URALKALI GROUP

Interim Condensed Consolidated
Financial Statements
for the first half of 2017
(unaudited)

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Notes to the Interim Condensed Consolidated Financial Statements

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Public Joint Stock Company Uralkali and its subsidiaries (the "Group") as at 30 June 2017 and the related interim condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the first half of 2017, and selected explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Deloitte & Touche

Chaban Dmitry,
Engagement partner

28 August 2017

The 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: ZAO "Deloitte & Touche CIS"

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

Primary State Registration Number: 1027700425444

Certificate of registration in the Unified State Register № 77 004840299 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

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

(IN THOUSANDS OF US DOLLARS, UNLESS OTHERWISE STATED)

	Note	30 June 2017 (unaudited)	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,295,716	2,244,153
Prepayments for acquisition of property, plant and equipment and intangible assets		214,340	186,831
Goodwill		998,401	972,536
Intangible assets	7	2,919,724	2,869,387
Deferred income tax asset		39,915	47,408
Income tax prepayments	8	-	26,222
Prepaid transaction costs on bank facilities		67,708	81,410
Loan issued	4	-	188,762
Other non-current assets		3,404	3,600
Investment in associate		24,870	23,942
Total non-current assets		**6,564,078**	**6,644,251**
Current assets			
Inventories		100,129	162,036
Trade and other receivables		477,797	261,554
Advances to suppliers		30,648	27,502
Income tax prepayments	8	24,479	32,868
Derivative financial assets	14	11,457	-
Loan issued	4	331,518	-
Other financial assets		-	68,267
Cash and cash equivalents	9	1,386,874	1,485,521
Total current assets		**2,362,902**	**2,037,748**
TOTAL ASSETS		**8,926,980**	**8,681,999**
EQUITY			
Share capital	10	35,762	35,762
Treasury shares	10	(26,909)	(26,909)
Share premium		509,437	509,484
Currency translation reserve		(3,741,935)	(3,739,971)
Retained earnings		3,937,288	3,486,183
Equity attributable to the company's equity holders		**713,643**	**264,549**
Non-controlling interests		11,613	11,533
TOTAL EQUITY		**725,256**	**276,082**
LIABILITIES			
Non-current liabilities			
Borrowings	12	4,392,249	4,590,673
Bonds	13	255,869	582,357
Post-employment and other long-term benefit obligations		35,505	34,424
Deferred income tax liability		592,833	579,237
Provisions	11	157,437	164,683
Derivative financial liabilities	14	68,465	123,753
Total non-current liabilities		**5,502,358**	**6,075,127**
Current liabilities			
Borrowings	12	1,663,571	1,827,201
Bonds	13	586,933	2,550
Trade and other payables		198,019	223,259
Advances received		20,968	49,604
Provisions	11	53,675	43,127
Derivative financial liabilities	14	152,217	153,372
Current income tax payable		9,610	7,580
Other taxes payable		14,373	24,097
Total current liabilities		**2,699,366**	**2,330,790**
TOTAL LIABILITIES		**8,201,724**	**8,405,917**
TOTAL LIABILITIES AND EQUITY		**8,926,980**	**8,681,999**

The interim condensed consolidated financial statements for the 1st half of 2017 were approved for issue on behalf of the Management of the Group on 28 August 2017:

Dmitry Osipov
Chief Executive Officer

Anton Vishanenko
Chief Financial Officer

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

(in thousands of US dollars, unless otherwise stated)

		1st half of	
	Note	**2017**	**2016**
Revenues	15	1,387,600	1,074,720
Cost of sales	16	(371,995)	(237,500)
Gross profit		**1,015,605**	**837,220**
Distribution costs	17	(361,745)	(238,004)
General and administrative expenses	18	(77,798)	(76,275)
Taxes other than income tax		(11,685)	(9,252)
Other operating (expenses)/income, net	19	(13,266)	4,575
Operating profit		**551,111**	**518,264**
Finance (expenses)/income, net	20	(4,717)	586,989
Profit before income tax		**546,394**	**1,105,253**
Income tax expense		(95,190)	(170,261)
Net profit for the period		**451,204**	**934,992**
Profit/(loss) attributable to:			
Owners of the Company		451,124	935,048
Non-controlling interests		80	(56)
Net profit for the period		**451,204**	**934,992**
Weighted average number of ordinary shares in issue (million)		1,340	1,470
Earnings per share – basic and diluted (in US cents)		**33.67**	**63.62**

(in thousands of US dollars, unless otherwise stated)

	1st half of 2017	2016
Net profit for the period	**451,204**	**934,992**
Other comprehensive loss		
Items that will not be reclassified to profit or loss:		
Remeasurement of post-employment benefit obligations	(19)	(286)
Effect of translation to presentation currency	(1,964)	(17,264)
Total other comprehensive loss for the period	**(1,983)**	**(17,550)**
Total comprehensive income for the period	**449,221**	**917,442**
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	449,141	917,498
Non-controlling interests	80	(56)

(in thousands of US dollars, unless otherwise stated)

	Note	1st half of 2017	1st half of 2016
Cash flows from operating activities			
Profit before income tax		546,394	1,105,253
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets	6,7	122,346	93,063
Expenses related to mine flooding provision	11	32	445
Reversal of impairment of Solikamsk-2 property, plant and equipment and assets under construction		-	(557)
Loss on disposals of property, plant and equipment and intangible assets	19	4,812	3,685
Loss on impairment of prepayments for acquisition of property, plant and equipment and intangible assets		397	500
Reversal of provision for obsolete inventories		(926)	-
Reversal of impairment of property, plant and equipment and assets under construction	19	(2,160)	(2,380)
Accrual/(reversal) of impairment of trade and other receivables and advances to suppliers		484	(3,349)
Accrual of resettlement provision	19	10,148	-
Change in provisions, net		1,057	344
Fair value gain on derivative financial liabilities, net	14,20	(7,399)	(132,632)
Foreign exchange gain, net	20	(156,296)	(596,584)
Other finance expenses, net	20	168,412	142,227
Operating cash flows before working capital changes		**687,301**	**610,015**
(Increase)/decrease in trade and other receivables and advances to suppliers		(233,597)	51,894
Decrease/(increase) in inventories		68,493	(48,393)
Decrease in trade and other payables and advances received		(65,775)	(55,653)
Increase/(decrease) in other taxes payable/receivable		4,963	(5,551)
Cash generated from operations		**461,385**	**552,312**
Interest paid		(157,956)	(151,077)
Income taxes paid net of refunds received		(45,137)	(24,671)
Net cash generated from operating activities		**258,292**	**376,564**
Cash flows from investing activities			
Acquisition of intangible assets		(901)	(1,978)
Acquisition of property, plant and equipment		(114,332)	(203,890)
Proceeds from sales of property, plant and equipment		2,370	-
Loan issued	4	(159,425)	(365,500)
Proceeds from loan repayments	4	25,374	-
Purchase of other financial assets		(1,764)	-
Proceeds from sale of other financial assets		70,693	-
Dividend and interest received		5,431	5,679
Net cash used in investing activities		**(172,554)**	**(565,689)**
Cash flows from financing activities			
Repayments of borrowings	12	(1,124,138)	(362,883)
Proceeds from borrowings	12	732,850	1,133,665
Proceeds from issuance of bonds	13	260,641	-
Arrangement fees and other financial charges paid		(10,395)	(85,143)
Cash proceeds from derivatives	14	4,751	8,010
Cash paid for derivatives	14	(74,050)	(117,388)
Purchase of treasury shares	10	(47)	(279,854)
Decrease in restricted cash		-	198,894
Finance lease payments		(16)	(342)
Dividends paid to the Company's shareholders		-	(71)
Net cash (used in)/generated from financing activities		**(210,404)**	**494,888**
Effect of changes in foreign exchange rate on cash and cash equivalents		26,019	106,344
Net (decrease)/increase in cash and cash equivalents		**(98,647)**	**412,107**
Cash and cash equivalents at the beginning of the period	**9**	**1,485,521**	**1,111,878**
Cash and cash equivalents at the end of the period	**9**	**1,386,874**	**1,523,985**

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

(in thousands of US dollars, unless otherwise stated)

	Attributable to equity holders of the Company							
	Share capital	Treasury shares	Share premium	Retained earnings	Currency translation reserve	Total attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 1 January 2016	**35,762**	**(23,953)**	**1,012,662**	**2,057,321**	**(3,706,496)**	**(624,704)**	**11,670**	**(613,034)**
Profit/(loss) for the period	-	-	-	935,048	-	935,048	(56)	934,992
Other comprehensive loss	-	-	-	(286)	(17,264)	(17,550)	-	(17,550)
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**934,762**	**(17,264)**	**917,498**	**(56)**	**917,442**
Transactions with owners								
Purchase of treasury shares (Note 10)	-	(1,727)	(278,127)	-	-	(279,854)	-	(279,854)
Total transactions with owners	**-**	**(1,727)**	**(278,127)**	**-**	**-**	**(279,854)**	**-**	**(279,854)**
Balance at 30 June 2016 (unaudited)	**35,762**	**(25,680)**	**734,535**	**2,992,083**	**(3,723,760)**	**12,940**	**11,614**	**24,554**
Balance at 1 January 2017	**35,762**	**(26,909)**	**509,484**	**3,486,183**	**(3,739,971)**	**264,549**	**11,533**	**276,082**
Profit for the period	-	-	-	451,124	-	451,124	80	451,204
Other comprehensive loss	-	-	-	(19)	(1,964)	(1,983)	-	(1,983)
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**451,105**	**(1,964)**	**449,141**	**80**	**449,221**
Transactions with owners								
Purchase of treasury shares (Note 10)	-	-	(47)	-	-	(47)	-	(47)
Total transactions with owners	**-**	**-**	**(47)**	**-**	**-**	**(47)**	**-**	**(47)**
Balance at 30 June 2017 (unaudited)	**35,762**	**(26,909)**	**509,437**	**3,937,288**	**(3,741,935)**	**713,643**	**11,613**	**725,256**

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 Group is a major Russia-based potash manufacturer.

The Company holds operating licences, issued by the Mineral Resource Usage Department in Privolzhskii Federal district for the extraction of potassium, magnesium and sodium salts from the Durimanskiy, Bigelsko-Troitsky, Solikamskiy (north and south parts) and Novo-Solikamskiy plots of the Verkhnekamskoye field. The licences were prolonged on 1 April 2013 till 2018-2021 at nominal cost. In 2016 licences previously valid till 2018 were prolonged till 2043 - 2055 (north part of Solikamskiy plot, Bigelsko-Troitsky and Novo-Solikamskiy plots). In 2017 the licences for the south part of Solikamskiy plot and Durimanskiy plot previously valid till 2021 were prolonged till 2026 and 2024, respectively. The Company also owns licences for the Ust'-Yaivinskiy plot of the Verkhnekamskoye field, which expires in 2024, for the Polovodovskiy plot of the Verkhnekamskoye field, which expires in 2028, and for the Romanovskoye plot of the Verkhnekamskoye field, which expires in 2039.

As at 30 June 2017 and 31 December 2016 the Group had no ultimate controlling party.

The Company was incorporated in the Russian Federation on 14 October 1992 and has its registered office at 63 Pyatiletki St., Berezniki, Perm region, Russian Federation. Almost all of the Group's production facilities and all long-term assets are located in the Russian Federation.

2 Basis of preparation and significant accounting policies

Principles of preparation of interim condensed consolidated financial statements

These interim condensed consolidated financial statements for the first half (hereinafter – "1st half") of 2017 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The accounting policies and critical accounting judgements and estimates applied in these interim condensed consolidated financial statements are consistent with those of the consolidated financial statements for the year ended 31 December 2016, except for the impact of the adoption of the amended standards described in Note 3.

Going concern

These interim condensed 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 30 June 2017 the Group's current liabilities exceeded its current assets by US$ 336,464 (31 December 2016: US$ 293,042).

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

After making appropriate enquires, the Group considers that it has adequate resources to cover the working capital deficit and continue in operational existence for at least the next 12 months from the date of issuance of these interim condensed consolidated financial statements. Consequently, Management of the Group has determined that it is appropriate to adopt the going concern basis in the preparation of these interim condensed consolidated financial statements.

Functional and presentation currency

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

(in thousands of US dollars, unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

Foreign currency exchange rates

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

	30 June 2017		**31 December 2016**		**30 June 2016**	
	US$	Euro	US$	Euro	US$	Euro
closing rate	59.09	67.50	60.66	63.81	64.26	71.21
average rate	57.99	62.72	67.03	74.23	70.26	78.37

Income tax

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

3 Adoption of new or revised standards and interpretations

The following new standards, amendments to standards and interpretations became effective for the Group from 1 January 2017:

- amendments to IAS 7 – Disclosure Initiative;
- amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses;
- annual improvements to IFRSs 2014-2016 Cycle.

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

Annual Improvements to IFRSs 2014-2016 Cycle

The Group applied amendments to IFRS 12 included in Annual Improvements to IFRSs 2014-2016 Cycle for the first time in these financial statements. The other amendments included in the package are not yet mandatorily effective and they have not been early adopted by the Group.

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified as held for sale or included in the disposal group. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no impact on the disclosures or the amounts recognised in the Group's interim condensed consolidated financial statements.

4 Related parties

Related parties include shareholders, associates and entities under common ownership and control of the Group’s major shareholders and key management personnel. The Company and its subsidiaries, in the ordinary course of their business, enter into various sale, purchase and service transactions with related parties. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

(in thousands of US dollars, unless otherwise stated)

4 Related parties (continued)

On 8 July 2016 Onexim Group Limited ceased to be related party of the Group following disposal of 18.66% of the Company's share through Rinsoco Trading Limited.

Details of significant transactions between the Group and other related parties are disclosed below:

Outstanding balances with related parties under control of shareholders with significant influence over the Group	**30 June 2017**	**31 December 2016**
Loan issued including interest receivable	331,518	188,762
Advances received	2,342	1,317
Trade and other payables	1,011	4,163
Trade and other receivables	139	39

The loan to a related party is a US$ denominated revolving loan facility granted in April 2016 for a period of 2 years under market conditions.

Transactions with related parties under control of shareholders with significant influence over the Group	**1st half of 2017**	**2016**
Revenue (sales of potassium chloride)	20,256	14,495
Other revenue	672	7
Transportation expenses	5,593	1,563
Purchase of inventories	4,460	3,534
General and administrative expenses	646	469
Other expenses	74	199

Transactions with associate	**1st half of 2017**	**2016**
Other income	-	6,195
Transshipment	3,025	1,381
Other distribution costs	2,002	3,922

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 compensation is presented below:

	Expenses		**Accrued liabilities**	
	1st half of 2017	**1st half of 2016**	**30 June 2017**	**31 December 2016**
Short-term employee benefits	3,572	3,565	3,083	4,866
Total	**3,572**	**3,565**	**3,083**	**4,866**

5 Segment information

The Group evaluates performance and makes investment and strategic decisions based on a review of the profitability of the Group as a whole, and based on operating segments. The company's operating segment has been determined based on reports reviewed by Chief Executive Officer, assessed to be Company's chief operating decision maker ("CODM"), that are used to make strategic decisions.

It was determined that the Group has one operating segment – the extraction, production and sales of mineral fertilizers.

5 Segment information (continued)

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 and transshipment costs;
- Operating profit;
- Tonnes of potash sold, in thousands;
- Cash cost ("CC") per unit sold (cost of sales adjusted for depreciation and amortisation); and
- 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 these interim condensed consolidated financial statements.

a) The following is an analysis of the Group's revenue and results from continuing operations for reportable segment:

	Note	1st half of 2017	1st half of 2016
Revenues	15	1,387,600	1,074,720
Revenues net of freight, railway tariff and transshipment costs	15,17	1,095,250	892,191
Operating profit		551,111	518,264
Tonnes of potash sold, in thousands		6,600	4,868
CC per unit sold (US dollar per tonne)		40	32
Cash CAPEX		115,233	205,868

The measurement of CC per tonne of potash sold reconciles to the IFRS reported figures on a consolidated basis as follows:

	Note	1st half of 2017	1st half of 2016
Cost of sales	16	371,995	237,500
Adjusted for:			
Depreciation and amortisation	16	(110,148)	(81,791)
CC		261,847	155,709
Tonnes of potash sold, in thousands		6,600	4,868
CC per tonne of potash sold (US dollar per tonne)		40	32

b) Geographical information

The analysis of Group sales by region was:	1st half of 2017	1st half of 2016
Russia	202,172	180,562
China, India, South East Asia	484,759	416,435
Latin America, USA	494,183	303,952
Europe, other countries	206,486	173,771
Total revenues	**1,387,600**	**1,074,720**

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

c) Major customers

The Group had no external customers which represented more than 10% of the Group's revenue during the 1st half of 2017 and 2016.

(in thousands of US dollars, unless otherwise stated)

6 Property, plant and equipment

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

	Note	2017	2016
Cost			
As at 1 January		**3,497,203**	**2,599,090**
Additions		109,654	192,305
Disposals and write-offs		(22,922)	(10,789)
Changes in estimates of provisions	11	(13,546)	29,877
Effect of translation to presentation currency		91,648	368,618
Balance at 30 June		**3,662,037**	**3,179,101**
Accumulated depreciation and impairment			
As at 1 January		**1,253,050**	**916,116**
Depreciation charge		99,374	74,938
Disposals and write-offs		(15,753)	(6,563)
Reversal of impairment		(2,160)	(2,937)
Effect of translation to presentation currency		31,810	129,087
Balance at 30 June		**1,366,321**	**1,110,641**
Net book value			
As at 1 January		**2,244,153**	**1,682,974**
As at 30 June		**2,295,716**	**2,068,460**

Allocation of depreciation charge for the period is presented below:

	1st half of 2017	1st half of 2016
Cost of sales (Note 16)	85,158	63,151
Distribution costs (Note 17)	6,060	5,018
General and administrative expenses (Note 18)	3,922	3,804
Other expenses	674	-
Capitalised within assets under construction	3,560	2,965
Total	**99,374**	**74,938**

Fully depreciated assets still in use

As at 30 June 2017 and 31 December 2016 the gross carrying value of fully depreciated property, plant and equipment still in use was US$ 413,028 and US$ 385,964, respectively.

7 Intangible assets

	Note	2017	2016
Cost			
As at 1 January		**3,240,167**	**2,694,277**
Additions		73	2,570
Disposals and write-offs		(15)	(1,959)
Effect of translation to presentation currency		86,174	361,610
Balance at 30 June		**3,326,399**	**3,056,498**
Accumulated amortisation			
As at 1 January		**370,780**	**269,294**
Amortisation charge	16,18	26,532	21,090
Disposals		(5)	(1,364)
Effect of translation to presentation currency		9,368	37,893
Balance at 30 June		**406,675**	**326,913**
Net book value			
As at 1 January		**2,869,387**	**2,424,983**
As at 30 June		**2,919,724**	**2,729,585**

(in thousands of US dollars, unless otherwise stated)

7 Intangible assets (continued)

The table below summarises descriptions and carrying amounts of individually material mining licences, except for fully amortised, as well as software and other intangible assets:

Licence plot	Mining complex	30 June 2017	31 December 2016
Solikamskiy plot (south part)	Solikamsk-2	1,050,517	1,029,102
Novo-Solikamskiy plot	Solikamsk-3	959,209	945,271
Solikamskiy plot (north part)	Solikamsk-1	57,958	62,771
Polovodovskiy plot (south part)	Solikamsk-3	209,759	205,189
Polovodovskiy plot (north part)		620,883	604,798
Romanovskoye plot		5,516	5,373
Total mining licences		**2,903,842**	**2,852,504**
Software		10,467	11,254
Other intangible assets		5,415	5,629
Total intangible assets		**2,919,724**	**2,869,387**

In March 2017 Solikamsk-3 mining complex started stoping and depreciation of the mining licence in the area of the first stage of Polovodovskiy plot (south part attached to the minefield of Solikamsk-3 mine).

8 Income tax prepayments

On 16 April 2013 the Company concluded an agreement with the government of Perm Region to maintain income tax payments at a certain minimum amount per year in 2013-2015. In subsequent periods the addenda to this agreement were signed. On 25 May 2016, the last Addendum was signed which determined payments for 2016 at the amount of RR 1,500 mln (US$ 24,729 at the exchange rate on 31 December 2016). As at the date of approval of these interim condensed consolidated financial statements no new addenda determining payments for 2017 were signed, and the Company does not negotiate with the Government of the Perm Region to determine new minimum income tax payments.

As at 30 June 2017 the Company had no income tax prepayments recoverable in more than 12 months (31 December 2016: amortised cost of US$ 26,222).

9 Cash and cash equivalents

	30 June 2017	31 December 2016
Cash on hand and bank balances		
RR denominated cash on hand and bank balances	32,557	47,176
US$ denominated bank balances	1,009,877	1,035,325
EUR denominated bank balances	68,009	45,281
Other currencies denominated balances	291	12,390
Highly liquid risk-free bonds	69,366	-
Term deposits		
US$ term deposits	197,000	312,000
RR term deposits	9,774	33,349
Total cash and cash equivalents	**1,386,874**	**1,485,521**

As at 30 June 2017 and 31 December 2016 all term deposits have maturity within three months.

In the 1st half of 2017, the Group purchased US government bonds. These bonds are short-term, highly liquid with AAA rating from Fitch and Moody's agencies and are considered risk-free.

10 Equity

	Number of ordinary shares (in millions)	Number of treasury shares (in millions)	Ordinary shares	Treasury shares	Total
At 1 January 2016	**2,936**	**(1,425)**	**35,762**	**(23,953)**	**11,809**
Treasury shares purchased	-	(100)	-	(1,727)	(1,727)
At 30 June 2016	**2,936**	**(1,525)**	**35,762**	**(25,680)**	**10,082**
At 1 January 2017	**2,936**	**(1,596)**	**35,762**	**(26,909)**	**8,853**
At 30 June 2017	**2,936**	**(1,596)**	**35,762**	**(26,909)**	**8,853**

The number of unissued authorised ordinary shares is 1,730 mln (31 December 2016: 1,730 mln) with a nominal value per share of 0.846 US cents (0.5 RR) (31 December 2016: 0.824 US cents (0.5 RR)). All shares stated in the table above have been issued and fully paid.

Treasury shares

In 2015 and 2016 the Company conducted an open market buyback programme in respect of Company's ordinary shares (including ordinary shares represented by global depositary receipts ("GDRs"). As a result of these programmes Group purchased 99,797,157 shares and 75,200 GDRs in the 1st half of 2016. The total amount spent on purchase of ordinary shares and GDRs of the Company in the 1st half of 2016 equalled to US$ 279,854 including transaction costs directly attributable to the acquisition.

During the 1st half of 2017 the Company purchased 17,485 shares (1st half 2016: 7,251) as a result of redemption right exercise pursuant to Joint Stock Company Law in total amount around US$ 47.

Treasury shares as at 30 June 2017 comprise 1,596,834,447 ordinary shares (31 December 2016: 1,596,816,962) represented by shares and GDRs of the Company owned by JSC "Uralkali-Technologia", a wholly owned subsidiary of the Group. As at 31 December 2015 370,123,777 ordinary shares owned by JSC "Uralkali-Technologia" (12.6% of the Company's share capital) were transferred under the REPO agreement. As at 31 December 2016 the shares under the REPO agreement were replaced by bonds (Note 12).

The listing and admission to trading of the Company's Rule 144A and Regulation S GDRs on the London Stock Exchange have been cancelled with effect from start of trading on 22 December 2015. The Company's Rule 144A GDR programme has been terminated with effect from 12 January 2016.

The Moscow Stock Exchange made decision to downgrade the listing of Company's shares from Level 1 to Level 3 effective from 26 June 2017 following the decrease of the free float of the Company's shares to 7.5% of the issued capital for a period longer than 6 months.

Dividends

All dividends are declared and paid in RR. In April 2015 the Company adopted a dividend policy providing flexibility to the Board of Directors in determining the amount of dividend payments.

In June 2017 and December 2016, at the General Meeting of Shareholders of the Company Shareholders did not approve any dividends.

(in thousands of US dollars, unless otherwise stated)

11 Provisions

	Note	Provision for filling cavities	Restruc-turing provision	Resettle-ment provision	Mine flooding provision	Legal provision	Provision for asset retirement obligations	Total
Carrying amount at 1 January 2016		**58,296**	**5,611**	**-**	**7,823**	**14,244**	**35,084**	**121,058**
Changes in estimates added to property, plant and equipment	6	4,419	-	-	-	-	25,458	29,877
Changes in estimates charged to profit or loss		-	344	-	445	-	-	789
Utilisation of provision		(5,825)	(193)	-	(254)	-	-	(6,272)
Unwinding of the present value discount		3,027	80	-	396	792	1,778	6,073
Effect of translation to presentation currency		7,966	774	-	1,099	1,986	7,246	19,071
Current liabilities		**10,016**	**892**	**-**	**1,712**	**17,022**	**-**	**29,642**
Non-current liabilities		**57,867**	**5,724**	**-**	**7,797**	**-**	**69,566**	**140,954**
Carrying amount at 30 June 2016		**67,883**	**6,616**	**-**	**9,509**	**17,022**	**69,566**	**170,596**
Carrying amount at 1 January 2017		**98,182**	**6,287**	**10,822**	**9,223**	**19,006**	**64,290**	**207,810**
Changes in estimates added to property, plant and equipment	6	(6,158)	-	-	-	-	(7,388)	(13,546)
Changes in estimates charged to profit or loss		-	40	-	32	-	-	72
Accrual of provision		-	-	10,148	-	1,017	-	11,165
Utilisation of provision		(8,166)	-	-	(291)	-	-	(8,457)
Unwinding of the present value discount		4,202	269	-	394	813	2,821	8,499
Effect of translation to presentation currency		2,800	162	98	243	471	1,795	5,569
Current liabilities		**10,029**	**709**	**19,697**	**1,933**	**21,307**	**-**	**53,675**
Non-current liabilities		**80,831**	**6,049**	**1,371**	**7,668**	**-**	**61,518**	**157,437**
Carrying amount at 30 June 2017		**90,860**	**6,758**	**21,068**	**9,601**	**21,307**	**61,518**	**211,112**

On 12 July 2017 the Company, the Government of the Perm Region and the Administration of the town of Berezniki signed an agreement according to which the Company shall provide additional financing for: (1) the relocation of people living in inadequate housing facilities in Berezniki due to the accident at the Berezniki-1 mine; (2) the construction of new infrastructure facilities which will support well-being of resettled people at their new place of residence; (3) demolition of the houses.

Under this agreement the Company will allocate up to RR 1,264 mln (US$ 21.4 mln at the exchange rate as at 30 June 2017) in addition to previously allocated funds according to the agreement concluded as at 5 December 2013. The expenses in the amount of RR 100 mln (US$ 1.7 mln at the average exchange rate for the 1st half of 2017) are expected to be incurred not earlier than 2020 and were recognized in long-term provisions as at 30 June 2017 on a discounted basis.

Key assumptions used in estimation of provisions were as follows:

	30 June 2017	31 December 2016
Risk-free rates	7.8% - 8.8%	8.2% - 8.6%
Expected date of settlement	2017 - 2069	2017 - 2069
Expected inflation in Russia within 3 years from the reporting date	4.4% - 4.9%	4.5% - 5.4%
Expected inflation in Russia starting from the 4th year after the reporting date	4.6%	4.7%

(in thousands of US dollars, unless otherwise stated)

12 Borrowings

	30 June 2017	31 December 2016
Bank loans	**6,046,838**	**6,409,114**
Short-term bank loans	1,663,466	1,827,100
Long-term bank loans	4,383,372	4,582,014
Finance lease payable	**8,982**	**8,760**
Short-term finance lease payable	105	101
Long-term finance lease payable	8,877	8,659
Total borrowings	**6,055,820**	**6,417,874**

Bank loans

As at 30 June 2017 and 31 December 2016 the fair value of borrowings is not materially different from their carrying amounts.

The Group uses cross-currency interest rate and interest rate swaps to reduce interest payments (Note 14). The Group does not use hedge accounting.

	1st half of	
	2017	2016
Balance at 1 January	**6,409,114**	**5,897,427**
Bank loans received, denominated in US$	732,850	1,133,665
Bank loans repaid, denominated in US$	(1,029,719)	(263,606)
Bank loans repaid, denominated in RR	(94,419)	(99,277)
Interest accrued	147,654	140,513
Interest paid	(147,003)	(140,648)
Recognition of syndication fees and other financial charges	(731)	(18,920)
Amortisation of syndication fees and other financial charges	7,125	4,788
Foreign exchange gain, net	(158,579)	(688,797)
Effect of translation to presentation currency	180,546	797,847
Balance at 30 June	**6,046,838**	**6,762,992**

The table below shows interest rates as at 30 June 2017 and 31 December 2016 and the split of bank loans into short-term and long-term.

Short-term bank loans	**30 June 2017**	**31 December 2016**
Bank loans in US$: floating interest	1,473,471	1,641,788
Bank loans in US$: fixed interest	1,775	-
Bank loans in RR: floating interest	188,220	185,312
Total short-term bank loans	**1,663,466**	**1,827,100**
Long-term bank loans		
Bank loans in US$: floating interest	3,587,662	4,447,492
Bank loans in US$: fixed interest	749,527	-
Bank loans in RR: floating interest	46,183	134,522
Total long-term bank loans	**4,383,372**	**4,582,014**

As at 30 June 2017 and 31 December 2016 no equipment or inventories were pledged as security for bank loans.

As at 30 June 2017 bank loans amounting US$ 1,879,381 (31 December 2016: US$ 2,138,964) were collateralised by future sales proceeds of the Group under export contracts with certain customers.

(in thousands of US dollars, unless otherwise stated)

12 Borrowings (continued)

In March 2016 a credit line agreement with PJSC "Sberbank of Russia" was signed in the amount of up to US$ 3.9 billion for the purpose of refinancing of other loans received from the bank as well as for other general corporate purposes, which, together with related agreements, were secured by way of pledge to PJSC "Sberbank of Russia" of the Company shares and GDRs constituting 28.6% of the Company's issued ordinary shares (equivalent of 389,981,286 ordinary shares and 89,959,526 GDR). Funds under the committed credit line in the amount of US$ 2.0 billion are available to be drawn down from 1 January 2018 till 31 December 2019; funds in the amount of US$ 1.9 billion are available to be drawn down from 24 December 2017 till 23 February 2020. As at 30 June 2017 the Company has not yet used the facility.

In April 2016 the Company signed a Pre-Export Facility in the amount of US$1.2 billion with 16 international banks. The interest rate is LIBOR + 3.25% with a loan maturity of 5 years. The loan was used for general corporate purposes including refinancing of the Company's existing loans.

On 29 August 2016 the Extraordinary General Meeting of the Company's shareholders approved a number of interrelated transactions in respect of the placement of the Company's Exchange Traded Bonds in favor of JSC "Uralkali-Technologia" with a total nominal value of US$ 800 mln and with a value of US$ 1 per one bond. The purpose of this placement was to replace the Company's shares/GDRs with the Exchange Traded Bonds in the US$ 800 mln REPO agreement signed on 23 September 2015 between JSC "Uralkali-Technologia" and JSC "VTB Capital". JSC "Uralkali-Technologia" terminated the pledge over the Company's GDRs and released the Company's ordinary shares from REPO, constituting totally 20% of the Company's issued ordinary shares.

In April 2017 the Company signed a revolving credit line agreement in the amount of up to US$ 750 mln with PJSC "Sberbank of Russia", Sberbank AG (Switzerland) and SIB (CYPRUS) LIMITED. The availability period of the credit line is 3 years, during which the Company can borrow funds in tranches and with different maturities within the limit and the tenor of the credit line availability. The funds raised can be used for the Company's general corporate purposes, including refinancing of its current debt obligations. As at 30 June 2017 the credit line was fully utilised in two tranches, each for a period of 3 years.

During 2016 the Group signed amendments to change the definition of Net Debt/Net Worth in several loan facilities. The amendments changed the calculation of Net Worth by excluding from the calculation foreign exchange losses/gains and fair value loss/gain on derivatives from 1 January 2013. Under several other amendments Net Worth was adjusted to exclude treasury shares and share premium.

The Group was in compliance with all financial and non-financial covenants as at 30 June 2017.

13 Bonds

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

In May 2017 the Company issued the exchange ruble bonds in the amount of RR 15 billion under its exchange bond programme. The coupon rate was 8.80% p.a., coupon period is 182 days. Nominal value of the bond is RR 1,000. The bond matures in 3 years.

	2017	**2016**
Balance at 1 January	**584,907**	**584,668**
Issuance of bonds	260,641	-
Interest accrued	12,692	10,594
Interest paid	(10,493)	(10,429)
Amortisation of syndication fees	272	226
Foreign exchange gain	(16,178)	(72,230)
Effect of translation to presentation currency	10,961	71,773
Balance at 30 June	**842,802**	**584,602**

The short-term part of bonds is represented by future coupon payment in the amount of US$ 5,481 at 30 June 2017 (31 December 2016: US$ 2,550).

(in thousands of US dollars, unless otherwise stated)

13 Bonds (continued)

	30 June 2017	31 December 2016
Short-term bonds		
Short-term bonds quoted on Irish Stock Exchange	585,063	2,550
Short-term bonds quoted on Moscow Stock Exchange	1,870	-
Total short-term bonds	**586,933**	**2,550**
Long-term bonds		
Long-term bonds quoted on Irish Stock Exchange	-	582,357
Long-term bonds quoted on Moscow Stock Exchange	255,869	-
Total long-term bonds	**255,869**	**582,357**
Total bonds	**842,802**	**584,907**

The fair value of the outstanding bonds issued at 30 June 2017 was US$ 842,087 according to Irish and Moscow Stock Exchange quotations (31 December 2016: US$ 580,084).

14 Derivative financial instruments

As at 30 June 2017 the derivative financial liabilities were represented by:

					Notional amount	
	The Group pays	**The Group receives**	**Issue**	**Maturity**	**30 June 2017**	**31 December 2016**
Cross-currency interest rate swap	US$ at floating rate US$-ISDA+4.2%	RR at floating rates MosPrime 3m+2.59%	2013	2018	US$ 417 mln (RR 13,688 mln)	US$ 583 mln (RR 19,163 mln)
	US$ at fixed rate 3.6%	RR at fixed rates 8.8%	2017	2020	US$ 265 mln (RR 15,000 mln)	-
Interest rate swap	US$ at fixed rate 1.52%-1.54%	US$ at floating rates USD-Libor 3M	2016	2019	US$ 833 mln (RR 49,242 mln)	-
	US$ at fixed rate 1.82%-1.8425%[1]	US$ at floating rates USD-Libor 3M	2017	2020	US$ 1,000 mln (RR 59,090 mln)	-

In June 2017 in order to hedge the currency risk the Company concluded a zero-cost collar agreement (a combination of buying an option to sell and selling an option to purchase) for monthly sale of US$ 15 mln for a 12 month period. The lower limit of RR 56.00 per US dollar and an upper limit of RR 76.25 per US dollar.

	30 June 2017	31 December 2016
Assets		
Current derivative financial assets	11,457	-
Total derivative financial assets	**11,457**	**-**
Liabilities		
Current derivative financial liabilities	152,217	153,372
Non-current derivative financial liabilities	68,465	123,753
Total derivative financial liabilities	**220,682**	**277,125**

[1] Interest rate swap concluded in January 2017, entered in conjunction with US$-denominated loans in the aggregate notional amount of US$ 1 billion as at the reporting date with the rate to be fixed in September 2017.

(in thousands of US dollars, unless otherwise stated)

14 Derivative financial instruments (continued)

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

	Note	2017	2016
Balance as at 1 January		**277,125**	**585,603**
Cash proceeds from derivatives		4,751	8,010
Cash paid for derivatives		(74,050)	(117,388)
Changes in the fair value	20	(7,399)	(132,632)
Effect of translation to presentation currency		8,798	56,005
Balance as at 30 June		**209,225**	**399,598**

15 Revenues

	1st half of 2017	2016
Potassium chloride	831,514	681,207
Potassium chloride (granular)	512,260	370,568
Other revenues	43,826	22,945
Total revenues	**1,387,600**	**1,074,720**

16 Cost of sales

	Note	1st half of 2017	2016
Depreciation	6	85,158	63,151
Employee benefits		78,271	60,047
Fuel and energy		54,317	36,329
Materials and components		51,116	40,722
Change in work in progress, finished goods and goods in transit		38,183	(13,449)
Amortisation of licences	7	24,990	18,640
Repairs and maintenance		15,697	20,741
Transportation between mines by railway		6,084	3,477
Other costs		18,179	7,842
Total cost of sales		**371,995**	**237,500**

17 Distribution costs

	Note	1st half of 2017	2016
Railway tariff and rent of wagons		160,473	93,774
Freight		115,755	78,387
Transshipment		16,121	10,368
Transport repairs and maintenance		15,496	12,949
Commissions and marketing expenses		10,184	3,412
Employee benefits		5,212	7,870
Depreciation	6	4,300	3,438
Other costs		34,204	27,806
Total distribution costs		**361,745**	**238,004**

Depreciation in the amount of US$ 1,760 is included into Transport repairs and maintenance and Transhipment costs (Note 6) (1st half of 2016: US$ 1,580 – depreciation of property, plant and equipment; US$ 26 – amortisation of intangible assets).

(in thousands of US dollars, unless otherwise stated)

18 General and administrative expenses

	Note	1st half of 2017	2016
Employee benefits		46,122	44,842
Depreciation	6	3,922	3,804
Security		3,232	2,723
Mine rescue crew		3,046	2,403
Materials and fuel		2,472	2,275
Consulting, audit and legal services		2,384	3,212
Amortisation of intangible assets	7	1,542	2,424
Repairs and maintenance		1,194	1,627
Other expenses		13,884	12,965
Total general and administrative expenses		**77,798**	**76,275**

19 Other operating income and expenses

	Note	1st half of 2017	2016
Other operating expenses/(income) related to non-current assets			
Loss on disposals of property, plant and equipment and intangible assets		4,812	3,685
Reversal of impairment of property, plant and equipment and assets under construction		(2,160)	(2,380)
Other operating expenses/(income) related to non-current assets		1,071	(57)
Other operating expenses/(income) related to accounting estimates and accrued liabilities			
Accrual of resettlement provision	11	10,148	-
Accrual of legal provision	11	1,017	-
Other operating expenses/(income) related to accounting estimates and accrued liabilities		516	(2,904)
Other operating expenses/(income)			
Social cost and charity		1,905	3,251
Other income, net		(4,043)	(6,170)
Total other operating expenses/(income), net		**13,266**	**(4,575)**

20 Finance income and expenses

	Note	1st half of 2017	2016
Foreign exchange gain		156,296	596,584
Interest income		11,790	5,686
Fair value gain on derivative financial instruments, net	14	7,399	132,632
Gain on disposal of other financial assets		1,102	-
Income from associate		226	295
Gain from discounting and unwinding, net		-	4,667
Other finance income		58	-
Total finance income		**176,871**	**739,864**
Interest expense		(142,913)	(138,592)
Syndication fee and other financial charges		(31,234)	(12,466)
Loss from discounting and unwinding, net		(4,992)	-
Letters of credit fees		(1,989)	(1,457)
Finance lease expense		(460)	(360)
Total finance expenses		**(181,588)**	**(152,875)**
Total finance (expenses)/income, net		**(4,717)**	**586,989**

(in thousands of US dollars, unless otherwise stated)

20 Finance income and expenses (continued)

The syndication fee and other financial charges include the write-off of the prepaid commission in the amount of US$ 16,744 related to a US$ 1.5 billion credit line from PJSC “Sberbank of Russia”. The credit line was available for utilisation till 3 March 2017. This credit line has not been used due to being more costly as compared to other funding options. The Company raised funding in the 1st half of 2017 in the amount of US$ 1 billion at average rates that were lower compared to the above mentioned credit line.

Capitalised interest expense and foreign exchange loss in the cost of assets under constructions were as follows

	1st half of	
	2017	**2016**
Capitalised interest expenses	17,432	12,515
Capitalised foreign exchange losses	604	-
Total capitalised borrowing costs	**18,036**	**12,515**

21 Contingencies, commitments and operating risks

21.1 Legal proceedings

From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice, Management is of the opinion that there are no current legal proceedings or other claims outstanding that could have a material effect on the results of operations or financial position of the Group which have not been disclosed in these interim condensed consolidated financial statements.

21.2 Insurance policies

The Company generally enters into insurance agreements when it is required by statutory legislation. The insurance agreements do not cover the risks of damage to third parties’ property resulting from the Group’s underground activities.

21.3 Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. In the current enforcement climate under existing legislation, Management believes that there are no significant liabilities for environmental damage due to legal requirements. The Group's mining activities and the recent mine flooding may cause subsidence that may affect the Group's facilities, and those of the cities of Berezniki and Solikamsk, State organisations and others.

21.4 Capital expenditure commitments

As at 30 June 2017 the Group had contractual commitments for the purchase of property, plant and equipment and intangible assets for US$ 398,125 (31 December 2016: US$ 425,742 and intangible assets US$ 274) from third parties. As at 30 June 2017 and 31 December 2016 the Group had no contractual commitments for the purchase of property, plant and equipment from related parties. The Group has already allocated the necessary resources in respect of the commitments for the purchase of property, plant and equipment. The Group believes that future net income and funding will be sufficient to cover these and any similar commitments.

(in thousands of US dollars, unless otherwise stated)

21 Contingencies, commitments and operating risks (continued)

21.5 Operating lease commitments

As at 30 June 2017 and 31 December 2016 the Group leased property, plant and equipment, mainly land plots. The future minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2017	31 December 2016
Not later than 1 year	3,103	3,198
Later than 1 year and not later than 5 years	9,472	9,958
Later than 5 years	14,476	16,074
Total operating lease commitments	**27,051**	**29,230**

22 Fair value of financial instruments

			30 June 2017		31 December 2016	
Financial assets	**Stated at**	**Level**	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Loan issued	Amortised cost	3	331,518	330,343	188,762	188,762
Derivative financial assets	Fair value	2	11,457	11,457	-	-
Trade and other receivables	Amortised cost	3	454,905	454,905	213,632	213,632
Other financial assets	Amortised cost	3	-	-	68,267	68,770
Total			**797,880**	**796,705**	**470,661**	**471,164**

			30 June 2017		31 December 2016	
Financial liabilities	**Stated at**	**Level**	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Borrowings	Amortised cost	3	6,055,820	6,052,545	6,417,874	6,417,874
Bonds	Amortised cost	1	842,802	842,087	584,907	580,084
Derivative financial liabilities	Fair value	2	220,682	220,682	277,125	277,125
Trade and other payables	Amortised cost	3	196,561	196,561	221,813	221,813
Total			**7,315,865**	**7,311,875**	**7,501,719**	**7,496,896**

23 Events after reporting date

On 16 August 2017 the Company signed the US$ 850 mln 5-year pre-export facility with 11 international banks. The interest rate is 1M LIBOR + 2.2%. The loan will be used for refinancing of the Company's existing loans and general corporate purposes. The first tranche of US$ 350 mln was taken on 24 August 2017. This tranche together with Company's own funds was used for the early repayment of the loans in the total amount of US$ 730 mln.