB mln
Heat, Gcal	2,720,700	-	2,825,489	-	2,646,203	-
incl. generated	2,709,535	-	2,735,140	-	2,366,715	-
incl. purchased	11,165	14.7	90,349	82.3	279,488	242.5
Electricity, thousand kWh	1,839,028	-	1,872,308	-	1,805,897	-
incl. generated	343,266	-	324,846	-	267,648	-
incl. purchased	1,495,762	4,447.2	1,547,462	4,526.8	1,538,249	4,930.5
Natural gas, m³	448,929,063	1,694.1	430,474,719	1,657.7	369,457,994	1,475.3
Associated gas, m³	106,615,000	414.6	104,871,450	420.6	99,003,167	408.4
Diesel, tonnes	2,024.6	69.4	2,259.6	94.9	2,324.1	103.3
Petrol, tonnes	19	0.698	139	0.865	12	0.561
Fuel oil, tonnes	11,778	126.7	11,183	192.1	9,487	167.3

In 2017–2018, PJSC Uralkali conducted an energy assessment. It led to the development of the Company's energy passport and drafting of the 2019–2023 Energy Saving Programme.

As part of the Programme implementation, the following activities were carried out in 2019:

- replacement of lamps with energy-efficient LED in production units and administrative buildings;
- installation of variable frequency drives for process equipment;
- replacement of heat insulation of pipelines;
- implementation of the automatic load distribution system based on efficiency across LOOS boilers at Berezniki-4 boiler-turbine hall;
- investment project for the automation of the Solikamsk-3 boiler unit;

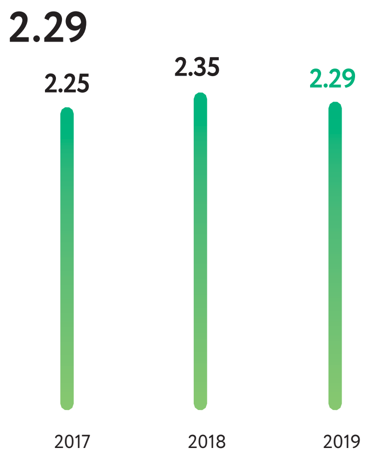
- adjustment of operating modes for heating grids at production facilities;
- development of electronic and mathematical models of heating grids for certain production facilities (the Berezniki-2 sylvinite processing plant, the Berezniki-4 sylvinite processing plant).

In 2019, investments into the Programme totalled RUB 120 million.

As the result of the Energy Saving Programme implementation in the reporting period, certain results in reducing energy consumption were achieved. Electricity saving amounted to 14,000 MWh, while natural gas saving totalled 6,240 toe. In the reporting period, total savings in fuel and energy resources amounted to RUB 63.6 million.

As the result of all measures carried out in 2019, energy intensity per tonne of production decreased by 2.5% and amounted to 2.285 GJ/t.

PJSC Uralkali energy intensity in 2017–2019, GJ/t



	2017	2018	2019
The Company's gross energy consumption, GJ	27,129,779	26,977,219	25,359,954
Energy intensity, GJ/t	2.253	2.347	2.285

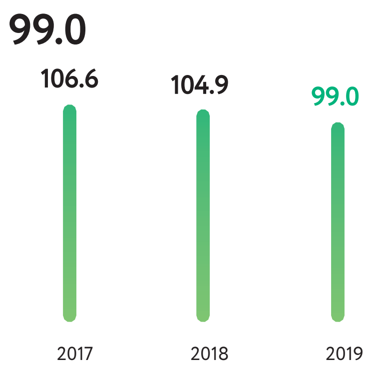
Use of associated petroleum gas

As part of its Energy Saving Programme, the Company uses associated petroleum gas, which it purchases from oil and gas companies of the Perm Region.

This approach enables the Company to reduce its natural gas consumption. It is also more environmentally friendly. By using associated petroleum gas as a fuel and energy resource, the Company helps oil companies to use natural resources more comprehensively and efficiently.

In 2019, Uralkali used 99.0 mln m³ of associated petroleum gas which amounts to RUB 408.4 million.

Associated petroleum gas consumed by PJSC Uralkali in 2017–2019, mln m³

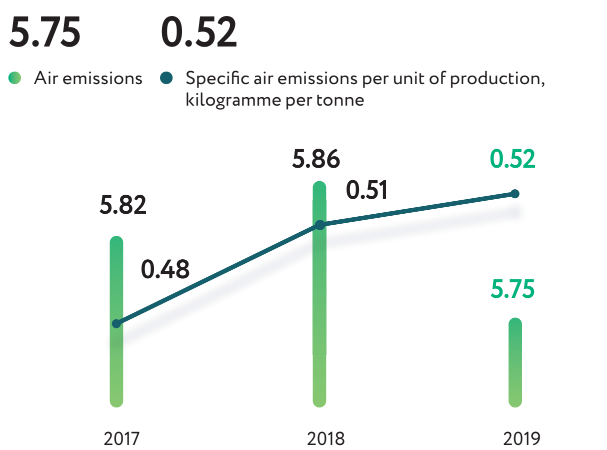


Air emissions

Emissions are produced by the equipment and pipes of boiler shops during fuel combustion (natural gas, associated petroleum gas, fuel oil) at the mines.

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

Total air emissions by PJSC Uralkali in 2017–2019 by pollutant type, thousand tonnes



The volume of air emissions of pollutants per unit of production remained at the level of 2018 and amounted to 0.52 kg/t. All air emissions from stationary sources are within the regulated limits. In 2019, there were no unplanned (accidental) emissions.

Total air emissions by PJSC Uralkali in 2017–2019 by pollutant type, thousand tonnes

Indicator	2017	2018	2019
Particulate matter (PM)	2.32	2.41	2.56
Sulphur dioxide	0.45	0.37	0.37
Carbon oxide	1.49	1.45	1.32
Nitrogen oxides (NO2)	1.45	1.46	1.35
Hydrocarbons (without VOCs)	*	*	0.01
Volatile organic compounds (VOCs)	0.06	0.09	0.08
Other gaseous and liquid compounds	0.06	0.08	0.07
Total, thousand tonnes	5.82	5.86	5.75
Intensity of pollutants per unit of production, kg/t	0.48	0.51	0.52

** In previous years, hydrocarbons (without VOCs) were included in other gaseous and liquid compounds.*

Greenhouse gas emissions

In addition to the 2019–2023 Energy Saving Programme, which reduces Uralkali's impact on climate change, the Company carries out mandatory control over greenhouse gas emissions, as well as accounting of data by gas type in accordance with the requirements of environmental legislation of the Russian Federation.

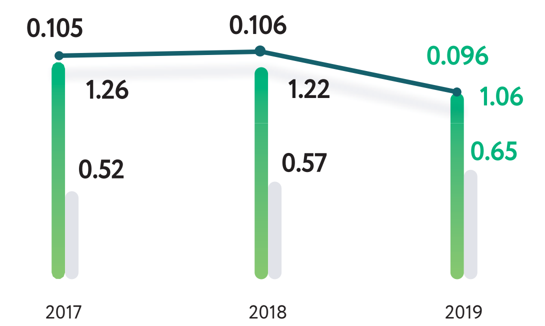
Over the past year, the Company's direct CO_2-equivalent emissions amounted to 1,063 thousand tonnes and decreased by 152 thousand tonnes. Indirect energy greenhouse gas emissions during the reporting period amounted to 647 thousand tonnes.

Greenhouse gas emissions by PJSC Uralkali in 2017–2019, mln tonnes of CO_2-equivalent (Scope 1 and Scope 2)

1.06 Total direct (Scope 1) emissions

0.65 Total indirect (Scope 2) emissions

0.096 Specific greenhouse gas emissions (Scope 1), tonnes per tonne of production



Carbon intensity (specific mass of direct greenhouse gas emissions per tonne of finished products) amounted to 0.096 tonnes of CO_2-equivalent per tonne of finished products, which is 9% lower compared to 2018.

Indicator	2017	2018	2019
Direct CO_2 emissions (Scope 1), thousand tonnes of CO_2-equivalent, including:	1,260	1,215	1,063
CO_2	1,259	1,214	1,062
CH_4	0.58	0.56	0.49
N_2O	0.75	0.72	0.63

Indicator	2017	2018	2019
Indirect energy emissions (Scope 2), thousand tonnes of CO_2-equivalent	524	573	647
Total CO_2 emissions (Scope 1 + Scope 2), thousand tonnes of CO_2-equivalent	1,784	1,789	1,710
Specific greenhouse gas emissions (Scope 1) per tonne of production, tonnes per tonne	0.105	0.106	0.096

WATER RESOURCES

Water availability for future generations is one of the major public concerns regarding global demographic and climate changes.

Uralkali pays great attention to responsible water consumption. The main areas of the Company's impact on water bodies are water consumption for production needs and waste water disposal. Uralkali works in both directions in order to reduce the impact on the environment.

The Company conducts regular measurements of water intake and water consumption in accordance with the requirements of environmental legislation of the Russian Federation. Furthermore, Uralkali implements measures and technical solutions to reduce the risks of negative impact on water bodies, such as maintenance of the water cycle system.

Uralkali abstracts water in accordance with the permits and does not have a significant negative impact on the volume and flow of the water bodies used, as well as on water bodies significant for other water users (the Kama River). The region of the Company's operations is not water-deficient. In 2019, the Company did not receive any inquiries from stakeholders regarding the use of water bodies.

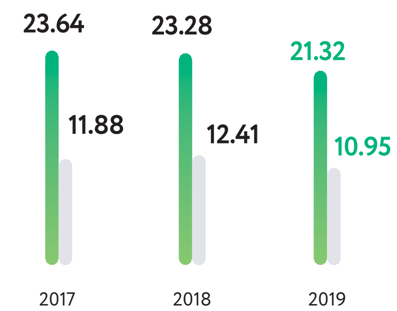
Gross water consumption by Uralkali in the reporting period amounted to 21.4 million m^3. Compared to 2018, the water intake decreased by 2.0 million m3. The total volume of water abstracted for industrial needs amounted to 10.9 million m^3 in 2019.

In 2019, the volume of water consumption in the water reuse and water recycling systems amounted to 128.9 million m^3.

Water consumed by PJSC Uralkali in 2017–2019, mln m^3

21.32 Total water consumption

10.95 Water intake from external sources



The volume of water recycling exceeded the volume of abstracted water by 5.7 times in the reporting year.

Specific water consumption per tonne of production totalled 1.93 m^3/t in 2019.

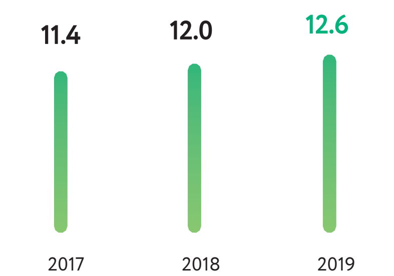
Volume of reused and recycled water in PJSC Uralkali water consumption in 2017–2019, mln m^3

	2017	2018	2019
Volume of water recycled and reused for industrial needs	104.3	122.4	128.9

The Company monitors and maintains records of water discharge volumes in accordance with legislation. There are no uncontrolled sources of water discharge at our production sites. The total volume of wastewater discharge into water bodies totalled 12,637 m^3 in the reporting period.

Volume of wastewater discharged by PJSC Uralkali into water bodies in 2017–2019, mln m^3

12.6



WASTE MANAGEMENT

Mining activities generate significant amounts of waste. The main types of waste generated are halite waste and clay-salt slurries (hazard class V).

In order to reduce and prevent negative impact on the environment, Uralkali carries out the following waste management measures:

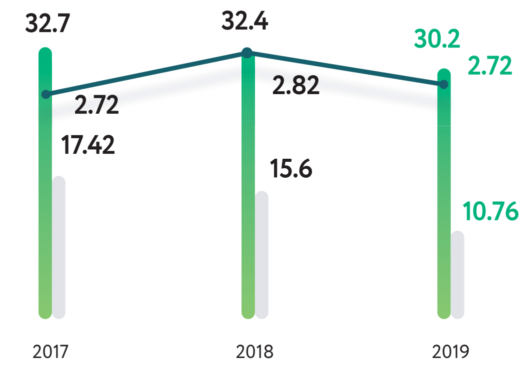
- modernising both existing and new facilities to increase the recovery ratio of valuable components from ore (top priority);
- backfilling the mined-out areas;
- involving waste in secondary use (waste recycling into products for sale, transfer for the preparation of raw materials used in soda production);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

Volume of waste generated by PJSC Uralkali in 2017–2019, mln t

30.2 Total waste generated

10.76 Placed for storage

2.72 Specific waste generation per tonne of production, tonnes per tonne



In 2019, Uralkali facilities generated 30,213 thousand tonnes of waste, 30,208 thousand tonnes of which were of hazard class V, 4 thousand tonnes of hazard class IV, 1.1 thousand tonnes of hazard class III, and 0.5 and 9 tonnes of hazard classes II and I, respectively.

Volume of waste generated by PJSC Uralkali in 2017–2019 by hazard class, handling and utilisation

Indicator	2017	2018	2019
Total waste generated, including:	32,697,831	32,385,911	30,213,225
Hazard class I (t)	11.16	11.18	9.46
Hazard class II (t)	0.33	0.37	0.52
Hazard class III (t)	847.69	1,171.74	1,149.42
Hazard class IV (t)	2,612.84	2,487.1	4,024.00
Hazard class V (t)	32,694,359	32,382,240	30,208,042
Including under hazard class V waste:			
In-house utilisation (use), thousand tonnes	16,568.7	17,860.4	20,519.0
including previously accumulated	1,345.9	1,121.1	1,138.5
Transferred for utilisation, thousand tonnes	1,041.7	1,107.8	1,184.4
including previously accumulated	990.9	1,064.3	1,117.6
Placed for storage (HW, CSS, overburden rocks in the Company's WDF), thousand tonnes	17,417.7	15,602.3	10,756.9
Total placement of waste (hazard class V – HW, CSS, overburden rocks in the Company's WDF), thousand tonnes	1.45	1.36	0.97
Specific waste generation per tonne of produced goods, tonnes per tonne	2.72	2.82	2.72

The laying of halite waste and clay-salt slurries into idle mines is used as a method of reducing the flow of waste to disposal facilities. In 2019, 20.5 million tonnes of waste were used in total, including 18.8 million tonnes of halite waste and clay-salt slurries. This is 13.14% higher compared to 2018 (16.328 million tonnes).

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:

- de-icing agent;
- saline solution for production of soda.

In 2019, 2.256 million tonnes of halite waste were used from previously accumulated at the Company's facilities, including 1.1 million tonnes transferred to a third party.

The total waste tonnage at in-house facilities amounted to 10.8 million tonnes in the reporting period. This indicator has been declining over the recent years. By the end of 2019, the decrease reached 31%.

In the reporting period, Uralkali's waste placement at the municipal landfill amounted to 27.7 thousand tonnes. An increase of 18.6% and 47.5% compared to 2017 and 2018, respectively. The waste tonnage increase is associated with the increase in the volume of repair and construction works. In 2019, third-party enterprises transferred 1.2 million tonnes of waste (1.1 million tonnes in 2018, 1.0 million tonnes in 2017) for use and neutralisation.

Significant facilities for waste disposal are slurry storages and salt tailing piles. Uralkali takes measures to ensure their safety and reduce the negative impact of their operation on the environment. The Company undertakes the liquidation of technical facilities and land reclamation in accordance with the requirements of environmental legislation.

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 metres deep and 950 metres by 750 metres across under the mined-out areas of north-eastern panels 1 and 2 of Solikamsk-2. 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 metres 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, fresh water inflow into the worked-out areas of the Solikamsk-2 mine on 18 November 2014 was caused by the 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 has been intensified. The following special scientific and project institutions were engaged in the emergency mitigation work: the 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, mining operations are being performed in order to stow the area with materials. Constant monitoring of the situation is carried out in the mine.

LABOUR AND INDUSTRIAL SAFETY

Uralkali is fully committed to protecting the health and safety of our workforce, mitigating occupational safety risks and protecting the environment, all which remain an absolute priority across every aspect of our business and underpins all decision making.

The Company adopted a Health and Safety (HSE) Policy in 2012, which was later updated in line with the latest compliance and legislative requirements.

Our approach

Safety remains a vital area of focus and forms an integral part of all our decisions and actions. We appreciate that any irresponsible and ill-thought through actions can have serious consequences not only on our people, but their families and loved ones. Ensuring our workers return home safe and healthy at the end of each work shift is of utmost priority.

Why this is important to us

A zero-harm workplace, mitigation of any incidents, and the absence of emergencies and occupational illnesses are a crucial goal for business efficiency. Our employees rely on us for the provision of favourable working conditions, whilst the Company expects them to strictly follow safety regulations and procedures.

By upholding a mutually responsible approach to these principles, we will not only improve the level of performance of our business, but also ensure the sustainable development of our Company.

Key priorities

- Mitigation of occupational accidents
- Absence of health emergencies

Stakeholders

- Employees
- Trade unions
- Local communities
- Media

PERFORMANCE INDICATORS

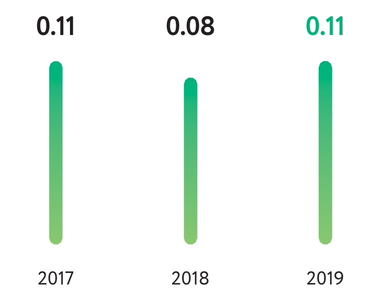
In 2019, 18 accidents occurred at Uralkali and its subsidiaries in the Russian Federation. We are very sad to report that three of 3 of these accidents were fatal. Each tragedy was thoroughly investigated with the following causes of fatalities identified as a result of the enquiry. The investigation revealed the following causes: a rupture of the slurry pipeline, crossing of a conveyor belt during its operation, and execution of mining and excavating works while not operating within the Company's safety procedures and rules. The Company takes this extremely seriously and continues to enhance its safety culture through enhanced employee training, and has taken all necessary measures to prevent similar accidents from occurring in future. Following the investigation into the rupture of the slurry pipeline, the Technological Regulations for Stowing Operations have been updated and a risk assessment report of pipeline operations is currently under development.

Lost time injury frequency rate (LTIFR) at PJSC Uralkali and its Russian subsidiaries stood at 0.11 in 2019, representing a year-on-year increase. Lost days rate (LDR) stood at 7.6. The majority of injuries that occurred in 2019 were caused by falls as a result of stumbling and slipping, as well as being hit by falling objects.

An accident that took place in February 2019 was connected to a fire in a mobile compressor station in the Berezniki-4 mine. No emergencies took place at PJSC Uralkali's operating sites in 2019.

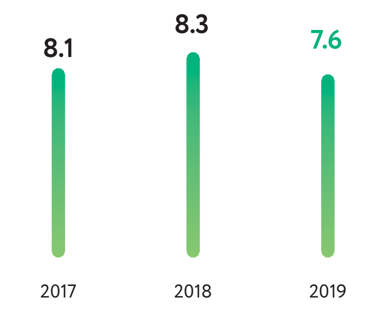
Lost time injury frequency rate, LTIFR

0.11



Lost days rate, LDR

7.6



ORGANISATIONAL AND OPERATIONAL MEASURES

Management system

PJSC Uralkali continuously improves its systems of occupational health and safety management. In 2019, the Company established an LS, IS and HSE Directorate that also included the LS and IS Department.

The Company has established committees overseen by the CEO of PJSC Uralkali to discuss important issues such as: labour, health and environmental safety, corporate social responsibility (hereinafter, the Labour Safety Committee), and mine safety; to which an Emergency Management Committee has also been established. The Company's entire management team takes part in the work of the committees. The committees meet regularly at least once every quarter or more frequently in the event of emergency. Control over the execution of decisions taken by the Labour Safety Committee is entrusted to the LS, IS and HSE Directorate, Mine Safety Committee, and Subsoil Use Directorate.

At the Board level, all labour, occupational and fire safety matters are supervised by the Committee on Labour, Health and Environmental Safety and Corporate Social Responsibility. The Committee oversees the Company's adherence to Russian legislation on labour, occupational, fire, radiation and environmental safety.

The Company has created an extensive regulatory framework for labour and industrial safety. Additionally, PJSC Uralkali has the following internal regulations, in line with the Health, Safety and Environment Policy:

- Regulation on Labour Safety Management System;
- Regulation on Industrial Safety Management System;
- Regulation on the organisation and implementation of production control to ensure compliance with industrial safety requirements at dangerous production facilities of PJSC Uralkali;
- Regulation on the safety procedure for works performed by contractors at surface and subsurface facilities of PJSC Uralkali's divisions;
- Instructions on labour, occupational and fire safety, and industrial sanitation, for all employees working on surface facilities of PJSC Uralkali;

- Instructions on labour, occupational and fire safety, and industrial sanitation, for all employees working at subsurface facilities of PJSC Uralkali;
- Quick Access Instructions in mine management divisions to ensure compliance with workers safety requirements and maintaining order in the workplace.

Uralkali's system of labour and industrial management covers 100% of the Company's assets and has received certification in accordance with the OHSAS 18001-2007 standard in 2018. The OHSAS certificate is valid until 2021.

Occupational health and safety

In accordance with the Company's industrial safety framework, Uralkali employees and contractors strictly adhere to the Cardinal Rules (a set of basic labour and industrial safety regulations adopted by the Company) and other safety requirements aimed at mitigating accident risks in the workplace.

The Company regularly supervises how its employees follow the safety requirements, as well as monitors changes in key indicators such as LTIFR and LDR, and the number of accidents. Uralkali conducts regular internal audits of the labour and occupational safety system.

Uralkali continuously optimises its risk assessment system for labour safety, analyses risks on an annual basis, and undertakes measures to minimise them. In particular, in 2019 the Company evaluated the risks involved in working in close proximity to existing pipelines. The assessment was part of the accident prevention activities carried out after the rupture of the slurry pipeline, which resulted in the death of an employee of Uralkali Group (LLC "Uralkali-Remont").

The Board for Prevention of Violations of Labour Safety (LS), Industrial Safety (IS) and HSE organises monthly meetings together with the Company's production unit. Additionally, the HSE Committee examines any violations of the Cardinal Rules, as well as other issues.

In 2019, in accordance with the Federal Law No. 426-FZ On Special Assessment of Working Conditions (dated 28 December 2013), an audit of working conditions at the Company's facilities was carried out at newly organised workplaces, as well as at workplaces where technical processes changed or accidents and occupational illnesses were recorded.

In order to ensure the safety of the transportation of our people and goods delivery in subsurface conditions, a project is being implemented for the installation of tachographs on vehicles in the Company's mines.

Uralkali employees were equipped with DVRs, cameras and voice recorders in order to record any violations of labour, occupational and fire safety requirements at work.

In 2019, the Company continued its work on the Initiative area, the main purpose of which is the identification, expert assessment and implementation of improvement initiatives at the Company's operations. This includes identification of any potentially hazardous working conditions. During 2019, 37 initiatives aimed at improving working conditions and reducing the risk of injuries were implemented by the Company.

A medical examination complex was also launched in 2019 at Uralkali's Solikamsk-3 mine, for the benefit of employees working in the underground mines. Employees can undergo prompt medical tests, using the Kuzbass-TsOT software complex and medical examination terminals at the new complex. The main purpose of the complex is to reduce industrial injuries by incorporating the values of safe workplace behaviour into an employee's daily routine and culture. The medical complex deploys a methodology of Group Development and Control of Employee Expertise. The complex allows one to quantify the risks of injuries due to actions of employees incompliant with safety procedures.

Labour, industrial and fire safety management of contractors

Uralkali pays special attention to contractors' compliance with labour, occupational and fire safety requirements during tender procedures for selection of contractors, as well as during the course of the contractual works being carried out. When the Company conducts its contractor selection tender procedures, it verifies whether the employees of the contractor have completed the training required; their level of expertise; availability of special-purpose clothing, personal protective equipment (PPE), and permits for the use of the required tools and equipment.

The Company has developed Regulations on the Procedures for Safe Work Performed by Contractors at Surface and Subsurface Facilities of PJSC Uralkali's Divisions, which coordinate the admission to work of employees of contracting organisations. One of Uralkali's requirements is the presence of LS and IS representatives of major contractors when performing certain types of work. Inspection of contractors' compliance with LS and IS requirements during work performance is carried out by both employees of the LS and IS Department and services that control construction and technical activities (supervision). In the instances of failure to comply with the labour, occupational and fire safety requirements, penalties are imposed by Uralkali which can include a termination of contract.

Control over major contractors' compliance with labour, industrial and fire safety requirements is also exercised at the level of CEO of PJSC Uralkali. Therefore since 2019, regular working meetings have been held with the representatives of major contractors with the participation of the CEO.

Industrial safety, operation of hazardous production facilities and hydraulic structures

In 2019, Uralkali continued to develop and improve operational control over compliance with the industrial safety requirements at its hazardous production facilities (HPF) and hydraulic structures (HS).

A Strategic Plan for Expert Examinations of Industrial Safety of Technical Devices, Buildings and Structures of Hazardous Production Facilities was developed and approved by the CEO in 2019. This plan is based on the list of technical devices, buildings and structures operated at hazardous production facilities as part of the Regulations on the Procedure for Organising and Conducting Expert Examinations of Industrial Safety of Technical Devices, Buildings and Structures of Hazardous Production Facilities at PJSC Uralkali. The document enables the Company to evaluate and plan the necessary expenses to perform industrial safety expert examinations. The estimate is based on the number of technical devices, buildings and structures (the safe operation period of which expires in the current year as well as within next 5–10 years).

In 2019, PJSC Uralkali updated the information on the number of technical devices, buildings and structures operated at its HPFs in order to conduct an industrial safety expert examination to extend the period of safe utilisation.

In 2019, the Western Urals Department of Rostechnadzor (the Federal Environmental, Industrial and Nuclear Supervision Service of Russia) carried out a scheduled field inspection of 10 hazardous production facilities of Uralkali, out of 74 total facilities. Following the results of the inspection, the Company agreed on an action plan on the industrial safety and implementation period for the 10 HPFs, which was approved by the regulator.

The Company has a total of 9 hydraulic structures (registered and in operation), 7 of which are slurry storage facilities and 2 are dams. Uralkali regularly performs a full range of analytical activities, monitors the hydraulic structures under the supervision of qualified experts who check the structures, their reliability and furthermore assess the possibility of further operation.

In 2019, the stability of dams of Berezniki-3 and Solikamsk-3 slurry storages was assessed to ensure safe operation of the hydraulic structures, and corresponding recommendations were issued for the safe operation of these facilities.

Radiation technology and safety

The monitoring of radiation safety at PJSC Uralkali is entrusted to the Department of Radiation Engineering and Safety, which is part of the LS and IS Management. The operational radiation control programme, which was scheduled for 2019, has been implemented in full and involved an examination of 79 facilities by the Department's employees. The results of the examination of samples of mineral raw materials, finished products and halite waste were timely delivered. During the year, more than 500 measurements were taken, and more than 190 protocols were issued.

In March 2019, the Radiation Technology and Safety Department participated in an inter-laboratory comparative examination of radiation control in residential, public and industrial buildings and structures in St. Petersburg. Based on the evaluation of the quality of results obtained by the Department during the tests, the qualifications of the Department's personnel were confirmed. The organisers of the event commended Uralkali employees for their notably high level of professional training.

During 2019, the Department also went through the procedure of confirming the competency for compliance with the accreditation criteria approved by Order No. 326 of the Ministry of Economic Development (dated 30 May 2014) and the requirements of GOST R ISO / IEC 17025-2009 "General requirements for the competence of testing and calibration laboratories".

Fire safety, civil defence, and emergency prevention

The level of preparation and response to emergencies is regulated in detail by the Russian legislation. The Company has developed advance action plans in accordance with the legislative requirements for the localisation and immediate response to accidents at its hazardous production facilities and hydraulic structures.

In order to effectively coordinate the fire safety and emergency prevention activities, the Company has created the following commissions: the Commission on Prevention of and Response to Emergencies and Fire Safety chaired by the CEO of PJSC Uralkali, the Commission on Enhanced Operation Sustainability, and the Flood Control Commission.

No fires or emergencies occurred at the Company's facilities in 2019. One fire was recorded in a temporary facility of a contractor's organisation for construction and installation works. The facility was located on the Solikamsk-1 surface site. The number of fires not subject to state registration by the Ministry of Emergency Situations of the Russian Federation at the surface complex increased by 75%, from 8 cases in 2018 to 14 cases in 2019.

In order to ensure strict adherence to the forest legislation, Uralkali carried out works to comply with the fire safety requirements in leased forest areas. The Company constructed and maintained two warehouses of fire-fighting equipment to extinguish any possible forest fires. Moreover, the Company carried out ploughing of leased forest areas adjacent to the forests and also installed fire safety banners.

During the reporting period, scheduled and preventative maintenance took place at more than 1,000 automatic fire alarm units and systems, warning and evacuation control systems, automatic fire extinguishing systems and emergency alarm systems to ensure fire safety of surface complex facilities.

In order to improve the fire protection of employees and property, the phased implementation of round-the-clock monitoring of automatic fire alarm systems and fire extinguishing systems at the Company's surface complex facilities was conducted in 2019, which makes it possible to promptly respond to any possible malfunctions in the operation of fire alarms and extinguishing systems through the monitoring centre.

Local Warning Systems (LWS) have been developed for the Company's hazardous hydraulic facilities to inform residents who may potentially be in danger of any possible slurry flooding. A new local alarm system was installed during the period. Currently, LWS of Berezniki-4 slurry storage has been launched in a pilot mode.

Safety management systems were installed in subsurface areas of the underground mines, which immediately notify mine workers during emergencies. Furthermore, the location tracking and human search systems in underground mines have undergone continuous improvement, which facilitate live location identification of an employee in an active mine.

Necessary measures were taken to prevent accidental spills of oil and oil products. Comprehensive targeted inspections of oil and oil products storage sites are carried out on annual basis at all of Uralkali's sites. Emergency oil and oil products spill response procedures for fuel and lubricants storage sites are adjusted at least once every 5 years.

Work on maintaining readiness of civil defence structures to serve their purpose continued. In 2019, the necessary measures were taken to improve their protective properties.

Voluntary (external) emergency rescue units have been established at all of Uralkali's mines — mine rescue crews (MRCs) comprised of the employees working underground, and voluntary (external) units comprised of the employees working at the surface complex (non-professional emergency response teams). The Company enters into contractual agreements with professional emergency rescue services and organisations on an annual basis (mine and gas rescue operations, and fire protection).

Training and coaching

Ensuring all our employees are aware of the latest labour, industrial and fire safety requirements, as well as developing a culture of compliance, plays a vital role in mitigating safety risk.

Prior to commencing any work at our production facilities, all our employees complete the necessary training programme. Uralkali's management teams, including mine foremen and supervisors, hold the responsibility of ensuring workplace safety as well as monitoring employee compliance with strict safety requirements.

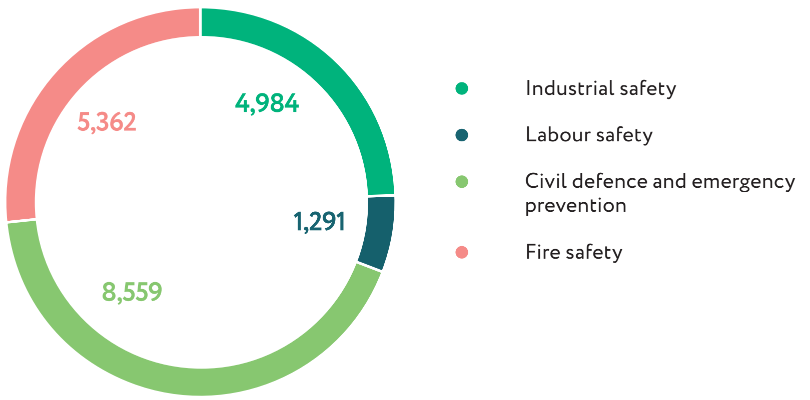
Furthermore, it is also mandatory for all Uralkali contractors to complete the additional safety training, ensuring they familiarise themselves with the features of the Company's technological and production processes. As such, all contractors complete an introductory briefing prior to entering the area of the Company's facilities where the works are planned, and are given additional training prior to commencing contractual works.

The Company regularly arranges training in the relevant areas of labour and industrial safety. Moreover, as a result of injury risk assessment, additional training for the highest risk areas identified is also provided. As a result of the assessment, falling from height was identified as one of the significant risks to employee safety. In 2019, Uralkali launched a training facility at Berezniki-3, in order develop practical skills for performing works at heights safely. The Company involved specialists from the Corporate University as part of the training programme.

During the year, Uralkali conducted necessary training for both its employees and contractors in the area of potential accident and emergency response, as well as training involving members of mine rescue crews and voluntary emergency response teams.

In 2019, the Company held the WorldSkills Corporate Championship, attended by chemistry laboratory technicians and the Labour and Industrial Safety Department's employees.

Number of employees trained and certified in labour and industrial safety in 2019



OUR PEOPLE

Irina Konstantinova

Human Resources Director

Our approach

We are a company driven by a belief that our employees are our most valuable asset, comprising a team of highly qualified and motivated people. To keep them engaged, the Company offers competitive salaries as well as one of the most attractive benefit packages in the industry. Uralkali pays significant attention to various stakeholder engagement in the development of labour practices and implements various HR projects aimed at attracting, retaining, training and encouraging its employees and future young professionals.

Key priorities

- Creating the conditions for improving the efficiency of workers
- Professional development of employees
- Providing career opportunities and establishing a talent pool
- Promoting continuity in the professional dynasties
- Attracting young professionals

Why this is important to us

The main region where Uralkali operates — Verkhnekamsky — is rich in various natural resources. This factor forms the specifics of the local labour market and increases the demand for workers and technical engineers. Uralkali makes great efforts to increase the prestige of these professions and improve the standard of living of the specialists in the region.

Stakeholders

- Employees
- Trade unions
- Students and graduates
- Government bodies of various levels
- Local communities

HR MANAGEMENT

The HR Directorate is the main division responsible for human capital management at the Company. The Directorate is comprised of five departments that oversee specific issues in the field of:

- labour and remuneration management;
- employee recruitment and development;
- organisational planning;
- management of social issues;
- management of facilities.

In Uralkali, a hierarchical structure of guidance documents has been built at the strategic and operational levels. As the Company develops and grows, it updates its set of internal guidance documents accordingly. As such, in 2019 the following documents were developed:

- Regulation on the Compensation, Benefits and HR Policy Committee;
- Regulation on Ethical Representatives of PJSC Uralkali;
- Regulation on the Remuneration of Berezniki-4 Employees.

The shortage of qualified personnel is one of the main risk factors that can significantly affect the Company's operations. In 2019, Uralkali implemented a number of risk mitigation measures that enabled a reduction in the risk level from high to medium.

Uralkali wins Crystal Pyramid-2019

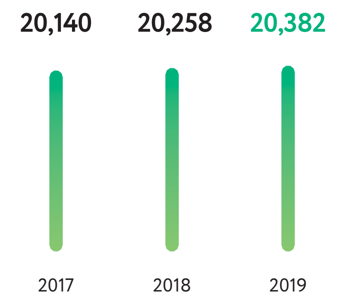
The Crystal Pyramid Award is given each year to companies and individual projects which make a significant contribution to the development of human capital management practices. In 2019, Uralkali was named the winner in three categories at once: HR Manager of the Year, Corporate University of the Year, and the new Corporate Social Responsibility category. The award ceremony took place at the 20th HR Directors of Russia and CIS Summit.

WORKFORCE COMPOSITION

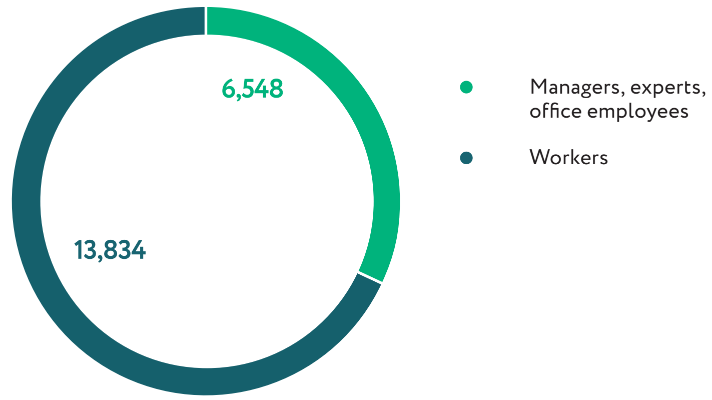
The number of Uralkali employees grew by 0.62% to 20,382 people in the reporting year. Over 96% of employees work in the Perm Region, with approximately 0.38% working in the Moscow representative office.

Group headcount as of the end of the year in 2017–2019, pers.

20,382



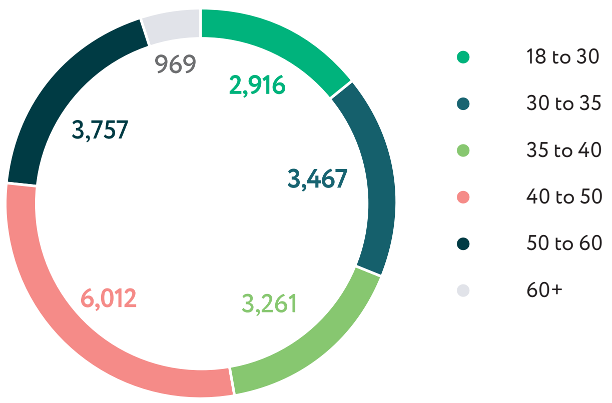
Group personnel structure by employee category as of 31 December 2019, pers.



Currently men represent about 69% of our workforce, while female representation amongst our employees amounts to 31%. This is due to the Russian legislative limitations, whereby the Russian labour law restricts females from performing hazardous industrial work.

The age composition of our workforce remained broadly unchanged from the prior year. Significant changes were observed only in the 60+ category where the proportion of employees increased by 10% on a year-over-year basis.

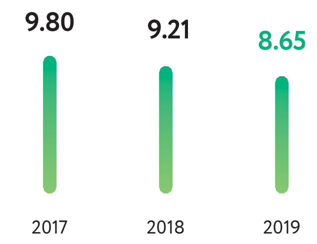
Group personnel structure by age category in 2019, pers.



The staff turnover rate declined in 2019 from the year before and amounted to 8.65%.

Staff turnover across the Group in 2017–2019, %

8.65



EMPLOYEE MOTIVATION

Uralkali pays considerable attention to the financial motivation of its employees as one of the key components of the Company's HR strategy. The remuneration system in Uralkali is transparent, fair, uniform for all categories of employees and strictly prohibits any form of discrimination. Employee salaries may vary only due to different degrees of complexity and the required qualification for the work performed.

The Company pays remuneration to all categories of employees at a competitive level, taking into account the contribution of each employee and encouraging skill development and efficiency. Uralkali annually adjusts salaries in compliance with the collective agreement. The size of the indexation of tariff rates and salary adjustment is determined by the results of the labour market analysis and the consumer price index for all goods and services. In 2019, employee compensation increased by 3% year-on-year and amounted to USD 13,179 per annum on average[1].

The Company has introduced a grading system that covers all employees of Uralkali. KPIs are set for each level of position to ensure the correlation between the performance and remuneration. The grading and KPI system makes it possible to objectively assess the workers' efficiency. Furthermore, the Company rewards its divisions and employees, who, all things being equal, achieve better operational results.

Non-financial motivation

In order to maintain a high level of personnel engagement, the Company has adopted a number of corporate awards which are given to the best employees on an annual basis. All these awards, including those given in combination with material incentives, contribute to maintaining advanced corporate culture based on the attention paid by the management to achievements and successes of Uralkali's divisions and employees.

In 2019, a total of 1,608 persons were awarded, persons:

Honoured Potash Industry Worker	25
Photo on the division's Wall of Honour	132
The division's Letter of Honour	512
Letter of Acknowledgement in honour of the jubilee	596
Memorable pins and letters of acknowledgement for Company employees working for 25, 35 and 45 years	320
The Best Foremen of enriching plants and loading and unloading facilities, as well as The Best Plant (team of Solikamsk-3 sylvinite processing plant), and The Best Loading Facilities (team of the cargo-handling operations station of Berezniki-2) timed to Chemist's Day	13
The Best Supervisors and The Best Mining Experts of Uralkali mines, as well as The Best Mine (team of Berezniki-2 mine) timed to Miner's Day	10

[1] This indicator is calculated as the average annual salary in the main production unit (including annual bonus).

New awards were created in 2019 based on performance: The Best Mine Management, The Best Directorate, and The Best Subsidiary. These were awarded to Solikamsk-3, the Economics and Finance Directorate, and Avtotranskali LLC respectively.

The Person of the Year contest holds a very special place at Uralkali. It is an open competition for all Company employees, whereby the winner is selected by a general vote, which every employee of the Group can take part in.

CAREER AND DEVELOPMENT

A high level of expertise is one of the Company's key priorities in the field of human capital management. Uralkali offers a wide range of opportunities for career development. The Company's HR Policy is aimed at creating the right conditions to help our employees thrive and boost their performance by means of professional and personal development. Our employees have every opportunity to further develop their skills in Russia's leading training centres, participate in a variety of cross-functional projects, learn new specialties, develop the level of professional and managerial competencies at Uralkali's Corporate University.

Corporate University

Uralkali is actively developing its Corporate University which provides an opportunity for professional development through a wide range of training programmes. The list of programmes is updated and expanded on an annual basis. The University has an online education platform, where each employee can take the necessary courses in their own time. The main areas of study are as follows:

- professional development in the areas of Uralkali's activities;
- mastering new equipment, machinery and production methods;
- pre-certification training and certification for admission to hazardous production facilities;
- development of a talent pool;
- employee training and retraining.

Currently, the Corporate University's attendees include not only the employees of Uralkali and its subsidiaries, but also external students such as representatives of other organisations.

39 **online courses**

45 **personal development trainings**

370 **employee training and retraining programmes**

3,000 **professional development programmes**

In 2019, 11,331 employees were trained or retrained in various areas of Uralkali's operations. The number of training hours per employee reached 78.2 man-hours.

In 2019, the WorldSkills Uralkali corporate championship of professions and competencies was held for the first time and covered two areas of expertise: laboratory chemical analysis, and industrial safety.

To ensure personnel continuity and prepare managers, the Company carries out the centralised formation and improvement of managerial personnel reserve.

WORKING WITH YOUNG PROFESSIONALS

Uralkali is highly interested in attracting young professionals to the industry and therefore proactively engages with students of vocational and higher education institutions, as well as organises targeted recruitment programmes for school graduates of sought-after specialisations.

As part of social partnership agreements, the Company contributes to the improvement and development of the material and technical base of the following educational institutions:

- Berezniki Polytechnic College;
- Solikamsk Mining and Chemical College;
- Perm National Research Polytechnic University and its subsidiary in Berezniki.

Since 2015, the Company has contributed over RUB 64 million to promote the development of these institutions.

Moreover, Uralkali actively participates in various career fairs to educate students about the Company and its activities, and to provide advice to graduates, students of vocational and higher education institutions on industry specifics, career prospects as well as benefits of the social package offered by Uralkali.

Students and scholarships

Since 2006, Uralkali has been providing scholarships to students within the framework of its cooperation agreement with the Perm National Research Polytechnic University (PNRPU) and its subsidiary in Berezniki. The scholarship amounts to RUB 3,000 and is paid at the end of each term. The main criteria for selecting the candidate are: strong academic performance, scientific research related to the areas of Uralkali activities, successful work experience, and participation in social university activities.

In 2019, Uralkali provided scholarships to those students who were receiving training in the sought-after professions: Production Machines and Equipment, Industrial Chemistry, Physical Mining Processes, Mine Surveying, Underground Development of Ore Deposits, Electrification and Automation of Mining Operations, Mining Machines and Equipment, Electrical Engineering, and Power Supply.

Moreover, Uralkali provides support to the students of Berezniki Polytechnic and Solikamsk Mining and Chemical Colleges, with RUB 2,000 scholarship paid each month.

Scholarships are an integral element of supporting talented and motivated students who are always welcome in Uralkali. Uralkali has created a highly favourable environment for career growth, personal and professional development of graduates who have received training in the areas that are in demand by the Company.

Since 2006, the Company has conducted targeted recruitment programmes for school graduates. To date, 60 people have concluded employer-sponsored education contracts and are being trained in PNRPU, its subsidiary in Berezniki, and in Saint Petersburg Mining University.

SOCIAL SUPPORT

The Company has a collective agreement in place for the period of 2018–2020. The collective agreement guarantees Uralkali employees the availability of one of the most attractive social packages in the industry. It includes medical care and recreation, compensation of food, improvement of housing conditions by settlement of mortgage interest rates, free shuttle service, organisation and payment of summer recreation for children of employees, financial support to veterans, arrangement of cultural, sports, health, and fitness work, and financial support in difficult circumstances. Moreover, as a socially responsible employer, Uralkali is developing housing construction for the benefit of its employees. According to the employee engagement survey, the social benefit satisfaction index across Uralkali Group is higher than the industry average.

The Company also cares for its retired employees. In accordance with the Kindness and Care Programme, Uralkali supports the activities of a public organisation of potash industry veterans in Berezniki and Solikamsk. The veterans actively share their experience with the younger generation and promote patriotism. In 2019, the Company allocated USD 1,185.9 thousand to support the Veterans Council, of which USD 180.7 thousand were allocated to sanatorium-resort treatment of veterans.

The Company is also actively developing a volunteer movement. Its representatives host charity events and events in nursing homes and orphanages, in children's hospitals, shelters for stray animals, for children from low-income families, environmental clean-ups and competitions, and support federal, regional and city projects. In 2019, Company employees held and participated in over 40 different volunteer events and campaigns.

COMMUNICATION AND FEEDBACK

The system of internal and external communication ensures that Uralkali employees receive timely and complete information on all key issues, which allows the teams to achieve better performance.

Uralkali's corporate culture in terms of internal communication and informational transparency implies that any employee can come up with a proposal, question or an idea which will be considered. In order to facilitate this, the Company has established a call centre which aggregates inquiries from all stakeholders. Representatives of the working teams and veterans can discuss the most relevant issues with the CEO at annual informative meetings.

In addition, the Institute of Ethical Commissioners established at Uralkali works hard to reduce the risk of conflicts and violations, which also helps maintain a healthy mental well-being of employees.

OUR COMMUNITIES

Uralkali is one of the largest employers in the Perm Region and contributes significantly to the economic development of the cities where it operates, running important social projects and initiatives to enhance life for people in the regions. In line with its social investment policy, in 2019 Uralkali continued to invest in the sustainable development of the regions where the Company has a presence, with its total social investments amounting to approximately RUB 1,795 million.

Our approach

The Company provides stable employment and fulfils its tax obligations, as well as contributing to creating a comfortable living environment in Berezniki and Solikamsk where the Company's production facilities are located. In addition, Uralkali sponsors social events and runs charity projects in areas including education, healthcare, culture and sports.

Why this is important to us

As a major employer in the region where it operates, the Company plays an active role in solving pressing social issues to support a high standard of living for its employees and their families, and the social stability of the region.

Key priorities

- Creation of attractive living conditions in the region of Uralkali's activities, including infrastructure development
- Corporate philanthropy
- Implementation of social projects to support the development of sports, medicine, culture, and education in the local communities
- Support for municipalities and public organisations
- Organisation of local events

Stakeholders

- Residents of the region where the Company operates
- Public authorities
- Company employees
- Media

MANAGING COMMUNITY ENGAGEMENT

Uralkali aims to establish and maintain mutually beneficial relationships with federal and local authorities based on the principles of accountability, good faith and common interests.

The Company cooperates with local authorities through partnership agreements, to ensure that its investment in key socio-economic development projects has a long-lasting positive impact.

In selecting social projects, the Company considers its own strategic priorities, carries out a systematic analysis of stakeholder expectations and takes into account all best practices in terms of charity and sponsorship. The main document governing Uralkali's approach to external social policy is the Charity Regulations.

Uralkali's Department of Cooperation with Authorities, Department of Public Relations, and Personnel Directorate are responsible for communications with the local communities in the regions where the Company operates. The objectives related to ensuring social stability in the territories of the Company's operation are reflected in its employees' KPIs, which also imply a contribution to social projects and initiatives.

Dialogue with local communities

The Company strives to build open and trusting relationships with the residents and, to this end, uses various feedback mechanisms, including a hotline where calls are registered and processed. Furthermore, Uralkali regularly holds meetings with community representatives to discuss economic, environmental and social initiatives. The Company also organises hearings on environmental, urban planning and other issues.

A major communication channel with the local communities is the corporate newspaper RU.DA, which marked its 90th anniversary in the reporting year. The newspaper was awarded with a letter of appreciation from the Russian Union of Journalists, the Perm regional organisation, for the effective partnership in the field of communication support of social projects related to Verkhnekamsky district development.

ENCOURAGING SPORTS

One of the key components of Uralkali's social activity is the implementation of programmes to develop physical training and sports along with supporting a healthy lifestyle for local residents in the regions where the Company is present.

For six consecutive years, the Company has been running a children's basketball project in Berezniki and Solikamsk. In 2019, this project supported 26 basketball centres training 1,600 children. Local streetball championships were arranged, with 117 teams taking part. In the 2018–2019 season, over 1,300 primary students participated in the Kali-Basket Junior school basketball league in Berezniki and Solikamsk.

16 teams of young basketball players were formed during the year. As part of the project, these players participate in international, national and regional competitions, as well as in the Russian Basketball Championship. In 2019, the young basketball players took part in 55 national and regional tournaments, and won 57 trophies (1–3 places). A boys' team of 14–15 year-olds took 4th place in the finals of the Russian Basketball Championship. Under-16, under-15, under-14 and under-13 teams won gold and silver in the finals of the Regional Basketball Championship, securing their participation in the interregional stage of the National Championship. An under-15 boys' team was also invited to participate in the European Junior Basketball League.

In the summer, 127 children visited a sports training camp organised in the town of Zarechny in the Penza Region, and 113 young basketball players attended day camps at Berezniki and Solikamsk. The project employs 25 coaches, many of them coming from Russia's and Serbia's leading basketball clubs.

The Company continues to provide support for the Solikamsk Kickboxing Federation. In 2019, Solikamsk kickboxers won 13 awards at international championships, including four gold medals. Solikamsk Federation members won 11 awards, including 3 gold medals, at various national championships, and 34 awards, including 13 gold medals, at interregional tournaments.

Uralkali's organisational and financial support also made the Volga Federal District classic wrestling championship in Solikamsk possible this year, for boys aged 16–18. Students from the local wrestling school won several awards.

Uralkali supported the district level junior hockey tournament in Solikamsk, where the Solikamsk boys' team took third place. The Solikamsk adult hockey team won the Perm regional championship and was also sponsored by the Company.

In 2019, support was provided to the Solikamsk judo, boxing and arm-wrestling federations, and the Perm Region's swimming federation.

Every year, the Company helps organise major sports festivals. As usual this year, this included the Stroganov Mile Russian snowkiting championship and the Stroganov Regatta sailing competitions in the Kama River near the historical and architectural complex of Usolye-Stroganovskoe.

Major sporting events of 2019 included the 40th anniversary of the skiing festival in memory of S.I. Krylov, attended by 350 fans in the Perm Region, and the launch of a sports complex in Berezniki.

Opening of Berezniki Arena Sport modern sports complex

In 2019, Berezniki Arena Sport, a 3,152 sq. m modern sports complex, was officially opened on Town Day. It was built with the Company's charity funds. The first ice rink in the history of the town can accommodate around 50 sportspeople and 300 spectators. It also has a gym, a medical station, utility rooms, skate hire and parking areas. This new complex has given the region's residents year-round access to ice skating, hockey and figure skating classes for children, as well as sporting and public events and competitions.

The teams of young hockey players from Solikamsk and Aleksandrovsk were the first to compete there; in September, tryouts began for sports clubs and schools. By implementing these projects, the Company contributes to promoting sports activities in local communities and developing of winter sports.

SUPPORT FOR CULTURE AND EDUCATION

Uralkali invests in educational and cultural programmes to support social development for residents of the region where the Company operates, and the young generation in particular.

As usual this year, the Company supported the commemorative events held to mark International Workers' Day and Victory Day in Solikamsk. Uralkali also provided funding for a youth festival dedicated to the Year of Theatre for students of professional educational institutions in Solikamsk.

Traditionally, with Uralkali's support, the Usolye-Stroganovskoye historical and architectural complex hosted the XIV International Festival of Bells and Spiritual Music of Russia. It is a bright and eventful project dedicated to the past and present of Prikamye.

Uralkali was the main sponsor of Berezniki Town Day, and Solikamsk Town Day which was once again celebrated at the same time as Miner's Day.

For several years, Uralkali has been sponsoring the New Year celebrations in Solikamsk. With the Company's support, an ice town, which becomes the heart of the town during the New Year holidays, is built every year on Voskresenskaya Square. Three framing slides and a 15-metre artificial Christmas tree were installed in the past years. In 2019, the New Year's ice town was decorated with lighting and a lit-up Reindeer and Sleigh.

Support for the Museum of the History of Salt

The Museum of the History of Salt is located in the Ust-Borovsky salt plant which was closed down in 1972. The plant was recognised as the only Russian salt enterprise of the XIX century, and has preserved the history of the development of salt production over many centuries. The museum was established to present this rich history and preserve the plant's facilities.

The Russian Museum of the History of Salt, which is a branch of the town museum of local history, opened its doors to visitors in 1986. Some years later the museum buildings and exhibits suffered serious damage from fires. Thanks to Uralkali's ongoing support, the museum's most important items were repaired and restored — the Aleksandrovskaya brine tower and the first floor of the salt plant office. In 2019, Uralkali allocated funds for the installation of an arts and crafts fence in the museum complex.

SUPPORT FOR MEDICINE

In 2019, the Company launched a medicine support programme to attract experienced staff to the towns where it operates.

Support for medicine

In 2019, Uralkali launched a programme to support medicine in the towns where it operates. One of the programme's objectives is to purchase modern medical equipment for medical institutions. The Company bought two Lada Largus Standard for Solikamsk children's hospital, which will be used for emergency patient transportation and house calls.

During the year, medical equipment was purchased for the Regional Hospital named after E.A. Vagner in Berezniki, for priority areas (surgery, palliative care, urology and other).

In addition, the Company purchased furniture for the reception and TV equipment for displaying information about reception hours for a children's clinic, which is part of the Regional Hospital named after E.A. Vagner in Berezniki. Thanks to Uralkali, the clinic has been able to create children's play areas that they can enjoy while waiting for appointments, equipped with drawing easels for art work.

DEVELOPMENT OF URBAN ENVIRONMENTS

Uralkali contributes considerably to creating high living standards in the Perm Region for its employees, their families and the local community as a whole. Thanks to the Company's support, 50 new climbing frames were installed in five Berezniki kindergartens. The climbing frames meet all modern quality and safety requirements.

The Company engaged local residents in several projects to protect the environment in the cities where Uralkali has a presence. These included a clean-up day in the Ogurdinsky pine wood, with participation from the Company's CEO and representatives of local authorities and public organisations, where 6 tonnes of waste were removed. Uralkali also supported the Long Live the Forest [Zhivi, Les] campaign, and planted trees in the centre of Solikamsk.

During the year, Uralkali provided assistance to municipalities in addressing issues of local importance. To improve work with the population in rural areas of the former Solikamsk district, next to the town of Solikamsk district, the Company donated three new Chevrolet Niva cars to the Kasibsko-Basimskiy, Tokhtuevskiy and Tyulkinskiy territorial departments.

As part of cooperation with the Svetly territorial public self-governance body, Uralkali co-financed the School Road project in the third residential district of potash workers in Solikamsk. There is now a paved path to the educational institutions, making it more convenient for local residents.

Uralkali gave financial support to the My Courtyard Is the Most Beautiful town flower gardens contest organised at the initiative of members of the Berezniki and Solikamsk Town Duma. Over 200 people participated in the contest; more than 100 flower beds and flower gardens were developed.

Developing housing for employees

Uralkali is running a large-scale housing development project to construct residential buildings for its employees in Berezniki and Solikamsk, with a total of 275 apartments. The surrounding grounds will include recreation areas for children and adults, sports grounds, bicycle storage and parking.

The second stage of residential buildings construction in Berezniki and Solikamsk was launched in the reporting period. Four more buildings with 455 apartments are to be constructed for Company employees.

Participation in the resettlement project

The Company continues to participate actively in financing the construction of housing and infrastructure of the new Lyubimov residential district on the right bank of Berezniki in order to create appealing and safe living conditions in the territory where the Company operates. The Ministry of Construction of the Perm Region is implementing the programme. Uralkali, in turn, fulfils its obligations to partially finance the resettlement of citizens in full and on time.

SUPPORT FOR PUBLIC ORGANISATIONS

Uralkali cooperates with public and charitable foundations to support vulnerable groups in society. Charity activities are carried based on relevant appeals from local citizens or at the Company's own initiative. In 2019, the Company teamed up with the following organisations:

- Luch, the town of Solikamsk public organisation of people with disabilities;
- Berezniki local organisation All-Russia Society of Disabled People;
- Berezniki All-Russia Organisation of Disabled People Chernobyl Union;
- town counsels of war, labour, military and law enforcement veterans of Berezniki and Solikamsk;
- town Wildlife Conservation Society (Berezniki);
- Childhood's Planet [Planeta Detstva] Charity Fund (Berezniki);
- local public organisation Army Veterans Union of Berezniki.

In addition, in 2019, the construction of the Nikolsky Church — one of the largest churches in the Perm Region — continued with financial support from Uralkali. Public and religious organisations contribute significantly to the social development of the territories where the Company operates.

STAKEHOLDER ENGAGEMENT

We recognise that the sustainable development and future successes of our company rely on maintaining transparent relationships with our stakeholders, based on mutual trust and respect.

Uralkali adheres to the leading international standards of stakeholder engagement, and its approach is balanced to support the interests of the Company and all of its stakeholders: customers and partners, shareholders and the investment community, employees, trade unions, local authorities and communities, as well as the media and general public.

The Company reviews and updates its list of key stakeholders and its system of interaction with them on a regular basis, to ensure it is achieving the most effective communication with these groups.

Significance	Stakeholder interests and expectations	Areas of activity in 2019
Customers and partners		
Effective interaction with our customers and partners directly affects the sustainability of the Company's operations and its financial performance, and therefore the achievement of strategic goals and objectives.	*Customers* • High-quality products • Reliable supply • Competitive pricing • Support for the use of the Company's products *Partners* • Conclusion of long-term cooperation agreements • Performance of contractual obligations	• Ongoing assessment of customer satisfaction • Interaction with customers regarding technical issues and product quality • Tracking product quality throughout the product lifecycle • Meetings with customers, such as industry conferences, round tables, seminars, workshops and training sessions on the use of mineral fertilisers • Digitalisation of procurement activities • Category management introduction • Improvement of partner assessment methods • All partners are subject to a security check through multistage selection

Significance	Stakeholder interests and expectations	Areas of activity in 2019
Shareholders and investment community		
During the year, Uralkali has been both a publicly listed and a non-listed company. We disclose our performance results, thereby helping the investment community take informed decisions which support the Company's ability to maintain its financial performance, develop sustainably and maintain best international business practices.	• Transparency of both financial and non-financial information • Effective corporate governance system • Strategy implementation • Sustainable development • Effective risk management	• General Shareholders Meetings • Information disclosure and reporting • Continuous interaction of the Company's management team with shareholders and investors for effective governance
Employees		
Employees are core to the Company's success. Uralkali values their knowledge, experience and commitment to delivering results. In order to keep employees engaged and result-oriented, the Company runs a number of programmes, including educational and healthcare programmes and those aimed at improving living conditions (including housing construction). By creating a good work and living environment, the Company ensures the prosperity of both its employees and the business as a whole.	• Compliance with the Labour Code, collective agreements, and corporate regulations and policies • Fair compensation • Career and development opportunities • Mutual respect and trust • Workplace safety and adherence to leading occupational health and safety standards	• Code of Corporate Culture • Collective agreement that regulates the social and labour relations within the Company • Financial and non-financial incentives • Implementation of corporate social programmes • The Corporate University that provides training and professional development for personnel • Various feedback channels regarding employment issues • Developed internal corporate communications
Trade unions		
Positive interaction with trade unions enables the Company to better understand the interests of its employees and speeds up its process of adopting and complying with new labour standards and practices.	• Employee engagement • Compliance with leading workplace health and safety standards • Negotiation of collective agreements • Discussion of current social issues	• Regular face-to-face meetings between trade union members and management • Feedback from employees • Administration of collective negotiations • Discussion of current activities, career prospects, and methods to improve working conditions
Government and local authorities		
Uralkali is compliant with Russian and international legal requirements and industry standards. The Company aims to maintain constructive working relationships with federal and local authorities, based on the principles of responsibility, good faith and mutual interests.	• Transparency of reporting • Timely payment of taxes • Joint implementation of social projects • Discussion of regulatory issues	• Information disclosure and reporting • Assistance to authorities and public organisations in the implementation of significant social projects • A dialogue with government authorities on current legislative and regulatory issues • Discussion of issues affecting the Company's activities or the interests of residents in its regions of operation • Signing of cooperation agreements with municipal authorities in order to streamline economic, legal, and organisational relations

Significance	Stakeholder interests and expectations	Areas of activity in 2019
Local communities		
Uralkali is a socially responsible company. In partnership with regional authorities, it works to maintain ecosystems and the natural environment, and runs social and cultural projects and other programmes that support local communities and the development of its regions of presence.	• Stable socio-economic situation in the Company's regions of operation • Programmes to develop education, health, culture and sports in the regions of operation • Support for socially vulnerable groups (corporate philanthropy) • Ensuring environmental compliance	• Meetings with representatives of local communities • Economic, environmental and social initiatives • Decision to implement the Company's programme to support the medical industry in the towns of operation, by acquiring equipment and improving employee retention • Publications in local media • Contact with non-governmental organisations • Corporate philanthropy • Commitment to creating good living conditions in the areas of the Company's operations, in particular financial support for residents who need to be resettled
Media and the general public		
It is important that Uralkali's stakeholders should have a full understanding of Company. Uralkali holds dialogue with leading international and Russian business media, which makes it possible to inform both local communities and other stakeholders about internal and external events and social activities, raise awareness about the Company, and nurture and strengthen its positive reputation and mutual trust	• Information on the Company's news and events • Information on the Company's social and charitable programmes • Regular information on the Company in federal, foreign and regional media	• Preparation and dissemination of information materials and news in traditional and social media • Information content on the Company's website • Maintenance and development of communication and feedback channels • Organisation of interviews, press tours and conferences • Holding events to inform stakeholders about the Company's numerous activities

CORPORATE GOVERNANCE SYSTEM

REPORT FROM THE BOARD OF DIRECTORS

We consider maintaining efficiency and transparency in our corporate governance practices as fundamental for the confidence of our shareholders, investors and other stakeholders, which is of the utmost importance for us, and we are pleased to note that Uralkali's approach has once again been proven successful in 2019.

CORPORATE GOVERNANCE IN 2019

Uralkali passed a key milestone in 2019, with its return to the international debt capital market. In 2019, Uralkali successfully launched a Eurobond issue worth USD 500 mln with an interest rate of 4%. The placement attracted high levels of interest from both Russian and international investors. A contributory factor to the success of the Eurobond was the Company's continued compliance with the highest standards of corporate governance, even after the Company discontinued the listing of its GDRs on the London Stock Exchange and the free float on the Moscow Exchange had been non-existent. We are able to confirm that Uralkali's approach to corporate governance is not merely based on ensuring all requirements are formally observed, but is a culture that allows the Company to run on the fundamental values of transparency and openness, under guidance from a highly professional Board of Directors and an experienced management team, both of which serve the interests of Uralkali and its shareholders.

We have always done our best to maintain a high level of corporate governance in the Company. Our Board continues to have four independent directors, almost half of the board composition, which served of particular importance given the shareholding changes that took place recently. In 2019, Rinsoco Trading Co. Limited, a shareholder of Uralkali has made a mandatory tender offer, and consequently purchased a block of shares from the minority shareholders. As a result of this long-term initiative, the number of shareholders went down from several thousand to two key major shareholders and a subsidiary[1], which holds a large quasi-treasury stake in the Company.

[1] In December 2019, a reorganisation resolution was passed, following which AO Uralkali-Technology will be consolidated into PJSC Uralkali and discontinue its activities; quasi-treasury shares will be cancelled, and the Company's equity will be reduced correspondingly.

DIVERSITY, ROLE DISTRIBUTION AND INDEPENDENCE CRITERIA OF THE BOARD OF DIRECTORS

The Board of Directors is an essential element of our corporate governance system. Its members are nominees of the shareholders, are extremely experienced and maintain high levels of professionalism.

Uralkali strongly encourages an all-inclusive culture, and our Code of Corporate Culture strictly prohibits and condemns any form of discrimination. For the composition of the Board of Directors, diversity means a wide range of criteria: age, experience, status, social background, national identity, political views, personal qualities, as well as many other unique skills and attributes which our directors bring to the table. At the same time, we believe it would be impractical to set specific and rigid diversity targets for the Board of Directors (such as achieving a concrete number of male/female directors), as the prerogative of nominating members lies with the shareholders. We believe that board nominees should be primarily evaluated based on merit, their professionalism and the shareholders' view of the respective candidate's ability to bring value to the Company.

In 2019, the Board consisted of four Independent Directors (Sergey Chemezov, Paul Ostling, Luc Maene and Daniel Wolfe), four Non-Executive Directors (Dmitry Mazepin, Dmitry Lobyak, Dmitry Tatyanin and Dmitry Tatyanin) and one Executive Director – Dmitry Osipov, the Company's CEO.

In terms of demographic diversity, the composition of the board includes representatives from Russia, the USA, Belgium and Belarus, while the age of directors ranged from 50 to 73, averaging at 58 years.

Female representation on the Management Board makes up a considerable 25% of the team.

The directors' professional backgrounds cover a number of sectors including banking, finance, administration, high technologies, risk management and internal control, audit and consulting, mining, law, HR, business processes and many other valuable areas of business acumen within Russian markets and abroad.

Such a diverse team creates a unique synergy in the Company. Our directors truly work as one team, serving a collective goal underpinned by their mutual regards and understanding.

The Company regularly evaluates nominees and existing directors against independence criteria. These are mainly based on the Code of Corporate Governance, which was recommended for adoption by the Bank of Russia in 2014. Furthermore, our independent directors comply with every criterion specified in the UK Code of Corporate Governance, which served as benchmark to Uralkali until 2015,

In 2018, the Company confirmed that Paul Ostling, who first joined the Board in June 2011, would take a position as Independent Director despite the fact that Paul's tenure has exceeded a 7-year period, the Russian Corporate Governance Code views as a maximum length of tenure, Uralkali believes he fully maintains his independence and impartiality. Additionally, the Board has unanimously appointed Paul Ostling as Senior Independent Director. In this role, Paul leads the team of independent directors, and interacts on their behalf with management and shareholders, and represents the independent directors of the Company in the areas where the company operates internationally. Since 2015, the Company has executed a number of significant corporate events and transactions during which Paul chaired the Special Committee and helped to conduct them in line with the highest global standards in corporate governance. The shareholders and the Board believe Paul's continuing presence on the Board is an advantage. The fact that Mr Ostling remains a member of the Board and the Senior Independent Director 9 years after joining the Company illustrates how deeply the Company appreciates and values his work as a member of the Board, in his participation in numerous projects, his experience and business reputation, and the level of rapport he maintains with foreign investors.

and its recommendations are still followed by the Company. Independence, in this context, means a director's ability to formulate and express their own opinions, which are not limited by interests of the host company's management or its individual shareholders, or competitors, counterparties and the state. Both the Russian and UK Codes note, quite fairly, that independence of a director's opinion in some cases is not determined by whether the director fully meets all applicable criteria, and that it is up to the company's Board of Directors to ascertain the director's independence. Accordingly, Uralkali has adopted this practice (see below).

In line with long-established practices, the Chairman of the Board does not participate in Board Committee activities and is not involved in specific projects and transactions. However, the Chairman organises the Board's activities, determines meeting agendas and chairs physical meetings.

Non-Executive Directors play a significant role in the Company's activities. As they are more deeply involved in what the Company and its shareholders do than Independent Directors, they provide valuable support in several areas such as: running internal processes, facilitating external communications, and engaging with stakeholders.

CORPORATE SECRETARY

The corporate secretary facilitates ongoing interaction with shareholders, coordinates the Company's activities to protect the rights and interests of its shareholders, and makes sure the Board of Directors follows all necessary corporate procedures and works effectively and efficiently, and also coordinates communication between the Board and the management. Since 2011, the position of the corporate secretary of Uralkali and the secretary of the Board of Directors and all Board Committees has been held by Maria Klimashevskaya.

Maria Klimashevskaya

Corporate Secretary

Year of birth

1980

Citizenship

Russian Federation

Education

Lomonosov Moscow State University

Corporate Secretary since 2011.

In 2018, she received her Executive MBA diploma from Cass Business School in London.

Maria also holds an International Diploma in Compliance.

Professional experience

Maria joined Uralkali in 2008 as a lead counsel in the department for support of strategic projects. In 2010, she was appointed the secretary of the Board of Directors and became the Corporate Secretary of Uralkali in 2011.

Since 2010, she has been the secretary of all Board Committees.

In 2012, Maria received the Best Corporate Secretary/Corporate Governance Officer Award within the 'Director of the Year' National Award in Russia. In 2017, the Association of Independent Directors also included Maria in the list of the best corporate secretaries in Russia as part of the 2017 'Director of the Year' Award.

Other assignments

Maria does not sit on governing bodies of other organisations.

She is a member of the expert council of the National Association of Corporate Secretaries, and a member of the Share Issuers' Committee of the Moscow Exchange.

Does not hold any shares in PJSC Uralkali.

MEMBERS OF THE BOARD OF DIRECTORS AS OF 31 DECEMBER 2019

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

First elected in March 2014 and has since been re-elected on a number of occasions.

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 of 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 Board of Directors of PJSC Aeroflot – Russian Airlines, JSC JSCB. He also serves on the boards of United Shipbuilding corporation, International Financial Club, Alliance Rostec Auto B.V., and Rostec.

Does not hold any shares in PJSC Uralkali.

Dmitry Mazepin

Deputy Chairman of the Board of Directors; Non-Executive Director

Year of birth

1968

Citizenship

Russian Federation

Education

Moscow Institute of Foreign Relations

Election to the Board of Directors

First elected in March 2014 and has since been re-elected on a number of occasions.

Career background

Since 2007: Chairman of the Board of Directors of JSC UCC URALCHEM and its 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 for the Production and Market of Mineral Fertilisers of the Russian Union of Industrialists and Entrepreneurs.

Since February 2019: member of the Board of Directors of JSC Uralkali-Technology.

Membership of Board Committees

Not a committee member.

External appointments

Chairman of the Board of Directors of JSC UCC URALCHEM and also its management company UralChem Holding P.L.C. Director at CI-Chemical Invest Limited. Chairman of the Russia-Belarus Business Council of the Russian Union of Industrialists and Entrepreneurs, member of the supervisory board of the Belovezhskaya Puscha Foundation for Development of Friendship among Fraternal Peoples, member of the Board of Directors of JSC Uralkali-Technology.

Does not hold any shares in PJSC Uralkali.

Dmitry Lobiak

Deputy Chairman of the Board of Directors; Non-Executive Director

Year of birth

1968

Citizenship

Republic of Belarus

Education

Kirov Leningrad Higher Combined-Arms Command School

Election to the Board of Directors

First elected in September 2016.

Career background

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

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

Membership of Board Committees

Member of the Appointment and Remuneration Committee and the Investment and Development Committee.

External appointments

Chairman of the Board of Directors of JSC Uralkali-Technology. Director at Juras Oil LLC, Rinsoco Trading Co. Limited, and Jasnia Investments Limited.

Does not hold any shares in PJSC Uralkali.

Dmitry Osipov

CEO

Year of birth

1966

Citizenship

Russian Federation

Education

Lobachevsky State University of Nizhni Novgorod

Election to the Board of Directors

First elected in March 2014 and has since been re-elected on a number of occasions.

Career background

2007–2011: Member of the Board of Directors of JSC URALCHEM.

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

Since 24 December 2013: CEO of Uralkali.

2016-present: Member of the Commission for the Production and Market of Mineral Fertilisers of the Russian Union of Industrialists and Entrepreneurs.

2018-present: Chairman of the Russia-Nigeria Business Council of the Russian Union of Industrialists and Entrepreneurs. Member of the Council of Uralkali Trading SIA.

February 2019-present: member of the Board of Directors of JSC Uralkali-Technology.

Membership of 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 PJSC Uralkali's affiliates.

Does not hold any shares in PJSC Uralkali.

Dimitry Tatyanin

Non-Executive Director

Year of birth

1967

Citizenship

Russian Federation

Education

Voronezh State University

Election to the Board of Directors

First elected in 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 – Chief Legal Officer and a member of the board of directors of JSC UCC URALCHEM.

Membership of Board Committees

Member of the Strategy Committee and the CSR Committee.

External appointments

Member of the Board of Directors of JSC UCC URALCHEM and a number of its affiliates.

Does not hold any shares in PJSC Uralkali.

Igor Bulantsev

Non-Executive Director

Year of birth

1969

Citizenship

Russian Federation

Education

Moscow State Technical University

Election to the Board of Directors

First elected in April 2019.

Career background

2009–2016: Chairman of the management board of Nordea Bank.

2016–2019: Senior Vice President at Sberbank, Head of Sberbank CIB. Prior to that, he worked as Vice President and Director of the Client Management Department for 6 months.

Since January 2019, Igor Bulantsev has served as Deputy CEO / CFO and a member of the Board of Directors of JSC UCC URALCHEM.

Since 2019 – member of the Board of Directors of JSC Voskresensk Mineral Fertilisers and Agro Digital LLC.

Membership of Board Committees

Chairman of the Strategy Committee; member of the Investment and Development Committee, the Appointments and Remuneration Committee, and the CSR Committee.

External appointments

Member of the Board of Directors of JSC UCC URALCHEM and a number of its affiliates.

Does not hold any shares in PJSC Uralkali.

Paul Ostling

Senior Independent Director

Year of birth

1948

Citizenship

United States of America

Education

Fordham University School of Law

Election to the Board of Directors

First elected in June 2011 and has since been re-elected on a number of occasions.

Career background

1977–2007: held various executive positions at Ernst and Young, eventually becoming their 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; member of the board of directors of OJSC Promsvyazbank and UralChem Holding P.L.C., OJSC MTS, and Datalogix Inc.

Membership of 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. Chairman of the Board of Directors of PSINOS Inc., member of the Board of Directors at qVortex Technologies Inc. and SF Holdings Company PLC.

Does not hold any shares in PJSC Uralkali.

Luc Maene

Independent Director

Year of birth

1946

Citizenship

Belgium

Education

University of Ghent

Election to the Board of Directors

First elected in June 2016.

Career background

In 1987, Luc Maene joined the International Fertilizer Industry Association (IFA) first as its Executive Secretary, later as its Deputy Secretary General, Secretary General and finally, in 1998 he headed 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 (the Fertiliser Industry Round Table) and a member of the Board of Directors of CEDAP, the French organisation of Association Leaders.

Since 2017 – President of International Fertilizer Society.

Membership of Board Committees

Chairman of the CSR Committee and the Investment and Development Committee. Member of the Audit Committee, the Appointment and Remuneration Committee, and of the Strategy Committee.

External appointments

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

Does not hold any shares in PJSC Uralkali.

Daniel Wolfe

Independent Director

Year of birth

1965

Citizenship

United States of America

Education

Dartmouth University, Columbia Law School

Election to the Board of Directors

First elected in 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 TGK-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 of Board Committees

A member of the Audit Committee and the Appointments and Remuneration Committee.

External appointments

A member of the Board of Directors of New York Bakery (Tortopia LLC).

Does not hold any shares in PJSC Uralkali.

ACTIVITIES OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES IN 2019

A number of major corporate events took place in the Company in 2019 which involved the Board of Directors. These included a mandatory tender offer and a buy-out of shares by Rinsoco Trading Co. Limited, a shareholder of Uralkali (following a preliminary review by the Bank of Russia), approval of the investment programme, issuance of Eurobonds, and the reorganisation of the Company by means of a merger with JSC Uralkali-Technology, a subsidiary of Uralkali that holds over 55% of quasi-treasury shares in Uralkali.

Furthermore, in April 2019, the Strategy Committee of the Board of Directors was established in 2019, an important development for the Company. The Strategy Committee holds regular meetings to consider new strategic opportunities for the Company. The committee is chaired by Igor Bulantsev, who was first elected to the Board in 2019 as a Non-Executive Director.

In addition, several key regulatory documents were updated including the Regulations on the Dividend Policy (that now permits the payment of dividends from retained profits of previous years) and the Regulations on Information Policy (where a number of amendments were introduced including those related to insider information and disclosure).

The Board and its committees were also involved in the following processes: development and review of financial statements, development of the investment programme, setting the budget, the review of transactions, the appointment of key officers, assessment of fulfilment of KPIs, the development of plans for 2020, improvement of the risk management and internal control system, reviewing the global potash market, and finally the convocation of general shareholders' meetings.

Attendance of the Board meetings and meetings of its Committees in 2019 *

Full name	Board of Directors	Audit Committee	Appointments and Remuneration Committee	Investment and Development Committee	Corporate Social Responsibility Committee	Strategy Committee
	19** meetings	6 meetings	7 meetings	4 meetings	2 meetings	7 meetings
Dmitry Konyaev [1]	All***		All	All	All	
Igor Bulantsev	All		All	All	All	All
Dmitry Lobyak	All		All	All		
Dmitry Mazepin	All					
Luc Maene	All	All	All	All	All	All
Daniel Wolfe	All	All	All			
Dmitry Osipov	All			All	All	
Paul James Ostling	All	All	All	All	All	All
Dimitry Tatyanin	All				All	All
Sergey Chemezov	All					
Anton Vishchanenko****						All
Elena Papsheva****						All

* "Attendance" means participation of directors in a Board/Committee meeting by way of physical presence (for meetings held in presential), 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 2019, fourteen out of nineteen Board meetings were held in absentia.
*** "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.
**** is a member of the Strategy Committee but not a member of the Board of Directors.

[1] Dmitry Konyaev was a member of the Board of Directors until 12 April 2019.

ACTIVITIES OF THE GENERAL MEETINGS

Three general shareholders' meetings were held in 2019. In April 2019, an extraordinary general meeting elected the new composition of the Board of Directors, which for the first time included Igor Bulantsev. Igor has considerable managerial experience and expertise in finance and banking. At the Annual General Meeting held on 24 June 2019, the Board of Directors was re-elected in full, as well as the Regulations on Remuneration and Reimbursement of the Members of the Board of Directors (hereinafter, Remuneration Regulations) being approved. Finally, the Revision Commission was elected, and the auditors of the company were approved.

An extraordinary general meeting held on 4 December 2019 approved reorganisation of the Company through a merger with JSC "Uralkali-Technologia", a subsidiary holding a quasi-treasury stake, to be followed by redemption of this stake. The shareholders also approved the new versions of the Company's Charter and the Regulations on General Meetings, which were amended to reflect the latest legislative changes and to allow general meetings to be held not just in Berezniki, but also in Moscow. New regulations on the Management Board were also approved, which allowed the direct implication on possibility of holding the Management Board's meetings in absentia.

In December 2019, the Board of Directors simultaneously convened two extraordinary general meetings, which were held on 13 January and 17 February 2020. Both meetings were requested by JSC UCC URALCHEM as a shareholder of the Company. The shareholder proposed to increase the number of directors from 9 to 10, and the respective changes to the Charter were approved by the extraordinary general meeting on 13 January 2020. On the 17th of February, the general meeting elected the new Board of Directors. Aleksandr Bazarov became the tenth member of the Board of Directors, and currently holds the post of Senior Vice President at PJSC Sberbank.

CHANGES IN THE BOARD'S COMPOSITION AND THE BOARD'S ACTIVITIES IN EARLY 2020

On 21 February 2020, the newly elected Board of Directors resolved to appoint Alexander Bazarov to the Appointments and Remuneration Committee as well as the Strategy Committee. The composition of the Management Board remained unchanged.

Shortly after, on 05 March 2020, the Board of Directors approved the 2019 IFRS consolidated financial statements, and the RAS financial statements for 2019. Lists of candidates for the Board of Directors and the Revision Commission elections at the Annual General Meeting of Shareholders were also approved, which will both be held in 2020. The Audit Committee met several times ahead of the meeting of the Board of Directors. During these meetings, the Audit Committee primarily reviewed the company's financial statements and planned for the meeting of the Appointments and Remuneration Committee to conduct an assessment of candidates looking to join the Board of Directors, evaluating their compliance with the applied independence criteria.

ACTIVITIES OF THE BOARD COMMITTEES

Board Committee	Members (as of 31 December 2019)	Key areas of competence	Targets for 2019	Achievement of 2019 targets
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.	• Recommendations to approve the annual and semi-annual IFRS statements, the RAS annual statements, and the Annual Report; • Recommendations to approve the IFRS and RAS auditors; • Improvement of the risk management and internal control system; • Participation in the Eurobond project, review of the prospectus, preliminary review of the agreement with the auditor.	✓ ✓ ✓ ✓
CSR Committee	Luc Maene (Chairman), Igor Bulantsev, 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 stowage operations.	✓ ✓
Appointments and Remuneration Committee	Paul Ostling (Chairman), Daniel Wolfe, Igor Bulantsev, Luc Maene, Dmitry Lobyak.	Recruitment of qualified executives; Development of incentive plans to facilitate implementation of strategic plans and ensure succession of governance.	• Assessment of the management team's 2018 KPI charts; • Recommendations on key appointments; • Assessment of candidates to the Board of Directors and current directors against independence criteria; • Approval of the questionnaire for the Board's self-review	✓ ✓ ✓ ✓
Investment and Development Committee	Luc Maene (Chairman), Paul Ostling, Igor Bulantsev Dmitry Lobyak, Dmitry Osipov.	Participation in the budgeting process; Steering of major investment projects.	• Consideration of budgeting-related matters; • Monitoring of investment projects' efficiency; • Preliminary review of the investment strategy.	✓ ✓ ✓
Strategy Committee	Igor Bulantsev (Chairman), Luc Maene, Dimitry Tatyanin, Paul Ostling, Anton Vischanenko, Elena Papsheva	Determination of strategic goals; Recommendations to approve ad-hoc strategic plans.	• Review of the investment strategy of the Company until 2025; • Review of strategic initiatives; • Consideration of stakeholder engagement matters in relation to strategic plans; • Review of the Environment, Social and Governance (ESG) strategy; monitoring of the project.	✓ ✓ ✓ ✓

PERFORMANCE ASSESSMENT AND PLANNING OF THE BOARD OF DIRECTORS

In 2019, the Board of Directors performed a traditional self-review exercise, inviting members of the board to fill in questionnaires that were developed and approved by the Appointments and Remuneration Committee. Questions covered various aspects of activities conducted by the Board, its Committees, Management, the Corporate Secretary, as well as the quality of planning and preparation of documents. The assessment report was presented to the Board of Directors at a meeting on 25 June 2019 in person. During the discussion of the report's results, directors shared additional comments and made a number of suggestions to further optimise the efficiency of the Board. Currently, the Company is not planning to conduct an external review of the Board's performance. However, the Board may decide to conduct such a review in the future, taking into account both internal and external factors.

We always pay considerable attention to work planning and endeavour to anticipate key issues in advance that need to be addressed by the Board and its Committees. Modern technology facilitates the participation of the Company's directors via video or conference call; this format is mainly used for committee meetings. The Board usually convenes in Moscow, and Board and Committee meetings are almost always universally attended, which means that all directors devote significant time and resources to their work for the Company.

REPORT OF THE AUDIT COMMITTEE

In 2019, the Audit Committee was exclusively made up by independent directors, which is in line with the best corporate governance standards.

In 2019, the Audit Committee included the following members:

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

In 2019, the Audit Committee, in addition to its traditional business competencies, such as reviewing preliminary reports, interacting with external and internal auditors, and generally consolidating risk management and internal control, was also involved in the process of preparing the Eurobonds prospectus. In particular, the committee reviewed the draft agreement between the auditor, the Company, the Eurobond issuer, and the project organisers, which was necessary in order to comply with financial information requirements of the International Standard on Related Services No 440 (Previously ISA 920) "Engagements to perform agreed-upon procedures regarding financial information", given the proposed issue of Eurobonds by the issuer, and the entry into a loan agreement with PJSC Uralkali to be financed from the bond issue proceeds. The agreement was subsequently approved by the Board of Directors.

In October 2019, the Audit Committee reviewed the Eurobond prospectus and recommended that the Board of Directors approve a transaction to raise a loan, to be financed from the bond issue proceeds between the Company and the Eurobond issuer (Uralkali Finance Designated Activity Company).

Paul Ostling, the Chairman of the Audit Committee and the Senior Independent Director, took part in the pre-issue road show for the Eurobond, covering all issues related to corporate governance, risk management, internal control, and compliance.

The Company continued to update its risk map in 2019, with the involvement of the Audit Committee, and this work will also be continued in 2020. Uralkali is also planning to hold a session on risks to Company Management (for more information, please refer to the Risk Management and Risk Management and Internal Control Sections).

In the reporting year, the Audit Committee has reviewed the Company's financial statements, as is standard practice, and was in constant contact with the external auditors of the Company.

In April 2019, the Audit Committee gave the recommendation to the Board of Directors and the General Shareholders to retain the previous auditors — AO Deloitte & Touche CIS for the IFRS statements, and JSC Energy Consulting for RAS accounting statements (financial statements), and also gave a recommendation on the value of the auditors' fees.

Total remuneration paid to the auditors in 2019 was RUB 76,512,228: In 2019, JSC Energy Consulting received RUB 3,118,200 (including VAT), while AO Deloitte & Touche CIS and its affiliates were paid RUB 73,794,028 - see details in the table below:

Auditor	Fee for audit services (RUB)	Fee for consulting services (RUB)
AO Deloitte & Touche CIS	46,980,000	21,873,953
Deloitte Consulting LLC	0	4,940,075
TOTAL:	**49,980,000**	**26,814,028**
Audit/consulting fee ratio	63.7%	36.3%

Taking into account the internal standards adopted by auditors in order to ensure their independence and to avoid a conflict of interest, 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 4 March 2020, the Committee reviewed the non-audit services provided to the Company and established that the audit/consulting fee ratio makes the impartiality and independence of the auditors of the Company's financial statements evident.

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.

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's numerical and personal composition is determined by the Board of Directors.

In 2019, Dmitry Boyarkin, Procurement Director, and Igor Senokosov, Capital Construction Director, both joined Uralkali and became Management Board members. Their predecessors, Alexander Kulbitsky and Aleksey Yashnikov (respectively), left the Company. However, Aleksey Yashnikov returned to head the newly-formed Construction and Technical Project Supervision Department. Eduard Smirnov, who has been with Uralkali for many years, and is currently Director for Subsoil Management, was also elected to the Management Board. Therefore, as of 31 December 2019, the Management Board includes the following members:

- Dmitry Osipov (Chairman)
- Dmitry Boyarkin
- Anton Vishchanenko
- Irina Konstantinova
- Vitaly Lauk
- Igor Senokosov
- Eduard Smirnov
- Marina Shvetsova.

In 2019, the Management Board held 13 meetings.

COMMITTEES UNDER THE CEO (WORKING GROUPS)

The Company's structure includes several committees and commissions (hereinafter, Working Groups) which report directly to the CEO and focus on key aspects of the Company's activities. To date, there are 10 Working Groups:

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

These groups are represented by senior executives and are personally led by the CEO. The Working Groups' tasks include information monitoring and review, preliminary discussions, risk analysis, and the 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. 119 Working Group meetings were held in 2019.

MEMBERS OF THE MANAGEMENT BOARD AS OF 31 DECEMBER 2019

Dmitry Osipov

CEO,
Chairman of the Management Board

Year of birth

1966

Citizenship

Russian Federation

Education

Lobachevsky Nizhny Novgorod State University

Appointment

Chairman 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 2013, Mr. Osipov was appointed the CEO of PJSC Uralkali.

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

Since 2018: Chairman of the Russia-Nigeria Business Council of the Russian Union of Industrialists and Entrepreneurs. Member of the Council of Uralkali Trading SIA.

Since February 2019: member of the Board of Directors of JSC Uralkali-Technology.

External appointments

A member of the Board of Directors of JSC UCC URALCHEM. A member of the Board of Directors in a number of PJSC Uralkali's affiliates.

Does not hold any shares in PJSC Uralkali.

Anton Vishchanenko

Chief Financial Officer

Year of birth

1979

Citizenship

Russian Federation

Education

Moscow State Aviation Institute

Appointment

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 hold any shares in PJSC Uralkali.

Eduard Smirnov

Director for Subsoil Management

Year of birth

1969

Citizenship

Russian Federation

Education

Perm State Technical University

Appointment

A member of the Management Board since 2019.

Career background

In 2001, he was appointed the Deputy Chief Engineer for mine processes at Berezniki-1.

2004–2008: Chief Engineer of Berezniki-1.

2011–2013: Deputy Chief Engineer for mining in PJSC Uralkali.

2013–2016: Deputy Chief Technical Officer for mining in PJSC Uralkali.

Since December 2016 Director for Subsoil Management in PJSC Uralkali.

External appointments

A member of the Board of Directors of JSC VNII Galurgii.

Does not hold any shares in PJSC Uralkali.

Igor Senokosov

Capital Construction Director

Year of birth

1977

Citizenship

Russian Federation

Education

Mogilev Construction College

Appointment

A member of the Management Board since 2019.

Career background

In 2000, Igor joined Mogilevtekhmontazh in Belarus. He started his work in the company's 1st Assembly Department, transitioning from an engineer in the production support unit to the Deputy General Director, finally earning the position of Chief Engineer.

In 2015–2019, he was the General Director of Minsk-based Promtekhmontazh.

External appointments

A member of the Board of Directors of JSC VNII Galurgii.

Does not hold any shares in PJSC Uralkali.

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 Head of the Legal Department.

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

External appointments

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

Does not hold any shares in PJSC Uralkali.

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: a senior training specialist, head of the personnel training department, a recruitment and appraisal specialist in the personnel recruitment and development department.

Since December 2015: Head of the Corporate University.

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

Since December 2017: Personnel Director.

External appointments

A member of the Management Board of independent nonprofit organisation Scientific Educational Chemistry and Biology Centre.

Does not hold any shares in PJSC Uralkali.

Vitaly Lauk

Chief Technical Officer

Year of birth
1968
Citizenship
Russian Federation
Education
Perm State Technical University
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. He then went on to hold the following positions: 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 JSC VNII Galurgii.
Does not hold any shares in PJSC Uralkali.

Dmitry Boyarkin

Procurement Director

Year of birth
1974
Citizenship
Russian Federation
Education
Kemerovo State University
Appointment
A member of the Management Board since 2019.
Career background
2001–2014: held senior positions at various companies within Evraz Group.
2014–2015: Procurement Director and Deputy CEO of the housing developer PIK.
2015–2019: Procurement Director at JSC UCC URALCHEM.
External appointments
Does not have executive positions in other companies.
Does not hold any shares in PJSC Uralkali.

REMUNERATION

REMUNERATION OF THE BOARD OF DIRECTORS

Members of the Board of Directors receive remuneration in line with the Remuneration Regulations. According to these regulations, remuneration is provided to independent and non-executive directors, who may choose to voluntarily waive their remuneration.

In 2019, the Remuneration Regulations were amended to reflect the amount of remuneration payable to the Board's deputy chairpersons. Currently, the Board members' remuneration consists of several parts:

- Remuneration for activities on the Board of Directors;
- Annual remuneration for additional duties (chairman of a committee, Senior Independent Director, or Deputy Chairman of the Board of Directors). These remuneration amounts are generally fixed but can be increased 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 2019, remuneration was paid to five Board members, including four Independent Directors (Sergey Chemezov (Chairman), Daniel Wolfe, Paul Ostling and Luc Maene), and one Non-Executive Director (Dmitry Lobiak). Since July 2019, remuneration has also been paid to Dmitry Mazepin, the Deputy Chairman and Non-Executive Director of the Company.

In accordance with the Remuneration Regulations, directors are reimbursed for their travel expenses (in relation to meetings of the Board), accommodation expenses as well as 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 2019

Payments	RUB	USD*
Renumeration	239,526,154	3,869,210.01
Expense Reimbursement	11,480,980	185,459.17
Total:	251,007,134	4,054,669.18

**Based on the exchange rate as of 31 December 2019: RUB/USD 61.9057.*

REMUNERATION OF THE MANAGEMENT BOARD

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 bonus amount depends on the achievement of individual KPIs set each year, 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. In 2019, amendments were made to the Regulations on the Appointments and Remuneration Committee, which now means that any additional amounts (including remuneration, bonuses and compensations[1]) to be paid to key managers of functional and production units who report directly to the CEO, are only possible after prior review of such payments and a subsequent recommendation by the committee.

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

Total amounts paid to the Management Board in 2019

Payment	RUB*	USD**
Salary	266,938,928	4,312,025.03
Annual bonus	243,151,433[2]	3,927,771.32
Expenses	1,256,340	20,294.42

** Before personal income tax*
*** Based on the exchange rate as of 31 December 2019 – 61.9057 RUB/USD.*

CEO REMUNERATION POLICY

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

The following policy for the CEO's remuneration in 2019 has been applied: as a general rule, 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. As of the end of the year, 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 allows for 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 can also be subject to deductions in certain conditions. The employment contract also provides for a special bonus calculation procedure. This bonus is paid annually, but only in the case of achieving certain goals in addition to the goals specified in the annual designation of key performance indicators.

The KPI-based performance is reviewed by the Board's committees, including the Appointments and Remuneration Committee which makes the final recommendation to the Board of Directors, according to which a certain bonus amount is paid to the CEO. 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 CEO's employment contract.

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.

MANAGEMENT'S EQUITY OWNERSHIP

According to the Company's registrar JSC VTB Registrar, in the period of 1 January 2019 to 31 December 2019, the Company's list of registered securities holders did not include persons who held positions in the governing bodies of Uralkali in 2019. There is no record of any transactions made by members of Uralkali's governing bodies to acquire or dispose of shares of the Company, which were the subject matter of transactions from 1 January 2019 until 31 December 2019. The share register has no records of nominee shareholders as of 1 January 2019 and 31 December 2019.

DIRECTORS' AND OFFICERS' (D&O) LIABILITY INSURANCE

In line with global best practice, the Company provides annual 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. Following the Eurobond offering in 2019, the Company also provided D&O liability insurance in connection with the securities placement (POSI) to the Board of Directors and Management Board.

[1] Except for social payments, payments and compensations provided for in employment contracts and other payments stipulated by the provisions of current Russian legislation, as well as annual performance bonuses based on the fulfilment of key performance indicators presented in individual performance cards for the relevant period, which are calculated according to the Company's procedures.
[2] Annual bonuses for 2018 totalled RUB 139,285,946 and were physically paid in 2019. Annual bonuses for 2019 totalled RUB 103,865,488.

RESPONSIBLE MANAGEMENT

RISK MANAGEMENT AND INTERNAL CONTROL

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

- is a continuous process that covers all of the Company and is implemented by its employees at every level;
- is used in the Company's strategy development;
- is applicable to the entire 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.

Roles and responsibilities of Uralkali units and officials in RMICS

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 recommendations for improvement; reviews and evaluates compliance with the risk management and internal control policy; develops recommendations to approve the risks map.
CEO	Provides 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.
Management of Construction and Technical Project Control	Provides quality control when preparing work specifications and concluding contracts for the provision of work within the scope of construction projects; participates in the development of methodology and requirements for technical supervision; controls the timing of work and identifies risks that may affect the timing of projects.
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 the 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 new risks in their day-to-day work.

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

During 2019, the Company worked on updating its Risk Management and Internal Control Policy. However, the approval and adoption of this policy was postponed until 2020 due to several changes within the organisation that took place in 2019. As such, Uralkali created a Management of Construction and Technical Project Control in October 2019 , an additional internal supervisory body which ensures objective and independent control over the implementation of construction projects. As a consequence of this new establishment within the organisation, additionally accompanied by a number of consultations held within the Company, certain provisions of this policy will need to be further updated.

The Company's Charter was amended in 2019 to reflect the fact that the Company has an Internal Audit Directorate, which monitors all financial and economic activities.

USE OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM IN THE DEVELOPMENT OF FINANCIAL STATEMENTS

The Company pays special attention to the preparation of reliable financial statements in the risk management and internal control system. Transparency and reliability of financial reporting is one of the integral principles of corporate governance for Uralkali, and ensuring the proper quality of financial statements is a key function of the Board of Directors. In 2019, Uralkali continued to use the previously developed tried-and-tested controls designed to ensure information is collected diligently, and to ensure reliability of reported data.

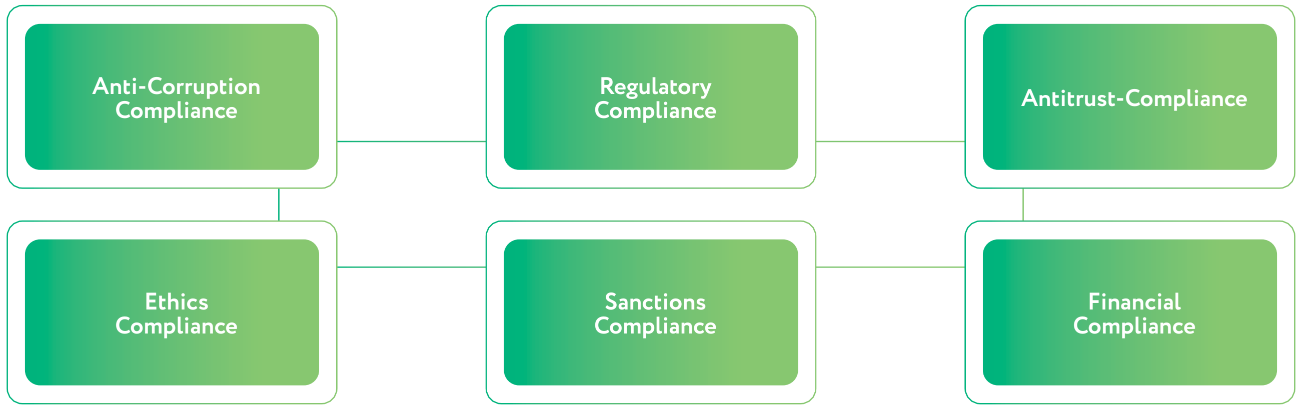
The process of preparing financial statements involves employees, officers, governing bodies and external auditors of the Company (please see the next page for additional information):

Role of the Company's governing bodies and employees in the preparation of financial statements

Governing bodies and employees	Roles
Chief Financial Officer	Ensures: • availability and reliability of information in the enterprise resource management system; • interaction with auditors; • inventory counts 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 reports. Recommends: • external auditor candidates for a 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 COMPLIANCE SYSTEM

As of the end of 2019, the compliance system included the following components:



The Board of Directors delegated its powers to review issues concerning the compliance system and its individual aspects to the Audit Committee. As part of this responsibility, the committee regularly reviews management reports on compliance measures, and initiates improvement and/or implementation of new control procedures in certain compliance areas, if necessary.

According to the compliance system, the Company's officers and employees are responsible for the implementation of certain control procedures stipulated in the internal documents for prevention and detection of violations, their correction and subsequent monitoring.

The Anti-Fraud and Anti-Corruption Programme developed in 2011 continues to be effective. The anti-fraud and anti-corruption action plan for the following year is approved on an annual basis. Anti-fraud and anti-corruption procedures are developed based on the analysis of the Company's business processes with regards to their vulnerabilities and fraud and corruption susceptibility. The procedures constitute a cycle of certain stages: risk assessment based on the analysis of goals and possible negative consequences, analysis of employees' compliance with the procedures in place for risk prevention, risk detection and response, and analysis of the sufficiency of existing anti-fraud and anti-corruption procedures.

The programme provides for a reporting system to detect cases of fraud or corruption, while Uralkali management regularly receives and reviews relevant reports from the Security Directorate.

PREVENTION OF CONFLICTS OF INTEREST

The Code of Corporate Governance recommended by the Bank of Russia defines a conflict of interest as any contradiction between interests of the Company and personal interests of a board member, a member of a collegial executive body, or a sole executive body, which means any direct or indirect personal interests or interests in favour of a third party, including business relationships, friendship, kinship or other relations, a personal or related person's membership, employment or equity ownership in another legal entity, and contradictions between obligations to the company and another party. In particular, conflicts of interest may arise in respect of transactions a person has a direct or indirect interest in; acquisition of the company competitors' shares; employment in legal entities and establishment of contractual or other relations with them.

At the same time, according to the developed judicial practice, the CEO's activities in the face of a conflict of interest (if the information on the conflict of interests is not disclosed and the CEO's actions are not approved in line with the established procedures) are considered the signs of bad faith.

Russian legislation provides for a number of mechanisms to prevent conflicts of interest among the Company's directors and members of executive bodies, which may for instance be related to their employment in governing bodies of the Company's competitors, or their ownership of shares in other organisations whose interests may contradict those of the Company. These mechanisms include:

- A Director's and/or Officer's obligation to inform the Company of any positions and/or of any equity ownership they may hold in other organisations;
- A Director's obligation to refrain from voting on a transaction if he or she may be considered an interested party to a transaction;
- A Director's obligation to inform the Company of any parties where the director may be considered an interested party to a transaction.

To ensure the implementation of the specified mechanisms, the Company also has a number of internal controls to effectively 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 or a controller. Moreover, the corporate information system has a regularly updated list of related parties, which is used to pinpoint the transactions that must be put before the Board of Directors or the General Meeting of the Company.

In 2019, the Company and other members of the Uralkali Group did not grant any loans to Directors of the Company.

MAJOR AND RELATED PARTY TRANSACTIONS

In 2019, Uralkali entered into several transactions which were deemed major and/or related party transactions pursuant to the Russian Federal Law "On Joint-Stock Companies" (the Law). The Law stipulates that such transactions must be approved, and the approval procedure must be explained at the General Meeting or by the Board of Directors, depending on the value of transactions and the identity and number of related parties.

All related party transactions were carried out in accordance with the Law.

INFORMATION FOR SHAREHOLDERS AND INVESTORS

SHARE CAPITAL

As of 31 December 2019, Uralkali's share capital amounted to RUB 1,483,007,945.50 divided into 2,936,015,891 ordinary 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.

In accordance with the Russian legislation and the Company's Charter, preferred shares are notcumulative and do not carry voting rights, except cases explicitly stipulated by the legislation. Shareholders that own preferred shares have the right to vote starting from the meeting following the Annual General Shareholders Meeting, during which the decision has been made not to pay dividends on preferred shares or to pay them partially.

The minimum dividend amount is stated in the Charter and amounts to RUB 0.1 per preferred share. In July 2019, the Company paid out minimum dividends for 2018 in the amount of RUB 3 million to holders of preferred shares.

GLOBAL DEPOSITARY RECEIPTS (GDRS)

Uralkali's ordinary shares are subject to the Global Depositary Receipts (GDRs) Programme under Regulation S, at a ratio of five ordinary shares per one GDR. PJSC Uralkali's securities are interchangeable: ordinary shares can be converted to GDRs and vice versa.

The Bank of New York Mellon is the depositary bank for the GDR Programme. The GDRs of PJSC Uralkali were traded on the London Stock Exchange until 22 December 2015.

As at 31 December 2019, there are no GDRs.

STOCK EXCHANGE

Ordinary shares of PJSC Uralkali are included in the list of securities admitted to trading on the Moscow Exchange (Level 3 listing).

On 18 December 2017, the Company's Extraordinary General Meeting decided to delist the Company's ordinary shares from the Moscow Exchange. As of 31 December 2019, the delisting procedure was not completed.

The Moscow Exchange has suspended the trading of PJSC Uralkali's ordinary shares on 20 September 2019 at the request of the Company's shareholder, Rinsoco Trading Co. Limited to repurchase the securities in accordance with Article 84.8 of the Federal Law «On Joint Stock Companies». The trading of shares can be resumed at the request of the Company.

As of 31 December 2019, the trading of PJSC Uralkali's ordinary shares at the Moscow Stock Exchange has not been resumed.

SHARE BUYBACK PROGRAMME

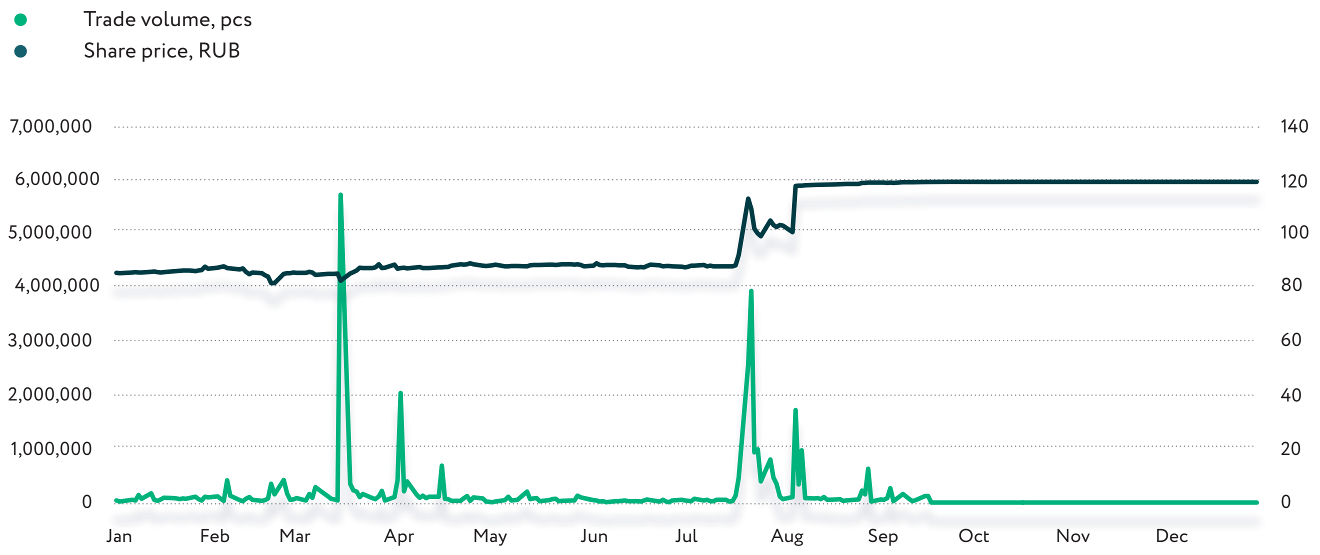
PJSC Uralkali has not implement the share buyback programme in 2018 and 2019.

In 2019, the Company purchased 0.26% and 0.00195% of the total outstanding ordinary shares, respectively, as part of the mandatory buyback following the results of general shareholder meetings held on 26 December 2018 and 24 June 2019. The Company had no own shares on its balance sheet as of 31 December 2019.

Shares of PJSC Uralkali on stock exchange

Stock exchange	Ticker
Moscow Exchange	URKA

Moscow Exchange trading volume for 2019 (Moscow Exchange: Uralkali's ordinary shares)



Источник: Bloomberg

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

	2018	2019
Annual maximum price, RUB	130.00	119.10
Annual minimum price, RUB	78.95	81.52
Year-end price, RUB	84.46	119.04
Trading volume, mln pcs	45.0	37.0

Credit ratings

	Standard & Poor's	Fitch	Moody's	RAEX (Expert RA)
Credit rating	BB-	BB-	Ba2	ruA
Outlook	Positive	Positive	Positive	Positive
Rating confirmation date	12 April 2019	7 October 2019	7 October 2019	17 May 2019

[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.

EUROBONDS

In 2019, the Company returned to the international debt market. On 22 October 2019 PJSC Uralkali has successfully placed its USD 500 million 5-year Eurobond offering with a record low annual coupon rate of 4.000%, reflecting strong investor demand. The debt instrument has ratings from Moody's (Ba2) and Fitch (BB-).

Issuer:	Uralkali Finance Designated Activity Company
Company (borrower):	PJSC Uralkali
Currency:	USD
Total value:	USD 500,000,000
Placement date:	22 October 2019
Maturity:	22 October 2024
Coupon rate:	4,000% per annum
Interest payment date:	On 22 April and 22 October, every year, starting from 22 April 2020
Listing:	Irish Stock Exchange
Security:	Loan Participation Notes
Codes:	Regulation S: Common Code: 201004039 ISIN: XS2010040397 Rule 144A: Common Code: 111730415 ISIN: US91689LAA89 CUSIP: 91689LAA8
Credit rating[1]	Moody's Investor Service Ltd.: Ba2 Fitch Ratings CIS Ltd.: BB-

DIVIDENDS

The Annual General Meeting of shareholders of Uralkali was held on 24 June 2019 in Berezniki (Perm Region). The meeting approved a resolution to not pay dividends on ordinary registered shares for 2018, but to pay dividends on preferred shares in the amount of RUB 0.1 per one such share. The decision to pay the minimum amount of dividends on preferred shares was recommended by the Board of Directors in order to maintain the current ratio of voting and non-voting shares of the Company and thereby ensure that the current percentage of voting shares of Uralkali minority shareholders remained unchanged as of the date of the decision.

Taxation

As a general rule, the tax rate on dividends in the Russian Federation is 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.

[1] A credit rating does not constitute a recommendation to buy, sell or hold securities, and may be reviewed or withdrawn at any time.

- for individuals:
  - 13% for Russian tax residents;
  - 15% for tax non-residents.

Should the recipient of dividends be a tax resident of a state with which the Russian Federation has signed a treaty on avoidance of double taxation, tax payments must be made in accordance with the rate specified in such a treaty (subject to the conditions set forth in the treaty)[1].

Dividend Policy

The payment of dividends is governed by the legislation of the Russian Federation. Dividends are paid from the Company's profits after tax (net profit). Net profit is determined according to the financial statements of the Company. Pursuant to the Federal Law «On Joint-Stock Companies», the Company's Charter and Regulations on the Dividend Policy, Uralkali has the right to declare dividends on outstanding shares according to the results of the full financial year and the results of the first quarter, six months, nine months of the financial year (interim dividends). The Regulation on the Dividend Policy of PJSC Uralkali, as approved by the Board of Directors in May 2019, stipulates that the Company's Board of Directors makes recommendations to the General Shareholders Meeting on the payment of dividend based on the Company's financial performance in the reporting period. The Board of Directors considers the use of available net profit and (or) retained profit from previous years, and determines whether it is reasonable to pay dividends based on the results for a certain period. 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 Company's Charter and Regulations on the Board of Directors by a majority vote of the Board members attending the meeting.

In May 2019, PJSC Uralkali approved a new Dividend Policy.

The decision on the payment (declaration) of dividends is agreed at the General Shareholders Meeting of the Company. The amount of dividends cannot exceed the amount of dividends recommended by the Company's Board of Directors. The shareholders and other interested parties, including potential investors and professional participants of the securities market, are informed about the Uralkali dividend policy by publishing the Regulations on Dividend Policy of the Company on the Internet and outlining its main provisions in the Company's annual reports.

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

Ordinary shares

Period	Date, when persons eligible to receive dividends are determined	Date of decision on dividend payment	Dividend per ordinary share/GDR, RUB	Accrued dividends (RUB thou)
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

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

Preferred shares

Period	Date, when persons eligible to receive dividends are determined	Date of decision on dividend payment	Dividend per preferred share, RUB	Accrued dividends (RUB thou)
2017	10 July 2018	29 June 2018	0.1	3,000
2018	8 July 2019	24 June 2019	0.1	3,000

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

On 15 June 2015, Uralkali held the Annual General Shareholders Meeting. The meeting decided not to pay the dividends for 2014 (Meeting Minutes No. 45 of 16 June 2015).

On 17 June 2016, Uralkali held the Annual General Shareholders Meeting. The meeting decided not to pay the dividends for 2015 (Meeting Minutes No. 51 of 22 June 2016).

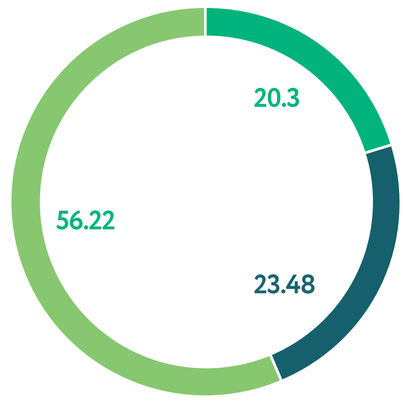
On 20 June 2017, Uralkali held the Annual General Shareholders Meeting. The meeting decided not to pay the dividends for 2016 (Meeting Minutes No. 55 of 20 June 2017).

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

On 24 June 2019, Uralkali held the Annual General Shareholders Meeting. The meeting decided to pay dividends for 2018: The dividends on ordinary shares shall not be paid for 2018. The dividends on preferred shares shall be paid in monetary terms in the amount of RUB 0.1 per preferred share (Meeting Minutes No. 60 of 24 June 2019).

Shareholding Structure, %

- JSC UCC URALCHEM*
- RINSOCO TRADING CO. LIMITED
- Quasi treasury shares



The indicated amount includes preferred shares that are non-voting.

INVESTOR AND SHAREHOLDER ENGAGEMENT

PJSC Uralkali re-iterates its continued commitment to the principles of openness and transparency. The Company continues to provide accurate information to its stakeholders in a timely manner and maintains regular interaction with the representatives of the investment community.

Interested parties should contact members of the Investor Relations department using the following contacts:

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

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 2019, and the consolidated statements of profit or loss, 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 2019, its consolidated financial performance, and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

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: Loans and borrowings. The Group is highly leveraged with net debt of USD 4,837,472 thousand as at 31 December 2019 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.	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.
The Group issued a loan to a related party amounting to USD 657,555 thousand (including accrued interest) as at 31 December 2019. After initial recognition, the loan is measured at amortised cost using the effective interest rate method, less allowance for expected credit losses.	We evaluated the appropriateness and consistency of Management's judgments and estimates, including the following: • Analysing scenarios of the loan repayment and corroborating key estimates and assumptions therein with the existing documentary evidence; • 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.
This is a key audit matter due to the materiality of the outstanding balance as at 31 December 2019 and the significance of Management's estimates and judgements in assessing the expected credit losses for the loan. These estimates and judgements include projections of potash prices and foreign currency exchange rates.	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 2019 and the Issuer's report for the first quarter of 2020, but does not include the consolidated financial statements and the auditor's report thereon. The Annual and the Issuer's 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 2019 and the Issuer's report for the first quarter of 2020, 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 financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Vladimir Biryukov, Engagement partner

5 March 2020

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-regulatory organization of auditors Association "Sodruzhestvo", ORNZ 12006020384.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2019

(in thousands of US dollars, unless otherwise stated)

	Note	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	7	3,105,468	2,387,976
Prepayments for acquisition of property, plant and equipment and intangible assets		307,562	265,680
Goodwill	8	952,918	849,151
Intangible assets	9	2,674,956	2,414,466
Deferred income tax asset	24	35,613	24,278
Prepaid transaction costs on bank facilities	23	-	103,833
Loan receivable	5	657,555	400,615
Investment in associate		2,399	3,092
Derivative financial assets	12	7,973	338
Other non-current assets		112,523	56,739
Total non-current assets		**7,856,967**	**6,506,168**
Current assets			
Inventories	10	336,919	139,636
Trade and other receivables	11	428,538	351,902
Advances to suppliers		81,187	43,494
Income tax prepayments		1,699	21,115
Derivative financial assets	12	14,318	30,261
Cash and cash equivalents	13	482,678	1,013,015
Total current assets		**1,345,339**	**1,599,423**
TOTAL ASSETS		**9,202,306**	**8,105,591**
EQUITY			
Share capital	14	35,762	35,762
Preference shares	14	239	239
Treasury shares	14	(28,126)	(27,996)
Share premium		399,855	409,814
Currency translation reserve		(3,774,604)	(3,924,941)
Retained earnings		5,459,775	4,264,935
Equity attributable to the Company's equity holders		**2,092,901**	**757,813**
Non-controlling interests		12,551	12,654
TOTAL EQUITY		**2,105,452**	**770,467**

	Note	31 December 2019	31 December 2018
LIABILITIES			
Non-current liabilities			
Loans and borrowings	15	3,831,053	3,815,628
Post-employment and other long-term benefit obligations		46,467	28,782
Deferred income tax liability	24	671,459	631,335
Provisions	16	618,528	340,497
Derivative financial liabilities	12	9,675	121,523
Other non-current liabilities		3,251	1,810
Total non-current liabilities		**5,180,433**	**4,939,575**
Current liabilities			
Loans and borrowings	15	1,489,097	2,084,259
Trade and other payables	17	283,805	217,745
Advances received		15,821	22,177
Provisions	16	51,872	62,820
Derivative financial liabilities	12	21,033	7,130
Current income tax payable		54,793	1,418
Total current liabilities		**1,916,421**	**2,395,549**
TOTAL LIABILITIES		**7,096,854**	**7,335,124**
TOTAL LIABILITIES AND EQUITY		**9,202,306**	**8,105,591**

Approved for issue and signed on behalf of the Board of Directors on 5 March 2020

Dmitry Osipov
Chief Executive Officer

Anton Vishchanenko
Chief Financial Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of US dollars, unless otherwise stated)

	Note	2019	2018
Revenues	18	2,781,854	2,753,577
Cost of sales	19	(663,891)	(702,867)
Gross profit		**2,117,963**	**2,050,710**
Distribution costs	20	(578,075)	(632,923)
General and administrative expenses	21	(178,498)	(174,652)
Taxes other than income tax		(16,935)	(22,818)
Other operating expenses, net	22	(89,335)	(17,830)
Operating profit		**1,255,120**	**1,202,487**
Finance income / (expenses), net	23	175,572	(1,194,753)
Profit before income tax		**1,430,692**	**7,734**
Income tax expense	24	(224,181)	(104,740)
Net profit / (loss) for the period		**1,206,511**	**(97,006)**
Profit / (loss) attributable to:			
Company's equity holders		1,206,614	(97,643)
Non-controlling interests		(103)	637
Net profit / (loss) for the period		**1,206,511**	**(97,006)**
Weighted average number of ordinary shares in issue (million)		1,270	1,284
Earnings / (loss) per share – basic and diluted (in US cents)		**95.01**	**(7.60)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of US dollars, unless otherwise stated)

	2019	2018
Net profit / (loss) for the period	**1,206,511**	**(97,006)**
Other comprehensive (loss) / income		
Items that will not be reclassified to profit or loss:		
Remeasurement of post-employment benefit obligations	(11,726)	560
Effect of translation to presentation currency	150,337	(207,704)
Total other comprehensive income / (loss) for the period	**138,611**	**(207,144)**
Total comprehensive income / (loss) for the period	**1,345,122**	**(304,150)**
Total comprehensive income / (loss) for the period attributable to:		
Company's equity holders	1,345,225	(304,787)
Non-controlling interests	(103)	637

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of US dollars, unless otherwise stated)

	Note	2019	2018
Cash flows from operating activities			
Profit before income tax		1,430,692	7,734
Adjustments for:			
Depreciation of property, plant and equipment, right-of-use assets and amortisation of intangible assets	7, 19, 20, 21, 22	272,019	256,766
Loss on disposals of property, plant and equipment and intangible assets	22	15,335	6,241
(Reversal of) / impairment of prepayments for acquisition of property, plant and equipment and intangible assets		(517)	202
Reversal of write-down of inventories to net realisable value		(1,586)	(616)
Impairment of property, plant and equipment and assets under construction	7, 22	12,102	878
Impairment of trade and other receivables and advances to suppliers		286	7,853
Change in provisions, net	16	7,619	7,421
Fair value (gain) / loss on derivative financial instruments, net	12, 23	(130,282)	106,246
Foreign exchange (gain) / loss, net	23	(417,285)	737,676
Other finance expenses, net	23	371,995	350,831
Operating cash flows before working capital changes		**1,560,378**	**1,481,232**
(Increase) / decrease in trade and other receivables and advances to suppliers		(99,505)	122,203
Increase in inventories		(174,365)	(69,408)
Decrease in provisions	16	(96,558)	(40,566)
Increase / (decrease) in trade and other payables and advances received		31,514	(32,587)
(Decrease) / increase in other taxes payable		(1,269)	13,472
Cash generated from operations		**1,220,195**	**1,474,346**
Interest paid		(278,021)	(328,723)
Income taxes paid		(197,029)	(49,143)
Net cash generated from operating activities		**745,145**	**1,096,480**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(373,829)	(356,818)
Acquisition of intangible assets		(4,378)	(1,623)
Proceeds from sales of property, plant and equipment		617	3,185
Loan issued		(237,594)	(131,279)
Proceeds from loan repayments		7,031	104,639
Cash acquired on acquisition of subsidiaries, net	5	-	164
Purchase of other financial assets		-	(537)
Proceeds from sale of subsidiaries, net of cash disposed		-	319
Dividends and interest received		10,606	12,962
Net cash used in investing activities		**(597,547)**	**(368,988)**
Cash flows from financing activities			
Repayments of borrowings	15	(2,049,640)	(1,841,598)
Proceeds from borrowings		1,701,758	1,521,883
Proceeds from issuance of bonds	15	500,000	389,056
Arrangement fees and other financial charges paid		(50,510)	(83,309)
Redemption of bonds	15	(800,000)	(581,900)
Cash proceeds from derivatives	12	33,203	17,816
Cash paid for derivatives	12	(96)	(111,507)
Purchase of treasury shares	14	(10,089)	(125,640)
Proceeds from issuance of preference shares	14	-	51,226
Lease payments		(2,813)	(35)
Dividends paid to the Company's shareholders	14	(48)	(48)
Net cash used in financing activities		**(678,235)**	**(764,056)**
Effect of changes in foreign exchange rate on cash and cash equivalents		300	(23,030)
Net decrease in cash and cash equivalents		**(530,337)**	**(59,594)**
Cash and cash equivalents at the beginning of the period	13	**1,013,015**	**1,072,609**
Cash and cash equivalents at the end of the period	13	**482,678**	**1,013,015**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of US dollars, unless otherwise stated))

	Equity attributable to the Company's equity holders									
	Note	Share capital	Preference shares	Treasury shares	Share premium	Retained earnings	Currency translation reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2018		**35,762**	**-**	**(27,101)**	**483,572**	**4,362,066**	**(3,717,237)**	**1,137,062**	**12,017**	**1,149,079**
Net (loss) / profit for the period		-	-	-	-	(97,643)	-	(97,643)	637	(97,006)
Other comprehensive income / (loss)		-	-	-	-	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**
Balance at 1 January 2019		**35,762**	**239**	**(27,996)**	**409,814**	**4,264,935**	**(3,924,941)**	**757,813**	**12,654**	**770,467**
Net profit / (loss) for the period		-	-	-	-	1,206,614	-	1,206,614	(103)	1,206,511
Other comprehensive (loss) / income		-	-	-	-	(11,726)	150,337	138,611	-	138,611
Total comprehensive income / (loss) for the period		**-**	**-**	**-**	**-**	**1,194,888**	**150,337**	**1,345,225**	**(103)**	**1,345,122**
Transactions with owners										
Dividends declared for preference shares	14	-	-	-	-	(48)	-	(48)	-	(48)
Purchase of treasury shares	14	-	-	(130)	(9,959)	-	-	(10,089)	-	(10,089)
Total transactions with owners		**-**	**-**	**(130)**	**(9,959)**	**(48)**	**-**	**(10,137)**	**-**	**(10,137)**
Balance at 31 December 2019		**35,762**	**239**	**(28,126)**	**399,855**	**5,459,775**	**(3,774,604)**	**2,092,901**	**12,551**	**2,105,452**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 a number of plots of the Verkhnekamskoye field. The licences expire at different periods until 2055. In addition, the Company holds a licence for geological exploration of the Izversky plot.

As at 31 December 2019 and 31 December 2018, 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 Ul., Berezniki, 618426, the 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") as issued by the International Accounting Standards Board.

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 2019, the Group's current liabilities exceeded its current assets by USD 571,082 (31 December 2018: USD 796,126).

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.

The Management considers that the Group has adequate resources to cover the working capital deficit and continue in operational existence for at least the next 12 months from the end of the reporting period. Particularly, 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 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 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.

At each reporting date the 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 the consolidated statement of profit or loss within other operating expenses.

Depreciation on property, plant and equipment items is calculated using the straight-line method to allocate their costs 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

Assets' useful lives are reviewed, and adjusted if appropriate, at each reporting date.

2.4 Leases

Accounting policies applied since 1 January 2019

The Group leases offices, vehicles, land plots, berths and different types of equipment.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The assets are depreciated over the term of the lease using the straight-line method. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. Right-of-use assets are reviewed for indicators of impairment.

[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.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate for the same term as the underlying lease. Lease payments included in the measurement of lease liabilities comprise fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate as at the commencement date. Lease modifications result in remeasurement of the lease liability.

Depreciation is recognised in Distribution costs (Note 20) and General and administrative expenses (Note 21) and interest expense is recognised under Interest income / expenses line in Finance income and expenses (Note 23) in the consolidated financial statements of the Group.

The Group has elected to use the exemption not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets (below USD 5,000 (RR 300,000)). The payments associated with these leases are recognised as rent expenses on a straight-line basis over the lease term.

Accounting policies applied until 31 December 2018

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

Finance lease liabilities. Where the Group was a lessee in a lease which transfers substantially all the risks and rewards incidental to ownership to the Group, the assets leased were 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 were 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, were included in Loans and borrowings.

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

2.5 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.

2.6 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.

Software and other intangible assets are amortised using the straight-line method over their useful lives. Mining licences are amortised under a unit of production method.

2.7 Financial instruments

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 include 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.

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.

Trade receivables. The Group always recognises lifetime ECL for all trade 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.

Significant increase in credit risk

In assessing whether the credit risk on a financial asset 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 asset 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 Management 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. 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.

The Group measures 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 operating or finance expenses.

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 difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss within other income and expenses.

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 are 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. Derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Group does not apply hedge accounting.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with initial maturities of three months or less 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.

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.

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 USD, 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.

Liabilities carried at amortised cost. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate and floating 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.

2.8 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 the Management at every reporting date. Liabilities are recorded for income tax positions that are determined by the 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 the 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 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.

2.9 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.

Cost of finished goods comprises those transport costs that have been incurred in bringing the inventories to to the warehouses, where the shipment is performed.

2.10 Share capital

Ordinary shares and non-convertible preference shares are classified as equity. Incremental costs directly attributable to the issue of new shares 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 recognised as share premium.

2.11 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. The par value of such shares purchased is recognised as treasury shares, any excess of the consideration paid over the par value of acquired shares is recognised as share premium.

2.12 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.

2.13 Borrowing costs

The Group considers a qualifying asset (asset that necessarily takes a substantial time to get ready for intended use or sale) to be an investment project with an implementation period exceeding one year.

The Group capitalises borrowing costs (interest expenses and exchange differences arising from foreign currency borrowings) that could have been avoided if it had not made capital expenditure on qualifying assets. Interest expenses 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. Foreign exchange differences relating to borrowings to the extent that they are regarded as an adjustment to interest costs are capitalised.

2.14 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 respective 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. Unwinding of the discount is recognised in profit or loss in finance income or expenses. 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 Group 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 expenses.

2.15 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 ("USD").

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 expenses. 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 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:

	31 December 2019		31 December 2018	
	USD	Euro	USD	Euro
closing rate	61.91	69.34	69.47	79.46
average rate	64.74	72.50	62.71	73.96

2.16 Revenue recognition

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 transportation 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 transportation of potassium to a certain place after the control of the goods passed to the buyer. Revenue from rendering such transportation services is treated as a separate performance obligation, which should be recognised over period of time of service.

Generally, the credit period on sales of goods varies from 30 to 180 days depending on the credit assessment of the customers. Most customers from developing countries are supplied on secured payment terms, including letters of credit or insurance. The Group charges interest on overdue outstanding amounts from time to time depending on days of delay and market situation.

Transportation cost related to the revenue from rendering transportation services is included into the Distribution costs.

Sales are shown net of VAT, export duties and discounts. 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 revenues.

2.17 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.

2.18 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.

2.19 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 are charged to other operating expenses.

2.20 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 independent actuary. 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.

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 2019 and 31 December 2018, the Group's pension benefit obligations were remeasured to reflect the respective legislative changes.

2.21 Earnings / loss per share

Earnings / loss per share are determined by dividing the net income / loss attributable to equity holders of the Company by the weighted average number of participating shares outstanding during the reporting year. For the purpose of calculating basic and diluted earnings per share, amounts attributable to ordinary equity holders of the parent are adjusted for the after-tax amounts of dividends paid to the holders of preference shares.

3 IFRS standards update

The following is a list of new or amended IFRS standards and interpretations effective for annual periods beginning on or after 1 January 2019 that have been applied by the Group for the first time in these consolidated financial statements:

Title	Subject	Effect on the consolidated financial statements
IFRS 16	Leases	For the effect see below
IFRIC 23	Uncertainty over Income Tax Treatments	No effect
Amendments to IFRS 9	Prepayment Features with Negative Compensation	No effect
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	No effect
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	No effect
Annual Improvements to IFRSs 2015–2017 Cycle		No effect

Starting from 1 January 2019, the Group has applied IFRS 16 "Leases" (hereinafter "IFRS 16") issued by the International Accounting Standard Board for the first time. The standard introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease and requires the recognition of a right-of-use of asset and a lease liability at commencement of all leases.

The Group has applied IFRS 16 retrospectively with the cumulative effect of the initial application of the standard recognised at the date of initial application. The Group has applied the following recognition exemptions for:

- not to reassess whether a contract is, or contains, a lease;
- contracts that have a lease term of 12 months or less (including all economically reasonable prolongation options) and do not contain any purchase options; and
- lease contracts for which the underlying asset is of low value (below USD 5,000 (RR 300,000)).

The Group has also applied the following practical expedients at the date of the initial application of the standard:

- not to apply the requirements of the standard to leases for which the lease term ends within 12 months of the date of initial application and account for those leases in the same way as short-term leases;
- to exclude initial direct costs from the measurement of right-of-use of asset;
- not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component; and
- to use hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

The increase in non-current assets and financial liabilities due to the recognition of operating leases on the statement of financial position at 1 January 2019 amounted to USD 16,010.

The following table reconciles the Group's operating lease obligations at 31 December 2018, as previously disclosed in the Group's consolidated financial statements, to the lease obligations recognised on initial application of IFRS 16 at 1 January 2019:

Operating lease commitments at 31 December 2018	**43,417**
Exclusion of leases with variable payments and short-term leases	(14,795)
Effect of discounting	(18,523)
Extension options reasonably certain to be exercised	5,911
Lease liabilities recognised at 1 January 2019	**16,010**

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at 1 January 2019 amounted to 9.28%.

Previously recognised liabilities for finance leases in the amount of USD 7,602 were included at 31 December 2018 into finance lease payable within borrowings, thus total amount of lease liabilities at 1 January 2019 amounted to USD 23,612. Previously recognised finance lease assets in the amount of USD 5,707 at 1 January 2019 were reclassified to right-of-use assets (presented within other non-current assets) from property, plant and equipment. Thus, the amount of right-of-use assets at 1 January 2019 amounted to USD 21,817.

The lease accounting policies are disclosed in Note 2 to these consolidated financial statements.

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
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	1 January 2020	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	Insurance contracts	1 January 2021	Not applicable
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2022	Under review

4 Critical accounting judgements and key sources of estimation uncertainty

With regards to the application of the Group's accounting policies, which are described in Note 2, the 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 (Note 4.2), that the 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

The 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, magnesium, and sodium salts, which in the past were several times extended beyond their original expiration dates. The 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). The 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. At 31 December 2019 and 31 December 2018, the Management prepared an analysis of the key parameters 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 statement of financial position at reporting dates.

4.2 Key sources of estimation uncertainty

The following are the key assumptions 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 16).

The major uncertainties over the amount and timing of the cash outflows related to filling cavities and judgements made by the Management in respect of these uncertainties are as follows:

- Estimated time to fill cavities. Cash flow payments related to filling cavities existing as of reporting date based on current projection of works are expected to occur principally between 2020 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. The 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. The 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 4.0% to 4.6% for the period starting from 2020 until 2022 (2018: from 4.1% to 4.5%). Starting from 2023, the expected inflation rate in the Russian Federation is forecasted to be 4.0% (2018: 4.0%); and
- In 2019, the Management applied discount rates ranging from 5.8% to 6.4% based on government bonds interest rates (2018: from 8.3% to 8.8%).

Solikamsk-2 ("SKRU-2") mine liquidation project was approved in November 2019. According to the project, extraction of ore with further processing will be carried out until the end of 2020. As at 31 December 2019, the Management of the Group reassessed production plans in the northern part of SKRU-2 mine, which shifted the projected end of mining from the beginning of 2023 to the end of 2020. Extraction of the remaining potassium and magnesium salts reserves in the southern part of Solikamsk field will be carried out by New (South) SKRU-2 mine according to the project schedule.

According to the current schedule, during the period from 2020 until the middle of 2025 the Group will be carrying out filling cavities works within running SKRU-2 mine. After the end of filling cavities works, the Group will be carrying out mineflooding works, as well as liquidation of shaft barrels and surface complex works.

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.

Due to the change in mine life estimate, the Group accrued additional amount of provision of expenses for the period from 2020 to the end of 2022 in the amount of USD 123 million, with the corresponding increase in 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 5.5 years until the middle 2025. The Group's Management estimates the activity on cavity filling and part of decommissioning activities to be completed during the above period.

Provision for asset retirement obligations

The Group has recorded a provision relating to asset retirement obligations (Note 16), 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 the Management in respect of these uncertainties are as follows:

- Mine life estimates. Cash flow payments are expected to be incurred principally between 2020 and 2066. These estimates are based on the 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. The 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 4.0% to 4.6% for the period starting from 2020 until 2022 (2018: from 4.1% to 4.5%). Starting from 2023, the expected inflation rate in the Russian Federation is forecasted to be 4.0% (2018: 4.0%).
- In 2019, the Management applied discount rates ranging from 5.2% to 6.6% based on government bonds interest rates (2018: from 7.5% to 8.9%).

Accident liquidation expenses for the period from the middle 2025 to the end 2027 are recognised within the provision for northern part of SKRU-2 asset retirement obligations. The amount of provision for assets retirement obligation related to the accident liquidation expenses amounted to USD 60 million (31 December 2018: USD 49 million).

Provisions for filling cavities and asset retirement obligations are particularly sensitive to discount rate change. As at 31 December 2019, if all other assumptions remain unchanged decrease in the discount rate for 1% would result in increase of the recorded amount of these provisions by USD 58 million increase.

Recoverability of a loan issued to a related party

At the end of each reporting period, the 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. The 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 25.2).

5 Related parties

Related parties include major shareholders with significant influence over the Group, entities under control of the Group's major shareholders, associate 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 2019	31 December 2018
Loan receivable	617,501	386,974
Interest receivable	40,054	13,641
Loan payable including interest payable	(40,560)	(43,288)
Trade and other receivables	10,833	10,874
Trade and other payables	(5,279)	(6,704)
Other non-current liabilities	-	(1,809)
Lease liability	(3,746)	-
Advances to suppliers	7,929	7,952

Outstanding balances with associate	31 December 2019	31 December 2018
Trade and other payables	(316)	-
Advances to suppliers	1,269	1,641

The loan to a related party is a USD denominated unsecured revolving loan facility granted by the Group in April 2016 initially for a period of two years under market conditions. In 2018, this facility was prolonged until 2023.

The loan was issued at a market rate with interests payable at the maturity date.

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 ordinary shares held by JSC Uralkali-Technologiya, wholly owned subsidiary of the Company. The pledge was provided as security for the loan with Sberbank of one of the Group's related parties effective until March 2023.

As at 31 December 2019, the Group pledged ordinary shares of PJSC Uralkali, representing 26.98% (31 December 2018: ordinary shares and GDRs, representing 26.17%) of the Company's ordinary shares as primary pledge. As at 31 December 2019, the Group pledged ordinary shares, representing 28.6% (31 December 2018: ordinary shares and GDRs, representing 28.6%) of the Company's ordinary shares 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 for a fee at market terms. As at 31 December 2019, the fair value of the pledge of USD 8.8 million (31 December 2018: USD 7.2 million) was recognised in other non-current assets; USD 2.6 million in other payables (31 December 2018: USD 4.5 million) and nil in other non-current liabilities (31 December 2018: USD 1.8 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	2019	2018
Revenue (sales of potassium chloride)	63,329	49,200
Other revenue	1,479	8,446
Interest income	28,582	26,400
Other finance income	8,657	4,504
Purchase of inventories and goods for resale	(26,208)	(11,490)
Purchase of property, plant and equipment and assets under construction	(750)	(397)
Distribution costs	(28,259)	(16,281)
Interest expenses	(2,960)	(2,729)
General and administrative expenses	(45)	(1,534)
Other finance expenses	-	(641)
Other expenses	(338)	(365)
Bargain purchase	-	1,350
Cash acquired on acquisition of subsidiaries, net	-	164

Transactions with associate	2019	2018
Distribution costs	(5,829)	(4,174)
Other finance income	95	185
Change in accrued liabilities	-	4,252

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	
	2019	2018	31 December 2019	31 December 2018
Short-term employee benefits	9,574	12,927	3,394	2,933
Termination benefits	51	-	-	-
Total	**9,625**	**12,927**	**3,394**	**2,933**

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 Group's operating segment has been determined based on reports reviewed by CEO, assessed to be Group'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 for the reportable segment:

	Note	2019	2018
Revenues	18	2,781,854	2,753,577
Revenues net of freight, railway tariff, rent of wagons and transshipment costs	18, 20	2,363,805	2,281,082
Operating profit		1,255,120	1,202,487
Cash CAPEX		378,207	358,441

(b) Geographical information

The analysis of Group sales by region was:	2019	2018
Russia	571,589	485,562
China, India, South East Asia	734,534	872,055
Latin America, USA	1,071,275	1,061,879
Europe, other countries	404,456	334,081
Total revenues	**2,781,854**	**2,753,577**

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

(c) Major customers

In 2019, the amount of revenue from the external customer which contributed more than 10% of the Group's revenue was USD 341,516. The Group had no external customers which represented more than 10% of the Group's revenues in 2018.

7 Property, plant and equipment

Movements of the cost of property, plant and equipment and related accumulated depreciation for the period are presented below:

	Buildings	Mining assets	Plant and equipment	Transport	Other	Land	Assets under construction	Total
Cost								
Balance at 1 January 2018	**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 of provisions (Note 16)	18,301	202,660	1,880	-	1	-	18	222,860
Commissioning of assets	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**
Balance at 1 January, as previously reported	**670,793**	**1,124,101**	**1,045,398**	**232,561**	**16,962**	**6,688**	**687,849**	**3,784,352**
Reclassified to right-of-use assets on adoption of IFRS 16 (Note 3)	(7,679)	-	-	-	-	-	-	(7,679)
Balance at 1 January, adjusted	**663,114**	**1,124,101**	**1,045,398**	**232,561**	**16,962**	**6,688**	**687,849**	**3,776,673**
Additions	25	17	205	47	313	63	416,232	416,902
Changes in estimates of provisions (Note 16)	32,149	228,964	-	-	-	-	-	261,113
Commissioning of assets	44,837	123,348	81,384	34,252	637	18	(284,476)	-
Disposals	(1,523)	(25,567)	(23,742)	(3,442)	(445)	(3)	(3,861)	(58,583)
Effect of translation to presentation currency	84,583	152,307	130,396	29,830	2,089	821	89,905	489,931
Balance at 31 December 2019	**823,185**	**1,603,170**	**1,233,641**	**293,248**	**19,556**	**7,587**	**905,649**	**4,886,036**
Accumulated depreciation and impairment								
Balance at 1 January 2018	**(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 (Note 22)	-	-	-	-	-	-	(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)**
Balance at 1 January, as previously reported	**(194,252)**	**(396,008)**	**(687,985)**	**(100,732)**	**(10,266)**	**-**	**(7,133)**	**(1,396,376)**
Reclassified to right-of-use assets on adoption of IFRS 16 (Note 3)	1,972	-	-	-	-	-	-	1,972

	Buildings	Mining assets	Plant and equipment	Transport	Other	Land	Assets under construction	Total
Balance at 1 January, adjusted	**(192,280)**	**(396,008)**	**(687,985)**	**(100,732)**	**(10,266)**	**-**	**(7,133)**	**(1,394,404)**
Depreciation charge	(26,978)	(126,358)	(68,089)	(15,139)	(895)	-	-	(237,459)
Disposals	807	15,492	22,323	3,251	317	-	1,049	43,239
Impairment (Note 22)	(1,276)	(2,630)	(721)	-	-	(2,236)	(5,239)	(12,102)
Effect of translation to presentation currency	(24,760)	(53,582)	(86,199)	(12,854)	(1,280)	(102)	(1,065)	(179,842)
Balance at 31 December 2019	**(244,487)**	**(563,086)**	**(820,671)**	**(125,474)**	**(12,124)**	**(2,338)**	**(12,388)**	**(1,780,568)**
Net Book Value								
Balance at 1 January 2018	**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**
Balance at 31 December 2019	**578,698**	**1,040,084**	**412,970**	**167,774**	**7,432**	**5,249**	**893,261**	**3,105,468**

Allocation of depreciation charge for the period is presented below:

Allocation of depreciation charge for the period	Note	2019	2018
Cost of sales	19	180,497	176,565
Distribution costs	20	10,248	11,154
General and administrative expenses	21	8,230	9,738
Other operating expenses	22	32,883	1,206
Capitalised within assets under construction		5,601	4,946
Total		**237,459**	**203,609**

Fully depreciated assets still in use

As at 31 December 2019 and 31 December 2018, the gross carrying value of fully depreciated property, plant and equipment still in use was USD 365,083 and USD 329,365 respectively.

Interest expense and foreign exchange losses capitalised in the cost of assets under construction were as follows:

Capitalised borrowing costs	2019	2018
Capitalised interest expenses	48,786	42,647
Capitalised foreign exchange losses	4,436	20,512
Total capitalised borrowing costs	**53,222**	**63,159**

In 2019, the Group used average interest capitalisation rate 4.3% (2018: 4.6%).

8 Goodwill

	2019	2018
Carrying value at 1 January	**849,151**	**1,024,146**
Effect of translation to presentation currency	103,767	(174,995)
Carrying value at 31 December	**952,918**	**849,151**

The goodwill is primarily attributable to the operational and marketing synergies arising from the business combinations with Silvinit Group and not to individual assets of the subsidiaries and was allocated to the 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 the Management and discount rates reflecting time value of money and inherent risks.

The 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 is defined by the Management of the Group as a 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:

	2019	2018
RR/USD exchange rate (until 2040)	From 64.9 to 95.1	From 65 to 97.7
Growth rate beyond one year	4.0% p.a.	4.0% p.a.
USD weighted average cost of capital	9.2% p.a.	10.9% 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 2019 and 31 December 2018.

9 Intangible assets

	Note	Mining licences	Software	Other	Total
Cost					
Balance at 1 January 2018		**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**
Additions		-	4,011	341	4,352

	Note	Mining licences	Software	Other	Total
Disposals		-	(1,003)	(722)	(1,725)
Effect of translation to presentation currency		342,936	1,848	1,095	345,879
Balance at 31 December 2019		**3,149,281**	**18,320**	**10,068**	**3,177,669**
Accumulated amortisation					
Balance at 1 January 2018		**(426,723)**	**(7,025)**	**(5,038)**	**(438,786)**
Amortisation	19, 21	(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)**
Amortisation	19, 21	(33,178)	(2,760)	(858)	(36,796)
Disposals		-	791	329	1,120
Effect of translation to presentation currency		(50,738)	(996)	(606)	(52,340)
Balance at 31 December 2019		**(486,716)**	**(9,853)**	**(6,144)**	**(502,713)**
Net book value					
Balance at 1 January 2018		**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**
Balance at 31 December 2019		**2,662,565**	**8,467**	**3,924**	**2,674,956**

10 Inventories

	31 December 2019	31 December 2018
Raw materials and spare parts	72,907	62,575
Finished products	252,419	67,105
Work in progress	3,818	3,750
Other inventories	7,775	6,206
Total inventories	**336,919**	**139,636**

11 Trade and other receivables

	31 December 2019	31 December 2018
Financial receivables		
Trade receivables at amortised cost	376,654	241,218
Trade receivables at FVTOCI	723	63,260
Contract assets	-	4,150
Other receivables	14,763	16,631
Less: allowance for ECL	(16,483)	(18,877)
Total financial receivables	**375,657**	**306,382**
Non-financial receivables		
VAT recoverable	47,165	40,527
Other taxes recoverable	951	798
Other non-financial receivables	4,765	4,195
Total non-financial receivables	**52,881**	**45,520**
Total trade and other receivables	**428,538**	**351,902**

As at 31 December 2018, in addition to Contract assets disclosed above the Group had contract liabilities in the amount of USD 6,292 disclosed as Advances received in the Consolidated statement of financial position.

As at 31 December 2019, trade receivables of USD 344,159 (31 December 2018: USD 275,733), net of allowance for ECL, were denominated in foreign currencies; 85% of this balance was denominated in USD (31 December 2018: 81%) and 15% was denominated in Euro (31 December 2018: 19%).

As at 31 December 2019, ECL for other receivables of USD 5,497 (31 December 2018: USD 7,091) was measured at an amount equal to 12-month ECL, ECL for other receivables of USD 9,266 (31 December 2018: USD 9,540) was measured at an amount equal lifetime ECL.

Movements of the allowance for ECL were as follows:

	2019		2018	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Balance at 1 January	**(10,819)**	**(8,058)**	**(7,459)**	**(7,131)**
Allowance accrued	(5,238)	(1,153)	(6,244)	(3,494)
Allowance reversed	4,948	1,229	1,219	708
Allowance utilised	2,757	710	606	417
Foreign exchange gain / (loss), net	969	233	(674)	-
Effect of translation to presentation currency	(1,130)	(931)	1,733	1,442
Balance at 31 December	**(8,513)**	**(7,970)**	**(10,819)**	**(8,058)**

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 2019	Current	Less than 45 days overdue	45 to 90 days overdue	Over 90 days overdue	Total
Gross carrying amount - trade receivables (insured)	209,219	108	-	23	209,350
Gross carrying amount - trade receivables (non-insured)	138,607	10,651	1,107	17,662	168,027
Gross carrying amount - other receivables	4,967	530	694	8,572	14,763
Allowance for ECL	(697)	(225)	(962)	(14,599)	(16,483)

31 December 2018	Current	Less than 45 days overdue	45 to 90 days overdue	Over 90 days overdue	Total
Gross carrying amount - trade receivables (insured)	153,376	17,590	72	63	171,101
Gross carrying amount - trade receivables (non-insured)	116,799	12,221	2,562	5,945	137,527
Gross carrying amount - other receivables	5,327	1,764	677	8,863	16,631
Allowance for ECL	(1,713)	(1,641)	(2,390)	(13,133)	(18,877)

As at 31 December 2019 and 31 December 2018, no trade and other receivables were pledged as collateral.

12 Derivative financial instruments

As at 31 December 2019, the derivative financial instruments were represented by:

					Notional amount	
	The Group pays	The Group receives	Issue	Maturity	31 December 2019	31 December 2018
Cross-currency interest rate swap	USD at fixed rate	RR at fixed rate	2018	2023	USD 239 mln (RR 15,000 mln)	USD 239 mln (RR 15,000 mln)
	USD at fixed rate	RR at fixed rate	2018	2021	USD 149 mln (RR 10,000 mln)	USD 149 mln (RR 10,000 mln)
	USD at fixed rate	RR at fixed rate	2017	2020	USD 265 mln (RR 15,000 mln)	USD 265 mln (RR 15,000 mln)
Interest rate swap						
	Euro at fixed rate	Euro at floating rate; nil if rate is negative	2019	2024	Euro 650 mln (RR 45,071 mln)	-
	USD at fixed rate	USD at floating rate	2017	2020	USD 1,000 mln (RR 61,906 mln)	USD 1,000 mln (RR 69,470 mln)
	USD at fixed rate	USD at floating rate	2016	2019	-	USD 333 mln (RR 23,134 mln)

In these consolidated financial statements derivative financial instruments were as follows:

	31 December 2019	31 December 2018
Assets		
Current derivative financial assets	14,318	30,261
Non-current derivative financial assets	7,973	338
Total derivative financial assets	**22,291**	**30,599**
Liabilities		
Current derivative financial liabilities	(21,033)	(7,130)
Non-current derivative financial liabilities	(9,675)	(121,523)
Total derivative financial liabilities	**(30,708)**	**(128,653)**

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

	Note	2019	2018
Balance at 1 January		**98,054**	**98,594**
Cash proceeds from derivatives		33,203	17,816
Cash paid for derivatives		(96)	(111,507)
Changes in the fair value	23	(130,282)	106,246
Effect of translation to presentation currency		7,538	(13,095)
Balance at 31 December		**8,417**	**98,054**

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 2019	31 December 2018
Cash on hand and bank balances			
RR denominated cash on hand and bank balances		44,265	49,716
USD denominated bank balances		100,709	475,309
EUR denominated bank balances		18,957	31,226
Other currencies denominated balances		241	369
Term deposits			
USD term deposits	0.9% – 1.6% p.a. (31 December 2018: 0.6% p.a. - 3.5% p.a.)	315,430	452,327
RR term deposits	3.8% – 5.66% p.a. (31 December 2018: 4.0% p.a. - 7.4% p.a.)	3,076	4,068
Total cash and cash equivalents		**482,678**	**1,013,015**

14 Equity

	Number of ordinary shares (in millions)	Number of preference shares (in millions)	Number of treasury shares (in millions)	Ordinary shares	Preference shares	Treasury shares	Total
At 1 January 2018	**2,936**	**-**	**(1,608)**	**35,762**	**-**	**(27,101)**	**8,661**
Treasury shares purchased	-	-	(52)	-	-	(895)	(895)
Issuance of preference shares	-	30	-	-	239	-	239
At 31 December 2018	**2,936**	**30**	**(1,660)**	**35,762**	**239**	**(27,996)**	**8,005**
Treasury shares purchased	-	-	(8)	-	-	(130)	(130)
At 31 December 2019	**2,936**	**30**	**(1,668)**	**35,762**	**239**	**(28,126)**	**7,875**

All shares presented in the table above have been issued and fully paid.

The number of unissued authorised ordinary shares is 1,730 million (31 December 2018: 1,730 million) with a nominal value per share of 0.793 US cents (0.5 RR) (31 December 2018: 0.720 US cents (0.5 RR)).

The number of unissued authorised preference shares is 120 million (31 December 2018: 120 million) with a nominal value per share of 0.793 US cents (0.5 RR) (31 December 2018: 0.720 US cents (0.5 RR)) according to the Company's Charter on 27 July 2018. In 2018, the Company issued 30 million preference shares.

Treasury shares. During 2019, the Company purchased 7,594,929 (2018: 51,908,433) ordinary shares for a total amount of USD 10,089 (2018: USD 125,640) 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 USD 10,089 (2018: USD 125,640) and the nominal value of USD 130 (2018: USD 895) of the shares was reflected as a decrease in share premium.

As at 31 December 2019, the treasury shares comprise 1,667,429,892 ordinary shares (31 December 2018: 1,659,834,963 ordinary shares represented by the ordinary shares and GDRs of the Company). During 2019 GDRs were converted into ordinary shares in proportion 5:1, consistent with the pre-existing GDRs:ordinary share ratio.

Delisting. 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.

In October 2019, Rinsoco Trading Co. Limited, the shareholder of the Company, completed a buy-out of ordinary shares of the Company owned by minority shareholders. The buy-out procedure resulted in a suspension of trading in the Company's ordinary shares at Moscow Exchange with effect from 20 September 2019 (however, such trading could be resumed upon request from the Company).

Preference shares. During 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 USD 51,226 and the nominal value of preference shares of USD 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 2019, the Company paid the minimum dividends for the year ended 31 December 2018 in the amount of USD 48 to the holders of preference shares. In July 2018, the Company paid the minimum dividends for the year ended 31 December 2017 in the amount of USD 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 2019 and 2018 resolved not to pay any dividends on ordinary shares.

15 Loans and borrowings

In 2019, in order to increase convenience of users of the financial statements the Management made a decision to aggregate Bonds and Borrowings and present them as a single line item Loans and borrowings within the consolidated statement of financial position. Accordingly, comparative information at 31 December 2018 was reclassified.

The table below shows interest rates and the split of loans and borrowings into short-term and long-term as at 31 December 2019 and 31 December 2018.

Short-term loans and borrowings	Interest rates	31 December 2019	31 December 2018
Bank loans in USD: floating interest	from 3 month LIBOR + 1.45% to 3 month LIBOR + 3.55%	478,440	1,259,371
Bank loans in USD: fixed interest	from 3.8% to 5.22%	752,700	2,570
Bank loans in EUR: floating interest	6 month EURIBOR + 1.05%	1,920	1,674
Short-term part of long-term bonds quoted on Irish Stock Exchange	4.00%	3,833	-
Short-term part of long-term bonds quoted on Moscow Stock Exchange	from 7.7% to 9.3%	247,118	820,627
Short-term lease payable		5,086	17
Total short-term loans and borrowings and current portion of long-term loans and borrowings		**1,489,097**	**2,084,259**
Long-term loans and borrowings			
Bank loans in USD: floating interest	from 3 month LIBOR + 1.45% to 3 month LIBOR + 3.55%	1,938,179	2,228,939
Bank loans and other borrowings in USD: fixed interest	from 3.0% to 5.22%	240,501	993,045
Bank loans in EUR: floating interest	from 6 month EURIBOR + 1.05% to 1 month EURIBOR + 1.7% (31 December 2018: 6 month EURIBOR + 1.05%)	726,680	10,816
Long-term bonds quoted on Irish Stock Exchange	4.00%	495,755	-
Long-term bonds quoted on Moscow Stock Exchange	from 7.7% to 9.3%	403,028	575,243
Long-term lease payable		26,910	7,585
Total long-term loans and borrowings		**3,831,053**	**3,815,628**
Total loans and borrowings		**5,320,150**	**5,899,887**

Bank loans and other borrowings

	2019	2018
Balance at 1 January	**4,496,415**	**4,773,344**
Bank loans and other borrowings received, denominated in USD	800,000	1,550,625
Bank loans received, denominated in EUR	901,758	16,883

	2019	2018
Bank loans repaid, denominated in USD	(1,878,521)	(1,708,783)
Bank loans repaid, denominated in EUR	(171,119)	(1,851)
Bank loans repaid, denominated in RR	-	(130,964)
Interest accrued	195,490	233,176
Interest paid	(193,695)	(232,449)
Recognition of syndication fees and other financial charges	(21,680)	(14,820)
Amortisation of syndication fees and other financial charges	18,544	12,425
Foreign exchange (gain) / loss, net	(543,854)	826,278
Effect of translation to presentation currency	535,082	(827,449)
Balance at 31 December	**4,138,420**	**4,496,415**

As at 31 December 2019 and 31 December 2018, no equipment or inventories were pledged as security for loans and borrowings.

As at 31 December 2019, bank loans in the amount of USD 2,977,226 (31 December 2018: USD 2,585,075) were collateralised by future sales proceeds of the Group under export contracts with certain customers.

In March 2016, credit line agreements with Sberbank were signed in the total amount of up to USD 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). During 2019 GDRs were converted into ordinary shares in proportion 5:1. In 2017 and 2018, amendments to Sberbank facilities were signed – the term of the credit facility was extended and the interest rate was decreased. In November 2019, the Company terminated the USD 1.9 billion credit line due to the absence of utilisation needs. In December 2019, the available amount under US $2.0 billion credit line was reduced to US $1.0 billion with the availability period from 1 July until 31 December 2020.

In May 2018, the Company signed an uncommitted credit facility in the amount of up to USD 80 million with Rosbank, which is available for two years.

As at 31 December 2019, the Company had no outstanding amount under this facility.

In June 2018, the Company signed a USD 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 2019, the USD 825 million facility was fully utilised.

In March 2019, the Company signed an uncommitted credit facility in the amount of up to EUR 50 million with ING BANK N.V., which is available for 12 months. In July 2019, the amount of facility was reduced to EUR 25 million. As at 31 December 2019, the Company had no outstanding amount under this facility.

In March 2019, the Company signed an uncommitted credit facility in the amount of up to EUR 105 million with Commerzbank, which is available for 36 months. As at 31 December 2019, the Company had no outstanding amount under this facility.

In May 2019, the Company signed a USD 725 million and EUR 650 million 5-year pre-export facility with 13 international banks. The interest rate is 1 month LIBOR + 1.9% for USD tranche and 1 month EURIBOR + 1.7% for EUR tranche. The facility was used for refinancing of the Company's existing loans and for general corporate purposes. As at 31 December 2019, the credit line was fully utilised.

Bonds

	2019	2018
Balance at 1 January	**1,395,870**	**1,661,191**
Issuance of bonds	500,000	389,056
Repurchase of bonds	(800,000)	(581,900)

	2019	2018
Interest accrued	69,355	96,723
Interest paid	(81,852)	(95,424)
Recognition of syndication fees and other financial charges	(4,641)	(678)
Amortisation of syndication fees	680	472
Foreign exchange (gain) / loss	(79,683)	196,957
Effect of translation to presentation currency, net	150,005	(270,527)
Balance at 31 December	**1,149,734**	**1,395,870**

In April 2013, the Group issued USD denominated Eurobonds at the nominal value of USD 650 million bearing a coupon of 3.723% p.a. maturing in 2018. These bonds were fully redeemed in 2018 (bonds in the amount of USD 68.1 million were purchased by the Group in previous periods).

In June 2018, the Company issued RR bonds in the amount of RR 15 billion (USD 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.

In November 2018, the Company issued RR bonds in the amount of RR 10 billion (USD 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.

In March 2019, USD denominated bonds at the nominal value of USD 800 million which were previously sold to VTB were fully redeemed.

In October 2019, the Group issued USD denominated Eurobonds at the nominal value of USD 500 million bearing a coupon of 4.00% p.a. maturing in 2024.

The Group was in compliance with all financial and non-financial covenants as at 31 December 2019.

16 Provisions

	Note	Filling cavities	Asset retirement obligations	Resettlement	Mine flooding	Restructuring	Legal	Total
Balance at 1 January 2018		**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		-	-	-	-	-	239	239
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**

	Note	Filling cavi-ties	Asset re-tirement obliga-tions	Re-settle-ment	Mine flood-ing	Re-struc-turing	Legal	Total
Changes in estimates added to property, plant and equipment	7	202,052	59,061	-	-	-	-	261,113
Changes in estimates charged to profit or loss		-	-	-	672	(136)	-	536
Accrual of provision		-	472	6,611	-	-	-	7,083
Utilisation of provision		(84,308)	(2,337)	(7,551)	(1,770)	(351)	(241)	(96,558)
Unwinding of the present value discount		23,858	10,406	311	940	586	-	36,101
Effect of translation to presentation currency		39,111	16,980	657	1,213	822	25	58,808
Current liabilities		**42,718**	**1,934**	**5,650**	**1,374**	**142**	**54**	**51,872**
Non-current liabilities		**405,081**	**196,312**	**-**	**9,670**	**7,465**	**-**	**618,528**
Balance at 31 December 2019		**447,799**	**198,246**	**5,650**	**11,044**	**7,607**	**54**	**670,400**

17 Trade and other payables

	31 December 2019	31 December 2018
Financial payables		
Trade payables	60,509	49,813
Accrued liabilities	105,008	72,581
Salary payable and related accruals	47,923	39,498
Other payables	41,858	24,618
Total financial payables	**255,298**	**186,510**
Non-financial payables		
Other taxes payable	25,860	23,676
Other non-financial payables	2,647	7,559
Total non-financial payables	**28,507**	**31,235**
Total trade and other payables	**283,805**	**217,745**

As at 31 December 2019, trade and other payables of USD 23,043 (31 December 2018: USD 12,889) were denominated in foreign currencies: 66% of this balance was denominated in USD (31 December 2018: 67%) and 23% was denominated in Euro (31 December 2018: 31%).

18 Revenues

	2019	2018
Potassium chloride	1,477,483	1,580,990
Potassium chloride (granular)	940,688	896,629
Revenue from rendering transportation services	189,140	190,174
Other revenues	174,543	85,784
Total revenues	**2,781,854**	**2,753,577**

19 Cost of sales

	Note	2019	2018
Cost of finished goods sold			
Depreciation of property, plant and equipment	7	180,497	176,565
Employee benefits		161,371	168,110
Materials and components		123,903	115,310
Fuel and energy		94,839	101,865
Repairs and maintenance		71,803	64,703
Amortisation of licences	9	33,178	54,274
Transportation between mines by railway		12,068	12,636
Other costs		21,873	50,560
Change in work in progress, finished goods and goods in transit		(81,497)	(41,156)
Total cost of finished goods		**618,035**	**702,867**
Goods for resale		45,856	-
Total cost of sales		**663,891**	**702,867**

20 Distribution costs

	Note	2019	2018
Railway tariff and rent of wagons		208,302	242,806
Freight		188,469	208,477
Transport repairs and maintenance		34,256	29,806
Commissions and marketing expenses		29,011	23,813
Transshipment		21,278	21,212
Employee benefits		16,306	17,244
Depreciation of property, plant and equipment	7	7,986	8,176
Depreciation of right-of-use assets		726	-
Other costs		71,741	81,389
Total distribution costs	****	**578,075**	**632,923**

Depreciation of property, plant and equipment in the amount of USD 2,262 is included into Transport repairs and maintenance and Transshipment costs (2018: USD 2,978). Depreciation of right-of-use assets in the amount of USD 455 is included into Transshipment costs (2018: nil).

21 General and administrative expenses

	Note	2019	2018
Employee benefits		96,903	95,600
Depreciation of property, plant and equipment	7	8,230	9,738
Consulting, audit and legal services		8,089	7,227
Mine rescue crew		6,216	5,924
Security		6,083	5,783
Communication and information system services		6,081	4,480
Amortisation of intangible assets	9	3,618	3,829
Materials and fuel		4,667	5,167
Repairs and maintenance		4,664	3,546
Depreciation of right-of-use assets		2,184	-
Other expenses		31,763	33,358
Total general and administrative expenses		**178,498**	**174,652**

22 Other operating income and expenses

	Note	2019	2018
Loss on disposals of property, plant and equipment and intangible assets		15,335	6,241
Impairment loss on property, plant and equipment and assets under construction	7	12,102	878
Depreciation of property, plant and equipment	7	32,883	1,206
Resettlement provision	16	6,611	137
Social cost and charity		29,747	6,784
Other (income) / expenses, net		(7,343)	2,584
Total other operating expenses, net		**89,335**	**17,830**

23 Finance income and expenses

			2019		2018
	Note	Income	Expenses	Income	Expenses
Foreign exchange gain / (loss)		417,285	-	-	(737,676)
Fair value gain / (loss) on derivative financial instruments, net	12	130,282	-	-	(106,246)
Interest income / (expenses)		38,533	(216,911)	40,149	(288,102)
Loss from unwinding and effect of changes in effective interest rate, net		-	(40,263)	-	(43,070)
Syndication fees and other financial charges		-	(145,388)	-	(19,660)
Letters of credit fees		-	(9,452)	-	(10,710)
Fair value losses on investments		-	(3,298)	-	(33,850)
Loss from associate		-	-	-	(1,071)
Dividend income		95	-	185	-
Other finance income / (expenses)		4,698	(9)	5,847	(549)
Total finance income / (expenses)		**590,893**	**(415,321)**	**46,181**	**(1,240,934)**
Total finance income / (expenses), net		**175,572**	**-**	**-**	**(1,194,753)**

The syndication fees and other financial charges in 2019 include the write-off of the prepaid commission in the amount of USD 123,554 related to USD 1.9 billion and USD 2.0 billion credit lines from Sberbank. As at 31 December 2019, the Management did not expect to obtain economic benefits from these assets because the related credit lines had not been used and were not expected to be utilised within the availability periods as they are more expensive compared to other available funding options.

24 Income tax

	2019	2018
Current income tax expense	241,791	9,976
Adjustments recognised in the period for current income tax of prior periods	25,810	(107)
Deferred income tax (benefit) / expense	(43,420)	94,871
Income tax expense	**224,181**	**104,740**

Income before taxation and non-controlling interests for consolidated financial statements purposes is reconciled to income tax as follows:

	2019	2018
Profit before income tax	**(1,430,692)**	**(7,734)**
Theoretical tax charge at a rate of 16.5%	236,064	1,276
Corrections of income tax for prior years	25,810	(107)
Tax effect of expenses which are not deductible, net	11,848	3,541
Effect of different tax rates in countries and regions	7,028	(1,720)
Effect of changes in tax rate	(39,095)	106,625
(Recognition of previously written-off) / write-off of deferred tax asset	(17,825)	2,392
Other	351	(7,267)
Income tax expense	**224,181**	**104,740**

As at 31 December 2019, 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 2019.

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%.

In 2018 and 2019, the Company entered into 3 federal special investment contracts («SICs»). These SICs allow the Company to apply 0% income tax rate to profits earned from these investment projects. 0% rate is valid until the expiry of the respective contracts in (31 December 2027 and 31 December 2028, depending on the contact), but not later than the tax period when the aggregate amount of incentives received from the Russian Federation exceeds 50% of the amount of capital investment provided by the contract.

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.

In 2018, 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 was recognised in profit or loss.

In 2019, the Group revised the impact of 0% income tax rate on the temporary differences related to SICs' assets and liabilities that are expected to be realised before SICs expiry, the corresponding difference was recognised in profit or loss.

In 2019 and 2018, 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 2019 was the following:

	31 December 2018	Recognised in profit or loss	Effect of translation to presentation currency	31 December 2019
Tax effects of taxable and deductible temporary differences				
Property, plant and equipment	(220,423)	(39,849)	(28,757)	(289,029)
Intangible assets	(476,885)	43,210	(56,298)	(489,973)
Inventories	489	(8,380)	(323)	(8,214)
Borrowings	(5,994)	(1,437)	(799)	(8,230)
Trade and other receivables	9,419	(296)	(187)	8,936
Prepaid transaction costs on bank facilities	(17,144)	17,144	-	-
Derivative financial instruments	18,218	(17,500)	1,426	2,144
Trade and other payables	1,205	2,961	283	4,449
Tax loss carry-forward	7,823	14,129	1,602	23,554
Provisions	76,636	39,028	11,150	126,814
Other	(401)	(5,590)	(306)	(6,297)
Total net deferred tax liability	**(607,057)**	**43,420**	**(72,209)**	**(635,846)**

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	Adjust-ment, 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)**

Deferred tax balances presented in the consolidated statement of financial position were as follows:

	31 December 2019	31 December 2018
Deferred income tax asset	35,613	24,278
Deferred income tax liability	(671,459)	(631,335)
Deferred income tax liability, net	**(635,846)**	**(607,057)**

Taxable temporary differences associated with investments in subsidiaries, when the Group is able to control the timing of the reversal of these temporary differences and when it is probable that they will be not reversed in the foreseeable future, amounts to USD 209,985 (31 December 2018: USD 187,832).

25 Contingencies, commitments and operating risks

25.1 Legal proceedings

From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice, the Management is of the opinion that there are no current legal proceedings or other claims outstanding that could have a material effect on the results of operations or financial position of the Group which have not been disclosed in these consolidated financial statements.

25.2 Tax legislation

Laws and regulations affecting business in the Russian Federation continue to change rapidly. The 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.

The 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, the 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%).

25.3 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.

25.4 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, the 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 may cause subsidence that may affect the Group's facilities, and those of the cities of Berezniki and Solikamsk, State organisations and others.

25.5 Operating environment of the Group

The Group operates in the fertilizer industry with production assets in Russia and sales networks in the E.U., USA, Asia and Latin America. The highly competitive nature of the market makes prices of the Group's key products relatively volatile.

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.

Starting from 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 Management is unable to predict all developments which could have an impact on the industry and the wider economy and consequently what effect, if any, they could have on the future financial position of the Group. The Management believes all necessary measures are being taken to support the sustainability and growth of the Group's business in the current circumstances.

25.6 Capital expenditure commitments

As at 31 December 2019, the Group had contractual commitments for the purchase of property, plant and equipment and intangible assets for USD 405,565 (31 December 2018: USD 442,986) from third parties. As at 31 December 2019 and 31 December 2018, the Group had no contractual commitments for the purchase of property, plant and equipment from related parties.

The Management has already allocated the necessary resources in respect of these commitments. The Management believes that future net income and funding will be sufficient to cover these and any similar commitments.

26 Financial risk management

26.1 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.

26.2 Categories of financial instruments

	Note	31 December 2019	31 December 2018
Financial assets			
Loan receivable (including interests receivable)	5	657,555	400,615
Trade and other receivables	11	375,657	306,382
Derivative financial assets	12	22,291	30,599
Cash and cash equivalents	13	482,678	1,013,015
Financial liabilities			
Bank loans and other borrowings	15	4,138,420	4,496,415
Bonds	15	1,149,734	1,395,870
Lease payable	15	31,996	7,602
Derivative financial liabilities	12	30,708	128,653
Trade and other payables	17	255,298	186,510

26.3 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 USD or Euro. The Group is exposed to the risk of significant RR/USD and RR/Euro exchange rates fluctuations. The Group's operating profit benefits from the weak exchange rate of the RR against the USD 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 and revaluation of cross-currency interest rate swap, where the Group receives RR and pays USD.

The table below shows the increase / (decrease) in net profit of the Group that would have been if USD, Euro and other foreign currencies exchange rates had changed by 10% against the RR as at the reporting date. Such analysis is based on the assumption that all other variables including interest rates are held constant.

	Foreign currencies appreciation against RR		Foreign currencies depreciation against RR	
	2019	2018	2019	2018
Net profit				
USD	(260,835)	(409,391)	261,252	402,550
EUR	(52,507)	6,156	52,507	(6,156)
Other currencies	(254)	(1,324)	254	1,324
Total	**(313,596)**	**(404,559)**	**314,013**	**397,718**

(ii) Interest rate risk

The Group's income and operating cash flows are exposed to market interest rates changes. The Group is exposed to fair value interest rate risk through market value fluctuations of interest bearing short- and long-term borrowings, whose interest rates comprise a fixed component. Borrowings issued at variable rates expose the Group to cash flow interest rate risk (Note 15). 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 2019, if LIBOR rate on USD denominated borrowings had been 100 basis points higher/lower with all other variables held constant, net profit for the year would have been USD 20,269 lower / higher (year ended 31 December 2018: if LIBOR rate on USD denominated borrowings had been 200 basis points higher / lower with all other variables held constant net profit for the year would have been USD 68,783 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 of the Group entities, which are potentially subject to credit risk, consist primarily of loan issued, trade receivables, cash and bank deposits.

As at 31 December 2019, the maximum exposure to credit risk resulting from financial assets is equal to the carrying amount of the Group's financial assets of USD 1,538,181 (31 December 2018: USD 1,750,611).

The Group is not exposed to significant concentrations of credit risk. As at 31 December 2019, the Group had 31 counterparties (31 December 2018: 62 counterparties), each of them having receivables balances above USD 1,000. The total aggregate amount of these balances was USD 337,803 (31 December 2018: USD 300,091) which is 86% of the gross amount of financial trade and other receivables (31 December 2018: 92%). 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.

As at 31 December 2019, the Group has a loan issued to a related party which gives exposure to credit risk at the amount of USD 657,555 (31 December 2018: USD 400,615).

Loan to related parties and pledge agreements (Note 5) involve related parties without publicly available credit ratings. The 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 loan 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. The Management believes that the country of origin is one of the major factors affecting a customer's credit quality and makes a corresponding analysis (Note 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, the 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 2019 and 31 December 2018, if otherwise not stated in table below:

Rating – Moody's, Fitch, Standard&Poor's	31 December 2019	31 December 2018
From AAA / Aaa to A- / A3	74,651	207,823
From BBB+ / Baa1 to BBB- / Baa3	385,816	492,213
From BB+ / Ba1 to B- / B3	39	305,857
Unrated*	22,172	7,122
Total cash and cash equivalents, not past due nor impaired	**482,678**	**1,013,015**

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

(c) Liquidity risk

In accordance with the 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 2019	Note	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	17	255,298	-	-	255,298
Bank loans and other borrowings		1,352,904	3,009,489	40,794	4,403,187
Bonds		306,706	1,045,147	-	1,351,853
Lease payable		5,300	14,990	83,001	103,291
Derivative financial instruments to be paid / received		1,497	(43,326)	-	(41,829)
Total		**1,921,705**	**4,026,300**	**123,795**	**6,071,800**

At 31 December 2018	**Note**	**Less than 1 year**	**Between 1 and 5 years**	**Over 5 years**	**Total**
Trade and other payables	17	186,510	-	-	186,510
Bank loans and other borrowings		1,467,802	3,350,206	123,061	4,941,069
Bonds		878,469	669,981	-	1,548,450
Lease payable		781	3,122	28,067	31,970
Derivative financial instruments to be paid / received		(21,175)	40,218	-	19,043
Total		**2,512,387**	**4,063,527**	**151,128**	**6,727,042**

27 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. The 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 2019		31 December 2018	
	Level	Carrying value	Fair value	Carrying value	Fair value
Financial assets					
Loan issued (including interests receivable)	3	657,555	662,208	400,615	382,970
Total		**657,555**	**662,208**	**400,615**	**382,970**

		31 December 2019		31 December 2018	
	Level	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities					
Bank loans and other borrowings	3	4,170,416	4,297,877	4,504,017	4,492,803
Bonds	1	1,149,734	1,167,669	1,395,870	1,377,855
Total		**5,320,150**	**5,465,546**	**5,899,887**	**5,870,658**

As at 31 December 2019 and 31 December 2018, the carrying amount of cash and cash equivalents, trade and other financial receivables and payables approximated its fair value.

28 Principal subsidiaries

The Group had the following principal subsidiaries as at 31 December 2019 and 31 December 2018:

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

29 Events after reporting date

Pledge of shares. In January 2020, the Group pledged ordinary shares of PJSC Uralkali, representing 55.021% of the Company's share capital as a secondary pledge. The pledge was provided for a fee at market terms as security for the loan of one of the Group's related parties effective until December 2027.

Bonds. As at 3 March 2020, the Company issued RR bonds in the amount of RR 30 billion (USD 485 million) at par under its exchange bond programme. The coupon rate was 6.85% p.a., and the coupon period is 182 days. Nominal value of the bond is RR 1,000. The bond matures in 5 years. As at the date of authorisation of these consolidated financial statements the Group was negotiating cross-currency interest rate swap agreements to exchange the principle amount of debt and interest payments on bonds issued into US dollars.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the consolidated financial statements, prepared in accordance with IFRS for the year ended on 31 December 2019, give a true and fair view of the assets, liabilities, financial position and comprehensive income of the Company and the undertakings included in the consolidation taken as a whole;
- this Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board of Directors, which approved this responsibility statement at its meeting held on 18 March 2020.

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 18 March 2020. 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 2019.

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 (GSM) 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 five committees that are consultative and advisory bodies, four of which are chaired by independent directors, and one (the Strategy Committee) by a non-executive director. Committees and commissions (working groups) reporting to the CEO have been established for advancing various areas of Uralkali's activities, and the decisions of these working groups are offered in the format of recommendation. The Company has a Corporate secretary who ensures compliance with necessary legal regulations and procedures, participates in information disclosure, and ensures cooperation between the Company's governing bodies, shareholders and regulators. The Company has also created an internal audit division, the Internal Audit Directorate, which reports directly to the Audit Committee. Other significant aspects of the Company's corporate governance models and practices are described in the Corporate Governance section of the Annual Report.

The Company assesses its compliance with the principles of corporate governance using a methodology that has been applied for many years; as the main principles and recommendations of the Code of Corporate Governance are related to the activities of the Company's management bodies and the procedures for carrying out these activities, the Company, represented by the Corporate Secretary and the employees of the Corporate Governance department, who work closely with the Company's management bodies, continuously monitors, collects and evaluates information in line with the format recommended by the Bank of Russia (below). Information on the Company's key developments is disclosed in accordance with the established procedure in the form of essential facts or, in some cases, press releases and quarterly reports. The Company has a reporting system in place for its individual departments, which regularly submit reports to the meetings of relevant Board committees; the CEO also regularly submits reports on the results of the Company's operations at Board meetings. By determining the status of the Company's compliance with corporate governance principles and explaining any deviations from the criteria for assessing compliance with corporate governance, the Company presents 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 to its established corporate governance system and deems it relevant to the Company's needs at the current stage of its development. At the same time, the Company remains up to date with the development of standard corporate governance practices both in Russia and abroad, and constantly monitors opportunities to apply new practices within Uralkali.

No.	Principles of corporate governance	Criteria assessing observance of the principles	Status of compliance with the principle of corporate governance	Explanation for deviation from compliance/non-compliance with the principles of corporate governance
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 issues on its agenda, as well as providing them with the opportunity to coordinate their actions and express their opinions regarding issues under discussion.	1. The Company's[1] internal document that regulates the procedure for holding general shareholders meetings (hereinafter referred to as "GSM"), and which was approved at the GSM, should be available in the public domain. 2. Ahead of all shareholder meetings, the Company provides a dedicated telephone line (hotline), a dedicated email address, and a forum on its website for communication with shareholders, enabling them to express their opinion and pose questions concerning items on the agenda. The mentioned actions above were performed by the Company ahead of meetings that were held in the reporting period.	observed observed	
1.1.2	Procedures for the notification of GSMs and the provision of relevant materials should enable the Company's shareholders to properly prepare for participation therein.	1. All GSMs should be publicized via an announcement published on the company's website at least 30 days ahead of the meeting date. 2. The announcement should contain information about the meeting location and documents required for access. 3. Shareholders were provided with information about the persons who proposed agenda items or nominated a particular candidate to the Board of Directors or the Audit Committee.	observed observed not observed	**The below comments apply to paragraph 3 of the assessment criteria.** The shareholders are not provided with information about the persons who proposed agenda items for the GSM or those who have nominated a particular candidate to be considered for 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 at the GSM by the Board of Directors with a recommendation for approval. The Company believes that it does not matter who has proposed the agenda issues, because proposals are accepted by the Board of Directors accept proposals, and extracts from the meeting minutes with recommendations are provided to the shareholders as part of the materials relating to the GSM's agenda. As far as candidates nominated for election are concerned, the Company discloses detailed biographical information about the candidates, their current employment and 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 GSM, shareholders should be able to freely receive information in a timely manner about the meeting and its materials, pose questions to members of the Company's executive bodies and the Board of Directors, and communicate with one another.	1. During the reporting period, 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 GSM. 2. The materials to the GSM set out the stance 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 the opportunity to review the list of persons entitled to participate in GSMs 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 members of the Board of Directors to attend the GSM is neither by law nor in the Charter of the Company; nevertheless, Board members may be invited to participate. The Company has an e-mail address for shareholders to submit their questions to the Board of Directors. Traditionally, attendance in-person at GSMs is very low, despite the fact that these meetings have been 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 these meetings and 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 quorum and the voting results for each Meeting of the Board of Directors. 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 on which, in accordance with the law, the decision can be made only upon the proposal of a GSM by the Board of Directors. In other instances, the Company has a right to disclose its 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 GSM 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.

No.	Principles of corporate governance	Criteria assessing observance of the principles	Status of compliance with the principle of corporate governance	Explanation for deviation from compliance/non-compliance with the principles of corporate governance
1.1.4	There were no unjustified difficulties preventing the shareholders from exercising their right to demand that a GSM is convened, to nominate candidates to the company's management bodies, and propose items for the meeting's agenda.	1. The shareholders had the opportunity to propose items to be included in the agenda of its GSM within a 60-day period following the end-date of the respective calendar year.	observed	**Comment to paragraph 1 of the assessment criteria.** Shareholders can propose items to be included in the agenda during a two-month period after the end of the financial year, as is stipulated in the Charter of the Company and the Regulations on the GSM.
		2. In the 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	
1.1.5	Each shareholder should be able to freely exercise the right to vote in a straightforward and 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 GSM, request a copy of the ballot certified by the Company's counting commission.	observed	
1.1.6	Procedures set by the Company for holding a GSM should provide equal opportunity to all persons present at the meeting to express their opinions and ask questions.	1. In the reporting period, GSMs when shareholders were present were conducted in such a way that all reports on agenda items were announced and all items were discussed.	observed	**Comments to paragraph 2 of the assessment criteria.** See the comment to assessment criteria 1 p. 1.1.3
		2. The candidates nominated for management bodies attended the meetings and were ready to answer shareholders' questions.	partially observed	**Comments to paragraph 3 of the assessment criteria.** See the comment to assessment criteria 1 p. 1.1.3 which also applies to the candidates nominated for management bodies
		3. The Board of Directors considered the use of telecommunication systems to provide shareholders with remote access to the GSM (for example, by broadcasting its proceedings via the Company's website or by using video conferencing).	not observed	In addition, in 2019, the Charter of the Company was amended to allow the GSM to take place in Moscow. Previously, the majority of the Company's shareholders resided in Berezniki, where the key production assets of the Company are located, and holding general meetings in in Berezniki was believed to be most convenient. However, following the share buyback, per the request of a shareholder of the Company (Rinsoco Trading Co. Limited) and in compliance with article 84.8 of the Federal Law On Joint Stock Companies, the Company has several major shareholders , including the Company's subsidiary that owns quasi-treasury shares and is undergoing the process of merger into the Company. In this situation, the Company believes that GSMs may be held in Moscow, where the Company has a representative office. We would also like to point out that the Company's major shareholders usually vote by mailing in their voting ballots.

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				Therefore, at present, considering the current capital structure of the Company, the use of telecommunication systems to provide shareholders with remote access to their GSMs does not seem justified. The Company does not believe that the absence of such practice could result in any risks for either the Company or its shareholders.
1.2	**Shareholders should have equal and fair opportunities to share 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 a Dividend Policy, which was approved by the Board of Directors.	observed	**Comments to paragraph 2 of the assessment criteria.** In accordance with the Dividend Policy of the Company, when developing recommendations for the GSM concerning the size of the dividend, the Board of Directors is guided by the provisions of the Federal Law On Joint Stock Companies, and the Charter. The Board of Directors may also take other factors into consideration, such as the Company's financial results according to its financial statements prepared in compliance with International Financial Reporting Standards (IFRS). Accordingly, despite the fact that the Company must rely on RAS indicators in accordance with Russian law, the Board of Directors has the right (and the Board usually exercises this right) to take the indicators of the consolidated financial statements into account.
		2. If the Dividend Policy of the Company applies indicators from the Company's financial statements to determine the size of the dividend, the relevant provisions of the dividend policy should include the consolidated indicators of financial statements.	partially observed	
1.2.2	The Company should not make a decision on the payment of dividends if such a decision, without formally violating limits set by the law, is nevertheless unjustified from an economic point of view and might lead to the formation of false assumptions about the Company's activities.	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 shareholders from making profit (income) at the Company's expense, apart from through dividends and residual value, the internal documents contain the control mechanisms to ensure timely detection and approval procedure for transactions with entities affiliated (connected) with substantial shareholders (entities entitled to control votes attached to voting shares) in cases when the law does not formally recognise such transactions as related-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 international shareholders. Equal treatment should be unilateral and above 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, procedures adopted for the management 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 GSM (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 the use of the quasi-treasury block. However, in December 2019, the GSM decided to reorganize the Company through merging JSC Uralkali-Technologiya into the Company with the cancellation of the quasi-treasury shares belonging to JSC Uralkali-Technologiya. Accordingly, we expect that the reorganization will be completed in the foreseeable future and the quasi-treasury block will be repaid..
1.4	**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	Shareholders are provided with reliable and efficient means of recording their rights for shares, as well as 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 Company and shareholder requirements.	observed	
2.1	**The Board of Directors is in charge of the Company's strategic management, determines the 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 ensures that Company executive bodies act in accordance with the Company's approved development strategy and main business goals.	1. According to the Company's charter, the Board of Directors has the authority to appoint, dismiss and determine the terms and conditions of contracts with members of the Company's executive bodies. 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 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 of the CEO (Sole Executive Body) of the Company. Forming the composition of the Management Board and early termination of the powers of its members also fall within the competencies of the Board of Directors. Persons nominated to the Company's Management Board based on the decision of the Board of Directors are Company employees. According to the Company's Charter, the approval of employment contract terms with employees and issuing orders for dismissal fall within the competencies of the CEO. The terms of employment contracts with Company 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.

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				The power to determine the terms of contracts with members of the Management Board (excluding the CEO) does not fall within the scope of the Board of Directors as members of the Management Board are acting in accordance with the Regulation on the Management Board implemented in the Company that stipulate the working procedure of the Management Board. Members of the Management Board are not remunerated for serving on the Management Board (the information is appropriately disclosed in this Annual Report). The Company has no plans to change its position in terms of who is authorized to determine 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; the Management Board is traditionally 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 members of the Management Board 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 Company's current internal documents. **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 report on strategy issues. The CEO of the Company is the Chairman of the Management Board, representing the entire Management Board. The Company considers that such reporting is 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 separate meetings of the Board of Directors, committees of the Board of Directors or strategic sessions held annually by the Company.

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				The Company does not foresee any risks for the Company or its shareholders implied by the current practice, and does not currently plan to change its current practice, 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 long-term business goals, evaluates and approves key performance indicators as well as business objectives, the strategy, and business plans affecting the Company's key operational areas.	1. During 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 the principles of and approaches to developing the Company's risk management and internal control systems.	1. The Board of Directors determined the principles of and approaches to developing the Company's risk management and internal control systems. 2. The Board of Directors evaluated the risk management and internal control systems during the reporting period.	observed partially observed	**Comment to paragraph 2 of the assessment criteria.** In line with the Regulation on the Audit Committee, monitoring the reliability and effectiveness of the risk management and internal control systems, assessing the effectiveness of the Company's internal control procedures (including making proposals for their improvement), analysing and assessing the implementation of the risk management and internal control policies, as well as preparing recommendations for approval of the Company's key risks map, monitoring the effectiveness of measures aimed at minimizing key risks and giving recommendations on amendments to such measures fall within the competencies of the Audit Committee. During 2019, the Audit Committee devoted considerable time to assessing the state of the risk management and internal control system and their improvement, 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.	observed	
		2. During the reporting period, the Board of Directors reviewed items related to the indicated policy (policies).	observed	
2.1.5	The Board of Directors plays a key role in the 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 the prevention, detection, and resolution of internal conflicts.	observed	
		2. The Company developed a system for the identification of transactions related to conflicts of interest, and a system of measures intended to resolve such conflicts.	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 a timely manner, and provides its shareholders with unrestricted access to its documents.	1. The Board of Directors approved a regulation on the information policy.	observed	
		2. The Company has appointed persons in charge of the implementation (enforcement) of the information policy.	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 Company's corporate governance practices.	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 shareholders.	1. The Company's annual report for the reporting period contains information regarding the attendance of individual directors at meetings of the Board of Directors and individual committees.	observed	
		2. The annual report contains information about the key results of the evaluation of the Board of Directors' performance in the reporting period.	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 Chairman of the Board of Directors and clarify their position on them.	observed	
2.3	**The Board of Directors is an efficient and professional management body of the Company, capable of making objective and independent judgements and passing 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; candidates should also have the knowledge, skills and experience necessary to make decisions that fall within the jurisdiction of the Board of Directors and to perform these 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.	not observed	**Comment to paragraph 1 of the assessment criteria.** The Company has a procedure in place to assess the performance of the Board of Directors; however, this does not include an assessment of the professional qualifications of Board members. The Company considers that the 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.
		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	**Comment to paragraph 2 of the assessment criteria**. During the reporting period, the Board of Directors did not assess 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; there is no legal procedure for the refusal to accept or elect candidates to the Board of Directors related to any particular absence of knowledge or skills. With regard to a potential conflict of interest: 1) such conflicts are identified at the stage of nomination as candidates are obliged to provide certain information about themselves, including disclosure of their affiliates;

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				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 considered interested parties for the purpose of Company voting on approval of 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 2019, 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	
2.3.3	The membership of the Board of Directors should be balanced, in particular in terms of the qualifications, expertise, and business skills of its members. The Board of Directors should receive 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 Board committees and enable substantial minority shareholders to put forward a candidate to the Board of Directors for whom they would vote.	1. During the procedure of assessing the performance of the Board of Directors, which was conducted during 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 in the course of the assessment, as there have not been any requests from interested parties prior to the assessment 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. However, in December 2019, a shareholder of the Company requested that extraordinary general shareholders meetings be held to amend the Charter of the Company to increase the number of Board members from 9 to 10. This decision was adopted by the GSM on January 13, 2020. On February 17, 2020, the Board of Directors comprised of 10 members was elected.
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 , 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	

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		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 affecting the Company and its performance 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.	observed	
		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 Company's internal documents.	observed	

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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 the fulfilment of decisions made by the Board of Directors.	1. The performance of the Chairman of the Board of Directors was evaluated within the framework of the Board performance assessment procedure during 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 is deemed effective. Therefore, the Company did not deem it necessary to assess the performance of the Chairman in 2019.
2.5.3	The Chairman of the Board of Directors should take any necessary measures to provide 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 Board members with information required for making decisions in a timely manner is stipulated in the Company's internal documents.	observed	
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 the Chairman or 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.	partially 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 Company's auditor 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. 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.	partially observed	

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		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.	observed	
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 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 Company's internal documents of, Board members should notify the 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, 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 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 unnecessary. The Company does not intend to change its approach to the assessment of this criterion. **Comment to paragraph 2 of the assessment criteria.** The Company's internal documents do not require Board members to notify the Board of Directors of their intention to take a position in management bodies of other entities. Board members should inform the Board of Directors of their appointment (election) to the management bodies of other entities in line with the law and sub clause 3.3 of the Regulation on the Board of Directors. The Company considers charging members 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 (election) may not occur for other 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 the Company's internal documents, Board members are given 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 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 the 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 the preparation and arrangement of the meetings of the Board of Directors, enabling its members to prepare for them properly.	1. The Company has an internal document regulating the procedure for the preparation and holding of Board meetings, which also requires that the notification of a meeting should 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 format of a meeting of the Board of Directors should be determined with due consideration of the importance of issues on the meeting agenda. The 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. With regard to the compliance/non-compliance with the principle, the Company provides the following 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 format of the meeting, taking its agenda into consideration. The key issues of the Company and its affiliate operations are reviewed during in-person meetings of the Board of Directors.

No.	Principles of corporate governance	Criteria assessing observance of the principles	Status of compliance with the principle of corporate governance	Explanation for deviation from compliance/non-compliance with the principles of corporate governance
				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 their members have formed a common opinion. In such situations, the Company is correct to restrict the Board of Directors from choosing the format of the meeting. Moreover, a meeting in absentia (by ballot) does not relieve the Company of the obligation to present exhaustive information on the agenda items to the members of the Board of Directors, nor does it prevent directors from asking additional questions on items 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.
2.7.4	The decisions on the most important aspects of the Company's operations are adopted in meetings of the Board of Directors by qualified majority or majority of all elected members of the Board.	1. According to the Charter of the Company, the most important issues, as 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 presume 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 jurisdiction of the Board of Directors. Other matters (with the exception of related-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.

No.	Principles of corporate governance	Criteria assessing observance of the principles	Status of compliance with the principle of corporate governance	Explanation for deviation from compliance/non-compliance with the principles of corporate governance
2.8	**The Board of Directors should form committees for the preliminary consideration of the most important issues affecting 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.	observed	
		2. The objectives of the Audit committee, including the objectives listed in recommendation 172 of the Code, are determined in the Company's internal documents.	observed	
		3. At least one member of the Audit committee, being an independent director, should have experience and knowledge in the field of preparation, analysis, assessment, and audit of accounting (financial) statements.	observed	
		4. Meetings of the Audit committee were held at least once in a quarter during the reporting period.		
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 Chairman of the Board of Directors.	1. The Board of Directors established a Remuneration committee comprised exclusively of independent directors.	not 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. 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 to the First Listing Level, which are, however, no longer obligatory for the Company as its shares are in the Third Listing Level.
		2. The committee is chaired by an independent director who is not concurrently the Chairman of the Board of Directors.	observed	
		3. The objectives of the Remuneration committee, including the objectives listed in recommendation 180 of the Code, are determined in the Company's internal documents.	observed	

No.	Principles of corporate governance	Criteria assessing observance of the principles	Status of compliance with the principle of corporate governance	Explanation for deviation from compliance/non-compliance with the principles of corporate governance
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), with the 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	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 its committees fully comply with the Company's business objectives. 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 objectives 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.	partially observed observed	Four of the five Board Committees of the Company are chaired by independent directors. In 2019, a Strategy Committee was established; it is led by a non-executive director. Considering the fact that there are no requirements to the composition of other committees, except for the Audit Committee and the Nomination and Remuneration Committee, we believe that the decision to appoint a non-executive director as chairman of the committee does not entail any risks.

No.	Principles of corporate governance	Criteria assessing observance of the principles	Status of compliance with the principle of corporate governance	Explanation for deviation from compliance/non-compliance with the principles of corporate governance
2.8.6	Chairpersons of the committees should inform the Board of Directors and its Chairman about the work of individual 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	
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	The assessment of the quality of the Board of Directors' performance is aimed at determining operating efficiency level of the Board of Directors, committees, and its members, 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 an in-person meeting of the Board of Directors.	partially observed observed	The self-assessment did not include an evaluation of individual Board members – at this stage, the Company does not think it 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	The assessment of the performance of the Board of Directors, committees, and its members 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, coordinating the Company's actions designed to protect the rights and interests of its shareholders, and supporting the 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 of 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	

No.	Principles of corporate governance	Criteria assessing observance of the principles	Status of compliance with the principle of corporate governance	Explanation for deviation from compliance/non-compliance with the principles of corporate governance
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 having 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 necessary, 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 Company's Board of Directors. The Board of Directors, supported by the remuneration committee, follows up on the 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 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 2019.
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	
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 the 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 the most efficiently contributes 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 restrict 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.	not observed (does not apply to the Company)	The Company's internal documents do 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 the 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 the 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	

No.	Principles of corporate governance	Criteria assessing observance of the principles	Status of compliance with the principle of corporate governance	Explanation for deviation from compliance/non-compliance with the principles of corporate governance
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 a reasonable and justified ratio of the 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) ensured 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 2019. In the opinion of the Board of Directors, there was no need to revise this system in 2019. The Nomination and Remuneration Committee was charged with the responsibility to preliminarily review any issues concerning any additional payments (bonuses, rewards) that do not constitute payments indicated by the law and are not related to the calculation of payments per the performance scorecards. This was the only change made in the remuneration system. **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; it believes 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.
4.3.3	The amount of compensation (golden parachute) paid by the Company in the 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 fraud from their side, does not exceed its two-fold fixed annual remuneration.	1. The amount of compensation (golden parachute), paid by the Company in the 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 fraud from their side, did not exceed its two-fold fixed annual remuneration in the reporting period.	observed	**Note:** The Company's policies do not provide for the 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's objectives will be achieved.**			
5.1.1	The Board of Directors determined principles of and approaches to the arrangement of the risk management and internal control system in place at 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	

No.	Principles of corporate governance	Criteria assessing observance of the principles	Status of compliance with the principle of corporate governance	Explanation for deviation from compliance/non-compliance with the principles of corporate governance
5.1.3	The Company's risk management and internal control system ensures the 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.	observed	
		2. The Company has developed a procedure for informing the Board of Directors or the Audit committee of any violations of the law, internal procedures, and the Company's ethics code.	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 Company's annual report.	observed	
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 has 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.	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.	observed	
	In the area of internal audit, the Company applies common operational standards.	2. The Company uses generally accepted approaches to internal control and risk management.	observed	

No.	Principles of corporate governance	Criteria assessing observance of the principles	Status of compliance with the principle of corporate governance	Explanation for deviation from compliance/non-compliance with the principles of corporate governance
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 line with the recommendations of the Code.	observed	
		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	
6.1.2	The Company discloses information on its 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.	observed	**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-Technologiya" does not control PJSC Uralkali. In view of the above, we believe that Criterion 3 does not apply to the Company in 2019.
		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 Board committees (in compliance with the Code).	observed	
		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.	not observed (does not apply to the Company)	
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.	observed	

No.	Principles of corporate governance	Criteria assessing observance of the principles	Status of compliance with the principle of corporate governance	Explanation for deviation from compliance/non-compliance with the principles of corporate governance
		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.	observed	
		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	
6.2.2	The Company avoids a 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.	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.
		2. The Company discloses full information about its capital structure in the annual report and on its corporate website in line with recommendation 290 of the Code.	partially observed	
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 the 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.	observed	
		2. The annual report of the Company contains information about the environmental and social aspects of the Company's activities.	observed	

No.	Principles of corporate governance	Criteria assessing observance of the principles	Status of compliance with the principle of corporate governance	Explanation for deviation from compliance/non-compliance with the principles of corporate governance
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 shareholders with an access to information, including information of the legal entities affiliated with the company, upon their request.	partially observed	The Company believes that the principle stated above and the indicated recommendation are generally observed. The information policy of the Company indicates that the Company's shareholders must be provided with information that is sufficient for them to make decisions in relation to their rights to participate in the Company. The Company uses information channels and means of information dissemination that provide shareholders with a free, easy-to-use and indiscriminate access to disclosed information, and provides all stakeholders with information that enables them to form a full understanding of the Company, which does not exclude the possibility of providing information on controlled persons. However, please note that the Company has never received requests to provide information on controlled persons. The information on controlled organisations which are materially important to the Company, their business and the composition of their governance bodies is indicated by the Company in publicly disclosed issuer's reports, while the key events concerning such organisations are also disclosed in the form of notices of essential facts. The Company does not rule out a possibility that in the future a provision will be inserted in the information policy whereby the possibility of providing information on controlled persons based on shareholders' requests will be directly indicated.
6.3.2	When providing 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 shareholder requests to provide information or such refusals were justified.	observed	
		2. In cases, specified in the Company's information policy, shareholders are warned of the confidential nature of the information and undertake to protect its confidentiality.	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 the reorganisation of the Company, the acquisition of 30 or more percent of the Company's voting shares (takeover), the Company entering into any material transactions, increasing or decreasing the share capital, the listing or delisting of shares, as well as other actions, which may result in material changes to the rights of shareholders or violation of their interests.	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.	not observed	**Comments to paragraphs 1 and 2 of the assessment criteria.** The Company believes that the outlined principle is generally 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.

No.	Principles of corporate governance	Criteria assessing observance of the principles	Status of compliance with the principle of corporate governance	Explanation for deviation from compliance/non-compliance with the principles of corporate governance
	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 competences of the Board of Directors.	In cases when the given corporate actions are carried out within the jurisdiction of the GSM in compliance with the law requirements, the Board of Directors issues corresponding recommendations to 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	In addition: • decisions on the Company's reorganisation are in the purview of the GSM, 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 GSM; • decisions on listing are within the purview of the Board of Directors (sub-cl. 17.2 cl. 1 art. 65 FZ on JSC). In the case of delisting, such decisions are within the jurisdiction of the GSM, although may only be made upon a proposal by 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. 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. The Company believes that the 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 (as stipulated by the law) to the terms of reference of the Board of Directors of the Company.

[1] Federal Law on Joint Stock Companies.

No.	Principles of corporate governance	Criteria assessing observance of the principles	Status of compliance with the principle of corporate governance	Explanation for deviation from compliance/non-compliance with the principles of corporate governance
				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 relies upon the opinion of the independent directors.	1. The Company has a procedure according to which independent directors state their position regarding significant corporate activities before activities are approved.	observed	Subject to the comments to clause 7.1.1
7.1.3	When taking any significant corporate action that 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.	not observed partially 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) as a rule, any significant corporate actions are preliminarily reviewed by designated committees with mandatory participation of Board members; 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.

No.	Principles of corporate governance	Criteria assessing observance of the principles	Status of compliance with the principle of corporate governance	Explanation for deviation from compliance/non-compliance with the principles of corporate governance
				Major corporate actions underwent the approval procedure prior to their implementation or were subsequently approved in compliance with the requirements of current Russian law, which, in the Company's opinion, does not entail any additional risks for shareholders.
7.2	**The Company should have in a procedure place for taking any significant corporate action that would enable its shareholders to receive full information about such actions in due course, and therefore 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.	not observed	**Comments to paragraphs 1 and 3 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 within the Company.
		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.	not observed	
		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 law to be interested parties in the transactions of the Company.	not observed	

MINERAL RESOURCES REVIEW

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Our Ref: U30418 Uralkali JORC Report 01Jan2020_Final 201219.docx

The Board of Directors
Joint Stock Company Uralkali
63 Pyatiletki Street
Berezniki
618426
Perm Territory
Russian Federation

20 December 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 2020) 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 Mineral Resource and Ore 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 2020. SRK assessment covers 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 (km²)
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]	83.676
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

SRK has been provided with copies of all of the licences listed 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 2018 and the expiry dates amended/extended to the dates shown above. SRK notes that for the licence for mining of carnalite 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 carnalite 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 Mineral Resource and Ore Reserve estimates given here reflect this assumption.

Uralkali has informed SRK that it 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 Berezniki 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 currently 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.

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 Silvinit sites; namely Solikamsk 1, Solikamsk 2, Solikamsk 3 and Polovodovsky. These are commented upon separately because the exploration process followed differs slightly between the two.

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 1km, to the B category where the drillhole spacing is between 1 and 2km and to the C1 category where the drillhole spacing is 2km. Areas drilled at a larger spacing than this, up to a 4km spacing, have historically been assigned to the C2 category, although it is noted that as at 1 January 2020, 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, have been sampled at intervals of at least 16cm and the samples were crushed and milled under the control of the geology department to produce an approximate 100 g sample prior to submission to the laboratory.

Assaying was carried out at an in-house laboratory. Approximately 5–6% of samples were 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 was 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 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 12,650m between 2009 and 2012.

The diamond drillholes, whether drilled from surface or underground, were drilled with a diameter of either 92 mm or 112 mm for surface holes and 50–76 mm for underground holes. Holes were sampled at intervals between 10 cm and 6 m, averaging between 105 cm to 130 cm. Core recovery through the sylvinite horizons is reported to be good at an average of 84–85%, while the recovery through the carnalite horizon at Solikamsk 1 is reported to be 74%.

Core was 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 has been carried out at an in house laboratory using classical wet chemistry techniques. Approximately 5–6% of samples were repeat assayed internally while a similar percentage were sent to an independent third party external laboratory located in Berezniki (JSC Persil) for check assaying, which SRK understands to be at the neighbouring Uralkali mine laboratory.

A total of 423 samples have to date been taken for density measurements using the water displacement method.

In the case of these former Silvinit mines, blocks have been assigned to the A category where the drillhole spacing is less than 1,200m, to the B category where the drillhole spacing is between 1,200m and 2,400m 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, although it is noted that as at 1 January 2020, there are no C2 resources reported for these assets. Each mine is drilled on an approximate 2. 4km by 2.4km grid or less before a decision is taken to develop the mine. This information is, however, then supplemented by underground drilling once the access development is in place. This typically creates a grid of intersections measuring from 100m by 300m or in cases up to 400m by 800m. As is the case with the Berezniki mines, the Uralkali does not upgrade the estimation or categorisation of its resources for the Solikamsk mines 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. Furthermore, the Polovodovsky deposit resource estimate was updated in 2013/2014 following the completion of additional exploration drill holes.

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 2019 and before the formal submission of final full year 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 August 2019 inclusive (8 months) and forecast data for September to December 2019 (4 months). 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 K2O and MgO grades are derived for each borehole that intersected each block and mean grades are then derived for each block by simply calculating a length weighted average of all of these composited intersections. No top cuts are applied and all intersections are allocated the same weighting.

A separate plan is produced for each seam showing the results of the above calculations, the lateral extent of each sub block, and any areas where the seams are not sufficiently developed. The aerial coverage of each block is then used with the mean thickness of the contained intersections to derive a block volume. The tonnage for each block is then derived from this by applying a specific gravity factor calculated by averaging all of the specific gravity determinations made from samples within that block.

The data for each resulting block is plotted on a Horizontal Longitudinal Projection (HLP). This shows the horizontal projection of the extent of each block as well as its grade and contained tonnage. The HLP also shows the block classification, this being effectively a reflection of the confidence of the estimated tonnes and grade.

3.3 Uralkali Resource Statements

Table 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 2020. Uralkali's statements are based on a minimum seam thickness of 2m and a minimum block grade which, dependent on the mine, varies between 11.4% K2O (Polovodovsky) and 15.5% K2O (Ust-Yayvinsky). Table 3-2 below summarises SRK's understanding of the carnalite resource statement prepared by Uralkali to reflect the status of its assets as of 1 January 2020. Uralkali's carnalite statements (Solikamsk-1 only) are based on a minimum seam thickness of 2m and a minimum block grade of 7.2% MgO.

Table 3-1 Uralkali Sylvinite Mineral Resource Statement at 1 January 2020

Mine	Category	Tonnage (Mt)	K_2O (%)	K_2O (Mt)
Berezniki 2	A	7.7	33.7	2.6
	B	34.2	22.5	7.7
	C1	98.1	25.4	24.9
	A+B+C1	**140.0**	**25.1**	**35.2**
	C2	-	-	-
Berezniki 4	A	184.3	21.8	40.1
	B	361.2	22.3	80.6
	C1	1,170.9	21.8	255.4
	A+B+C1	**1,716.4**	**21.9**	**376.1**
	C2	-	-	-

Mine	Category	Tonnage (Mt)	K_2O (%)	K_2O (Mt)
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**	56.1	18.3	10.3
	B	7.0	17.3	1.2
	C1	125.0	16.8	21.1
	A+B+C1	**188.0**	**17.3**	**32.5**
	C2	-	-	-
Solikamsk 2	**A**	-	-	-
	B	68.8	13.8	9.5
	C1	704.8	17.5	123.5
	A+B+C1	**773.5**	**17.2**	**133.0**
	C2	-	-	-
Solikamsk 3	**A**	87.3	17.8	15.6
	B	179.7	16.8	30.2
	C1	934.1	17.1	160.1
	A+B+C1	**1,201.1**	**17.1**	**205.9**
	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	-	-	-
Summary All Mines				
	A	505.3	20.0	100.9
	B	1,274.7	19.2	244.5
	C1	5,104.4	18.7	955.1
	A+B+C1	**6,884.3**	**18.9**	**1,300.4**
	C2	-	-	-

Table 3-2 Uralkali Carnalite Mineral Resource Statement at 1 January 2020

Mine	Category	Tonnage (Mt)	MgO (%)	MgO (Mt)
Solikamsk 1	**A**	103.1	10.0	10.3
	B	18.4	8.8	1.6
	C1	52.2	8.0	4.2
	A+B+C1	**173.7**	**9.3**	**16.1**
	C2	-	-	-

SRK notes that while Mineral Resources for carnalite are only shown in this report at Solikamsk-1, as this is the only operation that is currently mining and processing such and where there is a plan to mine this in the future as is reflected in the Business Plan, there is carnalite present at other Uralkali sites, in particular at Ust-Yayvinsky. This has been estimated by Uralkali and been assigned generally to B and C1 classification categories, however, as there is no plan currently to exploit this material at present 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 carnalite respectively. SRK has re-classified the resource estimates using the terminology and guidelines proposed in the JORC Code. In doing this, SRK has reported those blocks classified as A or B by Uralkali as Measured, those blocks classified as C1 as Indicated and those blocks classed as C2 as Inferred. SRK's audited Mineral Resource statements are reported inclusive of those Mineral Resources converted to Ore Reserves. The audited Ore Reserve is therefore a sub set of the Mineral Resource and should not be considered as additional to this.

SRK has not attempted to optimise Uralkali's Business Plan. Consequently, SRK's audited resource statements are confined to those seams that both have the potential to be mined economically and which are currently being considered for mining by Uralkali only.

Table 3-3 SRK Audited Sylvinite Mineral Resource Statement at 1 January 2020

Category	Tonnage (Mt)	K_2O (%)	K_2O (Mt)
Berezniki 2			
Measured	41.9	24.6	10.3
Indicated	98.1	25.4	24.9
Measured + Indicated	**140.0**	**25.1**	**35.2**
Inferred	-	-	-
Berezniki 4			
Measured	545.5	22.1	120.7
Indicated	1,170.9	21.8	255.4
Measured + Indicated	**1,716.4**	**21.9**	**376.1**

Category	Tonnage (Mt)	K_2O (%)	K_2O (Mt)
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	63.1	18.2	11.5
Indicated	125.0	16.8	21.1
Measured + Indicated	**188.0**	**17.3**	**32.5**
Inferred	-	-	-
Solikamsk 2			
Measured	68.8	13.8	9.51
Indicated	704.8	17.5	123.49
Measured + Indicated	**773.5**	**17.2**	**133.00**
Inferred	-	-	-
Solikamsk 3			
Measured	267.0	17.1	45.8
Indicated	934.1	17.1	160.1
Measured + Indicated	**1,201.1**	**17.1**	**205.9**
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	-	-	-
Summary All Mines			
Measured	1,780.0	19.4	345.4
Indicated	5,104.4	18.7	955.1
Measured + Indicated	**6,884.3**	**18.9**	**1,300.4**
Inferred	-	-	-

Table 3-4 SRK Audited Carnalite Mineral Resource Statement at 1 January 2020

Category	Tonnage (Mt)	MgO (%)	MgO (Mt)
Solikamsk 1			
Measured	121.5	9.8	12.0
Indicated	52.2	8.0	4.2
Measured + Indicated	**173.7**	**9.3**	**16.1**
Inferred	-	-	-

3.5 SRK Comments

SRK has reviewed the estimation methodology used by Uralkali to derive its 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 2020.

The audited Mineral Resource statement as at 1 January 2020 presented above is different to that presented as at 1 January 2019, as last reviewed and reported by SRK, largely as a function of mining depletion during 2019 and also some minor re-assessments completed over 2019 by Uralkali.

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, i.e. from 2020 to 2039 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 carnalite 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 K2O/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 12–14 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 12–14 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.
The Ust-Yayvinsky and Polovodovsky assets are both in development. Specifically, Ust-Yayvinsky is currently under construction and Polovodovsky is at an advanced stage of study/investigation and Uralkali has recently made a decision to develop this project. For these assets

there is no production history and therefore SRK has derived modifying factors using information obtained from Uralkali from the studies it has undertaken on both these assets, but also taking cognisance of the historical information regarding the mining losses and dilution experienced during mining to date at Uralkali's other existing and analogous operations.

Table 4-1 SRK Modifying Factors

Mineral Assete	Tonnage Conversion Factor (%)	Grade Conversion Factor (%)
Solikamsk 1 (sylvinite)	42%	91%
Solikamsk 1 (carnalite)	29%	97%
Solikamsk 2	44%	88%
Solikamsk 3	48%	88%
Polovodovsky	45%	89%
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 2019 and a production forecast for 2020 to 2039 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. The exception to this reporting classification is for the Polovodovsky Ore Reserve as noted below, which is reported entirely as a Probable Ore Reserve.

SRK's Ore Reserve statement includes an Ore Reserve for Ust-Yayvinsky even though this is still under construction. This is because SRK considers the work done to date 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 been underway for a few years with the shaft sinking activities nearing completion.

In addition, and for the first time, SRK's Ore Reserve statement as at 01 January 2020 includes an Ore Reserve for Polovodovsky. This is because SRK has reviewed the status of this project and available documentation and considers this work has been competed to a sufficiently advance level for the reporting of Ore Reserves (i.e. SRK considers this work to be between a Pre-Feasibility Study and Feasibility Study level overall). While further design work will be on-going on the Polovodovsky project as this progresses, which may change the forecast assumptions from those currently envisaged to some degree and therefore the reported Ore Reserve, SRK has undertaken a sensitivity analysis to the assumed production parameters, capital costs and operating costs and considers that this project demonstrates robust economic viability and positive cashflows justifying both its development and inclusion in the Ore Reserve statement. As only the first year of assumed production (i.e. minor ramp up quantities) in the current Business Plan falls within the first 10 year period (i.e. to 2029) and because SRK considers the level of work on this project is currently commensurate to a level of between a Pre-Feasibility Study and Feasibility Study assessment, SRK considers reporting this as a Probable Ore Reserve to be appropriate at this stage.

Uralkali plans to implement the Polovodovsky Project in two stages. The first stage includes the construction of two shafts, which is the most complex and time-consuming element of the project and which, based on the current project schedule, is expected to be completed by 2025. For the second stage of the project, Uralkali is considering two principal options, with a decision on which option to proceed with expected to be made by 2023. Option 1 comprises the construction of a new mine and related infrastructure but assumes that further processing of the extracted ore will be at one or more of Uralkali's existing processing facilities. Option 2 comprises the construction of a new mining and processing complex inclusive of a new dedicated beneficiation plant at the Polovodovsky site. The Ore Reserves presented in Table 4-2 for Polovodovsky are reported on the assumption that this is developed under Option 2. Should this be the case then this is expected to be completed and the mine to have reached capacity by 2030 at which point the Uralkali Business Plan forecasts that the total annual production capacity of final product from all operations would increase to 17.8 million tonnes.

The completion of the Polovodovsky Project, including the timing and the results thereof (and along with the estimated increase in capacity) is subject to a number of factors, some of which may be outside of Uralkali's control, for example, the timely completion of the work by contractors and subcontractors engaged, any geological complexities inherent in the implementation of the project and the general market condition. Accordingly, the exact timing and the effect of the implementation of the Polovodovsky Project may differ from that currently envisaged as noted above.

SRK can confirm that the Ore Reserve Statements presented in Table 4-2 and Table 4-3 below, for sylvinite and carnalite respectively, have been derived from the resource blocks provided to SRK and incorporate sufficient estimates for ore losses and dilution based on actual historical data. The break-even price required to support this statement over the period of the Business Plan is between USD90-115/tonne product produced, in January 2020 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 2020

Category	Tonnage (Mt)	K_2O (%)	K_2O (Mt)
Berezniki 2			
Proven	15.1	19.7	3.0
Probable	35.3	20.3	7.2
Total	**50.4**	**20.1**	**10.1**
Berezniki 4			
Proven	175.9	18.8	33.1
Probable	186.7	18.6	34.8
Total	**362.6**	**18.7**	**67.9**

Category	Tonnage (Mt)	K_2O (%)	K_2O (Mt)
Ust-Yayvinsky			
Proven	66.0	16.6	11.0
Probable	110.4	16.7	18.4
Total	**176.4**	**16.7**	**29.4**
Solikamsk 1			
Proven	26.5	16.6	4.4
Probable	52.5	15.3	8.0
Total	**79.0**	**15.7**	**12.4**
Solikamsk 2			
Proven	30.3	11.9	3.6
Probable	128.8	15.1	19.4
Total	**159.1**	**14.5**	**23.0**
Solikamsk 3			
Proven	128.2	15.1	19.3
Probable	169.1	15.1	25.5
Total	**297.2**	**15.1**	**44.8**
Polovodovsky[1]			
Proven	-	-	-
Probable	131.1	15.2	20.0
Total	**131.3**	**15.2**	**20.0**
Summary All Mines			
Proven	441.9	16.8	74.3
Probable	814.0	16.4	133.4
Total	**1,255.9**	**16.5**	**207.7**

[1] Polovodovsky is assumed to be developed with a new dedicated processing facility (Option 2)

Table 4-3 SRK Audited Carnalite Ore Reserve Statement at 1 January 2020

Category	Tonnage (Mt)	MgO (%)	MgO (Mt)
Solikamsk 1			
Proven	13.1	9.5	1.3
Probable	-	-	-
Total	**13.1**	**9.5**	**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 (i.e. 2020 to 2039 inclusive).

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 current operating mines have the potential to extend beyond that covered by the current 20-year Business Plan approximately as follows:

- Berezniki 4: 20 years
- Solikamsk 2: 18 years
- Solikamsk 3: 19 years

In terms of the Ust-Yayvinsky and Polovodovsky, projects under construction and development, at the currently assumed start-up dates and production rates, these have the potential to extend beyond the current 20-year Business Plan by approximately 15 years and 40 years respectively.

4.4 SRK Comments

The overall audited total Ore Reserve statement as at 1 January 2020 presented above of 1,255.9Mt with an average grade of 16.5% K2O has a slightly higher total tonnage when compared to that presented as at 1 January 2019 of 1,123.7Mt with an average grade of 16.7% K2O (the previous SRK audited Ore Reserve Statement for the Uralkali Mineral Assets). While there are individual differences at each individual mine as a result of mining during 2019, extensions of, and revisions to, the forecast mined tonnages in the Uralkali 20-year Business Plan from 2020 to 2039 and revisions to the Mineral Resource statement, the principal reason for the overall increase is due to inclusion of Ore Reserves for Polovodovsky (some 131Mt at 15.2% K2O) for the first time in the current statement.

In summary, the following changes are noted between the 1 January 2019 and 1 January 2020 Ore Reserve statements:

- **Berezniki 2:** The total Ore Reserve as at 1 January 2020 of 50.4Mt with an average grade of 20.1% K2O compares to 55.9Mt with an average grade of 19.5% K2O as at 1 January 2019. The reduction in the Ore Reserve tonnage in the current statement is primarily a function of mining depletion during 2019 while the grade increase is function of a higher 'Grade Conversion Factor' being applied which reflects an increasing trend in this factor 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 and so it should be expected that this Ore Reserve will gradually reduce in future years as this is depleted by mining.

- **Berezniki 4:** The total Ore Reserve as at 1 January 2020 of 362.6Mt with an average grade of 18.7% K2O compares to 361.8Mt with an average grade of 18.7% K2O as at 1 January 2019. Despite mining depletion during 2019, the Ore Reserve tonnage reported as at 1 January 2020 has increased slightly as a function of the latest Uralkali Business Plan projections for the 20-year Business Plan period. The forecast projections assume that this mine will increase its production rate up to its capacity of some 19.8Mt of ore mined per annum for most of the 20-year Business Plan period and Uralkali has budgeted investments in additional mining equipment in order to achieve this. 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 20 years beyond the current 20-year Business Plan at the increased production rate.

- **Ust-Yayvinsky:** The total Ore Reserve as at 1 January 2020 of 176.4Mt with an average grade of 16.7% K2O compares to 170.2Mt with an average grade of 16.7% K2O as at 1 January 2019. The slight increase in the Ore Reserve tonnage is a function of the latest Uralkali Business Plan with more production falling within the 20-year period compared to the previous 20-year plan. The Ust-Yayvinsky Project is under construction and work is ongoing on the surface facilities and conveyor to Berezniki Plant 3 (and Plant 3 expansion). It is currently expected that the mine will begin production in 2022 albeit at a low rate and assuming access of ore from development works and then ramp up to production capacity of 11Mtpa in the years thereafter. 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 and achievable.

- **Solikamsk 1:** The total Ore Reserve as at 1 January 2020 of 79.0Mt with an average grade of 15.7% K2O compares to 90.8Mt with an average grade of 16.0% K2O as at 1 January 2019. The Ore Reserve tonnage has reduced due to a combination of mining during 2019 but also some reductions to the Mineral Resource estimate to remove areas to be left for safety pillars and where it has been assessed that there has been replacement of sylvinite mineralisation with halite. 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 by 2036 and so it should be expected that this Ore Reserve will gradually reduce in future years as this is depleted by mining.

- **Solikamsk 2:** The total Ore Reserve as at 1 January 2019 of 159.1Mt with an average grade of 14.5% K2O compares to 156.1Mt with an average grade of 14.5% K2O as at 1 January 2019. The slight increase in Ore Reserve tonnage in the current statement is a function of the latest 20-year Business Plan. Adjustments to the Ore Reserve statement for Solikamsk 2 mine have been made in prior years owing to the water inflow event which occurred in late 2014 in the northern extremity of the Solikamsk 2 licence area. Minimal mining production has occurred from this mine during 2019. It is however noted that should Uralkali make the decision to resume and continue mining from the existing Solikamsk-2 mine it could do so and access additional ore previously removed from the Ore Reserve, assuming the water inflow remains under control. However, production is now 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). Shaft sinking commenced during 2018 and has continued during 2019. SRK has reviewed the current status of the New Solikamsk 2 Project and the further work required to complete this and while this will be challenging and there is a risk of a delay in mining production commencing from the 'New Solikamsk 2' mine from that currently envisaged in the Uralkali Business Plan, SRK considers the forecast construction period to be achievable. Further, should a delay in construction occur, it is 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. 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 2020 of 297.2Mt with an average grade of 15.1% K2O compares to 289.0Mt with an average grade of 15.1% K2O as at 1 January 2019. 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. Work on the expansion of the Solikamsk 3 mine is on-going but SRK considers the forecast remaining construction period to achieve expanded production and the forecast mined tonnages to be reasonable. Further, as noted earlier in this report, Solikamsk 3 also has potential to continue mining for some 19 years beyond the current 20-year Business Plan at the forecast production rate.

- **Polovodovsky:** The total Ore reserve as at 1 January 2020 of 131.3Mt with an average grade of 15.2% K2O is the first Ore Reserve has been reported for this mine. SRK has reviewed the status of this project and available documentation and considers this work has been competed to a sufficiently advance level for the reporting of Ore Reserves (i.e. SRK considers this work to be between a Pre-Feasibility Study and Feasibility Study level overall).

  As noted above, the Polovodovsky Project will include the development of a new mine through the sinking of two shafts. Uralkali will make a further decision in 2023 whether to develop the project and process ore at one or more of the existing processing facilities or develop a new dedicated processing complex. The project has been designed to have a production capacity of 12.5Mt of ore per annum (equivalent to some 2.8Mt per annum of final product production) and assuming the Option 2 development strategy is selected, is anticipated to commence production in 2029 and reach 12.5Mtpa capacity from 2030.

- **Solikamsk 1 (carnalite):** The total Ore Reserve as at 1 January 2020 of 13.1Mt with an average grade of 9.5% MgO compares to 13.1Mt with an average grade of 9.6% K2O as at 1 January 2019. The Ore Reserve tonnages between statements are similar despite mining depletion during 2019 as the resource remains sufficient to support mining at the same rate throughout the 20-year Business Plan and there is potential to continue mining carnalite 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.

While SRK 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, we understand 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 some of the facilities is warranted and justified based on Uralkali's market expectations going forward.

SRK has reviewed the expansions and capital investment programmes proposed by Uralkali at a high level and considers the work proposed and the timeline assumed for the work to be completed to be generally reasonable and achievable and further considers the cost estimates to have been estimated to a sufficient level of accuracy to enable the reporting of Ore Reserves. Furthermore, SRK has undertaken a sensitivity assessment on the various key parameters and inputs to the Business Plan including the investment programmes costs in addition to assumed product prices and operating costs, which indicated that the Uralkali operations are robust to material changes in these.

Notwithstanding the above, SRK considers the timeframe for construction of the 'new Solikamsk 2' mine to be challenging and believes 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 also 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, and soon to be at Polovodovsky.

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 2020. 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.

The Competent Person (as defined by the JORC Code) who has supervised the production of the Mineral Resource and Ore Reserve statements presented herein is Dr Mike Armitage C Geol., C Eng., who is a Corporate Consultant at SRK UK Consulting Ltd. Dr Armitage is a geologist with over 35 years' experience in the mining industry and has been responsible for reporting of Mineral Resource and Ore Reserves on various properties internationally for almost 30 years.

Dr Armitage is a full time employee of SRK and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined by the JORC Code. He is a Member of the Institute of Materials, Minerals and Mining and a Fellow of the Geological Society which are 'Recognised Overseas Professional Organisations' included in a list promulgated by ASX from time to time. Dr Armitage has visited the Uralkali sites and operations a number of times between 2010 and most recently in 2018.

Yours faithfully

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Chairman & Corporate Consultant
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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 carnalite horizon at Solikamsk 1 is reported to be 74%.
Logging	• Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. • Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography. • The total length and percentage of the relevant intersections logged.	Drill core samples are subject to the follow analysis: • detailed description based on visual identification of units, seams and layers; • field identification of mineral and lithological composition; • photography (recent years); • assaying (see below); • geophysical logging (for all holes since 1952);

Criteria	JORC Code explanation	Commentary
		During drilling from the surface, the following geophysical analysis is undertaken: • gamma-logging; • neutron gamma-logging; • caliper logging; • inclinometer survey; • electric logging; • resistivity metering; • thermometric measurements; • gas logging. For Berezniki operating mines some 76,600m of core from exploration holes have been logged. For Solikamsk operating mines some 69,600m of core from exploration holes have been logged.
Sub-sampling techniques and sample preparation	• If core, whether cut or sawn and whether quarter, half or all core taken. • If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry. • For all sample types, the nature, quality and appropriateness of the sample preparation technique. • Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. • Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. • Whether sample sizes are appropriate to the grain size of the material being sampled.	Core is split in half with one half retained for reference and the other half crushed, milled and split under the control of the Company geology department to produce a small sample (100 g) for submission to the laboratory for assay. Assaying is carried out at an in house laboratory using classical wet chemistry techniques. Approximately 5–6% of samples are repeat assayed internally while a similar percentage are sent to an external laboratory for check assaying.
Quality of assay data and laboratory tests	• The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. • For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. • Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.	See comments above.
Verification of sampling and assaying	• The verification of significant intersections by either independent or alternative company personnel. • The use of twinned holes. • Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. • Discuss any adjustment to assay data.	See comments above. Given that most of the quoted Mineral Resource and Ore Reserve relates to operating mines, verification is undertaken by means of annual reconciliations of actual production compared to the resource model. This informs the modifying factors used to derive the Ore Reserves (see Section 4).
Location of data points	• Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. • Specification of the grid system used. • Quality and adequacy of topographic control.	Since 1939, topographic and geodesic surveys have been undertaken to generate topographic maps scales 1:10,000 and 1:5,000. Topographic and geodesic surveys are performed by specialist organisations under the instruction of Uralkali. At present, the hole coordinate location is determined 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 1,000m B Category: between 1,000m and up to 2,000m C1 Category: 2,000m spacing C2 Category: Up to 4,000m spacing **Solikamsk Mines** A Category: less than 1,200m B Category: between 1,200m and up to 2,400m C1 Category: 2,400m spacing C2 Category: Up to 4,000m spacing In addition to the above, underground drilling is undertaken at the operating mines on a general spacing of approximately 400m.
Orientation of data in relation to geological structure	• Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. • If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.	All drill holes have been drilled vertically through a flat lying/gently dipping and undulating orebody, which SRK considers is appropriate.
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 Mineral Resource and Ore Reserve estimation. 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 3 Estimation and Reporting of Mineral Resources

Criteria	JORC Code explanation	Commentary
Database integrity	• Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes. • Data validation procedures used.	SRK has reviewed the drill logs/assay results, plan view geological and resource block interpretations and resulting block listings and resource calculations and undertaken check calculations and found no material errors or omissions.
Site visits	• Comment on any site visits undertaken by the Competent Person and the outcome of those visits. • If no site visits have been undertaken indicate why this is the case.	SRK has undertaken annual site visits between 2007 and 2015, 2018 and again in 2019 to the operating mines, processing plants and associated surface infrastructure facilities.
Geological interpretation	• Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit. • Nature of the data used and of any assumptions made. • The effect, if any, of alternative interpretations on Mineral Resource estimation. • The use of geology in guiding and controlling Mineral Resource estimation. • The factors affecting continuity both of grade and geology.	There is 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 for some 7.9km north-south and 7.7km east-west and covers an area of about 67km^2. The average depth below surface of the seams mined is about 345m and the average thickness between 2.5m and 4.5m. This is an operating mine. **Berezniki Mine 4 (Bygelso-Troitski Licence).** This licence extends for some 12km north-south and 17km east-west and covers an area of about 185km^2. The average depth below surface of the seams mined is about 320m and they have an average thickness of 3m. This is an operating mine. **Ust-Yayvinsky Mine (Ust-Yayvinsky Licence).** This is currently under construction. The licence extends up to some 10.8km by 10.3km and covers an area of about 84km^2. The average depth below surface of the seams to be mined is about 390m and they have an average thickness of between 3m and 5m. **Solikamsk Mine 1 (Solikamsk Lease Northern Part).** This licence extends some 6.3km by 6.3km and covers an area of about 44km^2. The depth below surface of the seams mined is between 260m and 350m with they have a thickness of between 3m and 5.5m. This is an operating mine. **Solikamsk Mine 2 (Solikamsk Lease Southern Part)**. This licence extends some 8.6km by 7.3km and covers an area of about 50km^2. The depth below surface of the seams mined is between 200m and 300m and they have a thickness of between 4.5m and 6m. This is an operating mine. **Solikamsk Mine 3 (Novo-Solikamsk Licence).** This licence extends some 16.4km by 8.9km and covers an area of about 110km^2. The depth below surface of the seams mined is between 250m and 380m with they have a thickness of between 3m and 4m. This is an operating mine. **Polovodovsky.** This licence extends up to some 30km by 29km and covers an area of about 381km^2. The average depth below surface of the seams is about 270m and they have a thickness of between 3.4m and 4.2m. SRK considers the work undertaken on this project to be at an equivalent of between a Pre-Feasibility Study and Feasibility Study level of assessment overall and Uralkali has made a decision to construct this as a new mine and processing facility. Uralkali is considering two options for developing the project following construction of the shafts, with one assuming process of ore at existing facilities and the other assuming construction of dedicated facilities at the Polovodovsky site. A decision of which option to adopt is expected to be taken by Uralkali in 2023. Further studies are on-going by Uralkali.
Estimation and modeling techniques	• The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used. • The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data. • The assumptions made regarding recovery of by-products. • Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation). • In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed. • Any assumptions behind modelling of selective mining units. • Any assumptions about correlation between variables. • Description of how the geological interpretation was used to control the resource estimates. • Discussion of basis for using or not using grade cutting or capping. • The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.	Each seam and each mine is treated separately in the resource estimation procedure. In each case the horizons are first divided into blocks such that each sub-divided block has reasonably consistent borehole spacing within it; that is more intensely drilled areas are subdivided from less intensely drilled areas. Each resulting "resource block" is then evaluated separately using the borehole intersections falling within that block only. Specifically, composited K_2O and MgO grades are derived for each borehole that intersected each block and mean grades are then derived for each block by calculating a length weighted average of all of these composited intersections. No top cuts are applied and all intersections are allocated the same weighting. A separate plan is produced for each seam showing the results of the above calculations, the lateral extent of each sub-block, and any areas where the seams are not sufficiently developed. The aerial coverage of each block is then used with the mean thickness of the contained intersections to derive a block volume. The tonnage for each block is then derived from this by applying a specific gravity factor calculated by averaging all of the specific gravity determinations made from samples within that block. The data for each resulting block is plotted on a Horizontal Longitudinal Projection (HLP). This shows the horizontal projection of the extent of each block as well as its grade and contained tonnage. The HLP also shows the block classification, this being effectively a reflection of the confidence in the estimated tonnes and grade. SRK considers the Mineral Resource estimation methodology to be appropriate for the geometry and style of mineralisation and available data.
Moisture	• Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.	The resource estimates are expressed on a dry tonnage basis and in-situ moisture content is not estimated.
Cut-off parameters	• The basis of the adopted cut-off grade(s) or quality parameters applied.	Uralkali's sylvinite Mineral Resource statements are based on a minimum seam thickness of 2m and a minimum block grade which dependent on the mine varies between 11.4% and 15.5% K_2O. Uralkali's carnalite Mineral Resource statements are based on a minimum seam thickness of 2m and a minimum block grade of 7.2% MgO.

Criteria	JORC Code explanation	Commentary
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. SRK considers the Polovodovsky project is at an equivalent of between a Pre-Feasibility Study and Feasibility Study level of assessment overall. Uralkali has made a decision a decision to construct this as a new mine and processing facility albeit that further studies are on-going. A Room and Pillar mining method is also planned for this mine. Uralkali is considering two options for developing the project following construction of the shafts, with one assuming process of ore at existing facilities and the other assuming construction of dedicated facilities at the Polovodovsky site. A decision of which option to adopt is expected to be taken by Uralkali in 2023. Refer to Section 4 for mining factors and assumptions for conversion to Ore Reserves.
Metallurgical factors or assumptions	• The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.	Refer to comment above regarding mining factors and assumptions and also to Section 4 regarding Ore Reserves.
Environmental factors or assumptions	• Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.	Existing infrastructure is in place at the operating mines including facilities to dispose of salt and slimes waste. Expansion of these facilities or construction of new ones will 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.

Criteria	JORC Code explanation	Commentary
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 producing 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. For these, Uralkali has undertaken annual reconciliations and SRK has used this information in deriving appropriate Modifying Factors for conversion to Ore Reserves (Refer to Section 4 below).

Section 4 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 undertook annual site visits between 2007 and 2015, then visited in 2018 and then again and 2019 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 the mine which support the reporting of Ore Reserves. SRK considers the Polovodovsky project is at an equivalent of between a Pre-Feasibility Study and Feasibility Study level of assessment overall. This work has demonstrated the technical and economic viability of the operation to a reasonable confidence level and Uralkali has already made a decision a decision to construct the shafts. Uralkali is considering two options for developing the project following construction of the shafts, with one assuming process of ore at existing facilities and the other assuming construction of dedicated facilities at the Polovodovsky site. A decision of which option to adopt is expected to be taken by Uralkali in 2023. Further studies are on-going by Uralkali.
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 carnalite 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 and from the studies undertaken on the non-operating assets (Ust-Yayvinsky and Polovodovsky). 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. A new shaft complex and associated surface infrastructure is planned to be constructed for the Polovodovsky 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. Uralkali is considering two options for developing the project following construction of the shafts, with one assuming process of ore at existing facilities and the other assuming construction of dedicated facilities at the Polovodovsky site. A decision of which option to adopt is expected to be taken by Uralkali in 2023.
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. New facilities will be constructed for the waste from the new Polovodovsky plant. Uralkali has confirmed that all environmental permits currently 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; and • Wastes generation and disposal. When the validity of issued permits expires, new permits have historically been obtained as required.
Infrastructure	• The existence of appropriate infrastructure: availability of land for plant development, power, water, transportation (particularly for bulk commodities), labour, accommodation; or the ease with which the infrastructure can be provided, or accessed.	The area around the Berezniki and Solikamsk mines and processing facilities are serviced with adequate power, water, transportation and accommodation infrastructure for existing and planned future operations.

Criteria	JORC Code explanation	Commentary
Costs	• The derivation of, or assumptions made, regarding projected capital costs in the study. • The methodology used to estimate operating costs. • Allowances made for the content of deleterious elements. • The source of exchange rates used in the study. • Derivation of transportation charges. • The basis for forecasting or source of treatment and refining charges, penalties for failure to meet specification, etc. • The allowances made for royalties payable, both Government and private.	Forecast operating costs are based on actual costs incurred and adjusted as required. Project capital costs are derived on a project by project basis in-house and by design institutes 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 USD250/t (weighted average of domestic and export prices and net of distribution costs, i.e. rail, transshipment).
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 20-year Business Plan in USD for the existing operations and the new Ust-Yayvinsky mine and Polovodovsky 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 in-house and by design institutes.
Social	• The status of agreements with key stakeholders and matters leading to social licence to operate.	Uralkali's social obligations are established by subsoil use terms and conditions (license agreements) to subsoil use licenses. Uralkali complies to the subsoil use terms and conditions established.
Other	To the extent relevant, the impact of the following on the project and/or on the estimation and classification of the Ore Reserves: • Any identified material naturally occurring risks. • The status of material legal agreements and marketing arrangements. • The status of governmental agreements and approvals critical to the viability of the project, such as mineral tenement status, and government and statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and discuss the materiality of any unresolved matter that is dependent on a third party on which extraction of the reserve is contingent.	The main technical risk to underground potash mines is through water ingress. Uralkali has historically closed two mines due to previous flooding incidents. Berezniki Mine 1 operated from 1954 but flooded late in 2006 while Berezniki 3 operated from 1973 until flooding in 1986. 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 to be temporarily suspended. A 'new Solikamsk 2 mine' is currently under construction.

Criteria	JORC Code explanation	Commentary
		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. The exception to this is the Polovodovsky project which is reported as a Probable Ore Reserve only.
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 Reserves presented in Table 4-2 and Table 4-3 of this report, for sylvinite and carnalite respectively, have been derived from the resource blocks provided to SRK and incorporate sufficient estimates for ore losses and dilution based on actual historical data. The break-even price required to support this statement is between USD90-115/tonne of product in January 2020 terms. 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 USD125/tonne 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

AHC	Administrative and household complex
Berezniki-1, 2, 3, 4	Uralkali's potash production units in Berezniki
Bushel	A unit of dry measure in England (equal to 36.3 litres) and in the USA (equal to 35.2 litres); in agricultural commodity markets, bushel corresponds to a different weight, depending on the product type
CO_2-equivalent emission	The amount of carbon dioxide (CO_2) emission that would cause the same integrated radiative forcing, over a given time horizon, as an emitted amount of a greenhouse gas (GHG) or a mixture of GHGs.
Halite waste	A by-product of processing of raw materials in the production of potash
GDR	Global depositary receipt
HW	Halite waste
AGM	Annual General Meeting
The Group	PJSC Uralkali, its subsidiaries and affiliates
CSS	Clay-salt slurries
HS	Hydraulic structure
USD	US dollar
Carnallite	A hydrated potassium magnesium chloride with formula $KMgCl_3 \times 6H_2O$
KRI	Key risk indicator
KPI	Key performance indicator
CSR	Corporate social responsibility
BTW	Boiler-turbine workshop
LWS	Local warning system
VOCs	Volatile organic compounds
IFRS	International Financial Reporting Standards
Moscow Exchange	Public Joint-Stock Company "Moscow Exchange MICEX-RTS", Russia
Soil subsidence	A sinking or downward settling of a section of the ground's surface, which may occurred under the influence of underground mineral mining, shifts (horizontal and vertical) and deformations (inclination, curvature, tension, compression)
VAT	Value added tax
SRW	Scientific research work
HSE	Health, safety and environment
WDF	Waste disposal facility
LS	Labour safety
OS	Occupational safety
RAFP	Russian Association of Fertilizer Producers
RAS	Russian Accounting Standards
Media	Mass media
CIS	Commonwealth of Independent States
Solikamsk-1, 2, 3	Uralkali's potash production units in Solikamsk
SPP	Sylvinite processing plant
RMS	Risk Management System
RMICS	Risk Management and Internal Control System
Argus FMB	Fertiliser Market Bulletin, FMB Limited, UK
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
CRU	Fertiliser Market Bulletin, UK
CUSIP	Committee on Uniform Security Identification Procedures
Adjusted EBITDA	Adjusted EBITDA is calculated as operating profit plus amortisation of PP&E, intangible assets and right-of-use assets, depreciation of PP&E and non-recurring expenses
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, provider of fertiliser market information and analysis, based in UK
FIFR	Work related fatal injury frequency rate

FOB	Free On Board, title to goods transfers as soon as goods are loaded on the ship
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
Scope 1	Scope 1 indicates direct greenhouse gas emissions from sources owned or controlled by the Company
Scope 2	Scope 2 indicates indirect greenhouse gas emissions caused by the production of electric power, heat or steam purchased by the Company

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 2019

D. Osipov
CEO

E. Kalinina
Chief Accountant

PJSC Uralkali Annual Report is approved by the decision of the Company's Board of Directors of 18 March 2020 (the Board of Directors' Meeting Minutes No. 376 dated 18 March 2020).

Data validity of the Annual Report is confirmed by the Revision Commission of PJSC Uralkali.

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