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

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

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

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

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ABOUT THE COMPANY

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

Competitive Advantages

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

Main Products

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

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

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

We Ensure Global Food Safety

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

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

Why plants need potassium

- Potassium increases the nutrient content, improves the taste, colour and structure of fruits.
- Improves crop resistance to various diseases and pests.
- Improves resistance to droughts and frost.
- Participates in photosynthesis and protein synthesis.
- Increases the rate of nitrogen assimilation.
- Potassium improves supply of oxygen to the brain.
- It is involved in the transmission of neural impulses.
- Potassium compounds activate enzymes.
- It normalises heart rhythm.
- It has a beneficial effect on kidneys.
- Potassium regulates the water balance in cells and tissues.

Why people need potassium

- It regulates metabolic processes.
- It has a beneficial effect on skin.
- Potassium regulates the acid base balance of blood.
- Potassium prevents accumulation of sodium in cells.
- It helps to eliminate toxins from the body.
- It regulates metabolic processes.
- It has a beneficial effect on skin.
- Potassium regulates the acid base balance of blood.
- Potassium prevents accumulation of sodium in cells.
- It helps to eliminate toxins from the body.

Why farmers use potassium

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

Why mankind cannot do without potash fertilisers

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

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

Potassium Consumption by Agricultural Crops

Source: International Fertilizer Industry Association (IFA)
DEMAND FOR POTASSIUM GROWS ALONG WITH POPULATION GROWTH AND CHANGE OF PRIORITIES

DEMAND

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

SUPPLY

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

DEMAND FOR POTASSIUM GROWS ALONG WITH POPULATION GROWTH AND CHANGE OF PRIORITIES
Uralkali continues to maintain a leading position in the industry against the growing competition background. The market environment strengthened its fundamental industry characteristics in 2018. The Company’s EBITDA was 9% higher compared to 2017 and amounted to USD 1,459 million.
Market conditions throughout 2018 were characterised by the strengthening of fundamental industry characteristics. Global prices for potash fertilisers showed strong growth, and on the domestic market, an increase was seen in the consumption level of the Company’s main products. The Company’s net revenue reached USD 2.28 billion, which is 4% higher compared to 2017 and was due to the growth in FCA export prices by 23%.
Dear shareholders,

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

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

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

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

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

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

Sergey Chemezov, Chairman of the Board of Directors

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\(^1\) EBITDA margin is calculated as EBITDA divided by net revenue minus freight, transshipment and railway costs.
Dear shareholders!

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

Production and sales

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

Financial performance

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

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

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

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

Dividends

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

Dmitry Osipov,
CEO
DYNAMICS OF POTASH PRICES ON KEY MARKETS

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

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

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

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

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

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

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

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

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

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

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

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

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2019 Market Outlook
Going into 2019, the market looks promising.
This year we expect Brazilian demand to accelerate through the second quarter and carry into historically strong third quarter. Farmers are unlikely to substantially change potash application rates, given their nutrient deficient soils.

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2018 DYNAMICS OF POTASH DEMAND, MLN TONNES KCL

2018 DYNAMICS OF POTASH DEMAND, MLN TONNES KCL
Uralkali revised its sales strategy, refraining from entering into a long-term contract with India in favour of higher-margin spot markets, which had a positive effect on almost all annual financial indicators.

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

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

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

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

Alexander Terletsky,
Head of Uralkali Trading SIA

2018 URALKALI EXPORT SALES

URALKALI’S EXPORT SALES STRUCTURE

1 In terms of sales volumes.
2 Africa, Middle East, FSU.
DOMESTIC SALES

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

Vladislav Lyan,
Director of Domestic Sales

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

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

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

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

In 2018, the volume of potash supplied to NPK producers increased by 6% compared to 2017 and amounted to 2.35 million tonnes.

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

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

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

The main regions that consume potash for agricultural purposes are:

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

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

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPK producers</td>
<td>89%</td>
</tr>
<tr>
<td>Industrial consumers</td>
<td>7%</td>
</tr>
<tr>
<td>Agricultural producers</td>
<td>4%</td>
</tr>
</tbody>
</table>
Positioning the Company as a leader in the industry is anchored in its high level of expertise and social responsibility. Today, it is not enough to simply produce high-quality products, it is also essential to introduce international scientific expertise in the daily practices of farmers (our end customer), in order to ensure optimal crop yield. Uralkali is a member of Russian and international associations, such as the International Fertilizer Industry Association (IFA) and the Russian Association of Fertilizer Producers (RAFP), and serves on the scientific committee of a recognised international institute engaged in applied agricultural chemistry research — The Fertiliser Institute (TFI).

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

**Domestic Pricing**

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

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

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

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

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

Our Mission and Vision

Our Mission

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

Our Vision

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

Our Values

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

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

Delivering on Our Strategy

<table>
<thead>
<tr>
<th>OUR VISION</th>
<th>KPIs</th>
<th>PRIORITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>MAINTAINING INDUSTRY LEADERSHIP POSITIONS</td>
<td>- We strive to sustain a leading market position in the global fertiliser industry and contribute to the global food security.</td>
<td>- Net revenue (potash segment).</td>
</tr>
<tr>
<td></td>
<td>- We are focused on meeting the world’s growing demand for food and seek to take advantage of our unique resource base.</td>
<td>- Achieved production.</td>
</tr>
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<td></td>
<td>- We ensure secure and risk-free routes to market through enhanced distribution capabilities from the mines to consumers.</td>
<td>- Revenue maximisation.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Stimulation of growing demand for potash.</td>
</tr>
<tr>
<td>MAINTAINING LEADERSHIP POSITIONS IN TERMS OF CASH COST OF GOODS</td>
<td>- We seek to maintain our leading position in cost-efficiency among potash producers.</td>
<td>- Sales volume.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Cash cost of goods sold.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- EBITDA margin.</td>
</tr>
<tr>
<td>BALANCED APPROACH TO INVESTMENT IN EXPANSION AND RETURN OF FREE CASH FLOW TO SHAREHOLDERS</td>
<td>- We are committed to retaining a robust capital structure and maximising total shareholder return.</td>
<td>- Net debt/EBITDA for the last 12 months.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Expansion CAPEX.</td>
</tr>
<tr>
<td>FOCUSING ON PEOPLE, COMMUNITIES, SAFETY, AND ENVIRONMENT</td>
<td>- We aim to be the employer of choice in the industry.</td>
<td>- Work-related fatal injury frequency rate (FIFR).</td>
</tr>
<tr>
<td></td>
<td>- We are pursuing the highest level of occupational health and industrial safety practices to protect our employees.</td>
<td>- Lost time injury frequency rate (STIFR).</td>
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<tr>
<td></td>
<td>- We take significant steps to minimise the environmental impact of our operations.</td>
<td>- Social investments.</td>
</tr>
<tr>
<td></td>
<td>- We actively participate in the development of cities and local communities.</td>
<td>- Voluntary labour turnover.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Average annual wages (in the main production unit).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Energy consumption.</td>
</tr>
<tr>
<td>CONTINUED FOCUS ON BEST CORPORATE GOVERNANCE PRACTICES</td>
<td>- 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.</td>
<td>- Credit rating maintenance corresponding to the Company’s current financial position and status.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- The Company’s governance and transparency are not negatively cited by rating agencies/regulators.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Seeking to be a regional and industry employer of choice.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Operating in a socially responsible manner and minimising environmental impact of operations.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Securing our shareholders’ rights and interests.</td>
</tr>
</tbody>
</table>
BUSINESS MODEL

RESOURCES

- Ore reserves (potash, carnallite): 5 sites
- Licenses for development
- 12 thousand employees work in the main production unit
- Social capital (partnerships in the field of socio-economic development of the regions where the Company operates)

PRODUCTION

- Ore warehouse
- Mining shaft
- Drying department
- Granulating department
- Finished goods warehouse
- 6 potash plants
- 1 carnallite plant

PRODUCTS

- Standard white MOP
- Standard Pink MOP
- Granular MOP

LOGISTICS

- Baltic Bulk Terminal: 7.8 thousand mineral wagons
- Warehouse capacity

SALES

- Sales volume of 11.1 million tonnes KCl
- >60 countries

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RISK MANAGEMENT

Key risk factors

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

Other risks, of which Uralkali is unaware or which are not currently deemed significant, may become material in the future and have a considerable impact on the performance of Uralkali. All estimates and forecasts taken into account current factors and forecasts.

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

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

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

Paul Ostling
Chairman of the Audit Committee

Change of the supply and demand balance on the main potash markets

The demand for potash on major sales markets does not comply with the level of production and price of potash due to both political and economic factors. It may have a negative impact on the Company’s operations. The desire of potash producers to achieve high capacity utilization in the context of insufficient demand can lead to potassium chloride oversupply and thereby to a reduction of the global prices. All this may affect revenues and result in a decrease of the Company’s profits.

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Change of the supply and demand balance on the main potash markets

The demand for potash on major sales markets does not comply with the level of production and price of potash due to both political and economic factors. It may have a negative impact on the Company’s operations. The desire of potash producers to achieve high capacity utilization in the context of insufficient demand can lead to potassium chloride oversupply and thereby to a reduction of the global prices. All this may affect revenues and result in a decrease of the Company’s profits.

The demand for potash on major sales markets does not comply with the level of production and price of potash due to both political and economic factors. It may have a negative impact on the Company’s operations. The desire of potash producers to achieve high capacity utilization in the context of insufficient demand can lead to potassium chloride oversupply and thereby to a reduction of the global prices. All this may affect revenues and result in a decrease of the Company’s profits.

Strategy 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. These risks include investment projects’ delays and stoppages, technical failures, and project termination. These risks that projects’ technical parameters will not be achieved, or risks of project termination taking into account current factors and forecasts.

The Annual Report does not aim to give an exhaustive description of all risks that may impact the Group’s financial and operating performance.

The table below describes mainly the major and most significant risk factors, which may have a considerable impact on the Group’s financial and operating performance.

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. These risks include investment projects’ delays and stoppages, technical failures, and project termination. These risks that projects’ technical parameters will not be achieved, or risks of project termination taking into account current factors and forecasts.

The Annual Report does not aim to give an exhaustive description of all risks that may impact the Group’s financial and operating performance.

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

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Level</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of production capacity/production volumes</td>
<td>medium</td>
<td>Production capacity decreased in connection with the accident at Solikamsk-2 in 2014. Uralkali continues to expand its production capacity and replace retired assets, maintaining them in working order. The Company sets the production targets in accordance with current market situation and the adopted strategy.</td>
</tr>
<tr>
<td>Lack of qualified employees</td>
<td>high</td>
<td>In the context of the planned launch and development of a number of mining projects in the Perm and neighbouring regions by other companies in the coming years, retention of qualified personnel is becoming one of the main tasks for the Company. The 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. All this can negatively affect the Company's timely achievement of goals.</td>
</tr>
</tbody>
</table>

## Financial risks

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Level</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency rates fluctuations and interest rates growth</td>
<td>high</td>
<td>Inflation processes and currency fluctuations significantly affect the financial performance of the Company and may lead to a reduction of net profits. Part of the Company’s loan portfolio consists of loans with floating interest rates and is denominated in foreign currency. The bulk of Company’s expenses denominated in roubles, while the main export revenues are denominated in US dollars. The Company minimises the currency fluctuation risks and the risk of a significant increase in the floating interest rate by means of financial derivatives and other available hedging instruments.</td>
</tr>
</tbody>
</table>

## Expenditure increase

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Level</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>medium</td>
<td>The Company is implementing programmes to increase productivity and reduce operating expenditures. The Company is engaged in thorough budgeting and planning activities, ensures continuous monitoring and control of expenses of its bodies and officials. The Company constantly improves performance discipline and implements additional controls that allow it to stay on budget and keep costs at an approved level.</td>
</tr>
</tbody>
</table>

## Non-fulfilment of obligations by contractors, suppliers or customers

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Level</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>The failure of key partners, relations with whom are strategically important, to meet their contractual obligations may adversely affect Uralkali’s performance.</td>
<td>high</td>
<td>The Company’s activities depend on monopolistic energy suppliers and the Russian railways. In the context of macroeconomic instability, suppliers and contractors can increase the price of their products and services. Timely fulfilment by suppliers, contractors and buyers of their obligations related to the implementation of the Company’s investment projects is critical in order to ensure compliance with deadlines within the approved financial investments. The Company strives to ensure alternative suppliers and contractors are available for all its needs. Uralkali is working towards enhancing contractual discipline to ensure the obligations undertaken by the parties are fulfilled on time and in full, including monitoring compliance with the terms of contracts through the introduction of additional controls (including KYC, credit policy and risk assessment models) to improve the quality of documentation, interact with counterparties at various contractual stages, and to ensure timely and complete performance of the obligations assumed by the parties.</td>
</tr>
</tbody>
</table>

## Additional measures

<table>
<thead>
<tr>
<th>Risk</th>
<th>Risk Description</th>
<th>Level</th>
<th>Development</th>
<th>Comments</th>
<th>Risk minimisation measures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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**Uralkali TRANSFORMATION FOR THE FUTURE**

[Uralkali.com](http://www.uralkali.com)
### Environmental risks

Environmental and mining risks

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Level</th>
<th>Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental risks</td>
<td>high</td>
<td>Given unpredictable natural factors associated with mining, the Company takes a conservative approach to mitigate environmental risks.</td>
</tr>
<tr>
<td>HSE non-compliance</td>
<td>medium</td>
<td>The Company pays considerable attention to industrial safety, treating human life and health as the highest value, and making HSE compliance its main task.</td>
</tr>
</tbody>
</table>

### Political and legal risks

Risks related to the incidents at Berezniki-1 and Solikamsk-2

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Level</th>
<th>Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>high</td>
<td>The Company adheres to the safety and social responsibility policies and adopts a conservative approach.</td>
</tr>
<tr>
<td>The Company follows its social responsibility policy, under which it maintains a constructive and consistent relationship with state authorities to respond to any issue in a timely manner.</td>
<td>medium</td>
<td>Uralkali operates on the Russian market and a number of developing markets that are exposed to higher risks than more developed markets, including significant legal, economic, and political risks. The Company may breach applicable laws or regulations on the markets where it operates.</td>
</tr>
<tr>
<td>Uralkali is subject to the laws of Russia and other countries of its operations, including anti-monopoly regulations. Claims, including anti-monopoly claims, may create additional costs for the Company.</td>
<td>low</td>
<td>Uralkali is registered in Russia and operates in a number of developing markets that are exposed to higher risks than more developed markets, including legal, economic and political risks, i.e. rapidly changing legislation and legal practice.</td>
</tr>
</tbody>
</table>
Uralkali continues to maintain a leading position in the industry against the growing competition background.

The market environment strengthened its fundamental industry characteristics in 2018. The Company’s EBITDA was 9% higher compared to 2017 and amounted to USD 1,459 million.

Dmitry Osipov, CEO

**Key Performance Indicators**

- **Strengthening Industry Leadership Positions**
  - **Net Revenue, USD MLN**
    - 2014: 2,785
    - 2015: 2,645
    - 2016: 1,831
    - 2017: 2,183
    - 2018: 2,281
  - **Labour Productivity, Tonnes per Person**
    - 2014: 1,683
    - 2015: 1,582
    - 2016: 1,466
    - 2017: 1,534
    - 2018: 1,499
  - **Production Volume, MLN Tonnes KCL**
    - 2014: 12.1
    - 2015: 11.5
    - 2016: 10.8
    - 2017: 12.0
    - 2018: 11.5

**Relevance to the strategy**

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

**Measurement**

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

**Performance overview**

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

**Focus on Relationship with End Consumers**

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

  **Measurement**
  
  Potash fertilisers output divided by average production personnel headcount.

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

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

**Measurement**

The volume of potash fertilisers produced within the reporting period.

**Performance overview**

The production volume in 2018 decreased year-on-year due to the sales redistribution to more profitable markets.
Focus on Relationship with End Consumers  

<table>
<thead>
<tr>
<th>SALES VOLUME, MLN TONNES KCL</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.1</td>
</tr>
</tbody>
</table>

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

Measurement  
The volume of potash fertilisers sold within the reporting period.

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

---

Maintaining a Leadership Position in Cash Cost of Goods  

<table>
<thead>
<tr>
<th>UNIT CASH COGS, USD PER TONNE</th>
</tr>
</thead>
<tbody>
<tr>
<td>42.5</td>
</tr>
</tbody>
</table>

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

Measurement  
COGS less depreciation and amortisation per tonne.

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

---

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

<table>
<thead>
<tr>
<th>MAINTENANCE CAPEX, USD MLN</th>
</tr>
</thead>
<tbody>
<tr>
<td>217</td>
</tr>
</tbody>
</table>

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

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

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

---

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

<table>
<thead>
<tr>
<th>EBITDA MARGIN, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>64</td>
</tr>
</tbody>
</table>

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

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

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

---

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

<table>
<thead>
<tr>
<th>EXPANSION CAPEX, USD MLN</th>
</tr>
</thead>
<tbody>
<tr>
<td>142</td>
</tr>
</tbody>
</table>

Relevance to the strategy  
Expansion CAPEX reflects how efficiently we bring new potash capacity on line.

Measurement  
Capital expenditures attributable to the expansion programme.

Performance overview  
The Company’s expansion programme remains one of the most efficient in the field. In 2018, the total expansion CAPEX corresponded to the schedule of launching new capacities aimed to maintain the leading position on the market.
Focus on People, Communities, Safety and Environment

**Work-Related Fatal Injury Frequency Rate (FIFR)**

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

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

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

**Lost Time Injury Frequency Rate (LTIFR)**

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

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

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

**Social Investments, USD MLN**

Relevance to the strategy
Social investments demonstrate and reflect the Company’s important role in the community in which it operates.

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

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


**Voluntary Labour Turnover, %**

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

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

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

**Average Annual Wages, USD**

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

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

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

**Energy Consumption KWH/T**

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

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

Performance overview
Increase in energy consumption per tonne of production was due to the decrease in production volume amid other factors.
Continued Focus on Best Corporate Governance Practices

CREDIT RATING MAINTENANCE

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment-grade ratings</th>
<th>Stable credit outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012–2013</td>
<td>maintained</td>
<td>maintained</td>
</tr>
<tr>
<td>2014</td>
<td>maintained</td>
<td>maintained</td>
</tr>
<tr>
<td>2015–2017</td>
<td>maintained</td>
<td>maintained</td>
</tr>
<tr>
<td>2018</td>
<td>maintained</td>
<td>maintained</td>
</tr>
</tbody>
</table>

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

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

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

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

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

Performance overview
In 2018, Expert RA assigned the Company the ruA rating. In 2018, Fitch and Standard & Poor’s improved the outlook on the Company’s rating from Negative to Stable. Moody’s rating agency’s outlook remained at the same level.

Relevance to the strategy
The corporate governance system, based on the best international standards, is the backbone of shareholders’ trust.

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

Performance overview
Corporate governance continued to be among the Company’s key priorities in 2018. The decision-making process in the Company is in line with legal and regulatory requirements and the best international corporate governance practices.
The Company aims to retain and increase its share on the global market. Uralkali implements a programme for the development of production capacities and continues to invest in modernisation of its current facilities. The programme will be implemented taking into account the current situation and expected developments on the potash market.

**Production Capacity Development and Maintenance Programme**

**Ust-Yayvinsky block**

- **Investments in 2018**: $54 mln
- In 2018, the construction of the surface complex facilities continued and the acquisition of the main technological equipment is being carried out.

**New Solikamsk-2 mine**

- **Investments in 2018**: $31 mln
- The shaft sinking was conducted in 2018, and the designing of the surface complex continued.

**Other expansion projects**

- **Investments in 2018**: $57 mln
- In order to improve the production efficiency, programmes are being implemented aimed to increase the load on the sections and the extraction; geological exploration of new areas, as well as the railway infrastructure development is continued; new projects for raising the volume of granular products are carried out.

**Maintenance of existing capacity**

- **Investments in 2018**: $217 mln
- As part of the capacity maintenance work, the preparation of the mine panels for operation and worked out sectors for closing, as well as replacement and upgrade of the equipment is being carried out.
## Promoting Financial Stability

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

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

- the total revenue decreased by 0.3% compared to 2017 (USD 2.75 billion in 2018 against USD 2.76 billion in 2017);
- the average export price on a delivery basis in US dollars increased by 18% in 2018;
- the average FCA export price in US dollars increased by 23% in 2018;
- the average FCA export price in US dollars increased by 12% against 2017 as part of its strategy to maximise the average FCA price by redistributing shipments to profitable markets. In 2018, the average export price in US dollars for the Company's products on a delivery basis increased by 18% compared to 2017. All these factors led to a growth in net revenue by 5% to USD 2.28 billion compared to the previous year, while the amount of revenue in the potash segment remained at the level of 2017.

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

## Transportation

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

15% of export sales were transported by rail.

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

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

---

**Gross sales**

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

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

## Freight

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

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

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

## Transshipment

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

## Net revenue

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

## Railway tariffs

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

1 The weighted average total rates into account the volume of the Company’s sales in different directions.
Employee benefits
Fuel and energy
Materials and components
Repairs and maintenance
Normalised materials
Transportation between mines by railway
Change in work in progress, finished goods and goods in transit and other costs

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

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

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

Around 20 thousand people worked for the Group in 2018.

Fuel and energy costs in cash COGS, %

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>13.68</td>
<td>13.83</td>
</tr>
<tr>
<td>Heat</td>
<td>6.9</td>
<td>5.0</td>
</tr>
<tr>
<td>Gas</td>
<td>0.6</td>
<td>0.65</td>
</tr>
<tr>
<td>Other cash COGS</td>
<td>0.02</td>
<td>0.24</td>
</tr>
</tbody>
</table>

Fuel consumption

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

* The growth was mainly caused by the transfer of the Group’s personnel of the underground maintenance service to Uralkali’s staff.
The effective tariff on purchased electricity in US dollars decreased by 6% in 2018 (a 1% decrease in rouble terms) compared to 2017 and amounted to USD 47 per 1,000 kWh.

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

General and administrative expenses
In 2018, general and administrative expenses2 increased by 10% in US dollars against 2017. Their main component was labour costs (59%).

Operating cash flow and CAPEX

Operating profit

Adjusted for depreciation and amortisation

EBITDA analysis
In 2018, EBITDA1 increased by 9% against 2017 and amounted to USD 1.46 billion. The EBITDA margin2 was 64% in 2018.

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

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

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

1  EBITDA index is an operating profit plus depreciation and amortisation.
2  EBITDA margin is the ratio of EBITDA to the net revenue.
in 2018 compared to 2017 was mainly due to the price increase on the global potash market, as well as due to the changes in the Company’s sales structure in favour of more profitable markets.

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

Share buyback
The Company acquired 52 million of ordinary shares during 2018 as a result of redemption right exercise pursuant to Joint Stock Company Law. The total amount spent on the purchase of the Company’s ordinary shares during 2018 amounted to USD 126 million (against USD 26 million in 2017). All transaction costs were included into the purchase price.

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

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

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1 According to the consolidated statement of changes in equity according to IFRS.
SETTING STANDARDS FOR SHIP CHARTERING

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

Industry Challenges

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

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

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

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

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

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

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

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

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

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

Our Perspective

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

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

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

World Practice

World practice

Loading/unloading in 37 countries worldwide

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> 95 ports

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Fair Competition
Instant data dissemination and freight market participants’ awareness of new cargo encourages the development of a competitive environment and obtaining best offers.
Consolidation of operational market information, as well as analytical tools ensures conclusion of direct contracts between shipowners and charterers without intermediaries.

Maintaining Safety
Maintaining strict confidentiality on the information transmitted, especially the terms of agreements, is the key feature of the freight market.
Together with IT leaders in the field of information security, we create a different pattern that will serve as a basis of the future freight market.
Anonymisation and encryption are the general principles of our solution that guarantee maximum safety and privacy for our partners.

Our Focus
Attracting the largest Russian exporters of bulk cargoes as new nodes of the united freight environment is our priority.
Our platform will provide leading Russian exporters with a unique opportunity not only to completely get rid of the above mentioned problems, but also to consolidate freight flows thus strengthening positions of companies and having a serious impact on the freight market and its participants.
MGIS is designed to create a single information space and to structure mining and geological data during the development of the Verkhnekamskoye deposit of potassium and magnesium salts. Each development goes hand in hand with the statistical data storage and accumulation:

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

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

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

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

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

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

Later on, the experience gained will be used in the implementation of MGIS at the Company’s other mines. Completion of the project is scheduled for 2020, when about 500 Company specialists will be able to work online in various MGIS modules, and this will significantly optimise the process of resolving mining and geological tasks.
Taking into account all stakeholder interests remains an important element of Uralkali’s activities in terms of adhering to the principles of sustainable development that form the basis of the Company’s corporate strategy.

**Industrial safety and environmental protection**

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

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

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

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

**Community engagement**

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

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

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

**Global food security**

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

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

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

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

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

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

Based on the analysis results, Uralkali’s strategic priorities were grouped into four key areas:
- sustainable economic development;
- employees;
- lowering environmental impact;
- stakeholder impact.

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

Key Activities

**Sustainable economic development**

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

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

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

**Lowering impact on the environment**

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

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

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

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

**Stakeholder engagement**

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

Compliance management implies compliance with all applicable laws and regulations.

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

Our approach
Uralkali focuses on measures to minimise the negative environmental impact of its activities. Responsibility for preserving the environment is an integral part of doing business.

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

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

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

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

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

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

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

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

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

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

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

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

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

Targeted funding of energy saving measures was provided in 2018. In the reporting year, 20 frequency converters were put into operation, over 3,000 light fixtures were replaced for energy efficient, more than 9,000 meters of pipelines were repaired with the replacement of thermal insulation, and 205 valve blankets were installed.

The Company is implementing a project on renovation of the boiler house’s reserve fuel complex at Berezniki-4.

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

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

Atmospheric emissions
The Company has environmental protection departments which are responsible for emissions of pollutants into the atmosphere.

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

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

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

Uralkali understands the importance of controlling greenhouse gas emissions and keeps relevant records. During the reporting period, the Group’s CO₂ equivalent emissions amounted to 1,819.8 thousand tonnes, which is 5.4 thousand tonnes less compared to 2017 due to a decrease in the total energy consumption.

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

In 2018, the total water intake for industrial needs and utility services at Uralkali in Russia increased by 0.9% to 18.94 million m³ from 18.77 million m³ in 2017. The water intake from surface sources totalled to 15.04 million m³ (excluding water intake for third parties).

The flow rate of water in recycled and reused water supply systems at Uralkali increased by 18.129 million m³ compared to 2017 and totalled 122.439 million m³.

Biodiversity
Uralkali is aware of the importance of minimising possible negative environmental impact and implements projects aimed at preserving biodiversity.

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

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

• modernising both existing and new facilities to increase the recovery ratio of valuable components from ore (top priority);

• backfilling the mined-out areas of mines;

• recycling waste into products;

• involving waste in secondary use (waste recycling into products for sale, transfer for the preparation of raw materials used in soda production);

• neutralising and disposing of waste streams (that meet the requirements of sanitary and environmental legislation).

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

The Company’s work allows to reduce the impact on the environment: the decrease in tonnage of waste placed at salt tailing piles and slurry storages, as well as at the municipal solid waste landfill.

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

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

• industrial sodium chloride;

• halite mineral concentrate.

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

• deicing agent;

• saline solution for production of soda.

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

Waste tonnage at in-house facilities has been declining over the recent years. By the end of 2018, the decrease amounted to 10%.
In the reporting period, Uralkali’s waste placement at the municipal landfill amounted to 18.8 thousand tonnes. The decrease has been detected over the last six years and amounted to 54% compared to 2013 and 20% compared to 2017. This decrease in waste disposal is due to the efficient operation of the crushing and sorting plant and the increase in the tonnage of waste transferred to third parties. In 2018, 11 million tonnes of waste were transferred to third parties for use and neutralisation from 1.04 million tonnes in 2017.

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

### Environmental Measures

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

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

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

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

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

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

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

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

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

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

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

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

Our approach

Safety is an unconditional value and an integral part of our actions and decisions. We understand that careless, thoughtless, and irresponsible actions may have tragic implications not only for ourselves and our colleagues, but also for our families and friends. We understand that there is nothing more important than being alive and healthy.

Why this is important to us

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

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

We understand that careless, thoughtless, and irresponsible actions may have tragic implications not only for ourselves and our colleagues, but also for our families and friends.

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

Key priorities

- Absence of industrial accidents.
- Absence of emergencies.

Stakeholders

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

Performance Indicators

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

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

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

Organisational and Operational Measures

Labour safety

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

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

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

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

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

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

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

Construction of separate sites for storage of scrap metal has been completed at the industrial sites of Berezniki-2, Berezniki-3, Solikamsk-3.
In 2018, a set of measures aimed at declaring the safety of hydraulic structures of the insulating dam in the port’s haven and the protective dam of the cargo area Berezniki-1 was carried out:

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

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

Radiation technology and safety

In May 2018, as part of the state service of the Russian Federal Accreditation Service No. 323-3G-U, the Department of Radiation Technology and Safety underwent an assessment of compliance with the accreditation criteria due to the change of the place of its activities (Berezniki). As a result, the technical feasibility of carrying out measurements (tests) and competence of the Department of Radiation Technology and Safety were confirmed. The Expert Commission confirmed compliance with the accreditation criteria approved by the Ministry of Economic Development of the Russian Federation and GOST R ISO/IEC 17025-2009.

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

Fire safety, civil defence, and emergency prevention

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

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

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

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

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

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

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

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

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

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

Work was carried out on the preparation of children’s health-improving camp Ural Gems for safe leisure time of Company employees’ children during the Summer Health Campaign 2018. In the 2018 summer season, special attention was paid to teaching children how to observe safety measures, including at home and when on water bodies.
Training and briefing
Making employees aware of the latest labour, industrial and fire safety requirements and developing a culture of compliance play a key role in ensuring workplace safety. Before starting work at Uralkali’s production facilities, employees attend a workplace briefing. Ensuring workplace safety and monitoring employee compliance with safety requirements are part of the responsibilities of all foremen and supervisors.

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

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

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

Our Plans for 2019
- To initiate an educational process in the training complex in the premises of the restored building on the territory of Berezniki-3 in order to obtain practical skills and carry out trainings at height.
- To organise the implementation of the measures developed on the basis of special assessment of working conditions in the Company.
- To carry out a special assessment of working conditions in renewed workplaces, as well as in workplaces where technological changes, accidents and occupational diseases have occurred.
- To continue the implementation of projects on providing jobs with Quick Access Instructions aimed to comply with the requirements of labour safety and to maintain order in the units of other mining departments.
- To update data on the number of technical devices, buildings and structures at the Company’s hazardous production facilities subject to examination of industrial safety to extend the period of safe operation, as well as to prepare a strategic plan for expert examination of industrial safety.
- To prepare the Company’s hazardous production facilities for the scheduled field inspection of the Western Urals Rostechnadzor Department.
- To calculate the stability of dams and dikes of slurry storages Berezniki-3, Berezniki-4, Solikamsk-2, Solikamsk-3 and the Verkhne-Zyryansky reservoir in order to obtain recommendations for their further safe operation.
- To continue implementing a system to monitor efficiency of the existing fire protection systems to guarantee detection of fires and combustions at early stages at the Company’s surface complex facilities in Solikamsk.
- To conduct works on assembling the technical complex Local Alarm System in case of an emergency on HS (slurry storage) Berezniki-4.

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

Irina Konstantinova,
Human Resources Director of PJSC Uralkali
Our approach

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

Why this is important to us

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

Key priorities

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

Stakeholders

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

HR Management

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

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

Motivation

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

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

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

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

Rewarding

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

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

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

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

Career and Development

We appreciate great expertise of our employees, and their aspiration for self-development is always welcomed. The Company’s HR Policy is aimed at creating conditions for professional development and training of employees. Our employees have an opportunity to take part in various cross-functional projects, hence constantly expanding their competencies.
The Company incorporates a successfully operating Corporate University which provides the personnel with a wide range of training programmes and online platforms for their development. The list of services provided by the university is expanded every year. The main types of training:

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

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

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

43,900 training activities were held by PJSC Uralkali and its subsidiaries in Russia in 2018

Social Support

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

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

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

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

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

Volunteers

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

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

Veterans

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

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

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

Up to 70% reimbursement of meal expenses

Up to 50% reimbursement of expenses for visits of employees to and from work

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

3.34 USD mln expenses for corporate catering in 2018

Up to 50% reimbursement of expenses for visits of employees to swimming pools and rental of sports equipment (skis and bicycles)
Communication and Feedback

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

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

Students and Scholarships

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

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

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

Encouraging Sports

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

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

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

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

Uralkali’s support allowed Solikamsk hockey players to participate in the Perm Region Cup and Championship. With the Company’s participation, the Open Solikamsk Cup of Greco-Roman Wrestling took place.
Project for the development of basketball as a popular sport for children and adolescents

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

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

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

In 2018, the Company supported streetball competitions among the cities, where more than 171 teams took part.

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

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

Victory Day in Solikamsk. There were also funds allocated to the Folklife Festival for students of Solikamsk.

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

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

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

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

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

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

Support for Municipalities and Public Organisations

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

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

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

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

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

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

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

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

Support for faith-based organisations

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

With the support of Uralkali, the construction of St. Nicholas...
In 2018 it helped:

- Uralkali regularly helps disadvantaged population groups.
- Charities and Sponsorship citizens to festive services.
- The Company also provides assistance in transporting road construction around the building have begun.
- rendering of the foundation, site improvements and ring road construction around the building have begun.
- Cathedral, one of the largest in the Perm Region, continued in 2018. Stairways and basement entrance gallery were renovated, anti-lightning protection was implemented, heating, water supply and sewerage systems are being installed. Inner walls are being plastered for future fresco painting. Works on granite systems are being installed. Inner walls are being implemented, heating, water supply and sewerage gallery were renovated, anti-lightning protection was continued in 2018. Stairways and basement entrance.

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

Charity and Sponsorship

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

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

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

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

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

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

Uralkali is a partner of the 4th Interregional Exhibition “Rudnik-2018”
Every aspect of our strategy is based on the commitment of our people. Their knowledge, their willingness to work and their satisfaction are the Company’s keys to success. We put an emphasis on creating conditions for the professional and career growth of our employees, which strengthens their loyalty to the business.

Efficient cooperation with trade unions is essential for the Company in understanding and fulfilling employees’ expectations. Trade unions help monitor the implementation of all health and safety rules and other important agreements.

The Company strictly follows industry standards and complies with local and international laws and regulations. Uralkali aims to establish and maintain stable and constructive relations with national and local government authorities, based on the principles of accountability, good faith and mutual benefit.

The Company’s development needs to be supported by the local communities wherever it operates. Sustainability of ecosystems, biodiversity and a healthy environment are vital conditions for the wellbeing of future generations. A better quality of life for our employees and local communities through our social and cultural projects contributes to regional social and economic development and ensures the sustainability of our operations, helping us fulfill our commitments as an industry leader.

Uralkali is interested in objective, accurate, and timely media coverage of all its operating results, key external and internal events, social activities, participations in the industry conferences, international and Russian exhibitions, and other events. An objective perception of Uralkali and its strategy by all stakeholders is important both for the Company and its target audiences.

Accurate media coverage of the Company’s strategic messages, corporate events, and news

Getting feedback from the public and the media

Maintaining relationship with stakeholders at all levels

Meetings with representatives of local communities

Economic, environmental, and social initiatives

Implementation of CSR projects and local community development programmes

Assisting in the design of development plans for the regions in which Uralkali operates

Publications in local media

Public hearings

Maintaining contact with NGOs

Press releases on significant issues and key events

Interviews with management

Press tours and press conferences

Relationship building events for media

Perception studies among target media

• Principles of social partnership
• Mutual respect and trust that underpin HR Policy
• Financial and non-financial incentives
• Learning and development opportunities
• Compliance with health and safety standards
• HR Policy and Labour Safety Policy
• The system of internal communication and feedback
• Regular meetings between management and employees
• Feedback on hotline (call-centre) messages
• Ensuring safety in the workplace
• Implementation of social programmes and financial incentive programmes
• Employee satisfaction and employee engagement surveys
• Reports on the execution of provisions of collective bargaining agreements and labour safety agreements
• Regular face-to-face meetings with management and trade union members
• Collecting written opinions on most important social issues
• Reporting to regulators
• Paying taxes
• Planning and implementing social projects
• Maintaining a dialogue with government authorities on current legislative and regulatory issues
• Information disclosure and reporting
• Dialogue with government authorities on legislative and regulatory issues
• Development of partnership agreements
• Participation in workshops and expert panels
• Implementation of joint projects
• Local community development planning

• Employee loyalty
• Compliance with labour safety regulations
• Feedback from employees
• Decisions on important social issues

• Environmental safety and mitigation of the consequences of industrial accidents
• Housing infrastructure development and modernisation
• Social infrastructure development and modernisation
• Sports development
• Support for cultural events
• Support for disadvantaged groups of the community

• Meetings with representatives of local communities
• Economic, environmental, and social initiatives
• Implementation of CSR projects and local community development programmes
• Assisting in the design of development plans for the regions in which Uralkali operates
• Publications in local media
• Public hearings
• Maintaining contact with NGOs

• Accurate media coverage of the Company’s strategic messages, corporate events, and news
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• Perception studies among target media
Corporate governance is a system enabling interaction between executive bodies, the board of directors, shareholders, and other stakeholders of a joint-stock company.1

Report of the Board of Directors on Corporate Governance

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

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

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

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

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

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

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

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

Corporate Secretary

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

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

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

Members of the Board of Directors

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

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

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1 The Code of Corporate Governance by the Bank of Russia.
Sergey CHEMEZOV
Chairman of the Board of Directors
Independent Director

Year of birth 1952
Citizenship Russian Federation
Education Institut of National Economy
Election to the Board of Directors March 2014

Career background
Since 1981, he has held senior positions in a number of public entities, including Promexport and Rossoborexport. 1996–1999 held the foreign economic relations office of the Russian President’s Administrative Department. In December 2007, he was appointed the CEO of Rostec, the state corporation for the support of the development, production, and export of high-tech industrial products.

Membership in Board Committees
Not a committee member.

External appointments

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

Year of birth 1968
Citizenship Russian Federation
Education Moscow State Institute of International Relations
Election to the Board of Directors March 2014

Career background
Since the mid-1990s, he has held senior management positions in governmental and privately-owned companies including JSC Tyumen Oil Company, JSC Nurmaverovskneftegaz, OJSC Kuzbassugol, and the Russian Federal Property Fund. 2002–2003: President of OJSC Silur. Since 2007: Chairman of the Board of Directors of JSC UCC URALCHEM and also the management company, UralChem Holding P. L. C.

Membership in Board Committees
Not a committee member.

External appointments

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

Year of birth 1957
Citizenship Republic of Belarus
Education Kirov Leningrad Higher Command School.

Election to the Board of Directors September 2016.

Career background

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

External appointments
Director at Juras Oil LLC and Rinisco Trading Co. Limited. Does not own PSC Uralkali’s shares.

Dmitry OSIPOV
CEO

Year of birth 1966
Citizenship Russian Federation
Education Voronezh State University.

Election to the Board of Directors March 2014.

Career background

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

External appointments
Member of the Board of Directors of JSC UCC URALCHEM. Member of the Board of Directors of several Uralkali’s affiliates. Does not own PSC Uralkali’s shares.

Dmitry TATYANIN
Non-Executive Director

Year of birth 1971
Citizenship Russian Federation
Education Lomonosov Moscow State University.

Election to the Board of Directors March 2014.

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

Membership in Board Committees
Member of the CSR Committee.

External appointments
Member of the Board of Directors of JSC UCC URALCHEM and several companies affiliated with JSC UCC URALCHEM. Does not own PSC Uralkali’s shares.

Dmitry KONYAEV
Non-Executive Director

Year of birth 1966
Citizenship Russian Federation
Education Voronezh State University.

Election to the Board of Directors September 2016.

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

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

External appointments
Member of the Board of Directors of JSC UCC URALCHEM and several companies affiliated with JSC UCC URALCHEM. Does not own PSC Uralkali’s shares.
Planning and Review of the Board’s Activities

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

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

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

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

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

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

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

The Board of Directors also passed a number of resolutions related to placement of preferred shares, approval of annual IFRS and RAS financial statements, approval of the annual report; approval of the list of candidates to the Board of Directors and the Revision Commission; approval of the annual budget; and recommendations to approve the major transaction. In addition, the Board of Directors adopted certain HR decisions related to changes in the composition of the executive team and the Management Board; approved a five-year appointment of Dmitry Ois pav as the CEO; and a number of other decisions.
In its work, JSC Uralkali consistently follows the main principles of the Code of Corporate Governance and most recommendations by steadily complying with the requirements of applicable law and applying best corporate governance practices.
Report of the Audit Committee

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

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

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

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

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

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

<table>
<thead>
<tr>
<th>AUDITOR</th>
<th>FEE FOR AUDIT SERVICES (RUB)</th>
<th>FEE FOR CONSULTING SERVICES (RUB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CJSC Deloitte &amp; Touche CIS</td>
<td>41,300,000</td>
<td>3,540,000</td>
</tr>
<tr>
<td>Deloitte Consulting LLC</td>
<td>41,300,000</td>
<td>1,107,908</td>
</tr>
<tr>
<td>TOTAL</td>
<td>82,600,000</td>
<td>4,647,908</td>
</tr>
</tbody>
</table>

The Audit Committee reviewed the non-audit services provided to the Company and established that the audit/consulting fee ratio does not threaten the auditors’ independence in terms of the provided audit services. At its meeting held on 14 March 2019, the Committee reviewed the non-audit services provided to the Company and established that the audit/consulting fee ratio indicates the impartiality and independence of the auditors of the Company’s financial statements.

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

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

In 2018, the Committee spent considerable time updating of the risk management and internal control system. In 2019, it will continue to address this activity and will also be dealing with preparation of financial statements.
Members of the Management Board as of 31 December 2018

Dmitry OSIPOV
CEO
Chairman of the Management Board

Year of birth 1966
Citizenship Russian Federation
Education Lobachevsky Nizhny Novgorod State University
Appointment A member of the Management Board since December 2013.
Career background
In 2007–2011: CEO of JSC UCC URALCHEM.
In 2011–2013: Deputy Chairman of the Board of Directors of JSC UCC URALCHEM.
On 24 December 2014, Mr. Osipov was appointed the CEO of PJSC Uralkali.
Since 2016: 1st Deputy Chief Technical Officer.
Career background
Mr. Osipov started his career in 1989 as a mechanic, mine chief mechanic, chief mining mechanic, mine chief mechanic, chief mining engineer, head of mine, and the chief miner of PJSC Uralkali. Since 2016: 1st Deputy Chief Technical Officer.
External appointments
A member of the Board of Directors of a number of Uralkali’s affiliates.
Does not own PJSC Uralkali’s shares.

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-Daré, PISC Machal, and JSC UCC URALCHEM.
In 2017, he was appointed the CFO (also the Deputy CEO) of the Novorossyysk Commercial Sea Port.
In October 2014, Mr. Vishchanenko became Uralkali’s CFO.
External appointments
A member of the Board of Directors of a number of Uralkali’s affiliates.
Does not own PJSC Uralkali’s shares.

Alexander KULBITSKY
Procurement Director

Year of birth 1972
Citizenship Russian Federation
Education Belarussian Trade-Economic University of Consumer Cooperation
Appointment A member of the Management Board since 2017.
Career background
Since 2005, he has been the Legal and Corporate Affairs Director.
Since November 2017: Head of the Personnel Development Department.
Career background
Since 2016: 1st Deputy Chief Technical Officer.
External appointments
A member of the Board of Directors of a number of Uralkali’s affiliates.
Does not own PJSC Uralkali’s shares.

Marina SHVETSOVA
Legal and Corporate Affairs Director

Year of birth 1978
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.
2001–2015: various positions in PJSC Uralkali, including as Head of the Legal Department.
Career background
Since 2000, Mr. Konstantinov has held various positions in PJSC Uralkali: head of the personnel training department, a senior training specialist, a recruitment and appraisal specialist in the personnel recruitment and development department.
Career background
Mr. Lauk started his career in 1990 as a loader engine driver at Solikamsk-3. This was followed by a path of professional growth: area electrician, deputy mine manager, deputy chief mechanic, mine chief mechanic, chief mining engineer, head of mine, and the chief miner of PJSC Uralkali. Since 2016: 1st Deputy Chief Technical Officer.
External appointments
A member of the Board of Directors of a number of Uralkali’s affiliates.
Does not own PJSC Uralkali’s shares.

Vitaly LAUK
Chief Technical Officer

Year of birth 1968
Citizenship Russian Federation
Education Perm Scientific Research Technological Institute
Appointment A member of the Management Board since 2017.
Career background
Mr. Lauk started his career in 1990 as a loader engine driver at Solikamsk-3. This was followed by a path of professional growth: area electrician, deputy mine manager, deputy chief mechanic, mine chief mechanic, chief mining engineer, head of mine, and the chief miner of PJSC Uralkali. Since 2016: 1st Deputy Chief Technical Officer.
External appointments
A member of the Board of Directors of a number of Uralkali’s affiliates.
Does not own PJSC Uralkali’s shares.
Remuneration of the Board of Directors and the Management Board

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

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

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

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

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

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

TOTAL PAYMENTS TO THE BOARD MEMBERS IN 2018

| PAYMENT                | RUB   | USD
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration</td>
<td>200,675,174</td>
<td>2,888,634.53</td>
</tr>
<tr>
<td>Expenses</td>
<td>13,910,785</td>
<td>200,239.88</td>
</tr>
<tr>
<td>Total</td>
<td>214,585,959</td>
<td>3,088,874.41</td>
</tr>
</tbody>
</table>

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

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

CEO’s Remuneration Policy

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

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

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

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.

<table>
<thead>
<tr>
<th>PAYMENT</th>
<th>RUB</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>536,666,164</td>
<td>7,253,083.19</td>
</tr>
<tr>
<td>Annual bonus</td>
<td>197,903,134</td>
<td>2,848,732.18</td>
</tr>
<tr>
<td>Reimbursement of costs</td>
<td>1,416,108</td>
<td>20,384.27</td>
</tr>
</tbody>
</table>

1 Before 29 June 2018, Robert Margetts was a member of the Board of Directors and received remuneration as Deputy Chairman of the Management Board.

2 Annual bonus for 2017 amounted to RUB 139,953,872 and was actually paid in 2018. Annual bonus for 2018 amounted to RUB 57,949,262.
Management's Equity Ownership

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

Directors' and Officers' Liability Insurance

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

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

Risk Management and Internal Control

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM OF PJSC URALKALI

<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>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.</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>Monitors the reliability and effectiveness of the RMICS; assesses the internal control procedures and makes improvement recommendations; reviews and evaluates compliance with the risk management and internal control policy; develops recommendations to approve the risks map.</td>
</tr>
<tr>
<td>CEO</td>
<td>Provides an overall guidance for the risk management process.</td>
</tr>
<tr>
<td>Management Board</td>
<td>Reviews matters raised by the CEO, including those related to the RMICS.</td>
</tr>
<tr>
<td>Executive Directors</td>
<td>Regulate their respective business processes; identify the goals of these processes; and assess key risks.</td>
</tr>
</tbody>
</table>

1. ERM (Enterprise Risk Management) is an Integrated Framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
Internal Audit Directorate

Assesses efficiency of the risk management, internal control and corporate governance systems. The Risk Management Office coordinates the risk management process and consolidation of information on the risk management process and internal control system at all levels for the Audit Committee, the Board of Directors, the CEO, and the Management Board. The Control and Revision Department conducts independent inspections and offers consultations in relation to the reliability and effectiveness of risk management, internal control and corporate governance systems, verifies accuracy of financial statements and annual reports, assesses financial and economic activities of the Company and its subsidiaries and affiliates.

Employees

Perform the duties imposed by the RMICS and promptly inform their management about any risks arising in their day-to-day work.

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

Transparency and reliability in financial reporting is one of the crucial principles of corporate governance, and ensuring the proper quality of financial statements is a key function of the Board of Directors. In 2018, Uralkali continued to use the previously developed controls designed to ensure information is properly collected and prepared and to ensure reliability of reporting data.

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

Role of the Company’s Governance Bodies and Employees in the Preparation of Financial Statements

<table>
<thead>
<tr>
<th>MANAGEMENT AND STAFF</th>
<th>MANAGEMENT AND STAFF ROLES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Financial Officer</td>
<td>Ensures:</td>
</tr>
<tr>
<td></td>
<td>• availability and reliability of information in the enterprise resource management system;</td>
</tr>
<tr>
<td></td>
<td>• interaction with auditors;</td>
</tr>
<tr>
<td></td>
<td>• inventory count of the property.</td>
</tr>
<tr>
<td>Revision Commission</td>
<td>Assures:</td>
</tr>
<tr>
<td></td>
<td>• data in Uralkali’s annual reports;</td>
</tr>
<tr>
<td></td>
<td>• periodic annual accounting statements;</td>
</tr>
<tr>
<td></td>
<td>• reports sent to statistical and government authorities and assessment of the internal control system.</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>Preliminary reviews:</td>
</tr>
<tr>
<td></td>
<td>• Uralkali’s financial statements;</td>
</tr>
<tr>
<td></td>
<td>• draft reports of the external auditor, as well as auditing processes.</td>
</tr>
<tr>
<td></td>
<td>Monitors:</td>
</tr>
<tr>
<td></td>
<td>• completeness and integrity of financial statements.</td>
</tr>
<tr>
<td></td>
<td>Recommends:</td>
</tr>
<tr>
<td></td>
<td>• external auditor candidates for preliminary approval by the Board of Directors and final approval by the General Shareholders Meeting.</td>
</tr>
<tr>
<td>External Auditors</td>
<td>Audit:</td>
</tr>
<tr>
<td></td>
<td>• RAS accounting statements;</td>
</tr>
<tr>
<td></td>
<td>• IFRS annual and half-year consolidated financial statements.</td>
</tr>
<tr>
<td>Board of Directors</td>
<td>Approves financial statements taking into account recommendations made by the Audit Committee.</td>
</tr>
</tbody>
</table>

Anti-Fraud and Anti-Corruption Compliance System

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

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

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

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

Prevention of Conflict of Interest

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

- directors’ and officers’ duty to inform the Company of any positions and/or of any equity ownership they may hold in other organisations.

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

Major and Related Party Transactions

In 2018, the Company entered into a number of transactions, deemed major and/or related party transactions pursuant to the Russian Federal Law “On Joint-Stock Companies” (the Law). The Law also stipulates that such transactions must be approved by the General Meeting or the Board of Directors depending on the value of transactions and the identity and number of related parties, and explains the approval procedure.

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

For more information about major and related party transactions see the Appendix hereto.
Share Capital
Uralkali’s share capital amounts to RUB 1,483,007,945.5 divided into 2,936,015,891 ordinary registered shares with a face value of RUB 0.50 each and 30,000,000 preferred shares with a face value of RUB 0.50 each.

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

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

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

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

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

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

Preferred shares are non-cumulative and generally do not grant the right to vote, except for in cases expressly provided for by the legislation.

Shareholders who own preferred shares have the right to vote starting from the meeting following the General Shareholders Meeting at which the decision was made not to pay dividends on preferred shares or to pay them partially.

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

Uralkali didn’t implement the share and GDR buyback programme in 2017 and 2018. In 2018, as part of the mandatory buyback based on the results of the General Shareholders Meeting held on 18 December 2017, the Board of Directors approved the report on the results of the shareholders’ demand for redemption, and the Company bought 1.77% of shares from shareholders, which are on the Company’s balance sheet as of 31 December 2018.

Trading Floors of Uralkali’s Shares

<table>
<thead>
<tr>
<th>STOCK EXCHANGE</th>
<th>TICKER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moscow Exchange</td>
<td>URKA</td>
</tr>
</tbody>
</table>

Uralkali’s IR team accurately monitors and communicates analyst consensus to the Company’s Board of Directors and top management. For more information please see: https://www.uralkali.com/investors/analysts/

Credit Ratings

In June 2012, the Company received investment-grade credit ratings from three international rating agencies: Fitch, Standard & Poor’s, and Moody’s. In 2016, S&P and Fitch changed their outlook for PJSC Uralkali’s securities from stable to negative. During 2017, the rating agencies did not change the rating and outlook for PJSC Uralkali’s securities.

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

Dividends

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

Taxation

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

- 13% — for other Russian entities;
- 15% — for foreign entities.
- 13% — for Russian tax residents;
- 15% — for tax non-residents.

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

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

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

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

<table>
<thead>
<tr>
<th>PERIOD</th>
<th>DATE ON WHICH PERSONS ELIGIBLE TO RECEIVE DIVIDENDS ARE DETERMINED</th>
<th>DATE OF THE DECISION ON DIVIDEND PAYMENT</th>
<th>DIVIDEND PER ORDINARY SHARE/GDR, RUB</th>
<th>ACCRUED DIVIDENDS (THOU RUB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>20 June 2014</td>
<td>9 June 2014</td>
<td>1.63/8.15</td>
<td>4,785,705.90</td>
</tr>
<tr>
<td>Interim dividends</td>
<td>29 October 2013</td>
<td>18 December 2013</td>
<td>2.21/11.05</td>
<td>6,488,595.10</td>
</tr>
<tr>
<td>2012</td>
<td>25 April 2013</td>
<td>4 June 2013</td>
<td>3.9/19.5</td>
<td>11,450,461.97</td>
</tr>
</tbody>
</table>
On 20 June 2017, the Annual General Shareholders Meeting was held at Uralkali. At the meeting, it was decided not to pay the dividends upon the results of 2016 (Minutes No. 55 of 20 June 2017).

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

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

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

<table>
<thead>
<tr>
<th>PERIOD</th>
<th>DATE ON WHICH PERSONS ELIGIBLE TO RECEIVE DIVIDENDS ARE DETERMINED</th>
<th>DATE OF THE DECISION ON DIVIDEND PAYMENT</th>
<th>DIVIDEND PER PREFERRED SHARE, RUB</th>
<th>ACCRUED DIVIDENDS (THOU RUB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>10 July 2018</td>
<td>29 June 2018</td>
<td>0.1</td>
<td>3,000</td>
</tr>
</tbody>
</table>

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Notes to the Consolidated Financial Statements

1. The Uralkali Group and its operations
2. Basis of preparation and significant accounting policies
3. IFRS standards update
4. Critical accounting judgements and key sources of estimation uncertainty
5. Related parties
6. Segment information
7. Property, plant and equipment
8. Goodwill
9. Intangible assets
10. Inventories
11. Trade and other receivables
12. Derivative financial instruments
13. Cash and cash equivalents
14. Equity
15. Borrowings
16. Bonds
17. Provisions
18. Trade and other payables
19. Revenues
20. Cost of sales
21. Distribution costs
22. General and administrative expenses
23. Other operating income and expenses
24. Finance income and expenses
25. Income tax expense
26. Contingencies, commitments and operating risks
27. Financial risk management
28. Fair value of financial instruments
29. Principal subsidiaries
30. Events after reporting date

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Consolidated Statement of Other Comprehensive Income .......... 119
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Opinion
We have audited the consolidated financial statements of Public Joint Stock Company Uralkali and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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

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

WHY THE MATTER WAS DETERMINED TO BE A KEY AUDIT MATTER
Assessment of compliance with covenants
Refer to Note 15: Borrowings. The Group is highly leveraged with net debt of US$ 4,886,872 thousand as at 31 December 2018 and has to comply with certain financial and non-financial covenants stipulated in loan agreements. In addition to an analysis of compliance with covenants at the reporting date, Management prepares financial forecasts to assess going concern and the Group’s ability to comply with covenants in the future. These financial forecasts are particularly sensitive to changes in potash prices. Due to the factors above, we consider assessment of compliance with covenants to be a key audit matter.

We obtained an understanding of the process for monitoring compliance with financial and non-financial covenants stipulated in loan agreements. We reviewed the terms and conditions of loan agreements and recalculated covenants. We challenged Management’s key assumptions used in the financial forecast by:
- Assessing covenant compliance forecasts, including stress test scenarios and related mitigation plans;
- Testing the appropriateness of Management’s assumptions including foreign currency exchange rates and potash prices, the inflation rate, and the discount rate based on the available market information;
- Performing our own sensitivity analysis to test the adequacy of the available headroom related to covenant compliance.

HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Financial Statements


corporate Governance


corporate

FINANCIAL STATEMENTS

• 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 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 audits. We remain solely responsible for our audit opinion.

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

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

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

Ilya Ryabtsev, Team leader
14 March 2019

Audit Firm: AO “Deloitte & Touche CIS”
Certificate of state registration No. 018.482, issued by the Moscow Registration Chamber on 30.10.1992.
Primary State Registration Number: 1027700425444
Member of Self-regulated organization of auditors “Russian Union of auditors” (Association), ORNz. 11603080484

Audited entity: Public Joint Stock Company “Uralkali”
Certificate of state registration No. 1128 issued on 14 October 1992 by the Benewko Administration, Perm region.
Certificate of registration in the Unified State Register of Legal Entities №102590702188 issued on 11 September 2002
Location: 63 Pyatletsky ul., Berenzki, 618426, the Perm region

www.uralkali.com
### Consolidated Statement of Financial Position

**as of 31 December 2018**

(in thousands of US dollars, unless otherwise stated)

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

<table>
<thead>
<tr>
<th>EQUITY</th>
<th>NOTE</th>
<th>31 DECEMBER 2018</th>
<th>31 DECEMBER 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>14</td>
<td>35,762</td>
<td>35,762</td>
</tr>
<tr>
<td>Preference shares</td>
<td>14</td>
<td>239</td>
<td>-</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>14</td>
<td>(27,996)</td>
<td>(27,101)</td>
</tr>
<tr>
<td>Share premium</td>
<td></td>
<td>409,814</td>
<td>483,572</td>
</tr>
<tr>
<td>Currency translation reserve</td>
<td></td>
<td>(3,924,941)</td>
<td>(3,717,237)</td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td>4,264,935</td>
<td>4,362,544</td>
</tr>
<tr>
<td>Equity attributable to the company’s equity holders</td>
<td></td>
<td>757,813</td>
<td>1,137,540</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
<td>12,654</td>
<td>12,017</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td></td>
<td>770,467</td>
<td>1,149,557</td>
</tr>
</tbody>
</table>

| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 15 | 3,240,385 | 3,490,666 |
| Bonds | 16 | 575,243 | 1,059,954 |
| Post-employment and other long-term benefit obligations | | 28,782 | 36,604 |
| Deferred income tax liability | 25 | 631,335 | 645,605 |
| Provisions | 17 | 340,497 | 221,314 |
| Derivative financial liabilities | 12 | 121,523 | 11,609 |
| Other non-current liabilities | | 1,810 | 14,027 |
| **Total non-current liabilities** | | 4,939,575 | 5,479,779 |

| Current liabilities | | | |
| Borrowings | 15 | 1,263,632 | 1,291,875 |
| Bonds | 16 | 820,627 | 601,237 |
| Trade and other payables | 18 | 277,745 | 272,918 |
| Advances received | | 22,177 | 22,448 |
| Provisions | 17 | 62,820 | 40,996 |
| Derivative financial liabilities | 12 | 7,130 | 109,815 |
| Current income tax payable | | 1,418 | 19,314 |
| **Total current liabilities** | | 2,395,349 | 2,358,643 |
| **TOTAL LIABILITIES** | | 7,335,124 | 7,838,422 |
| **TOTAL LIABILITIES AND EQUITY** | | 8,105,591 | 8,987,979 |

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

Dmitry Osipov  
Chief Executive Officer

Anton Vishanenko  
Chief Financial Officer
Consolidated Statement of Profit or Loss for the year ended 31 December 2018
(in thousands of US dollars, unless otherwise stated)

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>2,753,577</td>
<td>2,760,874</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(702,867)</td>
<td>(739,076)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>2,050,710</td>
<td>2,021,798</td>
</tr>
<tr>
<td>Distribution costs</td>
<td>(632,923)</td>
<td>(747,804)</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(174,652)</td>
<td>(157,390)</td>
</tr>
<tr>
<td>Taxes other than income tax</td>
<td>(22,818)</td>
<td>(21,706)</td>
</tr>
<tr>
<td>Other operating (expenses)/income, net</td>
<td>(17,830)</td>
<td>6,404</td>
</tr>
<tr>
<td>Operating profit</td>
<td>1,202,487</td>
<td>1,101,302</td>
</tr>
<tr>
<td>Finance expenses, net</td>
<td>(1,194,753)</td>
<td>(8,285)</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>7,734</td>
<td>1,093,017</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(104,740)</td>
<td>(218,389)</td>
</tr>
<tr>
<td>Net (loss)/profit for the period</td>
<td>(97,006)</td>
<td>874,628</td>
</tr>
</tbody>
</table>

Consolidated Statement of Other Comprehensive Income for the year ended 31 December 2018
(in thousands of US dollars, unless otherwise stated)

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (loss) / profit for the period</td>
<td>(97,006)</td>
</tr>
</tbody>
</table>

Other comprehensive (loss) / income

<table>
<thead>
<tr>
<th>Items that will not be reclassified to profit or loss:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remeasurement of post-employment benefit obligations</td>
</tr>
<tr>
<td>Effect of translation to presentation currency</td>
</tr>
</tbody>
</table>

Total other comprehensive (loss) / income for the period | (207,144) | 25,116 |
Total comprehensive (loss) / income for the period | (304,150) | 899,744 |

Total comprehensive (loss) / income for the period attributable to:

| Company’s equity holders | (304,787) | 899,095 |
| Non-controlling interests | 637 | 649 |
## Consolidated Statement of Cash Flows
for the year ended 31 December 2018

(in thousands of US dollars, unless otherwise stated)

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

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition of property, plant and equipment</td>
<td>(356,818)</td>
<td>(269,782)</td>
</tr>
<tr>
<td>Acquisition of intangible assets</td>
<td>(1,623)</td>
<td>(1,106)</td>
</tr>
<tr>
<td>Proceeds from sales of property, plant and equipment</td>
<td>3,185</td>
<td>2,575</td>
</tr>
<tr>
<td>Loans issued</td>
<td>(313,279)</td>
<td>(333,973)</td>
</tr>
<tr>
<td>Proceeds from loans repayments</td>
<td>104,639</td>
<td>160,192</td>
</tr>
<tr>
<td>Purchase of other financial assets</td>
<td>(537)</td>
<td>(1,704)</td>
</tr>
<tr>
<td>Proceeds from sale of other financial assets</td>
<td>-</td>
<td>70,010</td>
</tr>
<tr>
<td>Acquisition of subsidiaries, net of cash acquired</td>
<td>164</td>
<td>(165)</td>
</tr>
<tr>
<td>Proceeds from sale of subsidiaries, net of cash disposed</td>
<td>319</td>
<td>-</td>
</tr>
<tr>
<td>Dividends and interest received</td>
<td>12,962</td>
<td>10,149</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(368,988)</td>
<td>(363,804)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayments of borrowings</td>
<td>15</td>
<td>(1,841,598)</td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td>1,521,883</td>
<td>1,603,010</td>
</tr>
<tr>
<td>Proceeds from issuance of bonds</td>
<td>16</td>
<td>389,056</td>
</tr>
<tr>
<td>Arrangement fees and other financial charges paid</td>
<td>(83,309)</td>
<td>(32,391)</td>
</tr>
<tr>
<td>Redemption of bonds</td>
<td>16</td>
<td>(581,900)</td>
</tr>
<tr>
<td>Cash proceeds from derivatives</td>
<td>12</td>
<td>17,816</td>
</tr>
<tr>
<td>Cash paid for derivatives</td>
<td>12</td>
<td>(111,507)</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>14</td>
<td>(125,640)</td>
</tr>
<tr>
<td>Proceeds from issuance of preference shares</td>
<td>14</td>
<td>51,226</td>
</tr>
<tr>
<td>Finance lease payments</td>
<td>(35)</td>
<td>(34)</td>
</tr>
<tr>
<td>Dividends paid to the Company’s shareholders</td>
<td>(48)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td>(764,056)</td>
<td>(768,420)</td>
</tr>
<tr>
<td>Effect of changes in foreign exchange rate on cash and cash equivalents</td>
<td>(23,030)</td>
<td>8,812</td>
</tr>
<tr>
<td><strong>Net decrease in cash and cash equivalents</strong></td>
<td>(59,594)</td>
<td>(412,912)</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the period</td>
<td>13</td>
<td>1,072,609</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the period</td>
<td>13</td>
<td>1,013,015</td>
</tr>
</tbody>
</table>
### Consolidated Statement of Changes in Equity for the year ended 31 December 2018

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

<table>
<thead>
<tr>
<th>NOTE SHARE CAPITAL</th>
<th>SHARE PREMIUM</th>
<th>SHARE RE-TAI NED EARNINGS</th>
<th>CURRENCY TRANS- LATION RESERVE</th>
<th>TOTAL NON- CONTROLLING INTERESTS</th>
<th>TOTAL EQUITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 January 2017</td>
<td>35,762</td>
<td>-</td>
<td>(26,909)</td>
<td>509,484</td>
<td>3,486,183</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>873,979</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,382</td>
</tr>
<tr>
<td>Total comprehensive income for the period</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>876,361</td>
</tr>
<tr>
<td>Transactions with owners</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Purchase of non-controlling interest</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>14</td>
<td>-</td>
<td>(192)</td>
<td>(25,912)</td>
<td>-</td>
</tr>
<tr>
<td>Total transactions with owners</td>
<td>-</td>
<td>-</td>
<td>(192)</td>
<td>(23,912)</td>
<td>-</td>
</tr>
<tr>
<td>Balance at 31 December 2017</td>
<td>35,762</td>
<td>-</td>
<td>(27,101)</td>
<td>483,572</td>
<td>4,362,544</td>
</tr>
<tr>
<td>Balance at 1 January 2018, as previously reported</td>
<td>35,762</td>
<td>-</td>
<td>(27,101)</td>
<td>483,572</td>
<td>4,362,544</td>
</tr>
<tr>
<td>Adjustment due to adoption of IFRS 9</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance at 1 January 2018, adjusted</td>
<td>35,762</td>
<td>-</td>
<td>(27,101)</td>
<td>483,572</td>
<td>4,362,066</td>
</tr>
<tr>
<td>(Loss) / profit for the period</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive (loss) / income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>560</td>
</tr>
<tr>
<td>Total comprehensive (loss) / income for the period</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(97,083)</td>
</tr>
</tbody>
</table>

### 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 | 58,987 | - | - | 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 | (3,924,940) | 737,813 | 12,654 | 770,467 |

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

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

#### 1 The Uralkali Group and its operations

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

The Company holds operating licences, issued by the Department of Subsoil Use of the Privolzhsky Federal district for the extraction of potassium, magnesium and sodium salts from the Durumansky, Bigelsko-Trotsky, Solikamsky (northern and southern parts) and Novo-Solikamsky plots of the Verkhnekamskoye field. On 1 April 2013 the licences were prolonged till 2018 — 2021 at insignificant cost. In 2016 the licences previously valid till 2018 were prolonged till 2043 — 2055 (northern part of Solikamsky plot, Bigelsko-Trotsky and Novo-Solikamsky plots). In 2017 the licences for Durumansky plot and the southern part of Solikamsky plot previously valid till 2021 were prolonged till 2024 and 2026, respectively. The Company also owns licences for the Ust'-Yavinsky plot of the Verkhnekamskoye field, which expires in 2024, for the Polovodovsky plot of the Verkhnekamskoye field, which expires in 2046, and for the Romanovskoye plot of the Verkhnekamskoye field, which expires in 2039. In 2017 the Company received a licence for geological exploration of the Izversky plot on the territory of Usolsky and Alexandrovsky districts of the Perm region, which is valid until 2022.

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

The Company was incorporated in the Russian Federation in 1993, and its registered office is located at 1-36 Pyatletki St., Berezniki, Perm region, Russian Federation.

#### 2 Basis of preparation and significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all the periods presented.

##### 2.1 Basis of preparation and presentation

Compliance with International Financial Reporting Standards

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

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

Going concern

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

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

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

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

**Basis of presentation**

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

### 2.2 Consolidated financial statements

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

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

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### 2.3 Non-controlling interests

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

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

#### 2.4 Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment loss. Cost includes all costs directly attributable to bringing the asset to its working condition for its intended use. Property, plant and equipment acquired through business combinations are recorded at fair value determined by independent valuation at the date of acquisition, less accumulated depreciation and accumulated impairment since acquisition date.

At each reporting date Management reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the Management estimates the recoverable amount, which is determined as the higher of an asset’s or cash generating unit’s, to which the asset is attributable, fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss within other operating expenses.

An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset’s value in use and fair value less costs to sell.

Repair and maintenance expenditures are expensed as incurred. Major renewals and improvements are capitalised. Gains and losses on disposals are determined by comparing proceeds with the carrying amount are recognised in profit or loss.

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

<table>
<thead>
<tr>
<th>USEFUL LIVES IN YEARS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings: 10 to 60</td>
</tr>
<tr>
<td>Mining assets¹: 5 to 30</td>
</tr>
<tr>
<td>Plant and equipment: 2 to 30</td>
</tr>
<tr>
<td>Transport vehicles: 5 to 15</td>
</tr>
<tr>
<td>Other: 2 to 15</td>
</tr>
<tr>
<td>Land: Not depreciated</td>
</tr>
</tbody>
</table>

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

#### 2.5 Operating leases

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

#### 2.6 Finance lease liabilities

Where the Group is a lessee in a lease which transfers substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of future finance charges, are included in borrowings.

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

#### 2.7 Goodwill

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

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

CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

Any impairment loss for goodwill is recognised directly in the consolidated statement of profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

### 2.8 Intangible assets

The Group’s intangible assets, other than goodwill, have indefinite useful lives and primarily include mining licences. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, or, in the case of assets acquired in a business combination, ¹Mining assets include mine infrastructure and present value of future decommissioning and site remediation costs. Future decommissioning costs for buildings and equipment are included in buildings and plant and equipment groups.
The Group classifies its financial assets into the following 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 and 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 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.

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

Equity financial assets

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

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

The Group doesn’t have investments into equity instruments.

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

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

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

Significant increase in credit risk

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

**Definition of default**

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

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

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

**Derecognition of financial assets**

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

**Subsequent measurement of financial liabilities**

Borrowings, loans and bonds are subsequently measured at amortised cost using the effective interest method. Borrowing costs are recognised as an expense on a time-proportion basis using the effective interest method.

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

Pledge agreements

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

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

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

**Derecognition of financial liabilities**

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

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

**Offsetting financial assets and financial liabilities**

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

**Derivative financial instruments**

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

**Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less and deposits with original maturity of more than three months held for the purpose of meeting short-term cash needs that are convertible into known amounts of cash and subject to insignificant risk of changes in value. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flows. Restricted balances being exchanged or used to settle liabilities at least twelve months after the reporting date are shown separately from cash and cash equivalents for the purposes of the consolidated statement of financial position and are included in non-current assets.

Bank overdrafts which are repayable on demand are included as a component of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

**Accounting policies applied until 31 December 2017**

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

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

- (a) financial assets at FVTPL;
- (b) loans and receivables;
- (c) investments held-to-maturity; and
- (d) available-for-sale financial assets.

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

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

**Fair value of financial assets and financial liabilities.**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.
Valuation techniques such as discounted cash flow models or models based on recent arm’s length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

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

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

(ii) Level 2 inputs are 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 Ruble ("RR") and US$, exchange and interest rates) observable in markets.

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

Cash and cash equivalents are carried at amortised cost which approximates current fair value.

Liabilities carried at amortised cost. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid.

2.10 Income tax

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

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

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

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

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

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

Deferred income tax is not recognised on post-acquisition retained earnings of subsidiaries unless there is an intention to sell subsidiary in the foreseeable future, since the Group controls the subsidiary’s dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

2.11 Inventories

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on a weighted average basis. The cost of finished products and work in progress comprises raw material, direct labour, overhead and direct costs and related production overhead (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

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

2.12 Share capital

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

2.13 Treasury shares

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

2.14 Dividends

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

2.15 Value added tax (VAT)

Output VAT is payable to the tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT relates to sales and purchases is recognised in the consolidated statement of financial position on a gross basis (if the Company has no right to set-off) and disclosed separately as an asset and liability. Where an allowance for ECL has been made for receivables, the impairment loss is recorded for the gross amount of the debt, including VAT.

2.16 Borrowing costs

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

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group’s average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any
The present value of a liability for a decommissioning obligation is recognised in the period in which it is incurred if a reasonable estimate of present value can be made. The associated costs are capitalised as a separate part of the property, plant and equipment and then depreciated over the estimated remaining useful life of mine. The best estimate of the amount required to settle the obligation is reviewed at the end of each reporting period and updated to reflect changes in the discount and inflation rates and the amount and/or timing of the underlying cash flows. Changes to estimated future costs are recognised in the consolidated statement of financial position by either increasing or decreasing the provision for asset retirement obligations and asset to which it relates. The unwinding of the discount of decommissioning obligations due to the passage of time is included in the consolidated statement of profit or loss as finance costs.

Foreign currency translation

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

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

(i) Assets and liabilities for consolidated statement of financial position 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.

Revenue recognition

From 1 January 2018 the Group recognises revenue from contracts with customers under IFRS 15. The impact of the change in accounting policy is disclosed in Note 3. The Group uses a single five-step revenue recognition model that is applied to all contracts with customers and is based on the transfer of control over goods and services. The Group recognises revenue from sale of potassium and delivery services.

2.22 Social costs

The Group incurs social costs related to the provision of benefits such as health services and kindergarten services. These amounts have been accrued in the year in which the associated services are rendered by the employees of the Group.

2.23 Pension costs

In the normal course of business, the Group contributes to the Russian Federation state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed as incurred. For defined benefit pension plans, the cost of providing benefits is determined using the Projected Unit Credit Method and is charged to profit or loss so as to spread the cost over the service period of the employees. An interest cost representing the unwinding of the discount rate on the scheme liabilities is charged to

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

2.20 Transshipment, transport repairs and maintenance costs

Most of the transshipment costs are incurred by JSC “Baltic Bulker Terminal”, a 100% subsidiary whose activity is related to the transshipment of fertilisers produced by the Group, and presented within distribution costs. In addition to this, distribution costs include transport repairs and maintenance costs which are incurred by LLC “Vagon Depo Balahonzi”, a 100% subsidiary of the Group. These costs include depreciation, payroll, material expenses and various general and administrative expenses.

2.21 Employee benefits

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

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

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

(ii) Income and expenses for consolidated statements of profit or loss, other comprehensive income and cash flows are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses and cash flows are translated at the dates of the transactions).

(iii) Components of equity are translated at the historic rate; and

(iv) All resulting exchange differences are recognised in other comprehensive income.

Foreign currency exchange rates

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

<table>
<thead>
<tr>
<th>31 DECEMBER</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>Euro</td>
<td>USD</td>
</tr>
<tr>
<td>closing rate</td>
<td>69.47</td>
<td>79.46</td>
</tr>
<tr>
<td>average rate</td>
<td>62.71</td>
<td>73.96</td>
</tr>
</tbody>
</table>

2.18 Foreign currency translation

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

Transactions and balances. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end official exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss as finance income or costs. Translation at year-end rates does not apply to non-monetary items.

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

(i) Assets and liabilities for consolidated statement of financial position 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
profit or loss. The liability recognised in the consolidated statement of financial position, in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date. The plans are not externally funded. The defined benefit obligation is calculated annually by the Group. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms of maturity approximating the terms of the relevant pension liability.

All actuarial gains and losses which arise in calculating the present value of the defined benefit obligation are recognised immediately in other comprehensive income.

As at 31 December 2017, the Group used assumptions of the retirement’s dynamics upon reaching the retirement age established by Russian law (60 years for men, 55 years for women).

In October 2018, a federal law that stipulates for a gradual (from 1 January 2019) increase of the retirement age was published. The increase of the statutory retirement age changes the formalised conditions of defined benefit plans and was accounted in the cost of past services. According to the new legislation the pension obligation has to be distributed over a longer period of services rendered to the Group. As at 31 December 2018, the pension obligation decreased due to a decrease in the cost of services for past periods.

3.24 Earnings/loss per share

Earnings per share are determined by dividing the net income attributable to equity holders of the Company by the weighted average number of participating shares outstanding during the reporting year. During current and comparative periods diluted earnings per share are not different from basic earnings per share.

2.25 Segment reporting

The Group identifies and presents segments in accordance with the criteria set forth in IFRS 8 Operating segments and based on the way the operations of the Group are regularly reviewed by the chief operating decision maker to analyse performance and allocate resources. The chief operating decision-maker has been determined as Chief Executive Officer (hereinafter — “CEO”). It was determined, that the Group has one operating segment — the extraction, production and sales of potash fertilisers.

3. IFRS standards update

The Group has adopted standards that are mandatory for financial periods beginning on 1 January 2018.

IFRS 9 Financial Instruments. IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement. The standard provides amended guidance on the classification, recognition and measurement of financial assets and liabilities. The major impact from the transition relates to the classification of financial assets and introduction of an expected credit loss model which results in the earlier recognition of credit losses and is more forward looking than the previous incurred loss model. The Group used an exemption in IFRS 9 allowing not to restate prior periods presented as a result of adoption of the new measurement requirements, but rather recognise any differences in the retained earnings as at 1 January 2018. The impact of the adoption of the expected credit losses model on the Group’s consolidated financial statements is disclosed below. The accounting approach of ECL calculation is disclosed in Note 2.

Once the Group expected to redeem a loan in March 2018, there was no significant impact of the adoption of the expected credit losses model for the loan issued as at 1 January 2018.

There were no significant changes in classification and measurement of financial instruments as a result of adoption of IFRS 9, except for classification of factored receivables which will be accounted at FVTOCI (Note 2).

IFRS 15 Revenues from Contracts with Customers. IFRS 15 provides a single five-step revenue recognition model that will apply to all contracts with customers is based on the transfer of control over goods and services. IFRS 15 replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. In accordance with the transition provisions in IFRS 15 the Group has elected to apply the standard retrospectively without restating the comparatives with the effect of transition to be recognised as at 1 January 2018.

The impact of IFRS 15 adoption on the Group’s consolidated financial statements is disclosed in Note 19. The revenue’s accounting approach is disclosed in Note 2.

The following standards and interpretations, which have not been applied in these consolidated financial statements, were in issue but not yet effective:

<table>
<thead>
<tr>
<th>TITLE</th>
<th>SUBJECT</th>
<th>EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER</th>
<th>EXPECTED EFFECT ON THE CONSOLIDATED FINANCIAL STATEMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS 16</td>
<td>Leases</td>
<td>1 January 2019</td>
<td>Under review, see below</td>
</tr>
<tr>
<td>IFRIC 23</td>
<td>Uncertainty Over Income Tax Treatments</td>
<td>1 January 2019</td>
<td>Under review</td>
</tr>
<tr>
<td>Amendments to IFRS 9</td>
<td>Prepayment Features With Negative Compensation</td>
<td>1 January 2019</td>
<td>Under review</td>
</tr>
<tr>
<td>Amendments to IAS 28</td>
<td>Long-Term Interests in Associates and Joint Ventures</td>
<td>1 January 2019</td>
<td>Under review</td>
</tr>
<tr>
<td>Amendments to IAS 19</td>
<td>Plan Amendment, Curtailment or Settlement</td>
<td>1 January 2019</td>
<td>Under review</td>
</tr>
<tr>
<td>Annual Improvements to IFRS Standards 2015-2017 Cycle</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• amendments to IFRS 3</td>
<td>Obtaining control of a business</td>
<td>Under review</td>
<td></td>
</tr>
<tr>
<td>• amendments to IFRS 11</td>
<td>Obtaining joint control of a business</td>
<td>Under review</td>
<td></td>
</tr>
<tr>
<td>• amendments to IAS 12</td>
<td>Income tax consequences of dividends</td>
<td>Under review</td>
<td></td>
</tr>
<tr>
<td>• amendments to IAS 23</td>
<td>Specific borrowing outstanding</td>
<td>Under review</td>
<td></td>
</tr>
<tr>
<td>Amendments to Conceptual Framework</td>
<td>Fair value, improved definitions and recommendations</td>
<td>1 January 2020</td>
<td>Under review</td>
</tr>
<tr>
<td>Amendments to IFRS 3</td>
<td>Definition of a business</td>
<td>1 January 2020</td>
<td>Under review</td>
</tr>
<tr>
<td>Amendments to IAS 1 and IAS 8</td>
<td>Definition of a materiality</td>
<td>1 January 2020</td>
<td>Under review</td>
</tr>
<tr>
<td>IFRS 17</td>
<td>Insurance contracts</td>
<td>1 January 2021</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>
I FR S 1 6 Leases As at 31 December 2018, the Group has non-cancellable operating lease commitments of US$ 43 million (31 December 2017: US$ 21 million) (Note 26). IAS 17 does not require the recognition of any right-of-use assets or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in Note 26. A preliminary assessment indicates that some of these arrangements would meet the definition of a lease under IFRS 16, and hence the Group would recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have an impact on the amounts recognised in the Group’s consolidated financial statements and Management is currently assessing its full potential effect. It is not practicable to provide a reasonable estimate of the financial effect until the Management completes the review.

4 Critical accounting judgements and key sources of estimation uncertainty

In regard to the application of the Group’s accounting policies, which are described in Note 2, Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimates (see below), that the Group’s Management has made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Remaining useful life of property, plant and equipment and mining licences
Management assesses the remaining useful life of property, plant and equipment in accordance with the current technical condition of assets and the estimated period during which these assets will be bringing economic benefits to the Group (Note 7).

The Group holds operating mining licences for the production of potassium salts, magnesium, and sodium, which were extended to 2018–2021 upon their expiry on 1 April 2013. In 2016, licences that were previously valid until 2018 were prolonged to 2043–2055 (the northern part of the Solikamsk, Bigelsko-Troitsky and Novo-Solikamsky plots). Management assesses the remaining useful life of mining licences on the basis of estimated mining reserves.

The estimated remaining useful life of certain property, plant and equipment and mineral resources is beyond the expiry date of the relevant mining licences (Note 7). Management believes that in the future the licences will be renewed in due course at nominal cost.

Any changes to this assumption could significantly affect prospective depreciation and amortisation charges and asset carrying values.

Classification of loan issued to a related party
In 2016, the Group issued an unsecured revolving loan facility to a related party for a period of two years (Note 5). In 2018, the loan facility was extended and Management prepared an analysis of the key parameters of the market terms of the loan including the interest rate, historical payments, maturity, security and recoverability and concluded that the loan was issued at market terms and should be classified as a financial asset in the consolidated financial statement of financial position.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision for filling cavities
The Group accrued a provision for its obligation to replace ore and waste extracted from the Solikamsk, Beresniki-2, and Beresniki-4 mines (Note 17).

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

- Estimated time to fill cavities. Cash flow payments are expected to occur principally between 2019 and 2028;
- The extent of the filling cavities work which will have to be performed in the future may vary depending on the actual environmental situation. Management believes that the legal obligation to replace the ore and waste mined is consistent with the cavities filling plan agreed with Rostechnadzor;
- The future unit cost of replacing one cubic meter of the ore and waste mined may vary depending on the technology and the cost of methods utilised. Management estimates that the unit cost of replacing a cubic meter of waste and ore mined in future years, for the period of the current filling cavities plan, adjusted for the effect of inflation, will not be materially different from the actual cost incurred in the current period;
- The forecasted inflation rate in the Russian Federation is expected to be in the range of 4.1% to 4.5% for the period starting from 2019 until 2022 (2017: from 4.0% to 4.9%). Starting from 2023, the expected inflation rate in the Russian Federation is forecasted to be 4% (2017: 4.3%); and
- In 2018, Management applied discount rates ranging from 8.3% to 8.8% based on government bonds interest rates (2017: from 7.1% to 9.3%).

During the third quarter 2018, as a result of changes in operational geological information the Group reassessed the volume and duration of its expenses for the liquidation of Solikamsk-2 (“SKRU-2”) accident in 2014 (Note 4.2 Provision for SKRU-2 mine flooding) as well as the volume of SKRU-2 reserves, which slightly reduced the projected end of mining from the end of 2023 to the beginning of 2027. After the end of mining, the Group will be carrying out filling cavities and liquidation works in the northern part of the mine. According to preliminary estimates by the experts of the Group, the filling cavities and liquidation works are to be completed in the beginning of 2025 and in 2028 respectively. However, the completion dates, methods of liquidation and the revised expenses for mine liquidation will be determined by the technical liquidation project that will be prepared on or after the end of 2019.

For further information please visit www.uralkali.com
The major uncertainties associated with the provision for Solikamsk-2 mine flooding are as follows:

- The amount of expenses that are best available estimates of future costs based on available information;
- The period over which expenses are expected to be incurred. Major cash outflows are expected to be incurred up to 2027; and
- In 2018, Management applied a discount rate of 8.8% based on government bonds interest rates (2017: 7.3%).

Due to changes in 2018 (Note 4.2 Provision for filling cavities) the mine flooding provision increased by US$ 6 million as at 31 December 2018.

As at the date of the approval of these consolidated financial statements, there are no lawsuits against the Group for reimbursement of expenses resulting from the negative impact of the accident in the Solikamsk-2 mine.

Management believes that there are no liabilities relating to the SKRU-2 flooding other than those disclosed in the consolidated financial statements for the year ended 31 December 2018.

**Provision for asset retirement obligations**

The Group has recorded a provision relating to asset retirement obligations (Note 17), which will be settled at the end of the estimated lives of mines, therefore requiring estimates to be made over a long period of time.

Environmental laws, regulations and interpretations by regulatory authorities, as well as circumstances affecting the Group’s operations could change, either of which could result in significant changes to its current mining plans.

The recorded provision is based on the best estimate of costs required to settle the obligations, taking into account the nature, extent and timing of current and proposed restoration and closure techniques in view of the present environmental laws and regulations. It is reasonably possible that the ultimate costs could change in the future and that changes to these estimates could have a material effect on the Group’s consolidated financial statements.

The estimation of asset retirement obligation costs depends on the development of environmentally acceptable closure and post-closure plans. The Group uses appropriate technical resources, including internal consultants from the scientific institute JSC “VNII Galurgii”, to develop specific site closure and post-closure plans in accordance with the requirements of the legislation of the Russian Federation.

The major uncertainties over the amount and timing of the cash outflows associate with the asset retirement obligations and assumptions made by Management in respect of these uncertainties are as follows:

- Mine life estimates. Cash flow payments are expected to be incurred principally between 2019 and 2060. These estimates are based on Management’s current best assessment of the Group’s reserves.
- The extent of the restoration works that will have to be performed in the future may vary depending on the actual environmental situation. Management believes that the legal obligation for decommissioning of the underground and surface complex is consistent with the terms of the licences.
- The future unit cost of decommissioning works may vary depending on the technology and the cost of resources used, as well as the inflation rate. The forecasted inflation rate in the Russian Federation is expected to be in the range of 4.1% to 4.5% for the period starting from 2019 until 2022 (2017: from 4.0% to 4.9%). Starting from 2023, the expected inflation rate in the Russian Federation is forecasted to be 4% (2017: 4.3%).
- In 2018, Management applied discount rates ranging from 7.5% to 8.9% based on government bonds interest rates (2017: from 7.6% to 9.3%).

During 2017, the Group completed its assessment of future costs to fulfill its current decommissioning obligations for the Ust’-Yayvinski mine. The total estimated provision for asset retirement obligations amounts to US$ 585 as at 31 December 2018 (31 December 2017: US$ 613).

Due to changes in 2018 (Note 4.2 Provision for filling cavities) accident liquidation expenses for the period from the beginning 2025 to the middle 2027 are recognised within the provision for northern part of SKRU-2 asset retirement obligations, thus the provision increased by US$ 49 million as at 31 December 2018.

Annual impairment test of goodwill

The Group tests goodwill for impairment at least annually. The main assumptions used in value-in-use calculations are described in Note 8.

Mining licences

Management makes estimates, judgements and significant assumptions to assess whether the recoverable amount of the licences exceeds their carrying value. This largely depends on the estimates regarding a range of technical and economic factors, including technology for the construction of the mines, the level of capital expenditure needed to develop the deposit, the expected start of production, the future potash prices and exchange rates. Since the assumptions used to estimate the above factors might change from period to period, the results of Management’s estimates might also change from period to period.

Review of impairment indicators for property, plant and equipment

The Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets are impaired as at each reporting date. No impairment indicators were identified as at 31 December 2018.

Details of outstanding balances between the Group and its related parties are disclosed below:

<table>
<thead>
<tr>
<th>OUTSTANDING BALANCES WITH RELATED PARTIES UNDER CONTROL OF SHAREHOLDERS WITH SIGNIFICANT INFLUENCE OVER THE GROUP</th>
<th>31 DECEMBER 2018</th>
<th>31 DECEMBER 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan receivable</td>
<td>386,974</td>
<td>358,684</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>13,641</td>
<td>20,548</td>
</tr>
<tr>
<td>Loan payable including interest payable</td>
<td>(43,288)</td>
<td>-</td>
</tr>
<tr>
<td>Trade and other receivables and other financial assets</td>
<td>10,874</td>
<td>17,776</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(6,704)</td>
<td>(5,308)</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>(1,809)</td>
<td>(14,026)</td>
</tr>
<tr>
<td>Advances to suppliers</td>
<td>7,952</td>
<td>-</td>
</tr>
<tr>
<td>Advances received</td>
<td>-</td>
<td>(1,115)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OUTSTANDING BALANCES WITH ASSOCIATE</th>
<th>31 DECEMBER 2018</th>
<th>31 DECEMBER 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other receivables and other financial assets</td>
<td>-</td>
<td>83</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>-</td>
<td>(160)</td>
</tr>
<tr>
<td>Advances to suppliers</td>
<td>1,641</td>
<td>-</td>
</tr>
<tr>
<td>Other accrued liabilities</td>
<td>-</td>
<td>(4,274)</td>
</tr>
</tbody>
</table>
The loan to a related party is a US$ denominated unsecured revolving loan facility granted in April 2016 initially for a period of two years under market conditions. In 2018, this facility was prolonged till 2023.

In 2018, Management prepared an analysis of the key parameters of the market terms of the loan including interest rate, historical payments, maturity, security and recoverability. Considering all factors above Management concluded that the loan should continue to be treated as an asset.

In December 2017, the Group entered into a share pledge agreement with PJSC Sberbank of Russia (hereinafter — “Sberbank”) whereby the Company pledged some of its own shares held by JSC Uralkali Technologiya, wholly owned subsidiary of the Group, as follows:

- Ordinary shares of PJSC Uralkali representing 1.4% of the Company’s share capital as primary pledge; and
- Ordinary shares of PJSC Uralkali representing 8.6% of the Company’s share capital as secondary pledge, which are also pledged as primary security for credit facilities received by the Group from Sberbank in 2016 (Note 15).

In April 2018, the Group additionally pledged:

- Ordinary shares and GDRs of PJSC Uralkali representing 24.7% of Company’s share capital as primary pledge; and
- Ordinary shares and GDRs of PJSC Uralkali representing 20.0% of Company’s share capital as secondary pledge, which are also pledged as primary security for credit facilities received by the Group from Sberbank in 2016 (Note 15).

The pledge was provided as a security for the loan of one of the Group’s related parties with Sberbank effective till March 2023. The pledge was provided on paid basis at market terms.

As at 31 December 2018, the fair value of the pledge of US$ 7.2 million (31 December 2017: US$ 17.7 million) was recognised in other non-current assets; US$ 4.5 million in other payables (31 December 2017: US$ 3.7 million) and US$ 1.8 million in other non-current liabilities (31 December 2017: US$ 14 million).

In 2018, the Company placed preference shares among some of the Group’s shareholders, who are related parties of the Group (Note 14).

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

<table>
<thead>
<tr>
<th>TRANSACTIONS WITH RELATED PARTIES UNDER CONTROL OF SHAREHOLDERS WITH SIGNIFICANT INFLUENCE OVER THE GROUP</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (sales of potassium chloride)</td>
<td>49,200</td>
<td>39,357</td>
</tr>
<tr>
<td>Other revenue</td>
<td>8,446</td>
<td>1,355</td>
</tr>
<tr>
<td>Interest income</td>
<td>26,400</td>
<td>17,411</td>
</tr>
<tr>
<td>Purchase of inventories</td>
<td>(11,490)</td>
<td>(11,156)</td>
</tr>
<tr>
<td>Purchase of property, plant and equipment and assets under construction</td>
<td>(397)</td>
<td>(2,077)</td>
</tr>
<tr>
<td>Distribution costs</td>
<td>(16,281)</td>
<td>(10,406)</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>(2,729)</td>
<td>-</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(1,534)</td>
<td>(1,603)</td>
</tr>
<tr>
<td>Bargain purchase</td>
<td>1,350</td>
<td>-</td>
</tr>
<tr>
<td>Other finance income, net</td>
<td>3,863</td>
<td>-</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(365)</td>
<td>(209)</td>
</tr>
<tr>
<td>Acquisition of subsidiaries, net of cash acquired</td>
<td>164</td>
<td>-</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th>2018</th>
<th>2017</th>
<th>31 DECEMBER 2018</th>
<th>31 DECEMBER 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employee benefits</td>
<td>12,927</td>
<td>7,071</td>
<td>2,933</td>
<td>4,837</td>
</tr>
<tr>
<td>Termination benefits</td>
<td>-</td>
<td>137</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>12,927</td>
<td>7,208</td>
<td>2,933</td>
<td>4,837</td>
</tr>
</tbody>
</table>

6 Segment information

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

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

The financial information reported on operating segments is based on the management accounts which are based on IFRS. The CODM performs an analysis of the operating results based on the measurements of:

- Revenues;
- Revenues net of freight, railway tariff, rent of wagons and transshipment costs;
- Operating profit;
- Cash capital expenditures net of VAT (“Cash CAPEX”).

Business segment assets and liabilities are not reviewed by the CODM and therefore are not disclosed in this Note.

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

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>19</td>
<td>2,753,577</td>
</tr>
<tr>
<td>Revenues net of freight, railway tariff, rent of wagons and transshipment costs</td>
<td>19, 21</td>
<td>2,281,082</td>
</tr>
<tr>
<td>Operating profit</td>
<td>1,202,487</td>
<td>1,101,302</td>
</tr>
<tr>
<td>Cash CAPEX</td>
<td>358,441</td>
<td>270,888</td>
</tr>
</tbody>
</table>
Property, plant and equipment and related accumulated depreciation consist of the following:

### Net Book Value

<table>
<thead>
<tr>
<th>Description</th>
<th>Balance at 31 December 2018</th>
<th>Presentation Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 31 December 2017</td>
<td>670,793</td>
<td>3,784,352</td>
</tr>
<tr>
<td>Additions</td>
<td>702,547</td>
<td>2,387,976</td>
</tr>
<tr>
<td>Additions</td>
<td>476,541</td>
<td>2,387,976</td>
</tr>
<tr>
<td>Accrued and other operating expenses</td>
<td>702,547</td>
<td>2,387,976</td>
</tr>
<tr>
<td>Impairment</td>
<td>702,547</td>
<td>2,387,976</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,992,150</td>
<td>7,851,858</td>
</tr>
</tbody>
</table>

### Allocation of depreciation charge for the period

<table>
<thead>
<tr>
<th>Description</th>
<th>Note</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitalised interest and foreign exchange lossess capitalised in the cost of assets under construction</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Fully depreciated assets still in use

As at 31 December 2018 and 31 December 2017, the gross carrying value of fully depreciated property, plant and equipment still in use was US$ 329,363 and US$ 416,046 respectively.

### Capitalised interest expense and foreign exchange losses capitalised in the cost of assets under construction

As at 31 December 2018 and 31 December 2017, the gross carrying value of fully depreciated property, plant and equipment still in use was US$ 329,363 and US$ 416,046 respectively.
8 Goodwill

The goodwill is primarily attributable to the expected future operational and marketing synergies arising from the business combinations with Silvinit Group and not to individual assets of the subsidiaries and was allocated to CGU — PJSC Uralkali. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on actual financial results, budget approved by Management and discount rates reflecting time value of money and inherent risks.

Management analysed the impact of changes in key assumptions on the value-in-use amount. Changes in key assumptions which may lead to potential impairment of goodwill are not probable considering current market estimates.

The Management uses cash flow projections until 2040, which defined by the Management of the Group as reasonable planning horizon. The period of more than 5 years is used as the mining period based on the volume of mineral resources the Company can extract is longer than 5 years.

Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

<table>
<thead>
<tr>
<th>RR/US$ exchange rate (till 2040)</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>From 65 to 977</td>
<td>4.0% p.a.</td>
<td>4.0% p.a.</td>
</tr>
<tr>
<td>From 61 to 138</td>
<td>10.9% p.a.</td>
<td>10.2% p.a.</td>
</tr>
</tbody>
</table>

The Group did not recognise any impairment of goodwill in the consolidated financial statements for the years ended 31 December 2018 and 31 December 2017.

9 Intangible assets

<table>
<thead>
<tr>
<th>NOTE</th>
<th>MINING LICENCES</th>
<th>SOFTWARE</th>
<th>OTHER</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>2018</td>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 1 January 2017</td>
<td>3,214,118</td>
<td>16,473</td>
<td>9,576</td>
<td>3,240,167</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>603</td>
<td>903</td>
<td>1,506</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>(946)</td>
<td>(209)</td>
<td>(1,155)</td>
</tr>
<tr>
<td>Effect of translation to presentation currency</td>
<td>170,566</td>
<td>874</td>
<td>508</td>
<td>171,948</td>
</tr>
<tr>
<td>Balance at 31 December 2017</td>
<td>3,384,684</td>
<td>17,004</td>
<td>10,778</td>
<td>3,412,466</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>1,027</td>
<td>519</td>
<td>1,546</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>(1,717)</td>
<td>(61)</td>
<td>(1,778)</td>
</tr>
</tbody>
</table>

10 Inventories

<table>
<thead>
<tr>
<th>NOTE</th>
<th>MINING LICENCES</th>
<th>SOFTWARE</th>
<th>OTHER</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>2018</td>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raw materials and spare parts</td>
<td>62,575</td>
<td>65,213</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finished products</td>
<td>67,105</td>
<td>16,986</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work in progress</td>
<td>3,750</td>
<td>3,671</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other inventories</td>
<td>6,206</td>
<td>6,069</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total inventories</td>
<td>139,636</td>
<td>91,939</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

11 Trade and other receivables

<table>
<thead>
<tr>
<th>NOTE</th>
<th>MINING LICENCES</th>
<th>SOFTWARE</th>
<th>OTHER</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>2018</td>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial receivables</td>
<td>241,218</td>
<td>484,536</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade receivables at amortised cost</td>
<td>63,260</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract assets</td>
<td>4,150</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td>16,616</td>
<td>11,936</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: allowance for ECL</td>
<td>(18,877)</td>
<td>(14,010)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total financial receivables</td>
<td>306,367</td>
<td>482,462</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Non-financial receivables

<table>
<thead>
<tr>
<th></th>
<th>31 DECEMBER 2018</th>
<th>31 DECEMBER 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT recoverable</td>
<td>40,527</td>
<td>49,570</td>
</tr>
<tr>
<td>Other taxes recoverable</td>
<td>798</td>
<td>1,927</td>
</tr>
<tr>
<td>Other non-financial receivables</td>
<td>4,195</td>
<td>-</td>
</tr>
<tr>
<td>Total non-financial receivables</td>
<td>45,520</td>
<td>51,497</td>
</tr>
<tr>
<td>Total trade and other receivables</td>
<td>351,887</td>
<td>533,959</td>
</tr>
</tbody>
</table>

As at 31 December 2018, advances received comprise contract liabilities of US$ 6,292 (31 December 2017: null).

As at 31 December 2018, trade receivables of US$ 275,733 (31 December 2017: US$ 464,628), net of allowance for ECL, were denominated in foreign currencies; 81% of this balance was denominated in US$ (31 December 2017: 89%) and 19% was denominated in Euro (31 December 2017: 11%).

Movements of the allowance for ECL were as follows:

<table>
<thead>
<tr>
<th></th>
<th>1 JANUARY 2018</th>
<th>CURRENT</th>
<th>LESS THAN 45 DAYS OVERDUE</th>
<th>OVER 90 DAYS OVERDUE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(747)</td>
<td>(104)</td>
<td>(230)</td>
<td>(13,409)</td>
<td>(14,590)</td>
</tr>
</tbody>
</table>

31 DECEMBER — calculated under IAS 39

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRADE RECEIVABLES</td>
<td>(6,920)</td>
<td>(7,090)</td>
</tr>
<tr>
<td>OTHER RECEIVABLES</td>
<td>(6,673)</td>
<td>(6,640)</td>
</tr>
<tr>
<td>Adjustment IFRS 9 (Note 3)</td>
<td>(539)</td>
<td>(44)</td>
</tr>
<tr>
<td>Opening balance at 1 January</td>
<td>(7,459)</td>
<td>(7,131)</td>
</tr>
<tr>
<td>Allowance accrued</td>
<td>(6,244)</td>
<td>(3,494)</td>
</tr>
<tr>
<td>Allowance reversed</td>
<td>1,219</td>
<td>708</td>
</tr>
<tr>
<td>Allowance utilised</td>
<td>606</td>
<td>417</td>
</tr>
<tr>
<td>Foreign exchange (loss)/gain, net</td>
<td>(674)</td>
<td>-</td>
</tr>
<tr>
<td>Effect of translation to presentation currency</td>
<td>1,733</td>
<td>1,442</td>
</tr>
<tr>
<td>Balance at 31 December</td>
<td>(10,819)</td>
<td>(8,058)</td>
</tr>
</tbody>
</table>

The accrual and reversal of the allowance for ECL have been included in other operating expenses in the consolidated statement of profit or loss.

Gross carrying amount — trade receivables (insured)

<table>
<thead>
<tr>
<th></th>
<th>31 DECEMBER 2018</th>
<th>CURRENT</th>
<th>LESS THAN 45 DAYS OVERDUE</th>
<th>OVER 90 DAYS OVERDUE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>153,376</td>
<td>17,590</td>
<td>72</td>
<td>63</td>
<td>171,101</td>
</tr>
</tbody>
</table>

Gross carrying amount — trade receivables (non-insured)

<table>
<thead>
<tr>
<th></th>
<th>31 DECEMBER 2018</th>
<th>CURRENT</th>
<th>LESS THAN 45 DAYS OVERDUE</th>
<th>OVER 90 DAYS OVERDUE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>116,799</td>
<td>12,231</td>
<td>2,562</td>
<td>5,945</td>
<td>137,527</td>
</tr>
</tbody>
</table>

Gross carrying amount — other receivables

<table>
<thead>
<tr>
<th></th>
<th>31 DECEMBER 2018</th>
<th>CURRENT</th>
<th>LESS THAN 45 DAYS OVERDUE</th>
<th>OVER 90 DAYS OVERDUE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5,312</td>
<td>1,764</td>
<td>677</td>
<td>8,863</td>
<td>16,616</td>
</tr>
</tbody>
</table>

Allowance for ECL

<table>
<thead>
<tr>
<th></th>
<th>31 DECEMBER 2018</th>
<th>CURRENT</th>
<th>LESS THAN 45 DAYS OVERDUE</th>
<th>OVER 90 DAYS OVERDUE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1,713)</td>
<td>(1,641)</td>
<td>(2,390)</td>
<td>(13,133)</td>
<td>(18,877)</td>
</tr>
</tbody>
</table>

Gross carrying amount — trade receivables (insured)

<table>
<thead>
<tr>
<th></th>
<th>31 DECEMBER 2018</th>
<th>CURRENT</th>
<th>LESS THAN 45 DAYS OVERDUE</th>
<th>OVER 90 DAYS OVERDUE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>307,743</td>
<td>6,510</td>
<td>-</td>
<td>-</td>
<td>314,253</td>
</tr>
</tbody>
</table>

Gross carrying amount — trade receivables (non-insured)

<table>
<thead>
<tr>
<th></th>
<th>31 DECEMBER 2018</th>
<th>CURRENT</th>
<th>LESS THAN 45 DAYS OVERDUE</th>
<th>OVER 90 DAYS OVERDUE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>158,008</td>
<td>4,514</td>
<td>144</td>
<td>7,617</td>
<td>170,283</td>
</tr>
</tbody>
</table>

Gross carrying amount — other receivables

<table>
<thead>
<tr>
<th></th>
<th>31 DECEMBER 2018</th>
<th>CURRENT</th>
<th>LESS THAN 45 DAYS OVERDUE</th>
<th>OVER 90 DAYS OVERDUE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,711</td>
<td>1,333</td>
<td>813</td>
<td>7,079</td>
<td>11,936</td>
</tr>
</tbody>
</table>

Allowance for ECL

As at 31 December 2018 and 31 December 2017, no trade and other receivables were pledged as collateral.

12 Derivative financial instruments

As at 31 December 2018, the derivative financial instruments were represented by:

<table>
<thead>
<tr>
<th></th>
<th>NOTIONAL AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>THE GROUP PAYS</td>
<td>THE GROUP RECEIVES</td>
</tr>
<tr>
<td>ISSUE</td>
<td>MATURITY</td>
</tr>
<tr>
<td>------------------------</td>
<td>----------</td>
</tr>
<tr>
<td>Cross-currency interest rate swap</td>
<td>US$ at fixed rate</td>
</tr>
<tr>
<td></td>
<td>US$ at fixed rate</td>
</tr>
<tr>
<td></td>
<td>US$ at fixed rate</td>
</tr>
<tr>
<td></td>
<td>US$ at floating rate</td>
</tr>
<tr>
<td></td>
<td>US$ at fixed rate</td>
</tr>
</tbody>
</table>
In these consolidated financial statements derivative financial instruments were as follows:

<table>
<thead>
<tr>
<th></th>
<th>31 DECEMBER 2018</th>
<th>31 DECEMBER 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current derivative financial assets</td>
<td>30,261</td>
<td>16,783</td>
</tr>
<tr>
<td>Non-current derivative financial assets</td>
<td>338</td>
<td>6,047</td>
</tr>
<tr>
<td>Total derivative financial assets</td>
<td>30,599</td>
<td>22,830</td>
</tr>
</tbody>
</table>

| **Liabilities**             |                  |                  |
| Current derivative financial liabilities | (11,380)         | (109,815)        |
| Non-current derivative financial liabilities | (121,523)        | (11,609)         |
| Total derivative financial liabilities | (128,653)        | (121,424)        |

**Note**

Balance at 1 January 98,594 277,125
Cash proceeds from derivatives 17,816 12,710
Cash paid for derivatives (111,507) (151,792)
Changes in the fair value 24 106,246 (51,662)
Effect of translation to presentation currency (13,095) 12,213
Balance at 31 December 98,054 98,594

Derivatives are carried at their fair value and categorised within Level 2 of the fair value hierarchy.

## 13 Cash and cash equivalents

### Interest Rates

<table>
<thead>
<tr>
<th></th>
<th>31 DECEMBER 2018</th>
<th>31 DECEMBER 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand and bank balances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RR denominated cash on hand and bank balances</td>
<td>49,716</td>
<td>73,165</td>
</tr>
<tr>
<td>US$ denominated bank balances</td>
<td>475,309</td>
<td>856,422</td>
</tr>
<tr>
<td>EUR denominated bank balances</td>
<td>31,226</td>
<td>32,387</td>
</tr>
<tr>
<td>Other currencies denominated balances</td>
<td>369</td>
<td>110</td>
</tr>
<tr>
<td>Highly liquid risk-free bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>US$ term deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.6% p.a. – 3.5% p.a. (31 December 2017: 0.6% p.a. – 1.38% p.a.)</td>
<td>452,327</td>
<td>39,134</td>
</tr>
<tr>
<td>RR term deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4% p.a. – 7.4% p.a. (31 December 2017: 5.7% p.a. – 6.52% p.a.)</td>
<td>4,068</td>
<td>1,233</td>
</tr>
<tr>
<td>Total cash and cash equivalents</td>
<td>1,013,015</td>
<td>1,072,609</td>
</tr>
</tbody>
</table>

As at 31 December 2018 and 31 December 2017, all term deposits had maturity within three months.

In 2017, the Group purchased US government bonds. These bonds were short-term, highly liquid with AAA rating from Fitch and Moody’s agencies and were considered risk-free. These bonds were sold in 2018.
approved by the extraordinary general shareholders’ meeting (“EGM”). As of the reporting date, the delisting procedure has not been completed yet.

Preference shares. On 18 December 2017, the EGM approved the decision to increase the share capital of the Company by way of issuing 150 million non-convertible preference shares.

As at 31 December 2018, the Company placed 30 million preference shares through a closed subscription among the shareholders who owned more than 10% of the issued ordinary shares of the Company on 23 November 2017.

The difference between the total value of the issue of US$ 31,226 and the nominal value of preference shares of US$ 239 was reflected as an increase in share premium.

According to Russian law and the Company’s Charter, preference shares are non-cumulative and generally do not provide voting rights, except as expressly provided for by law. Holders of preference shares are entitled to vote starting from the meeting that follows the annual general meeting, which resolved to refrain from paying dividends or to partially pay dividends on preference shares.

The minimum dividend size is fixed in the Charter and amounts to 0.1 roubles per preference share. In July 2018, the Company paid the minimum dividends in the amount of US$ 48 to the holders of preference shares.

Dividends on ordinary shares. All dividends are declared and paid in RR. The current dividend policy provides certain flexibility to the Board of Directors in determining the amount of dividends.

General meetings held in 2018 and 2017 resolved not to pay any dividends on ordinary shares.

15 Borrowings
The table below shows interest rates as at 31 December 2018 and 31 December 2017 and the split of bank loans into short-term and long-term.

<table>
<thead>
<tr>
<th>SHORT-TERM BANK LOANS AND CURRENT PORTION OF LONG-TERM BANK LOANS DUE WITHIN 12 MONTHS</th>
<th>INTEREST RATES</th>
<th>31 DECEMBER 2018</th>
<th>31 DECEMBER 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank loans in US$: floating interest</td>
<td>From 3 month LIBOR + 1.45% to 3 month LIBOR + 3.55% (31 December 2017: From 1 month Libor + 2.2% to 3 month LIBOR + 3.55%)</td>
<td>1,259,371</td>
<td>1,145,987</td>
</tr>
<tr>
<td>Bank loans in US$: fixed interest</td>
<td>From 3.8% to 5.22% (31 December 2017: From 3.8% to 4.61%)</td>
<td>2,570</td>
<td>1,852</td>
</tr>
<tr>
<td>Bank loans in EUR: floating interest</td>
<td>6 month EURIBOR + 1.05%</td>
<td>1,674</td>
<td>-</td>
</tr>
<tr>
<td>Bank loans in RR: floating interest</td>
<td>(31 December 2017: 3 month MosPrime + 2.59%)</td>
<td>-</td>
<td>144,018</td>
</tr>
<tr>
<td>Total short-term bank loans and current portion of long-term bank loans due within 12 months</td>
<td></td>
<td>1,263,615</td>
<td>1,291,857</td>
</tr>
<tr>
<td>Long-term bank loans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank loans in US$: floating interest</td>
<td>From 3 month Libor + 1.45% to 3 month LIBOR + 3.55% (31 December 2017: From 1 month Libor + 2.2% to 3 month LIBOR + 3.55%)</td>
<td>2,228,939</td>
<td>2,731,858</td>
</tr>
</tbody>
</table>

As at 31 December 2018 and 31 December 2017, no equipment or inventories were pledged as security for bank loans.

As at 31 December 2018, bank loans amounting US$ 2,585,075 (31 December 2017: US$ 2,025,340) were collateralised by future sales proceeds of the Group under export contracts with certain customers.

In March 2016, a credit line agreement with Sberbank was signed in the amount of up to US$ 3.9 billion for the purpose of refinancing of other loans received from the bank as well as for other general corporate purposes, which, together with related agreements, were secured by way of pledge to Sberbank of the Company’s shares and GDRs constituting 28.6% of the Company’s issued ordinary shares (equivalent of 389,981,286 ordinary shares and 89,959,526 GDRs). In 2017 and 2018, amendments to Sberbank facilities were signed — the term of the credit facility was extended and the interest rate was decreased. Funds under the committed credit line in the amount of US$ 2.0 billion are available to be drawn from
In June 2018, the Company signed a US$ 825 million 5-year pre-export facility with 11 international banks. The interest rate is 1-month LIBOR + 1.9%. The loan was used for refinancing of the Company’s existing loans and for general corporate purposes. As at 31 December 2018, US$ 825 million of the facility was drawn-down.

The Group was in compliance with all financial and non-financial covenants as at 31 December 2018.

16 Bonds

In April 2013, the Group issued US$ denominated Eurobonds at the nominal value of US$ 650 million bearing a coupon of 3.723% p.a. maturing in 2018. These bonds were fully redeemed in 2018.

In May 2017, the Company issued RR bonds in the amount of RR 15 billion (US$ 265.4 million) under its exchange bond programme. The coupon rate was 8.80% p.a., coupon period is 5 years. The Group has concluded cross-currency interest rate swap agreements to translate debt and interest payments to US$. (Note 12).

In October 2017, JSC “Uralkali-Technologia” sold bonds issued by the Company to JSC VTB Capital. At the same time the Company entered into an interest rate swap agreement to exchange the coupon rate with the interest rate of financing (Note 12).

In June 2018, the Company issued RR bonds in the amount of RR 15 billion (US$ 241 million) at par under its exchange bond programme. The coupon rate was 7.70% p.a., and the coupon period is 182 days. Nominal value of the bond is RR 1,000. The bond matures in 3 years. The Group has concluded cross-currency interest rate swap agreements to translate debt and interest payments to dollars (Note 12).

In November 2018, the Company issued RR bonds in the amount of RR 10 billion (US$ 148 million) at par under its exchange bond programme. The coupon rate was 9.30% p.a., and the coupon period is 182 days. Nominal value of the bond is RR 1,000. The bond matures in 3 years. The Group has concluded cross-currency interest rate swap agreements to translate debt and interest payments to dollars (Note 12).

17 Provisions

<table>
<thead>
<tr>
<th>NOTE</th>
<th>FILLING CAVITIES</th>
<th>ASSET RETIREMENT OBLIGATIONS</th>
<th>RESETTLEMENT</th>
<th>MINE FLOODING</th>
<th>RE-STRUTURING</th>
<th>LEGAL</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>98,182</td>
<td>64,290</td>
<td>10,822</td>
<td>9,223</td>
<td>6,287</td>
<td>19,006</td>
<td>207,810</td>
</tr>
<tr>
<td>Changes in estimates added to property, plant and equipment</td>
<td>7</td>
<td>77,675</td>
<td>(19,952)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>57,723</td>
</tr>
<tr>
<td>Changes in estimates charged to profit or loss</td>
<td>-</td>
<td>-</td>
<td>(817)</td>
<td>(3,152)</td>
<td>(32)</td>
<td>-</td>
<td>(4,001)</td>
</tr>
<tr>
<td>Accrual of provision</td>
<td>-</td>
<td>613</td>
<td>10,084</td>
<td>-</td>
<td>-</td>
<td>6,084</td>
<td>16,781</td>
</tr>
</tbody>
</table>
Due to changes in 2018 (Note 4.2 Provision for filling cavities) the provision for filling cavities, provision for asset retirement obligations and mine flooding provision increased by US$ 136 million, US$ 49 million and US$ 6 million, respectively as at 31 December 2018.

In the first half of 2018, the Group revised methodology of mines flooding protection due to changes in regulatory requirements. The above changes in the regulatory requirements caused the mining period revision, which is resulted in change in the provision for asset retirement obligations to the amount of by US$ 27 million.

### 18 Trade and other payables

<table>
<thead>
<tr>
<th>NOTE</th>
<th>31 DECEMBER 2018</th>
<th>31 DECEMBER 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial payables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>49,813</td>
<td>66,334</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>72,581</td>
<td>90,552</td>
</tr>
<tr>
<td>Salary payable and related accruals</td>
<td>39,498</td>
<td>53,798</td>
</tr>
<tr>
<td>Other payables</td>
<td>24,618</td>
<td>37,716</td>
</tr>
<tr>
<td>Total financial payables</td>
<td>186,510</td>
<td>248,400</td>
</tr>
<tr>
<td>Non-financial payables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other taxes payable</td>
<td>23,676</td>
<td>19,342</td>
</tr>
<tr>
<td>Other non-financial payables</td>
<td>7,559</td>
<td>5,176</td>
</tr>
<tr>
<td>Total non-financial payables</td>
<td>31,235</td>
<td>24,518</td>
</tr>
<tr>
<td>Total trade and other payables</td>
<td>217,745</td>
<td>272,918</td>
</tr>
</tbody>
</table>

As at 31 December 2018, trade and other payables of US$ 12,889 (31 December 2017: US$ 42,716) were denominated in foreign currencies: 67% of this balance was denominated in US$ (31 December 2017: 38%) and 31% was denominated in Euro (31 December 2017: 54%).

### 19 Revenues

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potassium chloride</td>
<td>1,580,990</td>
<td>1,710,530</td>
</tr>
<tr>
<td>Potassium chloride (granular)</td>
<td>896,629</td>
<td>959,164</td>
</tr>
<tr>
<td>Revenue from rendering transportation services</td>
<td>85,784</td>
<td>91,180</td>
</tr>
<tr>
<td>Total revenues</td>
<td>2,753,577</td>
<td>2,760,874</td>
</tr>
</tbody>
</table>

### 20 Cost of sales

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td>7</td>
<td>176,565</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>168,110</td>
<td>168,708</td>
</tr>
<tr>
<td>Materials and components</td>
<td>115,310</td>
<td>123,929</td>
</tr>
<tr>
<td>Fuel and energy</td>
<td>101,865</td>
<td>108,085</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>54,274</td>
<td>43,527</td>
</tr>
<tr>
<td>Amortisation of licences</td>
<td>12,636</td>
<td>12,228</td>
</tr>
<tr>
<td>Transportation between mines by railway</td>
<td>(41,156)</td>
<td>36,951</td>
</tr>
<tr>
<td>Total cost of sales</td>
<td>702,867</td>
<td>739,076</td>
</tr>
</tbody>
</table>
21 Distribution costs

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railway tariff and rent of wagons</td>
<td>242,806</td>
<td>301,033</td>
</tr>
<tr>
<td>Freight</td>
<td>208,477</td>
<td>248,343</td>
</tr>
<tr>
<td>Transport repairs and maintenance</td>
<td>29,806</td>
<td>31,892</td>
</tr>
<tr>
<td>Commissions and marketing expenses</td>
<td>23,813</td>
<td>23,003</td>
</tr>
<tr>
<td>Transshipment</td>
<td>21,212</td>
<td>28,817</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>17,244</td>
<td>10,855</td>
</tr>
<tr>
<td>Depreciation</td>
<td>8,176</td>
<td>8,567</td>
</tr>
<tr>
<td>Other costs</td>
<td>81,389</td>
<td>95,294</td>
</tr>
<tr>
<td>Total distribution costs</td>
<td>632,923</td>
<td>747,804</td>
</tr>
</tbody>
</table>

Depreciation of property, plant and equipment in the amount of US$ 2,978 is included into Transport repairs and maintenance and Transshipment costs (2017: US $3,280).

22 General and administrative expenses

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee benefits</td>
<td>95,600</td>
<td>89,953</td>
</tr>
<tr>
<td>Depreciation</td>
<td>9,738</td>
<td>7,862</td>
</tr>
<tr>
<td>Consulting, audit and legal services</td>
<td>7,227</td>
<td>4,349</td>
</tr>
<tr>
<td>Mine rescue crew</td>
<td>5,924</td>
<td>6,134</td>
</tr>
<tr>
<td>Security</td>
<td>5,783</td>
<td>6,475</td>
</tr>
<tr>
<td>Materials and fuel</td>
<td>5,167</td>
<td>5,182</td>
</tr>
<tr>
<td>Communication and information system services</td>
<td>4,480</td>
<td>4,413</td>
</tr>
<tr>
<td>Amortisation of intangible assets</td>
<td>3,829</td>
<td>3,264</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>3,546</td>
<td>3,167</td>
</tr>
<tr>
<td>Other expenses</td>
<td>33,358</td>
<td>26,591</td>
</tr>
<tr>
<td>Total general and administrative expenses</td>
<td>174,652</td>
<td>157,390</td>
</tr>
</tbody>
</table>

23 Other operating income and expenses

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss on disposals of property, plant and equipment and intangible assets</td>
<td>6,241</td>
<td>8,318</td>
</tr>
<tr>
<td>Change in legal provision</td>
<td>239</td>
<td>(15,392)</td>
</tr>
<tr>
<td>Social cost and charity</td>
<td>6,784</td>
<td>6,242</td>
</tr>
<tr>
<td>Other operating expenses / (income), net</td>
<td>4,566</td>
<td>(5,572)</td>
</tr>
<tr>
<td>Total other operating expenses / (income), net</td>
<td>17,830</td>
<td>(6,404)</td>
</tr>
</tbody>
</table>

24 Finance income and expenses

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2018 INCOME</th>
<th>2017 EXPENSES</th>
<th>2018 INCOME</th>
<th>2017 EXPENSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign exchange (loss) / gain</td>
<td>-</td>
<td>(737,676)</td>
<td>271,908</td>
<td>-</td>
</tr>
<tr>
<td>Interest income / (expenses)</td>
<td>40,149</td>
<td>(287,252)</td>
<td>25,600</td>
<td>(286,767)</td>
</tr>
<tr>
<td>Fair value (loss) / (expenses) on derivative financial instruments, net</td>
<td>12</td>
<td>-</td>
<td>(106,246)</td>
<td>51,662</td>
</tr>
<tr>
<td>Loss from unwinding and effect of changes in effective interest rate, net</td>
<td>-</td>
<td>(43,070)</td>
<td>-</td>
<td>(14,590)</td>
</tr>
<tr>
<td>Fair value losses on investments</td>
<td>-</td>
<td>(33,850)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Syndication fees and other financial charges</td>
<td>-</td>
<td>(19,660)</td>
<td>-</td>
<td>(50,243)</td>
</tr>
<tr>
<td>Letters of credit fees</td>
<td>-</td>
<td>(10,710)</td>
<td>-</td>
<td>(4,349)</td>
</tr>
<tr>
<td>Loss from associate</td>
<td>-</td>
<td>(1,071)</td>
<td>-</td>
<td>(1,463)</td>
</tr>
<tr>
<td>Finance lease expense</td>
<td>-</td>
<td>(850)</td>
<td>-</td>
<td>(915)</td>
</tr>
<tr>
<td>Other finance income / (loss)</td>
<td>6,032</td>
<td>(549)</td>
<td>966</td>
<td>(94)</td>
</tr>
<tr>
<td>Total finance income / (loss)</td>
<td>46,181</td>
<td>(1,240,934)</td>
<td>350,136</td>
<td>(358,421)</td>
</tr>
<tr>
<td>Total finance expenses, net</td>
<td>-</td>
<td>(1,194,753)</td>
<td>-</td>
<td>(8,285)</td>
</tr>
</tbody>
</table>

The syndication fees and other financial charges in 2017 include the write-off of the prepaid commission in the amount of US$ 16,641 related to a US$ 1.5 billion credit line from Sberbank. The credit line was available till 3 March 2017. This credit line has not been used due to it being more costly as compared to other available funding options.

25 Income tax expense

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current income tax expense</td>
<td>9,976</td>
<td>156,527</td>
</tr>
<tr>
<td>Adjustments recognised in the period for current income tax of prior periods</td>
<td>(107)</td>
<td>(6,187)</td>
</tr>
<tr>
<td>Deferred income tax (benefit) / expense</td>
<td>94,871</td>
<td>68,049</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>104,740</td>
<td>218,389</td>
</tr>
</tbody>
</table>

Income before taxation and non-controlling interests for consolidated financial statements purposes is reconciled to income tax as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before income tax</td>
<td>(7,734)</td>
<td>(1,093,017)</td>
</tr>
<tr>
<td>Theoretical tax charge at a rate of 16.5%</td>
<td>1,276</td>
<td>180,348</td>
</tr>
<tr>
<td>Corrections of profit tax for prior years</td>
<td>(107)</td>
<td>(6,187)</td>
</tr>
<tr>
<td>Tax effect of expenses which are not deductible, net</td>
<td>3,541</td>
<td>14,567</td>
</tr>
<tr>
<td>Effect of different tax rates in countries and regions</td>
<td>(1,720)</td>
<td>(3,565)</td>
</tr>
<tr>
<td>Effect of changes in tax rate</td>
<td>106,625</td>
<td>457</td>
</tr>
</tbody>
</table>
As at 31 December 2018, most companies of the Group were registered in the Russian Federation, Perm region and were taxed at a rate from 16.5% to 20%, however, the main income tax temporary differences relate to the Company, which was taxed at a preferential tax rate of 16.5% in 2018.

In August 2018, the Legislative Assembly of the Perm region enacted a law, among others, imposing a limitation on minimal income tax rates and cancelling the preferential tax rate application from 2021. However as in 2016 the Company concluded a regional special investment contract valid until 2022, the Company is able to apply the minimum income tax rate of 16.5% until 31 December 2022. Starting from 2023, the Company will apply the general income tax rate of 20%.

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

Due to changes in legislation, the Group revised the impact of 20% income tax rate on the temporary differences that are expected to be realised after 2022, the corresponding difference is recognised in profit or loss.

In 2018 and 2017, foreign subsidiaries were taxed applying respective national income tax rates.

The tax effect of the movements in the temporary differences for the year ended 31 December 2018 was the following:

<table>
<thead>
<tr>
<th>31 DECEMBER 2018</th>
<th>31 DECEMBER 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>RECOGNISED IN PROFIT OR LOSS</td>
<td>ADJUSTMENT, IFRS 9</td>
</tr>
<tr>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td>Deferred income tax asset</td>
<td>24,278</td>
</tr>
<tr>
<td>Deferred income tax liability</td>
<td>(631,335)</td>
</tr>
<tr>
<td>Deferred income tax liability, net</td>
<td>(607,057)</td>
</tr>
</tbody>
</table>

Deferred tax balances presented in the consolidated statement of financial position were as follows:

As at 31 December 2018, the Group has not recognised a deferred income tax liability in respect of taxable temporary differences associated with investments in subsidiaries in the amount of US$ 187,832 (31 December 2017: US$ 177,482). The Group controls the timing of the reversal of these temporary differences and does not expect their reversal in the foreseeable future.
26 Contingencies, commitments and operating risks

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

26.2 Tax legislation
Laws and regulations affecting business in the Russian Federation continue to change rapidly. Management’s interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events suggest that the tax authorities are taking a more aggressive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for three calendar years preceding the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects on the consolidated financial statements could be significant.

According to the amendments introduced into the Russian tax legislation, the undistributed profits of the Group foreign subsidiaries, recognised as controlled foreign companies, may result in an increase of the tax base of the controlling entities. According to current forecasts the profits of controlled foreign companies does not increase the taxable profits of the Company due to application of appropriate norms of tax legislation of the Russian Federation. Despite the fact that the Group has developed a tax planning strategy with regard to the legislation on controlled foreign companies, Management of the Group does not exclude the fiscal approach of regulating authorities to the order of determination of taxable profits in controlling entities of the Group in Russia.

Since 1 January 2019, the VAT rate in Russia has increased from 18% to 20%. In Russia, VAT rate of 20% has been applied prospectively since 1 January 2019 (2018: 18%).

26.3 Insurance
The Company generally enters into insurance agreements when it is required by statutory legislation. The insurance agreements do not cover the risks of damage to third parties’ property resulting from the Group’s underground activities and the risks reflected in Note 4.

26.4 Environmental matters
The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. In the current enforcement climate under existing legislation, Management believes that there are no significant liabilities for environmental damage due to legal requirements except for those mentioned in Note 4. The Group’s mining activities and the recent mine flooding may cause subsidence that may affect the Group’s facilities, and those of the cities of Berezniki and Solikamsk, State organisations and others.

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

The Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014, the oil price decreased significantly.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. This led to reduced access of the Russian businesses to international capital markets.
27.3 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. Market risk is the possibility that currency exchange rates, reduction in the prices of potash products and changes in interest rates will adversely affect the value of assets, liabilities, or expected future cash flows. Overall risk management procedures adopted by the Group focus on the unpredictability of financial and commodity markets and seek to minimise potential adverse effects on the Group’s financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is different from the functional currency of the companies of the Group.

The Group operates internationally and exports significant part of potash fertilizers sales. As a result the Group is exposed to foreign exchange risk arising from various currency exposures. Export sales are primarily denominated in US$ or Euro. The Group is exposed to the risk of significant RR/US$ and RR/Euro exchange rates fluctuations. The Group’s operating profit benefits from the weak exchange rate of the RR against the US$ and Euro, since all the Group major operating expenses are denominated in RR. The net profit suffers from the weak Rouble exchange rate mainly due to the foreign exchange differences on the Group’s loans which are predominantly denominated in USD.

For the year ended 31 December 2018, if during the year the foreign currencies had strengthened by 10% against the RR with all other variables held constant, the net profit for the year would have been US$ 404,559 (31 December 2017: US$ 386,626) lower, including US$ 409,391 (31 December 2017: US$ 391,905) lower due to US$ appreciation and 4,832 (31 December 2017: US$ 5,279) higher due to other currencies appreciation, if during the year the foreign currencies had weakened by 10% against the RR with all other variables held constant, the net profit for the year would have been US$ 397,718 (31 December 2017: US$ 392,556) higher, including US$ 402,550 (31 December 2017: US$ 397,835) higher due to US$ depreciation and 4,832 (31 December 2017: US$ 5,279) lower due to other currencies depreciation, mainly as a result of foreign exchange gains/losses on the translation of assets and liabilities denominated in foreign currencies and changes in fair value of derivative financial assets and liabilities.

(ii) Price risk

The Group is not exposed to commodity price risk, since the Group does not enter in any operations with financial instruments whose value is exposed to the value of commodities traded on the public market.

(iii) Interest rate risk

The Group’s income and operating cash flows are exposed to market interest rates changes. The Group is exposed to fair value interest rate risk through market value fluctuations of interest bearing short- and long-term borrowings, whose interest rates comprise a fixed component. Borrowings issued at variable rates expose the Group to cash flow interest rate risk (Notes 15,16). The Group uses cross-currency interest rate and interest rate swaps to reduce interest payments (Note 12). The objective of managing interest rate risk is to prevent losses due to adverse changes in market interest rates. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, the renewal of existing positions and alternative financing.

For the year ended 31 December 2018, if LIBOR rate on US$ denominated borrowings had been 200 basis points higher/lower with all other variables held constant, net profit for the year would have been US$ 68,783 lower/higher (year ended 31 December 2017: if LIBOR and ISDA rates on US$ denominated borrowings had been 200 basis points higher/lower with all other variables held constant net profit for the year would have been US$ 98,430 lower/higher).

The effect is mainly as a result of higher/lower interest expense on floating rate borrowings and changes in the fair value of derivative financial assets and liabilities with floating rates terms.

(b) Credit risk

Credit risk arises from the possibility that counterparties to transactions may default on their obligations, causing financial losses for the Group. The objective of managing credit risk is to prevent losses of liquid funds deposited in counterparties.

Financial assets, which potentially subject Group entities to credit risk, consist primarily of loan issued, trade receivables, cash and bank deposits.
(c) Liquidity risk

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.

<table>
<thead>
<tr>
<th>AT 31 DECEMBER 2018</th>
<th>NOTE</th>
<th>LESS THAN 1 YEAR</th>
<th>BETWEEN 1 AND 5 YEARS</th>
<th>OVER 5 YEARS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>18</td>
<td>186,510</td>
<td>-</td>
<td>-</td>
<td>186,510</td>
</tr>
<tr>
<td>Borrowings</td>
<td>1467,802</td>
<td>3,350,206</td>
<td>123,061</td>
<td></td>
<td>4,941,069</td>
</tr>
<tr>
<td>Bonds</td>
<td>878,469</td>
<td>669,981</td>
<td>-</td>
<td></td>
<td>1,548,450</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>781</td>
<td>3,122</td>
<td>28,067</td>
<td></td>
<td>31,970</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>-</td>
<td>40,218</td>
<td>-</td>
<td></td>
<td>40,218</td>
</tr>
<tr>
<td>Total</td>
<td>2,533,562</td>
<td>4,063,527</td>
<td>151,128</td>
<td></td>
<td>6,748,217</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>AT 31 DECEMBER 2017</th>
<th>NOTE</th>
<th>LESS THAN 1 YEAR</th>
<th>BETWEEN 1 AND 5 YEARS</th>
<th>OVER 5 YEARS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>18</td>
<td>248,400</td>
<td>-</td>
<td>-</td>
<td>248,400</td>
</tr>
<tr>
<td>Borrowings</td>
<td>1,485,196</td>
<td>3,631,248</td>
<td>60,509</td>
<td></td>
<td>5,176,953</td>
</tr>
<tr>
<td>Bonds</td>
<td>662,368</td>
<td>1,119,912</td>
<td>-</td>
<td></td>
<td>1,782,280</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>941</td>
<td>3,765</td>
<td>34,416</td>
<td></td>
<td>39,122</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>106,987</td>
<td>1,851</td>
<td>-</td>
<td></td>
<td>108,838</td>
</tr>
<tr>
<td>Total</td>
<td>2,503,892</td>
<td>4,756,776</td>
<td>94,925</td>
<td></td>
<td>7,355,593</td>
</tr>
</tbody>
</table>

28 Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Management has used all available market information in estimating the fair value of financial instruments.

The table below discloses the Group’s financial assets and financial liabilities stated at amortised cost within levels of the fair value hierarchy:

<table>
<thead>
<tr>
<th>31 DECEMBER 2018</th>
<th>31 DECEMBER 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>FINANCIAL ASSETS</td>
<td>LEVEL</td>
</tr>
<tr>
<td>Loan issued (including interests receivable)</td>
<td>3</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>3</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>706,997</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>31 DECEMBER 2018</th>
<th>31 DECEMBER 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>FINANCIAL LIABILITIES</td>
<td>LEVEL</td>
</tr>
<tr>
<td>Borrowings</td>
<td>3</td>
</tr>
<tr>
<td>Bonds</td>
<td>1</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>6,086,397</td>
</tr>
</tbody>
</table>

29 Principal subsidiaries

The Group had the following principal subsidiaries as at 31 December 2018 and 31 December 2017:

<table>
<thead>
<tr>
<th>NAME</th>
<th>NATURE OF BUSINESS</th>
<th>PERCENTAGE OF VOTING RIGHTS</th>
<th>PERCENTAGE OF OWNERSHIP</th>
<th>COUNTRY OF REGISTRATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>LLC “SMT “BSHSU”</td>
<td>Construction</td>
<td>100.00%</td>
<td>100.00%</td>
<td>Russia</td>
</tr>
<tr>
<td>LLC “Vagon Depo Balahonzi”</td>
<td>Repair and maintenance</td>
<td>100.00%</td>
<td>100.00%</td>
<td>Russia</td>
</tr>
<tr>
<td>LLC “Uralkali-Remont”</td>
<td>Repair and maintenance</td>
<td>100.00%</td>
<td>100.00%</td>
<td>Russia</td>
</tr>
<tr>
<td>LLC “Avtorotranskali”</td>
<td>Transportation</td>
<td>100.00%</td>
<td>100.00%</td>
<td>Russia</td>
</tr>
<tr>
<td>JSC “Baltic Bulker Terminal”</td>
<td>Sea terminal</td>
<td>100.00%</td>
<td>100.00%</td>
<td>Russia</td>
</tr>
<tr>
<td>JSC “VNII Galurgii”</td>
<td>Scientific institute</td>
<td>85.25%</td>
<td>85.25%</td>
<td>Russia</td>
</tr>
<tr>
<td>Uralkali Trading SIA</td>
<td>Trading</td>
<td>100.00%</td>
<td>100.00%</td>
<td>Latvia</td>
</tr>
<tr>
<td>Uralkali Trading Chicago</td>
<td>Trading</td>
<td>100.00%</td>
<td>100.00%</td>
<td>USA</td>
</tr>
</tbody>
</table>

30 Events after reporting date

On 15 February 2019, the Company repurchased 7,537,670 ordinary shares for a total amount of RR 666 million (US$ 9.6 million) (Note 14). The Company has no outstanding obligation related to this transaction.

In March 2019, the Company signed uncommitted credit facilities in the amount of up to 50 million Euro with ING Bank, which is available for 36 months and in the amount of up to 105 million Euro with Commerzbank, which is available for 18 months. As at issue date the ING Bank’s credit line was fully utilised, the Commerzbank’s credit line was utilised in the amount of 100 million Euro.
**DIRECTORS’ RESPONSIBILITY STATEMENT**

We confirm that to the best of our knowledge:

- this Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board of Directors, which approved this responsibility statement at its meeting held on 24 April 2019.

Dmitry Osipov,
CEO

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**REPORT ON COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CODE OF CORPORATE GOVERNANCE**

This report on compliance with the principles and recommendations of the Code of Corporate Governance was reviewed by the Company’s Board of Directors at its Meeting on 24 April 2019. The Board of Directors confirms that this report contains complete and reliable information regarding the Company’s compliance with the principles and recommendations of the Code of Corporate Governance for 2018.

Uralkali consistently follows the main principles of the Code of Corporate Governance and its recommendations by steadily complying with requirements of the relevant laws and using best corporate governance practices. The Company’s corporate governance structure (model) is a traditional one: the General Shareholders Meeting comprises a superior management body, the Board of Directors is responsible for general oversight, the Management Board is a collegial executive body, and the CEO is the sole executive body. The Board of Directors has established four committees which are consultative and advisory bodies chaired by independent directors. The committees and commissions (working groups) to the CEO were established for advancing Uralkali’s various activities. Decisions of such working groups are offered in the format of recommendation. The Company has a corporate secretary who guarantees observance of the national legal regulations and procedures, participates in information disclosure, as well as ensures cooperation between the Company’s governing bodies, shareholders, and regulators. The Company has created an internal audit division — the Internal Audit Directorate as well, which reports to the Audit Committee. Other significant aspects of the Company’s corporate governance models and practices are described in section Corporate Governance of the Annual Report.

The Company has performed the assessment of compliance with the principles of corporate governance in accordance with the methodology that can be described as follows: Since the main principles and recommendations of the Code of Corporate Governance are related to activities of the Company’s management bodies and the procedure of performing such activities, the Company, represented by the Corporate Secretary and the Corporate Governance’s members in cooperation with the Company’s management bodies, continuously monitors, collects and evaluates information in the form recommended by the Bank of Russia (as follows): Information on the Company’s key events is disclosed in accordance with the established procedure in a form of essential facts or, in some cases, in a form of press releases, and quarterly reports. The Company has a reporting system for its individual departments that regularly submits reports to meetings of the Board’s relevant committees; the CEO also regularly submits reports on the results of the Company’s operations at Board meetings. By determining the status of compliance with the principle of corporate governance and explaining deviations from the criteria for assessing compliance with the principle of corporate governance, the Company describes the existing practices, and the Board of Directors discusses the Report and assesses its completeness and reliability. At present, the Company does not plan to bring about significant changes in the established system of the corporate governance and deems it relevant to the Company’s needs at the current stage of its development. At the same time, the Company constantly keeps up to date with the development of corporate governance both in Russia and in the world, looking for opportunities to apply new practices in the Company.
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.

1.1.3 When preparing and holding general shareholders meetings, the company shall at least:

1. The company's internal document which regulates the procedure for holding general shareholders meetings, and which was approved by the general shareholders meeting, shall be available within the public domain.

2. During the period of meetings preparation, the company provides a special telephone line (hotline), a special e-mail address, and a forum on its website for communication with shareholders, enabling them to express their opinions and pose questions concerning agenda items. The above-mentioned actions were performed by the company on days before meetings that were held in the reporting period.

1.1.5 Each shareholder should be able to freely exercise the right to vote in a straightforward and most convenient way.

1.1.2 Procedures for notification of general shareholders and provision of relevant materials shall enable the company's shareholders to properly prepare for participation therein.

1. An announcement of general shareholders meetings shall be published on the company's website at least 30 days before the date of meetings.

2. The announcement shall contain information about the meeting's location and documents required for access there.

3. Shareholders were provided with the information about the persons having proposed agenda items or nominated a particular candidate to the board of directors or the revision commission.

The comments below are relevant to paragraph 3 of the assessment criteria.

The shareholders are not or are not provided information about the persons having proposed agenda items for the General Shareholders Meeting (GSM) or those that have nominated a particular candidate for consideration of inclusion in the Company's bodies. This is due to the fact, that most of the questions to be considered by the GSM are stipulated in the Federal Law on joint stock companies (hereinafter — JSC Law), or, in accordance with the provisions of the JSC Law and the Charter of the Company, are presented for consideration of the GSM by the Board of Directors with a recommendation to approve them. For the Company it does not matter who has proposed the relevant item because all members of the Board of Directors accept proposals, and extracts from the meeting minutes with recommendations are provided to the shareholders as part of the materials on the GSM's agenda items. As far as candidates nominated for election are concerned, the Company discloses detailed biographical information about the candidates, their current places of employment, and their positions, as well as their current status. 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.

Comment to paragraph 1 of the assessment criteria.

The obligation of the members of the Board of Directors to attend the Annual General Meeting is neither stipulated in the law nor in the Charter of the Company. The CEO, a representative of the company’s majority shareholder, (B.Kompaniya, Perm Region), so the presence of Board members seems unnecessary. Some of the Board members, including the CEO, attend meetings and are available to answer any questions that the shareholders may have.

Comment to paragraph 2 of the assessment criteria.

1. The shareholders had the opportunity to propose items to be included in the agenda of its annual general meeting within a 60-day period following the end-date of the respective calendar year.

2. The materials to the general shareholders meeting set out the stands of the board of directors regarding agenda, as well as dissenting opinions of board members on each item included in the minutes.

3. The company is recommended to provide authorised shareholders with an opportunity to review the list of persons entitled to participate in general shareholders meetings starting from the data when the company receives such information.

The most recent Charter and Regulation do not contain any provisions, according to which each General Shareholders Meeting participant may request a copy of the ballot certified by the counting commission that he filled out prior to the closing of the corresponding meeting.

Holding of the General Shareholders Meetings is regulated by the Company's Charter and Regulation on General Shareholders Meetings (hereinafter — the "Regulation") approved by the shareholders.

The most recent Charter and Regulation do not contain any provisions stipulating a possibility for the Company shareholder to request a copy of the ballot that they filled out that was certified by the counting commission. There is no legal requirement to introduce such provision to the internal documents of the Company. Taking into account shareholders there has ever been refused a copy of the ballot that he filled out, the Company shareholder it necessary to additionally regulate this issue should a shareholder apply for one in the future.

However, in order to ensure compliance with the specified assessment criterion of the Code of Corporate Governance’s principle, the Company is planning to introduce the required provision to the Regulation when the next amendments or a new version of the document are approved.
1.2 Shareholders should have equal and fair opportunities to participate in the profits of the company by means of receiving dividends.

1.2.1 The company developed and disclosed the dividend policy, which was approved by the board of directors. The dividend policy of the company provides for the determination of the size of the dividend, the relevant provisions of the dividend policy should include the consolidated indicators of financial statements.

1.2.2 The company should not make a decision on the payment of dividends if such decision, without formally violating legal limits set by the law, is nevertheless unjustified from the economic point of view and might lead to the formation of false assumptions about the company’s activity.

1.2.3 The company should not allow deterioration of dividend rights of its existing shareholders.

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.

1.3 The system and practices of corporate governance should ensure equal terms and conditions for all shareholders owning shares of the same class (category) in the company, including minority and foreign shareholders. Equal treatment should be bilateral and beyond dispute.

1.3.1 The company created conditions which would force the management bodies and controllers of the company to treat each shareholder fairly, including minority shareholders ensuring that there is no abuse of minority shareholders by major shareholders.

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.

1.4 The shareholders should be provided with reliable and efficient means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner.

1.4.1 The shareholders are provided with reliable and efficient means of recording their rights for shares, as well as with the opportunity to freely dispose of such shares in a non-onerous manner.

1.4.2 The quality and reliability of the work on administering the shareholder’s registry performed by the registrar of the company comply with the requirements of the company and its shareholders.
### 2.1 The board of directors is in charge of strategic management of the company, determines major principles of and approaches to the creation of a risk management and internal control system within the company, monitors the activity of the company's executive bodies, and carries out other key functions.

1. According to the charter of the company, the board of directors has the authority to appoint, dismiss and determine the terms and conditions of contracts with members of executive bodies of the company. The Company believes that the specified approach is generally observed. As for the specified assessment criteria of compliance with the principles, each of such criteria is observed partially.

Comment to paragraph 1 of the assessment criteria. According to the Charter of the Company, the Board of Directors has the authority to appoint, terminate the appointment, and determine the terms and conditions of the employment contract only in relation to the CEO (Sole Executive Body) of the Company. The matter of forming the Management Board and early termination of the powers of its members also falls within the purview of the Board of Directors.

Persons that are included in the Company Management Board upon the decision of the Board of Directors are the Company employees. According to the Company’s Charter, approval of employment contract terms with the employees and issuing orders for dismissal are within the purview of the CEO. The terms of employment contracts with the employees are determined in accordance with the Company’s internal documents (hereinafter — the remuneration policy) that regulates the payment of remuneration (including salaries and bonuses) of the relevant employee category.

The power to determine the terms of the contracts with the members of the Management Board (excluding the CEO) is vested in the Board of Directors as the Management Board members are acting in accordance with the Regulation on the Management Board implemented in the Company that stipulates the working procedure of the Management Board. The members of the Management Board are not remunerated for their service on the Management Board (the information is appropriately disclosed in this Annual Report). The Company does not have plans to change the contractual terms for members of the executive bodies in the foreseeable future due to the fact that: 1) any employee may at any time become a member of the Management Board or be dismissed from it; the Company’s Charter does not stipulate which positions have to be included in the Management Board, traditionally the Management Board is comprised of heads of the Company’s key operations, and the number of members of the Management Board may vary; 2) members of the Management Board perform their duties based on the terms and conditions of the employment contracts they are not remunerated for performing these responsibilities; 3) employment contracts with such persons are agreed 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 compliance with the current internal documents of the Company.

2. The board of directors reviewed report(s) of the sole executive body and members of the collective executive body on the implementation of the company strategy. partially observed

Comment to paragraph 2 of the assessment criteria. The Board of Directors regularly reviews reports on the results of the Company’s activities, which also include information on the progress of strategy implementation. These reports are presented by the CEO of the Company.

Members of the Company’s Management Board do not prepare reporting on strategy issues. The CEO of the Company is the Chairman of the Management Board who represents the entire Management Board. The Company considers that such reporting is the most appropriate.

Individual members of the Management Board may be invited to present reports or comment on matters related to the areas that they oversee or other matters in the framework of separate meetings of the Board of Directors, committees of the Board of Directors or special sessions that the Company holds annually. The Company does not foresee any risks for the Company or its shareholders implied by the current practice, and does not plan to change the current practice anytime soon, as it considers the current practice reasonable and relevant to the Company and its shareholders. The Board of Directors approves the Company’s strategy, and the management led by the CEO implements it. The Company believes that the CEO is the person who should present official reports to the Board of Directors.

3) employment contracts with such persons are partially observed.

<table>
<thead>
<tr>
<th>NO.</th>
<th>PRINCIPLES OF CORPORATE GOVERNANCE</th>
<th>CRITERIA FOR ASSESSMENT OF THE PRINCIPLES OBSERVANCE</th>
<th>STATUS OF COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE</th>
<th>EXPLANATION FOR DEVIATION FROM COMPLIANCE/NON-COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>The board of directors is in charge of strategic management of the company, determines major principles of and approaches to the creation of a risk management and internal control system within the company, monitors the activity of the company's executive bodies, and carries out other key functions.</td>
<td>1. According to the charter of the company, the board of directors has the authority to appoint, dismiss and determine the terms and conditions of contracts with members of executive bodies of the company. 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.</td>
<td></td>
<td>Comment to paragraph 1 of the assessment criteria. According to the Charter of the Company, the Board of Directors has the authority to appoint, terminate the appointment, and determine the terms and conditions of the employment contract only in relation to the CEO (Sole Executive Body) of the Company. The matter of forming the Management Board and early termination of the powers of its members also falls within the purview of the Board of Directors. Persons that are included in the Company Management Board upon the decision of the Board of Directors are the Company employees. According to the Company’s Charter, approval of employment contract terms with the employees and issuing orders for dismissal are within the purview of the CEO. The terms of employment contracts with the employees are determined in accordance with the Company’s internal documents (hereinafter — the remuneration policy) that regulates the payment of remuneration (including salaries and bonuses) of the relevant employee category. The power to determine the terms of the contracts with the members of the Management Board (excluding the CEO) is vested in the Board of Directors as the Management Board members are acting in accordance with the Regulation on the Management Board implemented in the Company that stipulates the working procedure of the Management Board. The members of the Management Board are not remunerated for their service on the Management Board (the information is appropriately disclosed in this Annual Report). The Company does not have plans to change the contractual terms for members of the executive bodies in the foreseeable future due to the fact that: 1) any employee may at any time become a member of the Management Board or be dismissed from it; the Company’s Charter does not stipulate which positions have to be included in the Management Board, traditionally the Management Board is comprised of heads of the Company’s key operations, and the number of members of the Management Board may vary; 2) members of the Management Board perform their duties based on the terms and conditions of the employment contracts they are not remunerated for performing these responsibilities; 3) employment contracts with such persons are agreed 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 compliance with the current internal documents of the Company.</td>
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### 2.1 The board of directors

1. The company developed and implemented a policy (policies) on remuneration and/or reimbursement of costs incurred by its board members, members of the executive bodies, and other key managers.
2. During the reporting period, the board of directors reviewed items related to the indicated policies.

#### 2.1.5 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.

- **Comment to paragraph 2 of the assessment criteria.**
  During the reporting year, the items related to the indicated policies were not reviewed by the Board of Directors, as it did not find it necessary to change existing policies which they believed to be efficient. The Board of Directors does not consider that the failure to follow this assessment criterion will incur additional risks.

#### 2.1.7 The board of directors

1. The company’s annual report contains information regarding the attendance of individual directors at the board of directors and committee meetings.
2. The annual report contains information about key results of the evaluation of the board of directors’ performance in the reporting period.

#### 2.2 The board of directors should be accountable to the company’s shareholders.

1. The company has a transparent and professional management body of the company, capable of making objective and independent judgements and pass resolutions in the best interests of the company and its shareholders.
2. The board of directors approved the assessment of the professional qualifications of Board members.
3. The board of directors reviewed the implementation (enforcement) of the indicated policies.

#### 2.2.1 Information about the board of directors’ work should be disclosed and provided to the shareholders.

- **Comment to paragraph 1 of the assessment criteria.**
  During the reporting period, the Board of Directors did not apply the procedure for disclosure of information about the board of directors and the shareholders did not have unhindered access to its documents.

#### 2.2.2 The chairman of the board of directors

1. The company has a transparent procedure allowing its shareholders to send questions to the board of directors’ chairman and clarify their position on them.
2. The company’s annual report contains information about the attendance of the chairman at the board of directors and committee meetings.

#### 2.2.3 The chairman of the board of directors should be available for communication with shareholders.

1. The company’s annual report contains information about the attendance of the chairman at the board of directors and committee meetings.

#### 2.3 The board of directors is an efficient and professional management body of the company, capable of making objective and independent judgements and pass resolutions in the best interests of the company and its shareholders.

1. Only persons with impeccable business and personal reputation should be elected to the board of directors; such persons should also have knowledge, skills, and experience necessary to make decisions that fall within the jurisdiction of the board of directors and to perform all such functions efficiently.
2. The assessment procedure of the board of directors’ effectiveness also includes the assessment of the professional qualifications of members of the board of directors.

#### 2.3.2 Board members should be elected pursuant to a transparent, open procedure allowing the shareholders to obtain information about respective candidates sufficient for them to get an idea of the candidates’ personal and professional qualities.

1. The assessment procedure of the board of directors’ effectiveness also includes the assessment of the professional qualifications of members of the board of directors.
2. In the reporting period, the board of directors (or its nominations committee) evaluated candidates nominated to the board in terms of their experience, knowledge, business and personal reputation, absence of conflicts of interest etc.

#### 2.3.3 Biographical data on all candidates nominated to the board of directors should be disclosed.

1. The assessment procedure of the board of directors’ effectiveness also includes the assessment of the professional qualifications of members of the board of directors.
2. In the reporting period, the board of directors (or its nominations committee) evaluated candidates nominated to the board in terms of their experience, knowledge, business and personal reputation, absence of conflicts of interest etc.
2.3 The board of directors should include a sufficient number of independent directors.

2.4 The board of directors should help to carry out the functions imposed thereon in a most efficient manner.

2.5 The chairman of the board of directors should help to carry out the functions imposed thereon in a most efficient manner.

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.

Such assessment procedure was not carried out by the Board of Directors. The question of whether or not the number of members of the Board of Directors corresponds to the Company’s needs has never been raised, as there have not been any requests from any interested parties to change this number. The Company has no information on the matter of whether or not the number of members of the Board of Directors corresponds to the interests of the Company and its shareholders. The number of Board members is in line with the law, and the Company sees no reason to change it.

2. 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.

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, 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.

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.

1. The chairman of the board of directors is an independent director or a senior independent director who is appointed from the independent directors39.

1. 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.

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1. The obligation of the chairman of the board of directors to take any necessary measures to provide the board members with information required for making decisions on agenda items in a timely manner.

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1. The chairman of the board of directors was evaluated within the framework of the board performance assessment procedure in the reporting period.

The role of the Chairman was not evaluated separately within the framework of the assessment; however, the work of the board as a team and its effectiveness as a whole was. According to the Law, the Chairman of the Board of Directors organizes the work of the Board of Directors, and, overall, it was found to be effective. This is why we did not see any need to assess the work of the Chairman in 2018.

1. The performance of the board of directors was evaluated within the framework of the board performance assessment procedure in the reporting period.

1. Independent directors should account for at least one-third of all directors elected to the board of directors.

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### 2.6 Board members must act reasonably and in good faith in the best interests of the company and its shareholders, being sufficiently informed, with due care and diligence.

#### 2.6.1 Acting reasonably and in good faith

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<tr>
<td>1.</td>
<td>The company’s internal documents stipulate that if a board member has a conflict of interest, he/she should promptly inform the board of directors (through its chairman or the company’s corporate secretary) both of the existence of and grounds for such conflict of interest. In any case, such notification shall be made before the issue is discussed at a meeting of the board of directors or by any of its committees at which such board member is present.</td>
<td>not observed</td>
<td>Comments refer to paragraphs 1–2 of the assessment criteria, as these criteria are interrelated. According to p. 3.3 of the Regulation on the Board of Directors, board members should provide the Board of Directors, the Revision Commission, and the auditor of the Company with the information specified in Articles 13.2 and 13.3 of the JSR Law, or in a timely manner of any changes in the 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 JSC Uralkali, which obliges board members to act reasonably, in good faith, and with appropriate consideration for the Company.</td>
<td>observed</td>
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<tr>
<td>2.</td>
<td>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.</td>
<td>not observed</td>
<td>1. In accordance with internal documents of the company, board members are given an access to documents and the right to make a request for any information on the company and legal entities controlled by the company. The duty of the company’s executive bodies is to provide the board members with such information and documents.</td>
<td>observed</td>
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#### 2.6.2 Rights and duties

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<tr>
<td>1.</td>
<td>The company adopted and published an internal document whereby the rights and duties of board members are clearly stated.</td>
<td>observed</td>
<td>The Company’s internal documents do not require that board members have a separate notion that 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 of which he/she has a conflict of interest.</td>
<td>observed</td>
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<tr>
<td>2.</td>
<td>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.</td>
<td>not observed</td>
<td>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 JSC Uralkali, which obliges board members to act reasonably, in good faith, and with appropriate consideration for the Company.</td>
<td>observed</td>
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#### 2.6.3 Members of the board of directors should be given sufficient time to perform their duties.

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<td>1.</td>
<td>Individual attendance at the board and committee meetings not devoted to preparation for participation in meetings was considered during the procedure of assessment of the board of directors in the reporting period.</td>
<td>not observed</td>
<td>The Company regularly disclosesBoard attendance statistics in its Annual Report, that is why the Company considers a formal assessment of attendance to be excessive. The Company does not intend to change its approach to this criterion.</td>
<td>observed</td>
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<tr>
<td>2.</td>
<td>In accordance with the internal documents of the company, board members should notify the company’s board of directors that they intend to take a position in the management bodies of other entities (except for the company’s affiliates and entities controlled by the company) and also that they have been elected.</td>
<td>not observed</td>
<td>The Company’s internal documents do not require that board members should notify the Board of Directors of their intention to take a position in management bodies of other entities (except for the company’s affiliates).</td>
<td>observed</td>
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Comment to paragraph 1 of the assessment criteria. During the procedure of Board assessment, an individual assessment of the Board members’ performance, including attendance, was not carried out. Typically, the meetings of the Board of Directors and Board Committees are attended by almost 100% of their members. The Corporate Secretary administers the attendance statistics in a regular manner, which all the members of the Board of Directors are aware of. The attendance statistics in a regular manner, which all the members of the Board of Directors are aware of. The company’s internal documents do not require that board members should notify the Board of Directors of the fact of their appointment (election) to the management bodies of other entities in compliance with the law and subclause 3.3 of the Regulation on the Board of Directors. We consider that the changing of the member of the Board of Directors with the duty to report their intentions is excessive, as it up until the moment such an appointment occurs the information might be confidential and the Company should not be aware of it. The appointment may not occur for different reasons.

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, such materials could be provided one business day before the meeting.

### 2.7 Meetings of the board of directors, preparation for meetings, and participation of board members therein should ensure efficient work of the board.

#### 2.7.1 Meetings of the board of directors

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<tr>
<td>1.</td>
<td>The Board of Directors held at least six meetings in the reporting period.</td>
<td>observed</td>
<td>The Company’s internal documents do not 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, such materials could be provided one business day before the meeting.</td>
<td>observed</td>
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#### 2.7.2 The company’s internal documents does not contain procedures for preparation and arrangement of the board of directors’ meetings, enabling its members to prepare properly.

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<tr>
<td>1.</td>
<td>The company has an internal document regulating the procedure for preparation and holding of board meetings, which also requires that the notification of a meeting shall be made, as a rule, at least five days before the date of the meeting.</td>
<td>observed</td>
<td>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 JSC Uralkali, which obliges board members to act reasonably, in good faith, and with appropriate consideration for the Company.</td>
<td>observed</td>
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According to p. 3.3 of the Regulation on the Board of Directors, the Board members should provide the Board of Directors with the information necessary for participation in meetings and ensure that the Board of Directors is adequately informed about the company’s current activities and its current goals. The Board of Directors considers a formal assessment of attendance to be excessive. The Company does not intend to change its approach to this criterion.

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, such materials could be provided one business day before the meeting.
2.8 The board of directors should form committees for preliminary consideration of the most important issues of the company’s business.

2.8.1 For the purpose of preliminary consideration of any matters of control over the company’s financial and business activities, it is recommended to form an audit committee comprised of independent directors.

1. The board of directors established an audit committee comprised exclusively of independent directors. The objectives of the audit committee, including the objectives listed in recommendation 172 of the Code, are determined in the internal documents of the company.

2. At least one member of the audit committee, being an independent director, should have the experience and knowledge in the field of preparation, analysis, assessment, and audit of accounting (financial) statements.

3. Meetings of the audit committee were held at least once in a quarter during the reporting period. Observed.

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 who are not the board of director’s chairman.

1. The board of directors established a remuneration committee comprised exclusively of independent directors.

2. The committee is chaired by an independent director who is not the chairman of the board of directors at the same time. The objectives of the remuneration committee, including the objectives listed in recommendation 180 of the Code, are determined in the internal documents of the company. Partially observed.

Comment to paragraph 1 of the assessment criteria. Most members of the Nomination and Remuneration Committee are independent directors which complies with the Moscow Exchange First Listing Level, despite the fact that the Company shares are at the Third Level and the plan is to delist them. For objective reasons, the Company cannot make the Nomination and Remuneration Committee consist exclusively of independent directors. The Chairman of the Board of Directors is not a member of Board Committees and heads only the Company’s Board of Directors as a whole. Currently, the Regulations on the Nomination and Remuneration Committee fully complies with the requirements of the legal framework, which are, however, no longer obligatory for the Company as its shares are in the Third Listing Level. Observed.

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 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 the committees fully comply with goals of the company’s business. The company should form other committees or consider them to be unnecessary (a strategy committee, a corporate governance committee, an ethics committee, a risk management committee, a budget committee or committees on health, safety, and environment, etc.).

1. In the reporting period, the board of directors considered the conformity of the members of its committees to the goals of the company and its board of directors. Additional committees were either established or deemed unnecessary. Observed.

2.8.5 The membership of the committees should be determined in such a way that it would allow a comprehensive discussion of issues being stated on a preliminary basis with due consideration of different opinions.

1. Board committees are chaired by independent directors. Observed.

2. According to the regulations of the company’s internal documents (policies), persons who are not members of the audit committee, the nominating committee, and the remuneration committee, can attend meetings of the committees mentioned above only at the invitation of their chairpersons. Observed.

2.8.6 Chairpersons of the committees should inform the board of directors and its chairman about the work of the committees on a regular basis.

1. During the reporting period, chairpersons of the committees presented regular reports on their activities to the board of directors. Observed.
3.1 The company's corporate secretary shall be responsible for efficient interaction with its shareholders, coordination of the company’s actions designed to protect the rights and interests of its shareholders, and support of efficient work of the board of directors.

3.1.1 The corporate secretary possesses the knowledge, experience, and qualifications sufficient to perform the assigned duties, as well as impeccable reputation, and enjoys the trust of the shareholders.

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.

2.9 The board of directors should make an assessment of the quality of its work and that of its committees and board members.

2.9.1 Assessment of the quality of the board of directors’ performance is aimed at determining the efficiency level of the board of directors, committees, and members of the board of directors, and whether their work meets the company’s development needs, as well as at intensifying their work and identifying areas of improvement.

2.9.2 Assessment of the board of directors should make an assessment of the quality of its work, and that of its committees and board members.

A self-assessment was performed at least once in three years.

3.1 The board of directors should make an assessment of the quality of its work and that of its committees and board members.

3.1.1 The self-assessment did not include an evaluation of individual Board members – at this stage, the Company does not think it is necessary. Most of the Board members have held their positions for several years. The Company’s shareholders continue nominating and electing them as candidates to the Board of Directors which proves that the work of the Board satisfies the shareholders.

3.1.2 The self-assessment did not include an evaluation of individual Board members – at this stage, the Company does not think it is necessary. Most of the Board members have held their positions for several years. The Company’s shareholders continue nominating and electing them as candidates to the Board of Directors which proves that the work of the Board satisfies the shareholders.

2.9 The board of directors should make an assessment of the quality of its work and that of its committees and board members.

2.9.1 Assessment of the quality 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.

2.9.2 Assessment of the quality of the board of directors should make an assessment of the quality of its work, and that of its committees and board members.

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2.9.1 Assessment of the quality 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.

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2.9.2 Assessment of the quality of the board of directors should make an assessment of the quality of its work, and that of its committees and board members.

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3.1 The board of directors should make an assessment of the quality of its work and that of its committees and board members.

3.1.1 The self-assessment did not include an evaluation of individual Board members – at this stage, the Company does not think it is necessary. Most of the Board members have held their positions for several years. The Company’s shareholders continue nominating and electing them as candidates to the Board of Directors which proves that the work of the Board satisfies the shareholders.

3.1.2 The self-assessment did not include an evaluation of individual Board members – at this stage, the Company does not think it is necessary. Most of the Board members have held their positions for several years. The Company’s shareholders continue nominating and electing them as candidates to the Board of Directors which proves that the work of the Board satisfies the shareholders.
4.1 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.

4.1.2 Long-term possession of the company’s shares contributes the most efficiently to bringing the financial interests of members of the board of directors closer to the long-term interests of the shareholders. At the same time, the company does not 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.

4.1.3 No additional payouts or compensations are provided in the company in case of early termination of powers of members of the board of directors in connection with change of control of the company or other circumstances.

4.2 The company pays remuneration to members of the board of directors, executive bodies, and other key managers of the company.

4.2.1 The company’s internal document does not stipulate provision of the company’s shares to members of the board of directors. The information about share ownership by the company’s directors is disclosed in the Annual Report.

4.2.2 The company pays remuneration to the Board of Directors. The information about share ownership by the company’s directors is disclosed in the Annual Report.

4.3 The system of remuneration for the executive bodies and other key managers of the company should provide that their remuneration is dependent on the company’s performance results and their personal contributions to the achievement thereof.

4.3.1 Remuneration of members of the executive bodies and other key managers of the company is determined in a way that it ensures reasonable and justified ratio of a fixed and variable parts of remuneration, where variable depends on the company’s operating results and personal (individual) contribution of each employee to the final result.

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). The long-term motivation programme provides that the right to sell shares or other financial instruments shall arise no earlier than 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.

4.4 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.

4.4.1 The company’s internal document does not stipulate provision of the company’s shares to members of the board of directors. The information about share ownership by the company’s directors is disclosed in the Annual Report.

4.4.2 The company pays remuneration to members of the board of directors, executive bodies, and other key managers of the company.
The company developed an effective risk management and internal control system aimed at providing reasonable confidence that the company goals will be achieved.

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.
2. 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 (funds) that report to the executive bodies.
3. The company has a corruption prevention policy in place.
4. The company developed a procedure for informing the board of directors or the audit committee of violations of the law, internal procedures, and the ethics code of the company.
5. During the reporting period, the board of directors or its audit committee reviewed the information exchange between the company and its shareholders, investors, and other stakeholders.

The company’s policies do not provide for payment of “golden parachutes”.

1. The amount of compensation (golden parachute) paid by the company is in case of early termination of authorities of members of the executive bodies or key managers upon the company’s initiative and in case there is no frauds from their side, does not exceed its two-fold fixed annual remuneration.

1. 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 organization with the same reporting line was engaged to conduct the internal audit.
2. The internal audit subdivision functionally reports to the board of directors.
3. During the reporting period, the efficiency of the internal control and the risk management systems was assessed within the framework of internal audit procedures.
4. The company uses generally accepted approaches to internal control and risk management.

The company discloses information on the internal management and control system and corporate governance practices on a regular basis, the company should arrange for internal audits.

1. The company established an individual structural subdivision or engaged an independent external organization in order to independently evaluate the reliability and efficiency of the risk management and internal control system and corporate governance system in the company.
2. The internal audit subdivision carries out assessment of efficiency of the internal control, the risk management, and the corporate governance systems.
3. The internal audit subdivision functionally reports to the board of directors.
4. The company applies common operational standards.

Note: The Company does not have a controller. Over 50% of the Company’s shares are represented by the Company’s affiliated company – JSC “Uralkali-Tegnologiya” which holds 99.99% of PJS Uralkali’s voting shares. The Company qualifies this affiliated company as a controlling entity approving related-party transactions to comply with the internal legal requirements. However, the affiliated company – JSC “Uralkali-Tegnologiya” does not control PJS Uralkali in view of the above, we believe that Criterion 3 does not apply to the Company in 2018.
### 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.

<table>
<thead>
<tr>
<th>NO.</th>
<th>PRINCIPLES OF CORPORATE GOVERNANCE</th>
<th>CRITERIA FOR ASSESSMENT OF THE PRINCIPLES OBSERVANCE</th>
<th>STATUS OF COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE</th>
<th>EXPLANATION FOR DEVIATION FROM COMPLIANCE/NON-COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>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.</td>
<td>[ ] [ ] observed</td>
<td>[ ] not observed</td>
<td>Comments to paragraph 2 of the assessment criteria. The company’s information policy is not developed in accordance with the principles of corporate governance.</td>
</tr>
<tr>
<td>2</td>
<td>2. If the company’s securities are traded on international, organized markets, material information is disclosed both in the Russian Federation and on such markets simultaneously and equally within the reporting year.</td>
<td>[ ] [ ] observed</td>
<td>[ ] not observed</td>
<td>Comments to paragraph 2 of the assessment criteria. The company’s information policy is not developed in accordance with the principles of corporate governance.</td>
</tr>
<tr>
<td>3</td>
<td>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.</td>
<td>[ ] [ ] observed</td>
<td>[ ] not observed</td>
<td>Comments to paragraph 2 of the assessment criteria. The company’s information policy is not developed in accordance with the principles of corporate governance.</td>
</tr>
</tbody>
</table>

#### 6.2.2 The company avoids providing the shareholders with information, the company ensures reasonable balance between the 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.

<table>
<thead>
<tr>
<th>NO.</th>
<th>PRINCIPLES OF CORPORATE GOVERNANCE</th>
<th>CRITERIA FOR ASSESSMENT OF THE PRINCIPLES OBSERVANCE</th>
<th>STATUS OF COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE</th>
<th>EXPLANATION FOR DEVIATION FROM COMPLIANCE/NON-COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1. During the reporting period, the company did not deny shareholders’ requests to provide information or such requests were justified.</td>
<td>[ ] [ ] not observed</td>
<td>[ ] observed</td>
<td>Comments to paragraphs 1 and 2 of the assessment criteria. The company’s information policy is not developed in accordance with the principles of corporate governance.</td>
</tr>
</tbody>
</table>

#### 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.

<table>
<thead>
<tr>
<th>NO.</th>
<th>PRINCIPLES OF CORPORATE GOVERNANCE</th>
<th>CRITERIA FOR ASSESSMENT OF THE PRINCIPLES OBSERVANCE</th>
<th>STATUS OF COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE</th>
<th>EXPLANATION FOR DEVIATION FROM COMPLIANCE/NON-COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1. The company’s charter determines the list of transactions or other actions that are significant corporate actions, and such actions are attributed to the competence of the board of directors of the company.</td>
<td>[ ] [ ] observed</td>
<td>[ ] not observed</td>
<td>Comments to paragraphs 1 and 2 of the assessment criteria. The company’s information policy is not developed in accordance with the principles of corporate governance.</td>
</tr>
</tbody>
</table>

#### 7.1.1 Material corporate actions shall be deemed to include reorganisation of the company, acquisition of shares (takeover), entering by the company into any material transactions, increasing or decreasing the share capital, listing and delisting of shares, as well as other actions, which may result in material changes in the rights of the shareholders or violation of their interests. The company’s charter determines the list of transactions or other actions that are significant corporate actions, and such actions are attributed to the competence of the board of directors of the company.

<table>
<thead>
<tr>
<th>NO.</th>
<th>PRINCIPLES OF CORPORATE GOVERNANCE</th>
<th>CRITERIA FOR ASSESSMENT OF THE PRINCIPLES OBSERVANCE</th>
<th>STATUS OF COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE</th>
<th>EXPLANATION FOR DEVIATION FROM COMPLIANCE/NON-COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1. The company’s charter determines the list of transactions or other actions that are significant corporate actions, and such actions are attributed to the competence of the board of directors of the company.</td>
<td>[ ] [ ] observed</td>
<td>[ ] not observed</td>
<td>Comments to paragraphs 1 and 2 of the assessment criteria. The company’s information policy is not developed in accordance with the principles of corporate governance.</td>
</tr>
</tbody>
</table>

#### 7.1.2 When providing the shareholders with information, the company ensures reasonable balance between the 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.

<table>
<thead>
<tr>
<th>NO.</th>
<th>PRINCIPLES OF CORPORATE GOVERNANCE</th>
<th>CRITERIA FOR ASSESSMENT OF THE PRINCIPLES OBSERVANCE</th>
<th>STATUS OF COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE</th>
<th>EXPLANATION FOR DEVIATION FROM COMPLIANCE/NON-COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1. During the reporting period, the company did not deny shareholders’ requests to provide information or such requests were justified.</td>
<td>[ ] [ ] not observed</td>
<td>[ ] observed</td>
<td>Comments to paragraphs 1 and 2 of the assessment criteria. The company’s information policy is not developed in accordance with the principles of corporate governance.</td>
</tr>
</tbody>
</table>
### 7.1.2 The board of directors.

The company has a procedure according to which independent directors state their position regarding significant corporate activities before their approval.

#### 7.1.2.1 Disclosure of information on performing significant corporate actions performed by the company.

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 an independent appraiser involvement procedure; the Company retains an appraiser in cases specified by the law and, if necessary, in cases when the Company believes that the specified principle is not observed.

### 7.2 The company should have in place such a procedure for taking any significant corporate actions that would enable its shareholders to receive full information about such actions in due course and thus be in a position to influence them, which would also guarantee that the shareholders’ rights are observed and duly protected in the event such actions are brought.

#### 7.2.1 Disclosure of information on performing significant corporate actions performed by the company.

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 performing such actions.

Comments to paragraphs 1 and 2 of the assessment criteria.

The internal documents of the Company do not provide for an independent appraiser involvement procedure; the Company retains an appraiser in cases specified by the law and, if necessary, in cases when the Company believes that the specified principle is not observed.

### 7.2.2 Rules and procedures related to the corporate actions performed by the company.

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.

Comments to paragraph 2 of the assessment criteria. A list of significant corporate actions is not defined in the Company’s Charter.

The Company's internal documents do not provide for an expanded list of reasons for interest stipulated by the law to ensure for voting on related party transactions. The Company finds no other risks related to absence of additional grounds for interest in the Company’s internal documents both for itself and its shareholders.
MINERAL RESOURCES REVIEW

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Fax: + 44 (0) 2920 348 199

Our Ref: U30237 Uralkali JORC Report Dec 2018_Final 210119.docx

The Board of Directors
Public Joint Stock Company Uralkali
63 Pyatletskii Street
Berezniki
618426
Perm Territory
Russian Federation

Dear Sirs,

RE: Review of the Mineral Resources and Ore Reserves of Public Joint Stock Company Uralkali located in the Russian Federation

1. INTRODUCTION

This is a report to confirm that SRK Consulting (UK) Limited (SRK) has reviewed all of the key information on which the most recently (1 January 2019) reported Mineral Resource and Ore Reserve statements for the mining assets of Public Joint Stock Company Uralkali (Uralkali or the Company) are based. Specifically, it sets out SRK’s view regarding the tonnes and grade of rock which has the potential to be mined by the existing and planned mining operations (the Mineral Resource), the quantity of product expected to be produced as envisaged by the respective Business Plan (the Ore Reserve) and the work done to derive these.

SRK has not independently re-calculated Mineral Resource and Ore Reserve estimates for Uralkali’s operations but has, rather, reviewed the quantity and quality of the underlying data and the methodologies used to derive and classify the estimates as reported by Uralkali and made an opinion on these estimates including the tonnes, grade and quality of the potash planned to be exploited in the current mine plan, based on this review. SRK has then used this knowledge to derive audited resource and reserve statements according to the guidelines and terminology proposed in the JORC Code (2012 version).

This report presents both the existing Uralkali resource estimates according to Russian standard reporting terminology and guidelines and SRK’s audited JORC Code statements. All of these estimates are dated as of 1 January 2019. SRK has restricted its assessment to the Mineral Resources and Ore Reserves at Berezniki-2, Berezniki-4, Ust-Yayvinsky, Solikamsk-1, Solikamsk-2, Solikamsk-3 and Polovodovsky.

Table 1-1 below summarises the current licence status for each of the assets noted above.

<table>
<thead>
<tr>
<th>ASSET/DEPOSIT</th>
<th>REGISTRATION NO.</th>
<th>EXPIRY DATE</th>
<th>LICENCE TYPE</th>
<th>AREA (KM²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berezniki-2</td>
<td>2546</td>
<td>31st December 2024</td>
<td>Mining¹</td>
<td>67.25</td>
</tr>
<tr>
<td>Berezniki-4</td>
<td>2545</td>
<td>1st January 2043</td>
<td>Mining¹</td>
<td>185.5</td>
</tr>
<tr>
<td>Ust-Yayvinsky</td>
<td>2543</td>
<td>15th April 2024</td>
<td>Exploration and Mining¹</td>
<td>83.6</td>
</tr>
<tr>
<td>Solikamsk-1</td>
<td>2547</td>
<td>1st January 2047</td>
<td>Mining¹</td>
<td>44.47</td>
</tr>
<tr>
<td>Solikamsk-2</td>
<td>2548</td>
<td>31st December 2026</td>
<td>Mining¹</td>
<td>50.38</td>
</tr>
<tr>
<td>Solikamsk-3</td>
<td>2549</td>
<td>1st January 2055</td>
<td>Mining¹</td>
<td>110.01</td>
</tr>
<tr>
<td>Polovodovsky</td>
<td>2551</td>
<td>31st December 2054</td>
<td>Exploration and Mining¹</td>
<td>381.01</td>
</tr>
<tr>
<td>Romanov</td>
<td>2550</td>
<td>25th July 2039</td>
<td>Exploration and Mining¹</td>
<td>58.07</td>
</tr>
<tr>
<td>Solikamsk-1</td>
<td>2541</td>
<td>6th April 2035</td>
<td>Exploration and Mining¹</td>
<td>8.58</td>
</tr>
<tr>
<td>Izversky (Berezniki-4 extension)</td>
<td>2682</td>
<td>2nd November 2022</td>
<td>Exploration</td>
<td>49.11</td>
</tr>
</tbody>
</table>

¹ Potassium salts, magnesium salts and rock salt
² Potassium salts and rock salt
³ Potassium and magnesium salt
⁴ Magnesium salt

Uralkali acquired an exploration licence during 2014, termed Romanov (#2550), which covers an area to the south of the current Berezniki operations. SRK understands this licence area was explored historically and is currently estimated to have resources classified in the Russian P1 and P2 categories. SRK understands that Uralkali has plans in place to undertake further exploration drilling on this licence and to then re-estimate the resources based on this drilling with a view to increasing the confidence in the assigned classification. SRK considers there to be insufficient data currently available to report these P1 and P2 resources as Mineral Resources as defined by the JORC Code in this case and therefore this licence is not discussed any further in this report.

In addition to this, during 2017 Uralkali acquired a further exploration licence termed Izversky (#2682) which is immediately adjacent to the eastern portion of the current 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 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 (#2546) 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 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
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-Yavinsky while those in Section 2.3 relate to the former JSC Silvinit sites; namely Solikamsk-1, Solikamsk-2, Solikamsk-3 and Polovodovsky.

2.2. Original Uralkali Operations

The resource and reserve estimates derived by Uralkali for the original Uralkali sites are primarily based on exploration drilling undertaken between 1972 and 1998. A specially laid out drilling programme was developed for each mine with the aim of enabling 10% of the contained resources to be assigned to the A category of resources as defined by the Russian Reporting Code, 20% to the B category and 70% to the C1 category.

The A category is the highest category in the Russian Reporting Code and only used where the stated tonnage and grade estimates are considered to be known to a very high degree of accuracy. The B, C1 and C2 categories are lower confidence categories, with C2 denoting the least level of confidence of the three categories. All of these categories, apart from C2, are acceptable for use in supporting mining plans and feasibility studies. In the case of the Uralkali assets, blocks have been assigned to the A category where the drillhole spacing is less than 1 km, to the B category where the drillhole spacing is between 1 and 2 km and to the C1 category where the drillhole spacing is 2 km. Areas drilled at a larger spacing than this, up to a 4 km spacing, have historically been assigned to the C2 category, although it is noted that as at 1 January 2019, there are no C2 resources reported for these assets.

As a result of the above process, each mine is typically drilled on a 2 km by 2 km grid or less before a decision is taken to continue mining. This information is, however, then supplemented by underground drilling once the access development is in place. This typically creates a grid of intersections measuring 400 m by 200 m. While Uralkali does not regularly upgrade the categorisation of its resources based on this drilling, which it rather uses to optimise the mining layouts, it does periodically undertake a re-estimation calculation on specific areas and will take into account the available data from this underground drilling in doing this where relevant. The most recent update of the estimation for Berezniki-4 for example was undertaken in 2006.

The drillholes, whether drilled from surface or underground, are sampled at intervals of at least 16 cm and the samples are crushed and milled under the control of the geology department to produce an approximate 100 g sample prior to submission to the laboratory.

Assaying is carried out at an in-house laboratory. Approximately 5–6% of samples are repeat assayed internally while a similar percentage are sent to an independent third party external laboratory located in Berezniki (JSC Persil) for check assaying. All assaying is by classical wet chemistry techniques.

2.3. Former Silvinit Operations

These deposits were discovered in 1925 and each has been subjected to a number of exploration and drilling campaigns as follows:

- Solikamsk-1 – 7 phases between 1925 and 1990 (including exploration outside the current mining lease);
- Solikamsk-2 – 7 phases between 1925 and 2002 (including exploration outside the current mining lease); and
- Solikamsk-3 – 7 phases between 1957 and 1975.

The resource and reserve estimates are therefore primarily based on exploration drilling undertaken between 1925 and 2002. There is no exploration drilling currently being undertaken from surface at the operating mines, however, exploration drilling has recently been undertaken at the Polovodovsky prospect and the resource estimate for this asset has been updated following two phases of work during 2013 and 2014 respectively and this updated estimate has superseded the original estimate undertaken in 1975.

Exploration has generally been undertaken by State enterprises based in Solikamsk and Berezniki although the recent drilling at Polovodovsky has been undertaken by a third party contractor. The total number of exploration holes and metres drilled at each mine/prospect is as follows:

- Solikamsk-1 – 53 holes for some 18,600 m;
- Solikamsk-2 – 192 holes for some 5,700 m (of which some 95 are from underground);
- Solikamsk-3 – 117 holes for some 45,250 m; and
- Polovodovsky – 152 holes for some 50,800 m up to 1975 and 36 holes for some 12,650 m between 2009 and 2012.

The diamond drillholes, whether drilled from surface or underground, were drilled with a diameter of either 92 mm or 112 mm for surface holes and 50–76 mm for underground holes. Holes were sampled at intervals between 10 cm and 6 m, averaging between 105 cm to 130 cm. Core recovery through the sylvinite horizons is reported to be good at an average of 84–85%, while the recovery through the carnallite horizon at Solikamsk-1 is reported to be 74%.

Core is split in half with one half retained for reference and the other half crushed, milled and split under the control of the geology department to produce a small sample (100 g) for submission to the laboratory for assay.

Assaying is carried out at an in-house laboratory using classical wet chemistry techniques. Approximately 5–6% of samples are repeat assayed internally while a similar percentage are sent to an independent third party external laboratory located in Berezniki (JSC Persil) for check assaying, which SRK understands to be at the neighbouring Uralkali mine laboratory.

A total of 423 samples have to date been taken for density measurements using the water displacement method.

In the case of these former Silvinit mines, blocks have been assigned to the A category where the drillhole spacing is less than 1,200 m, to the B category where the drillhole spacing is between 1,200 m and 2,400 m and to the C1 category where the drillhole spacing is 2,400 m. Areas drilled at a larger spacing than this, but on average with a spacing of up to 4,000 m have been assigned to the C2 category. Each mine is drilled on an approximate 2.4 km by 2.4 km grid or less before a decision is taken to develop the mine. This information is, however, supplemented by underground drilling once the access development is in place. This typically creates a grid of intersections measuring from 100 m by 300 m or in cases up to 400 m by 800 m. As is the case with Uralkali, Silvinit does not upgrade the estimation or categorisation of its resources based on this underground drilling on a regular basis but rather uses this to optimise the mining layouts. Notwithstanding this, a full re-estimation calculation was undertaken by Silvinit in 2006 (see below) for the Solikamsk mines and this took into account the available data from underground drilling where available.

3. RESOURCE ESTIMATION

3.1. Introduction

The most up to date resource statements produced by Uralkali are those derived for the annual SGR reports which give the status as of 1 January each year. The completion of SGR reports is a statutory requirement.
These estimates are produced using standard classical Russian techniques and are essentially based on calculations made in previous years and adjusted for mining during the prior year. Given that the estimates reported herein are being produced before the end of 2018 and before the formal submission of SGR reports by Uralkali, SRK notes that for the purposes of these estimates the depletion for mining is based on actual production data for January to October 2018 inclusive and forecast data for November to December. This section comments primarily on these statements.

The first resource estimates undertaken and approved for each of the former Silvinit operations were as follows:
- Solikamsk-1 and 2 — 1952;
- Solikamsk-3 — 1962; and
- Polovodovsky — 1975.

The resource estimates at each of the active mines have undergone various updates since this time, the most recent of which was in 2006. These estimates were approved by the State Committee for Reserves and take into account all surface and underground drilling data available at that time. As noted above, additional exploration drilling has recently been undertaken at Polovodovsky, and the original estimate produced in 1975 has been updated during 2013 and 2014.

3.2. Estimation Methodology
Each seam and each mine is treated separately in the resource estimation procedure. In each case the horizons are first divided into blocks such that each sub-divided block has reasonably consistent borehole spacing within it; that is more intensely drilled areas are subdivided from less intensely drilled areas. Each resulting “resource block” is then evaluated separately using the borehole intersections falling within that block only.

Specifically, composited 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 2019. Uralkali’s statements are based on a minimum seam thickness of 2 m and a minimum block grade which, dependent on the mine, varies between 11.4% K₂O (Polovodovsky) and 15.3% K₂O (Ust-Yayvinsky). Table 3-2 below summarises SRK’s understanding of the carnallite resource statement prepared by Uralkali to reflect the status of its assets as of 1 January 2019. Uralkali’s carnallite statements (Solikamsk-1 only) are based on a minimum seam thickness of 2 m and a minimum block grade of 7.2% MgO.

<table>
<thead>
<tr>
<th>MINE</th>
<th>CATEGORY</th>
<th>TONNAGE (Mt)</th>
<th>K₂O (%)</th>
<th>K₂O (Mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berezniki-2</td>
<td>A</td>
<td>7.7</td>
<td>33.7</td>
<td>2.6</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>38.2</td>
<td>22.5</td>
<td>8.6</td>
</tr>
<tr>
<td></td>
<td>C1</td>
<td>713.7</td>
<td>24.8</td>
<td>28.1</td>
</tr>
<tr>
<td></td>
<td>A+B+C1</td>
<td>159.6</td>
<td>24.7</td>
<td>39.4</td>
</tr>
<tr>
<td></td>
<td>C2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Berezniki-4</td>
<td>A</td>
<td>193.0</td>
<td>21.8</td>
<td>42.1</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>375.3</td>
<td>22.4</td>
<td>83.9</td>
</tr>
<tr>
<td></td>
<td>C1</td>
<td>1,193.3</td>
<td>21.8</td>
<td>260.2</td>
</tr>
<tr>
<td></td>
<td>A+B+C1</td>
<td>1,761.6</td>
<td>21.9</td>
<td>386.2</td>
</tr>
<tr>
<td></td>
<td>C2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ust-Yayvinsky</td>
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<td>19.0</td>
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</tr>
<tr>
<td></td>
<td>B</td>
<td>311.0</td>
<td>19.8</td>
<td>61.7</td>
</tr>
<tr>
<td></td>
<td>C1</td>
<td>809.7</td>
<td>19.8</td>
<td>160.4</td>
</tr>
<tr>
<td></td>
<td>A+B+C1</td>
<td>1,290.6</td>
<td>19.7</td>
<td>254.4</td>
</tr>
<tr>
<td></td>
<td>C2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Solikamsk-1</td>
<td>A</td>
<td>74.7</td>
<td>18.1</td>
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<td>B</td>
<td>9.0</td>
<td>16.6</td>
<td>1.5</td>
</tr>
<tr>
<td></td>
<td>C1</td>
<td>137.7</td>
<td>17.0</td>
<td>23.3</td>
</tr>
<tr>
<td></td>
<td>A+B+C1</td>
<td>221.4</td>
<td>17.3</td>
<td>38.4</td>
</tr>
<tr>
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<td>C2</td>
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</tr>
<tr>
<td>Solikamsk-2</td>
<td>A</td>
<td>14.2</td>
<td>19.8</td>
<td>2.8</td>
</tr>
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<td></td>
<td>B</td>
<td>68.8</td>
<td>13.8</td>
<td>9.5</td>
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<tr>
<td></td>
<td>C1</td>
<td>710.0</td>
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<td>124.6</td>
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<tr>
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<td>A+B+C1</td>
<td>793.0</td>
<td>17.3</td>
<td>136.9</td>
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<td></td>
<td>C2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Solikamsk-3</td>
<td>A</td>
<td>90.3</td>
<td>17.7</td>
<td>16.0</td>
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<td></td>
<td>B</td>
<td>185.5</td>
<td>16.8</td>
<td>31.3</td>
</tr>
<tr>
<td></td>
<td>C1</td>
<td>948.2</td>
<td>17.1</td>
<td>162.4</td>
</tr>
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<td></td>
<td>A+B+C1</td>
<td>1,224.0</td>
<td>17.1</td>
<td>209.7</td>
</tr>
<tr>
<td></td>
<td>C2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Polovodovsky</td>
<td>A</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>312.8</td>
<td>17.1</td>
<td>53.6</td>
</tr>
<tr>
<td></td>
<td>C1</td>
<td>1,261.9</td>
<td>16.6</td>
<td>209.8</td>
</tr>
<tr>
<td></td>
<td>A+B+C1</td>
<td>1,574.7</td>
<td>16.7</td>
<td>263.3</td>
</tr>
<tr>
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<td>C2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total for all mines</td>
<td>A</td>
<td>549.8</td>
<td>19.9</td>
<td>109.4</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>1,300.7</td>
<td>19.2</td>
<td>250.1</td>
</tr>
<tr>
<td></td>
<td>C1</td>
<td>5,174.4</td>
<td>18.7</td>
<td>968.8</td>
</tr>
<tr>
<td></td>
<td>A+B+C1</td>
<td>7,024.9</td>
<td>18.9</td>
<td>1,328.2</td>
</tr>
<tr>
<td></td>
<td>C2</td>
<td>-</td>
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<td>-</td>
</tr>
</tbody>
</table>
TABLE 3-2: URALKALI CARNALLITE MINERAL RESOURCE STATEMENT AT 1 JANUARY 2019

<table>
<thead>
<tr>
<th>MINE</th>
<th>CATEGORY</th>
<th>TONNAGE (Mt)</th>
<th>MgO (%)</th>
<th>MgO (Mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solikamsk-1</td>
<td>A</td>
<td>104.3</td>
<td>10.0</td>
<td>10.5</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>18.4</td>
<td>8.8</td>
<td>1.6</td>
</tr>
<tr>
<td></td>
<td>C1</td>
<td>53.5</td>
<td>8.0</td>
<td>4.3</td>
</tr>
<tr>
<td></td>
<td>A+B+C1</td>
<td>176.2</td>
<td>9.3</td>
<td>16.4</td>
</tr>
<tr>
<td></td>
<td>C2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

TABLE 3-3: SRK AUDITED SYLVINITE MINERAL RESOURCE STATEMENT AT 1 JANUARY 2019

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>TONNAGE (Mt)</th>
<th>K2O (%)</th>
<th>K2O (Mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berezniki-2</td>
<td>Measured</td>
<td>45.9</td>
<td>24.4</td>
</tr>
<tr>
<td></td>
<td>Indicated</td>
<td>113.7</td>
<td>24.8</td>
</tr>
<tr>
<td></td>
<td>Measured + Indicated</td>
<td>159.6</td>
<td>24.7</td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Berezniki-4</td>
<td>Measured</td>
<td>568.3</td>
<td>22.2</td>
</tr>
<tr>
<td></td>
<td>Indicated</td>
<td>1,193.3</td>
<td>21.8</td>
</tr>
<tr>
<td></td>
<td>Measured + Indicated</td>
<td>1,761.6</td>
<td>21.9</td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

SRK notes that while Mineral Resources for carnallite are only shown in this report at Solikamsk-1, as this is the only operation that is currently mining and processing such and where there is a plan to mine this in the future as is reflected in the Business Plan, there is carnallite present at other Uralkali sites, in particular at Ust-Yayvinsky. This has been estimated by Uralkali and been assigned generally to the B and C1 classification categories, however, as there is no plan currently to exploit this material at present then this mineralisation has been excluded from this report.

3.4. SRK Audited Mineral Resource Statements
Table 3-3 and Table 3-4 below present SRK’s audited Mineral Resource statements for sylvinite and carnallite respectively. SRK has re-classified the resource estimates using the terminology and guidelines proposed in the JORC Code. In doing this, SRK has reported those blocks classified as A or B by Uralkali as Measured, those blocks classified as C1 as Indicated and those blocks classed as C2 as Inferred. SRK’s audited Mineral Resource statements are reported inclusive of those Mineral Resources converted to Ore Reserves. The audited Ore Reserve is therefore a sub set of the Mineral Resource and should not be considered as additional to this.

SRK has not attempted to optimise Uralkali’s Business Plan. Consequently, SRK’s audited resource statements are confined to those seams that both have the potential to be mined economically and which are currently being considered for mining by Uralkali only.

TABLE 3-4: SRK AUDITED CARNALLITE MINERAL RESOURCE STATEMENT AT 1 JANUARY 2019

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>TONNAGE (Mt)</th>
<th>K2O (%)</th>
<th>K2O (Mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berezniki</td>
<td>Measured</td>
<td>480.9</td>
<td>19.5</td>
</tr>
<tr>
<td></td>
<td>Indicated</td>
<td>809.7</td>
<td>19.8</td>
</tr>
<tr>
<td></td>
<td>Measured + Indicated</td>
<td>1,290.6</td>
<td>19.7</td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Solikamsk-1</td>
<td>Measured</td>
<td>83.7</td>
<td>18.0</td>
</tr>
<tr>
<td></td>
<td>Indicated</td>
<td>127.7</td>
<td>17.0</td>
</tr>
<tr>
<td></td>
<td>Measured + Indicated</td>
<td>221.4</td>
<td>17.3</td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Solikamsk-2</td>
<td>Measured</td>
<td>68.8</td>
<td>13.8</td>
</tr>
<tr>
<td></td>
<td>Indicated</td>
<td>705.1</td>
<td>17.5</td>
</tr>
<tr>
<td></td>
<td>Measured + Indicated</td>
<td>773.9</td>
<td>17.2</td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Solikamsk-3</td>
<td>Measured</td>
<td>275.8</td>
<td>17.1</td>
</tr>
<tr>
<td></td>
<td>Indicated</td>
<td>948.2</td>
<td>17.1</td>
</tr>
<tr>
<td></td>
<td>Measured + Indicated</td>
<td>1,224.0</td>
<td>17.1</td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Polovodovsky</td>
<td>Measured</td>
<td>312.8</td>
<td>17.1</td>
</tr>
<tr>
<td></td>
<td>Indicated</td>
<td>1,261.9</td>
<td>16.6</td>
</tr>
<tr>
<td></td>
<td>Measured + Indicated</td>
<td>1,574.7</td>
<td>16.7</td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total for all mines</td>
<td>Measured</td>
<td>1,836.2</td>
<td>19.4</td>
</tr>
<tr>
<td></td>
<td>Indicated</td>
<td>5,169.5</td>
<td>18.7</td>
</tr>
<tr>
<td></td>
<td>Measured + Indicated</td>
<td>7,005.7</td>
<td>18.9</td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
3.5. SRK Comments

SRK has reviewed the estimation methodology used by Uralkali to derive the above estimates, and the geological assumptions made, and considers these to be reasonable given the information available. SRK has also undertaken various re-calculations both of individual blocks and seams as a whole and has in all cases found no material errors or omissions.

Overall, SRK considers the resource estimates reported by Uralkali to be a reasonable reflection of the total quantity and quality of material demonstrated to be present at the assets and which has potential to be accessed and mined prior to this date. SRK has provided an approximation of the block tonnages and grades that will be written off and these have been removed from the SRK Audited Mineral Resource statement as at 1 January 2019. Notwithstanding these adjustments, it is noted that there are significant Mineral Resources remaining at Solikamsk-2 which will be accessed from new shafts which are currently under construction in the southern part of the licence area and this is discussed further below.

The two most material changes to the Mineral Resource statement, excluding mining depletion, are as follows:

- During 2016, Uralkali undertook a re-estimation of blocks classified in the C2 category (Inferred according to JORC Classification) in the eastern portion of Berezniki-4 and also reclassified these as the C1 category (Indicated according to JORC Classification). A total of 310.3 Mt was removed from the C2 category with 32.1 Mt added to the C1 category. The re-estimation was undertaken incorporating the results of 10 additional drillholes that had been drilled over this area since the original estimate. As a result of the new information obtained, revised block boundaries were demarcated which reduced the overall tonnage largely due to two holes with low grade intersections and the block areas were correspondingly reduced to take this into account.

- During 2018, Uralkali undertook a number of resource block re-evaluations at Solikamsk-2 and made a series of re-assessments and write-offs for parts of blocks. Notably, Uralkali intends on temporarily suspending installation of additional facilities. Uralkali’s current plans regarding the refurbishment and planned 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 two most material changes to the Mineral Resource statement as at 1 January 2016, as last reviewed and reported by SRK, were as follows:

- The two most material changes to the Mineral Resource statement as at 1 January 2019 presented above is different to that presented as at 1 January 2016, as last reviewed and reported by SRK, largely as a function of mining depletion during 2016, 2017 and 2018 and also some re-assessments completed over the three-year period (2016 to 2018) by Uralkali.

The Business Plan assumes that Uralkali will successfully develop 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 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 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.

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.

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>TONNAGE CONVERSION FACTOR (%)</th>
<th>GRADE CONVERSION FACTOR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solikamsk-1 (sylvinites)</td>
<td>41%</td>
<td>92%</td>
</tr>
<tr>
<td>Solikamsk-1 (carnallite)</td>
<td>29%</td>
<td>97%</td>
</tr>
<tr>
<td>Solikamsk-2</td>
<td>44%</td>
<td>88%</td>
</tr>
<tr>
<td>Solikamsk-3</td>
<td>48%</td>
<td>88%</td>
</tr>
<tr>
<td>Berezniki-2</td>
<td>35%</td>
<td>79%</td>
</tr>
<tr>
<td>Berezniki-4</td>
<td>44%</td>
<td>85%</td>
</tr>
<tr>
<td>Ust-Yayvinsky</td>
<td>37%</td>
<td>85%</td>
</tr>
</tbody>
</table>

4.3. SRK Audited Reserve Statements

As with its audited Mineral Resource statements, SRK’s Ore Reserve statements have been re-classified using the terminology and guidelines proposed in the JORC Code. To facilitate this, SRK has been provided with actual production and operating cost data for 2009 to 2018 and a production forecast for 2019 to 2038 inclusive reflecting Uralkali’s current plans regarding the refurbishment of some existing processing facilities and also the installation of additional facilities.

SRK’s audited Ore Reserve statement is therefore confined to those seams that are currently being considered for mining within the next 20 years only. Specifically, SRK has classed that material reported in the tables above as a Measured Mineral Resource, and which is planned to be exploited within the first ten years of the Business Plan, as a Proved Ore Reserve, and that material reported in the tables above as an Indicated Mineral Resource, and which is planned to be exploited within the Business Plan, and also that material reported above as a
Measured Mineral Resource, but which is planned to be mined during the second 10 years of the Business Plan, as a Probable Ore Reserve.

SRK’s Ore Reserve statement does not include any material from Polovodovsky as further work and assessment of this is required to enable the reporting of Ore Reserves in accordance with the JORC Code. However, it does include an Ore Reserve for Ust-Yayvinsky which is currently under construction. At Ust-Yayvinsky, the work has been completed to an advanced stage, detailed project documentation has been completed and the necessary permits are in place. Furthermore, work on shaft construction has commenced and is in progress. SRK has derived Ore Reserve estimates for Ust-Yayvinsky using information obtained from Uralkali but also taking cognisance of the historical information regarding the mining losses and dilution experienced during mining to date at Uralkali’s existing operations.

SRK can confirm that the Ore Reserve Statements presented in Table 4-2 and Table 4-3 below, for sylvinite and carnallite respectively, have been derived from the resource blocks provided to SRK and incorporate sufficient estimates for ore losses and dilution based on actual historical data. The break-even price required to support this statement over the period of the business plan is between USD 80–110/tonne product produced, in January 2019 terms. This is calculated as the price required to cover all cash operating costs but excluding distribution costs (i.e. all on site mining, processing, maintenance, G&A operating costs and corporation tax).

**TABLE 4-2: SRK AUDITED SYLVINITE ORE RESERVE STATEMENT AT 1 JANUARY 2019**

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>TONNAGE (Mt)</th>
<th>K\textsubscript{2}O (%)</th>
<th>K\textsubscript{2}O (Mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berezniki-2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proven</td>
<td>16.1</td>
<td>19.3</td>
<td>3.1</td>
</tr>
<tr>
<td>Probable</td>
<td>39.8</td>
<td>19.6</td>
<td>7.8</td>
</tr>
<tr>
<td>Total</td>
<td>55.9</td>
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<td>10.9</td>
</tr>
<tr>
<td>Berezniki-4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proven</td>
<td>166.5</td>
<td>18.8</td>
<td>31.4</td>
</tr>
<tr>
<td>Probable</td>
<td>195.3</td>
<td>18.7</td>
<td>36.4</td>
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<tr>
<td>Total</td>
<td>361.8</td>
<td>18.7</td>
<td>67.8</td>
</tr>
<tr>
<td>Ust-Yayvinsky</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proven</td>
<td>60.1</td>
<td>16.6</td>
<td>10.0</td>
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<tr>
<td>Probable</td>
<td>110.1</td>
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<tr>
<td>Total</td>
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<td>28.4</td>
</tr>
<tr>
<td>Solikamsk-1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proven</td>
<td>34.3</td>
<td>16.5</td>
<td>5.7</td>
</tr>
<tr>
<td>Probable</td>
<td>56.4</td>
<td>15.6</td>
<td>8.8</td>
</tr>
<tr>
<td>Total</td>
<td>90.8</td>
<td>16.0</td>
<td>14.5</td>
</tr>
</tbody>
</table>

**TABLE 4-3: SRK AUDITED CARNALLITE ORE RESERVE STATEMENT AT 1 JANUARY 2019**

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>TONNAGE (Mt)</th>
<th>MgO (%)</th>
<th>MgO (Mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solikamsk-1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proven</td>
<td>13.1</td>
<td>9.6</td>
<td>1.3</td>
</tr>
<tr>
<td>Probable</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>13.1</td>
<td>9.6</td>
<td>1.3</td>
</tr>
</tbody>
</table>

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 fact that SRK has limited the Ore Reserve statement to that portion of the Mineral Resource on which an appropriate level of technical work has been completed. In this case, this relates to the period covered by the next 20 years of Uralkali’s Business Plan.

Notwithstanding this, SRK considers that the actual life of some of the mines will extend beyond the current 20-year period covered by the Business Plan. In particular, at the...
current assumed production rates, the following mines have the potential to extend beyond that covered by the current 20-year Business Plan approximately as follows:

- Berezniki-4: 21 years;
- Solikamsk-2: 18 years;
- Solikamsk-3: 20 years.

4.4. SRK Comments

While the overall audited total Ore Reserve statement as at 1 January 2019 presented above of 1,123.7 Mt with an average grade of 16.8% K₂O has a similar total tonnage to that presented as at 1 January 2016 of 1,102.1 Mt with an average grade of 17.1% K₂O (the previous time SRK produced an audited Ore Reserve Statement for the Uralkali Mineral Assets), individual differences at each individual mine are as a result of mining between 2016 and 2018, the extension of, and revisions to, the forecast mined tonnages in the Uralkali 20-year Business Plan from 2019 to 2038 and the revisions to the Mineral Resource statements commented upon earlier in this report.

In summary, the following key changes are noted between the 1 January 2016 and 1 January 2019 Ore Reserve statements:

- Berezniki-2: The total Ore Reserve as at 1 January 2019 of 120.0 Mt with an average grade of 16.7% K₂O compares to 163.8 Mt with an average grade of 16.7% K₂O as at 1 January 2016. The slight increase in the Ore Reserve tonnage is a function of the latest Uralkali Business Plan. The Ust-Yayvinsky Project is under construction and work is ongoing on the surface facilities and conveyor to Berezniki-3 (and Berezniki-3 expansion). SRK has reviewed the current status of the Ust-Yayvinsky Project and the further work required to complete this and considers the forecast remaining construction schedule and mined tonnages assumed by the Uralkali Business Plan to be reasonable.

- Solikamsk-1: The total Ore Reserve as at 1 January 2019 of 90.8 Mt with an average grade of 15.8% K₂O compared to 161.6 Mt with an average grade of 16.6% K₂O as at 1 January 2016. The Ore Reserve tonnages between statements are similar despite mining depletion between 2016 and 2018 as the resource remains sufficient to support mining at the same rate throughout the 20-year Business Plan. SRK considers the projections to be reasonable and based on the Uralkali Business Plan projections, but notes that this mine is forecast to be fully depleted in the last year of the 20-year Business Plan by 2038 and so it should therefore be expected that this Ore Reserve will reduce in future years as this is depleted by mining.

- Solikamsk-2: The total Ore Reserve as at 1 January 2019 of 156.1 Mt with an average grade of 14.6% K₂O compared to 231.1 Mt with an average grade of 15.0% K₂O as at 1 January 2016. The reduction in the Ore Reserve tonnage in the current statement is a function of the water inflow event which occurred in late 2014 in the northern extremity of the Solikamsk-2 licence area. Production has continued from this mine using the existing shafts since this time, albeit at approximately half the capacity, however, production is forecast to resume at full capacity following the sinking of a new shaft and construction of a new surface complex in the southern portion of this licence area to service a new Solikamsk-2’ mine (including the existing Solikamsk-2 processing facility). Preliminary shaft sinking commenced during 2018. SRK has reviewed the current status of the new Solikamsk-2 Project and the further work required to complete this and while SRK considers the forecast construction period to be achievable, this will be challenging and there is a risk to a delay in mining production commencing from the new Solikamsk-2’ mine from that currently envisaged in the Uralkali Business Plan. Should a delay in construction occur, it is however likely that Uralkali would be able to compensate for the resulting production shortfall by temporarily increasing production from other mines which have spare operating capacity. Notwithstanding this and as noted above, Solikamsk-2 also has potential to continue mining for some 18 years beyond the current 20-year Business Plan at the forecast production rate.

- Solikamsk-3: The total Ore Reserve as at 1 January 2019 of 289.0 Mt with an average grade of 15.1% K₂O compares to 271.0 Mt with an average grade of 15.1% K₂O as at 1 January 2016. The Ore Reserve tonnage in the current statement is higher than the previous one due to the current Business Plan assuming expanded mining operations. Production occurs over a longer period of the 20-year plan and also higher expanded mining output levels of some 14.6 Mt compared to the 13.7 Mt assumed previously. Work on the expansion of the Solikamsk-3 mine is on-going. Notwithstanding this higher mining rate, SRK considers the forecast remaining construction period to achieve expanded production and the forecast mined tonnages to be reasonable and, as noted earlier in this report, Solikamsk-3 also has potential to continue mining for some 20 years beyond the current 20-year Business Plan at the forecast production rate.

- Solikamsk-1 (carnallite): The total Ore Reserve as at 1 January 2019 of 13.1 Mt with an average grade of 9.6% K₂O compared to 163.8 Mt with an average grade of 9.6% K₂O as at 1 January 2016. The Ore Reserve tonnages between statements are similar despite mining depletion between 2016 and 2018 as the resource remains sufficient to support mining at the same rate throughout the 20-year Business Plan. Solikamsk-1 has the potential to continue mining carnallite ore well beyond the current 20-year Business Plan period.

The 20-year Business Plan includes a number of large capital investment projects and expansions to both the Berezniki and Solikamsk operations (the capital costs of which have been taken into account in Uralkali’s Business Plan and which SRK has taken account of in determining the economics of the operations) and as such the Ore Reserve reported takes into account the additional amount of material planned to be mined over this period. SRK also notes that the forecast production assumptions at some of the mines and processing facilities are somewhat higher than that actually achieved at times in the last few years but understands that this reduced production rate historically has primarily been driven by the prevailing market conditions rather than capacity constraints (with the exception of Solikamsk-2 due to the water inflow incident) at the various operations. SRK therefore assumes that the forecast increase in production levels at each of the facilities is warranted and justified based on Uralkali’s market expectations going forward.

SRK has reviewed the expansions and capital investments proposed by Uralkali and considers the work proposed and the timeline assumed for the work to be completed to be generally reasonable and achievable although it should be noted that the timeframe for construction of the new Solikamsk-2’ mine to be challenging and there is a risk this could be delayed. Should a delay in construction occur, it is however likely that Uralkali would be able to compensate for the resulting production shortfall by temporarily increasing production from other mines which have spare operating capacity. In some cases, the expansion projects are already underway and some of the increases to mining and processing capacities are assumed to be achieved by de-bottlenecking the existing facilities in addition to upgrading and adding new equipment (mining and processing) and processing lines. SRK notes that in order to achieve these increases in production, Uralkali will need to ensure that sufficient resources, management and staffing are available given that many of these expansions are taking place simultaneously and alongside major construction projects, such as that underway at Ust-Yayvinsky, Solikamsk-2 and Solikamsk-3.
5. CONCLUDING REMARKS

In SRK’s opinion the Mineral Resource and Ore Reserve statements as included herein are materially compliant with the JORC Code and are valid as at 1 January 2019. In accordance with additional reporting requirements of the JORC Code (2012), included in an Appendix to this report are the JORC checklist tables which include additional details and commentary on “Sampling Techniques and Data”, “Estimation and Reporting of Mineral Resources” and “Estimation and Reporting of Ore Reserves”.

SRK considers that should the Ore Reserves as presented herein be re-stated in accordance with the reporting requirements of the United States Securities and Exchange Commission (the “SEC”), specifically Securities Act Industry Guide 7 (“Industry Guide 7”), such Ore Reserves would not be materially different. SRK however notes that certain terms as used in this letter, such as “resources” are prohibited when reporting in accordance with Industry Guide 7.

Yours faithfully

Dr Mike Armitage
Chairman & Corporate Consultant (Resource Geology),
SRK Consulting (UK) Limited

Nick Fox
Principal Consultant (Geology/Mineral Economics),
SRK Consulting (UK) Limited

APPENDIX. JORC CHECKLIST TABLES

Section 1. Sampling Techniques and Data

<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>JORC CODE EXPLANATION</th>
<th>COMMENTARY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sampling techniques</td>
<td>• 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.</td>
<td>The Mineral Resource and Ore Reserve estimates derived for Berezniki projects are primarily based on surface exploration drilling undertaken between 1972 and 1998. 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.</td>
</tr>
<tr>
<td></td>
<td>• Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Aspects of the determination of mineralisation that are material to the public report.</td>
<td></td>
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<tr>
<td></td>
<td>• In cases where “industry standard” work has been done this would be relatively simple (e.g. “reverse circulation drilling was used to obtain 1m samples from which 3 kg was pulversified 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.</td>
<td></td>
</tr>
<tr>
<td>Drilling techniques</td>
<td>• 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.).</td>
<td>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.</td>
</tr>
<tr>
<td></td>
<td>• Details taken to maximise sample recovery and ensure representative nature of the samples.</td>
<td>Core recovery through the sylvite horizon is reported to be good at an average of 84–85%, while the recovery through the carnallite horizon at Solikamsk-1 is reported to be 74%.</td>
</tr>
<tr>
<td></td>
<td>• 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.</td>
<td></td>
</tr>
<tr>
<td>Drill sample recovery</td>
<td>• Method of recording and assessing core and chip sample recoveries and results assessed.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Measures taken to maximise sample recovery and ensure representative nature of the samples.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 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.</td>
<td></td>
</tr>
<tr>
<td>Logging</td>
<td>• Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support an appropriate Mineral Resource estimation, mining studies and metallurgical studies.</td>
<td>Drill core samples are subject to the following 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 1992). 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.</td>
</tr>
<tr>
<td></td>
<td>• Whether logging is qualitative or quantitative in nature. Core (or cutcore, channel, etc) photography.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• The total length and percentage of the relevant intersections logged.</td>
<td></td>
</tr>
</tbody>
</table>
For Berezniki operating mines some 76,600 m of core from exploration holes have been logged.

For Solikamsk operating mines some 69,600 m of core from exploration holes have been logged.

**Quality of assay data and laboratory tests**

- The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.
- For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.
- Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.

See comments above.

**Verification of sampling and assaying**

- The verification of significant intersections by either independent or alternative company personnel.
- The use of twinned holes.
- Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.
- Discuss any adjustment to assay data.

See comments above.

Given that most of the quoted Mineral Resource and Ore Reserve relates to operating mines, verification is undertaken by means of annual reconciliations of actual production compared to the resource model. This informs the modifying factors used to derive the Ore Reserves (see Section 4).

**Location of data points**

- Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in the Mineral Resource estimation.
- Specification of the grid system used.
- Quality and adequacy of topographic control.

Since 1939, topographic and geodesic surveys have been undertaken to generate topographic maps scales 1:10,000 and 1:5,000. Topographic and geodesic surveys are performed by specialist organisations under the instruction of Uralkali.

At present, the hole coordinate location is performed using satellite double-frequency and single-frequency instruments based on the State Geodesic Polygonal Grid Class 4, in static mode, within 20 minutes, under plane accuracy 5 mm and height accuracy 10 mm.

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 sample 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 representativity 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 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 3–6% of samples are repeat assayed internally while a similar percentage are sent to an external laboratory for check assaying.

**CRITERIA JORC CODE EXPLANATION COMMENTARY**

<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>JORC CODE EXPLANATION</th>
<th>COMMENTARY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data spacing and distribution</td>
<td>Data spacing for reporting of Exploration Results.</td>
<td>The general drill spacing of surface drill holes relative to Russian Resource classification categories (see Section 3 below) is as follows:</td>
</tr>
<tr>
<td></td>
<td>• 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.</td>
<td>Berezniki mines</td>
</tr>
<tr>
<td></td>
<td>• Whether sample compositing has been applied.</td>
<td>A category: less than 1,000 m.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>B category: between 1,000 m and up to 2,000 m.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>C1 category: 2,000 m spacing.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>C2 category: Up to 4,000 m spacing.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Solikamsk mines</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A category: less than 1,200 m.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>B category: between 1,200 m and up to 2,400 m.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>C1 category: 2,400 m spacing.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>C2 category: Up to 4,000 m spacing.</td>
</tr>
</tbody>
</table>

In addition to the above, underground drilling is undertaken at the operating mine on a general spacing of approximately 400 m.

**Orientation of data in relation to geological structure**

- Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.
- If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.

All drill holes have been drilled vertically through a flat lying/gently dipping and undulatingobody, which SRK considers is appropriate.

**Sample security**

- The measures taken to ensure sample security.

Core samples taken from surface holes are kept in covered storage, until the state examination is passed, after which this is discarded.

Of the core material taken from underground holes, samples are prepared for chemical assays and physical and mechanic studies. Sample duplicates are kept in underground storages and are discarded after panels (blocks) are completely mined out.

**Audits or reviews**

- The results of any audits or reviews of sampling techniques and data.

The work undertaken by SRK represents an audit of the Mineral Resource estimates derived by Uralkali. SRK considers the sample collection and assaying techniques to be appropriate for the style of geometry and style of mineralisation and the data is suitable for use in the Mineral Resource and Ore Reserve estimates.

The Russian State authority RosGeoFond also reviews reports on resource re-estimations (via the 5GR statement submitted annually by Uralkali). The Russian State Reserves Commission (GRK) also undertakes audits and reviews of the resources statements.

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URALKALI TRANSFORMATION FOR THE FUTURE
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, composites K₂O 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 composites 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.

The resource estimates are expressed on a dry tonnage basis and in situ moisture content is not estimated.

SRK’s sylvinite Mineral Resource statements are based on a minimum seam thickness of 2 m and a minimum block grade which dependant on the mine varies between 11.4% and 13.5% K₂O. Uralkali’s sylvinite Mineral Resource statements are based on a minimum seam thickness of 2 m and a minimum block grade of 7.2% MgO. 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.

Uralkali’s sylvinite Mineral Resource statements are based on a minimum seam thickness of 2 m and a minimum block grade which dependant on the mine varies between 11.4% and 13.5% K₂O. Uralkali’s sylvinite Mineral Resource statements are based on a minimum seam thickness of 2 m and a minimum block grade of 7.2% MgO. 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.

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If no site visits have been undertaken indicate why this is the case.

Data validation procedures used.

Data integrity

SRK has undertaken annual site visits that were undertaken and all methods are clearly documented and described in the Project Report. The data is validated through a rigorous data management and data quality assurance programme. The data quality assurance programme covers all aspects of the project from exploration through to production to ensure that the data is fit for purpose.

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.

• Comment on data validation and quality assurance procedures used.

• Comment on any discrepancies found and the outcome of the investigation of such discrepancies.

• Comment on the quality assurance procedures used.

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 of, if any, of alternative interpretations on the Mineral Resource estimate.

• The use of geology in guiding and controlling the Mineral Resource estimation.

• The factors affecting continuity both of grade and geology.

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 with minor undulations.

Berezniki Mine 2 (Durmanski License Area). This licence extends some 7.9 km north-south and 7.7 km east-west and covers an area of about 67 km². The average depth of the seams mined is about 345 m and the average thickness between 2.5 m and 4.5 m.

Berezniki Mine 4 (Rygaev-Troitski License). This licence extends some 15 km north-south and 15 km east-west and covers an area of about 185 km². The average depth of the seams mined is about 300 m and they have an average thickness of 3 m.

Us-Tyuyinskii Mine (Us-Tyuyinsk License). This is currently under construction. The licence extends up to some 10.8 km by 10.3 km and covers an area of about 84 km². The average depth of the seams to be mined is about 390 m and they have an average thickness of between 3 m and 5 m.

Solikamsk Mine 1 (Solikamski Lease Northern Part). This licence extends some 6.3 km by 6.3 km and covers an area of about 44 km². The depth of the seams mined is between 260 m and 350 m with a thickness of between 3 m and 5 m.

Solikamsk Mine 2 (Solikamski Lease Southern Part). This licence extends some 8.6 km by 7.3 km and covers an area of about 50 km². The depth of the seams mined is between 220 m and 300 m and they have a thickness of between 4.5 m and 6 m.

Solikamsk Mine 3 (Novo-Solikamski). This licence extends some 16.4 km by 8.9 km and covers an area of about 150 km². The depth of the seams mined is between 250 m and 380 m with they have a thickness of between 3 m and 4 m.

Polovodovsky. This licence extends up to some 30 km by 28 km and covers an area of about 381 km². The average depth of the seams is about 270 m and they have a thickness of between 3.4 m and 4.2 m. The Polovodovsky licence contains Mineral Resources only while all other licences have declared Ore Reserves (see Section 4 below).
Section 3. Estimation and Reporting of Ore Reserves

<table>
<thead>
<tr>
<th>MINERAL RESOURCE ESTIMATE</th>
<th>JORC CODE EXPLANATION</th>
<th>COMMENTARY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mineral Resource estimate for conversion to Ore Reserves</td>
<td>Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve.</td>
<td>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.</td>
</tr>
<tr>
<td>Site visits</td>
<td>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.)</td>
<td>SRK has undertaken an annual site visit between 2007 and 2015 and again in 2018 to the operating mines, processing plants and associated surface infrastructure.</td>
</tr>
<tr>
<td>Study status</td>
<td>The type and level of study undertaken to enable Mineral Resources to be converted to Ore Reserves.</td>
<td>Benzernki Mines 2 and 4 and Sotkamins 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.</td>
</tr>
<tr>
<td>Cut-off parameters</td>
<td>The basis of the cut-off grade(s) or quality parameters applied.</td>
<td>Refer to Section 3 above.</td>
</tr>
<tr>
<td>Mining factors or assumptions</td>
<td>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. with application of appropriate factors by optimisation or by preliminary or detailed design).</td>
<td>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.</td>
</tr>
<tr>
<td>Classification</td>
<td>The basis for the classification of the Mineral Resources into varying confidence categories.</td>
<td>The Modelling 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.</td>
</tr>
<tr>
<td>Audits or reviews</td>
<td>The results of any audits or reviews of Mineral Resource estimates.</td>
<td>No Inferred Mineral Resources are included within the Mine Plan.</td>
</tr>
<tr>
<td>Bulk density</td>
<td>Whether the result appropriately reflects the Competent Person’s view of the deposit.</td>
<td>Each mine requires access via shafts and is supported by appropriate surface infrastructure.</td>
</tr>
<tr>
<td>Environmental factors or assumptions</td>
<td>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 operations. 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.</td>
<td>A new shaft complex is currently under construction for the Ust-Yayvinsky mine.</td>
</tr>
<tr>
<td>Audits or reviews</td>
<td>The results of any audits or reviews of Mineral Resource estimates.</td>
<td>No Inferred Mineral Resources are included within the Mine Plan.</td>
</tr>
<tr>
<td>Bulk density</td>
<td>Whether the 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.</td>
<td>Each mine requires access via shafts and is supported by appropriate surface infrastructure.</td>
</tr>
</tbody>
</table>
Waste in the form of salt residue and slime waste is disposed of in existing waste storage facilities and waste dumps should be reported.

The status of agreements with key stakeholders and NPV ranges and sensitivity to variations in the significant inflation, discount rate, etc. confidence of these economic inputs including estimated net present value (NPV) in the study, the source and forecasts.

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.

Forecast operating costs are based on actual costs incurred and adjusted as required. Project capital costs are derived on project by project basis in house from first principles by a team of experienced engineers. For the purpose of the 20-year Business Plan, Uralkali assumes a long-term commodity price of some USD 225/t (weighted average of domestic and export prices).

For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the two 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 the estimate. 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 classified 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 Probable 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 demand, supply and stock situation for the particular commodity, consumption trends and factors (likely to be reflected on an annual basis in terms of both quantity and price). For industrial minerals the customer specification, testing procedures and confidence of these economic inputs including estimated net present value (NPV) in the study, the source and forecasts.

The main technical risk to underground potash mines is the formation of water ingress through the ventilation networks, in particular in our mines due to previous flooding incidents. Berezniki-1 operated from 1954 but flooded after five years; Berezniki-2 operated from 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 in the current Business Plan. Extraction via the existing shaft infrastructure is forecast to be temporarily suspended in 2019. The ‘new Solikamsk-2 mine’ is currently under construction. Uralkali sells its product on both the domestic and international markets. The majority of sales are performed through off-take agreements with customers and these are typically renegotiated each year. The status of all material legal agreements and marketing arrangements.

The status of material legal agreements and marketing arrangements. The status of material legal agreements and marketing arrangements. When the validity of issued permits expires, new permits are obtained as required. 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.

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, 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.

For the purpose of the 20-year Business Plan, Uralkali assumes a long-term commodity price of some USD 225/t (weighted average of domestic and export prices).

Prospective Economic evaluation. The proportion of Probable Ore Reserves that have been derived from Measured Mineral Resources (if any).

The classification of the Ore Reserves into varying confidence categories. The basis for the classification of the Ore Reserves into varying confidence categories.

Other T o the extent relevant, the impact of the following on the project and/or 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 material legal agreements and marketing arrangements.
- The status of material legal agreements and marketing arrangements.
- The status of material legal agreements and marketing arrangements.

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.

Revenue factors

Costs

Waste in the form of salt residue and slime waste is disposed of in existing waste storage facilities and waste dumps should be reported.
## Glossary

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>BBT</td>
<td>Baltic Bulk Terminal, St. Petersburg, Russia</td>
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<tr>
<td>Berezniki-1, 2, 3, 4</td>
<td>Potash production units in Berezniki</td>
</tr>
<tr>
<td>EGM</td>
<td>Extraordinary General Meeting</td>
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<tr>
<td>GDR</td>
<td>Global Depositary Receipt</td>
</tr>
<tr>
<td>AGM</td>
<td>Annual General Meeting</td>
</tr>
<tr>
<td>The Group</td>
<td>PJSC Uralkali, its subsidiaries and affiliates</td>
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<tr>
<td>USD</td>
<td>US dollar</td>
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<tr>
<td>Carnalite</td>
<td>A hydrated potassium magnesium chloride with formula KMgCl3 x 6H2O</td>
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<tr>
<td>Headframe</td>
<td>A structural frame above an underground mine shaft</td>
</tr>
<tr>
<td>KPI</td>
<td>Key Performance Indicator</td>
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<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<tr>
<td>LSE</td>
<td>London Stock Exchange</td>
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<tr>
<td>IFRS</td>
<td>International Financial Reporting Standards</td>
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<tr>
<td>Mln</td>
<td>Million</td>
</tr>
<tr>
<td>Bln</td>
<td>Billion</td>
</tr>
<tr>
<td>Moscow Exchange</td>
<td>Moscow Exchange Group, Russia</td>
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<tr>
<td>Soil subsidence</td>
<td>A section of the earth’s surface, at which, under the influence of underground mineral mining, shifts (horizontal and vertical) and deformations (inclination, curvature, tension, compression) occurred</td>
</tr>
<tr>
<td>VAT</td>
<td>Value added tax</td>
</tr>
<tr>
<td>GSM</td>
<td>General Shareholders Meeting</td>
</tr>
<tr>
<td>HSE</td>
<td>Health, Safety and Environment</td>
</tr>
<tr>
<td>LS</td>
<td>Labour Safety</td>
</tr>
<tr>
<td>IS</td>
<td>Industrial Safety</td>
</tr>
<tr>
<td>RAKP</td>
<td>Russian Association of Fertiliser Producers</td>
</tr>
<tr>
<td>RAS</td>
<td>Russian Accounting Standards</td>
</tr>
<tr>
<td>RUB</td>
<td>Russian rouble, RF</td>
</tr>
<tr>
<td>ICS</td>
<td>Internal Control System</td>
</tr>
<tr>
<td>CIS</td>
<td>Commonwealth of Independent States</td>
</tr>
<tr>
<td>Solikamsk-1, 2, 3</td>
<td>Potash production units in Solikamsk</td>
</tr>
<tr>
<td>CDP</td>
<td>Carbon Disclosure Project</td>
</tr>
<tr>
<td>CFR</td>
<td>Cost and Freight, title transfers when goods pass the rail of the ship in the port of shipment</td>
</tr>
<tr>
<td>COSO ERM</td>
<td>Enterprise Risk Management Integrated Framework developed by the Committee of Sponsoring Organizations of the Treadway Commission</td>
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<tr>
<td>CUSIP</td>
<td>Committee on Uniform Security Identification Procedures</td>
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<tr>
<td>EBITDA</td>
<td>Earnings Before Interest, Taxes, Depreciation and Amortisation</td>
</tr>
<tr>
<td>FAO</td>
<td>Food and Agriculture Organization</td>
</tr>
<tr>
<td>FCA</td>
<td>Free Carrier, title transfers when goods are loaded on the first carrier (railway carriages)</td>
</tr>
<tr>
<td>Fertecon</td>
<td>Fertiliser Economic Market Analysis and Consultancy, UK, provider of market information and analysis of the fertiliser market</td>
</tr>
<tr>
<td>FIFR</td>
<td>Work related fatal injury frequency rate</td>
</tr>
<tr>
<td>FMB</td>
<td>Fertiliser Market Bulletin, FMB Limited, UK</td>
</tr>
<tr>
<td>FOB</td>
<td>Free On Board, title to goods transfers as soon as goods are loaded on the ship</td>
</tr>
<tr>
<td>FSU</td>
<td>Former Soviet Union</td>
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<tr>
<td>GRI</td>
<td>Global Reporting Initiative</td>
</tr>
<tr>
<td>IFA</td>
<td>International Fertilizer Industry Association, France</td>
</tr>
<tr>
<td>IPNI</td>
<td>International Plant Nutrition Institute, USA</td>
</tr>
<tr>
<td>ISIN</td>
<td>International Securities Identification Number</td>
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<tr>
<td>JORC</td>
<td>Joint Ore Reserves Committee standards for public reporting on mineral resources and mineral (ore) reserves, Australia</td>
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</tbody>
</table>
Disclaimer

This Annual Report has been prepared on the basis of the information available to the Public Joint-Stock Company Uralkali and its subsidiaries (hereinafter — “Uralkali”) as at the date hereof. This Annual Report contains forward looking statements. All forward looking statements contained herein and all subsequent oral or written forward looking statements attributable to Uralkali or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statements below. All statements included in this Annual Report, other than statements of historical facts, may be forward looking statements. Words such as “forecasts”, “believes”, “expects”, “intends”, “plans”, “prediction”, “will”, “may”, “should”, “could”, “anticipates”, “estimates”, “seeks”, “considers”, “assumes”, “continues”, “strives”, “projects”, or any expression or word with similar meaning or the negative thereof, usually indicate the forward looking nature of the statement. Forward looking statements may include statements relating to Uralkali’s operations, financial performance, earnings, economic indicators, results of operation and production activities, dividend policies, capital expenditures, as well as trends relating to commodity prices, production and consumption volumes, costs, expenses, development prospects, useful lives of assets, reserves, the commencement and completion dates of certain production projects, and the acquisition, liquidation or disposal of certain entities, and other similar factors and economic projections with respect to Uralkali’s business, as well as the industry and markets in which it operates. Forward looking statements are not guarantees of future performance. They involve numerous assumptions regarding the present and future strategies of Uralkali and the environment in which it operates and will operate in the future and involve a number of known and unknown risks, uncertainties, and other factors that could cause Uralkali’s or its industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward looking statements. Uralkali provides no assurance whatsoever that its or its industry’s actual results, levels of activity, performance or achievements will be consistent with the future results, levels of activity, performance or achievements expressed or implied by any forward looking statements contained in this Annual Report or otherwise. Uralkali accepts no responsibility for any losses whatsoever that may result from any person’s reliance on any such forward looking statements. Except where required by the applicable law, Uralkali expressly disclaims any obligation or undertaking to disseminate or publish any updates or amendments to forward looking statements to reflect any change in expectations or new information or subsequent events, conditions or circumstances.

Verification of PJSC Uralkali Integrated Report 2018

D. Osipov  
CEO

E. Kalinina  
Chief Accountant

PJSC Uralkali Annual Report is approved by the decision of the Company’s Board of Directors of 24 April 2019 (the Board of Directors’ Meeting Minutes No. 361 dated 24 April 2019).

Data validity of the Annual Report is confirmed by the Revision Commission of PJSC Uralkali.
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