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
### Focus on Relationship with End Consumers

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Unit Cash COGS, USD Per Tonne</th>
<th>Sales Volume, Mln Tonnes KCL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>11.1</td>
<td>12.3</td>
</tr>
<tr>
<td>2015</td>
<td>12.7</td>
<td>11.2</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td>11.0</td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td>11.1</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td>12.2</td>
</tr>
</tbody>
</table>

### Maintaining a Leadership Position in Cash Cost of Goods

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

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.

### Maintaining a Leadership Position in Cash Cost of Goods

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

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

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

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

**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

**Relevance to the strategy**
Explosion 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)**

- 0.0 in 2018
- 0.018 in 2017
- 0.006 in 2016
- 0.006 in 2015
- 0.0 in 2014

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

- 0.08 in 2018
- 0.11 in 2017
- 0.08 in 2016
- 0.08 in 2015
- 0.0 in 2014

**Social Investments, USD MLN**

- 2014: 0.08
- 2015: 0.11
- 2016: 0.11
- 2017: 0.08
- 2018: 16.1

**Voluntary Labour Turnover, %**

- 2014: 10.4
- 2015: 5.7
- 2016: 5.8
- 2017: 16.1
- 2018: 9.2

**Average Annual Wages, USD**

- 2014: 15,014
- 2015: 14,747
- 2016: 15,190
- 2017: 12,837
- 2018: 12,837

**Energy Consumption, KWH/T**

- 2014: 142
- 2015: 147
- 2016: 159
- 2017: 151
- 2018: 160

**Relevance to the strategy**

- FIFR is the core indicator of responsible health and safety management. It is central to our focus on operational excellence.
- 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.
- Social investments demonstrate and reflect the Company’s important role in the community in which it operates.
- 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.
- Energy utilisation as a result of a number of mitigating actions demonstrates how the Company responds to climate change.

**Measurement**

- FIFR is calculated based on the number of fatalities per 200 thousand hours worked.
- LTIFR is calculated based on the number of lost time injuries per 200 thousand hours worked.
- Total amount of social expenditures including charity, support of infrastructure, and sport.
- Turnover is the number of permanent employee resignations as a percentage of total employees (excluding transfer to another employer).
- Energy consumed (electricity) per tonne of production for industrial needs.

**Performance overview**

- In 2018, no fatal accidents took place at Uralkali or its subsidiaries and affiliates.
- In 2018, 13 accidents were recorded 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.
- In 2018, Uralkali continued to support sport activities, donate to charity, and contribute to the development of the region where it operates.
- 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.
- In 2018, the average annual wages denominated in USD 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.

### 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>received and 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

- **Relevance to the strategy**
  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.

- **Measurement**
  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.

- **Performance overview**
  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, 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.