

IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN OR INTO THE UNITED STATES OR TO U.S. PERSONS EXCEPT TO QUALIFIED INSTITUTIONAL BUYERS ("QIBs") AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT OF 1933 AS AMENDED ("RULE 144A") THAT ARE ALSO QUALIFIED PURCHASERS ("QPs") WITHIN THE MEANING OF SECTION 2(A)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940 (THE "INVESTMENT COMPANY ACT") OR OTHERWISE TO PERSONS TO WHOM IT CAN LAWFULLY BE DISTRIBUTED

IMPORTANT: You must read the following before continuing. The following applies to the attached prospectus (the "**Prospectus**") whether received by email, accessed from an internet page or otherwise received as a result of electronic communication, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In reading, accessing or making any other use of the Prospectus, you agree to be bound by the following terms and conditions and each of the restrictions set out in the Prospectus, including any modifications to them any time you receive any information from us as a result of such access. If you have gained access to this transmission contrary to any of the following restrictions, you are not authorised and will not be able to purchase any of the securities described herein (the "**Securities**"). You acknowledge that this electronic transmission and the delivery of the attached Prospectus is intended for you only and you agree you will not forward this electronic transmission or the attached Prospectus to any other person. Any forwarding, distribution or reproduction of this document in whole or in part is unauthorised. Failure to comply with the following directives may result in a violation of the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or the applicable laws of other jurisdictions.

THE SECURITIES REFERRED TO HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND THE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") TO OR FOR THE ACCOUNT OR BENEFIT OF A PERSON NOT KNOWN TO THE TRANSFEROR TO BE A U.S. PERSON (AS DEFINED IN REGULATION S), BY PREARRANGEMENT OR OTHERWISE, OR (2) WITHIN THE UNITED STATES ONLY TO QIBs THAT ARE ALSO QPs IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A, OR ANOTHER EXEMPTION THEREFROM, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

Confirmation of your representation: In order to be eligible to view the Prospectus or make an investment decision with respect to the Securities, investors must be (i) persons who are not U.S. persons (within the meaning of Regulation S under the Securities Act) and who are not acting for the account or benefit of U.S. persons or (ii) QIBs that are also QPs that are acquiring the securities for their own account or the account of another QIB that is also a QP. By accepting this e-mail and accessing the Prospectus, you shall be deemed to have represented to us that: (1) (A) you and any customers you represent are not U.S. persons and/or are not acting for the account or benefit of any U.S. persons and the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the U.S. or (B) you are a QIB that is also a QP acquiring the securities referred to herein for your own account and/or for another QIB that is also a QP and (2) you consent to delivery of such Prospectus by electronic transmission.

The Prospectus may only be communicated or caused to be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") does not apply and may be distributed in the United Kingdom only to persons who (i) are outside the United Kingdom or (ii) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "**Order**"), or (iii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Order (all such persons together being referred to as "**Relevant Persons**"). In the United Kingdom, the Prospectus is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the Prospectus relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

The Securities are not eligible for placement and circulation in the Russian Federation, unless, and to the extent, otherwise permitted by Russian law. The information provided in the Prospectus is not an offer, or an invitation to make offers, sell, exchange or otherwise transfer securities in the Russian Federation or to or for the benefit of any Russian person or entity.

The Prospectus or the information contained therein is not an offer, or an invitation to make offers, sell, purchase, exchange or transfer any securities in the Russian Federation to or for the benefit of any Russian person or entity, and does not constitute an advertisement of offering of any securities in the Russian Federation within the meaning of Russian securities laws. Information contained in this Prospectus is not intended for any persons in the Russian Federation who are not "qualified investors" within the meaning of Article 51.2 of the Federal Law No. 39-FZ "On the securities market" dated 22 April 1996, as amended ("**Russian QIs**") and must not be distributed or circulated into Russia or made available in Russia to any persons who are not Russian QIs, unless and to the extent they are otherwise permitted to access such information under Russian law.

The Prospectus does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction.

This Prospectus is being sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, none of Uralkali Finance Designated Activity Company, Public Joint Stock Company Uralkali, J.P. Morgan Securities plc, Renaissance Securities (Cyprus) Limited, Sberbank CIB (UK) Limited, Société Générale, VTB Capital plc, Crédit Agricole Corporate and Investment Bank, ING Bank N.V., London Branch, Natixis, UBS AG London Branch and UniCredit Bank AG or any person who controls any of them, nor any director, officer, employee or agent of any of them, nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the attached document distributed to you in electronic format and the hard copy version available to you on request.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The information set forth in this document is only accurate as of the date on the front cover of this document. The Group's business and financial condition may have changed since that date. In making an investment decision, prospective investors must rely on their own examination of the Group and the terms of this document, including the risks involved.



U.S.\$ 500,000,000 4.000 per cent. Loan Participation Notes due 2024
issued by, but with limited recourse to,
Uralkali Finance Designated Activity Company
for the sole purpose of financing a loan to
PUBLIC JOINT STOCK COMPANY URALKALI
Issue Price: 100 per cent.

Uralkali Finance Designated Activity Company, a designated activity company incorporated under the laws of Ireland (the "**Issuer**"), is issuing an aggregate principal amount of U.S.\$ 500,000,000 4.000 per cent. Loan Participation Notes due 2024 (the "**Notes**") for the sole purpose of financing a loan (the "**Loan**") to Public Joint Stock Company Uralkali ("**Uralkali**" or the "**Borrower**"), a public joint stock company existing under the laws of the Russian Federation in accordance with the Civil Code and the Federal Law No. 208-FZ "On Joint Stock Companies", dated 26 December 1995, as amended (the "**Joint Stock Companies Law**"), pursuant to a loan agreement dated 18 October 2019 (the "**Loan Agreement**") between the Issuer and the Borrower.

Pursuant to the trust deed dated on or around 22 October 2019 (the "**Trust Deed**") relating to the Notes between the Issuer and Citicorp Trustee Company Limited as trustee (the "**Trustee**"), the Issuer will provide certain security for all payment obligations in respect of the Notes for the benefit of the Noteholders, including a first fixed charge in favour of the Trustee of all amounts paid and payable to it under the Loan Agreement and an assignment to the Trustee of the Issuer's rights, benefits and interests under the Loan Agreement, other than in respect of certain reserved rights (as more fully described in "*Description of the Transaction and the Security*"). Interest on the Loan will be payable at a rate of 4.000 per cent. per annum semi-annually in arrear and in equal instalments on the interest payment date falling on 22 April and 22 October in each year, commencing on 22 April 2020, and, provided that the Issuer receives such payment in full, the Notes will bear interest from, and including, 22 October 2019 on such dates at the same rate.

The Notes are senior, limited recourse obligations of the Issuer. In each case where amounts of principal, interest and additional amounts (if any) are stated to be payable in respect of the Notes, the obligation of the Issuer to make any such payment shall constitute an obligation only to account to the Noteholders, on each date upon which such amounts of principal, interest and additional amounts (if any) are due, for an amount equivalent to the principal, interest and additional amounts (if any) actually received and retained (net of tax) by or for the account of the Issuer from the Borrower pursuant to the Loan Agreement. The Issuer will have no other financial obligation under the Notes. **Noteholders will be deemed to have accepted and agreed that they will be relying solely and exclusively on the credit and financial standing of the Borrower in respect of the obligations of the Borrower under the Loan Agreement.**

Except as set forth herein, payments in respect of the Notes will be made without any deduction or withholding for, or on account of, the taxes of Ireland or Russia.

The Loan, and correspondingly the Notes, may be redeemed early at the option of Uralkali in certain circumstances, all as more fully described in the Loan Agreement and Terms and Conditions of the Notes.

AN INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 12.

The Notes (together, the "**Securities**") have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes may be offered and sold (i) within the United States only to qualified institutional buyers ("**QIBs**"), as defined in Rule 144A under the Securities Act ("**Rule 144A**"), that are also qualified purchasers ("**QPs**"), as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**"), in reliance on the exemption from registration under Section 5 of the Securities Act provided by Rule 144A or on another exemption therefrom, (the "**Rule 144A Notes**") and (ii) to persons who are not U.S. persons in offshore transactions as defined in and in reliance on Regulation S (the "**Regulation S Notes**"). The Issuer has not been and will not be registered under the Investment Company Act. Prospective purchasers are hereby notified that sellers of the Rule 144A Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the Notes and this distribution of the Prospectus, see "*Subscription and Sale*" and "*Transfer Restrictions*".

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

This Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). The Central Bank only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of either the Issuer or the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for the Notes to be admitted to the Official List of Euronext Dublin and trading on its regulated market (the "**Regulated Market**"). The Regulated Market is a regulated market for the purposes of MiFID II.

This Prospectus is valid until 22 October 2019. The obligation to supplement the Prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when the Prospectus is no longer valid.

It is expected that the Notes will be rated Ba2 by Moody's Investors Service Ltd. ("**Moody's**") and BB- by Fitch Ratings Ltd. ("**Fitch**"). Uralkali has been rated Ba2 (positive outlook) by Moody's, BB- (positive outlook) by Fitch and BB- (positive outlook) by Standard & Poor's Financial Services LLC ("**S&P**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. Moody's and Fitch are established in the European Union and are registered under the Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**"). S&P is not established in the European Union, has not applied for registration under the CRA Regulation and is not included in the list of registered credit rating agencies published on the website of European Securities and Markets Authority.

The Notes will be offered and sold in the minimum denomination of U.S.\$ 200,000 and higher integral multiples of U.S.\$ 1,000. The Regulation S Notes will initially be represented by interests in a global note certificate in registered form (the "**Regulation S Global Note Certificate**"), without interest coupons, which will be deposited with a common depository for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), and registered in the name of a nominee therefor, on or about 22 October 2019 (the "**Issue Date**"). The Rule 144A Notes will initially be represented by interests in a global note certificate in registered form (the "**Rule 144A Global Note Certificate**" and, together with the Regulation S Global Note Certificate, the "**Global Note Certificates**"), which will be registered in the name of Cede & Co., as nominee of, and deposited with a custodian for, The Depository Trust Company ("**DTC**") on or about the Issue Date. Beneficial interests in the Global Note Certificates will be shown on, and transfers thereof will be effected only through records maintained by DTC, Euroclear or Clearstream, Luxembourg (as the case may be) and their respective participants. See "*Clearing and Settlement*". Definitive note certificates in registered form will only be available in certain limited circumstances as described herein.

Joint Global Coordinators and Joint Bookrunners

J.P. Morgan

Sberbank CIB

Société Générale

VTB Capital

Corporate & Investment Banking

Joint Bookrunners

Crédit Agricole CIB
Renaissance Capital

ING
UBS Investment Bank

NATIXIS
UniCredit Bank

Prospectus dated 18 October 2019

IMPORTANT INFORMATION ABOUT THIS PROSPECTUS

This Prospectus comprises a prospectus for the purposes of the Prospectus Regulation.

Each of Uralkali and the Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of Uralkali and the Issuer, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

In addition, Uralkali confirms that: (i) this Prospectus contains all information with respect to Uralkali and its consolidated subsidiaries taken as a whole (the "**Group**"), each member of the Group, the Loan and the Notes that is material in the context of the issue and offering of the Notes; (ii) the statements contained in this Prospectus relating to Uralkali, the Group, the Loan and the Notes are in every material particular true and accurate and not misleading; (iii) the opinions, beliefs, expectations and intentions expressed in this Prospectus with regard to Uralkali, the Group, the Loan and the Notes are honestly and reasonably held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to Uralkali, the Group, the Loan and the Notes the omission of which would make any statement in this Prospectus misleading in any material respect; and (v) all reasonable enquires have been made by the Issuer and Uralkali to ascertain such facts and to verify the accuracy of all such information and statements.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, Uralkali, the Managers (as defined in "*Subscription and Sale*"), the Trustee or any other person to subscribe for or purchase any Notes in any jurisdiction where it is unlawful to make such an offer or invitation. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, Uralkali, the Managers, the Trustee and the Agents (as defined herein) to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Notes and distribution of this Prospectus, see "*Subscription and Sale*" and "*Transfer Restrictions*".

No person is authorised to provide any information or to make any representation not contained in or not consistent with this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, Uralkali, the Managers, the Trustee or the Agents. The delivery of this Prospectus at any time does not imply that the information contained in it is correct as at any time subsequent to its date. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no change in the affairs of the Issuer, Uralkali or the Group since the date hereof or since the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or condition (financial or otherwise) of the Issuer, Uralkali or the Group, since the date of this Prospectus.

None of the Issuer, Uralkali, the Managers, the Trustee, the Agents or any of its or their respective representatives or affiliates makes any representation to any offeree or purchaser of the Notes offered hereby regarding the legality of an investment by such offeree or purchaser under applicable legal, investment or similar laws. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of the purchase of the Notes.

Prospective purchasers must comply with all laws that apply to them in any place in which they buy, offer or sell any Notes or possess this Prospectus. Any consents or approvals that are needed in order to purchase any Notes must be obtained. The Issuer, Uralkali, the Managers, the Trustee and the Agents are not responsible for compliance with these legal requirements. The appropriate characterisation of the Notes under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase the Notes, is subject to significant interpretative uncertainties. No representation or warranty is made as to whether, or the extent to which, the Notes constitute a legal investment for investors whose investment authority is subject to legal restrictions, and investors should consult their legal advisers regarding such matters.

In connection with the issue of the Notes, J.P. Morgan Securities plc (the "**Stabilisation Manager**") (or any person acting on behalf of the Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if commenced, may be discontinued at any time and must be brought to an end no later than the earlier of 30 days after the issue date of the Notes and 60 days after

the date of the allotment of the Notes. Any stabilisation action or over-allotment shall be conducted in accordance with all applicable laws and rules.

Any website referred to in this document does not form part of this Prospectus and has not been scrutinised or approved by the Central Bank.

No representation or warranty, express or implied, is made by the Managers, the Trustee, the Agents or any of its or their affiliates or any person acting on their behalf as to the accuracy or completeness of the information set forth in this Prospectus. Nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation, whether as to the past or the future.

Each person receiving this Prospectus acknowledges that such person has not relied on the Managers, the Trustee, the Agents or any of its or their affiliates or any person acting on their behalf in connection with its investigation of the accuracy or completeness of such information or its investment decision. Each person contemplating making an investment in the Notes from time to time must make its own investigation and analysis of the creditworthiness of the Issuer, Uralkali and the Group and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment.

The Issuer is not and will not be regulated by the Central Bank as a result of issuing the Notes. Any investment in the Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Central Bank.

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

NOTICE TO UNITED KINGDOM RESIDENTS

This document is only being distributed to and is only directed at (1) persons who are outside the United Kingdom or (2) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (3) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "**Relevant Persons**"). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this document or any of its contents.

NOTICE TO EUROPEAN ECONOMIC AREA RESIDENTS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

NOTICE TO PROSPECTIVE UNITED STATES INVESTORS

THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE NOTES AND THE LOAN HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

THIS OFFERING IS BEING MADE IN THE UNITED STATES IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT FOR AN OFFER AND SALE OF THE SECURITIES WHICH DOES NOT INVOLVE A PUBLIC OFFERING. IN MAKING YOUR PURCHASE, YOU WILL BE DEEMED TO HAVE MADE CERTAIN ACKNOWLEDGMENTS, REPRESENTATIONS AND AGREEMENTS. SEE "*SUBSCRIPTION AND SALE*" AND "*TRANSFER RESTRICTIONS*".

THIS PROSPECTUS IS BEING PROVIDED ON A CONFIDENTIAL BASIS TO (1) A LIMITED NUMBER OF INVESTORS THAT THE ISSUER REASONABLY BELIEVES TO BE "**QIBS**" THAT ARE ALSO "**QPS**" FOR INFORMATIONAL USE SOLELY IN CONNECTION WITH THEIR CONSIDERATION OF THE PURCHASE OF THE NOTES AND (2) INVESTORS WHO ARE NOT U.S. PERSONS IN CONNECTION WITH OFFSHORE TRANSACTIONS IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S.

NOTICE TO RUSSIAN INVESTORS

This Prospectus or the information contained herein is not an offer, or an invitation to make offers, sell, purchase, exchange or transfer any securities in the Russian Federation to or for the benefit of any Russian person or entity, and does not constitute an advertisement of offering of any securities in the Russian Federation within the meaning of Russian securities laws. Information contained in this Prospectus is not intended for any persons in the Russian Federation who are not "qualified investors" within the meaning of Article 51.2 of the Federal Law No. 39-FZ "On the securities market" dated 22 April 1996, as amended ("**Russian QIs**") and must not be distributed or circulated into Russia or made available in Russia to any persons who are not Russian QIs, unless and to the extent they are otherwise permitted to access such information under Russian law.

AVAILABLE INFORMATION

The Issuer and Uralkali have agreed that, for so long as any Notes are "*restricted securities*" within the meaning of Rule 144(a)(3) under the Securities Act, they will, during any period in which they are neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities, or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, or to the Trustee for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner, prospective purchaser or the Trustee, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

DOCUMENTS INCORPORATED BY REFERENCE

The audited financial statements of the Issuer prepared in accordance with IFRS for the years ended 31 December 2018 and 2017 together with the audit report thereon (the "**Issuer Financial Statements**"), have been filed with Euronext Dublin and shall be deemed to be incorporated in, and to form part of, this Prospectus. The financial statements for the years ended 31 December 2018 and 2017 may be obtained from the website of Euronext Dublin at: https://www.ise.ie/debt_documents/Issuer%202017%20Financial%20Statements_fbb2d051-c8cc-47cf-9b7e-0f7c47a97b6f.pdf and https://www.ise.ie/debt_documents/Issuer%202018%20Financial%20Statements_af67f11f-b020-414a-ab4f-9b66fe7eb471.pdf.

TABLE OF CONTENTS

	PAGE
OVERVIEW	1
RISK FACTORS	12
FORWARD-LOOKING STATEMENTS	43
ENFORCEABILITY OF JUDGMENTS IN THE RUSSIAN FEDERATION	45
PRESENTATION OF FINANCIAL AND OTHER INFORMATION	47
DESCRIPTION OF THE TRANSACTION AND THE SECURITY	53
USE AND ESTIMATED NET AMOUNT OF PROCEEDS	55
CAPITALISATION	56
SELECTED FINANCIAL AND OPERATING INFORMATION	57
OPERATING AND FINANCIAL REVIEW	63
INDUSTRY OVERVIEW	92
BUSINESS	113
MATERIAL LICENCES	140
MANAGEMENT AND CORPORATE GOVERNANCE	146
PRINCIPAL SHAREHOLDERS	153
TRANSACTIONS WITH RELATED PARTIES	154
REGULATORY MATTERS	157
DESCRIPTION OF THE ISSUER	170
LOAN AGREEMENT	172
TERMS AND CONDITIONS OF THE NOTES	205
SUMMARY OF THE PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM	218
TRANSFER RESTRICTIONS	222
CLEARING AND SETTLEMENT	226
SUBSCRIPTION AND SALE	230
CERTAIN ERISA CONSIDERATIONS	234
TAXATION	235
GENERAL INFORMATION	249
GLOSSARY OF TECHNICAL TERMS	252
APPENDIX I REPORT OF SRK CONSULTING	254
APPENDIX II CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP	F-1

OVERVIEW

This overview may not contain all the information that may be important to prospective purchasers of the Notes and, therefore, should be read in conjunction with this entire Prospectus, including the more detailed information regarding the Group's business and the Financial Statements and related notes included elsewhere in this Prospectus. Prospective purchasers of the Notes should also carefully consider the information set forth under the heading "Risk Factors". Certain statements in this Prospectus include forward looking statements that also involve risks and uncertainties as described under "Forward-Looking Statements".

OVERVIEW OF THE GROUP

Overview

According to Uralkali's estimates, data published by other potash producers and Argus data the Group is one of the largest pure play potash producers globally with mining operations in Russia, which, based on the Mineral Commodity Summaries prepared by the U.S. Geological Survey in February 2019 (the "**Mineral Commodity Summaries**"), had the largest potash reserve base globally. The Group also benefits from its presence in the most significant markets for fertiliser consumption. According to the International Fertiliser Association ("**IFA**"), in 2018, the Group was one of the largest exporters of potash in the world with an aggregate production volume of 11.5 million tonnes. As of 30 June 2019, the Group's annual potash production capacity is up to 12.0 million tonnes. According to Argus data and Uralkali's estimates, in 2018, the Group accounted for approximately 17 per cent. of global potash production. The Group had proven and probable reserves of 187.7 million tonnes of potassium oxide (K_2O) as at 1 January 2019 (from total measured and indicated mineral resources of 1,324 million tonnes of K_2O), with access to one of the largest ore fields located in Russia at depths of 200 to 450 metres. Based on publicly available reports of other potash producers, Uralkali believes that in 2018, the Group was one of the most profitable producers of potash with the lowest production costs in the world.

In the six months ended 30 June 2019 and the year ended 31 December 2018, the Group's selected financial metrics specified below were as follows:

- the Group's revenues were U.S.\$ 1,542,890 thousand and U.S.\$ 2,753,577 thousand, respectively;
- the Group's net profit was U.S.\$ 835,891 thousand and a net loss of U.S.\$ 97,006 thousand, respectively;
- the Group's Adjusted EBITDA was U.S.\$ 873,880 thousand and U.S.\$ 1,459,253 thousand, respectively;
- the Group's Adjusted EBITDA margin was 66.1 per cent. on Net revenues of U.S.\$ 1,321,309 thousand and 64.0 per cent. on Net revenues of U.S.\$ 2,281,082 thousand, respectively;
- the Group's Net debt as of the end of the respective period was U.S.\$ 4,693,402 thousand and U.S.\$ 4,886,872 thousand, respectively;
- the Group's total loans and borrowings as of the end of the respective period were U.S.\$ 5,121,718 thousand and U.S.\$ 5,899,877 thousand, respectively.

See "*Selected Financial and Operating Information*".

The Group controls the production chain from potash ore mining through to the supply of potassium chloride to customers. The Group's mining operations comprise five mines in Perm Krai (near the Urals), with an estimated life of mine ranging from seven to forty years. To process the ore from these mines, the Group operates six potash plants and one carnallite plant. The Group produces two main types of potash (each classified into various products): Standard MOP (white and pink) and Granular MOP, each of which is derived from potash ore comprising potassium chloride (KCl) mixed with other minerals. For further details of the conversion ratio of potash ore into KCl and KCl into K_2O , see "*Business – Production Process and Facilities – Production cycle and components reconciliation*". From its base of operations in the Urals region of Russia, the Group transports its products by rail using its fleet of railcars (which as at 30 June 2019 comprised 7,600 railcars), directly to customers in Russia, Europe and Northern China, as well as to its warehousing and port facilities at JSC "Baltic Bulk Terminal" ("**JSC BBT**") in St. Petersburg and the Baltic, Black Sea and Far Eastern ports, from where potash is shipped to overseas customers. The Group distributes its export products through its direct and indirect

subsidiaries Uralkali Trading SIA (Latvia) (including its representative offices in Turkey, Singapore, Panama, India and China) ("**UKT Latvia**"), United Fertilizers Company Limited (Mauritius) (including its branch in the Republic of South Africa) ("**UKT Mauritius**") and UKT Chicago Inc. (USA) ("**UKT USA**"). In addition, a subsidiary of Uralkali, Uralkali Trading Fertilizantes Brazil LTDA ("**UKT Brazil**"), performs marketing, consultancy, agency services and sale promotion role in Latin America (primarily in Brazil). In the year ended 31 December 2018, the Group's domestic sales accounted for 23.7 per cent. of the total sales while the remainder 76.3 per cent. was exported to customers in more than 60 countries, including Brazil, Europe, South East Asia, China and India.

In 2019, the Group approved an investment strategy focusing on maintaining one of the leading positions in the global potash industry and achieving further organic growth to increase annual available potash production capacity to 15.0 million tonnes by 2025. The principal measures to be implemented in the context of this strategy include measures aimed at increasing the capacity at existing production sites through the removal of bottlenecks and modernisation, the launch of an additional shaft in Solikamsk-3, the construction of a new Solikamsk-2 mine to extract the remaining reserves in the Solikamsk plot, as well as the implementation of the Ust-Yaivinsky greenfield project (the development of the Ust-Yaivinsky plot at the Verkhnekamskoye field), which is estimated to contain measured and indicated mineral resources of 254.4 million tonnes of K₂O. Subject to the decision with regard to the second stage of Polovodovsky project being made by 2023, the Group's annual available potash production capacity would increase to 17.8 million tonnes by 2030. See "*Business – Investment Programmes*".

The official website of the Group (including Uralkali) is: <https://www.uralkali.com/>.

Key Strengths

Uralkali believes its business model provides the following key strengths:

World-class pure play potash producer

According to Argus and Uralkali's estimates, Uralkali is one of the leading global producers of potash globally with mining operations in Russia, which, based on the Mineral Commodity Summaries, had the largest potash reserve base globally. Potash is one of the most commonly used fertilisers which improves plant durability and provides protection from drought, disease, weeds, parasites and cold weather. According to Argus, the global demand for fertiliser potash is expected to increase at a long-term rate of 2.5 per cent. per annum from 2019 to 2032, as the agricultural sector seeks to meet the growing demand arising from the continuous growth of the world population, developing dietary diversity combined with the increase in volumes of farmed crops, as well as the government support of, and investments in, the agricultural sector aimed at preventing food shortages.

The Group has access to one of the largest ore fields located in Russia at depths ranging from 200 to 450 metres. Uralkali has an annual potash production capacity of up to 12.0 million tonnes and 12.4 million tonnes as at 30 June 2019 and 31 December 2018, respectively, with the reduction in capacity being largely attributable to the reduction of mining operations at the Solikamsk-2 mine. In the six months ended 30 June 2019 and the year ended 31 December 2018, the Group produced 5.7 million tonnes and 11.5 million tonnes of potash, respectively.

There are significant economic barriers to the entry of new participants to the potash production industry, largely due to a limited number of economically recoverable potash deposits, extended ramp-up periods, need for material investments, high risks associated with investing into potash production projects and required competencies, which act as a natural limitation for new participants attempting to enter the market.

Fundamental cost advantage underpinning superior profitability

The Group has invested in production and logistics infrastructure which, combined with the relatively low extraction costs of the ore deposits at the Group's mines (as compared with other major potash producers, based on Uralkali's estimates), provides cost advantages throughout the production and distribution process underpinning the Group's superior profitability. In addition, the Group has constructed electricity generation plants near its principal production facilities which, from 1 January 2016 to 31 December 2018, allowed the Group to cover approximately 17-20 per cent. of its electricity needs (based on current production levels) at lower costs than the prices offered by third-party suppliers. In order to further improve cost efficiency, the Group seeks to use equipment and materials produced in Russia, which allows the Group to benefit from more favourable prices and lower shipping costs.

In the six months ended 30 June 2019 and the year ended 31 December 2018, the Group's Cash cost of finished goods per tonne (without goods for resale) was U.S.\$ 42.9 per tonne and U.S.\$ 42.5 per tonne, respectively (as compared to U.S.\$ 41.2 and U.S.\$ 41.4 in the six months ended 30 June 2018 and the year ended 31 December 2017, respectively), which, based on publicly available reports of other potash producers, is the lowest in the potash industry. The Group's total cost of sales in the six months ended 30 June 2019, six months ended 30 June 2018 and the years ended 31 December 2018 and 2017 were U.S.\$ 361,062 thousand, U.S.\$ 362,363 thousand, U.S.\$ 702,867 thousand and U.S.\$ 739,076 thousand, respectively.

Leading positions in premium markets and diversified customer portfolio supported by strong trading and distribution capabilities

The Group maintains one of the leading positions in the global potash industry, including in the premium markets. Its products are distributed through a number of the Group's trading companies, allowing the Group to access all principal regions of potash consumption with the flexibility to adjust supply to a particular market in response to seasonal fluctuations in demand and price dynamics. The Group's diversified customer portfolio is supported by its strong trading and distribution capabilities.

In addition to its sales in Russia, where the Group is the leading domestic producer of potash, the Group also distributes its products to over 60 countries through its network of trading subsidiaries, which comprises UKT Latvia, UKT Mauritius and UKT USA. As a result, the Group has stable, efficient and direct access to all of the key export markets. According to Argus data and Uralkali's estimates, in 2018, the Group was one of the largest exporters of potash in the world, accounting for approximately 17 per cent. of the global potash production.

In addition, the Group owns and operates a large part of its logistics chain, including a significant fleet of railcars, warehouses and a bulk terminal in St. Petersburg, the closest port to the location of the Group's potash resources, which (based on Uralkali's estimates) provides cost benefits and allows the Group to exercise significant control over the logistics process compared to many of its competitors.

Strong cash flow generation through the cycle

The Group has historically maintained high operating performance results and margins which form the base for a strong cash flow generation. In addition, the Group operates a number of payment terms options which are favourable for the Group (such as factoring arrangements and letters of credit), which allows for prompt receipt of the purchase price for the goods sold.

For the six months ended 30 June 2019 and the year ended 31 December 2018, the Group had revenues of U.S.\$ 1,542,890 thousand and U.S.\$ 2,753,577 thousand, respectively, an Adjusted EBITDA margin of 66.1 per cent. on Net revenues of U.S.\$ 1,321,309 thousand and 64.0 per cent. on Net revenues of U.S.\$ 2,281,082 thousand, respectively, and net cash generated from operating activities of U.S.\$ 536,653 thousand and U.S.\$ 1,096,480 thousand, respectively. Strong cash flow generation has historically enabled the Group, among other things, to fund its development plans largely from cash generated from its operating activities. In addition, Uralkali believes its strong financial performance and cash generation from the Group's operations provides a solid platform to execute its future organic expansion plans while maintaining a robust capital structure.

Accretive organic growth options with one of the lowest costs for capacity expansion in the industry

The Group focuses on further organic growth through the development of its existing structural capacity and access to mineral resources at low depths. The Group's investment strategy is aimed at the expansion of the capacity of its production facilities and includes both debottlenecking and modernisation measures, the launch of an additional shaft in Solikamsk-3, the construction of a new Solikamsk-2 mine replacing the existing one which is in process of shutdown, as well as the implementation of the Ust-Yaivinsky greenfield project (with measured and indicated mineral resources of 254.4 million tonnes of K₂O). If successfully implemented, these measures are intended to increase the annual production capacity of the Group to 15.0 million tonnes of potash by 2025. Subject to the decision with regard to the second stage of Polovodovsky project being made by 2023, the Group's annual available potash production capacity would increase to 17.8 million tonnes by 2030. The Group maintains a balanced approach to the expansion Capital expenditures taking into account the cash flow generation and the industry environment. Based on the total estimated cost of the incremental capacity, Uralkali believes its programme is one of the lowest cost development projects in the global potash industry. See "*Business – Investment Programmes*".

Strong liquidity position and track record of successful deleveraging and refinancing

The Group's management considers that the structure of its debt portfolio adequately reflects the currency composition of its revenues and allows the Group to minimise the risks of currency mismatches. Over the last 3 years, the Group has put a particular focus on deleveraging its financial position, reducing the ratio of the Group's Net debt to Adjusted EBITDA (last 12 months) to 2.9x as of 30 June 2019.

The Group has also historically maintained a strong liquidity position covering both short-term and mid-term maturities and has a track record of pro-active debt and liquidity management by maintaining access to multiple financing sources.

In addition, the Group's liquidity position benefits from the available limits under the Group's committed and uncommitted credit lines which protects the Group against liquidity shortages. See "*Operating and Financial Review – Liquidity and Capital Resources – Loans and Borrowings*".

Seasoned management team with an extensive track record and commitment to best practices in environmental, social and governance areas

The Group's management team has a proven track record of successful execution of complex projects and effective business management. It combines extensive industry and marketing experience with financial and in-depth management expertise, and Uralkali's board of directors includes highly professional individuals who have been involved in the Group's business for an extended period of time and have global experience in all necessary areas of competence. The members of the Group's management team have an average of more than fifteen years of industry experience (including fertiliser, mining, chemical, construction and other related industries). Uralkali believes that the high quality of the Group's management ensures timely, efficient and objective decision making and project execution in the best interests of Uralkali and stakeholders.

In addition, the Group adheres to the highest environmental, social and corporate governance and business ethics standards, including the appointment of independent directors to Uralkali's board of directors. Uralkali considers four of its current nine directors to be independent directors. Also see "*–Strategy–Focus on HSE and sustainable development*".

Flexible production model

Three out of six of the Group's key production facilities are fully or partially interchangeable between production of Standard MOP and Granular MOP. Accordingly, the Group can select whether to produce Standard MOP only or whether to continue the production cycle and use the Standard MOP for further production of Granular MOP. See "*Business — Production Process and Facilities — Processing plants and capacity*". Uralkali believes that the Group's ability to switch production between Standard MOP and Granular MOP in response to changes in market demand and price trends allows the Group to pursue a flexible sales strategy focusing on those products and markets which offer highest yields, which generally results in a higher profit margin and allows the Group to maintain high utilisation rates.

Strategy

The Group intends to continue to strengthen its positions in the global potash industry by implementing its strategy set out below.

Maintain one of the leading positions in the industry

The Group focuses on further balanced organic growth in order to maintain and develop one of the leading positions in the global potash industry. It intends to continue utilising the benefits of its extensive resource base and low cost development opportunities. The Group's capacity expansion programme includes debottlenecking and modernisation measures, as well as maintenance and improvement of its current asset base.

Preserve lowest cash cost of production driving strong margins and free cash flow

Uralkali benefits from the low cost environment across key inputs and is focused on enhancing efficiency. The Group has access to one of the largest fields of potassium ore and low production costs (with the Group's Cash cost of finished goods per tonne (without goods for resale) being the lowest in the potash industry), which is

achieved, among other things, through constant development of technical maintenance programmes and more accurate assessment and planning of repair and maintenance works. The Group is also committed to maintaining and improving its advantageous cost position, including through the application of the new innovative technologies and increasing the production levels and utilisation rates. Moreover, the Group has implemented a number of initiatives aimed at increasing the efficiency of energy consumption, which contributes to the overall strategy to decrease the production costs. In addition, the Group seeks to continually improve its labour productivity through the optimisation of business processes, automation of production processes and outsourcing of non-core processes.

Capitalise on strong distribution and marketing capabilities

The Group intends to continue utilising the benefits of its diversified sales channels, established network of sales offices and proximity to customers in key export markets in order to maximise its revenues by focusing on the premium export markets following the satisfaction of the internal demand from the Russian market. The Group seeks to enhance its export sales in the growing premium markets (including, *inter alia*, the Brazilian market) by relying on its integrated sales system, efficient logistics and worldwide distribution network. The Group is also committed to enhancing its proprietary logistics network to ensure control over principal marketing activities and secure access to new growing markets. Furthermore, the Group intends to benefit from the additional business opportunities through further expansion of its sales markets range, including penetrating new African markets, which the Group believes to be generally underestimated and enjoy the early entrant advantages.

Focus on HSE and sustainable development

The Group focuses on the constant improvement of its environmental, health and safety performance and personnel development. It seeks to provide a healthy and safe working environment for its employees and minimise accidents in the workplace. The Group had zero work-related fatal injuries in 2018 and it remains the Group's key priority to maintain it at this level. The Group also reduced its lost time injury frequency rate by 27 per cent. in 2018, as compared to 2017. See "*Business – Employees*".

Moreover, the Group aims to constantly increase the personnel awareness of workplace safety procedures and pays particular attention to personnel education and development. In 2018, the Group held 43,900 training activities in Russia (which include various educational programmes, internal seminars and professional trainings). Uralkali has also renewed certification for its compliance with the requirements of the OHSAS 18001-2007 (Occupational Health and Safety Assessment Series) valid through 2021. In addition, the Group pays particular attention to the social investments and initiatives and community engagement and from 2014 to 2018, invested U.S.\$ 84 million in social projects and activities. Also, in September 2019, Uralkali received an "IFA Product Steward Excellence" recognition as part of the IFA international Protect & Sustain certification, which is a standard combining a number of aspects considered by quality management (ISO 9001), labour safety (ISO 14001) and environmental management (OHSAS 18001) systems. The recognition affirms the highest standards of management of all stages of production, transportation and sales of potash fertilisers, as well as the commitment to the best practices in production safety and ecological sustainability of products.

The Group is committed to limiting the environmental impact of its operations, including reducing waste discharges into water and enhancing the efficiency of its waste management facilities. Based on Uralkali's internal financial management reports, in the six months ended 30 June 2019 and the year ended 31 December 2018, the Group invested approximately U.S.\$ 34.8 million and U.S.\$ 63.6 million in environmental protection projects. The total investments of the Group in the environmental protection over the period from 2014 to 2018 amounted to approximately U.S.\$ 224 million. These environmental projects are aimed at the reduction of water consumption, efficient waste management, reduction of energy consumption and air emission. For more details on the Group's environmental projects see "*Business – Environmental matters*".

Selectively expand production capacity

The continuous growth of the world population, accompanied by the rising standards of living in populous countries, such as China and India, lead to a higher demand for food, while the demand for biofuel is also increasing. At the same time, the reduction of arable land per capita amplifies the need for intensive agricultural technologies. The Group considers the global food security to be one of the key pillars of its strategy, as potash, being one of the key fertilisers, plays a critical role in the world food security. In order to meet the world's growing demand for food, in 2019 the Group embarked on a long term strategic investment programme for the expansion

of its production capacity to 15.0 million tonnes envisaging the overall Capital expenditure of U.S.\$2.4 billion covering both brownfield and greenfield projects. See "*Business – Investment Programmes*".

Maintain balanced mineral reserves and resources portfolio

To ensure stable production levels and high utilisation rates, the Group seeks to maintain a balanced mineral reserves and resources portfolio ensuring that depleted plots (in particular, Berezniki-2 and Solikamsk-2 with the aggregate capacity of 2.9 million tonnes of KCl) are replaced with new deposits of equivalent quality and volume of reserves. As part of this strategy, the Group obtained licences with respect to the geological study, exploration and extraction potassium-magnesium mixed salts (SPM) on the Romanovsky plot and with respect to the exploration and extraction of magnesium salt on the west part of the Novo-Solikamsky plot, as well as a licence for the geological study of potassium chloride salt on the Izversky plot. These new plots contribute to both the overall increase of the Group's production volumes and allow for the smooth and gradual replacement of those plots where the reserves are decreasing.

Maintain a robust capital structure

In conjunction with its production capacity expansion plans, the Group seeks to maintain a robust capital structure. In particular, the Group aims to continue to use cash generated from operating activities as the principal source of its funding requirements while endeavouring to achieve, in the medium term perspective, a ratio of Net debt to Adjusted EBITDA (last 12 months) of 2.0-2.5x. As of 30 June 2019, the ratio of the Group's Net debt to Adjusted EBITDA (last 12 months) was equal to 2.9x. The Group focuses on further deleveraging and strengthening of its balance sheet and targets upgrades of the credit ratings assigned to Uralkali. In addition, the Group generally seeks to maintain a comfortable cash position at approximately 0.3x of the Group's Adjusted EBITDA (last 12 months).

OVERVIEW OF THE OFFERING

The following overview of the Offering should be read in conjunction with, and is qualified in its entirety by "Terms and Conditions of the Notes", "Clearing and Settlement" and the form of the Loan Agreement.

The Notes

The Issuer	Uralkali Finance Designated Activity Company, a designated activity company incorporated under the laws of Ireland. The Issuer is not a subsidiary of Uralkali, directly or indirectly.
Legal Entity Identifier of the Issuer:	635400BFOZMTDM8DSV32
Joint Global Coordinators and Joint Bookrunners	J.P. Morgan Securities plc, Sberbank CIB (UK) Limited, Société Générale and VTB Capital plc
Joint Bookrunners	Crédit Agricole Corporate and Investment Bank, ING Bank N.V., London Branch, Natixis, Renaissance Securities (Cyprus) Limited, UBS AG London Branch and UniCredit Bank AG
Notes Offered	U.S.\$ 500,000,000 4.000 per cent. Loan Participation Notes due 2024.
Issue Price	100 per cent. of the principal amount of the Notes.
Issue Date	22 October 2019.
Maturity Date	22 October 2024.
Trustee	Citicorp Trustee Company Limited.
Principal Paying and Transfer Agent	Citibank, N.A., London Branch.
Registrar	Citigroup Global Markets Europe AG.
Interest	On each interest payment date (being 22 April and 22 October in each year and commencing on 22 April 2020), the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest actually received by or for the account of the Issuer pursuant to the Loan Agreement, which interest under the Loan accrues at a rate of 4.000 per cent. per annum from and including the Issue Date.
Form and Denomination	The Notes will be issued in registered form, in denominations of U.S.\$ 200,000 and higher integral multiples of U.S.\$ 1,000. The Regulation S Notes and the Rule 144A Notes will be represented by a Regulation S Global Note Certificate and a Rule 144A Global Note Certificate, respectively. The Regulation S Global Note Certificate and the Rule 144A Global Note Certificate will be exchangeable for Definitive Certificates in the limited circumstances specified in the Regulation S Global Note Certificate and the Rule 144A Global Note Certificate, respectively.
Initial Delivery of Notes	On or before the Issue Date, the Regulation S Global Note Certificate shall be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear and Clearstream, Luxembourg and the Rule 144A Global Note Certificate shall be registered in the name of Cede & Co. as nominee of, and deposited with a custodian for, DTC.
Status of the Notes	<p>The Notes are limited recourse, secured obligations of the Issuer as more fully described in <i>"Terms and Conditions of the Notes—Status and Limited Recourse"</i>.</p> <p>The Notes will constitute the obligation of the Issuer to apply the proceeds from the issue of the Notes solely for financing the Loan and to account to the</p>

	<p>Noteholders for an amount equivalent to sums of principal, interest and other amounts (if any) actually received and retained (net of tax) by or for the account of the Issuer pursuant to the Loan Agreement less any amount in respect of Reserved Rights (as defined in the Trust Deed), all as more fully described in "<i>Terms and Conditions of the Notes—Status and Limited Recourse</i>".</p>
Security	<p>The Notes will be secured by the Charge (as defined in "<i>Description of the Transaction and the Security</i>") on:</p> <ul style="list-style-type: none"> • all principal, interest and other amounts now or hereafter payable to the Issuer by Uralkali under the Loan Agreement; • the right to receive all sums which may be or become payable by Uralkali under any claim, award or judgment relating to the Loan Agreement; and • all the rights, title and interest in and to all sums of money now or in the future deposited in the Account (as defined in "<i>Description of the Transaction and the Security</i>") and the debts represented thereby (including interest from time to time earned on the Account, if any), pursuant to the Trust Deed, <p>provided that Reserved Rights and any amounts relating to Reserved Rights are excluded from the Charge.</p> <p>The Notes will also be secured by an absolute assignment with full title guarantee by the Issuer to the Trustee of its rights, interests and benefits under the Loan Agreement (save for the Reserved Rights and those rights subject to the Charge) pursuant to the Trust Deed.</p>
Withholding Taxes and Increased Costs	<p>All payments in respect of the Notes by or on behalf of the Issuer will be made free and clear of, and without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Ireland or any political subdivision or any authority thereof or therein having the power to tax, other than as required by law. In the event that any deduction or withholding is required by law, the Issuer will be required, except in certain limited circumstances, to pay increased amounts of principal, interest or any other payment due thereon to the extent that it receives corresponding amounts from Uralkali under the Loan Agreement, as the case may be.</p>
Optional Redemption for Taxation Reasons	<p>The Issuer will be required to redeem in whole, but not in part, the Notes at the principal amount thereof, together with accrued and unpaid interest and additional amounts, if any, to the date of redemption should (1) Uralkali elect to repay the Loan in the event that it is required to pay increased amounts of principal, interest or any other payment due under the Loan Agreement on account of Russian or Irish withholding taxes or as a result of the enforcement of the security provided for in the Trust Deed, or (2) Uralkali elect to repay the Loan in the event it is required to pay additional amounts on account of certain costs incurred by the Issuer pursuant to the Loan Agreement.</p>
Optional Redemption by the Issuer for Illegality	<p>In limited circumstances as more fully described in the Loan Agreement, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, upon giving notice to Uralkali, copied to the Trustee and the Noteholders, at the principal amount thereof, together with accrued and unpaid interest and additional amounts, if any, to the date of redemption, in the event that it becomes unlawful for the Issuer to fund the Loan or allow the Loan to remain outstanding under the Loan Agreement or allow the Notes to remain outstanding or for the Issuer to maintain or give effect to any of its obligations in connection with the Loan Agreement or the Notes and/or to charge or receive or to be paid interest at</p>

	<p>the rate then applicable to the Loan or the Notes and in such case the Issuer shall require the Loan to be repaid in full.</p>
Optional Redemption by the Issuer under Make Whole Call Option	<p>At any time, Uralkali may prepay in whole (but not in part) the Loan at the make whole prepayment amount plus accrued and unpaid interest on the Loan so prepaid to but excluding the relevant prepayment date as more fully described in the Loan Agreement. Once Uralkali so prepays the Loan, the Notes will thereupon become due and repayable and the Issuer shall, subject to receipt of the relevant amounts from Uralkali under the Loan, redeem the Notes on the relevant prepayment date.</p> <p>In the case of a partial redemption, the Notes shall be selected for redemption either: (a) in accordance with the procedures of the relevant Clearing Systems; or (b) if the Notes are not held in a Clearing System or if the relevant Clearing Systems prescribe no method of selection, the Notes will be redeemed on a pro rata basis according to the holding of each Noteholder; subject, in each case, to compliance with any applicable laws and stock exchange or other relevant regulatory requirements. Neither the Trustee nor any Agent shall have any liability for any selection so made.</p>
Optional Redemption by the Issuer under Par Call Option	<p>At any time on or after the date three months prior to the Repayment Date (as defined in the Loan Agreement), Uralkali may prepay in whole or in part the Loan at its principal amount plus accrued and unpaid interest on the Loan so prepaid to but excluding the relevant repayment date.</p> <p>In the case of a partial redemption, the Notes shall be selected for redemption either: (a) in accordance with the procedures of the relevant Clearing Systems; or (b) if the Notes are not held in a Clearing System or if the relevant Clearing Systems prescribe no method of selection, the Notes will be redeemed on a pro rata basis according to the holding of each Noteholder; subject, in each case, to compliance with any applicable laws and stock exchange or other relevant regulatory requirements. Neither the Trustee nor any Agent shall have any liability for any selection so made.</p>
Relevant Events	<p>Upon the occurrence of a Relevant Event (as defined in "<i>Description of the Transaction and the Security</i>"), the Trustee may, subject as provided in the Trust Deed and subject to being indemnified and/or secured and/or prefunded to its satisfaction, enforce the security created in its favour pursuant to the Trust Deed.</p>
Ratings	<p>It is expected that the Notes will be rated:</p> <ul style="list-style-type: none"> • Ba2 by Moody's; and • BB- by Fitch. <p>A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Similar ratings on different types of notes do not necessarily mean the same thing. The ratings do not address the likelihood that the principal on the Notes will be prepaid or paid on a particular date before the legal final maturity date of the Notes. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.</p>
Listing	<p>Application has been made to Euronext Dublin for the Notes to be admitted to the Official List of Euronext Dublin and to trading on the Regulated Market.</p>

Selling Restrictions	The Notes are subject to selling restrictions in the United States, the United Kingdom, the Russian Federation, Ireland and Singapore. See " <i>Subscription and Sale</i> ".
Governing Law and Arbitration	The Notes, the Trust Deed, the Agency Agreement (as defined below) and any non-contractual obligations arising out of or in connection with them shall be governed by and construed in accordance with English law and contain provisions for arbitration in London, England.
Use of Proceeds of the Notes	The Issuer will use the gross proceeds of the issue of the Notes for the sole purpose of financing the Loan.
Security Codes	<p><i>Regulation S Notes:</i></p> <p>Common Code: 201004039.</p> <p>International Security Identification Number (ISIN): XS2010040397.</p> <p><i>Rule 144A Notes:</i></p> <p>Common Code: 111730415.</p> <p>ISIN: US91689LAA89.</p> <p>CUSIP: 91689LAA8.</p>
Clearing Systems	DTC (in the case of the Rule 144A Notes) and Euroclear and Clearstream, Luxembourg (in the case of the Regulation S Notes).
Yield	The annual yield of the Notes when issued is 4.000 per cent.
Risk Factors	An investment in the Notes involves a high degree of risk. See " <i>Risk Factors</i> ".
Certain Covenants	The Issuer has covenanted under the Trust Deed that, as long as any Notes remain outstanding, it will not, without the prior written consent of the Trustee, agree to any amendment or any modification or waiver of, or authorise any breach or proposed breach of, the terms of the Loan Agreement, except as otherwise expressly provided in the Trust Deed or the Loan Agreement.
<i>The Loan</i>	
Lender	Uralkali Finance Designated Activity Company.
Borrower	Public Joint Stock Company Uralkali, a public joint stock company existing under the laws of the Russian Federation in accordance with the Civil Code and the Joint Stock Companies Law with its registered office at 618426, Russia, Perm Krai, Berezniki, ul. Pyatiletki, 63.
Status of the Loan	The Loan is a direct, unconditional, unsubordinated and unsecured obligation of Uralkali and obligations under the Loan will rank at least <i>pari passu</i> with all other direct, unconditional, unsubordinated and unsecured indebtedness of Uralkali.
Principal Amount of the Loan	U.S.\$ 500,000,000.
Interest on the Loan	4.000 per cent. per annum, payable semi-annually in arrear on 22 April and 22 October in each year starting on 22 April 2020.

Use and Estimated Net Amount of Proceeds of the Loan

The estimated net proceeds of the Loan, after payment of commissions, fees, and estimated expenses, will be U.S.\$ 498,000,000. Uralkali intends to use the proceeds of the Loan for general corporate purposes.

Early Prepayments by Uralkali

See "*Optional Redemption for Taxation or Increased Cost Reasons*" and "*Optional Redemption by the Issuer for Illegality*".

Withholding Taxes and Increased Costs

Payments under the Loan Agreement shall be made without deduction or withholding for or on account of Russian or Irish taxes, except as required by law. In the event that any deduction or withholding is required by law with respect to payments under the Notes or the Loan Agreement Uralkali will be obliged, except in certain limited circumstances, to increase the amounts payable under the Loan Agreement by an amount equivalent to the required tax payment.

Certain Covenants

As described in "*Loan Agreement*".

Events of Default

As described in "*Loan Agreement*".

Governing Law

The Loan Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

RISK FACTORS

An investment in the Notes involves a high degree of risk. Prospective investors should carefully consider the following information about these risks, together with the information contained elsewhere in this Prospectus, before deciding to buy any Notes. Each of these risks could have a material adverse effect on the Group's business, financial condition, results of operations, future prospects or the trading price of the Notes, and investors could lose all or part of their investment. Uralkali has described the risks and uncertainties that it believes are material, but these risks and uncertainties may not be the only ones the Group faces. Additional risks and uncertainties relating to the Group that are not currently known to Uralkali, or that Uralkali currently deems immaterial, may also have an adverse effect on the Group's business, financial condition, results of operations and future prospects. If this occurs, the trading price of the Notes may decline, and investors could lose all or part of their investment.

The following risks relate to the Group's business and the environment in which the Group operates. To the extent that the Issuer relies on the Borrower to make payment under the Notes, the following risks are also relevant to the Issuer.

Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Prospectus and their personal circumstances.

Risks relating to the Group's Business and the Potash Industry

Potash fertilisers market is dependent on a number of factors beyond the Group's control

The demand for, and the prices of, potash fertilisers are driven by a number of macroeconomic and other factors, including fluctuations of the global population, economic conditions, levels of agricultural activity, commodity prices, weather conditions and effects of natural disasters (including, floods, droughts and erosion) and dietary patterns (including, any large-scale shifts towards consumption of organic-grown products). See "*Operating and Financial Review – Significant Factors Affecting Results of Operations – Supply and Demand*" and "*–Consumer or regulatory concerns with respect to the use of fertilisers may reduce demand for potash fertilisers*".

An economic downturn leading to the stagnation or reduction of national GDP levels and contraction of lending markets may result in the reduced demand for mineral fertilisers, including potash. For instance, the economic downturn which began in 2008 has had an extensive adverse impact on the industrial activity generally and the potash industry, in particular, resulting in the decrease in pricing of, and demand for, the Group's products. Notwithstanding the general recovery from the 2008 financial crisis, the global economy continues to be subject to a number of uncertainties, including mounting government deficits, discontinuation of government stimulus programmes, deflation in certain markets, continuing high levels of unemployment in some countries and uncertainty caused by the prospective departure of the U.K. from the European Union, as well as continued slow economic growth or contraction in some markets. For instance, in 2015, following the on-set of the political and economic crisis in Brazil and the resulting spike in inflation levels, local banks have severely restricted lending to agricultural companies and farmers. The negative effect of these restrictions was further exacerbated by a significant drop in soy-bean prices and adversely affected the ability of the local consumers to purchase the necessary amounts of mineral fertilisers (including muriate of potash ("**MOP**")). As a result, Brazilian imports of MOP in 2015 dropped by 0.8 million tonnes, or approximately 9 per cent. year on year, from 9.1 million tonnes to 8.3 million tonnes. According to World Economic Outlook, following the growth in 2017 and early 2018, global economic activity slowed notably in the second half of 2018, due to a number of factors affecting major economies. In particular, China, one of the largest global economies, continued to experience a slowdown in economic growth and stock market volatility. In 2018, the growth of China's GDP was 6.6 per cent. which represented one of the worst results since the 1990s.

Further, the demand for mineral fertilisers may be affected by the reduction of the global populations, food consumption trends or any changes in arable land per capita levels. For instance, any reduction in the per capita disposable income in developing countries reduces the consumption of meat and other protein-rich foods (the production of which requires large quantities of fodder) driving down the prices of mineral fertilisers. Any increase in arable land areas worldwide may also result in the reduced demand for fertilisers.

Accordingly, any deterioration of the national or global macroeconomic conditions, changes in global population, or the consequences of global warming could have a material effect on the Group's business, financial condition,

results of operations and prospects as well as the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its obligations under the Notes.

Potash fertiliser prices depend on the level of supply

Supply dynamics is one of the key factors driving potash fertiliser prices, which, in turn, impact the business of the Group. See "Operating and Financial Review — Significant Factors Affecting Results of Operations — Supply and Demand". Over the last seven years, global potash prices have experienced pressure from structural changes in the sector, namely: the structural excess of supply (where the production capacity growth pace exceeds the increase in demand) and the aggressive pricing by potash fertiliser producers. Accordingly, any further increase of potash production capacities (mainly in Russia and Belarus) not supported by the corresponding growth of demand for potash fertilisers could affect utilisation rates and force the reduction or suspension of production and increase downward pressure on potash fertilisers prices, any of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

Government subsidy levels can adversely affect the market for the Group's products

Government policies, including subsidies and commodity support programmes, influence demand for potash fertilisers by, for instance, restricting the number of acres planted, requiring particular crops to be planted and limiting the use of fertilisers for particular agricultural applications.

For example, in 2015 the Chinese government issued a directive to buyers of mineral fertilisers to limit the average annual increase in their purchases of fertilisers to 1 per cent. year on year from 2015 to 2020. The Chinese authorities are also increasingly focusing on environmental protection, and introduce increasingly stringent requirements on buyers and sellers of mineral fertilisers market to encourage the use of organic fertilisers.

The Indian market is influenced by subsidies from the Indian government and state-regulated caps on retail prices. The consumption of fertilisers is closely dependent on the government subsidy policy. Until 2011, the Indian government was offering significant subsidies for all types of mineral fertilisers, which allowed to cover the shortage of raw materials (especially potash and phosphate-based fertilisers) with imports. The subsidy programme introduced in 2010 made it more attractive for the farmers to buy nitrogen-based fertilisers, since it is focused on maintaining attractive subsidies for urea while reducing those for potash and phosphorous fertilisers. The government agricultural policy aimed at the reduction of subsidies for purchases of potash affects farmers' financial condition and their ability to increase purchases of potash fertilisers. Reflecting the impact of the subsidies, in 2018 India imported approximately 4.6 million tonnes of potash fertilisers as compared to approximately 6.0 million tonnes in 2010.

Accordingly, changes in the government policy related to mineral fertilisers could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

Consumer or regulatory concerns with respect to the use of fertilisers may reduce demand for potash fertilisers

Organic farming has significantly increased in recent years, which discourages the use of mineral fertilisers, including MOP. Organic farming has been growing due, in large part, to agricultural subsidies and consumer pressure related to pesticides, food scares, health and environment and animal welfare. Organic farming generally utilises manure or other organic materials. While limited use of some fertilisers of low solubility is permitted under applicable guidelines, the use of MOP is prohibited in organic farming. Increased support of organic farming may result in the reduction of demand, or lower growth in demand, for potash fertilisers. In addition, a number of jurisdictions, which represent a significant market for the Group's products, are considering restricting the use and application of "inorganic straight primary nutrient fertilisers", such as potash, due to concerns with respect to the impact of these products on the environment. European Union legislation, including the Water Framework Directive, already limits the heavy use of nitrogen and phosphate fertilisers. As a result, the demand for nitrogen and phosphate products, such as compound nitrogen, phosphorus and potassium ("NPK") fertilisers, may decline in the Western European markets, and reduce the demand for potash to the extent fixed ratios are used to determine nitrogen, phosphate and potash application rates. A decrease in demand due to the ongoing shift to organic farming or regulatory changes with respect to chemical fertilisers could have a material adverse effect on the Group's

business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

The Group's inability to accurately predict future seasonal fertiliser demand fluctuations could result in excess inventory, production at costs in excess of market value, or product shortages

The Group's revenues are affected by seasonal variations in each market in which it operates. The Group generally seeks to manage seasonality by selling to different markets at different times of the year, depending on planting, growing and harvesting cycles, to keep sales at relatively constant levels throughout the year. See "*Operating and Financial Review – Significant Factors Affecting Results of Operations – Seasonality*". However, if in any given period seasonal demand exceeds the Group's projections and the Group limits its production in that period, then its customers may acquire products from its competitors which would have a negative impact on the Group's revenues. If in any given period seasonal demand is less than the Group has forecasted, it will be left with excess inventory, which would negatively affect the Group's working capital and decrease the Group's cash generated from operations. Any such failure to predict demand could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

The potash fertilisers market is exhibiting a trend towards increased/enhanced competition

Until August 2013, Closed Joint Stock Company "Belarusian Potash Company" ("**BPC**") (the joint venture between Uralkali and Open Joint Stock Company Belaruskali ("**Belaruskali**") selling their products) and Canpotex Limited ("**Canpotex**") (the joint venture between Mosaic Canada Crop Nutrition, LP and Nutrien Ltd.) were the principal suppliers of products to the global potash market, with BPC and Canpotex which, for example, supplied approximately 70 per cent. of the global volume of production of potash fertilisers in 2011, according to Argus and Uralkali's estimates.

Starting from the second half of 2013, the market has experienced significant deconcentration due to the discontinuation of BPC's operations, which resulted in Uralkali and Belaruskali pursuing uncoordinated sales strategies and other producers, including Eurochem Group AG and its subsidiaries ("**Eurochem**"), commencing sales of potash.

The general market deconcentration and increase in production volumes accompanied by the excess in supply has resulted in downward pressure on prices for potash. According to Argus, in early August 2019, the spot prices for standard MOP ranged between U.S.\$ 224 and U.S.\$ 300 per tonne (FOB CIS ports) as compared to U.S.\$ 390–410 per tonne (FOB CIS ports) in July 2013.

The structural changes in the potash market and the commissioning of additional production facilities could further increase competition in key markets and increase disbalance giving consumers more opportunities to reduce potash prices. Enhanced competition, market disbalance and downward pressure on potash prices could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

The Group's mining and other operations are subject to significant natural and operational risks, including liabilities resulting from environmental remediation

The Group's mining operations are subject to hazards and risks normally associated with the exploration, development and production of natural resources, any of which could result in production shortfalls or damage to persons or property. In particular, hazards associated with the Group's underground mining operations include those relating to geological anomalies or other geological characteristics and also include:

- potential flooding;
- cave-ins or ground falls, including through the use of yielding pillars in mines;
- underground fires and explosions, including those caused by flammable gas;
- discharges of gases;

- sinkhole formation and ground subsidence;
- other accidents and conditions resulting from drilling, blasting and removing and processing material from an underground mine; and
- seismic activity.

The Group has, and in the future may continue to, experience any or all of these hazards. For example, flooding forced the Group to permanently abandon operations at two of its mines, at the Berezniki-3 mine in 1986 and at the Berezniki-1 mine in 2006. The consequences of the flooding at the Berezniki-1 mine included the permanent loss of production and ore reserves at that mine and damage to property, both of the Group and third parties (including damage to the rail track at Berezniki train station), and damage to the environment associated with an accelerated and increased ground subsidence exacerbated by the flooding, including the occurrence of sinkholes. The Group incurred various costs in respect of remediation activities, including those resulted from legal claims.

On 18 November 2014, a burst of suprasalt water was detected in the mined-out area of Solikamsk-2, which was triggered by the aggravation of the mass collapse of rock in 1995 and subsequent substantial destruction of the water-proof layer and resulted in the creation of a sinkhole near the Solikamsk-2 production site. As of the date of this Prospectus, the exact amount of expenses related to the remediation of the Solikamsk-2 accident and the period over which such expenses are expected to be incurred remain uncertain. According to the Group's preliminary estimates, filling cavities and decommissioning works are expected to be completed in 2025 and in 2028, respectively. However, the completion dates, methods of decommissioning and the revised expenses for mine decommissioning are yet to be determined. In addition, although no court or administrative proceedings relating to the Solikamsk-2 mine which may result in the imposition of fines and penalties on the Group are currently pending, there is no assurance that the governmental bodies or other interested third parties will not attempt to initiate such proceedings in the future. Should such proceedings be initiated, the Group would incur further, and unexpected, expenses in connection with the accident in the Solikamsk-2 mine.

As a matter of Russian law, the Group is required to backfill cavities resulting from its mining activities if it is stipulated by the project for the development of a subsoil plot or liquidation of a mine. As at 30 June 2019 and 31 December 2018, the Group's total provisions for filling cavities and mine flooding amounted to U.S.\$ 312,719 thousand and U.S.\$ 11,640 thousand and U.S.\$ 267,086 thousand and U.S.\$ 9,989 thousand, respectively. See *"Business – Environmental Matters"*.

In addition, the adverse effect of the Group's mining operations may impose additional social and environmental obligations on the Group. For example, in 2013-2015, as part of the programme for the resettlement of residents of Berezniki from uninhabitable housing stock, including the construction of new infrastructure and demolition of uninhabitable houses Uralkali assumed the obligation to transfer RUB 2,540 million to the budget of Perm Krai and the budget of Berezniki. As at the date of this Prospectus, Uralkali has paid the entire specified amount to the relevant budgets. In addition, in 2017-2020, Uralkali has commitments for additional financing of activities related to the liquidation of consequences of the accident at the Berezniki-1 mine in 2006 in the aggregate amount of approximately RUB 1,592 million, of which approximately RUB 1,196 million the Group has transferred to the budget of Perm Krai and to the budget of Berezniki as of the date of this Prospectus. Moreover, in 2017, following the technological accident resulting from the mining activities at the Berezniki-1 mine, the Group signed an agreement which imposes undertakings on the Group to monitor land subsidence on the territory of the former Berezniki-1 station and submit the relevant monitoring reports.

There are also hazards associated with the Group's potash processing operations, including fires and other industrial accidents, and such operations may involve the use of hazardous materials and substances that have the potential to present risks to the health and safety of workers and neighbouring populations. Further, some of the Group's contractors engaged in the execution of development and expansion projects may fail to adhere to the required safety and quality standards or fail to perform their contractual obligations in time or at all. For example, the failure by the Group's contractor to ensure the required level of safety and security while conducting construction works at the Solikamsk-3 mine resulted in a fire in December 2018 which, in turn, caused nine casualties among the contractor's employees working at the mine. Any similar actions by the Group's contractors may result in delays in implementation of the Group's development and expansion projects, extension of the maintenance shutdown periods beyond those originally planned and additional costs related thereto as well as increased risks to the health and safety of workers and expenses related to the remediation of any accidents occurred as a result of contractors' actions.

Additional liabilities resulting from these risks, including new liabilities resulting from past incidents such as the Berezniki-1 and Solikamsk-2 mine flooding, the increase of the Group's expenses relating to filling cavities and liquidation works or the occurrence of any of these hazards in the future could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

Sales and pricing of the Group's products depend to a large extent on a limited number of major customers

For the six months ended 30 June 2019 and the year ended 31 December 2018, the ten largest customers of the Group accounted for 42.9 per cent. and 42.5 per cent. of the Group's total volume of potash sales, respectively. Changes in the procurement strategy of customers as well as any deterioration in their operational and financial condition may result in the loss of one or more of the Group's major customers. In addition, any delay or failure in entering into long-term contracts with large customers in China or India may result in a substantial reduction in sales volumes of the Group and the Group's revenues. Any failure to retain key customers or negotiate contract terms on a timely basis could lead to a reduction in sales volumes, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

The Group may not be able to execute its investment programmes or may be restricted in incurring additional indebtedness to fund them

A key element of the Group's strategy is to increase its available production levels by way of developing new and modernising its current production capacities all of which requires significant capital expenditures. These expenditures are expected to be funded primarily from cash flows from operating activities, as well as from debt financing. See "*Business – Investment Programmes*". It is possible that these sources of financing may not be available in the future in the amounts the Group requires or on commercially reasonable terms, including as a result of potential disruption in the financial markets. In addition, some of the Group's facility agreements contain covenants which limit the Group's ability to incur additional indebtedness. A breach of such covenants could lead to the relevant indebtedness being immediately due and payable, which could result in the Group's default under other loan agreements containing a cross-default clause. The unavailability or high cost of financing could have a material adverse effect on the Group's ability to make its anticipated capital expenditures to implement key elements of its strategy.

In addition, the Group may be required to apply substantial resources to the maintenance and repair of its existing property, plant and equipment. As at 30 June 2019, 31 December 2018, 31 December 2017 and 31 December 2016, the gross carrying value of fully depreciated property, plant and equipment of the Group still in use was U.S.\$ 353,690 thousand, U.S.\$ 329,365 thousand, U.S.\$ 416,046 thousand and U.S.\$ 385,964 thousand, respectively. Any disruption of the Group's operations due to the failure to perform necessary repair and maintenance works, or any diversion of resources from planned capital expenditures focused on maintenance of existing available production or any failure to procure the required financing in order to fund the Group's investment programmes, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

The Group's development of its greenfield projects involves significant risks

As part of the Group's strategy to increase its available production capacity, the Group engages in a number of greenfield projects, including the Ust-Yaivinsky block, new Solikamsk-2 mine and Polovodovo potash plant. See "*Business – Investment Programmes*". The development of potash mines has historically been, and will continue to be, subject to significant risks, including the risk of significant delays and material overrun of the estimated or projected costs of developing such projects. See "*Industry Overview – Potash industry overview –Global MOP production 2013 – 2019E - Potash greenfield and brownfield projects*".

Furthermore, the Group could incur material liabilities as a result of poor construction or development of the mines, for example, due to accidents or collapsing of the mine, or because of the environmental impact thereof, if it is proven to be the Group's responsibility. In addition, if the Group is successful in constructing and commissioning of the new mining sites, it may not be able to extract potash from either of those mines in an economic and efficient manner, accordingly, no assurance can be given that these assets will provide the desired

economic and commercial benefits. Difficulties in developing greenfield projects due to any of these risks could have a material adverse effect on the Group's business (including, future production levels), financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

The stated resources and reserves of the Group may be materially different from mineral quantities that the Group may actually recover

There is a number of uncertainties inherent in estimating quantities of resources and reserves and in projecting potential future rates of mineral production, including many factors beyond the Group's control, such as potential flooding of a particular mine. For example, as a result of an emergency water inflow, the Group could not extract the resources at the Group's Berezniki-1 mine in the same manner as it used to do prior to the accident. A similar incident risks losing a significant portion of the resources and reserves at the Group's Solikamsk-2 mine.

In addition, reserves and resources may be estimated and reported on the basis of different standards. For example, the Group's reserve and resources estimates presented in this Prospectus (See "*Business–Mineral Resources and Ore Reserves*") are based on the JORC Code which may vary, in terms of classifications, measurements and disclosure rules, from other reserves and resources reporting standards used by other mining companies or in other industries.

Furthermore, resource and reserve estimation is a subjective process and the exact amount of material present and the quality of such material cannot be calculated or measured in an exact manner, and the accuracy of any estimate is a function of the quality of available data and engineering and geological interpretation and judgment. Estimates produced by different engineers may vary, and the results of the Group's mining and production subsequent to the date of an estimate may justify revision of estimates. Also, the accuracy of the reserves assessment is subject to methods applied therein whereas any shift or variation thereof may affect such assessment, including negatively. Resource and reserve estimates may also require certain level of revision based on the actual production experience and other factors. For example, significant fluctuations in the market price of minerals and finished products, reduced recovery rates, increased production costs due to inflation or other factors or failure to obtain licence extensions may render a portion of proved and probable reserves containing relatively lower grades of mineralisation uneconomic to exploit and may ultimately result in a restatement of resources and reserves.

In addition, while the Group seeks to maintain a balanced mineral reserves and resources portfolio ensuring smooth and gradual replacement of depleted reserves with the new ones (See "*Business – Strategy – Maintain balanced mineral reserves and resources portfolio*"), to the extent the Group experiences significant gaps in replenishing its resources and reserves base, it could negatively affect the Group's mining prospects and production volumes which, in turn, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

Equipment failures or production curtailments or shutdowns could adversely affect the Group's sales and profitability

Interruptions in production capacities will inevitably increase production costs and reduce sales and earnings. In addition to equipment failures, the Group's facilities are also subject to the risk of catastrophic loss due to unanticipated events, such as fires, explosions or adverse weather conditions. The Group's manufacturing processes depend on critical pieces of equipment which may, on occasion, be out of service as a result of unanticipated failures. Any such failures may result in increased maintenance costs, which, in turn, may impact the implementation of the Group's investment programme (See "*Business – Investment Programmes – Brownfield projects – Ongoing projects*"), and could negatively affect the Group's production volumes and profitability. In the future, the Group may experience material plant shutdowns or periods of reduced production as a result of any equipment failures. Although the Group has insurance for equipment damage and business interruption which the Group believes to be sufficient (See "*Business – Insurance*" for further details on the Group's insurance coverage), there can be no assurance that amounts recoverable under such insurance policies would be sufficient to compensate the Group for losses and expenses resulting from equipment failure or shutdown. See "*The Group is not insured against all potential losses and liabilities and could be seriously harmed by natural disasters, catastrophes or other risks that are not covered by its insurance policies*". Furthermore, a longer-term business disruption could result in a loss of customers. Any of these risks could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

The Group is not insured against all potential losses and liabilities and could be seriously harmed by natural disasters, catastrophes or other risks that are not covered by its insurance policies

Many of the Group's business activities involve substantial investments in complex mining and production facilities, warehouses and transportation equipment. In addition, certain raw materials, finished products, by-products and process water located within these facilities are potentially destructive and dangerous in uncontrolled or catastrophic circumstances, including fires, explosions, accidents, and major equipment failures. The insurance that the Group currently maintains does not cover it against some risks and excludes certain other risks such as force majeure. Such risks include liabilities for environmental pollution, interruption of certain business activities, liabilities for damages resulting from land subsidence caused by extraction of minerals or from underground flooding or liabilities for damages to the property of third parties resulting from Group's underground activities. The Group has incurred various costs in connection with uninsured liabilities resulting from flooding at the Berezniki-1 mine and Solikamsk-2 mine (see "*The Group's mining and other operations are subject to significant natural risks, including liabilities resulting from environmental remediation*"). Similarly, some property, such as potash ore reserves, may not be insurable at all due to no such insurance currently being available in the market. In addition, the Group may not be able to secure insurance at reasonable costs in the future for those risks currently covered and incur uninsured losses and liabilities arising from these events, including substantial operational losses and/or damage to its reputation, any or all of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

Inflation may materially adversely affect the Group's results of operations

The Russian economy has been at times characterised by high rates of inflation. The annual inflation rate in Russia based on the consumer price index published by Rosstat was 4.3 per cent. in 2018, 2.5 per cent. in 2017 and 5.4 per cent. in 2016. Some of the Group's costs, including salaries, materials, repairs and fuel and energy are sensitive to inflation in Russia. Although the reported rates of inflation in Russia over the last few years have been relatively moderate, should the rate increase in the future the Group may not be able to increase its prices sufficiently to preserve its sales margins. Due to competitive pressures, regulatory constraints or other factors this risk could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

Fluctuations in currency exchange rates may have an adverse effect on the Group's business, results of operations or financial position

The Group's products are typically priced in roubles for Russian sales and in U.S. dollars or, to a lesser extent, euros for international sales, while the Group's direct costs, including raw materials, labour and rail transportation costs, are largely incurred in roubles. As a result, the Group is exposed to the risk of significant rouble-U.S. dollar and rouble-euro FX rates fluctuations. Consequently, any significant and sustained appreciation of the rouble against the U.S. dollar or euro could reduce the rouble equivalent of the Group's foreign currency-denominated revenues and increase the share of rouble-denominated costs and expenses in the foreign currency-denominated revenues. In addition, as the Group follows the recommendations of the Federal Antimonopoly Service ("FAS") according to which prices for local MOP sales should not exceed the minimum export price, which is set in foreign currencies but recalculated in roubles for the purposes of establishing a cap on prices for local MOP sales (See "*FAS may take action that could materially adversely impact on the Group's operations*"), the appreciation of the rouble against the relevant foreign currencies would generally lead to an effective decrease of the cap on prices for local MOP sales in rouble terms.

Also, since the rouble is the functional currency of all Group companies and the Group uses the U.S. dollar as the presentation currency for its consolidated financial statements prepared in accordance with IFRS, the Group's consolidated financial position may be impacted by the volatility in the rate of exchange between the U.S. dollar and rouble upon translation of the financial statements from the functional currency into U.S. dollars. The rouble-U.S. dollar exchange rate has fluctuated significantly in recent years, ranging from the lowest of 55.67 roubles to the highest of 83.59 in the period from 1 January 2016 to 30 June 2019. See "*Presentation of Financial and Other Information*".

While as of 30 June 2019 and 31 December 2018, the Group's bank loan portfolio comprised U.S. dollars and euro-denominated loans only, the Group has previously incurred rouble-denominated loans and also issued rouble-denominated bonds in 2017 and 2018. Although the Group has used cross-currency interest rate swaps to repay

rouble-denominated loans and currently uses cross-currency interest rate swaps to repay rouble-denominated bonds, such derivative instruments could not entirely mitigate the risk of foreign-exchange losses in case of sharp foreign exchange movements.

Furthermore, if the U.S. dollar significantly appreciates against currencies used in the local markets in which the Group's products are sold, particularly the Chinese yuan, Brazilian real and the Indian rupee, the Group's products may become less affordable to local customers in those markets, which could reduce the Group's aggregate sales volumes and have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

The Group is subject to interest rate risk

As at 30 June 2019 and 31 December 2018, the Group's total loans and borrowings (including bonds issued and lease liabilities) amounted to U.S.\$ 5,121,718 thousand and U.S.\$ 5,899,887 thousand, respectively, of which U.S.\$ 3,466,393 thousand (67.7 per cent.) and U.S.\$ 4,317,547 thousand (73.2 per cent.), respectively, bore floating interest rates. See "*Operating and Financial Review–Liquidity and Capital Resources–Loans and borrowings*". Although the Group monitors its interest rate exposure on a regular basis and uses derivative financial instruments to hedge its interest rate risk, including interest rate swaps, the Group's interest expense is generally exposed to volatility in interest rates, which are sensitive to many factors beyond the Group's control, including the policies of central banks, economic conditions and political factors. Accordingly, it cannot be excluded that the Group may not be able to protect itself from adverse effects of significant interest rate fluctuations at all times, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

The Group's operations depend on supplies of gas and electricity, and its costs of sales could increase as a result of increases in energy prices

The Group's operations rely significantly on its gas and electricity suppliers, and fuel and energy fees comprise a significant proportion of its total cost of sales. See "*Business–Production Process and Facilities–Energy*". The availability of gas and electricity is influenced by a number of factors, many of which are beyond the Group's control, including supply interruptions, price fluctuations and natural disasters, and, during periods of peak usage, supplies of energy may be curtailed. In 2018, the effective tariff on electricity purchased by the Group in U.S. dollars slightly decreased as compared to 2017, while in 2017 the effective tariff on electricity purchased by the Group in roubles increased by 13 per cent. (or by 29 per cent. in U.S. dollar terms) as compared to 2016 and amounted to U.S.\$ 50 per 1.000 kWh.

The Group's operations require significant amounts of natural gas, primarily for the production of heat energy and as fuel for its electricity generation assets. The Group currently purchases gas primarily from Limited Liability Company "NOVATEK-Perm" ("**NOVATEK**") under a purchase contract which expires in 2022. The gas transportation system in Russia is controlled by PJSC "GAZPROM", and the Group may experience interruption in supply to the extent NOVATEK is unable to maintain access to transport sufficient volumes of gas through this system.

Any shortage or disruption in electricity or gas supplies or a rise in energy and fuel costs could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

The Group relies on the Russian railroad network for the transportation of its products

The Group is heavily reliant on railway transportation for a portion of its sales to China and European countries and also for deliveries to ports for onward transportation by sea. In addition, the Group's domestic customers rely on transportation of potash by railway from Perm Krai, where the Group's production facilities are situated. See "*Business–Distribution and Sales–Logistics and distribution assets*". In the six months ended 30 June 2019 and the year ended 31 December 2018, railway tariff and rent of wagons comprised 40.9 per cent. and 38.4 per cent., of the Group's distribution costs, respectively. Joint Stock Company "Russian Railways" ("**Russian Railways**") is a state-owned natural monopoly handling a significant majority of all railway freight in Russia. Currently, the FAS sets the tariffs for railway transportation services and the use of public railway infrastructure when such

transportation is performed by Russian Railways. Generally, these tariffs are annually increased, although in some cases this has occurred more frequently. For the purposes of its internal accounting and reporting, the Group uses weighted average effective railway tariff which is based on the railway tariffs set by Russian Railways, as adjusted taking into account the volumes of the Group's sales and the delivery destinations. In the six months ended 30 June 2019 and the year ended 31 December 2018, the Group's weighted average effective railway tariff increased by 4.7 per cent. and 0.4 per cent., respectively, as compared to the six months ended 30 June 2018 and the year ended 31 December 2017. Past and future increases in railway tariffs and rent of wagons have resulted and will continue to result in consequential increases in the Group's transportation costs. In such circumstances, there could be no assurance that the Group would be able to pass along such price increases to its customers. There is a risk that railway transportation costs in Russia may continue to rise faster than the Group's product prices which would decrease the Group's margins.

In addition, the Group may experience disruption in the rail transportation of the Group's products, including seasonal weather changes, or in the event that overall demand for use of the Russian railroad network on the main routes used by the Group exceeds available infrastructure capacity which could negatively affect the Group's ability to make the deliveries in time and may, in certain circumstances, result in the Group breaching its supply obligations.

Further, Russia's physical infrastructure largely dates back to Soviet times and might not have been adequately replaced or maintained since the dissolution of the Soviet Union. The rail and road networks, power generation and transmission systems and building stock have been particularly affected. In the past, Russia has experienced electricity and heating shortages and blackouts, and the Russian railway system is subject to risks of disruption as a result of the declining physical condition of rail tracks and a shortage of rail cars. The poor condition or further deterioration of the physical infrastructure in Russia may disrupt the transportation of goods and supplies, increase the costs of doing business and interrupt business operations of the Group. In addition, no assurance could be given that the Russian Government would not consider levying further financial charges on Russian industrial companies (either through increase in taxes or otherwise) in order to fund the infrastructure programmes. Any of the foregoing could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

Disruptions in sea transportation could materially adversely affect the Group's business

A significant part of the Group's export products is shipped by sea transport, mainly through Uralkali's subsidiary JSC BBT. Were this port to experience a sustained disruption due to, among other things, inclement weather, political factors or strikes, the Group could face difficulties transporting export products or doing so at a reasonable cost. Disruptions in sea transportation due to inclement weather, reduced availability of vessels of the required tonnage or other reasons could result in higher transportation costs and delays for the Group. Although the Group has alternative shipment routes which could allow the Group to perform its obligations under agreements with customers, these alternative routes would entail increase in the cost of transportation which may have a material adverse effect on the Group's business, results of operations and financial condition.

The sea 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 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. In addition, the Group is exposed to the risk of an increase in the freight tariffs for sea transportation in connection with changes in the freight industry. Past and future increases in freight rates have resulted, and will continue to result, in significant increases in the Group's transportation costs. In such circumstances, there could be no assurance that the Group would be able to pass along such price increases to its customers. There is a risk that maritime transportation costs may continue to rise faster than the Group's product prices which would decrease the Group's margins. Any of the foregoing could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

The interests of the Group's shareholders may conflict with those of the Noteholders

As of the date of this Prospectus, Joint Stock Company United Chemical Company Uralchem ("**Uralchem**"), another Russian mineral fertiliser producer which is ultimately controlled by Mr. Dmitry A. Mazepin, a member of Uralkali's board of directors, holds Uralkali's shares comprising 20.30343 per cent. of Uralkali's share capital, while Rinsoco Trading Co. Limited holds Uralkali's shares comprising 23.47870 per cent. of Uralkali's share capital. In addition, Joint Stock Company "Uralkali-Technology" ("**Uralkali-Technology**"), Uralkali's subsidiary, holds Uralkali's shares comprising 56.21783 per cent. of Uralkali's share capital and exercises voting powers in relation to these shares. See "*Principal Shareholders*" for more information on the Company's shareholding structure. These companies, if they act in concert, will have control over the Group and the ability to elect a majority of Uralkali's directors, appoint management, issue additional shares and approve certain actions requiring the approval of a majority of Uralkali's shareholders. For example, these shareholders, acting in concert, could, subject to the restrictions set out in the Loan Agreement and other financing arrangements, cause the Group to pursue acquisitions and other transactions, including incur loans or make large dividend payments or other distributions or payments to shareholders that are designed to benefit shareholders, even though such transactions may involve increased risk for the Noteholders. Accordingly, the interests of Uralkali's shareholders may conflict with the interests of the Noteholders, and Uralkali's shareholders may require the Group to take actions that could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

In addition, since December 2017, Uralkali-Technology has entered into several share pledge agreements pursuant to which Uralkali-Technology pledged the aggregate of 55.26 per cent. of ordinary shares in Uralkali in favour of Sberbank of Russia and its subsidiaries ("**Sberbank Group**") under the facility entered into between Sberbank of Russia, Rinsoco Trading Co. Limited and a number of members of the Uralchem group acting as guarantors (collectively, the "**Obligors**") and the agreements related thereto. Under the terms of the facility, (i) the Obligors provide various representations and warranties to Sberbank of Russia (including those relating to their status) which are repeated on the first date of each interest period and other dates set out therein; and (ii) the Obligors undertake to comply with certain covenants (including those relating to the incurrence of indebtedness, creation of security, maintenance of net asset value, entry into reorganisations and asset acquisitions and disposals), subject to the exceptions set out therein. See "*Operating and Financial Review – Liquidity and Capital Resources*". While to the best of Uralkali's knowledge, as of the date of this Prospectus, no event of default has occurred or other circumstances have arisen which could result in the enforcement of the share pledge, to the extent the pledge is enforced, Sberbank Group would hold up to 55.26 per cent. of ordinary shares in Uralkali which would result in a change of control over the Group. Such a change of control could have a material adverse effect on the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

In addition, Sberbank of Russia, and some of the entities under its control, are subject to US and EU sectoral sanctions. As a result, were the Group to become controlled by Sberbank of Russia, it would also become subject to these sanctions. See "*The current political instability relating to Ukraine and related sanctions imposed by the U.S. and the EU may have a material adverse effect on the Group*".

The Group's competitive position and future prospects are dependent on the experience and expertise of its senior management

The Group's senior management has been, and will continue to be, important in the implementation of the Group's strategy and the handling of the Group's day-to-day activities. The experience, personal connections and relationships of members of senior management are important to the conduct of the Group's business. There can be no assurance that the Group's senior managers will continue to hold their respective positions in the Group in the future. Moreover, competition in Russia for personnel with relevant expertise is intense due to the limited number of qualified individuals, and this situation could seriously affect the Group's ability to retain its existing senior managers and attract additional suitably qualified senior managers. Any failure to retain the Group's senior management team or an inability to attract and retain additional senior managers could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

The Group's business may be affected by shortages of skilled labour, labour disputes or increase in employee benefits

Competition for skilled labour is intense in the Russian mining and potash industry. The demand for skilled engineers, technicians, chemical experts, mining and construction workers, and operators of specialised equipment continues to increase, reflecting the significant demand from other industries and public infrastructure projects. Further increases in demand for skilled labour are likely to lead to increases in labour costs, which could have a material adverse effect on the Group's business, results of operations and financial condition. In addition, due to the Group being one of the largest employers in Berezniki and Solikamsk it may have limited flexibility in managing its headcount or replacing personnel in a prompt and efficient manner.

Furthermore, a significant proportion of the Group's employees are members of trade unions. As of 30 June 2019, 38.1 per cent. of the Group's employees were members of trade unions. Large union representation subjects the Group's businesses to the threat of interruptions through strikes, lock-outs or delays in renegotiations of labour contracts. In addition, the Group may be adversely affected by labour strikes or other disruptions due to labour disputes at companies acting as contractors for the Group. There can be no assurance that such industrial actions will not occur. Furthermore, the Group may not be able to extend or renew its existing collective bargaining agreements with the Group's employees on favourable terms, or at all (See "*Business – Employees*" for further details). Failure to extend or renew the Group's collective bargaining agreements, significant work slowdowns, stoppages or other labour-related developments could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

In addition, for the six months ended 30 June 2019 and the years ended 31 December 2018, 31 December 2017 and 31 December 2016, employee benefits were one of the largest components of the Group's cost of sales, representing 21.5 per cent., 23.9 per cent., 22.8 per cent. and 25.2 per cent. of cost of sales, respectively. See "*Operating and Financial Review – Consolidated Financial Results Overview*" for further details on the Group's employee benefits and its impact on the Group's financial results. Accordingly, any increase in average salaries may require the Group to adjust the salary levels to reflect the relevant increase in order to retain personnel and continue the production and/or expansion as planned which would expose the Group to increased costs and expenses. To the extent the Group is unable to increase the efficiency and productivity of its employees, wage increases could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

The Group is subject to antitrust law and regulation in various jurisdictions

The Group is subject to antitrust laws in various jurisdictions, and it is difficult to predict how these laws or their interpretation, administration and enforcement will change over time, particularly in jurisdictions where the relevant legislation is relatively new and the practice of enforcement not fully developed. Changes in antitrust laws globally or the interpretation, administration or enforcement thereof, may limit the Group's future acquisitions or operations. Mere allegations of the violation of antitrust legislation in any jurisdiction in which its goods are sold may lead to the Group being the subject of investigation under antitrust law. Increases in potash prices can also increase the scrutiny to which the Group is subject under these laws.

Moreover, Uralkali assumed certain obligations to the Chinese antitrust authorities in connection with its obtaining permission from the Chinese antimonopoly agencies for the merger of Uralkali and OJSC Silvinit ("**Silvinit**") (the "**Merger**"), which was completed in 2011. In particular, Uralkali undertook that, following the Merger, the Group would continue to follow its existing business practices with respect to sales of MOP to China, offer all traditional types of products, both categories and volume-wise, including MOP with a K₂O content of 60 per cent. and 62 per cent., and maintain the existing negotiations practices taking into account the past and present business environment and unique characteristics of the Chinese market. Uralkali also agreed to report to the Chinese authorities on the performance of these obligations on a semi-annual basis.

In addition, the Group's future business combinations (if any) may be conditional upon the performance of certain undertakings which may limit the Group's business operations or expose the Group to additional costs and expenses. Any of the foregoing could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

FAS may take action that could materially adversely impact on the Group's operations

The Group's operations in Russia are subject to antitrust laws enforced by the FAS. In 2011, as part of the clearance for the Merger from the FAS, Uralkali undertook to comply, during the period of 5 years, with a number of restrictions with respect to the Group's activities aimed at maintaining competition in the Russian domestic market. In addition, Uralkali agreed to develop and approve a marketing policy in order to provide non-discriminatory access to the purchase of MOP by Russian consumers, which was adopted and remains in force.

In December 2012, the FAS issued five-year recommendations on prices for the sales by the Group to Russian customers, which were subsequently amended and extended until the end of 2022. The recommendations seek to ensure non-discriminatory MOP sales on the Russian market through establishing a pricing methodology according to which the local MOP selling price should not exceed the minimum export price. While formally the recommendations are not binding in nature, the Group follows them in setting prices for local MOP sales.

Operating activities of the Group are subject to other general requirements of the antitrust law due to the dominant position of Uralkali in the MOP market in Russia in order to prevent violations of the antitrust law. For example, Uralkali provides information on prices for MOP to the FAS on a monthly basis which it then uses for monitoring prices for mineral fertilisers in Russia.

If the Group's activities are found to be in violation of antitrust regulations, the Group could be subject to penalties or requested to change its business operations in a manner that may increase the Group's costs or reduce the Group's profit margin and revenues. Further changes in specific regulations and limitations imposed on the Group, including in terms of establishing preferential prices to certain groups of Russian customers, may increase the Group's costs or reduce the Group's profit margin and revenues. In addition, the FAS may impose additional conditions on the Group in connection with any merger control approval sought in respect of the Group's transactions. These requirements or any changes to these requirements, such as limitations on further acquisitions or further pricing requirements, or on the ability of the Group to adjust its production and pricing to respond to changed market conditions, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

The Group may face restrictions or duties on its export sales

The Group has in the past been subject to protective trade measures applicable to export of its products to the European Union by way of the imposition of anti-dumping duties on the sales of potash fertilisers in excess of the set limits and minimum price undertaking with respect to the sales falling within the limit. Although such duties and undertaking were cancelled in 2011, no assurance can be given that the European Commission will not consider the reintroduction of similar measures in the future. If sales of the Group become subject to protective trade measures or export duties, this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes. See also "*FAS may take action that could materially adversely impact on the Group's operations*".

New or more stringent environmental or health and safety laws and regulations or stricter enforcement of existing environmental or health and safety laws and regulations may have a significant negative effect on the Group's operating results

The Group operates in an industry which affects the environment and requires compliance with a number of environmental regulations. The operations of mines and potash processing plants have potential environmental problems, including the generation of pollutants and storage and disposal of wastes and other hazardous materials.

Exceeding permissible concentrations of pollutants in wastewater, including drainage, due to inefficient operation of treatment facilities and an increase in precipitation, may lead to claims from the regulator, which may result in additional obligations and costs for the Group. In addition, the impact of atmospheric precipitation and groundwater on sludge storages and salt tailings piles could have a negative impact on rivers in the area where mining is located, which, in turn, could lead to claims from the Federal Environmental, Industrial and Nuclear Supervision of Russia ("**Rostekhnadzor**") or other regulatory or supervisory authorities if the permissible concentrations of pollutants are exceeded, which could result in additional liabilities and expenses for the Group.

Pollution risks and associated clean-up costs, including filling of mine cavities, other site restoration and costs associated with resettlement of population, are often impossible to assess until audits of compliance with environmental standards have been performed and the extent of liability under environmental laws can be clearly determined. Environmental regulations are being revised in the Russian Federation, and new and stricter environmental requirements could be imposed. The Group is also subject to health and safety laws, regulations and standards, including workplace health and safety requirements.

Additionally, under current Russian environmental legislation, the Group must make payments for adverse impact on the environment resulting from the air emissions, water discharges and waste disposals which are within specified limits as well as make increased payments for emissions, discharges and waste disposals in excess of these limits. Currently, most of the waste generated by the Group's operations is industrial waste of hazard class V, which is the least hazardous category, as confirmed by the report of the Federal budget institution "Federal Centre for Analysis and Evaluation of Technogenic Impact".

However, the Russian waste categorisation regulations being somewhat unclear, no assurance can be given that the waste produced by the Group's operations will not be recategorised and fall within the more hazardous categories which would result in the application of more stringent waste management regulations. In addition, there can be no assurance that the relevant regulations will not change. Such recategorisation, as well as any amendments to these regulations could impose additional obligations and costs on the Group. See *"Regulatory Matters – Federal, Regional and Local Regulatory Authorities"*.

In addition, environmental laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and environment and injury to persons resulting from environmental, health and safety incidents and other impacts of the Group's past and current operations, and could lead to the imposition of substantial fines, penalties, other civil or criminal sanctions, the curtailment or cessation of operations, orders to pay compensation, orders to remedy the effects of violations and/or orders to take preventative steps against possible future violations. Moreover, in the course of, or as a result of, administrative investigations, regulatory authorities could issue orders to reduce or cease production at facilities that have violated environmental standards, which could lead to a prolonged suspension of production. As the Group does not have insurance against compensation for damages caused by the Group's production facilities and additional costs incurred by the Group in connection with environmental remediation, the Group could be responsible for the entire amount of any such liabilities. Any of the foregoing could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes. See *"The Group's mining and other operations are subject to significant natural risks, including liabilities resulting from environmental remediation"* and *"Business – Environmental Matters"*.

The Group's operations are dependent on the maintenance of its mining licences and, to a certain extent, the issuance of new licences, under which the Group may be required to fulfil certain conditions and comply with certain requirements

The Group's business depends on the continuing validity of its licences and its compliance with their respective terms, including primarily the eleven subsoil licences for its mining and development operations in Russia, as well as, to a certain extent, the issuance of new licences. See *"Material Licences"*. Regulatory authorities exercise considerable discretion in the timing of licence issuance and renewal and in monitoring licensees' compliance with licence terms. Requirements imposed by these authorities may be costly and time-consuming for the Group to comply with and may result in delays in the commencement or continuation of exploration or production operations. Moreover, legislation on subsoil rights remains internally inconsistent and vague, and the acts and instructions of licensing authorities and procedures by which licences are issued are often arguably inconsistent with legislation.

Under certain circumstances, state authorities in Russia may seek to interfere with the issuance of licences, for example by initiating legal proceedings in the event that the issuance of a licence is alleged to violate the civil rights or legal interests of a person or legal entity. The licensing process may also be influenced by outside commentary, political pressure and other non-legal factors. In the case of subsoil licences, unsuccessful applicants may bring direct claims against the issuing authorities that the licence was issued in violation of applicable law or regulation. If successful, such proceedings and claims may result in the reduction of the licence term or the suspension, revocation or invalidation of the licence. Accordingly, licences that the Group requires may be invalidated or may not be issued or renewed. Licences that are issued or renewed may not be issued or renewed

in a timely fashion or may involve conditions that restrict the Group's ability to conduct its operations or to do so profitably.

As part of its obligations under licensing regulations and the terms of its licences, the Group is also required to comply with industrial standards, maintain production levels, recruit qualified personnel, maintain necessary equipment and a system of quality control, monitor the Group's operations, maintain appropriate filings and, upon request, submit appropriate information to licensing authorities, which are entitled to control and inspect its activities. In certain instances, a licence may be suspended or terminated if the licensee does not comply with the "significant" or "material" terms of the licence. However, the Ministry of Natural Resources and Environment of the Russian Federation have not issued any interpretive guidance on the meaning of "significant" or "material" in this context. Court decisions on the meaning of these terms have been inconsistent and, under Russia's civil law system, are not binding as precedents for future cases. These uncertainties result in the regulatory authorities, prosecutors and courts having significant discretion over enforcement and interpretation of the law, which may be used arbitrarily to challenge the rights of licensees. As a result, while the Group believes that it is currently in compliance with the terms of the Group's licences, there can be no assurance that its licences will not be suspended or terminated if the supervisory authorities in Russia discover or otherwise allege a material violation of the terms of the licences by the Group, in which case, the Group may be required to suspend its operations or to incur substantial costs in eliminating or remedying the violation. Furthermore, the terms of some of the Group's subsoil production licences relating to its mines stipulate that in the event of an environmental or natural disaster, accident or catastrophe resulting in impossibility of further use of subsoil mineral reserves, a licence holder is obliged to reimburse the damage caused to the state by the loss of such mineral field. See "*The Group's mining and other operations are subject to significant natural risks, including liabilities resulting from environmental remediation*".

Any or all of these factors may affect the Group's ability to obtain, maintain or renew necessary licences or may cause it to incur additional costs or impact on its sales. If the Group is unable to obtain, maintain or renew necessary licences, or is only able to obtain or renew them with newly introduced material restrictions, or incurs liability with respect to its obligations to state authorities pursuant to the terms of a licence, it may be unable to benefit fully from its potash resources, and may have to suspend or materially change its operations, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

The Group could be subject to limitations in its operating flexibility under Russian law relating to natural monopolies

Federal Law No. 147-FZ on Natural Monopolies of 17 August 1995, as amended (the "**Natural Monopoly Law**"), defines a "natural monopoly" as a condition of the commodities market where a demand for particular products or services is satisfied more effectively in the absence of competition and where the monopoly product or service cannot be easily replaced.

Under this law, providers of transport terminal and port services are considered natural monopolies. In 2003, the Federal Energy Commission carried out an analysis of the activities of JSC BBT, which operates a shipping complex in the port of St. Petersburg, in order to assess whether to include JSC BBT in the register of natural monopolies, following which it has been decided not to do so. Further, this decision was reconfirmed a number of times, including most recently in 2017. Currently, JSC BBT is not included in the register of natural monopolies, and tariffs for JSC BBT's services are not state-regulated and are not subject to monitoring by the FAS. However, there could be no assurance that such decisions, in particular decisions to regulate tariffs for the services provided by JSC BBT, will not be taken in the future. The imposition of such requirements may result in JSC BBT being unable to carry all required shipments of the Group's cargoes. In addition, were JSC BBT to be included in the register of natural monopolies and tariffs for JSC BBT's services to be fixed by the state authorities, such tariffs may be lower than the market value of JSC BBT's services.

Any of these consequences, separately or in the aggregate, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes. See "*Regulatory Matters*".

JSC BBT leases the land and berths required to operate its terminal and any revision or alteration of the terms of these leases or the termination of these leases could adversely affect the Group's shipping business

JSC BBT leases the land on which its terminal is located under lease agreements with the Federal Maritime and River Transport Agency, and leases the berths that it uses from Federal State Unitary Enterprise Rosmorport. The lease agreements contain provisions that allow the respective lessors to request termination or revision of the relevant agreement by the court (or unilaterally terminate under a number of lease agreements) in case of a material breach of the terms of the contract or violation of applicable legislation by JSC BBT (for example, in certain circumstances, such as negligence in maintenance of quay development or failure to comply with restrictions on the use of land or meet health, safety and environmental regulations). Further, a portion of JSC BBT's railway track and other infrastructure is located on a section of an ash disposal site in the port area, which JSC BBT leases from LLC "Blue" (OOO "Siniy"). This agreement may be terminated by a competent court upon application by LLC "Blue" in case of material breach of its terms by JSC BBT. Any such termination of JSC BBT's lease agreements could adversely impact the Group's operations and export sales performed through JSC BBT. Any of the foregoing could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

The Group is eligible for a special tax treatment in Russia, but such treatment may be cancelled, changed or challenged

As of the date of the Prospectus, the standard corporate profits tax ("**CPT**") rate in Russia is 20 per cent. of which 3 per cent. is transferred to the federal budget ("**federal CPT rate**") with the remaining 17 per cent. being transferred to the budgets of regions where a taxpayer is registered ("**regional CPT rate**"). Regions have the right to reduce the regional tax rate for specific categories of taxpayers up to the limit established by the Tax Code of the Russian Federation (the "**Russian Tax Code**").

The majority of production units of the Group is located in Perm Krai, where the regional CPT rate is reduced to 14.75 per cent. (15.75 per cent. starting from 2020) for taxpayers who made sufficient investments. This investment incentive will no longer be available starting from 2021.

In addition, a preferential tax regime is also available for the parties to special investment contracts ("**SIC**"), including Uralkali which entered into three federal and one regional SICs (See "*Business – Special Investment Contracts*"). Although the Group takes all necessary actions for Uralkali to be eligible for the application of special tax regime as set out in federal and regional SICs, Uralkali may not entirely exclude the risk that the Russian Federation or its regions may terminate these contracts and require Uralkali to compensate for lost revenues (i.e. taxes), which would otherwise be payable had special regime not been applicable. Uralkali may not also entirely exclude the risk that the Perm Krai may fail to adopt the law, reflecting recent changes in the Russian Tax Code and, consequently, enabling Uralkali to apply a 0 per cent. CPT rate. In addition, the tax authorities may attempt to challenge the application of the special tax regime or seek to initiate the adoption of the relevant law terminating or limiting them. Should any of these risks materialise, Uralkali will have to apply general tax regime with standard tax rates.

Any of the foregoing could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

Risks Relating to the Russian Federation

Uralkali is a Russian company and the Group's mining and production assets are located in Russia. This makes the Group, and the Noteholders by virtue of their investment in the Notes, subject to certain risks associated with Russia.

General

Emerging markets are subject to greater risks than more developed markets, including significant legal, economic and political risks

Investors in emerging markets such as Russia should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. Moreover,

financial turmoil in any emerging market country tends to adversely affect prices in debt or equity markets of all emerging market countries as investors tend to re-invest into more stable, developed markets. Financial problems or an increase in the perceived risks associated with investing in emerging economies may adversely affect the level of foreign investment, which may, in turn, adversely affect the economies in those countries. In addition, during such times, companies that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. Investors should also note that an emerging economy such as that of Russia is subject to rapid change and that the information set out in this Prospectus may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved. Potential investors are urged to consult with their own legal and financial advisors before making an investment in the Notes. Any of these factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

Political, Social and Economic Risks

The current political instability relating to Ukraine and related sanctions imposed by the U.S. and the EU may have a material adverse effect on the Group

In late 2013 and the first half of 2014, deteriorating economic conditions and general social unrest provoked a wide-scale crisis in Ukraine with armed confrontations between various political groups. Amid concerns of a possible civil war and alleged discrimination of ethnic Russians in predominately Russian-speaking regions, such as the Crimean peninsula and south-eastern parts of continental Ukraine, on 1 March 2014, the Russian Parliament officially authorised the use of Russian military force in Ukraine. Following a public referendum on 18 March 2014, the Crimean peninsula and the city of Sevastopol, the historical base of the Russian Black Sea Fleet, became new separate constituents of the Russian Federation.

During the course of 2014, in response to the perceived role of the Russian Federation in events in Ukraine and Crimea, the U.S. and the EU (as well as other states, such as Canada, Switzerland, Australia and Japan) imposed sanctions on a number of Russian and Ukrainian persons and entities, including current and former officials and individuals, companies, banks and businessmen, with the consequence that entities and individuals in the U.S. and EU cannot do business with them or provide funds or economic resources to them, with assets in the relevant sanctioning jurisdictions subject to a freeze and the individuals to visa bans. In addition, the U.S. and EU have applied "sectoral" sanctions. These sanctions have imposed restrictions on the ability of several Russian leading state-owned banks to access the capital markets or otherwise obtain funding from persons in the U.S. and EU. Similar sanctions have been imposed on major companies in the oil and gas and defence sectors of the Russian economy. Moreover, the EU and U.S. prohibited the provision, exportation, or re-exportation, directly or indirectly, of goods, services (except for financial services), or technology in support of exploration or production for deepwater, Arctic offshore, or shale projects that have the potential to produce oil in the Russian Federation and that involve certain companies in the Russian energy sector.

On 18 December 2014, the U.S. President signed into law the Ukraine Freedom Support Act of 2014 passed by the U.S. Congress which provided a basis to extensively widen the scope of U.S. sanctions against Russian entities and persons. Among other things, the legislation authorises the U.S. President to impose significant additional sanctions on Russia's energy and defence sectors and restrictions on using the U.S. banking system by non-U.S. financial institutions that knowingly facilitate significant financial transactions on behalf of any Russian so-called "Specially Designated Nationals" ("SDNs"). Furthermore, in December 2014, the United States established a region-specific embargo prohibiting a wide range of activities in the Crimea region by U.S. persons. The sanctions also apply to non-U.S. persons in respect of their dealings with U.S. persons or through the U.S. financial system. The EU has maintained sanctions specifically targeting the Crimea region and the city of Sevastopol since June 2014. Furthermore, in December 2016, the U.S. introduced sanctions against Russia's intelligence services, the Main Intelligence Agency (GRU) and the Federal Security Service (FSB), as well as other entities and individuals associated with GRU in connection with certain allegations of tampering with the political process in the United States by those entities.

The implementation and enforcement of sanctions imposed by the United States is administered by the U.S. Department of the Treasury, Office of Foreign Assets Control ("OFAC") and the U.S. Department of State. The current sanctions regime is a result of multiple extensions by the U.S. and EU in the term and scope of sanctions, including SDN designations from April 2018 and March 2019 that targeted a number of Russian state

officials and a number of prominent Russian businessmen and their businesses. It is currently unclear how long these sanctions will remain in place and whether new sanctions may be imposed.

The governments of the U.S. and certain EU member states, as well as certain EU officials have indicated that they may consider additional sanctions should tensions in Eastern Ukraine escalate. Tensions between Russia and the EU and between Russia and the U.S. have further increased recently as a result of the conflict in Syria, and there can be no assurance that the governments of the EU and U.S. or other countries will not impose further sanctions on Russia related to the Syrian conflict.

In August 2014, on the basis of a directive issued by the President of the Russian Federation that cited the necessity to protect national interests, the Government of Russia introduced a ban on the import of certain agricultural products from countries that have adopted economic sanctions against Russian legal entities and individuals. This ban on exports has been extended until 31 December 2019.

In addition, on 2 August 2017, the U.S. President signed into law the Countering America's Adversaries Through Sanctions Act ("**CAATSA**") that includes additional sanctions against Russian entities. The CAATSA, inter alia, (a) codifies the existing sanctions against Russia established by former President Obama's executive orders, reduces the permitted terms of financing under the existing sectoral sanctions and restricts supplies of equipment and services for new deepwater, Arctic offshore, or shale projects anywhere in the world in which a Russian sanctioned entity holds a 33 per cent. or more interest; (b) gives the U.S. Treasury Secretary the power to impose sanctions against state-owned companies in Russia in the railways, metals, and mining sectors of the Russian economy; (c) requires the U.S. President, subject to the ability to claim a national interest waiver, to impose certain secondary sanctions that were discretionary under the existing U.S. sanctions legislation (including, but not limited to, secondary sanctions for investing in or supporting special Russian crude oil projects and the facilitation of transactions on behalf of Russian SDNs); (d) allows the U.S. President to introduce secondary sanctions on foreign persons (including those that invest in the construction or servicing of Russian energy export pipelines); and (e) requires the U.S. President, subject to the ability to claim a national interest waiver, to impose asset-blocking and travel sanctions, including certain secondary sanctions, on any person who knowingly engages in significant activities that undermine the cybersecurity of any person or government, including a democratic institution, on behalf of the Russian government. In addition, the CAATSA requires the U.S. administration to submit various reports to U.S. Congress. In late January 2018, several such reports were published, including a report under Section 241 of the CAATSA that identified certain Russian individuals and parastatal entities, as well as a report under Section 242 of the CAATSA on the effects of expanding sanctions to include sovereign debt and derivative products. The identification of any individuals or entities in such reports does not automatically lead to the imposition of new sanctions and it is not possible to predict whether any such identification could have a material adverse effect on the Russian economy or potash industry, including the Group. More recently, the U.S. State Department imposed new sanctions on Russia under the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991 ("**CBW Act**") on 27 August 2018. The initial set of sanctions under the CBW Act includes, among other things, termination of sales of any defence articles and services and prohibition on the export to Russia of certain national security-sensitive goods and technology. On 12 September 2018, the U.S. President has also signed an executive order that provides for the imposition of sanctions on countries, organisations and persons that the U.S. government determines have interfered in the U.S. elections. In addition, on 1 August 2019 the U.S. President issued a new executive order related to the CBW Act that imposes additional sanctions because the U.S. President had determined that certain conditions set out in the CBW Act were not met. Pursuant to the CBW Act and the new executive order, OFAC also issued a Russia-related Directive ("**CBW Act Directive**") having an effective date of 26 August 2019. According to the CBW Act Directive, after 26 August 2019 participation of any U.S. bank (as defined in the CBW Act Directive) in the primary market for non-rouble denominated bonds issued by any ministry, agency or sovereign fund of the Russian Federation and lending non-rouble denominated funds to any ministry, agency or sovereign fund of the Russian Federation are prohibited, except to the extent provided by law or unless licensed or otherwise authorised by the OFAC.

Several pieces of legislation directed at amplifying U.S. sanctions against the Russian Federation have been introduced in the U.S. Congress and are currently under consideration. It is currently unclear at which point, if at all, any of these bills could be signed into law and what would be the scope of any new sanctions that may be imposed pursuant to such law.

As of the date of this Prospectus, no Group company is designated as a sanctioned entity in any of the US or EU sanctions lists. Mr. Sergey V. Chemezov, the chairman of Uralkali's Board of Directors, is designated an SDN and included in the EU sanctions list; however, as an independent director, he does not participate in the Group's transactions (including the issue of the Notes) or the regular management of its business, and the Group is not

subject to his control or direction. While the Group believes that, as of the date of this Prospectus, such designation has not materially affected the Group's business, certain counterparties may be unwilling or unable to enter into transactions with the Group as a result of such designation. The OFAC and EU sanctions regimes do not apply to the Group companies, other than UKT Trading Chicago, Inc., a US-registered entity, which, therefore, must comply with sanctions imposed by the US, Uralkali Capital S. a. r. l. and Uralkali Trading SIA, which are incorporated in Luxembourg and Latvia, respectively, as well as other Group companies incorporated in the EU which, therefore, must comply with sanctions imposed by the EU. None of the proceeds of the issue of the Notes will be used to fund activities or persons that are subject to sanctions introduced by the U.S. and the EU. Notwithstanding the foregoing, any material dealings with sanctioned persons by the Group may have certain commercial and business consequences. While as of the date of this Prospectus the Group has had certain dealings with Russian entities subject to the US or EU sanctions and does not exclude the possibility of such dealings in the future, the volume of such transactions entered into as of the date of this Prospectus is immaterial and to the extent such transactions are entered into by the Russian companies of the Group, they would be generally permissible pursuant to the laws binding thereon. While the Group's transactions and commercial relations with these entities are not prohibited by sanctions binding on the Group, should the sanctions regime in respect of these entities be extended or should new sanctions be introduced which would affect certain counterparties of the Group, the Group's business could be adversely affected. While the Group believes that as of the date of this Prospectus, it has not breached any of the sanctions imposed by the US or EU and applicable thereto, there can be no assurance that compliance issues under OFAC and applicable EU regulations, measures or similar laws and regulations will not arise with respect to the Group or its personnel in the future.

Should either OFAC, other U.S. governmental agencies or the Council of the EU expand their respective sanctions programmes, including the sectoral sanctions, to include any more of the Group's existing or future clients, suppliers or other counterparties, further sectors of the Russian economy or otherwise, such an expansion could result in financial difficulties for such persons, the Group's dealings with designated persons could become material or the suspension or potential curtailment of business operations between the Group and the designated persons could occur. Should such events arise the Russian Government may continue to provide support to the Russian economy, and has put in place initiatives with the view of limiting some of the effects of OFAC and EU sanctions. Nonetheless, the introduction of large scale sanctions or the expansion of the existing sectoral sanctions on Russian companies or sectors of the Russian economy, and potentially the adoption of further restrictive economic measures by Russia, may negatively affect the Russian economy and investment climate and lead to further deterioration of financial markets. Any of the foregoing could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

In addition, as of the date of this Prospectus, 55.26 per cent. of ordinary shares in Uralkali are pledged in favour of Sberbank Group. See "*Operating and Financial Review – Liquidity and Capital Resources*". To the extent that this pledge is enforced, the Sberbank Group would hold up to 55.26 per cent. of ordinary shares in Uralkali. In such circumstances, Uralkali would be subject to the same sanctions as Sberbank of Russia, including, *inter alia*, limiting Uralkali's access to international financing with a maturity in excess of 14 days. Such an occurrence could have a material adverse effect on the Group's business, financial condition and results of operations.

Political and social instability in Russia may have a material adverse effect on the Group's business, financial condition, results of operations and prospects and on the value of the Notes

While the political situation in the Russian Federation has been relatively stable since 2000, future policy and regulation may be less predictable than in less volatile markets. Any future political instability could result in a worsening overall economic situation, including capital flight and a slowdown of investment and business activity. In addition, any change in the Russian Government or its programme of reform or lack of consensus between the Russian President, the Prime Minister, the Russian Government, the Parliament and powerful economic groups could lead to political instability and a deterioration in Russia's investment climate that might limit the ability of the Group to obtain financing in the international capital markets.

Actions by government bodies motivated by politics or other factors, could call into question the security of property and contractual rights, progress of the market and political reforms, the independence of the judiciary and the certainty of legislation. This, in turn, could result in significant fluctuations in the market price of Russian securities and have a negative impact on foreign investments in the Russian economy, over and above the general market turmoil. Future shifts in governmental policy and regulation in Russia also could lead to political instability and disrupt or reverse political, economic and regulatory reforms. In addition, more generally, actions of the Russian legislative, executive and judicial authorities can affect the Russian securities market.

Furthermore, social instability in Russia, coupled with difficult economic conditions, have led in the past, and could lead in the future, to labour and social unrest, higher level of corruption, increased nationalism and restrictions on foreign involvement in the economy, each of which could disrupt the Group's ability to conduct its business effectively and could harm the Group's business and financial position.

In addition, political and social instability could lead to or result in a rise of protest sentiment. For example, in 2018, there were mass public protests against the increase of the retirement age, in March 2019, there were public protests against increasingly restrictive internet policies of the Russian Government and in July-August 2019, prior to the 2019 Moscow City Duma elections, there were protests caused by the refusal to register the majority of independent opposition candidates to the Moscow City Duma. Any of these factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

Domestic and regional political conflicts could create an uncertain operating environment that could have a material adverse effect on the Group's business, financial conditions, results of operations and prospects and on the value of the Notes and hinder its long-term planning ability

The Russian Federation consists of 85 regions ("subjects") of the federation, some of which exercise considerable autonomy in their internal affairs. In certain areas, the division of authority between federal and regional governmental authorities remains uncertain. The lack of consensus between local and regional authorities and the federal governmental authorities may result in political instability and may have a material adverse effect on the Group's business, financial condition, prospects or ability to fulfil its financial obligations.

In addition, ethnic, religious, historical and other divisions have, on occasion, given rise to tensions and, in certain cases, military conflict, both internally and with other countries. For example, Russian military and paramilitary forces have been engaged in the Chechen Republic in the recent past and continue to maintain a presence there. In addition, a military conflict in August 2008 between Russia and Georgia involving South Ossetia and Abkhazia resulted in significant overall price declines on the Russian stock exchanges. The conflict ended with Russian recognition of the independence of South Ossetia and Abkhazia. Russian stock exchanges experienced heightened volatility, significant overall price declines and capital outflow following these events and the international capital markets temporarily closed to Russia. Furthermore, differing views on the Georgia conflict, as well as the events in Eastern Ukraine, have had an impact on the relationship between the Russian Federation, the EU, the United States and certain former Soviet Union countries and, if prolonged, could adversely affect business relationships among these countries and adversely affect the Russian economy. There are ongoing tensions between the Republic of Ingushetia and the Chechen Republic in connection with recent territorial changes made in favour of the latter, which led to numerous protests in the Republic of Ingushetia. In June 2019, after mass riots in Tbilisi, the Russian President imposed a ban on Russian airlines transporting passengers to Georgia with effect from 8 July 2019. Such tensions or conflicts may lead to reduced liquidity, greater trading volatility and significant reductions in the price of listed Russian securities.

Furthermore, various acts of terrorism have been committed at various infrastructure facilities within Russia. In particular, on 29 March 2010, there were a series of suicide bombings in the Moscow underground system, which temporarily paralysed operations and business activity in Moscow. On 24 January 2011, a suicide bombing in the international arrivals hall of the Moscow international airport Domodedovo killed 36 and injured over 180 people. On 29 and 30 December 2013, two suicide bombings in Volgograd carried out at the central Volgograd railway station and on a trolleybus, respectively, resulted in 34 fatalities. The risks associated with these events or potential future events could materially adversely affect the investment environment and overall consumer confidence in Russia, which in turn could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

The Russian banking system remains underdeveloped

Russia's banking and other financial systems are ongoing a period of development. There are currently a limited number of creditworthy Russian banks, most of which are headquartered in Moscow, with the capacity to service companies of the size of those found in the Group. Although the Central Bank of the Russian Federation (the "CBR") has the mandate and authority to suspend banking licences of insolvent banks, insolvent banks may still operate. Many Russian banks also might not be in full compliance with international banking standards, and the transparency of the Russian banking sector still does not meet all internationally accepted norms. In the second

half of 2017, the CBR announced its decision to implement measures aimed at improving the financial stability of several Russian banks, including PJSC "Bank Otkritie Financial Corporation", PJSC B&N Bank and PJSC Promsvyazbank. Liquidity difficulties in the market could arise among the privately and state owned banks in Russia, which could undermine investors' confidence and lead to instability of the Russian banking system. There can be no assurance that such banks would not be subject to rehabilitation measures by the CBR, which would further exacerbate difficulties in the banking sector and the local financial markets.

The serious deficiencies in the Russian banking sector, combined with the deterioration in the credit portfolios of Russian banks, as well as the bankruptcy of a number of large Russian banks, may result in the banking sector being more susceptible to the current worldwide credit market downturn and economic slowdown.

Further, the Group relies on debt financing from Russian banks. Accordingly, if a prolonged or serious banking crisis were to occur in Russia, the Group's ability to access this source of financing may be limited or may not be available on market terms. Any of these factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

Legislation prohibiting the expropriation and nationalisation of property may not be enforced in the event of expropriation or nationalisation of the Group's assets

The Russian Government has enacted legislation to protect property against expropriation and nationalisation and in the event that property should be expropriated or nationalised, legislation provides for the payment of fair compensation. However, there can be no certainty that such protections will be enforced in a timely manner or at all should the Group's property be expropriated or nationalised. This uncertainty is due to several factors, including the lack of state budgetary resources, the lack of an independent judicial system, insufficient mechanisms to enforce judgments and corruption among Russian state officials.

The concept of property rights is not well developed in Russia, as compared to other jurisdictions, and there is little experience in enforcing legislation enacted to protect private property against nationalisation and expropriation. As a result, the Group may be unable to obtain proper protection or recourse in courts, and may not receive adequate or timely compensation if in the future the Russian Government decides to nationalise or expropriate some or all of the Group's assets. The expropriation or nationalisation of the whole or any material part of the Group's assets without fair compensation may amount to an Event of Default under the Loan Agreement, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

The Russian economy is less stable than that of most Western countries

Since the dissolution of the former Soviet Union in the early 1990s, Russia's society and economy have been undergoing a rapid transformation from a one party state with a centrally planned economy to a pluralist democracy with a market-oriented economy. This transformation has been marked by periods of significant instability. The Russian economy has, at various times, experienced:

- significant declines in GDP;
- hyperinflation or high levels of inflation;
- an unstable currency;
- high levels of state debt relative to GDP;
- crises in the banking sector limiting the ability of banks to provide liquidity to Russian enterprises;
- a large number of loss-making enterprises that continue to operate due to the lack of effective bankruptcy proceedings;
- widespread tax evasion;

- growth of "black" and "grey" market economy;
- pervasive capital flight;
- high levels of government corruption and the penetration of organised crime into the economy;
- political and social instability;
- ethnic and religious tensions;
- lack of consensus between federal and local governments;
- over-dependence of the economy on export of commodities, in particular oil, gas and metals;
- significant declines and volatility in the stock market;
- significant increases in unemployment and under-employment;
- the impoverishment of a large portion of the Russian population;
- a declining population and short life-expectancy; and
- outdated and deteriorating physical infrastructure.

From 2000 through the first half of 2008, Russia experienced rapid growth in its GDP, higher tax collections and increased stability of the rouble, providing a certain degree of economic soundness. However, the Russian economy was adversely affected by the global financial and economic crisis that commenced in the second half of 2008, which manifested itself through extreme volatility in debt and equity markets, reductions in foreign investment, sharp decreases in GDP and rise of unemployment around the world. While the global economy has, to a certain extent, stabilised since then, the Russian economy began experiencing a new slowdown in 2013. The conditions and outlook for the Russian economy deteriorated significantly during 2014 and continued to worsen in 2015. According to Rosstat, the Russian economy experienced a significant decline in 2015, when Russia's GDP declined by 2.5 per cent., though in 2016 the decline trend changed to a moderate growth of 0.3 per cent. In 2017 and 2018, Russia's GDP slightly improved and showed a 1.6 per cent. and 2.3 per cent. growth, respectively, which is, however, lower than the growth of other global economies. Whereas, during the period 2015-2018, the consumer price index in the Russian Federation measured by the Rosstat was 12.9 per cent. in 2015, 5.4 per cent. in 2016, 2.5 per cent. in 2017 and 4.3 per cent. in 2018. A return to heavy and sustained inflation could lead to market instability, new financial crises, reductions in consumer purchasing power and the erosion of consumer confidence. Any of these events could lead to decreased demand for the Group's products and services in the market, and accordingly, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

Legal Risks

Weaknesses related to the Russian legal system and Russian legislation may result in a material adverse effect on the Group and on the rights of investors in the Notes

The Russian legal framework applicable to a market economy is still under development. Since 1991, Soviet law has been largely replaced by a new legal regime as established by the 1993 Federal Constitution, the Civil Code, by other federal laws and by decrees, orders and regulations issued by the President, the Russian Government and federal ministries, which are, in turn, complemented by regional and local rules and regulations.

While over the last years the Russian lawmakers have put significant effort into reforming the Russian legal system in pursuit of enhancing its efficiency, there continue to exist certain deficiencies, namely:

- ambiguities and inconsistencies of, and overlaps between, federal laws, decrees, orders and regulations issued by the President, the Russian Government, federal ministries and regulatory authorities, and regional and local laws, rules and regulations;

- substantial regulatory gaps due to delay or failure in implementing the required primary or secondary regulations;
- lack of fulsome analysis of new regulatory regime during the lawmaking process which results in some of the new laws being inefficient;
- limited judicial and administrative guidance on interpretations of Russian law;
- the relative inexperience of certain judges in interpreting new principles of Russian law, particularly business and corporate law;
- court claims and prosecutions are sometimes influenced by, or used in furtherance of, private interests;
- the possibility that certain judges may be susceptible to economic, political or nationalistic influences;
- a high degree of discretion on the part of governmental authorities; and
- bankruptcy procedures that are not well developed, which may result in debtors abusing their rights and prejudicing the interests of creditors.

As a result of the above factors, sudden unexpected changes in legal requirements in Russia may occur. Such unpredictability and lack of legal guidance may result in inadvertent violations by the Group of applicable rules and regulations.

Any of these factors make judicial decisions in the Russian Federation difficult to predict and effective redress uncertain. Additionally, court claims are often used to further political aims. The Group may be subject to these claims and may not be able to receive a fair hearing. Additionally, court judgments are not always enforced or followed by law enforcement agencies.

In addition, Uralkali and its Russian subsidiaries took in the past, and continue to take from time to time, a variety of actions relating to share issuances, share and asset disposals and acquisitions, share buyback, charter capital increases and decreases, valuation of property, interested party transactions, major transactions, operations subject to currency control, procurement and antitrust issues, procedures and requirements for some of which are sometimes vague or contradictory and which, therefore, could be challenged by third parties (including on formal grounds). Should a transaction the Group has entered into be successfully challenged due to non-compliance with applicable legal requirements, this could result in the invalidation of such transaction and/or the imposition of certain liabilities on the Group. While the relevant statutes of limitations are likely to have expired, where that is not the case, the Group may not be able to successfully defend against such claims, or any such defense may involve creation of provisions or entail additional costs and expenses. Any of these factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

Findings of failure to comply with existing laws or regulations, unlawful, arbitrary or selective government action or increased governmental regulation of the Russian operations of the Group could result in substantial additional compliance costs or various sanctions

The Group's operations and properties in Russia are subject to regulation by various government entities and agencies at both the federal and regional levels. Regulatory authorities often exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and standards, the issuance and renewal of licences and permits and in monitoring licensees' compliance with licence terms, which may lead to inconsistencies in enforcement. Russian authorities have the right to, and frequently do, conduct periodic inspections of operations and properties of Russian companies throughout the year. Any such future inspections may conclude that the Group violated applicable laws, decrees or regulations. Findings that the Group failed to comply with existing laws or regulations or directions resulting from government inspections may result in the imposition of fines, penalties or more severe sanctions, including the suspension, amendment or termination of the Group's licences or permits or in requirements that the Group suspend or cease certain business activities, or in criminal and administrative penalties being imposed on the Group's officers.

In addition, unlawful, arbitrary or selective government actions directed against other Russian companies (or the consequences of such actions) may generally impact on the Russian economy, including the securities markets. Any such actions, decisions, requirements or sanctions, or any increase in governmental regulation of the Russian operations of the Group, could increase the Group's costs and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

Lack of developed corporate and securities laws and regulations in Russia may limit the Group's ability to attract future investment

The regulation and supervision of the securities market, financial intermediaries and issuers are considerably less developed in Russia than in the United States and certain members of the EU. While the laws relating to corporate governance, disclosure and reporting requirements, anti-fraud, insider trading and fiduciary duties of directors and officers have recently been subject to revisions and updates, they remain somewhat underdeveloped, especially as compared to more developed jurisdictions. As a result, the Group may be subject to fines or other enforcement measures despite its best efforts at compliance with the domestic securities laws and regulations, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

Shareholder liability could cause Uralkali to become liable for the obligations of its subsidiaries

Generally, as a matter of Russian law, Uralkali shall not be liable for the obligations of its Russian subsidiaries and only bears the risk of losses attributable to the value of the shares held by Uralkali in such Russian subsidiaries.

However, Uralkali may be held liable for the obligations of its Russian subsidiaries jointly and severally with such subsidiaries if: (i) Uralkali has the actual ability to direct such Russian subsidiaries as a result of its majority ownership interest, the terms of a binding contract or otherwise; and (ii) the relevant Russian subsidiary concluded the transaction giving rise to the obligations pursuant to Uralkali's instructions or with the consent of Uralkali. In addition, Uralkali may also be held liable for damages incurred by its Russian subsidiaries, where such damages were incurred as a result of Uralkali's actions or failure to act, subject to Uralkali having knowledge that such actions or failure to act would result in damages. Further, Uralkali may be secondary liable for the obligations of its Russian subsidiaries if the subsidiary becomes insolvent or bankrupt as a result of Uralkali's fault.

In addition, similar provisions exist or may be introduced in the laws of other jurisdictions where the Group companies are incorporated. Accordingly, Uralkali could be liable in some cases for the debts of its subsidiaries, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

Risks Relating to Taxation

Russian tax legislation is relatively undeveloped and subject to frequent changes

Historically, the system of tax collection in Russia has been subject to frequent changes in tax legislation, which sometimes occur on short notice and apply retrospectively, and in the interpretation and application of existing laws and regulations by various authorities. Despite certain improvements of the Russian tax system over the last couple of decades, such as the adoption of the unified legislative act (the Russian Tax Code) and successive reduction of major tax rates, the overall trend remains the same. There can be no assurance that the Russian Tax Code will not be changed or interpreted in the future in a manner adverse to the stability and predictability of the Russian tax system. The possibility exists that Russia may impose arbitrary or onerous taxes, levies, fines and penalties in the future, which could adversely affect the Group's business.

The Group regularly monitors and analyses potential tax threats and seeks means to manage them, if possible. In recent years a number of significant changes have been introduced into the Russian tax legislation, including:

- introduction and development of Russian transfer pricing rules (see "*Russian transfer pricing legislation is unclear and subject to change*" below);
- increase of VAT rate from 18 to 20 per cent. effective from 1 January 2019;

- introduction of a general anti-avoidance rule, or GAAR (see "*Russian tax authorities' approach to tax law enforcement and interpretation of legislation may be unpredictable and selective*" below);
- introduction of several concepts aimed at de-offshorisation of Russian economics (see "*Introduction of CFC rules, beneficial ownership and tax residency concepts into the Russian Tax Code as well as Russia's participation in OECD/G20 Base Erosion and Profit Shifting Project ("BEPS") may result in additional tax liabilities for the Group*").

In addition, quasi-fiscal charges are introduced regularly that do not fall under tax legislation but impose additional burden on business, e.g. ecological and utilisation payments as well as road deterioration charges.

These changes affect the overall tax climate in Russia and may result in additional tax liabilities for the Group, may have a material adverse effect on the Group's overall tax position and undermine the Group's tax planning efforts, which, individually or in combination, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

Russian tax authorities' approach to tax law enforcement and interpretation of legislation may be unpredictable and selective

Due to the absence or ambiguity of some of enforcement regulations, lack of legislative and/or judicial guidance and frequent changes in the regulator's (the Russian Ministry of Finance) interpretation of the relevant legislation, additional tax audits and groundless claims of the Russian tax authorities are not rare. The absence of effective out-of-court dispute resolution procedure also results in additional costs and administrative efforts for taxpayers who are often forced to file claims in courts when a dispute with tax authorities arises.

In addition to the usual tax burden imposed on Russian taxpayers, these conditions complicate tax planning and related business decisions. These uncertainties could possibly expose the Group to significant fines and penalties and potentially severe enforcement measures despite its best efforts at compliance, and could result in a greater than expected tax burden.

Further, court precedents are generally not binding in Russia. As a result, even though in recent years the Russian courts of higher instances have gradually tried to regulate court practice in the sphere of taxation and develop unified approaches to deciding particular types of cases, there is no guarantee that in similar circumstances the tax authorities or lower courts will not adopt a conflicting approach.

At the same time, an attempt to introduce a clear borderline between tax evasion and regular business activity was made in 2017 when Article 54.1 of the Russian Tax Code introduced anti-avoidance rules. A similar concept of "unjustified tax benefit" was previously introduced into court practice by the Plenum of the Supreme Arbitrazh Court of the Russian Federation in its Resolution No. 53. The new anti-avoidance rules (a) establish the framework within which taxpayers enjoy tax benefits and (b) prohibit any wilful misconduct resulting in a non-payment or underpayment of taxes by misrepresenting information on commercial events and objects of taxation. The new rules apply retrospectively to all periods that may be subject to tax audits, provided that decision on initiating a tax audit took place after July 2017. However, due to the fact that the court practice related to the application of the new rules is still limited and underdeveloped, no assurance could currently be given as to the exact effect such rules may have on taxpayers, including the Group.

Finally, there is no assurance that any previous or future tax audit establishing the Group's tax liabilities for a particular period will not be revisited by the same of a higher tax body. This repetitive review is subject to the general three-year limitation period, but it nevertheless can result in additional tax liabilities if the reviewing body applies new interpretation of the tax law or finds new evidence of tax underpayment.

Any of these factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

Introduction of CFC rules, beneficial ownership and tax residency concepts into the Russian Tax Code as well as Russia's participation in OECD/G20 Base Erosion and Profit Shifting Project ("BEPS") initiative may result in additional tax liabilities for the Group

The Russian Tax Code contains the "controlled foreign companies" rules ("**Russian CFC Rules**"), the concept of tax residency for legal entities and the beneficial ownership concept. Under the Russian CFC Rules, in certain circumstances, undistributed profits of foreign companies and non-corporate structures (e.g., trusts, funds or partnerships) domiciled in foreign jurisdictions, which are ultimately owned and/or controlled by Russian tax residents (legal entities and individuals) are subject to taxation in Russia. The Russian CFC Rules are being further developed. Certain provisions of the Russian CFC Rules are still ambiguous and may be subject to arbitrary interpretation by the Russian tax authorities.

Under the concept of tax residency for legal entities, a foreign legal entity may be recognised as a Russian tax resident if such entity is de facto managed from Russia. When an entity is recognised as a Russian tax resident, it is required to register with the Russian tax authorities, calculate and pay Russian tax on its worldwide income and comply with other tax-related rules established for Russian entities. The new rules set principal and secondary criteria for determining the place of management (among other things, the place where the company's executive body operates). However, there is some uncertainty as to how these criteria will be applied by the Russian tax authorities in practice.

A beneficial ownership concept, which, to a certain extent, is in line with the concept developed by the Organisation for Economic Co-operation and Development ("**OECD**"), has also been added to the Russian Tax Code. In particular, based on this concept the treaty relief should be available to foreign legal entities provided they have the actual right to receive income (i.e., they qualify as a "beneficial owner of income"). When determining the beneficial owner, the functions of a foreign person that is claiming the application of reduced tax rates under an applicable double tax treaty and the risks that such person takes should be analysed. The benefits of a double tax treaty will not apply if a foreign person claiming such benefits has limited powers to dispose of the relevant income, fulfils intermediary functions without performing any other duties or taking any risks and paying such income (partially or in full) directly or indirectly to another person who would not be entitled to the same benefits had it received the income in question directly from Russia. Starting from 1 January 2017, a non-resident income recipient is obliged to provide a Russian tax agent with confirmation that it is the beneficial owner of the income.

In November 2017, the country-by-country reporting ("**CbCR**") requirements were introduced in Russia. The introduction of CbCR is in line with the OECD recommendations within the BEPS initiative. The introduction of these new rules and concepts, including the new GAAR rules (see "*Russian tax legislation is relatively undeveloped and subject to frequent changes*" above), is likely to impose an additional administrative burden on the Group. No assurance can currently be given as to the possible impact (including additional tax liability, if any) of CbCR on the Group. However, it is likely that CbCR requirements will necessitate the Group to make additional reporting on its economic activity across the globe. Therefore, the Group may have to adjust its operations to ensure compliance with CbCR requirements and to prevent possible risks that may be triggered by the failure to comply therewith, which could have an adverse effect on the Group's business, results of operations and financial condition.

On 1 July 2015, the Convention on Mutual Administrative Assistance in Tax Matters developed by the Council of Europe and the OECD came into effect for Russia. On 12 May 2016, the Russian Federation signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (thereby joining the Standard for Automatic Exchange of Financial Account Information (Common Reporting Standard)) which enables the Russian tax authorities to obtain information for tax purposes from foreign countries, including certain offshore jurisdictions. On 7 June 2017, the Russian Federation joined the OECD Multilateral Agreement for amending double tax treaties, and automatic information exchange with foreign tax authorities ("**Multilateral Convention**"). The Multilateral Convention is expected to implement a series of tax treaty measures to update international tax rules and lessen the opportunity for tax avoidance by multinational enterprises. In particular, the Multilateral Convention sets forth certain provisions with respect to tax treaty abuse and other matters. This new initiative may result in significant changes to tax treaties' provisions and the applicable practice that potentially may result in a higher tax burden for the Group's business, which could have an adverse effect on the Group's business, financial condition, results of operations and prospects, the Group's ability to service its payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

Russian transfer pricing legislation is unclear and subject to change

While Russian transfer pricing ("TP") rules generally follow the OECD principles, Russia is not an OECD member. Accordingly, Russian taxpayers should primarily act on the basis of Russian TP rules rather than rely on the OECD's TP guidelines, including when analysing risks and developing policies and compliance documents.

Russian TP rules are fairly untested and remain open to a number of interpretations by taxpayers, professional bodies, tax authorities and courts. Although the Ministry of Finance of Russia and tax authorities may, from time to time, issue clarifications on various matters, any such clarifications are non-binding in their nature and relying on them does not relieve taxpayers from risks of a different interpretation.

Disputes between taxpayers and the tax authorities on TP rules may end up in court. Currently, publicly available disputes on TP rules comprise disputes of four companies, which relate to transactions with commodities and the decisions issued in the context thereof were held in favour of the tax authorities (including the case involving Uralkali, which is ongoing as of the date of this Prospectus (See "*Business*")). Apart from that, there are numerous instances when Russian tax authorities challenged pricing arrangements in transactions which are uncontrolled from a TP rules perspective using general requirements for calculation of taxable base and anti-avoidance concepts.

In the ordinary course of its business the Group engages in a number of transactions, some of which may fall under Russian TP rules. Therefore, the Group may be inherently subject to TP risks that originate from conflicting interpretations of TP rules by taxpayers, tax authorities and courts. Potential tax claims resulting from the Russian TP rules being relatively underdeveloped and any inconsistent application of such rules by Russian courts or tax authorities may have an adverse effect on the Group's business, results of operations and financial condition as well as its ability to service payment obligations under the Loan Agreement and the Issuer's ability to perform its payment obligations under the Notes.

Risks Relating to the Notes, the Issuer and the Trading Market

The Issuer is a special purpose vehicle, and payments under the Notes are limited to the amount of certain payments received by the Issuer under the Loan Agreement

The Issuer is a special purpose vehicle with no business other than issuing debt securities (such as the Notes) and advancing proceeds in the form of loans to Uralkali. The Issuer has an obligation under the Terms and Conditions of the Notes and the Trust Deed to pay such amounts of principal, interest, and additional amounts (if any) as are due in respect of the Notes. However, the Issuer's obligation to pay is limited to the amount of principal, interest, and additional amounts (if any) actually received and retained (net of tax) by, or for the account of, the Issuer pursuant to the Loan Agreement from Uralkali. Consequently, if Uralkali fails to meet its payment obligations under the Loan Agreement in full, this will result in the Noteholders receiving less than the scheduled amount of principal or interest or any other amounts, if any.

The Notes will be structurally subordinated to subsidiary debt, secured creditors and other liabilities

Uralkali's subsidiaries have no obligation in respect of any amounts due under the Loan Agreement, and neither the Issuer nor holders of Notes will have any direct or indirect claim on subsidiaries' cash flows or assets other than through Uralkali's shareholding in such entities. In most circumstances, the Issuer's rights to receive payments under the Loan Agreement (and therefore its ability to make payments under the Notes as they fall due) are effectively subordinated to any liabilities of Uralkali's subsidiaries. In the event of a bankruptcy, liquidation or reorganisation of a subsidiary, holders of that subsidiary's indebtedness and trade and other creditors of that subsidiary will have a claim to the assets of that subsidiary that is senior to Uralkali's interest in those assets as a shareholder, except to the extent that Uralkali is recognised as a creditor through intercompany claims or loans. Accordingly, the Notes are effectively subordinated to this debt.

The Notes may or must be redeemed early in a number of circumstances

On the occurrence of one of the early redemption events described in "*Terms and Conditions of the Notes — Redemption and Purchase*" and in "*Loan Agreement*", Uralkali may, or in some cases must, prepay the Loan in whole or in part together with accrued interest at any time, and (to the extent that it has actually received the relevant funds from Uralkali) the Issuer must redeem all outstanding Notes in accordance with the Terms and Conditions of the Notes.

On such redemption, or at maturity, Uralkali may not have the funds to fulfil its obligations under the Loan Agreement and Uralkali may not be able to arrange for additional financing. If the early repayment or maturity date of the Loan occurs at a time when other arrangements prohibit Uralkali from repaying the Loan, Uralkali expects that it would try to obtain waivers of such prohibitions from the lenders under those arrangements, or Uralkali could attempt to refinance the loans and borrowings that contain the restrictions. If Uralkali could not obtain the waivers or refinance these loans and borrowings, Uralkali would be unable to repay the Loan.

Noteholders' rights will be limited so long as the Notes are issued in book-entry interests

Owners of book-entry interests will not be considered owners or holders of Notes unless and until definitive notes are issued in exchange for book-entry interests. Instead, Euroclear, Clearstream, Luxembourg or DTC or their nominees, will be the sole holders of the Notes.

Payments of principal, interest and other amounts owing on or in respect of the Notes in global form will be made as described in "Summary of the Provisions Relating to the Notes in Global Form" and none of the Issuer, the Trustee or any paying agent will have any responsibility or liability for any aspect of the records relating to or payments of interest, principal or other amounts to Euroclear, Clearstream, Luxembourg, or DTC or to owners of book-entry interests.

Owners of book-entry interests will not have the direct right to act upon the Issuer's or Uralkali's solicitations for consents or requests for waivers or other actions from holders of the Notes, including enforcement of security for the Notes. Instead, Noteholders who own a book-entry interest will be reliant on the nominees for the common depositary or custodian (as registered holder of the Notes) to act on their instructions and/or will be permitted to act directly only to the extent such holders have received appropriate proxies to do so from Euroclear, Clearstream, Luxembourg or DTC or, if applicable, from a participant. There can be no assurances that procedures implemented for the granting of such proxies will be sufficient to enable Noteholders to vote on any requested actions or to take any other action on a timely basis which may have a material adverse effect on their rights under the Notes.

Uralkali's payments under the Loan and the Issuer's payments under the Notes may be subject to withholding tax

A Russian legal entity should be released from tax withholding obligation on interest payments made to foreign organisations on debt obligations arising in connection with issuance by foreign organisations of traded bonds under certain conditions established in the Russian Tax Code (see "*Taxation*"). Uralkali believes that it should be released from obligations to withhold Russian withholding tax from interest payments made to the Issuer under the Loan Agreement, provided that the Issuer duly confirms its tax residency, since Uralkali believes that Notes meet the conditions established in the Russian Tax Code. However, since the rules granting release from tax withholding obligation were only tested to a limited extent, it is at the moment not exactly clear how they can be interpreted by the tax authorities. Release from the tax agent duty means that, in practice, withholding tax on interest payments should not arise in Russia, because currently there is no mechanism or requirement for non-resident legal entities and organisations to self-assess and pay tax. However, there can be no assurance that such rules will not be introduced in the future which may result to the obligation of non-resident legal entities and organisations to self-assess and pay the tax.

Release from tax withholding is subject to timely receipt of tax residency confirmation. According to the Issuer, the Irish tax authorities issue tax residency certificates in electronic format. At the same time, while the Russian tax authorities are used to seeing tax residency certificates in hard copy with an apostille and notarised translation, the Issuer considers it is possible to apostille and notarise a print-out of an electronic certificate in Ireland and thus provide a duly executed hard copy version. The Russian tax authorities may not accept electronic tax residency certificates or their print-outs for the purposes of exempting payments related to issuance of traded bonds from tax withholding. If the Russian tax authorities do not accept the tax residency certificate(s) provided in an electronic form (or a non-certified print-out) or issue a clarification that such certificates are not eligible, as a result of which Russian withholding tax is imposed, Uralkali will be required to withhold tax from the payments made under the Loan and would be withholding such taxes from the respective future payments (see "*Taxation*").

If the Notes are simultaneously (i) delisted from the Euronext Dublin and (ii) in the limited circumstances are exchanged for duly executed and authenticated registered Notes in definitive form, Uralkali may be required to withhold Russian income tax from interest payments made by Uralkali to the Issuer.

In a scenario of delisting or other circumstances that may lead to the inability to enjoy the benefit of the quoted bonds exemption we do not exclude the possibility that the Russian tax authorities may attempt to apply thin capitalisation rules to interest payments on the Loan, given the history of broad interpretation of these rules that is loosely based on the wording of the law. While Uralkali considers this risk to be theoretical and extremely remote (technically, the Issuer will be legally independent from Uralkali, and the Loan will not meet the definition of a controlled debt in its literal sense), in case it materialises (subject to having a 3-to-1 debt-to-equity ratio), dividend withholding tax of up to 15 per cent. may apply to the whole amount or part of interest payments and interest deductibility will be limited for Uralkali.

If interest payments under the Loan are subject to Russian withholding tax (as a result of which the Issuer would reduce payments made under the corresponding Notes by the amount of the tax withheld), Uralkali will be required under the terms of the Loan Agreement to increase any payment due to such amount as may be necessary to ensure that the Issuer receives a net amount equal to the full amount which it would have received had withholding not been made. Historically, Russian tax law was based on a principle that everyone has to discharge his/her tax liabilities personally, and there were doubts as to whether gross-up provisions were consistent with this principle. There is a risk that gross up for withholding tax will not take place and that the interest payments made by Uralkali under the Loan Agreement will be reduced by the amount of the Russian income tax withheld by Uralkali at the rate of 20 per cent., or such other rate as may be in force at the time of payment. In addition, whilst some Noteholders may be eligible for an exemption from, or a reduction in, the Russian withholding tax under applicable double tax treaties, there is no assurance that in this case the respective treaty relief will be available to them in practice.

The Notes represent limited recourse obligations of the Issuer, with the effect that the Issuer will have an obligation to the Noteholders to account only for amounts equivalent to amounts of principal, interest, and other amounts, if any, actually received by it from the Borrower under the Loan. Thus, in theory it may be argued that the Notes do not constitute a self-contained obligation of the Issuer to redeem the Notes and, thus, to repay the principal. In this regard we cannot entirely exclude the possibility that the Russian tax authorities may query whether the Notes can be regarded as debt obligations for the purposes of the exemption from Russian withholding tax.

In addition, payments in respect of the Notes will, except in certain limited circumstances, be made without deduction or withholding for or on account of Irish taxes except as required by law. In the event of such deduction or withholding, the Loan Agreement provides for Uralkali to pay such corresponding amounts to the Issuer. In these circumstances, there are some doubts as to whether a tax gross-up clause such as that contained in the Loan Agreement is enforceable under Russian law. Due to the limited recourse nature of the Notes, if Uralkali fails to pay any such gross-up amounts, the amount payable by the Issuer under the Notes will be correspondingly reduced.

If during the life of the Notes, the Issuer ceases to be resident for tax purposes in Ireland and becomes resident for tax purposes in another jurisdiction, in the event that such new jurisdiction requires the Issuer to effect deduction for or on account of any taxes (other than taxes of Ireland or the Russian Federation) in respect of payments which the Issuer is obliged to make under or in respect of the Notes, under the terms of the Loan Agreement, Uralkali will be under no obligation to increase payments to the Issuer under the Loan Agreement in respect of such withholding or deduction for or on account of any taxes (other than taxes of Ireland or the Russian Federation). In such circumstances, the Noteholders will receive payments under the Notes net of such withholding or deduction and will have no right to require that their Notes be repaid.

Tax might be withheld on proceeds received from a source within Russia upon disposal of the Notes reducing their value

Generally, there should be no Russian withholding tax on gains from a sale or other disposition of the Notes imposed on entities not residents in Russia for tax purposes. There is some uncertainty regarding the tax treatment of the portion of the sales or disposal proceeds, if any, attributable to accrued interest (coupon) on the Notes (i.e., debt obligations) where proceeds from the sale or other disposition of the Notes are received from a source within Russia by a non-resident legal entity, which is caused by isolated precedents in which the Russian tax authorities challenged the non-application of the Russian tax to the amount of accrued interest (coupon) embedded into the sale price of the Notes. Although the Russian Ministry of Finance in its most recent clarification letters opined that the amount of sale or other disposal proceeds attributable to the accrued interest on the Notes paid to a non-Russian organisation should not be regarded as Russian source income and on this basis should not be subject to taxation in Russia, there remains a possibility that a Russian entity or a foreign entity having a registered tax presence in Russia which purchases the Notes or acts as an intermediary may seek to assess Russian withholding

tax at the rate of 20 per cent. (or such other rate as could be effective at the time of such sale or other disposal) on the accrued interest portion of the disposal proceeds.

Where proceeds from the sale or other disposal of the Notes are deemed to be received from a source within Russia by an individual not recognised as a tax resident in Russia, a Russian personal income tax at a tax rate of 30 per cent. may apply to the gross amount of sales or other disposal proceeds realised upon such sale or other disposal of the Notes less any available duly documented cost deductions (including the acquisition cost of the Notes and other documented expenses related to the acquisition, holding and the sale or other disposal of the Notes), provided that the documentation supporting cost deductions is available in a timely manner to the tax agent that is obliged to calculate and withhold Russian personal income tax. Although such tax may be reduced or eliminated based on provisions of an applicable double tax treaty subject to timely compliance by that Noteholder with the treaty clearance formalities, in practice a non-resident Noteholder, who is an individual may not be able to obtain the advance treaty relief in relation to sales or disposal proceeds received from a source within Russia, while obtaining a refund of taxes withheld can be extremely difficult, if not impossible.

Further, even though the Russian Tax Code requires only a Russian professional asset manager or broker or another person (including an economically autonomous subdivision of a foreign company in Russia or an individual entrepreneur located in Russia) acting under an asset management agreement, a brokerage service agreement, an agency agreement, a commission agreement or a commercial mandate agreement to withhold tax from payment to an individual associated with the disposition of securities, there is no guarantee that other Russian companies or foreign companies operating in Russia or an individual entrepreneur located in Russia would not seek to withhold tax. The imposition or possibility of imposition of Russian withholding tax, as applicable, under such circumstances could adversely affect the value of the Notes.

Examiners, preferred creditors under Irish law and floating charges may impose additional risks on the Notes

Centre of Main Interest

The Issuer has its registered office in Ireland. Under Regulation (EU) No. 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings (recast) ("**Recast EU Insolvency Regulation**"), the Issuer's centre of main interest ("**COMI**") is presumed to be the place of its registered office (i.e. Ireland) in the absence of proof to the contrary and provided that the Issuer did not move its registered office within the 3 months prior to a request to open insolvency proceedings.

As the Issuer's COMI is presumed to be Ireland, any main insolvency proceedings in respect of the Issuer would fall within the jurisdiction of the courts of Ireland. As to what might constitute "*proof to the contrary*" regarding the location of a company's COMI, the key decision is that in *Re Eurofood IFSC Ltd* ([2004] 4 IR 370 (Irish High Court); [2006] IESC 41 (Irish Supreme Court); [2006] Ch 508; ECJ Case C-341/04 (European Court of Justice)), given in respect of the equivalent provision in the previous EU Insolvency Regulation (Regulation (EC) No. 1346/2000). In that case, on a reference from the Irish Supreme Court, the European Court of Justice concluded that "*factors which are both objective and ascertainable by third parties*" would be needed to demonstrate that a company's actual situation is different from that which the location of its registered office is deemed to reflect.

As the Issuer has its registered office in Ireland, has Irish directors, is registered for tax in Ireland and has retained an Irish corporate services provider, the Issuer does not believe that factors exist that would rebut the presumption that its COMI is located in Ireland, although this would ultimately be a matter for the relevant court to decide based on the circumstances existing at the time when it was asked to make that decision. If the Issuer's COMI was found to be in another EU jurisdiction and not in Ireland, main insolvency proceedings would be opened in that jurisdiction instead.

Examinership

Examinership is a court moratorium/protection procedure which is available under Irish company law to facilitate the survival of Irish companies in financial difficulties. Where a company, which has its COMI in Ireland is, or is likely to be, unable to pay its debts an examiner may be appointed on a petition to the relevant Irish court under Section 509 of the Companies Act 2014, as amended (the "**Companies Act 2014**").

The Issuer, the shareholders, directors and a contingent, prospective or actual creditor of the Issuer are each entitled to petition the court for the appointment of an examiner. The examiner, once appointed, has wide powers binding on the company.

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement to assist in the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the relevant Irish court when a minimum of one class of creditors, whose interests are impaired under the proposals, has voted in favour of the proposals and the relevant Irish court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement and the proposals are not unfairly prejudicial to any interested party.

The fact that the Issuer is a special purpose entity and that all its liabilities are of a limited recourse nature means that it is unlikely that an examiner would be appointed to the Issuer.

If, however, for any reason, an examiner were appointed while any amounts due by the Issuer under the Notes were unpaid, the primary risks to the holders of Notes would be as follows:

- (i) the Trustee, acting on behalf of Noteholders, would not be able to enforce rights against the Issuer during the period of examinership; and
- (ii) a scheme of arrangement may be approved involving the writing down of the debt due by the Issuer to the Noteholders irrespective of the Noteholders' views.

Preferred Creditors

If the Issuer becomes subject to an insolvency proceeding and the Issuer has obligations to creditors that are treated under Irish law as creditors that are senior relative to the Noteholders, the Noteholders may suffer losses as a result of their subordinated status during such insolvency proceedings. In particular:

- (i) under the terms of the Trust Deed, the Notes will be secured in favour of the Trustee for the benefit of itself and the Noteholders by security over the Loan Agreement and sums held in the related account with the Principal Paying Agent. Under Irish law, the claims of creditors holding fixed charges may rank behind other creditors (namely fees, costs and expenses of any examiner appointed and certain capital gains tax liabilities) and, in the case of fixed charges over book debts, may rank behind claims of the Irish Revenue Commissioners for PAYE, local property tax and VAT;
- (ii) under Irish law, for a charge to be characterised as a fixed charge, the charge holder is required to exercise the requisite level of control over the assets purported to be charged and the proceeds of such assets including any bank account into which such proceeds are paid. There is a risk therefore that even a charge which purports to be taken as a fixed charge, such as the Charge, may take effect as a floating charge if a court deems that the requisite level of control was not exercised; and
- (iii) in an insolvency of the Issuer, the claims of certain other creditors (including the Irish Revenue Commissioners for certain unpaid taxes), as well as those of creditors mentioned above, will rank in priority to claims of unsecured creditors and claims of creditors holding floating charges.

Changes in tax law may increase the Issuer's tax status, which could increase the Borrower's costs

Generally, the Borrower has agreed to pay or reimburse certain costs or taxes incurred by the Issuer in connection with the granting of the Loan and the issue of the Notes. Fiscal and taxation policy and practice is constantly evolving and recently the pace of change has increased due to a number of developments. These include number of changes of law and practice are occurring as a result of the OECD Action Plan on Base Erosion and Profit Shifting. Investors should note that certain action points which form part of the BEPS project (such as Action 4, which can deny deductions for financing costs or Action 6 on the prevention of treaty abuse) may be implemented in a manner which adversely affects the tax position of the Issuer.

As part of its anti-tax avoidance package, and to provide a framework for a harmonised implementation of a number of the BEPS conclusions across the EU, the EU Council adopted Council Directive (EU) 2016/1164 (the "**Anti-Tax Avoidance Directive**") on 12 July 2016. Council Directive (EU) 2017/952 (the "**Anti-Tax Avoidance Directive 2**") was adopted on 29 May 2017, amending the Anti-Tax Avoidance Directive, to provide for minimum standards for counteracting hybrid mismatches involving EU member states and third countries. EU member states must implement the Anti-Tax Avoidance Directive by 2019 (subject to derogations for EU member states which have equivalent measures in their domestic law) and have until 31 December 2019 to implement the Anti-

Tax Avoidance Directive 2 (except for measures relating to reverse hybrid mismatches, which must be implemented by 31 December 2021).

The Directives contain various measures that could, depending on their implementation in Ireland, potentially result in certain payments made by the Issuer ceasing to be fully deductible, which could increase the Issuer's liability to tax and reduce the amounts available for payments on the Notes. In particular, the Anti-Tax Avoidance Directive provides for an "interest limitation rule" which restricts the deductible interest of an entity to 30 per cent. of its earnings before interest, tax, depreciation and amortisation. This interest limitation only applies to the net borrowing costs of an entity (being the amount by which its borrowing costs exceed its taxable interest revenues and other economically equivalent taxable revenues). In addition, the Anti-Tax Avoidance Directive (as amended by the Anti-Tax Avoidance Directive 2) provides for hybrid mismatch rules. These rules are designed to neutralise arrangements where amounts are deductible from the income of one entity but are not taxable for another, or the same amounts are deductible for two entities. These rules could potentially apply to the Issuer where: (i) the interest that it pays under the Notes, and claims deductions from its taxable income for, is not brought into account as taxable income by the relevant Noteholder, either because of the characterisation of the Notes, or the payments made under them, or because of the nature of the Noteholder itself; and (ii) the mismatch arises between associated enterprises, between the Issuer and an associated enterprise or under a structured arrangement.

The exact scope of these two measures, and impact on the Issuer's tax position, will depend on the implementation of the measures in Ireland. Any adverse change to the Issuer's tax position could increase the costs payable by the Borrower or, failing which, result in the Issuer having insufficient funds after payment of applicable tax to fulfil its obligations under the Notes.

FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus are not historical facts but constitute forward-looking statements. Such forward-looking statements are set forth under the headings "*Risk Factors*", "*Operating and Financial Review*" and "*Business*" and elsewhere in this Prospectus. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. Uralkali may from time to time make written or oral forward-looking statements in reports to shareholders, holders of debt securities and in other communications. Examples of such forward-looking statements include, but are not limited to:

- the valuation and sufficiency of the Group's reserves, resources and production capacities and volumes;
- strategies, objectives, outlook and growth prospects;
- future plans, financial position, expectations, projections and potential for future growth;
- future revenues and performance;
- integration of the Group's businesses;
- liquidity, capital resources and capital expenditures;
- growth in demand for the Group's products;
- economic outlook and industry trends;
- developments of the Group's markets;
- the impact of regulatory initiatives;
- the Group's competitive strengths and weaknesses;
- plans or intentions relating to acquisitions; and
- the strengths of the Group's competitors.

In particular, included throughout this Prospectus are statements relating to the Group's current and future investment plans. While such statements accurately reflect Uralkali's current expectations, such expectations are based on a number of assumptions, which may prove to be incorrect or which may change, thereby causing the Group to revise its investment plans. Further, except where otherwise specifically indicated, the Group is not contractually or otherwise committed to making such investments or expenditures, and consequently the Group may choose to invest less than the amounts stated herein, or not at all.

Forward-looking statements that may be made by the Group from time to time (but that are not included in this Prospectus) may also include projections or expectations of revenues, income (or loss), earnings (or loss) per share, dividends, capital structure or other financial items or ratios.

Words such as targets, believes, anticipates, expects, estimates, intends, plans, will, may, could or should and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. In addition to these important factors and matters discussed elsewhere herein, important factors that, in Uralkali's view, could cause actual results to differ materially from those discussed in the forward-looking statements include:

- economic, social, legal and political developments in the Russian Federation and the international markets in which the Group operates;
- changes in the demand and prices for the Group's potash products;
- tariffs and other restrictions on the export of potash materials and government policies regulating prices for potash fertilisers;
- the costs of energy and transportation;
- risks relating to the Group's mining operations, including environmental remediation liabilities;
- the Group's ability to fund its future operations and capital needs through borrowing or otherwise;
- the Group's ability to successfully implement any of its business strategies;
- the Group's ability to integrate its businesses, and to realise anticipated cost savings and operational benefits from such integration;
- the Group's ability to obtain the licences necessary for its businesses;
- the effects of competition;
- the effects of governmental regulation;
- the effects of international political events;
- inflation, interest rate and exchange rate fluctuations; and
- the Group's success in identifying other risks to its businesses and managing the risks of the aforementioned factors.

This list of important factors is not exhaustive. When relying on forward-looking statements, prospective investors should carefully consider the aforementioned factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Group operates. Such forward-looking statements speak only as at the date on which they are made and are not subject to any continuing obligations under any guidelines issued by the Euronext Dublin or the Central Bank. Accordingly, the Issuer and Uralkali do not undertake any obligation to update or review any of them, whether as a result of new information, future events or otherwise. The Issuer and Uralkali do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

ENFORCEABILITY OF JUDGMENTS IN THE RUSSIAN FEDERATION

Uralkali exists under the laws of the Russian Federation in accordance with the Civil Code and the Joint Stock Companies Law and substantially all of the assets of Uralkali and the assets of the Group's consolidated subsidiaries are located outside the United Kingdom and the United States. In addition, substantially all of the directors and executive officers of Uralkali are residents of countries other than the United Kingdom or the United States, principally the Russian Federation. As a result, it may not be possible for Noteholders and/or the Trustee to:

- effect service of process within the United Kingdom or the United States upon Uralkali or substantially all of the directors or executive officers of Uralkali named in this Prospectus; or
- enforce, in the English or U.S. courts, judgments obtained outside English or U.S. courts against Uralkali or substantially all of its directors and executive officers named in this Prospectus.

In addition, it may be difficult for the Noteholders and/or the Trustee to enforce, in original actions brought in courts in jurisdictions located outside the United Kingdom and the United States, liabilities predicated upon English laws or U.S. federal securities laws. Courts in the Russian Federation will generally recognise and enforce judgments rendered by a court in any jurisdiction outside the Russian Federation if (i) an international treaty providing for the recognition and enforcement of judgments in civil cases exists between the Russian Federation and the country where the judgment is rendered (ii) a federal law is adopted in the Russian Federation providing for the recognition and enforcement of foreign court judgments and/or (iii) on the basis of reciprocity. No such treaty for the reciprocal recognition and enforcement of foreign court judgments in civil and commercial matters exists between the Russian Federation and certain other jurisdictions (including the United Kingdom and the United States), and no relevant federal law on enforcement of foreign court judgments of such jurisdictions has been adopted in the Russian Federation. Although on 2 July 2019 the Russian Federation signed the final act of the 2019 Convention on the Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters (the "**Hague Judgments Convention**"), neither the Russian Federation nor any other state (except for Uruguay) has signed the Hague Judgments Convention as at the date of this Prospectus. Besides, the Hague Judgments Convention has not entered into force yet. Consequently, as at the date of this Prospectus the Russian Federation is not a party to any international treaty providing for the recognition and enforcement of judgments in civil cases rendered by the courts of the United Kingdom or the United States. As a result, new proceedings may have to be brought in the Russian Federation against Uralkali or their officers or directors.

In the absence of an applicable treaty, enforcement of a final judgment rendered by a foreign court may still be recognised by a Russian court on the basis of reciprocity, if courts of the country where the foreign judgment is rendered have previously enforced judgments issued by Russian courts. While there have been instances when Russian courts have recognised and enforced English court judgments on grounds of reciprocity, the existence of reciprocity must be established at the time the recognition and enforcement of a foreign judgment is sought, and it is not possible to predict whether a Russian court will in the future recognise and enforce on the basis of reciprocity a judgment issued by a foreign court, including an English or a United States court.

Even if an applicable international treaty is in effect or a foreign judgment might otherwise be recognised and enforced on the basis of reciprocity, the recognition and enforcement of a foreign judgment will in all events be subject to exceptions and limitations provided for in Russian law. For example, a Russian court may refuse to recognise or enforce a foreign judgment if its recognition or enforcement would contradict Russian public policy.

In addition, in the absence of established court practice, it is difficult to predict whether a Russian court will be inclined in any particular instance to recognise and enforce an English court judgment on these grounds. Furthermore, Russian courts have limited experience in the enforcement of foreign court judgments. The limitations described above, including the general procedural grounds set out in Russian legislation for the refusal to recognise and enforce foreign court judgments in Russia, may significantly delay the enforcement of such judgment, or completely deprive the Issuer, the Noteholders or the Trustee of effective legal recourse for claims under the Notes or the relevant Loan.

The Loan Agreement and any non-contractual obligations arising out of or in connection with them will be governed by English law and will provide for disputes, controversies and causes of action brought by any party thereto to be settled by arbitration in accordance with the rules of the LCIA (formerly the London Court of International Arbitration) (the "**LCIA Rules**"). The place of such arbitration shall be London, England. The Russian Federation and the United Kingdom are parties to the United Nations (New York) Convention on the

Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**"). Consequently, Russian courts should generally recognise and enforce in the Russian Federation an arbitral award from an arbitral tribunal in the United Kingdom on the basis of the rules of the New York Convention (subject to qualifications provided for in the New York Convention and compliance with Russian procedural regulations and other procedures and requirements established by Russian legislation).

The Arbitrazh Procedural Code of the Russian Federation (the "**Arbitrazh Procedural Code**") sets out the procedure for the recognition and enforcement of foreign arbitral awards by Russian courts. The Arbitrazh Procedural Code also contains an exhaustive list of grounds for the refusal of recognition and enforcement of foreign arbitral awards by Russian courts, which grounds are broadly similar to those provided by the New York Convention.

The Arbitrazh Procedural Code and other Russian procedural legislation could change, and other grounds for Russian courts to refuse the recognition and enforcement of foreign courts' judgments and foreign arbitral awards could arise in the future. In practice, reliance upon international treaties may meet with resistance or a lack of understanding on the part of a Russian court or other officials, thereby introducing delay and unpredictability into the process of enforcing any foreign judgment or any foreign arbitral award in the Russian Federation.

Furthermore, a Russian court may refuse to recognise or enforce an arbitral award under the LCIA Rules, if its recognition or enforcement would contradict Russian public policy and the application of English law to each Loan Agreement, and any non-contractual obligations arising out of or in connection with any Loan Agreement may be limited or precluded by the mandatory provisions of Russian laws relating to the exclusive jurisdiction of Russian courts and the application of mandatory provisions of Russian laws with respect to bankruptcy, winding up or liquidation of Russian companies.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

The following consolidated financial statements of the Group form part of this Prospectus:

- the Group's audited consolidated financial statements for the year ended 31 December 2018 (which include the comparative consolidated financial information for the year ended 31 December 2017) (the "**2018 Financial Statements**") and the Group's audited consolidated financial statements for the year ended 31 December 2017 (which include the comparative consolidated financial information for the year ended 31 December 2016) (the "**2017 Financial Statements**", and together with the 2018 Financial Statements, the "**Audited Financial Statements**"); and
- the Group's unaudited interim condensed consolidated financial statements as of and for the six months ended 30 June 2019 (which include as comparatives the consolidated financial information as of 31 December 2018 and consolidated financial information for the six months ended 30 June 2018) (the "**Interim Financial Statements**", and together with the Audited Financial Statements, the "**Financial Statements**").

The Group's Audited Financial Statements included in this Prospectus together with the notes thereto were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**").

The Interim Financial Statements were prepared in accordance with the requirements of International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting".

The Financial Statements, together with the respective notes thereto, are included in this Prospectus beginning on page F-2.

New accounting standards

On 1 January 2018, the Group adopted IFRS 9 "Financial Instruments" ("**IFRS 9**"). As permitted by the transition provisions of IFRS 9, the comparative period was not restated. The impact of the adoption of IFRS 9 which amounted to U.S.\$ 478 thousand has been recognised directly in retained earnings on 1 January 2018.

In addition, on 1 January 2018 the Group also adopted IFRS 15 "Revenue from Contracts with Customers" ("**IFRS 15**"). IFRS 15 was applied using the modified retrospective method, with the effect of initial application recognised on the date of initial application and without restatement of the comparative periods. The adoption of IFRS 15 did not have a material impact on the consolidated financial statements of the Group.

The 2017 Financial Statements do not reflect the changes from the application of IFRS 9 and IFRS 15. The 2017 Financial Statements applied IAS 39 "Financial Instruments: Recognition and Measurement" and IAS 18 "Revenue", which were the accounting standards in effect at the time of the relevant reporting periods. Accordingly, due to the adoption of new accounting standards, the 2017 Financial Statements are not directly comparable to the 2018 Financial Statements.

Also, on 1 January 2019 the Group adopted IFRS 16 "Leases" ("**IFRS 16**"). IFRS 16 was applied retrospectively with the cumulative effect of the initial application of the standard recognised at the date of the initial application. The increase in assets and liabilities due to the recognition of operating leases on the statement of financial position at 1 January 2019 amounted to U.S.\$ 16,010 thousand. The Audited Financial Statements do not reflect the changes from the application of IFRS 16. In the preparation of the Audited Financial Statements IAS 17 "Leases" was applied which was the accounting standard in effect at the time of the relevant reporting periods. Therefore, due to the adoption of new accounting standards, the Audited Financial Statements are not directly comparable to the Interim Financial Statements.

Non-IFRS measures

This Prospectus includes certain financial measures that are not measures of performance specifically defined by IFRS. These include Adjusted EBITDA, Adjusted EBITDA margin, Net revenues, Net debt, Net debt/Adjusted

EBITDA, Capital expenditure and Cash cost of finished goods per tonne (without goods for resale) (together the "Non-IFRS measures").

Throughout this Prospectus (unless stated otherwise), the following definitions are used:

- "**Adjusted EBITDA**" for any period represents net profit for the respective period adjusted for income tax expense, finance expense, finance income, depreciation and amortisation expenses. Finance expense and finance income include interest expense and interest income, foreign exchange gain/(loss); net fair value gain/(loss) on derivative financial instruments; net gain/(loss) from unwinding and effect of changes in effective interest rate; syndication fees and other finance charges; letters of credit fees; fair value losses on investments; loss from associate; dividend income; net other finance income/(expenses).

Adjusted EBITDA presented by the Group has been calculated by the Group's management based on information derived from the Financial Statements and other relevant information contained in "*Selected Financial and Operating Information*". Adjusted EBITDA is presented in this Prospectus because the Group considers it to be an important supplemental measure of the Group's financial performance. Additionally, the Group believes this measure is frequently used by investors, securities analysts and other interested parties to evaluate the efficiency of operations of a particular group of companies and its ability to employ its earnings toward repayment of debt. Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation or as a substitute for the Group's operating results as reported under IFRS. Some of these limitations are as follows:

- Adjusted EBITDA does not reflect the impact of significant interest expense or the cash requirements necessary to service interest or principal payments in respect of any borrowings, which could increase further if the Group incurs more debt;
- Adjusted EBITDA does not reflect the impact of income tax expense on the Group's operating performance;
- Adjusted EBITDA does not reflect the impact of depreciation and amortisation of assets on the Group's performance. The assets of the Group's business which are being depreciated and amortised will have to be replaced in the future, and such depreciation and amortisation expense may approximate the cost to replace these assets in the future. By excluding this expense from Adjusted EBITDA, Adjusted EBITDA does not reflect the Group's future cash requirements for these replacements;
- Adjusted EBITDA does not reflect the impact of a number of other significant non-cash items, specifically: foreign exchange gain/(loss); net fair value gain/(loss) on derivative financial instruments; net gain/(loss) from unwinding and effect of changes in effective interest rate; syndication fees and other finance charges; letters of credit fees; fair value losses on investments; loss from associate; dividend income; net other finance income/(expenses);
- Other companies in the Group's industry may calculate Adjusted EBITDA differently or may use them for different purposes than the Group does, which limits its use as a comparative measure.

The Group compensates for these limitations by relying on its IFRS results and using Adjusted EBITDA only as a supplemental measure. Adjusted EBITDA is a measure of the Group's operating performance that is not required by, or presented in accordance with, IFRS. Adjusted EBITDA is not a measurement of the Group's operating performance under IFRS and should not be considered as an alternative to profit for the period or any other performance measures derived in accordance with IFRS. For the calculation of the Group's Adjusted EBITDA and the reconciliation of Adjusted EBITDA to profit / (loss) for the six months ended 30 June 2019 and 2018 and the years ended 31 December 2018, 2017 and 2016 and other relevant periods, see "*Selected Financial and Operating Information*".

- "**Adjusted EBITDA margin**" for any period represents Adjusted EBITDA for the relevant period divided by Net revenues for the same period expressed as a percentage.
- "**Net revenues**" for any period represents revenues less freight, railway tariff and rent of wagons and transshipment costs.

Net revenues presented by the Group has been calculated by the Group's management based on the information derived from the Financial Statements and other relevant information contained in "*Selected Financial and Operating Information*". Net revenues are presented in this Prospectus, because the Group believes they serve as a metric for comparing the Group's revenues against that of its peers. In addition, the Group uses this metric to compare the Group's revenue period-to-period and to monitor revenues from the sale of finished goods and goods for resale excluding the impact of freight, railway tariff, rent of wagons and transshipment costs. Net revenues are not defined by IFRS and should not be considered in isolation or as an alternative to revenue. The Group's calculation of Net revenues may be different from that used by other companies and therefore their comparability may be limited.

- "**Net debt**" for the six months ended 30 June 2019, represents total loans and borrowings adjusted for cash and cash equivalents at the end of the relevant period. For the periods ended 30 June 2018 and 31 December 2018, 2017 and 2016, Net Debt represents total borrowings and bonds adjusted for cash and cash equivalents at the end of the relevant period.

Net debt presented by the Group has been calculated by management based on information derived from the Financial Statements and other relevant information contained in "*Selected Financial and Operating Information*". Net debt is presented in this Prospectus, because the Group believes it serves as a metric for analysing the Group's liquidity. Net debt is not defined by IFRS and should not be considered in isolation or as an alternative to total loans and borrowings. The Group's calculation of Net debt may be different from that used by other companies and therefore their comparability may be limited.

- "**Net debt/Adjusted EBITDA**" is calculated, for any period, as Net debt as at the end of the relevant period divided by Adjusted EBITDA for the relevant period. For the purposes of calculation of Net Debt/Adjusted EBITDA ratio as of 30 June 2019, Adjusted EBITDA is calculated for the last twelve months ended on 30 June 2019 (being Adjusted EBITDA for the year ended 31 December 2018 less Adjusted EBITDA for the six months ended 30 June 2018 plus Adjusted EBITDA for the six months ended 30 June 2019).
- "**Capital expenditure**" is calculated, for any period, as the sum of acquisition of property, plant and equipment and acquisition of intangible assets for the relevant period.

Capital expenditure presented by the Group has been calculated by the Group's management based on information derived from the Financial Statements and other relevant information contained in "*Selected Financial and Operating Information*". Capital expenditure is presented in this Prospectus, because the Group believes it serves as a metric for analysing the Group's Capital expenditure. Capital expenditure is not defined by IFRS and should not be considered in isolation or as an alternative to cash outflow for the acquisition of property, plant and equipment or acquisition of intangible assets.

- "**Cash cost of finished goods per tonne (without goods for resale)**" is calculated, for any period, as cost of sales of finished goods (without goods for resale) less depreciation and amortisation of licences expenses included in cost of sales for the relevant reporting period divided by the quantity of sold finished goods for the relevant period (in tonnes). "**Cash cost of finished goods (without goods for resale)**" is calculated, for any period, as cost of sales of finished goods (without goods for resale) less depreciation and amortisation of licences expenses included in cost of sales for the relevant reporting period.

Cash cost of finished goods per tonne (without goods for resale) presented by the Group has been calculated by the Group's management based on information derived from the Financial Statements and other relevant information contained in "*Selected Financial and Operating Information*". Cash cost of finished goods per tonne (without goods for resale) is presented in this Prospectus, because the Group believes it serves as a metric for comparing the Group's operational performance against that of its peers. In addition, the Group uses this measurement to compare the performance of the Group's operations period-to-period, to monitor costs of finished goods and to evaluate efficiency of the operations. Cash cost of finished goods per tonne (without goods for resale) is not defined by IFRS and should not be considered in isolation or as an alternative to cost of sales. Although the presentation of Cash cost of finished goods per tonne (without goods for resale) is an industry practice, the Group's calculations of these items may vary from those of other companies, and therefore their comparability may be limited.

For a reconciliation of Non-IFRS measures for the relevant reporting periods, see "*Selected Financial and Operating Information*".

Uralkali has included these measures because it believes that they enhance an investor's understanding of the Group's financial performance. Further, Uralkali uses the non-IFRS measures disclosed in this Prospectus in the Group's business operations to, among other things, evaluate the performance of operations and develop budgets and measure performance against those budgets. Uralkali also believes that these non-IFRS measures are commonly reported by comparable businesses and used by investors in comparing the performance of businesses. In addition, certain of the Group's financing facilities contain financial covenants that are based on similarly titled measures, calculated using the methodology set out in those facilities.

The non-IFRS measures disclosed in this Prospectus are unaudited supplementary measures of the Group's performance and liquidity that are not required by, or presented in accordance with, IFRS. These measures are not defined by IFRS and Uralkali's use and definition of these metrics may vary from other companies in its industry due to differences in accounting policies or differences in the calculation methodology. These non-IFRS measures have limitations as analytical tools and should not be considered in isolation, or as substitutes for, or superior to, the equivalent measures calculated and presented in accordance with IFRS or those calculated using financial measures that are calculated in accordance with IFRS. Accordingly, undue reliance should not be placed on the non-IFRS measures presented in this Prospectus.

Presentation of Ore Reserves and Mineral Resources

The resource and reserve estimates presented in this Prospectus have been prepared in accordance with the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "**JORC Code**") and, unless otherwise stated, are presented as of 1 January 2019. Investors should note, however, that the JORC Code may differ in several significant respects from other reserves reporting standards and may not be fully comparable thereto. See "*Risk Factors – The stated resources and reserves of the Group may be materially different from mineral quantities that the Group may actually recover*".

General Information

In this Prospectus, references to:

- "**Russia**" are to the Russian Federation;
- "**U.S.**", "**US**", "**USA**" or the "**United States**" are to the United States of America;
- "**U.K.**" or the "**United Kingdom**" are to the United Kingdom of Great Britain and Northern Ireland;
- "**EEA**" are to the European Economic Area; and
- "**EU**" are to the European Union.

Unless otherwise stated, references to volumes of potash in this Prospectus are to volumes of KCl. Definitions of certain terminology associated with the Group's business are set forth under "*Glossary of Technical Terms*".

Currencies

The functional currency of the Group is the rouble, as it reflects the economic substance of its operations. The Group uses the U.S. dollar as the presentation currency for its consolidated financial statements prepared in accordance with IFRS. Solely for the convenience of the reader, certain amounts included in this Prospectus have been translated from roubles into U.S. dollars, using the official rate quoted by the CBR (for details of the exchange rates quoted by the CBR see "*Exchange Rates*"). Investors in the Notes should not construe those translations as a representation that those amounts could be converted from one currency to another at any particular rate or at all.

In this Prospectus, references to:

- "**U.S. dollars**", "**US dollars**", "**U.S.\$**", "**US\$**" or "**\$**" are to the lawful currency of the United States;
- references to "**roubles**" or "**RUB**" are to the lawful currency of the Russian Federation; and

- references to "**euro**" or "**EUR**" are to the lawful currency of the member states of the European Union that adopted the single currency in accordance with the Treaty of Rome establishing the European Economic Community, as amended.

Exchange Rates

The following tables show, for the periods indicated, certain information regarding the exchange rate between the rouble and the U.S. dollar, based on the official exchange rate quoted by the CBR. These rates differ from the actual rates used in the preparation of the Group's financial statements and other financial information appearing in this Prospectus.

Year ended 31 December	Roubles per U.S. Dollar			
	High	Low	Average ⁽¹⁾	Period end ⁽²⁾
2014	67.79	32.66	38.42	56.26
2015	72.88	49.18	60.96	72.88
2016	83.59	60.27	67.03	60.66
2017	60.75	55.85	58.35	57.60
2018	69.97	55.67	62.71	69.47

Month	High	Low	Average ⁽¹⁾	Period end ⁽²⁾
January 2019	69.47	65.92	67.35	66.10
February 2019	66.70	65.26	65.86	65.76
March 2019	66.08	63.74	65.15	64.73
April 2019	65.47	63.79	64.62	64.69
May 2019	65.47	64.42	64.82	65.06
June 2019	65.55	62.52	64.23	63.08
July 2019	63.87	62.81	63.20	63.38
August 2019	66.78	63.42	65.53	66.49
September 2019	66.91	63.71	64.99	64.42
October 2019 (up to and including 18 October 2019)	65.44	64.01	64.70	64.01

(1) The weighted average of the exchange rates for each day during the year or period, as applicable.

(2) The period end rates are quoted for the last business day of the relevant period.

Source: CBR

The Rouble/U.S. Dollar exchange rate as quoted by the CBR on 18 October 2019 was 64.01 roubles per 1 U.S. Dollar.

No representation is made that amounts presented in a particular currency in this Prospectus could have been converted into such currency at any particular rate or at all. A market exists for the conversion of roubles into other currencies, but the limited availability of other currencies may tend to inflate their values relative to the rouble. Fluctuations in the exchange rates between the rouble and the U.S. dollar in the past are not necessarily indicative of fluctuations that may occur in the future. These rates may also differ from the actual rates used in the preparation of certain financial information in this Prospectus.

Rounding

Certain figures included in this Prospectus have been subject to rounding adjustments, accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Reproduction of Information and Third Party Data

This Prospectus includes, in the "Industry Overview" section, market data that Uralkali has obtained from, and attributed to, the industry and other sources specified therein, and, in relation to data on other potash producers in that section, from information published by the companies referred to in that section. In addition, information under the headings "Overview of the Group", "Risk Factors", "Operating and Financial Review" and "Business"

includes extracts from information and data publicly released by the following official and other sources: the CBR, the Federal State Statistics Service ("**Rosstat**"), the Ministry of Economic Development of Russia, the United Nations, Food and Agricultural Organisation of the United Nations, International Monetary Fund, U.S. Energy Information Administration, U.S. Geological Survey, Argus, IFA, Fertecon, International Plant Nutrition Institute, American Enterprise Institute.

In this Prospectus, any references to Argus being the source of the relevant information or references to data published by Argus means references to "World Potash Outlook to 2032" prepared by Argus in December 2018 or any other information published by Argus prior to 1 October 2019.

The Issuer and Uralkali accept responsibility for having correctly reproduced information obtained from industry publications or public sources, and, as far as the Issuer and Uralkali are aware and have been able to ascertain from information published by those industry publications or public sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, investors should keep in mind that neither the Issuer nor Uralkali have independently verified information which they have obtained from third-party sources, including from industry and Russian Government bodies. Certain market share information and other statements in this Prospectus regarding the industry in which the Group operates and the position of the Group relative to its competitors are not based on published statistical data or information obtained from independent third parties. Rather, such information and statements reflect the reasonable estimates of Uralkali based upon information obtained from trade and business organisations and associations and other contacts within the potash industry. This information from the internal estimates and surveys of the Group has not been verified by any independent sources.

Investors should also note that the official data published by Russian federal, regional and local governments are substantially less complete or researched than those of Western countries. Official statistics may also be produced on different bases than those used in Western countries. Any discussion of matters relating to Russia in this Prospectus are, therefore, subject to uncertainty due to concerns about the completeness or reliability of available official and public information.

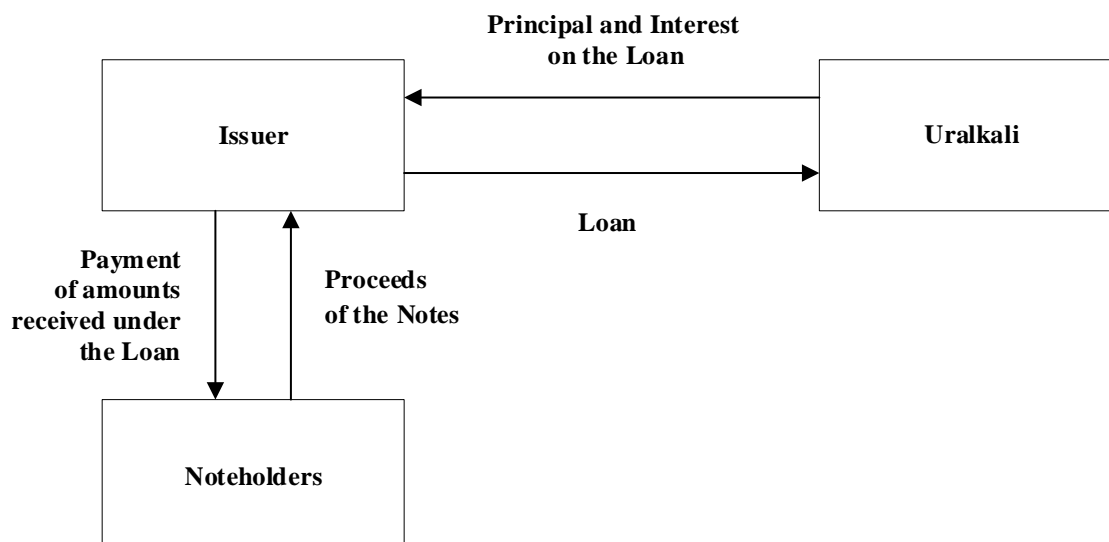
Certain Definitions

Solely for the purposes of the "*Use and Estimated Net Amount of Proceeds*" section of this Prospectus, all references in that section to:

- "**Activity subject to Sanctions**" are to any activity specified or referenced in the United States Countering America's Adversaries Through Sanctions Act, Pub. L. No 115-44 (2017), as amended, supplemented or supplanted from time to time, which could reasonably be expected to be a basis for the imposition of sanctions or penalties on any person as a result of such person engaging in such activity;
- "**Sanctions**" are to any economic, financial, or trade sanctions laws, regulations or other restrictive measures administered or enforced by the United Nations, United States of America, the European Union, a member state of the European Union, the United Kingdom or any governmental or regulatory authority, institution or agency of any of the foregoing including, without limitation, the United Nations Security Council, the Office of Foreign Assets Control of the United States Department of the Treasury, the United States Department of State or Her Majesty's Treasury of the United Kingdom, Swiss Secretariat for Economic Affairs SECO or any other relevant sanctions authority;
- "**Sanctioned Country**" are to a country or territory that is the subject or the target of country-wide or territory-wide Sanctions, including, without limitation, Crimea and Sevastopol, Cuba, Iran, North Korea and Syria.

DESCRIPTION OF THE TRANSACTION AND THE SECURITY

The following overview description should be read in conjunction with, and is qualified in its entirety by "Terms and Conditions of the Notes", "Clearing and Settlement" and "Loan Agreement".



The transaction will be structured around the Loan to Uralkali by the Issuer. The Issuer will issue the Notes, which will be limited recourse secured loan participation notes issued for the sole purpose of funding the Loan to Uralkali.

The Notes will be constituted by, be subject to, and have the benefit of, the Trust Deed. The obligations of the Issuer to make payments under the Notes shall constitute an obligation only to account to the Noteholders for an amount equal to the sums of principal, interest and/or additional amounts (if any) due under the Loan and actually received and retained (net of tax) by or for the account of the Issuer from Uralkali pursuant to the Loan Agreement, less any amount in respect of the Reserved Rights. The Issuer will have no other financial obligations under the Notes and no other assets of the Issuer will be available to Noteholders. In the event that the amount due and payable by the Issuer under such Notes exceeds the sums so received or recovered and retained (net of tax), the right of any person to claim payment of any amount exceeding such sums shall be extinguished, and Noteholders may take no further action to recover such amounts.

As provided in the Trust Deed, the Issuer, with full title guarantee and as continuing security for the payment of all sums under the Trust Deed and the Notes, will charge by way of first fixed charge in favour of the Trustee (the "**Charge**"):

- (a) all its rights to principal, interest and other amounts now or hereafter payable to the Issuer by Uralkali under the Loan Agreement;
- (b) the right to receive all sums which may be or become payable by Uralkali under any claim, award or judgment relating to the Loan Agreement; and
- (c) all the rights, title and interest in and to all sums of money now or in the future deposited in an account with the Principal Paying Agent in the name of the Issuer (the "**Account**") and the debts represented thereby (including interest from time to time earned on the Account, if any),

provided that for the avoidance of doubt, the Issuer shall remain the legal and beneficial owner of the property subject to the Charge following the granting of the Charge and that Reserved Rights and any amounts relating to Reserved Rights are excluded from the Charge.

In addition, the Issuer with full title guarantee will assign absolutely by way of security to the Trustee for the benefit of the Trustee and the Noteholders all the rights, interest and benefits, both present and future, which have

accrued or may accrue to the Issuer as lender under or pursuant to the Loan Agreement (as amended from time to time), including, without limitation, all monies payable to the Issuer and any claims, awards and judgments in favour of the Issuer in connection with the Loan Agreement (as amended from time to time) and the right to declare the Loan immediately due and payable and to take proceedings to enforce the obligations of Uralkali thereunder (but excluding the Reserved Rights, any amounts relating to the Reserved Rights and those rights subject to the Charge). As a consequence of such assignment, the Trustee will assume the rights of the Issuer under the Loan Agreement as set out in the relevant provisions of the Trust Deed. Formal notice of the Charge and assignment will be given to Uralkali who will be required to acknowledge the same.

The Issuer will covenant in the Trust Deed not to agree to any novation, assignment or amendments to, or any modification, recession, cancellation, termination or waiver of, or authorise any breach by any counterparty or proposed breach by any counterparty of, the terms of the Loan Agreement unless the Trustee has given its prior written consent or unless authorised to do so by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders (except in relation to Reserved Rights). The Issuer will further agree to act at all times in accordance with any instructions of the Trustee from time to time with respect to the Loan Agreement, save as otherwise provided in the Trust Deed or the Loan Agreement. Any amendments, modifications, waivers, recession, cancellation, termination or authorisations made with the Trustee's consent shall be notified to the Noteholders in accordance with Condition 13 of the Terms and Conditions relating to the Notes.

All payments in respect of the Notes by or on behalf of the Issuer will be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Ireland or any political subdivision or any authority thereof or therein having the power to tax, other than as required by law. Subject to certain exceptions, in the event that any such deduction or withholding is required by law, the Issuer will be required to make such additional payments as shall result in the receipt by the Noteholders of such amount as would have been received by them if no such withholding or deduction had been required to the extent that the Issuer receives corresponding amounts from Uralkali under the Loan Agreement, as the case may be. Any corresponding amounts payable by Uralkali to the Issuer under the Loan will be required (subject to certain exceptions) to be increased to the extent necessary to ensure that the Noteholders receive the amounts which they would have received had no such deduction or withholding been required.

Uralkali may prepay the Loan at its principal amount, together with accrued and unpaid interest and additional amounts (if any), if Uralkali must increase the amount payable or pay additional amounts on account of the Taxes in respect of which it is required to pay additional amounts under the Loan Agreement or if it must pay additional amounts on account of certain costs incurred by the Issuer. As set forth in the Loan Agreement, the Issuer may, at its own discretion, require Uralkali to prepay the Loan if it becomes unlawful for the Loan or the Notes to remain outstanding.

USE AND ESTIMATED NET AMOUNT OF PROCEEDS

The Issuer will use the gross proceeds of the issue of the Notes for the sole purpose of financing the Loan. The estimated net proceeds of the Loan, after payment of commissions, fees, and estimated expenses, will be U.S.\$ 498,000,000. Uralkali intends to use the proceeds of the Loan for general corporate purposes.

Uralkali will not directly or indirectly use the proceeds of the Loan, or lend, contribute or otherwise make available all or part of such proceeds to any subsidiary, affiliate, joint venture partner or any other person, (A) to fund or facilitate (i) the activities of or business with any person that, at the time of such funding or facilitation, is subject to any Sanctions, where such funding, facilitation, business or activities would result in a violation of Sanctions if it were carried out by any EU., U.S. or any other person (including any person participating in the offering of the Notes, whether as a Manager, advisor, investor or otherwise) or (ii) any activities or business in or involving any Sanctioned Country, (B) in any other manner that would result in a violation by any EU., U.S. or any other person (including any person participating in the offering of the Notes, whether as a Manager, advisor, investor or otherwise) of such Sanctions, or (C) to fund or facilitate any Activity subject to Sanctions.

CAPITALISATION

The following table sets forth the Group's cash and cash equivalents and consolidated capitalisation as of 30 June 2019, derived from the Interim Financial Statements included elsewhere in this Prospectus. The following table should be read in conjunction with "*Selected Financial and Operating Information*", "*Operating and Financial Review*" and the Financial Statements included elsewhere in this Prospectus.

	As of 30 June 2019
	<i>(Amounts in thousands of U.S. dollars)</i>
Cash and cash equivalents	428,316
Non-current loans and borrowings	3,382,337
Equity	
Share capital	35,762
Preference shares	239
Treasury shares	(28,126)
Share premium	399,932
Currency translation reserve	(3,821,203)
Retained earnings	5,092,831
Equity attributable to equity holders of Uralkali	1,679,435
Non-controlling interests	12,563
Total equity	1,691,998
Total capitalisation⁽¹⁾	5,074,335

⁽¹⁾ Total capitalisation is the sum of non-current loans and borrowings and total equity

There have been no material changes in the consolidated capitalisation of the Group since 30 June 2019.

SELECTED FINANCIAL AND OPERATING INFORMATION

The following table shows selected financial and operating information for the Group as of and for the six months ended 30 June 2019 and 2018 and as of and for the years ended 31 December 2018, 2017 and 2016. Consolidated statement of profit or loss, consolidated statement of other comprehensive income, selected consolidated statement of cash flows and consolidated statement of financial position data as of and for the six months ended 30 June 2019 and 2018 and as of and for the years ended 31 December 2018, 2017 and 2016 has been extracted without adjustment from the Financial Statements and should be read in conjunction with "Operating and Financial Review", "Presentation of Financial and Other Information" and the Financial Statements, including the notes thereto, included elsewhere in this Prospectus.

The impact of adoption of new accounting standards on the Financial Statements, the impact on comparability of the 2017 Financial Statements with the 2018 Financial Statements and the impact on comparability of the Audited Financial Statements with the Interim Financial Statements is discussed in "Presentation of Financial and Other Information" section of this Prospectus.

<u>Consolidated statement of profit or loss</u>	For the six months ended 30 June		For the year ended 31 December		
	2019	2018	2018	2017	2016
	<i>(in thousands of US dollars, unless otherwise stated)</i>				
Revenues.....	1,542,890	1,396,538	2,753,577	2,760,874	2,278,249
Cost of sales.....	(361,062)	(362,363)	(702,867)	(739,076)	(549,766)
Gross profit.....	1,181,828	1,034,175	2,050,710	2,021,798	1,728,483
Distribution costs.....	(297,416)	(336,974)	(632,923)	(747,804)	(547,676)
General and administrative expenses.....	(85,394)	(85,306)	(174,652)	(157,390)	(154,082)
Taxes other than income tax.....	(9,617)	(12,173)	(22,818)	(21,706)	(25,414)
Other operating (expenses) / income, net.....	(46,993)	621	(17,830)	6,404	(12,741)
Operating profit.....	742,408	600,343	1,202,487	1,101,302	988,570
Finance income / (expenses), net.....	292,942	(598,769)	(1,194,753)	(8,285)	768,126
Profit before income tax.....	1,035,350	1,574	7,734	1,093,017	1,756,696
Income tax expense.....	(199,459)	(274)	(104,740)	(218,389)	(329,550)
Net profit / (loss) for the period.....	835,891	1,300	(97,006)	874,628	1,427,146
Profit / (loss) attributable to:					
Uralkali's equity holders.....	835,982	1,300	(97,643)	873,979	1,427,283
Non-controlling interests.....	(91)	-	637	649	(137)
Net profit / (loss) for the period.....	835,891	1,300	(97,006)	874,628	1,427,146
Weighted average number of ordinary shares in issue (million).....	1,271	1,293	1,284	1,336	1,417
Earnings / (loss) per share – basic and diluted (in US cents).....	65.77	0.10	(7.60)	65.42	100.73
<u>Consolidated statement of other comprehensive income</u>	For the six months ended 30 June		For the year ended 31 December		
	2019	2018	2018	2017	2016
	<i>(in thousands of US dollars, unless otherwise stated)</i>				
Net profit / (loss) for the period.....	835,891	1,300	(97,006)	874,628	1,427,146
Other comprehensive (loss) / income					
Items that will not be reclassified to profit or loss:					
Remeasurement of post-employment benefit obligations.....	(8,086)	(565)	560	2,382	1,579
Effect of translation to presentation currency.....	103,738	(86,417)	(207,704)	22,734	(33,475)
Total other comprehensive income / (loss) for the period.....	95,652	(86,982)	(207,144)	25,116	(31,896)
Total comprehensive income / (loss) for the period.....	931,543	(85,682)	(304,150)	899,744	1,395,250
Total comprehensive income / (loss) for the period attributable to:					
Uralkali's equity holders.....	931,634	(85,682)	(304,787)	899,095	1,395,387
Non-controlling interests.....	(91)	-	637	649	(137)

Selected consolidated statement of cash flows

	For the six months ended 30 June		For the year ended 31 December		
	2019	2018	2018	2017	2016
	<i>(in thousands of US dollars)</i>				
Net cash generated from operating activities.....	536,653	600,923	1,096,480	710,500	1,011,984
Net cash used in investing activities.....	(256,980)	(232,448)	(368,988)	(363,804)	(493,939)
Net cash used in financing activities.....	(872,018)	(592,475)	(764,056)	(768,420)	(159,942)
Effect of changes in foreign exchange rate on cash and cash equivalents.....	7,646	(13,120)	(23,030)	8,812	15,540
Net (decrease) / increase in cash and cash equivalents.....	(584,699)	(237,120)	(59,594)	(412,912)	373,643
Cash and cash equivalents at the beginning of the period	1,013,015	1,072,609	1,072,609	1,485,521	1,111,878
Cash and cash equivalents at the end of the period.....	428,316	835,489	1,013,015	1,072,609	1,485,521

Consolidated statement of financial position	As at 30 June	As at 31 December		
	2019	2018	2017	2016
	<i>(in thousands of US dollars)</i>			
ASSETS				
Non-current assets				
Property, plant and equipment	2,728,528	2,387,976	2,461,948	2,244,153
Prepayments for acquisition of property, plant and equipment and intangible assets	298,232	265,680	221,246	186,831
Goodwill	935,243	849,151	1,024,146	972,536
Intangible assets	2,641,283	2,414,466	2,973,680	2,869,387
Deferred income tax asset	24,848	24,278	16,615	47,408
Income tax prepayments	-	-	-	26,222
Prepaid transaction costs on bank facilities	125,835	103,833	70,397	81,410
Loan receivable	520,612	400,615	-	188,762
Investment in associate	2,354	3,092	23,789	23,942
Derivative financial assets	1,490	338	6,047	-
Other non-current assets	89,279	56,739	63,242	3,600
Total non-current assets	7,367,704	6,506,168	6,861,110	6,644,251
Current assets				
Inventories	195,800	139,636	91,939	162,036
Trade and other receivables	387,252	351,887	533,959	261,554
Advances to suppliers	52,945	43,494	26,608	27,502
Income tax prepayments	1,831	21,115	3,812	32,868
Derivative financial assets	15,760	30,261	16,783	-
Loan receivable	-	-	379,232	-
Other financial assets	24	15	1,927	68,267
Cash and cash equivalents	428,316	1,013,015	1,072,609	1,485,521
Total current assets	1,081,928	1,599,423	2,126,869	2,037,748
TOTAL ASSETS	8,449,632	8,105,591	8,987,979	8,681,999
EQUITY				
Share capital	35,762	35,762	35,762	35,762
Preference shares	239	239	-	-
Treasury shares	(28,126)	(27,996)	(27,101)	(26,909)
Share premium	399,932	409,814	483,572	509,484
Currency translation reserve	(3,821,203)	(3,924,941)	(3,717,237)	(3,739,971)
Retained earnings	5,092,831	4,264,935	4,362,544	3,486,183
Equity attributable to Uralkali's equity holders	1,679,435	757,813	1,137,540	264,549
Non-controlling interests	12,563	12,654	12,017	11,533
Total equity	1,691,998	770,467	1,149,557	276,082
LIABILITIES				
Non-current liabilities				
Loans and borrowings	3,382,337 ⁽¹⁾	3,240,385 ⁽²⁾	3,490,666 ⁽²⁾	4,590,673 ⁽²⁾
Bonds	-(⁽¹⁾)	575,243	1,059,954	582,357
Post-employment and other long-term benefit obligations	41,263	28,782	36,604	34,424
Deferred income tax liability	719,835	631,335	645,605	579,237
Provisions	415,132	340,497	221,314	164,683
Derivatives financial liabilities	22,983	121,523	11,609	123,753
Other non-current liabilities	-	1,810	14,027	-
Total non-current liabilities	4,581,550	4,939,575	5,479,779	6,075,127
Current liabilities				
Loans and borrowings	1,739,381 ⁽¹⁾	1,263,632 ⁽²⁾	1,291,875 ⁽²⁾	1,827,201 ⁽²⁾
Bonds	-(⁽¹⁾)	820,627	601,237	2,550
Trade and other payables	261,242	217,745	272,918	247,356
Advances received	12,313	22,177	22,448	49,604
Provisions	72,957	62,820	40,996	43,127
Derivative financial liabilities	26,287	7,130	109,815	153,372
Current income tax payables	63,904	1,418	19,354	7,580
Total current liabilities	2,176,084	2,395,549	2,358,643	2,330,790
Total liabilities	6,757,634	7,335,124	7,838,422	8,405,917
TOTAL EQUITY AND LIABILITIES	8,449,632	8,105,591	8,987,979	8,681,999

⁽¹⁾ In the first half of 2019, the Group determined to aggregate borrowings and bonds in the Group's IFRS financial statements and present them together under a single line item "Loans and borrowings" within the Group's consolidated statement of financial position.

⁽²⁾ Loans and borrowings are referred to as "Borrowings" in the Audited Financial Statements.

Key financial ratios, selected non-IFRS measures and operating data

	As at or for the six months ended 30 June		As at or for the year ended 31 December		
	2019	2018	2018	2017	2016
	<i>(in thousands of US dollars, unless otherwise stated)</i>				
Adjusted EBITDA ⁽¹⁾	873,880	731,922	1,459,253	1,340,478	1,182,721
Adjusted EBITDA margin ⁽²⁾ (per cent.)	66.1	64.8	64.0	61.4	63.9
Net debt ⁽³⁾	4,693,402	5,215,310	4,886,872	5,371,123	5,517,260
Net debt/Adjusted EBITDA (last 12 months) ⁽⁴⁾	2.9	3.7	3.3	4.0	4.7
Capital expenditure ⁽⁵⁾	155,761	146,086	358,441	270,888	323,131
Cash cost of finished goods per tonne (without goods for resale), in US dollars ⁽⁶⁾	42.9	41.2	42.5	41.4	34.5
Average FCA export price, in US dollars ⁽⁷⁾	245	195	212	173	172

- (1) The Group defines Adjusted EBITDA, as a non-IFRS measure, as net profit for the respective period adjusted for income tax expense, finance expense, finance income, depreciation and amortisation expenses. Depreciation is reported through cost of sales, distribution costs, general and administrative expenses and other operating expenses, depending on the function of the assets being depreciated. Amortisation expense comprises amortisation of licences and other intangible assets. Amortisation of licences is reported through cost of sales, while amortisation of other intangible assets is reported through general and administrative expenses.

The following table shows a reconciliation of Adjusted EBITDA to the Group's net profit for the periods indicated.

	For the six months ended 30 June		For the year ended 31 December		
	2019	2018	2018	2017	2016
	<i>(in thousands of US dollars)</i>				
Net profit / (loss) for the period	835,891	1,300	(97,006)	874,628	1,427,146
plus income tax expense	199,459	274	104,740	218,389	329,550
plus finance expenses ⁽¹⁾	168,272	619,763	1,240,934	358,421	325,229
less finance income ⁽¹⁾	(461,214)	(20,994)	(46,181)	(350,136)	(1,093,355)
plus depreciation of property, plant and equipment expense	109,496	98,919	198,663	190,585	149,112
plus depreciation of right-of-use assets expense	1,626	-	-	-	-
plus amortisation of intangible assets expense	20,350	32,660	58,103	48,591	45,039
Adjusted EBITDA	873,880	731,922	1,459,253	1,340,478	1,182,721

- (1) Finance expense and finance income include interest expense and interest income, foreign exchange gain/(loss); net fair value gain/(loss) on derivative financial instruments; net gain/(loss) from unwinding and effect of changes in effective interest rate; syndication fees and other finance charges; letters of credit fees; fair value losses on investments; loss from associate; dividend income; net other finance income/(expenses).
- (2) Adjusted EBITDA margin, as a non-IFRS measure, is calculated as Adjusted EBITDA for the relevant period divided by Net revenues for the same period. Net revenues, as a non-IFRS measure, is calculated for the respective period as revenues less freight, railway tariff and rent of wagons and transshipment costs). The following table shows a reconciliation of Net revenues to the Group's revenues for the periods indicated.

	For the six months ended 30 June		For the year ended 31 December		
	2019	2018	2018	2017	2016
	<i>(in thousands of US dollars)</i>				
Revenues	1,542,890	1,396,538	2,753,577	2,760,874	2,278,249
less railway tariff and rent of wagons	(121,594)	(144,863)	(242,806)	(301,033)	(214,641)
less freight	(89,586)	(110,548)	(208,477)	(248,343)	(183,318)
less transshipment cost	(10,401)	(10,850)	(21,212)	(28,817)	(29,320)
Net revenues	1,321,309	1,130,277	2,281,082	2,182,681	1,850,970
Adjusted EBITDA	873,880	731,922	1,459,253	1,340,478	1,182,721
Adjusted EBITDA margin (per cent.)	66.1	64.8	64.0	61.4	63.9

- (3) Net debt, as a non-IFRS measure, is calculated for the six months ended 30 June 2019 as the total loans and borrowings adjusted for cash and cash equivalents at the end of the relevant period. In the first half of 2019,

the Group determined to aggregate borrowings and bonds in the Group's IFRS financial statements and present them together under a single line item "Loans and borrowings" within the Group's consolidated statement of financial position. Net debt for the periods ended 30 June 2018, 31 December 2018, 2017 and 2016 is calculated as total borrowings and bonds adjusted for cash and cash equivalents at the end of the relevant period.

The following table shows a reconciliation of Net debt to total loans and borrowings as of the end of the periods indicated.

	As at 30 June		As at 31 December		
	2019	2018	2018	2017	2016
	<i>(in thousands of US dollars)</i>				
Non-current liabilities					
Loans and borrowings ⁽¹⁾	3,382,337	2,964,991	3,240,385	3,490,666	4,590,673
Bonds	-(2)	477,768	575,243	1,059,954	582,357
Current liabilities					
Loans and borrowings ⁽¹⁾	1,739,381 ⁽²⁾	1,807,801	1,263,632	1,291,875	1,827,201
Bonds	-(2)	818,239	820,627	601,237	2,550
<i>less cash and cash equivalents</i>	(428,316)	(835,489)	(1,013,015)	(1,072,609)	(1,485,521)
Net debt	4,693,402	5,215,310	4,886,872	5,371,123	5,517,260

⁽¹⁾ Referred to as "Borrowings" in the Audited Financial Statements.

⁽²⁾ In the first half of 2019, the Group determined to aggregate borrowings and bonds in the Group's IFRS financial statements and present them together under a single line item "Loans and borrowings" within the Group's consolidated statement of financial position.

- (4) Net debt/Adjusted EBITDA, as a non-IFRS measure, is calculated as Net debt as at the end of the relevant period divided by Adjusted EBITDA for the relevant period. Net debt/Adjusted EBITDA as at 30 June 2019 and 2018 is represented by Net debt as at the end of the reporting period and Adjusted EBITDA for 12 months ended 30 June 2019 and 2018, respectively. For the purposes of the Net debt to Adjusted EBITDA ratio as of 30 June 2019, Adjusted EBITDA is calculated for the last twelve months ended on 30 June 2019 (being Adjusted EBITDA for the year ended 31 December 2018 less Adjusted EBITDA for the six months ended 30 June 2018 plus Adjusted EBITDA for the six months ended 30 June 2019). For the purposes of the Net debt to Adjusted EBITDA ratio as of 30 June 2018, Adjusted EBITDA is calculated for the last twelve months ended on 30 June 2018 (being Adjusted EBITDA for the year ended 31 December 2017 less Adjusted EBITDA for the six months ended 30 June 2017 plus Adjusted EBITDA for the six months ended 30 June 2018).

	As at 30 June		As at 31 December		
	2019	2018	2018	2017	2016
	<i>(in thousands of US dollars)</i>				
Net debt	4,693,402	5,215,310	4,886,872	5,371,123	5,517,260
Adjusted EBITDA (last 12 months)	1,601,211	1,399,611	1,459,253	1,340,478	1,182,721
Net debt/Adjusted EBITDA (last 12 months)	2.9	3.7	3.3	4.0	4.7

- (5) Capital expenditure, as a non-IFRS measure, is calculated as the sum of acquisition of property, plant and equipment and acquisition of intangible assets for the relevant period.

The following table shows a reconciliation of Capital expenditure to the acquisitions of property, plant and equipment and acquisition of intangible assets.

	For the six months ended 30 June		For the year ended 31 December		
	2019	2018	2018	2017	2016
	<i>(in thousands of US dollars)</i>				
Acquisition of property, plant and equipment	152,739	145,066	356,818	269,782	317,399
Acquisition of intangible assets	3,022	1,020	1,623	1,106	5,732
Capital expenditure	155,761	146,086	358,441	270,888	323,131

- (6) Cash cost of finished goods per tonne (without goods for resale), as a non-IFRS measure, is calculated as cost of sales of finished goods (without goods for resale) less depreciation and amortisation of licences

expenses included in cost of sales for the relevant reporting period divided by the quantity of sold finished goods for the relevant period (in tonnes).

The following table shows a reconciliation of Cash cost of finished goods (without goods for resale) per tonne to cost of sales for the periods indicated.

	For the six months ended 30 June		For the year ended 31 December		
	2019	2018	2018	2017	2016
	<i>(in thousands of US dollars, unless otherwise stated)</i>				
Cost of sales	361,062	362,363	702,867	739,076	549,766
less depreciation of property, plant and equipment	(91,920)	(87,839)	(176,565)	(169,512)	(130,724)
less amortisation of licences	(18,309)	(29,943)	(54,274)	(45,327)	(40,671)
less goods for resale.....	(20,178)	-	-	-	-
Cash cost of finished goods (without goods for resale)	230,655	244,581	472,028	524,237	378,371
Potash sold (thousands of tonnes).....	5,382	5,931	11,110	12,672	10,952
Cash cost of finished goods per tonne (without goods for resale) in US dollars	42.9	41.2	42.5	41.4	34.5

- (7) Average FCA export price is calculated as an average FCA export price for 1 tonne of potash sold on FCA sale term less railway tariff, rent of wagons, freight and transshipment cost, expressed in US dollars.

OPERATING AND FINANCIAL REVIEW

The following discussion of the Group's financial condition and results of operations as of and for the six months ended 30 June 2019 and 2018 and the years ended 31 December 2018, 2017 and 2016 should be read in conjunction with the Financial Statements, the notes thereto, "Presentation of Financial and Other Information" and the other information included elsewhere in this Prospectus.

This section contains forward-looking statements that involve risks and uncertainties. The Group's results may differ materially from those discussed in such forward-looking statements as a result of various factors, including those described under "Risk Factors".

Selected consolidated information in this section has been derived from the Financial Statements, in each case without material adjustments, unless otherwise stated, as well as the Group's management financial reports.

Overview

According to Uralkali's estimates, data published by other potash producers and Argus data, the Group is one of the largest pure play potash producers globally with mining operations in Russia, which, based on the Mineral Commodity Summaries, had the largest potash reserve base globally. The Group also benefits from its presence in the most significant markets for fertiliser consumption. According to IFA, in 2018, the Group was one of the largest exporters of potash in the world with an aggregate production volume of 11.5 million tonnes. As of 30 June 2019, the Group's annual potash production capacity is up to 12.0 million tonnes. According to Argus data and Uralkali's estimates, in 2018, the Group accounted for approximately 17 per cent. of global potash production. The Group had proven and probable reserves of 187.7 million tonnes of K₂O as at 1 January 2019 (from total measured and indicated mineral resources of 1,324 million tonnes of K₂O), with access to one of the largest ore fields located in Russia at depths of 200 to 450 metres. Based on publicly available reports of other potash producers, Uralkali believes that in 2018, the Group was one of the most profitable producers of potash with the lowest production costs in the world.

In the six months ended 30 June 2019 and the year ended 31 December 2018, the Group's selected financial metrics specified below were as follows:

- the Group's revenues were U.S.\$ 1,542,890 thousand and U.S.\$ 2,753,577 thousand, respectively;
- the Group's net profit was U.S.\$ 835,891 thousand and a net loss of U.S.\$ 97,006 thousand, respectively;
- the Group's Adjusted EBITDA was U.S.\$ 873,880 thousand and U.S.\$ 1,459,253 thousand, respectively;
- the Group's Adjusted EBITDA margin was 66.1 per cent. on Net revenues of U.S.\$ 1,321,309 thousand and 64.0 per cent. on Net revenues of U.S.\$ 2,281,082 thousand, respectively;
- the Group's Net debt as of the end of the respective period was U.S.\$ 4,693,402 thousand and U.S.\$ 4,886,872 thousand, respectively;
- the Group's total loans and borrowings as of the end of the respective period were U.S.\$ 5,121,718 thousand and U.S.\$ 5,899,877 thousand, respectively.

See "*Selected Financial and Operating Information*".

The Group controls the production chain from potash ore mining through to the supply of potassium chloride to customers. The Group's mining operations comprise five mines in Perm Krai (near the Urals), with an estimated life of mine ranging from seven to forty years. To process the ore from these mines, the Group operates six potash plants and one carnallite plant. The Group produces two main types of potash (each classified into various products): Standard MOP (white and pink) and Granular MOP, each of which is derived from potash ore comprising potassium chloride (KCl) mixed with other minerals. For further details of the conversion ratio of potash ore into KCl and KCl into K₂O, see "*— Production Process and Facilities – Production cycle and components reconciliation*". From its base of operations in the Urals region of Russia, the Group transports its products by rail using its fleet of railcars (which as at 30 June 2019 comprised 7,600 railcars), directly to customers in Russia, Europe and Northern China, as well as to its warehousing and port facilities at JSC BBT in St.

Petersburg and the Baltic, Black Sea and Far Eastern ports, from where potash is shipped to overseas customers. The Group distributes its export products through its direct and indirect subsidiaries UKT Latvia, UKT Mauritius and UKT USA. In addition, UKT Brazil performs marketing, consultancy, agency services and sale promotion role in Latin America (primarily in Brazil). In the year ended 31 December 2018, the Group's domestic sales accounted for 23.7 per cent. of the total sales while the remainder 76.3 per cent. was exported to customers in more than 60 countries, including Brazil, Europe, South East Asia, China and India.

Segmental Reporting

The Group identifies segments in accordance with the criteria set forth in IFRS 8 "Operating Segments", which are determined based on the reports provided to Uralkali's management. The Group currently has one operating segment comprising the extraction, production and sales of potash fertilisers.

Significant Factors Affecting Results of Operations

The Group's results of operations in the periods under review have been influenced by macroeconomic and other economic trends, supply and demand dynamics in the potash industry, government policies, freight and rail costs and seasonality. See "*Industry Overview*".

Supply and Demand

Key dynamics of supply and demand in the potash industry that affect prices include the following:

Supply dynamics

Utilisation rates: The main global potash producers have generally sought to adjust utilisation rates depending on levels of demand for their products. When demand levels are high, producers typically produce at maximum available production. When demand levels fall, production is slowed down, and sometimes even suspended. For example, in 2016, in response to a decreased demand for potash worldwide, the Group adjusted the utilisation rate accordingly.

Industry-wide production capacity and volumes of potash in stock: Higher production capacity may result in downward pressure on potash prices. Capacity expansion projects in the industry have the potential to depress prices if demand does not grow in accordance with forecasts to meet the supply that may come on line. In addition, any large-scale destocking could result in, or contribute to, downward pressure on potash prices. For example, the global destocking experienced in the first quarter of 2016 kept downward pressure on the potash industry globally and adversely affected the Group's export sales volumes in 2016. Conversely, low levels of potash in stock in 2018 resulted in higher prices and demand for potash worldwide. For example, in 2018, China and India agreed to a new potash contract price of US\$290/t on a cost and freight basis, marking a US\$60/t increase from the previously agreed price in the second half of 2017, while contract prices in India have been on a one-directional increase since 2016. Since its low point in 2016, Indian potash contract prices have increased from US\$227/t to US\$240/t in 2017, and were subsequently followed by a sharp increase to US\$290/t, or approximately 21 per cent. in 2018.

Demand dynamics

Rising global population and decreasing arable land per capita: According to the United Nations, the world's population is expected to increase by 2 billion people in the next 30 years, from 7.7 billion in 2019 to 9.7 billion in 2050. Rising population increases demand for food, including crops and meat. According to the United Nations' projections, feeding the population of 8.5 billion people in 2030 and 9.7 billion people in 2050 would require increasing the overall food, feed and biofuel production by approximately 50 per cent. compared to 2012. Accordingly, agricultural producers must continue to increase output and efficiency in order to keep up with the challenges brought on by an increasing population and changes in dietary requirements of the population. Increased demand for crops (which, in turn, is driven by increased demand for meat and therefore grain for animal feed) helps drive increased demand for potash because potash can help increase yield from the available arable land per capita. At the same time that population has been rising, the amount of arable land has been shrinking globally and in the main markets in which the Group's products are sold. Between 1961 and 2016, while the global population increased by over 140 per cent., arable land increased by only 10 per cent., according to Food and Agriculture Organisation Corporate Statistical Database, driving increased demand for potash which helps increase the yield of that land.

Levels of agricultural activity: The demand for the Group's products is ultimately dependent on the levels of agricultural activity. Generally, favourable grain and crop prices incentivise farmers to fertilise their fields and maximise crop output at harvest. In contrast, adverse weather conditions generally have a negative effect on the agricultural productivity and contribute to crop price volatility.

Types of and demand for crop being grown: The demand for potash is also driven by the type of crops being grown. For example, soybeans, sugar cane and palm oil (which are used not only as foods but also for production of biofuels) need more potash than cereals. The introduction of new or improved crop varieties may also have greater or lesser potassium requirements which would have a corresponding effect on the demand for potash.

Potassium deficiency in cropland: Most of the markets in which the Group's products are sold suffer from severe potash deficiency, in particular China, Brazil, India and Russia. Potash occurring naturally in soil is depleted with crop cultivation and becomes a constraint on further crop production. Expansion of crop production in a country or into a region that is not naturally rich in nutrients can also affect sales volumes.

Prices for commodities and other fertilisers: Potassium, nitrogen and phosphorous are all essential to plant growth and are not substitutable. However, farmers have the option of reducing or suspending the application of potash to soils in response, for example, to changes in prices for other nutrients. For example, the general decrease in palm oil prices in the first half of 2019, resulted in a decrease of fertiliser consumption (including, potash) in the palm oil industry.

Macroeconomic trends

A number of macroeconomic factors drive demand for the Group's potash or otherwise affect its results of operations. In particular, rising income levels help drive potash demand. Rising income levels enable people to afford better diets, which are more likely to include meat. Increased demand for meat drives demand for grain to provide animal feed, which in turn drives demand for potash. Conversely, an economic downturn may lead to reduced demand for potash as farmers seek to lower costs and consumers reduce expenditure on food products.

Exchange rate movements

Most of the Group's revenues from sales of potash outside the Russian Federation ("**export sales**") are denominated in U.S. dollars or euro, while revenues from domestic sales are denominated in roubles. In the six months ended 30 June 2019 and in the year ended 31 December 2018, the Group's revenues from export sales comprised 81.0 per cent. and 82.4 per cent. of its total revenue, respectively. A substantial portion of the Group's costs, including raw materials, labour and rail transportation costs, are denominated in roubles. (See "*Risk Factors–Risks relating to the Group's Business and the Potash Industry–Fluctuations in currency exchange rates may have an adverse effect on the Group's business, results of operations or financial position*").

The appreciation of the rouble against the U.S. dollar or the euro tends to increase the Group's costs relative to its revenues, negatively affecting the Group's margins. During the periods under review the rouble experienced severe volatility with RUB/USD exchange rate fluctuating between RUB 55.67 per 1 U.S. dollar (on 28 February 2018) and RUB 83.59 per 1 U.S. dollar (on 22 January 2016) in the period from 1 January 2016 to 30 June 2019. See "*Presentation of Financial and Other Information – Currencies and Exchange Rates*".

In addition, if the U.S. dollar appreciates against currencies used in the local markets in which the Group's products are sold, particularly the Chinese yuan, Brazilian real and Indian rupee, the Group's products become less affordable to local customers in those markets. For example, in 2018, the decrease in the level of potash demand in India was partially attributable to the depreciation of the Indian rupee relative to the U.S. dollar.

The Group has also entered into cross-currency interest rate derivative contracts in respect of rouble-denominated loans and local bonds under which the Group pays U.S. dollars derived from its potash sales to the swap counterparty in return for roubles, which are currently used to repay rouble-denominated local bonds issued under Uralkali's exchange-traded bond programme and were previously used to repay rouble-denominated loans. As at 31 December 2016, the Group had total financial liabilities under these derivatives of U.S.\$ 277,125 thousand, largely as a result of sharp depreciation of the rouble against the U.S. dollar during 2014-2015 which was partially offset by the appreciation of the rouble against the U.S. dollar in 2016. As at 31 December 2017, the Group had net financial liabilities (calculated as total derivative financial liabilities of U.S.\$ 121,424 thousand less total derivative financial assets of U.S.\$ 22,830 thousand) under these derivatives of U.S.\$ 98,594 thousand. The decrease in the amount of liabilities as at 31 December 2017 as compared to 31 December 2016 was largely

attributable to the decrease of notional amount and appreciation of the rouble against the U.S dollar in 2017. Furthermore, the exchange rate movements also affect the Group's finance income and expenses, which in turn affect the Group's profit or loss before income tax (See finance income and expense discussion in "– Consolidated Financial Results Overview").

In addition, the rouble is the functional currency of all Group companies, including Uralkali, and the Group uses the U.S. dollar as the presentation currency for its consolidated financial statements prepared in accordance with IFRS. As a result, the Group's consolidated financial results of operations and financial condition may be impacted by the volatility in the rate of exchange between the U.S. dollar and the rouble upon translation of amounts expressed in the functional currency into U.S. dollars.

Russian Macroeconomic Conditions

The Group's mining and production activities are located in Russia, and substantially all of its direct costs are incurred in Russia. As a consequence, the Group's results of operations have historically been impacted, and will continue to be impacted, by macroeconomic trends relating to Russia, including the overall state of the Russian economy.

The table below summarises certain key macroeconomic indicators relating to the Russian economy for the periods indicated.

	Six months ended 30 June 2019	Year ended 31 December		
		2018	2017	2016
Real GDP growth	0.7%	2.3%	1.6%	0.3%
Industrial production index (annualised).....	2.6%	2.9%	2.1%	2.2%
Inflation (consumer price index, annualised)	2.4%	4.3%	2.5%	5.4%
Unemployment rate (annualised)	4.5%	4.8%	5.2%	5.6%

Sources: Rosstat, Ministry of Economic Development, CBR

The Russian economy is, to a significant degree, dependent on exports of key commodities, such as oil, gas, iron ore and other raw materials. Dramatic decreases in the prices of these commodities in the world market lead to sharp decreases in the Russian Government's revenues, along with similarly sharp declines in the revenues of privately held Russian companies operating in the key commodity sectors, which, in turn, negatively impact the overall Russian economy. For instance, in 2016-2018, commodity prices remained highly volatile, which, in turn, contributed to a significant volatility of the rouble during the same periods.

Interrelationship of prices between markets

Purchasers of potash in certain markets are sensitive to prices in other markets. China is the world's largest potash market, and, accordingly, the prices set for the large contracts in China form a key reference point for prices set in a number of markets. Within a particular market, such as China or India, prices agreed with the main purchasers typically set the benchmark for prices for all other sales in that market. Prices in a particular market for a particular potash product are therefore generally quite uniform, with leading companies for the most part not being able to charge a premium over other leading companies. Prices specified in spot contracts for the Group's products are similarly affected by the benchmark prices set in the relevant market.

Government policies

During the periods under review, the Group's results and operations have been influenced by government policies in Russia and in the overseas markets in which its potash is sold. For example, the Group is subject to the FAS recommendations, according to which the price for the sales to Russian customers should not exceed the minimum export price. See "Risk Factors – Risks relating to the Group's Business and the Potash Industry – FAS may take action that could materially adversely impact on the Group's operations". In addition, potash demand in China and some other export destinations, where the government influences the price of potash, and India, where potash use has historically been subsidised by the government, is heavily dependent on government policy.

Freight, rail and transshipment costs

During the periods under review, the Group used a number of delivery methods for sales of potash and accepted varying responsibilities for the chain and cost of delivery. See "Business – Distribution and Sales". Choice of such

methods and responsibilities has affected the amount of the distribution costs in any particular period, as well as the prices charged for the potash, and therefore the amount of revenues. In the six months ended 30 June 2019 and in the year ended 31 December 2018, 78.6 per cent. and 78.4 per cent. of the Group's volume of potash sales, respectively, were made on the sale terms under which the Group pays freight and rail costs, while 21.4 per cent. and 21.6 per cent. of the Group's volume of potash sales, respectively, were made on the sale terms not envisaging the payment of these costs.

In the six months ended 30 June 2019 and 2018 and in the years ended 31 December 2018, 2017 and 2016, the Group's railway tariff and rent of wagons, freight and transshipment costs amounted, collectively, to U.S.\$ 221,581 thousand, U.S.\$ 266,261 thousand, U.S.\$ 472,495 thousand, U.S.\$ 578,193 thousand and U.S.\$ 427,279 thousand, respectively. In general, if the Group bears delivery costs, the Group records higher revenues since the price charged to the customer is increased, as well as higher distribution costs. Nevertheless, the extent that the rate of increase in distribution costs exceeds the rate of increase in potash sales prices that the Group is able to agree with its customers, the Group's operating margins would be negatively impacted. See "*Business – Distribution and Sales – Logistics and distribution assets*".

Seasonality

The Group seeks to manage seasonal fluctuations in demand by selling to different markets at different times of the year depending on planting, growing and harvesting cycles to keep sales at relatively constant levels throughout the year. Sales in China, for example, typically fall during the middle of the year, rise at the beginning of the third quarter, and fall towards the end of first quarter. Sales in India typically rise towards the middle of the third quarter, remain strong during the fourth quarter and the first quarter of the subsequent year and then fall gradually during the second quarter. Sales in South East Asia are less exposed to seasonality and are generally relatively stable throughout the year. Sales in Brazil typically fall towards the end of the first quarter and rise at the beginning of the third quarter. Sales in the United States typically have a relatively flat peak in the first quarter, fall sharply in the middle of the year, rise sharply in the third quarter, fall again sharply at the end of the third quarter and then rise sharply again at the end of the year.

CONSOLIDATED FINANCIAL RESULTS OVERVIEW

Six Months Ended 30 June 2019 Compared to Six Months Ended 30 June 2018

The following table shows a summary of the Group's consolidated results of operations for the six months ended 30 June 2019 and 2018:

	Six months ended 30 June		Change (%)
	2019 (U.S.\$ thousands)	2018	
Revenues, of which:	1,542,890	1,396,538	10.5
<i>Russia</i>	<i>293,550</i>	<i>233,612</i>	<i>25.7</i>
<i>China, India and South East Asia.....</i>	<i>443,874</i>	<i>454,006</i>	<i>(2.2)</i>
<i>Latin America and USA.....</i>	<i>619,224</i>	<i>556,424</i>	<i>11.3</i>
<i>Europe and other countries</i>	<i>186,242</i>	<i>152,496</i>	<i>22.1</i>
Cost of sales	(361,062)	(362,363)	(0.4)
Gross profit	1,181,828	1,034,175	14.3
Distribution costs	(297,416)	(336,974)	(11.7)
General and administrative expenses	(85,394)	(85,306)	0.1
Taxes other than income tax	(9,617)	(12,173)	(21.0)
Other operating (expenses) / income, net	(46,993)	621	(7,667.3)
Operating profit	742,408	600,343	23.7
Finance income / (expenses), net	292,942	(598,769)	(148.9)
Profit before income tax	1,035,350	1,574	65,678.3
Income tax expense	(199,459)	(274)	72,695.3
Net profit for the period	835,891	1,300	64,199.3

Revenues

In the six months ended 30 June 2019, total revenues were U.S.\$ 1,542,890 thousand which constitutes a U.S.\$ 146,352 thousand, or 10.5 per cent., increase from U.S.\$ 1,396,538 thousand in the six months ended 30 June 2018.

In the six months ended 30 June 2019 and 2018, 81.0 per cent. and 83.3 per cent., respectively, of the Group's total revenues were attributable to export sales. The Group derived 95.2 per cent. and 97.1 per cent., respectively, of its total revenues for the six months ended 30 June 2019 and 2018 from the sale of potash. As a result, the Group's revenues are primarily dependent on sales of potash to its main export markets, and, to a lesser extent, sales of potash in Russia.

The table below shows a breakdown of revenues for the periods indicated:

	Six months ended 30 June			
	2019		2018	
	U.S.\$ thousands	% of total revenues	U.S.\$ thousands	% of total revenues
Potash sales				
Potassium chloride	838,687	54.3	779,766	55.8
Potassium chloride (granular)	546,486	35.4	473,228	33.9
Revenue from rendering transportation services	84,264	5.5	102,652	7.4
Total potash sales	1,469,437	95.2	1,355,646	97.1
Other revenues	73,453	4.8	40,892	2.9
Total revenues	1,542,890	100.0	1,396,538	100.0

Revenues from potash sales

In the six months ended 30 June 2019, revenues from potash sales were U.S.\$ 1,469,437 thousand which constitutes an increase of U.S.\$ 113,791 thousand, or 8.4 per cent., from U.S.\$ 1,355,646 thousand in the six months ended 30 June 2018. The increase was primarily due to an increase in average selling prices on a sale term in both export and domestic markets which was partially offset by a decrease in sales volumes.

Other revenues

Other revenues primarily represent revenues from sodium chloride, enriched carnallite, pit-run industrial sodium and services of scientific institute (JSC "VNII Galurgii") provided to third parties in Russia.

In the six months ended 30 June 2019, other revenues were U.S.\$ 73,453 thousand which constitutes a U.S.\$ 32,561 thousand, or 79.6 per cent., increase from U.S.\$ 40,892 thousand. The increase was primarily due to the sale by the Group's traders of fertilisers produced by the companies outside of the Group and an increase in domestic sales of salts (primarily, sodium chloride), which were partially offset by the effect of the translation of rouble-denominated revenues to U.S. dollars as a result of the depreciation of the rouble against the U.S. dollar during the six months ended 30 June 2019 as compared to the six months ended 30 June 2018.

Cost of Sales

The largest components of the Group's cost of sales are depreciation of property, plant and equipment (25.5 per cent. of total cost of sales in the six months ended 30 June 2019 and 24.2 per cent. in the six months ended 30 June 2018), employee benefits (21.5 per cent. in the six months ended 30 June 2019 and 23.8 per cent. in the six months ended 30 June 2018), materials and components (14.5 per cent. in the six months ended 30 June 2019 and 15.4 per cent. in the six months ended 30 June 2018) and fuel and energy (13.8 per cent. in the six months ended 30 June 2019 and 14.7 per cent. in the six months ended 30 June 2018).

The table below shows the Group's cost of sales for the periods indicated by major components:

	Six months ended 30 June		Change (%)
	2019 (U.S.\$ thousands)	2018	
Depreciation of property, plant and equipment.	91,920	87,839	4.6
Employee benefits.....	77,697	86,098	(9.8)
Materials and components	52,433	55,803	(6.0)
Fuel and energy	49,906	53,329	(6.4)
Repairs and maintenance	30,972	24,501	26.4
Amortisation of licences	18,309	29,943	(38.9)
Transportation between mines by railway	6,053	6,347	(4.6)
Other costs	15,348	19,738	(22.2)
Change in work in progress, finished goods and goods in transit	(1,754)	(1,235)	42.0
Total cost of finished goods	340,884	362,363	(5.9)
Goods for resale	20,178	-	100.0
Total cost of sales	361,062	362,363	(0.4)

In the six months ended 30 June 2019 and 2018, the Group's cost of sales remained largely unchanged. As a percentage of revenues, cost of sales decreased to 23.4 per cent. for the six months ended 30 June 2019 from 25.9 per cent. for the six months ended 30 June 2018.

Depreciation of property, plant and equipment

The Group's depreciation of property, plant and equipment is allocated among cost of sales, distribution costs, general and administrative expenses and other operating expenses, as well as capitalised within cost of property, plant and equipment to the extent it relates to assets under construction. Depreciation of property, plant and equipment recorded within cost of sales relates to the Group's property, plant and equipment relating to mining and processing of potash.

In the six months ended 30 June 2019, depreciation of property, plant and equipment was U.S.\$ 91,920 thousand which constitutes a U.S.\$ 4,081 thousand, or 4.6 per cent., increase from U.S.\$ 87,839 thousand in the six months ended 30 June 2018, mainly due to the increase in the amount of depreciation charged for the Group's mining assets attributable to the future decommissioning and filling cavities costs. As a percentage of total cost of sales, depreciation of property, plant and equipment increased to 25.5 per cent. for the six months ended 30 June 2019 from 24.2 per cent. for the six months ended 30 June 2018.

Employee benefits

The Group's employee benefits costs mainly consist of salaries, bonuses and other incentives, severance payments, pension expenses and related social taxes. Labour costs are allocated by employee function among cost of sales, distribution costs and general and administrative expenses. Employee benefits costs relating to mining and processing of potash, and repair and maintenance of production equipment, are recorded as part of cost of sales.

In the six months ended 30 June 2019, employee benefits were U.S.\$ 77,697 thousand which constitutes a U.S.\$ 8,401 thousand, or 9.8 per cent., decrease from U.S.\$ 86,098 thousand in the six months ended 30 June 2018, mainly due to the effect of the translation of rouble-denominated payroll expenses to U.S. dollars as a result of the depreciation of the rouble against the U.S. dollar during the six months ended 30 June 2019 as compared to the six months ended 30 June 2018. As a percentage of total cost of sales, employee benefits decreased to 21.5 per cent. for the six months ended 30 June 2019 from 23.8 per cent. for the six months ended 30 June 2018.

Materials and components

Expenses in relation to materials and components are costs incurred for products used in the production process, including, for example, chemicals, spare parts for mining equipment and the costs of repairs and maintenance conducted by the Group's in-house repairs and maintenance departments, and are recorded as part of cost of sales.

In the six months ended 30 June 2019, costs related to materials and components were U.S.\$ 52,433 thousand which constituted a U.S.\$ 3,370 thousand, or 6.0 per cent., decrease from U.S.\$ 55,803 thousand in the six months ended 30 June 2018. The decrease was primarily due to the effect of the translation of rouble-denominated costs to U.S. dollars as a result of the depreciation of the rouble against the U.S. dollar during the six months ended 30 June 2019 as compared to the six months ended 30 June 2018. The decrease was partially offset by an increase in the cost of materials and components used due to inflation-driven price increases. As a percentage of total cost of sales, materials and components decreased to 14.5 per cent. in the six months ended 30 June 2019 from 15.4 per cent. in the six months ended 30 June 2018.

Fuel and energy

The potash production process requires significant amounts of electricity and heat energy. The majority of the Group's fuel and energy expenses in the periods under review were attributable to electricity expenses. The next largest component was natural gas. The remaining portion of these expenses comprised heat and fuel oil. The Group uses electricity, among other things, to dry the potash and to produce heat for enrichment plants and heating the production facilities.

In the six months ended 30 June 2019, fuel and energy costs were U.S.\$ 49,906 thousand which constitutes a decrease of U.S.\$ 3,423 thousand, or 6.4 per cent., from U.S.\$ 53,329 thousand in the six months ended 30 June 2018. The decrease was primarily due to the effect of the translation of rouble-denominated costs to U.S. dollars as a result of the depreciation of the rouble against the U.S. dollar during the six months ended 30 June 2019 as compared to the six months ended 30 June 2018 which was partially offset by the increase of energy tariffs and lower volumes of internal power generation. As a percentage of total cost of sales, fuel and energy expenses decreased to 13.8 per cent. for the six months ended 30 June 2019 from 14.7 per cent. for the six months ended 30 June 2018.

Distribution Costs

In the six months ended 30 June 2019, distribution costs were U.S.\$ 297,416 thousand which constitutes a decrease of U.S.\$ 39,558 thousand, or 11.7 per cent., from U.S.\$ 336,974 thousand in the six months ended 30 June 2018. The decrease was primarily due to the lower volume of sales as well as the effect of the translation of rouble-denominated costs to U.S. dollars as a result of the depreciation of the rouble against the U.S. dollar and decrease in the average freight rates during the six months ended 30 June 2019 as compared to the six months ended 30 June 2018. As a percentage of revenues, distribution costs decreased to 19.3 per cent. in the six months ended 30 June 2019 from 24.1 per cent. in the six months ended 30 June 2018.

The major components of distribution costs are railway tariff and rent of wagons and freight. Railway tariff and rent of wagons accounted for 40.9 per cent. and 43.0 per cent. of distribution costs in the six months ended 30 June 2019 and 2018, respectively, whereas freight accounted for 30.1 per cent. and 32.8 per cent. of distribution costs in the same respective periods. Other distribution costs include transport repairs and maintenance, commissions and marketing expenses, transshipment, employee benefits, depreciation and other costs.

The table below details the Group's distribution costs by major components for the periods indicated:

	Six months ended 30 June		Change (%)
	2019	2018	
	(U.S.\$ thousands)		
Railway tariff and rent of wagons	121,594	144,863	(16.1)
Freight	89,586	110,548	(19.0)
Commissions and marketing expenses	21,471	13,715	56.6
Transport repairs and maintenance	13,353	14,556	(8.3)
Transshipment	10,401	10,850	(4.1)
Employee benefits	8,434	7,346	14.8
Depreciation of property, plant and equipment	3,720	4,146	(10.3)
Depreciation of right-of-use assets	351	-	N/A
Other costs ⁽¹⁾	28,506	30,950	(7.9)
Total distribution costs	297,416	336,974	(11.7)

⁽¹⁾ Other costs consist of distribution expenses related to the sales of products other than potash as well as promotion and other distribution expenses related to potash sales.

Railway tariff and rent of wagons

During the periods under review, railway tariff and rent of wagons consisted of:

- railway tariff costs for deliveries by the Group by rail to sea ports for onward maritime shipment to the Group's export markets ("**sea port railway deliveries**");
- railway tariff costs for overland deliveries undertaken by the Group to China and European destinations ("**overland railway deliveries**"). In these instances, the Group incurred railway tariff associated with transporting potash to the agreed rail terminal outside the country of ultimate destination, which is typically close to the relevant border with that country;
- empty rail car tariffs for the return of the empty rail cars after deliveries have been made; and
- rent of wagons from third party railway operators.

As part of the distribution cycle, substantially all of the Group's products for export sales are transported by rail either for subsequent maritime shipment, thus representing sea port railway deliveries, or offtaking by the customers at the rail terminals, thus representing overland railway deliveries.

Railway tariff and rent of wagons costs accounted for 40.9 per cent. and 43.0 per cent. of distribution costs in the six months ended 30 June 2019 and 2018, respectively. In the six months ended 30 June 2019, 22.2 per cent. of the Group's volumes of export sales represented overland railway deliveries, as compared to 20.7 per cent. in the six months ended 30 June 2018, with the remainder comprising sea port railway deliveries.

Railway tariff and rent of wagons costs were U.S.\$ 121,594 thousand in the six months ended 30 June 2019, which constitutes a decrease of U.S.\$ 23,269 thousand, or 16.1 per cent., from U.S.\$ 144,863 thousand in the six months ended 30 June 2018. The decrease was primarily due to a decrease in the volume of sea port railway deliveries and the effect of the translation of rouble-denominated costs to U.S. dollars as a result of the depreciation of the rouble against the U.S. dollar during the six months ended 30 June 2019 as compared to the six months ended 30 June 2018.

Freight

Freight costs are shipping costs incurred by the Group in selling potash. The amount of freight costs the Group incurs depends on both the changes in freight charges and the volumes the Group sells on the sale terms mentioned above, which in turn depends on how the sales are made and to which markets sales are made. The Group also incurs barge freight costs on sales in the United States, which are less significant compared to the sea transportation costs. Freight costs are seasonal in nature in that the underlying freight prices are higher in the winter months than in the summer months. Freight costs accounted for 30.1 per cent. and 32.8 per cent. of distribution costs in the six months ended 30 June 2019 and 2018, respectively. In the six months ended 30 June

2019, 77.8 per cent. of the Group's volumes of export sales were transported by sea as compared to 79.3 per cent. in the six months ended 30 June 2018.

Freight costs were U.S.\$ 89,586 thousand in the six months ended 30 June 2019, which constitutes a U.S.\$ 20,962 thousand, or 19.0 per cent., decrease from U.S.\$ 110,548 thousand in the six months ended 30 June 2018. The decrease was primarily due to the lower volume of sales requiring maritime shipment as well as a decline in average freight rates in the six months ended 30 June 2019 compared to the six months ended 30 June 2018.

General and Administrative Expenses

In the six months ended 30 June 2019 and 2018, general and administrative expenses remained largely unchanged and amounted to U.S.\$ 85,394 thousand and U.S.\$ 85,306 thousand, respectively. As a percentage of revenues, general and administrative expenses decreased to 5.5 per cent. for the six months ended 30 June 2019 from 6.1 per cent. for the six months ended 30 June 2018.

The changes in the principal components in the general and administrative expenses for the periods indicated are set out in the table below.

	Six months ended 30 June		Change (%)
	2019 (U.S.\$ thousands)	2018	
Employee benefits	48,778	48,770	0.0
Depreciation of property, plant and equipment ...	4,427	4,909	(9.8)
Mine-rescue crew	3,010	3,078	(2.2)
Security	2,952	2,997	(1.5)
Communication and information system services	2,811	2,293	22.6
Consulting, audit and legal services.....	2,298	2,483	(7.5)
Amortisation of intangible assets	2,041	2,717	(24.9)
Materials and fuel	2,027	2,304	(12.0)
Repairs and maintenance	1,278	1,618	(21.0)
Depreciation of right-of-use assets	1,088	-	N/A
Other expenses	14,684	14,137	3.9
Total general and administrative expenses	85,394	85,306	0.1

The major component of general and administrative expenses is employee benefits, which comprise salaries for executive management and other administrative staff. In the six months ended 30 June 2019 and 2018, employee benefits were U.S.\$ 48,778 thousand and U.S.\$ 48,770 thousand, respectively, which accounted for 57.1 per cent. and 57.2 per cent. of general and administrative expenses in the six months ended 30 June 2019 and 2018, respectively.

Other Operating Income and Expenses

In the six months ended 30 June 2019, the Group recorded a net other operating expense of U.S.\$ 46,993 thousand as compared to a net other operating income of U.S.\$ 621 thousand in the six months ended 30 June 2018. The net other operating expense in the six months ended 30 June 2019 was largely attributable to a U.S.\$ 21,332 thousand increase in social cost and charity expenses and a U.S.\$ 10,108 thousand increase in loss on disposals of property, plant and equipment and intangible assets due to the write-off of assets which are no longer able to yield economic benefits (mostly represented by written-off wells).

Operating Profit

In the six months ended 30 June 2019, operating profit was U.S.\$ 742,408 thousand which constitutes an increase of U.S.\$ 142,065 thousand, or 23.7 per cent., from U.S.\$ 600,343 thousand in the six months ended 30 June 2018.

Finance Income and Expenses

In the six months ended 30 June 2019, finance income was U.S.\$ 461,214 thousand which constitutes an increase of U.S.\$ 440,220 thousand from U.S.\$ 20,994 thousand in the six months ended 30 June 2018, mainly due to

foreign exchange gain of U.S.\$ 348,575 thousand and net fair value gain on derivative financial instruments of U.S.\$ 91,411 thousand in the six months ended 30 June 2019.

The foreign exchange gain and the net fair value gain on derivative financial instruments in the six months ended 30 June 2019 were primarily attributable to revaluation of foreign currency denominated borrowings and net liabilities under the cross-currency interest rate swaps as a result of the appreciation of the rouble against U.S. dollar and the euro as at 30 June 2019 as compared to 31 December 2018. The derivative financial assets and liabilities primarily related to cross-currency interest rate derivative contracts in respect of rouble-denominated loans under which the Group pays U.S. dollars (the currency in which the majority of its revenues are denominated) to the swap counterparty in return for roubles (the currency in which the relevant loans and bonds, as well as a substantial majority of the Group's costs, are denominated) as well as interest rate derivative contracts, relating to the Group's U.S. dollar-denominated floating rate borrowings, under which the Group pays U.S. dollars based on the fixed rate to the swap counterparty in return for U.S. dollars based on the floating rate.

In the six months ended 30 June 2019, finance expenses were U.S.\$ 168,272 thousand which constitutes a U.S.\$ 451,491 thousand decrease from U.S.\$ 619,763 thousand in the six months ended 30 June 2018. The decrease was largely attributable to foreign exchange loss of U.S.\$ 373,901 thousand and, to a lesser extent, net fair value loss on derivative financial instruments of U.S.\$ 28,818 thousand in the six months ended 30 June 2018 due to the negative revaluation of foreign currency denominated borrowings and net liabilities under the cross-currency interest rate swaps as a result of depreciation of rouble against U.S. dollar and euro as at 30 June 2018 as compared to 31 December 2017.

Profit before Income Tax

In the six months ended 30 June 2019, profit before income tax was U.S.\$ 1,035,350 thousand which constitutes a U.S.\$ 1,033,776 thousand increase from U.S.\$ 1,574 thousand in the six months ended 30 June 2018 for the reasons discussed above.

Income Tax Expense

In the six months ended 30 June 2019, income tax expense was U.S.\$ 199,459 thousand which constitutes a U.S.\$ 199,185 thousand increase from U.S.\$ 274 thousand in the six months ended 30 June 2018. The increase was primarily attributable to an increase in theoretical tax charge due to the higher profit before income tax in the six months ended 30 June 2019 as compared to the six months ended 30 June 2018.

Net Profit for the Period

For the reasons discussed above, in the six months ended 30 June 2019 and 2018, net profit for the period was U.S.\$ 835,891 thousand and U.S.\$ 1,300 thousand, respectively.

Year Ended 31 December 2018 Compared to Year Ended 31 December 2017

The following table shows a summary of the Group's consolidated results of operations for the years ended 31 December 2018 and 2017:

	Year ended 31 December		Change
	2018	2017	
	(U.S.\$ thousands)		(%)
Revenues, of which:	2,753,577	2,760,874	(0.3)
<i>Russia.....</i>	485,562	412,953	17.6
<i>China, India and South East Asia</i>	872,055	1,032,799	(15.6)
<i>Latin America and USA</i>	1,061,879	936,119	13.4
<i>Europe and other countries</i>	334,081	379,003	(11.9)
Cost of sales	(702,867)	(739,076)	(4.9)
Gross profit	2,050,710	2,021,798	1.4
Distribution costs	(632,923)	(747,804)	(15.4)
General and administrative expenses	(174,652)	(157,390)	11.0
Taxes other than income tax	(22,818)	(21,706)	5.1
Other operating (expenses) / income, net.....	(17,830)	6,404	(378.4)
Operating profit	1,202,487	1,101,302	9.2
Finance expenses, net	(1,194,753)	(8,285)	14,320.7
Profit before income tax	7,734	1,093,017	(99.3)
Income tax expense.....	(104,740)	(218,389)	(52.0)
Net (loss) / profit for the year	(97,006)	874,628	(111.1)

Revenues

In 2018, total revenues were U.S.\$ 2,753,577 thousand which constitutes a U.S.\$ 7,297 thousand, or 0.3 per cent., decrease from U.S.\$ 2,760,874 thousand in 2017.

In 2018 and 2017, 82.4 per cent. and 85.0 per cent., respectively, of the Group's total revenues were attributable to export sales. The Group derived 96.9 per cent. and 96.7 per cent., respectively, of its total revenues for 2018 and 2017 from the sale of potash. As a result, the Group's revenues are primarily dependent on sales of potash to its main export markets, and, to a lesser extent, sales of potash in Russia.

The table below shows a breakdown of revenues for the periods indicated:

	Year Ended 31 December			
	2018		2017	
	U.S.\$ thousands	% of total revenues	U.S.\$ thousands	% of total revenues
Potash sales				
Potassium chloride	1,580,990	57.4	1,710,530	62.0
Potassium chloride (granular).....	896,629	32.6	959,164	34.7
Revenue from rendering transportation services ⁽¹⁾	190,174	6.9	-	-
Total potash sales	2,667,793	96.9	2,669,694	96.7
Other revenues.....	85,784	3.1	91,180	3.3
Total revenues	2,753,577	100.0	2,760,874	100.0

⁽¹⁾ Following the adoption of IFRS 15 "Revenue from contracts with customers", with effect from 1 January 2018 the Group treats revenue from rendering transportation services to customers as a separate performance obligation, which is recognised over a period of time of service, not at the moment when title to potash is transferred to buyers, as was recognised earlier under IAS 18.

Revenues from potash sales

In 2018, revenues from potash sales remained largely unchanged as the decrease in sales volume was almost fully offset by the increase in the average selling prices on a sale term.

Other revenues

In 2018, other revenues were U.S.\$ 85,784 thousand which constitutes a U.S.\$ 5,396 thousand, or 5.9 per cent., decrease from U.S.\$ 91,180 thousand. The decrease was primarily due to the effect of the translation of rouble-

denominated revenues to U.S. dollars as a result of the depreciation of the rouble against the U.S. dollar during 2018 as compared to 2017.

Cost of Sales

The largest components of the Group's cost of sales are depreciation (25.1 per cent. of total cost of sales in 2018 and 22.9 per cent. in 2017), employee benefits (23.9 per cent. in 2018 and 22.8 per cent. in 2017), materials and components (16.4 per cent. in 2018 and 16.8 per cent. in 2017) and fuel and energy (14.5 per cent. in 2018 and 14.6 per cent. in 2017).

The table below shows the Group's cost of sales for the periods indicated by major components:

	Year ended 31 December		Change
	2018	2017	
	(U.S.\$ thousands)		(%)
Depreciation.....	176,565	169,512	4.2
Employee benefits	168,110	168,708	(0.4)
Materials and components	115,310	123,929	(7.0)
Fuel and energy	101,865	108,085	(5.8)
Repairs and maintenance	64,703	43,526	48.7
Amortisation of licences	54,274	45,327	19.7
Transportation between mines by railway	12,636	12,228	3.3
Change in work in progress, finished goods and goods in transit.....	(41,156)	36,951	(211.4)
Other costs	50,560	30,810	64.1
Total cost of sales	702,867	739,076	(4.9)

In 2018, the Group's cost of sales decreased by U.S.\$ 36,209 thousand, or 4.9 per cent., as compared to 2017 largely due to change in work in progress, finished goods and goods in transit, as a result of an increase in the amount of finished goods in stock and goods in transit as of 31 December 2018 as compared to 31 December 2017. As a percentage of revenues, cost of sales decreased to 25.5 per cent. for 2018 from 26.8 per cent. for 2017.

Depreciation

In 2018, depreciation was U.S.\$ 176,565 thousand which constitutes a U.S.\$ 7,053 thousand, or 4.2 per cent., increase from U.S.\$ 169,512 thousand in 2017, mainly due to an increase in the amount of depreciation charged for the Group's mining assets (U.S.\$ 100,947 thousand in 2018 as compared to U.S.\$ 82,396 thousand in 2017) due to the higher average balance of mining assets in 2018 resulting primarily from change in estimates of future decommissioning and filling cavities costs. As a percentage of total cost of sales, depreciation increased to 25.1 per cent. for 2018 from 22.9 per cent. for 2017.

Employee benefits

In 2018 and 2017 employee benefits remained largely unchanged at U.S.\$ 168,110 thousand and U.S.\$ 168,708 thousand, respectively. As a percentage of total cost of sales, employee benefits increased to 23.9 per cent. for 2018 from 22.8 per cent. for 2017.

Materials and components

In 2018, costs related to materials and components were U.S.\$ 115,310 thousand which constituted a U.S.\$ 8,619 thousand, or 7.0 per cent., decrease from U.S.\$ 123,929 thousand in 2017. The decrease was primarily due to a decrease in the volume of materials consumed due to reduced production levels. As a percentage of total cost of sales, materials and components decreased to 16.4 per cent. in 2018 from 16.8 per cent. in 2017.

Fuel and energy

In 2018, fuel and energy costs were U.S.\$ 101,865 thousand which constitutes a decrease of U.S.\$ 6,220 thousand, or 5.8 per cent., from U.S.\$ 108,085 thousand in 2017. The decrease was primarily attributable to the effect of the translation of rouble-denominated costs to U.S. dollars as a result of the depreciation of the rouble against the U.S. dollar during 2018 as compared to 2017 and the fact that the majority of the Group's fuel and energy costs were

rouble-denominated. As a percentage of total cost of sales, fuel and energy expenses decreased to 14.5 per cent. for 2018 from 14.6 per cent. for 2017.

Distribution Costs

In 2018, distribution costs were U.S.\$ 632,923 thousand which constitutes a decrease of U.S.\$ 114,881 thousand, or 15.4 per cent., from U.S.\$ 747,804 thousand in 2017. The decrease was primarily due to the lower sales volumes as well as the effect of the translation of rouble-denominated costs to U.S. dollars as a result of the depreciation of the rouble against the U.S. dollar during 2018 as compared to 2017. As a percentage of revenues, distribution costs decreased to 23.0 per cent. in 2018 from 27.1 per cent. in 2017.

The major components of distribution costs are railway tariff and rent of wagons and freight. Railway tariff and rent of wagons accounted for 38.4 per cent. and 40.3 per cent. of distribution costs in 2018 and 2017, respectively, whereas freight accounted for 32.9 per cent. and 33.2 per cent. of distribution costs in the same respective periods. Other distribution costs include transport repairs and maintenance, commissions and marketing expenses, transshipment, employee benefits, depreciation and other costs.

The table below details the Group's distribution costs by major components for the periods indicated:

	Year ended 31 December		Change
	2018	2017	
	(U.S.\$ thousands)		(%)
Railway tariff and rent of wagons	242,806	301,033	(19.3)
Freight	208,477	248,343	(16.1)
Transport repairs and maintenance.....	29,806	31,892	(6.5)
Commissions and marketing expenses.....	23,813	23,003	3.5
Transshipment	21,212	28,817	(26.4)
Employee benefits	17,244	10,855	58.9
Depreciation	8,176	8,567	(4.6)
Other costs ⁽¹⁾	81,389	95,294	(14.6)
Total distribution costs	632,923	747,804	(15.4)

⁽¹⁾ Other costs consist of distribution expenses related to the sales of products other than potash as well as promotion and other distribution expenses related to potash sales.

Railway tariff and rent of wagons

Railway tariff and rent of wagons costs accounted for 38.4 per cent. and 40.3 per cent. of distribution costs in 2018 and 2017, respectively. In 2018, 20.7 per cent. of the Group's volumes of export sales represented overland railway deliveries, as compared to 17.2 per cent. in 2017, with the remainder comprising sea port railway deliveries.

Railway tariff and rent of wagons costs were U.S.\$ 242,806 thousand in 2018, a decrease of 19.3 per cent. from U.S.\$ 301,033 thousand in 2017. The decrease was primarily due to the lower sales volumes as well as the effect of the translation of rouble-denominated costs to U.S. dollars as a result of the depreciation of the rouble against the U.S. dollar during 2018 as compared to 2017.

Freight

Freight costs accounted for 32.9 per cent. and 33.2 per cent. of distribution costs in 2018 and 2017, respectively. In 2018, 79.3 per cent. of the Group's volumes of export sales were transported by sea as compared to 82.8 per cent. in 2017.

Freight costs were U.S.\$ 208,477 thousand in 2018, which constitutes a U.S.\$ 39,866 thousand, or 16.1 per cent., decrease from U.S.\$ 248,343 thousand in 2017. The decrease was primarily due to the lower sales volumes requiring maritime shipment in 2018 as compared to 2017.

General and Administrative Expenses

In 2018, general and administrative expenses were U.S.\$ 174,652 thousand which constitutes a U.S.\$ 17,262 thousand, or 11.0 per cent., increase from U.S.\$ 157,390 thousand in 2017, mainly as a result of an increase in employee benefits and other expenses, which was partially offset by a decrease in mine rescue crew and security expenses. As a percentage of revenues, general and administrative expenses increased to 6.3 per cent. for 2018 from 5.7 per cent. for 2017.

The changes in the principal components in the general and administrative expenses for the periods indicated are set out in the table below.

	Year ended 31 December		Change
	2018	2017	
	(U.S.\$ thousands)		(%)
Employee benefits	95,600	89,953	6.3
Depreciation	9,738	7,862	23.9
Consulting, audit and legal services	7,227	4,349	66.2
Mine-rescue crew	5,924	6,134	(3.4)
Security	5,783	6,475	(10.7)
Materials and Fuel	5,167	5,182	(0.3)
Communication and information system services ..	4,480	4,413	1.5
Amortisation of intangible assets	3,829	3,264	17.3
Repairs and maintenance	3,546	3,167	12.0
Other expenses	33,358	26,591	25.4
Total general and administrative expenses	174,652	157,390	11.0

The major component of general and administrative expenses is employee benefits, which accounted for 54.7 per cent. and 57.2 per cent. of general and administrative expenses in 2018 and 2017, respectively. In 2018, employee benefits were U.S.\$ 95,600 thousand which constitutes an increase of U.S.\$ 5,647 thousand, or 6.3 per cent., from U.S.\$ 89,953 thousand in 2017 mainly attributable to the increase in average salaries as a result of indexation due to inflation.

Other Operating Income and Expenses

In 2018, the Group recorded net operating expenses of U.S.\$ 17,830 thousand as compared to the net operating income of U.S.\$ 6,404 thousand in 2017. The net operating income in 2017 was largely attributable to the reverse of legal provision in the amount of U.S.\$ 21,476 thousand. The legal provision was originally recognised in 2015 in connection with a potential cash outflow related to the past mining activities which allegedly caused damage to property of third parties. The provision was reversed in 2017 when independent experts found that the damage was not caused by the Group's activities.

Operating Profit

In 2018, operating profit was U.S.\$ 1,202,487 thousand which constitutes an increase of U.S.\$ 101,185 thousand, or 9.2 per cent., from U.S.\$ 1,101,302 thousand in 2017.

Finance Income and Expenses

In 2018, finance income was U.S.\$ 46,181 thousand which constitutes a decrease of U.S.\$ 303,955 thousand from U.S.\$ 350,136 thousand in 2017, mainly due to foreign exchange gain of U.S.\$ 271,908 thousand and net fair value gain on derivative financial instruments of U.S.\$ 51,662 thousand in 2017.

The foreign exchange gain in 2017 was primarily attributable to revaluation of foreign currency denominated borrowings. The derivative financial assets and liabilities primarily related to cross-currency interest rate derivative contracts in respect of rouble-denominated loans under which the Group pays U.S. dollars (the currency in which the majority of its revenues are denominated) to the swap counterparty in return for roubles (the currency in which the relevant loans and bonds, as well as a substantial majority of the Group's costs, are denominated) as well as interest rate derivative contracts, relating to the Group's U.S. dollar-denominated floating rate borrowings, under which the Group pays U.S. dollars based on the fixed rate to the swap counterparty in return for U.S. dollars

based on the floating rate. Accordingly, in 2017 the Group recognised net fair value gain on derivative financial instruments as a result of the appreciation of the rouble against the U.S. dollar.

In 2018, finance expenses were U.S.\$ 1,240,934 thousand which constitutes a U.S.\$ 882,513 thousand increase from U.S.\$ 358,421 thousand in 2017. The increase was largely attributable to foreign exchange loss of U.S.\$ 737,676 thousand and net fair value loss on derivative financial instruments of U.S.\$ 106,246 thousand in 2018 due to the depreciation of the rouble against the U.S. dollar and a corresponding negative revaluation of foreign currency denominated loans and borrowings and fair value adjustment on cross-currency swaps.

Profit before Income Tax

In 2018, profit before income tax was U.S.\$ 7,734 thousand which constitutes a U.S.\$ 1,085,283 thousand decrease from U.S.\$ 1,093,017 thousand in 2017 for the reasons discussed above.

Income Tax Expense

In 2018, income tax expense was U.S.\$ 104,740 thousand which constitutes a U.S.\$ 113,649 thousand, or 52.0 per cent., decrease from U.S.\$ 218,389 thousand in 2017. The decrease was primarily attributable to U.S.\$ 179,072 thousand decrease in theoretical tax charge due to the lower profit before income tax in 2018 as compared to 2017 which was partially offset by U.S.\$ 106,168 thousand increase in effect of changes in tax rate. The increase in effect of changes in tax rate was primarily related to the remeasurement of deferred tax assets and liabilities following the coming into force of a regional law setting a limit on minimum income tax rates and cancelling the preferential income tax regime with effect from 2021. However, given that in 2016 Uralkali entered into a regional special investment contract valid until 2022, the Group is able to apply the minimum income tax rate of 16.5 per cent. until 31 December 2022. Starting from 1 January 2023, the Group will apply the general income tax rate of 20 per cent. Accordingly, in 2018 deferred tax assets and liabilities were remeasured at tax rates that are expected to be applied when those assets and liabilities will be settled.

Net (Loss) / Profit for the Period

In 2018, net loss for the year was U.S.\$ 97,006 thousand as compared to the net profit for the year of U.S.\$ 874,628 thousand in 2017 for the reasons discussed above.

Year Ended 31 December 2017 Compared to Year Ended 31 December 2016

The following table shows a summary of the Group's consolidated results of operations for the years ended 31 December 2017 and 2016:

	Year ended 31 December		Change (%)
	2017	2016	
	(U.S.\$ thousands)		
Revenues, of which	2,760,874	2,278,249	21.2
<i>Russia.....</i>	<i>412,953</i>	<i>350,800</i>	<i>17.7</i>
<i>China, India and South East Asia</i>	<i>1,032,799</i>	<i>952,949</i>	<i>8.4</i>
<i>Latin America and USA</i>	<i>936,119</i>	<i>632,751</i>	<i>47.9</i>
<i>Europe and other countries</i>	<i>379,003</i>	<i>341,749</i>	<i>10.9</i>
Cost of sales	(739,076)	(549,766)	34.4
Gross profit	2,021,798	1,728,483	17.0
Distribution costs	(747,804)	(547,676)	36.5
General and administrative expenses	(157,390)	(154,082)	2.1
Taxes other than income tax	(21,706)	(25,414)	(14.6)
Other operating income / (expenses), net.....	6,404	(12,741)	(150.3)
Operating profit	1,101,302	988,570	11.4
Finance (expenses)/income, net	(8,285)	768,126	(101.1)
Profit before income tax	1,093,017	1,756,696	(37.8)
Income tax expense.....	(218,389)	(329,550)	(33.7)
Net profit for the year	874,628	1,427,146	(38.7)

Revenues

In 2017, total revenues were U.S.\$ 2,760,874 thousand which constitutes a U.S.\$ 482,625 thousand, or 21.2 per cent., increase from U.S.\$ 2,278,249 thousand in 2016.

In 2017 and 2016, 85.0 per cent. and 84.6 per cent., respectively, of the Group's total revenues were attributable to export sales. The Group derived 96.7 per cent. and 97.4 per cent., respectively, of its total revenues for 2017 and 2016 from the sale of potash.

The table below shows a breakdown of revenues for the periods indicated:

	Year Ended 31 December			
	2017		2016	
	U.S.\$ thousands	% of total revenues	U.S.\$ thousands	% of total revenues
Potash sales				
Potassium chloride	1,710,530	62.0	1,482,803	65.1
Potassium chloride (granular)	959,164	34.7	736,041	32.3
Total potash sales	2,669,694	96.7	2,218,844	97.4
Other revenues	91,180	3.3	59,405	2.6
Total revenues	2,760,874	100.0	2,278,249	100.0

Revenues from potash sales

In 2017, revenues from potash sales were U.S.\$ 2,669,694 thousand which constitutes an increase of U.S.\$ 450,850 thousand, or 20.3 per cent., from U.S.\$ 2,218,844 thousand in 2016. The increase was primarily attributable to an increase in the sales volumes of potash on both export and domestic markets as well as an increase in average selling prices on a sale term.

Other revenues

In 2017, other revenues were U.S.\$ 91,180 thousand which constitutes a U.S.\$ 31,775 thousand, or 53.5 per cent., increase from U.S.\$ 59,405 thousand. The increase was primarily due to a higher sales volumes of sodium chloride and carnallite.

Cost of Sales

The largest components of the Group's cost of sales are depreciation (22.9 per cent. in 2017 and 23.8 per cent. in 2016), employee benefits (22.8 per cent. in 2017 and 25.2 per cent. in 2016), materials and components (16.8 per cent. in 2017 and 16.3 per cent.) in 2016 and fuel and energy (14.6 per cent. in 2017 and 14.8 per cent. in 2016).

The table below shows the Group's cost of sales for the periods indicated by major components:

	Year ended 31 December		Change (%)
	2017	2016	
	(U.S.\$ thousands)		
Depreciation	169,512	130,724	29.7
Employee benefits	168,708	138,381	21.9
Materials and components	123,929	89,526	38.4
Fuel and energy	108,085	81,471	32.7
Repairs and maintenance	43,526	36,054	20.7
Amortisation of licences	45,327	40,671	11.4
Change in work in progress, finished goods and goods in transit	36,951	4,578	707.1
Transportation between mines by railway	12,228	9,061	35.0
Other costs	30,810	19,300	59.6

Total cost of sales	739,076	549,766	34.4
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In 2017, the Group's cost of sales increased by U.S.\$ 189,310 thousand, or 34.4 per cent., as compared to 2016 due to the increase in principal components of the Group's cost of sales which, in turn, was primarily attributable to both the general increase in sales volumes and the effect of the translation of rouble-denominated costs to U.S. dollars as a result of the appreciation of the rouble against the U.S. dollar during 2017 as compared to 2016. As a percentage of revenues, cost of sales increased to 26.8 per cent. for 2017 from 24.1 per cent. for 2016.

Depreciation

In 2017, depreciation was U.S.\$ 169,512 thousand which constitutes a U.S.\$ 38,788 thousand, or 29.7 per cent., increase from U.S.\$ 130,724 thousand in 2016, mainly due to the effect of the translation of rouble-denominated costs to U.S. dollars as a result of the appreciation of the rouble against the U.S. dollar during 2017 as compared to 2016 accompanied by an increase in average balance of property, plant and equipment due to additions and change in estimates of future decommissioning and filling cavities costs. As a percentage of total cost of sales, depreciation decreased to 22.9 per cent. for 2017 from 23.8 per cent. for 2016.

Employee benefits

In 2017, employee benefits were U.S.\$ 168,708 thousand which constitutes a U.S.\$ 30,327 thousand, or 21.9 per cent., increase from U.S.\$ 138,381 thousand in 2016 due to the effect of the translation of rouble-denominated payroll expenses to U.S. dollars as a result of the appreciation of the rouble against the U.S. dollar during 2017 as compared to 2016 accompanied by the general indexation of salaries due to inflation. As a percentage of total cost of sales, employee benefits decreased to 22.8 per cent. for 2017 from 25.2 per cent. for 2016.

Materials and components

In 2017, costs related to materials and components were U.S.\$ 123,929 thousand which constitutes a U.S.\$ 34,403 thousand, or 38.4 per cent., increase from U.S.\$ 89,526 thousand in 2016. The increase was primarily due to the effect of the translation of rouble-denominated costs to U.S. dollars as a result of the appreciation of the rouble against the U.S. dollar during 2017 as compared to 2016 accompanied by the increase in purchase prices of materials used in repairs and maintenance due to inflation. As a percentage of total cost of sales, materials and components increased to 16.8 per cent. in 2017 from 16.3 per cent. for 2016.

Fuel and energy

In 2017, fuel and energy costs were U.S.\$ 108,085 thousand which constitutes an increase of U.S.\$ 26,614 thousand, or 32.7 per cent., from U.S.\$ 81,471 thousand in 2016. The increase was primarily due to the effect of the translation of rouble-denominated costs to U.S. dollars as a result of the appreciation of the rouble against the U.S. dollar during 2017 as compared to 2016 accompanied by an increase of approximately 13 per cent. in energy tariffs and an increase in fuel and energy consumption due to the higher production volumes in 2017. As a percentage of total cost of sales, fuel and energy expenses decreased to 14.6 per cent. for 2017 from 14.8 per cent. for 2016.

Distribution Costs

In 2017, distribution costs were U.S.\$ 747,804 thousand which constitutes an increase of U.S.\$ 200,128 thousand, or 36.5 per cent., from U.S.\$ 547,676 thousand in 2016. The increase was primarily due to the higher sales volumes and the effect of the translation of rouble-denominated costs to U.S. dollars as a result of the appreciation of the rouble against the U.S. dollar during 2017 as compared to 2016. As a percentage of revenues, distribution costs increased to 27.1 per cent. in 2017 from 24.0 per cent. in 2016.

Railway tariff and rent of wagons accounted for 40.3 per cent. and 39.2 per cent. of distribution costs in 2017 and 2016, respectively, whereas freight accounted for 33.2 per cent. and 33.5 per cent. of distribution costs in the same respective periods. Other distribution costs include transport repairs and maintenance, commissions and marketing expenses, transshipment, employee benefits, depreciation, storage expenses and other costs.

The table below details the Group's distribution costs by major components for the periods indicated:

	Year ended 31 December		Change
	2017	2016	
	(U.S.\$ thousands)		(%)
Railway tariff and rent of wagons	301,033	214,641	40.2
Freight	248,343	183,318	35.5
Transport repairs and maintenance	31,892	25,055	27.3
Transshipment	28,817	29,320	(1.7)
Commissions and marketing expenses	23,003	11,148	106.3
Employee benefits	10,855	16,468	(34.1)
Depreciation	8,567	7,398	15.8
Storage expenses	4,872	13,722	(64.5)
Other costs ⁽¹⁾	90,422	46,606	94.0
Total distribution costs	747,804	547,676	36.5

⁽¹⁾ Other costs consist of distribution expenses related to the sales of products other than potash as well as promotion and other distribution expenses related to potash sales.

Railway tariff and rent of wagons

Railway tariff and rent of wagons costs accounted for 40.3 per cent. and 39.2 per cent. of distribution costs in 2017 and 2016, respectively. In 2017, approximately 17.2 per cent. of the Group's volumes of export sales represented overland railway deliveries, as compared to 24.1 per cent. in 2016, with the remainder comprising sea port railway deliveries.

Railway tariff and rent of wagons costs were U.S.\$ 301,033 thousand in 2017, an increase of U.S.\$ 86,392 thousand, or 40.2 per cent., from U.S.\$ 214,641 thousand in 2016. The increase was primarily due to the increase in sales volumes and the effect of the translation of rouble-denominated costs to U.S. dollars as a result of the appreciation of the rouble against the U.S. dollar during 2017 as compared to 2016.

Freight

Freight costs accounted for 33.2 per cent. and 33.5 per cent. of distribution costs in 2017 and 2016, respectively. In 2017, approximately 82.8 per cent. of the Group's volumes of export sales were transported by sea as compared to 75.9 per cent. in 2016.

Freight costs were U.S.\$ 248,343 thousand in 2017, which constitutes a U.S.\$ 65,025 thousand, or 35.5 per cent., increase from U.S.\$ 183,318 thousand in 2016. The increase was primarily due to the increase in the volume of sales requiring maritime shipment and average freight rates.

General and Administrative Expenses

In 2017, general and administrative expenses were U.S.\$ 157,390 thousand which constitutes an increase of U.S.\$ 3,308 thousand, or 2.1 per cent., from U.S.\$ 154,082 thousand in 2016, mainly as a result of an increase in employee benefits and other expenses, which was partially offset by a decrease in expenses for consulting, audit and legal services. As a percentage of revenues, general and administrative expenses decreased to 5.7 per cent. for 2017 from 6.8 per cent. for 2016.

The changes in the principal components in the general and administrative expenses for the periods indicated are set out in the table below.

	Year ended 31 December		Change (%)
	2017 (U.S.\$ thousands)	2016	
Employee benefits	89,953	87,354	3.0
Depreciation	7,862	6,784	15.9
Security	6,475	6,041	7.2
Mine-rescue crew	6,134	5,123	19.7
Materials and fuel	5,182	4,263	21.6
Communication and information system services	4,413	4,016	9.9
Consulting, audit and legal services.....	4,349	8,713	(50.1)
Amortisation of intangible assets	3,264	4,368	(25.3)
Repairs and maintenance	3,167	3,059	3.5
Other expenses.....	26,591	24,361	9.2
Total general and administrative expenses	157,390	154,082	2.1

The major component of general and administrative expenses is employee benefits, which accounted for 57.2 per cent. and 56.7 per cent. of general and administrative expenses in 2017 and 2016, respectively.

In 2017, employee benefits were U.S.\$ 89,953 thousand which constitutes an increase of U.S.\$ 2,599 thousand, or 3.0 per cent., from U.S.\$ 87,354 thousand in 2016, mainly as a result of the effect of the translation of rouble-denominated expenses to U.S. dollars as a result of the appreciation of the rouble against the U.S. dollar during 2017 as compared to 2016 which was partially offset by a decrease in administrative headcount.

Other Operating Income and Expenses

In 2017, the Group recorded net operating income of U.S.\$ 6,404 thousand as compared to net operating expense of U.S.\$ 12,741 thousand in 2016.

Operating Profit

In 2017, operating profit was U.S.\$ 1,101,302 thousand which constitutes an increase of U.S.\$ 112,732 thousand, or 11.4 per cent., from U.S.\$ 988,570 thousand in 2016.

Finance Income and Expenses

In 2017, finance income was U.S.\$ 350,136 thousand, a decrease of U.S.\$ 743,219 thousand from U.S.\$ 1,093,355 thousand in 2016, mainly due to a U.S.\$ 617,059 thousand decrease in foreign exchange gain and a U.S.\$ 133,321 thousand decrease in net fair value gain on derivative financial instruments in 2017 due to a less pronounced appreciation of the rouble against the U.S. dollar in 2017 as compared to 2016 which resulted in a decrease in the amount of revaluation gain recognised in respect of foreign currency denominated liabilities.

In 2017, finance expenses were U.S.\$ 358,421 thousand which constitutes a U.S.\$ 33,192 thousand, or 10.2 per cent., increase from U.S.\$ 325,229 thousand in 2016. The increase was largely attributable to U.S.\$ 19,836 thousand increase in syndication fees and other financial charges primarily due to a write-off of the commitment fee related to an unutilised facility (which was not utilised due to its being less commercially attractive than other funding options). In addition, in 2017, the Group recognised a net loss from discounting and unwinding in the amount of U.S.\$ 14,590 thousand as compared to a net gain from discounting and unwinding in the amount of U.S.\$ 1,694 thousand due to the excess of unwinding expense on the Group's long term liabilities (mainly, provisions for filling cavities and asset retirement obligations) over the unwinding on the Group's non-current assets (mainly, income tax prepayment), which contributed to the increase in finance expenses.

Profit before Income Tax

In 2017, profit before income tax was U.S.\$ 1,093,017 thousand which constitutes a U.S.\$ 663,679 thousand, or 37.8 per cent., decrease from U.S.\$ 1,756,696 thousand in 2016 for the reasons discussed above.

Income Tax Expense

In 2017, income tax expense was U.S.\$ 218,389 thousand which constitutes a U.S.\$ 111,161 thousand, or 33.7 per cent., decrease from U.S.\$ 329,550 thousand in 2016. The decrease was primarily attributable to U.S.\$ 91,940

thousand, or 33.8 per cent., decrease in theoretical tax charge due to the lower profit before income tax in 2017 as compared to 2016 which was partially offset by 1 per cent. increase in theoretical income tax rate (from 15.5 per cent. in 2016 to 16.5 per cent. in 2017) following the adoption of the relevant regional law and a U.S.\$ 21,773 thousand increase in write-off of deferred tax asset attributable to one of the subsidiaries of the Group which was recognised based on the assessment of the recoverability of deferred tax asset performed by the management of the Group in 2017.

Net Profit for the Period

In 2017, net profit for the year was U.S.\$ 874,628 thousand as compared to U.S.\$ 1,427,146 thousand in 2016 for the reasons discussed above.

Liquidity and Capital Resources

Historically, the Group relied on cash provided by operations, loans, borrowings and bonds to finance its working capital and capital requirements, and the Group's management expects that these will continue to be important sources of cash of the Group in the future.

Historical cash flows

The table below shows the Group's net cash flows from operating, investing and financing activities for the periods indicated:

	Six months ended 30 June		Year ended 31 December		
	2019	2018	2018	2017	2016
	(U.S.\$ thousands)				
Profit before income tax	1,035,350	1,574	7,734	1,093,017	1,756,696
Net cash generated from operating activities	536,653	600,923	1,096,480	710,500	1,011,984
Net cash used in investing activities	(256,980)	(232,448)	(368,988)	(363,804)	(493,939)
Net cash used in financing activities	(872,018)	(592,475)	(764,056)	(768,420)	(159,942)
Net (decrease)/increase in cash and cash equivalents	(584,699)	(237,120)	(59,594)	(412,912)	373,643

Net cash generated from operating activities

Net cash generated from operating activities primarily results from profit before income tax as adjusted for non-cash items such as depreciation and amortisation, finance costs and changes in working capital.

Six months ended 30 June 2019 compared to six months ended 30 June 2018.

Net cash generated from operating activities decreased by U.S.\$ 64,270 thousand, or 10.7 per cent., to U.S.\$ 536,653 thousand in the six months ended 30 June 2019 from U.S.\$ 600,923 thousand in the six months ended 30 June 2018.

The decrease was primarily attributable to changes in working capital and increase in income tax paid and partly offset by increase in operating cash flows before working capital changes.

The changes in working capital represented primarily:

- a U.S.\$ 218,752 thousand change in trade and other receivables and advances to suppliers (from a U.S.\$ 165,917 thousand decrease in trade and other receivables and advances to suppliers in the six months ended 30 June 2018 to a U.S.\$ 52,835 thousand increase in trade and other receivables and advances to suppliers in the six months ended 30 June 2019) due to a number of business factors; and
- a U.S.\$ 28,088 thousand change in inventories (from a U.S.\$ 11,918 thousand increase in inventories in the six months ended 30 June 2018 to a U.S.\$ 40,006 thousand increase in inventories in the six months ended

30 June 2019) due to the higher level of unsold stock as of 30 June 2019 compared to 30 June 2018 which was primarily attributable to decrease in sales volumes,

which was partially offset by:

- a U.S.\$ 63,245 thousand change in trade and other payables, advances received and provisions (from a U.S.\$ 74,624 thousand decrease in trade and other payables, advances received and provisions in the six months ended 30 June 2018 to a U.S.\$ 11,379 thousand decrease in trade and other payables, advances received and provisions in the six months ended 30 June 2019) due to a number of business factors.

The income tax paid increased by U.S.\$ 42,629 thousand from U.S.\$ 51,623 thousand in the six months ended 30 June 2018 to U.S.\$ 94,252 thousand in the six months ended 30 June 2019.

Increase in operating cash flows before working capital changes was primarily attributable to the increase in revenues and decrease in distribution expenses in the six months ended 30 June 2019 as compared to the six months ended 30 June 2018.

Year ended 31 December 2018 compared to year ended 31 December 2017.

Net cash generated from operating activities increased by U.S.\$ 385,980 thousand, or 54.3 per cent., to U.S.\$ 1,096,480 thousand in 2018 from U.S.\$ 710,500 thousand in 2017.

The increase was primarily attributable to (i) U.S.\$ 143,027 thousand, or 10.7 per cent., increase in operating cash flows before working capital changes to U.S.\$ 1,481,232 thousand in 2018 from U.S.\$ 1,338,205 thousand in 2017 primarily due to U.S.\$ 98,093 thousand decrease in railway tariff and rent of wagons and freight expenses as well as U.S.\$ 52,209 thousand decrease in cost of sales (excluding the change in depreciation and amortisation) in 2018 compared to 2017 (ii) U.S.\$ 216,740 thousand, or 96.9 per cent., an improvement in working capital changes to U.S.\$ 6,886 thousand decrease in 2018 from U.S.\$ 223,626 thousand decrease in 2017 due to:

- a U.S.\$ 399,307 thousand change in trade and other receivables and advances to suppliers (from a U.S.\$ 277,104 thousand increase in trade and other receivables and advances to suppliers in 2017 to a U.S.\$ 122,203 thousand decrease in trade and other receivables and advances to suppliers in 2018) due to the faster conversion of trade accounts receivable into cash,

which was partially offset by:

- a U.S.\$ 148,095 thousand change in inventories (from a U.S.\$ 78,687 thousand decrease in inventories in 2017 to a U.S.\$ 69,408 thousand increase in inventories in 2018) due to the higher level of unsold stock as of 31 December 2018 compared to 31 December 2017 which was largely attributable to a decrease in sales volumes in 2018.

Year ended 31 December 2017 compared to year ended 31 December 2016.

Net cash generated from operating activities decreased by U.S.\$ 301,484 thousand, or 29.8 per cent., to U.S.\$ 710,500 thousand in 2017 from U.S.\$ 1,011,984 thousand in 2016. The decrease was primarily attributable to U.S.\$ 396,051 thousand, or 229.7 per cent., decrease in the working capital changes in 2017 as compared to the year ended 31 December 2016 which was partially offset by U.S.\$ 132,963 thousand, or 11.0 per cent., increase in operating cash flows before working capital changes in 2017 as compared to the year ended 31 December 2016.

The decrease in the working capital changes was largely due to:

- a U.S.\$ 442,168 thousand change in trade and other receivables and advances to suppliers (from a U.S.\$ 165,064 thousand decrease in trade and other receivables and advances to suppliers in 2016 to a U.S.\$ 277,104 thousand increase in trade and other receivables and advances to suppliers in 2017) mainly due to changes in sales structure and reallocation of sales volumes to premium markets (including, South America and South East Asia) in 2017, which generally provide for longer payment period as compared to other markets,

which was partially offset by:

- a U.S.\$ 82,729 thousand change in inventories (from a U.S.\$ 4,042 thousand increase in inventories in 2016 to a U.S.\$ 78,687 thousand decrease in inventories in 2017) due to the lower level of unsold stock as of 31 December 2017 compared to 31 December 2016 which was largely attributable to higher sales volumes on both export and domestic markets.

Net cash used in investing activities

Six months ended 30 June 2019.

Net cash used in investing activities in the six months ended 30 June 2019 was U.S.\$ 256,980 thousand. This principally reflected the acquisition of property, plant and equipment in the amount of U.S.\$ 152,739 thousand and loans issued in the amount of U.S.\$ 109,040 thousand.

Six months ended 30 June 2018.

Net cash used in investing activities in the six months ended 30 June 2018 was U.S.\$ 232,448 thousand. This principally reflected the acquisition of property, plant and equipment in the amount of U.S.\$ 145,066 thousand and loans issued in the amount of U.S.\$ 94,815 thousand.

Year ended 31 December 2018

Net cash used in investing activities in 2018 was U.S.\$ 368,988 thousand. This principally reflected the acquisition of property, plant and equipment in the amount of U.S.\$ 356,818 thousand and loans issued in the amount of U.S.\$ 131,279 thousand which were partially offset by the proceeds from loans repayments of U.S.\$ 104,639 thousand.

Year ended 31 December 2017

Net cash used in investing activities in 2017 was U.S.\$ 363,804 thousand. This principally reflected the acquisition of property, plant and equipment in the amount of U.S.\$ 269,782 thousand and loans issued in the amount of U.S.\$ 333,973 thousand which were partially offset by the proceeds from loans repayments of U.S.\$ 160,192 thousand and proceeds from sale of other financial assets of U.S.\$ 70,010 thousand which comprised primarily a portfolio of bonds issued by Russian state-owned banks.

Year ended 31 December 2016

Net cash used in investing activities in 2016 was U.S.\$ 493,939 thousand. This principally reflected the acquisition of property, plant and equipment in the amount of U.S.\$ 317,399 thousand and loans issued in the amount of U.S.\$ 477,438 thousand which were partially offset by the proceeds from loans repayments of U.S.\$ 292,536 thousand.

Net cash used in financing activities

Six months ended 30 June 2019

Net cash used in financing activities in the six months ended 30 June 2019 was U.S.\$ 872,018 thousand. This principally reflected the repayment of borrowings in the amount of U.S.\$ 1,521,746 thousand and the redemption of bonds in the amount of U.S.\$ 800,000 thousand which were partially offset by the proceeds from borrowings in the amount of U.S.\$ 1,485,062 thousand.

Six months ended 30 June 2018

Net cash used in financing activities in the six months ended 30 June 2018 was U.S.\$ 592,475 thousand. This principally reflected the repayment of borrowings in the amount of U.S.\$ 568,346 thousand, the redemption of bonds in the amount of U.S.\$ 581,900 thousand and the purchase of treasury shares in the amount of U.S.\$ 125,640 thousand which were partially offset by the proceeds from borrowings in the amount of U.S.\$ 496,883 thousand and proceeds from issuance of bonds in the amount of U.S.\$ 240,260 thousand.

Year ended 31 December 2018

Net cash used in financing activities in 2018 was U.S.\$ 764,056 thousand. This principally reflected the repayment of borrowings in the amount of U.S.\$ 1,841,598 thousand, the redemption of bonds in the amount of U.S.\$ 581,900 thousand which were partially offset by the proceeds from borrowings in the amount of U.S.\$ 1,521,883 thousand and proceeds from the issuance of bonds in the amount of U.S.\$ 389,056 thousand.

Year ended 31 December 2017

Net cash used in financing activities in 2017 was U.S.\$ 768,420 thousand. This principally reflected the repayment of borrowings in the amount of U.S.\$ 3,244,000 thousand which was partially offset by the proceeds from borrowings in the amount of U.S.\$ 1,603,010 thousand and proceeds from the issuance of bonds in the amount of U.S.\$ 1,070,181 thousand.

Year ended 31 December 2016

Net cash used in financing activities in 2016 was U.S.\$ 159,942 thousand. This principally reflected the repayment of borrowings in the amount of U.S.\$ 910,977 thousand and purchase of treasury shares in the amount of U.S.\$ 506,134 thousand which was partially offset by the proceeds from borrowings in the amount of U.S.\$ 1,370,533 thousand.

Loans and borrowings

As at 30 June 2019 and 31 December 2018, 2017 and 2016, the Group's loans and borrowings comprised primarily short-term and long-term bank loans and other borrowings, bonds and lease payable as shown in the following table:

	Amount (U.S.\$ thousands)			
	30 June	31 December		
	2019	2018	2017	2016
Loans and borrowings				
Bank loans and other borrowings	4,459,858	4,496,415	4,773,344	6,409,114
Bonds	637,478	1,395,870	1,661,191	584,907
Lease payable	24,382	7,602	9,197	8,760
Total loans and borrowings.....	5,121,718	5,899,887	6,443,732	7,002,781

The following tables summarise the Group's bank loans and borrowings outstanding as at 30 June 2019 and 31 December 2018, 2017 and 2016:

	Amount (U.S.\$ thousands)			
	30 June	31 December		
	2019	2018	2017	2016
Long-term bank loans and other borrowings				
Bank loans in U.S.\$ – floating interest rate	2,198,888	2,228,939	2,731,858	4,447,492
Bank loans and other borrowings in U.S.\$ – fixed interest rate	241,037	993,045	749,629	-
Bank loans in EUR – floating interest rate	526,503	10,816	-	-
Bank loans in RUB – floating interest rate	-	-	-	134,522
Total long-term bank loans and other borrowings	2,966,428	3,232,800	3,481,487	4,582,014
Short-term and current portion of long-term bank loans and borrowings				
Bank loans in U.S.\$ – floating interest rate	739,071	1,259,371	1,145,987	1,641,788
Bank loans in U.S.\$ – fixed interest rate	752,428	2,570	1,852	-
Bank loans in EUR – floating interest rate	1,931	1,674	-	-
Bank loans in RUB – floating interest rate	-	-	144,018	185,312
Total short-term and current portion of long-term bank loans and borrowings	1,493,430	1,263,615	1,291,857	1,827,100
Total bank loans and other borrowings	4,459,858	4,496,415	4,773,344	6,409,114

As at 30 June 2019, the Group's principal facility and security agreements comprised the following.

July 2013 Sberbank facility. In July 2013, Uralkali entered into an up to U.S.\$ 400 million non-revolving credit line facility with Sberbank of Russia for a term of seven years. The facility was provided for general corporate purposes (including refinancing of existing loans). As at 30 June 2019, the outstanding principal amount under this facility was U.S.\$ 133.3 million.

UniCredit Bank AG / DZ Bank AG facility. In August 2013, Uralkali entered into an up to EUR 171.4 million export credit agency covered term facility agreement which matures in October 2027. The amounts drawn can be used for certain equipment acquisitions and payment of services under the services agreement entered into by Uralkali. As at 30 June 2019, the outstanding principal amount under this facility was U.S.\$ 100.9 million.

December 2013 Sberbank facility. In December 2013, Uralkali entered into an up to U.S.\$ 2 billion non-revolving credit facility with Sberbank of Russia ("**December 2013 Sberbank facility**"). The availability period of the facility was seven years and the amounts drawn could be used for general corporate purposes. The facility agreement is secured by a pledge of 28.6 per cent. of Uralkali's ordinary shares held by Uralkali-Technology. As at 30 June 2019, the outstanding principal amount under this facility was U.S.\$ 333.3 million.

2016 Sberbank facility. In March 2016, Uralkali entered into a committed non-revolving facility agreements in principal amount of up to U.S.\$ 3.9 billion with Sberbank of Russia for general corporate purposes ("**Sberbank U.S.\$ 3.9 Billion Facility**"). The facility agreements are secured by a pledge of 28.6 per cent. of Uralkali's ordinary shares held by Uralkali-Technology. An amount of U.S.\$ 1.9 billion is available to be drawn from 23 November 2019 to 19 June 2020 and U.S.\$ 2.0 billion is available from 1 January 2020 to 31 December 2020. Accordingly, as at 30 June 2019, Uralkali has not utilised any portion of Sberbank U.S.\$ 3.9 Billion Facility.

2017 Sberbank facility. In April 2017, Uralkali entered into an up to U.S.\$ 750 uncommitted million revolving facility agreement with Sberbank of Russia, Sberbank AG (Switzerland) and SIB (Cyprus) Limited, which was increased to U.S.\$ 1,250 million in October 2018 ("**2017 Sberbank facility**"). The facility agreement is secured by a pledge of 28.6 per cent. of Uralkali's ordinary shares held by Uralkali-Technology. The facility is available for general corporate purposes, including refinancing of its existing indebtedness. According to the terms of the facility, the final maturity date shall not exceed 1 July 2023. As at 30 June 2019, U.S.\$ 950 million was drawn under this facility.

2017 pre-export financing. In August 2017, Uralkali entered into a U.S.\$ 850 million pre-export facility agreement maturing in August 2022 with a syndicate of international banks. The facility bears floating interest rate at 1 month LIBOR + 2.2 per cent per annum. The facility was used for refinancing Uralkali's existing loans, including the U.S.\$ 1,000 million pre-export facility incurred in 2013 and the U.S.\$ 800 million pre-export facility incurred in 2015, as well as for general corporate purposes (including, without limitation, any capital expenditures and/or repayment of any debt).

Gazprombank facility. In October 2017, Uralkali entered into a U.S.\$ 500 million uncommitted revolving facility agreement with Gazprombank which is available for 23 months and matures in 24 months from the signing date. The proceeds from the facility shall be used for Uralkali's general corporate purposes (including refinancing of its existing indebtedness). As at 30 June 2019, Uralkali has not utilised any portion of the facility.

Commerzbank facility. In October 2017, Uralkali entered into an up to EUR 15.02 million export credit agency facility agreement. The individual loan agreement was signed under the Basic Loan Agreement with Commerzbank AG. Amounts drawn under the facility can be used for purchases of certain equipment provided under the supply contract between Uralkali and supplier and are repayable by May 2026. As at 30 June 2019, the outstanding principal amount under this facility was EUR 11.3 million.

Rosbank facility. In May 2018, Uralkali entered into an up to U.S.\$ 80 million uncommitted credit facility agreement with Rosbank which is available for two years. As at 30 June 2019, Uralkali has not utilised any portion of the facility.

2018 pre-export financing. In June 2018, Uralkali entered into a U.S.\$ 825 million pre-export facility agreement maturing in 2023 with a syndicate of international banks. The facility bears floating interest rate at 1 month LIBOR + 1.9 per cent. per annum. The facility was drawn down in full and was used for refinancing of Uralkali's unsecured facility entered into in 2014 and certain other indebtedness and other general corporate purposes.

ING and Commerzbank facilities. In March 2019, Uralkali entered into a EUR 50 million uncommitted credit facility agreement with ING Bank and a EUR 105 million uncommitted credit facility agreement with Commerzbank. These facilities were used as bridge financing prior to the entry into of a pre-export facility agreement in June 2019. As at 30 June 2019, both facilities were repaid in full.

2019 pre-export financing. In June 2019, Uralkali entered into a U.S.\$ 725 million and a EUR 650 million dual-tranche pre-export facility agreement maturing in 2024 with a syndicate of international banks. The U.S. dollar tranche bears floating interest rate at 1 month LIBOR + 1.9 per cent. per annum. The euro tranche originally bore floating interest rate at 1 month EURIBOR + 1.7 per cent. per annum, however, in September 2019, the Group entered into interest rate swap agreements in order to fix the interest rate at an average of 1.74 per cent. per annum. As at 30 June 2019, the U.S. dollar tranche was drawn down in full whereas the euro tranche was drawn down in the amount of EUR 463.3 million. The facility was used for refinancing of Uralkali's pre-export facility incurred in 2016 (U.S.\$ 1,200 million facility which bore floating interest rate at 1 month LIBOR + 3.25 per cent. per annum).

As of 30 June 2019, in addition to the available limits under the Sberbank U.S.\$ 3.9 Billion Facility, the Group had approximately U.S.\$ 2,542 million of available credit lines under other facilities discussed above.

Sberbank pledge. Since December 2017, Uralkali-Technology has entered into several share pledge agreements with Sberbank Group under the up to U.S.\$ 3.095 billion facility entered into by a related party of the Group, Rinsoco Trading Co. Limited ("**Sberbank U.S.\$ 3.095 Billion Facility**"), and the agreements related thereto, pursuant to which Uralkali-Technology pledged the aggregate of 55.26 per cent. of ordinary shares in Uralkali in favour of Sberbank Group. Out of 55.26 per cent. of the ordinary shares pledged, 28.6 per cent. were also pledged under the Sberbank U.S.\$ 3.9 Billion Facility, the 2017 Sberbank Facility and the December 2013 Sberbank Facility incurred by Uralkali. The pledge securing the Sberbank U.S.\$ 3.095 Billion Facility was provided on an arms-lengths basis for consideration payable to Uralkali-Technology and Uralkali-Technology continues to exercise voting rights in relation to the pledged shares.

The Sberbank U.S.\$ 3.095 Billion Facility, which is secured by the pledge discussed above, was originally entered into in March 2016 between Sberbank of Russia and the Obligors. Under the terms of this facility (i) the Obligors provide various representations and warranties to Sberbank of Russia (including those relating to their status) which are repeated on the first date of each interest period and other dates set out therein; and (ii) some or all of the Obligors undertake to comply with certain covenants (including those relating to the incurrence of indebtedness, creation of security, maintenance of net asset value, entry into reorganisations and asset acquisitions and disposals) subject to the exemptions set out therein.

The Sberbank U.S.\$ 3.095 Billion Facility also provides for a list of events of default, including failure to pay the amounts due thereunder, failure to perform other obligations set out therein, occurrence of a cross-default or insolvency events relating to the Obligors. Failure to comply with any of these covenants, when tested, or the occurrence of an event of default, would result in Sberbank Group being able to enforce the share pledges, following which it could hold up to 55.26 per cent. of ordinary shares in Uralkali. See "*Risk Factors – Risks relating to the Group's Business and the Potash Industry – The interests of the Group's shareholders may conflict with those of the Noteholders*" and "*Risk Factors – Risks Relating to the Russian Federation – Political and Social Risks – The current political instability relating to Ukraine and related sanctions imposed by the U.S. and the EU may have a material adverse effect on the Group*".

Bonds

As at 30 June 2019 and 31 December 2018, 2017 and 2016, the Group's bonds issued comprised primarily RUB-denominated and U.S.\$-denominated local bonds issued under Uralkali's exchange-traded bond programme and U.S.\$-denominated Eurobonds (which were redeemed in full in 2018) as shown in the following table:

	Amount (U.S.\$ thousands)			
	30 June	31 December		
	2019	2018	2017	2016
Short-term part of long-term bonds				
Short-term part of long-term bonds traded on Moscow Exchange	242,106	820,627	15,908	-
Short-term part of long-term bonds traded on Euronext Dublin	-	-	585,329	2,550
Total short-term part of long-term bonds	242,106	820,627	601,237	2,550
Long-term bonds				
Long-term bonds traded on Moscow Exchange.....	395,372	575,243	1,059,954	-
Long-term bonds traded on Euronext Dublin	-	-	-	582,357
Total long-term bonds	395,372	575,243	1,059,954	582,357
Total bonds	637,478	1,395,870	1,661,191	584,907

Debt maturity schedule

The table below sets out the contractual maturity schedule of the Group's bank loans and other borrowings and bonds outstanding as at 30 June 2019:

	Amount (U.S.\$ thousands)				
	2019 ⁽²⁾	2020	2021	2022	2023+
Principal amount repayable ⁽¹⁾	524,987	1,496,379	1,143,634	891,434	1,101,813

⁽¹⁾ Represents contractual maturity schedule for principal outstanding as at 30 June 2019. The schedule neither includes maturity profile of interest on bank and other borrowings and coupon payable on bonds as at 30 June 2019 nor maturity schedule of interest and coupon to be accrued in the future.

⁽²⁾ Represents repayments due in the six months ending 31 December 2019 only.

Capital requirements

In the six months ended 30 June 2019 and 2018 and the years ended 31 December 2018, 2017 and 2016, the Group made Capital expenditures for acquisition of property, plant and equipment and intangible assets of U.S.\$ 155,761 thousand, U.S.\$ 146,086 thousand, U.S.\$ 358,441 thousand, U.S.\$ 270,888 thousand and U.S.\$ 323,131 thousand, respectively. See "Selected Financial and Operating Information".

The breakdown of the Group's Capital expenditures for acquisition of property, plant and equipment and intangible assets across maintenance Capital expenditures, greenfield Capital expenditures, brownfield Capital expenditures and other Capital expenditures for the periods indicated is set out below:

	Six months ended 30 June		Year ended 31 December		
	2019	2018	2018	2017	2016
	(U.S.\$ thousands)				
Maintenance	97,608	81,022	216,733	104,272	120,266
Greenfield.....	31,720	43,348	86,388	68,991	144,434
Brownfield.....	13,160	15,072	33,065	25,863	18,415
Other ⁽¹⁾	13,273	6,644	22,256	71,762	40,015
Total.....	155,761	146,086	358,441	270,888	323,131

⁽¹⁾ Other Capital expenditures represent primarily the Group's expenditures on the construction of social infrastructure, including social housing, and office buildings.

The Group intends to finance the Group's investment programme primarily with cash flows from operations, as well as debt financing activities. See "Business – Investment Programmes". In addition, the Group seeks to maintain a ratio of Capital expenditures to Adjusted EBITDA (last 12 months) of not more than 0.5x.

Contractual commitments

As at 30 June 2019, the Group had contractual commitments for the purchase of property, plant and equipment and intangible assets from third parties for U.S.\$ 481,880 thousand. The commitments relate primarily to contracts for the delivery of equipment as well as construction services, largely the construction of new mines. As at 30 June 2019, the Group had no contractual commitments for the purchase of property, plant and equipment from related parties.

Significant Accounting Policies and Critical Estimates and Judgments in Applying those Policies

The Group prepares its annual consolidated financial statements in accordance with IFRS and semi-annual consolidated condensed interim financial information in accordance with IAS 34 "Interim Financial Statements". The basis of preparation and significant accounting policies applied in the preparation of the Financial Statements are described in Note 2 to the Financial Statements included elsewhere in this Prospectus.

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements prepared in accordance with IFRS and the carrying amounts of assets and liabilities. Estimates and judgments are evaluated on a regular basis and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable giving effect to the circumstances subsisting. In implementation of the accounting policies, Uralkali's management also makes certain judgments. Judgments that have the most significant effect on the Financial Statements included elsewhere in this Prospectus and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities are described in Note 4 to the Audited Financial Statements.

Quantitative and Qualitative Disclosures about Market Risk

The Group is exposed in the ordinary course of its business to market risks, including risks related to changes in foreign exchange rates and interest rates, credit risk and liquidity risk.

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 Group's functional currency.

The Group operates internationally and exports a significant part of its products. The Group's products for international sales are primarily priced in U.S. dollars. As a result, the Group is exposed to a foreign exchange risk resulting from the fluctuations of the rouble against the U.S. dollar. The Group's operating profit benefits from the depreciation of the rouble against the U.S. dollar, since all the Group's major operating expenses are denominated in roubles, whereas the appreciation of the rouble against the U.S. dollar has the opposite effect. See "*—Significant Factors Affecting Results of Operations*".

On the assumption that all other variables remain constant, a 10 per cent. depreciation/appreciation of the rouble against the U.S. dollar, based on the Group's exposure as at 31 December 2018, would have decreased/increased the Group's post-tax profit for the year ended 31 December 2018 by U.S.\$ 409,391 thousand and U.S.\$ 402,550 thousand, respectively, mainly as a result of foreign exchange losses/ gains on the translation of assets and liabilities denominated in U.S. dollars and changes in fair value of derivative financial assets and liabilities.

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 due to market value fluctuations of interest bearing short- and long-term borrowings, whose interest rates are linked to a floating rate plus a fixed margin. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. The Group uses cross-currency interest rate and interest rate swaps to reduce interest payments. The purpose of managing interest rate risk is to prevent losses due to adverse changes in market interest rates. The Group analyses its interest rate exposure dynamics and various scenarios taking into account refinancing, the renewal of existing positions and alternative financing. See "*—Loans and Borrowings*".

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, the Group's net profit for the year ended 31 December 2018 would have been US\$ 68,783 thousand lower/higher, 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.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from loans issued, trade receivables and cash and bank deposits. The maximum exposure to credit risk resulting from financial assets is equal to the carrying amount of the Group's financial assets which was U.S.\$ 1,750,611 thousand as of 31 December 2018. The Group's corporate treasury function monitors credit risk by analysing the credit quality of customers based on a number of quantitative and qualitative characteristics. Most customers from developing countries are supplied on secured payment terms. These terms include deliveries against opened letters of credit and arrangements with banks on non-recourse release of letters of credit or purchase of trade receivables. Only customers from developed countries with a high reputation and financial metrics and solid credit history with Uralkali are offered credit. Although the collection of receivables could be influenced by economic factors, the Group's management believes that there is no significant risk of loss to the Group beyond the provision already recorded. The Group is not exposed to concentrations of credit risk. As at 31 December 2018, the Group had 62 counterparties with receivables balances in excess of U.S.\$ 1,000 thousand, each. The total aggregate amount of these balances was U.S.\$ 300,091 thousand as at 31 December 2018, or 92 per cent. of the total amount of financial trade and other receivables as of that date.

Cash and short-term deposits are placed in banks and financial institutions, which are considered at the time of deposit to have minimal risk of default. Credit limit for each financial institution is calculated on the basis of the relevant Uralkali's internal policy. The Group has no other significant concentrations of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group maintains a prudent liquidity risk management policy in accordance with which the Group's management aims to maintain sufficient cash in order to meet its obligations. Group treasury aims to maintain sufficient level of liquidity based on monthly cash flow budgets, which are prepared for the year ahead and continuously updated during the year.

The table below analyses the Group's financial liabilities as of 31 December 2018 into relevant maturity groupings based on the time remaining from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows at spot rates.

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
	(U.S.\$ thousands)			
Trade and other payables	186,510	-	-	186,510
Borrowings.....	1,467,802	3,350,206	123,061	4,941,069
Bonds	878,469	669,981	-	1,548,450
Finance lease liabilities	781	3,122	28,067	31,970
Derivative financial liabilities	-	40,218	-	40,218
Total	2,533,562	4,063,527	151,128	6,748,217

INDUSTRY OVERVIEW

1. Fertiliser Industry overview

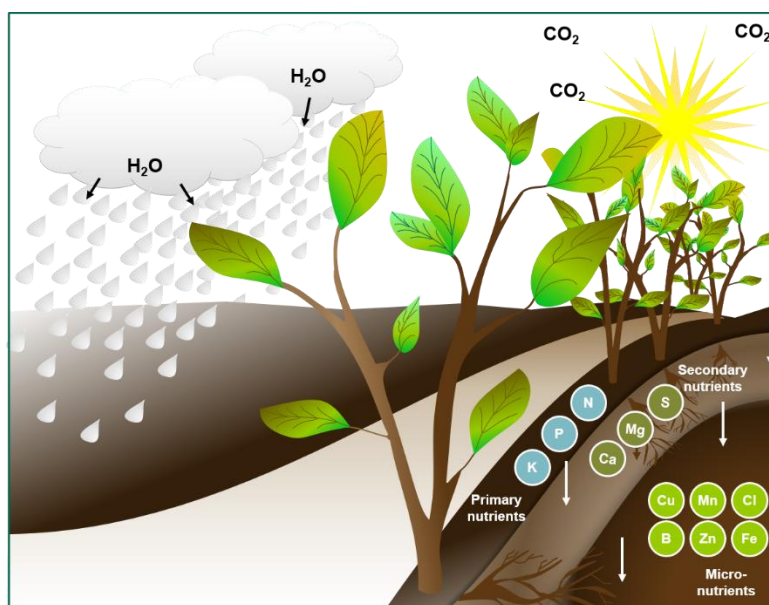
The information on the fertiliser industry included in this "Industry Overview" section has been obtained from independent external sources, including Argus, third-party company information as well as publicly available information.

Introduction

Nutrients are chemical elements, which are required by plants and other living organisms to grow and survive. The term 'chemical fertiliser' is used to describe manufactured chemical compounds that contain one or more of the nutrients that have been removed from the soil by intensive farming systems. Intensive crop farming takes place throughout the world, producing food for a growing world population with finite resources. Crops are also fed to animals to produce meat, with each kilogram requiring approximately 2 – 20kg of grain. Increasing wealth, particularly in the developing world, is coinciding with increasing demand for meat. This has an amplifying effect on grain consumption. Growing populations and increasing wealth are significant drivers for rising fertiliser demand. The use of crops as a raw material for producing energy (bio-fuels) has also added to the requirement for increased crop production and hence higher fertiliser use.

Fertilisers can be solid, liquid or gaseous and contain a specific quantity of one or more essential nutrients. When added to the soil, these nutrients contribute to the growth and development of crops, allowing farmers to increase soil and crop efficiency. While a variety of nutrients are necessary, the fertiliser industry focuses on three primary nutrients and three secondary nutrients. The primary nutrients are Potassium (K), Nitrogen (N) and Phosphorus (P). The secondary nutrients, are Sulphur (S), Calcium (Ca), and Magnesium (Mg).

Overview of plant nutrients



Each of the three primary nutrients is important for a particular aspect of plant growth. **Potassium** is necessary for the formation of sugars and starches, protein synthesis, and cell division in roots and other parts of the plant. It helps adjust water balance, improve stem rigidity and cold hardiness, enhance flavour and colour on fruit and vegetable crops, increase the oil content of fruits and is particularly important for leafy and cereal crops. Potassium is usually applied in the form of **potash**, a generic term typically used to denote potassium-based fertilisers, such as potassium chloride ("**KCl**"). The amount of potassium in potash is reported in terms of the potassium oxide ("**K₂O**") content. Potassium is required to obtain a full yield response to applied nitrogen. Lack of potassium will restrict the uptake and utilization of nitrogen during rapid plant growth. This results in excess nitrogen being lost through drainage, commonly known as "leaching", contributing to economic losses for farmers. Deficiency in potassium may lead to low yields, mottled, spotted or curled leaves, or scorched and burned appearances to leaves. Nitrogen promotes protein formation and is responsible for plants growth. Nitrogen is a major component of DNA

and RNA and is absorbed by plants in larger amounts than other nutrients. Nitrogen allows plants to be green and is effective at increasing yields in crop plants. Phosphorus plays a key role in the photosynthesis process, during which light energy is converted into chemical energy and stored in bonds of sugar. Phosphorus is also used in seed germination and helps plants use water more efficiently. The amount of phosphorus is typically reported in terms of phosphate (" P_2O_5 ").

The ratio of application of these three key nutrients impacts crop yields and benefits plant health. Each nutrient plays its own role, but only together do they ensure a balanced nourishment. It is advisable that farmers apply fertilisers every year due to the leaching of nutrients to ground water and the uptake of nutrients by crops. If potash fertilisers are not applied during a given year a larger quantity may be required the following year in order to deliver the same yield.

The table below compares the nutrient uptake across different types of crop:

Total nutrient uptake (consumption)⁽¹⁾ by selected crop

Select Crop ⁽²⁾	kg uptake / t		
	Potassium (K_2O)	Nitrogen (N)	Phosphate (P_2O_5)
Barley	24.0	26.0	9.2
Potato	12.0	4.9	2.1
Canola	87.0	43.0	27.0
Sugarcane	2.1	1.8	0.4
Tobacco	71.0	39.0	12.0
Peanut	37.0	63.0	12.0
Corn	25.0	18.0	9.6
Rice	24.0	16.0	8.4
Soybean	38.0	82.0	18.0
Wheat, spring	26.0	37.0	13.0
Wheat, winter	33.0	32.0	11.0

(1) Quantity of nutrient accumulated in the above ground unharvested portion, and harvested portions of the plant by the time of sampling

(2) Dry matter basis

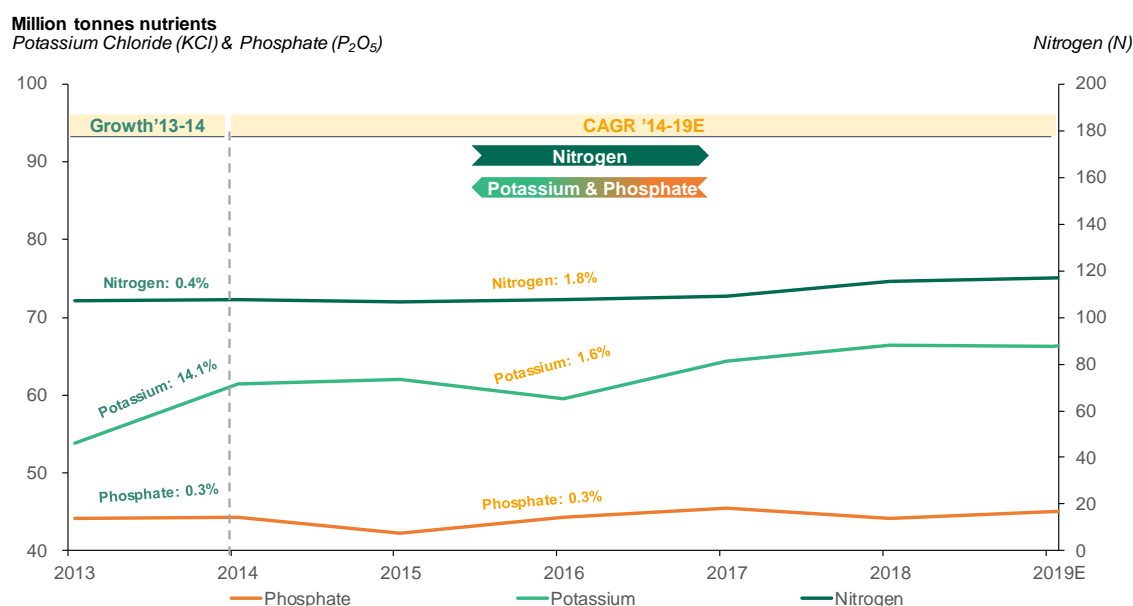
Source: International Plant Nutrition Institute

Overview of fertiliser consumption drivers

Global fertiliser consumption has grown in the last few decades coinciding with increased demand for food from a growing population. Other factors that impact fertiliser consumption include growing world population, income

growth (contributing to an increase in meat consumption resulting in increased demand for grain and other animal feed), government support and investments in agricultural to prevent food shortage and bio-fuel consumption.

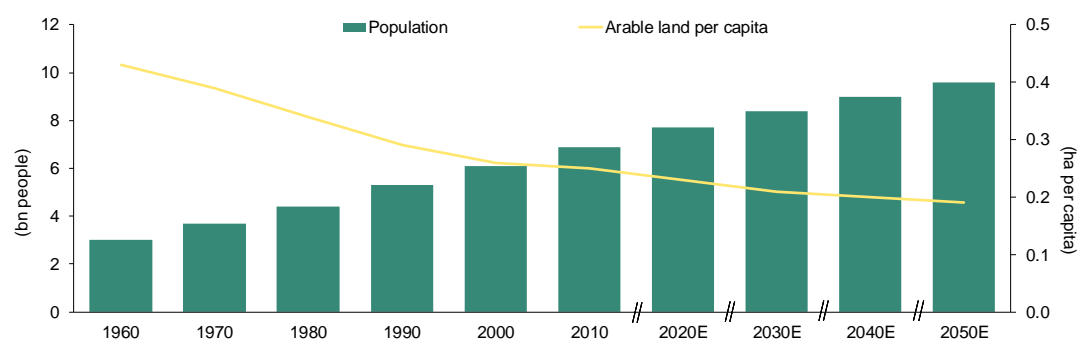
World fertiliser consumption (million tonnes nutrient)



Source: FAO, Argus, URALKALI, third-party company information

Rising global population and falling arable land per capita: The long-term demand for fertilisers is driven by demographic factors such as the continuous growth of world population, and increases in global food consumption and demand. According to the United Nations, the global population has risen to more than 7.6 billion as of 2018 and is expected to reach 8.5 billion by 2030. Population growth fuels increases in demand for crops and meat, thereby driving the demand for grains to feed animals and as a consequence increases the demand for fertilisers to improve the crop yield of arable land per capita.

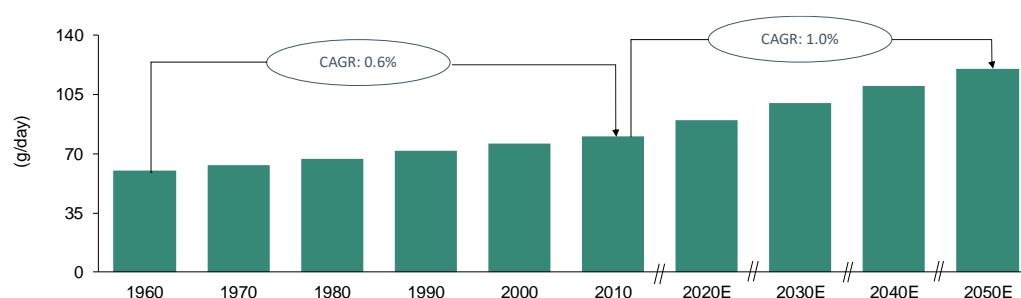
World population vs. arable land per capita



Source: UN, FAO

Developing dietary diversity: According to International Monetary Fund, the global economy grew by approximately 3.6% in real GDP terms in 2018, and is projected to grow at approximately 3.3-3.6% through 2020. Rising income levels typically move global consumption habits towards meats rather than grains. Despite potential reduction of direct grain consumption, the amount of grains required to produce meat, magnifies the overall grain requirements.

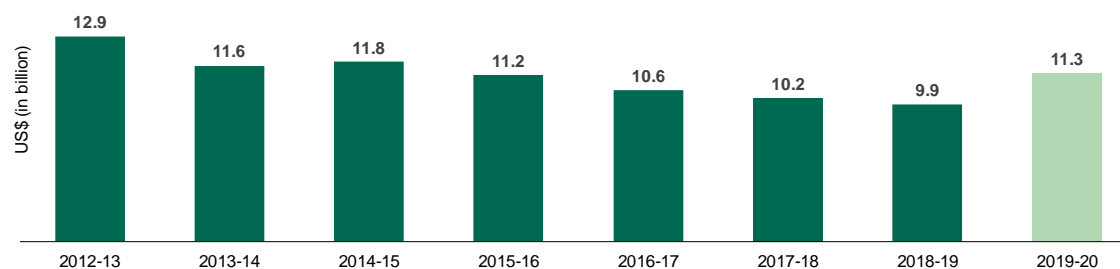
Protein consumption per capita



Source: UN, FAO

Government support and investments: Amidst the rise in food consumption governments have provided support and investments to the agriculture sector to boost production, such as price guarantees, domestic marketing allotments, subsidies and profit guarantee schemes. According to the American Enterprise Institute, since 2015 the Chinese government invested approximately US\$56 billion in the agriculture sector in strategic locations globally through the One-Belt-One-Road initiative. In 2018 China (population of 1.43 billion) consumed approximately 13.8 million tonnes of KCl. In India, 70% of rural households are dependent primarily on agriculture. The Indian government has provided support to the industry via fertiliser subsidies, spending over US\$9.9 billion in 2018-2019 and has a budget of US\$11.3 billion for 2019-2020. However, the disproportion in subsidies in favour of nitrogen fertilisers results in overuse of nitrogen, and the under application of potash and phosphate, which leads to soil degradation over time. In 2018, India (population of 1.35 billion) consumed approximately 4.6 million tonnes of KCl, an amount far lower than that consumed in China despite similar population size.

Fertiliser subsidy spending by Indian government

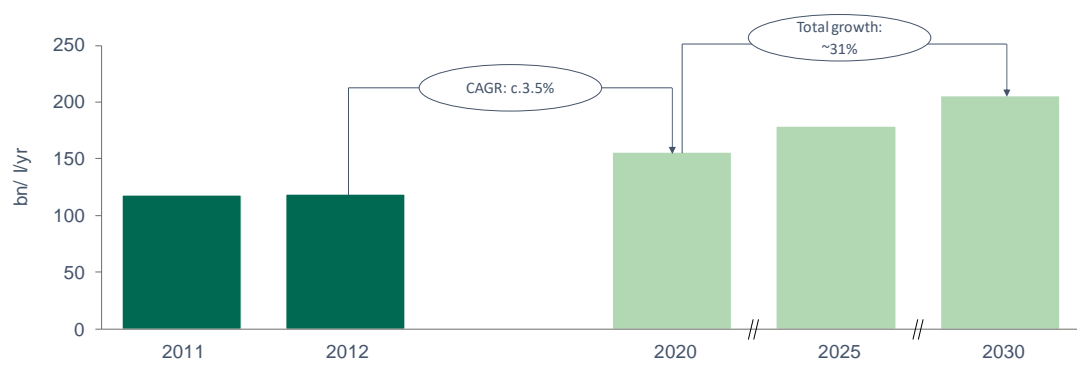


Note: Currency is translated at the average FX rate of the budget year

Source: Government of India Ministry of Finance, Government of India Ministry of Chemicals & Fertilizers Department of Fertilizers

Bio-fuels and materials: In the past 15 years government policies and regulation around air quality, emissions and clean alternative fuel sources have tended to encourage new applications for crops. Some of the major bio-fuel used today is ethanol (from corn, sugar cane or wheat), biodiesel and renewable diesel. Most bio-fuel crops such as corn, canola and wheat require more potash than crops such as rice. Today, feedstock for bio-fuel accounts for more than half of the vegetable oil produced in the European Union, half of the sugar cane produced in Brazil and approximately 40% of corn produced in the United States. According to the United States Energy Information Agency, the estimated total growth in global demand of bio-fuel from 2020 to 2030 is approximately 31%.

EIA global bio-fuels demand forecast, 2011–30



Source: Argus

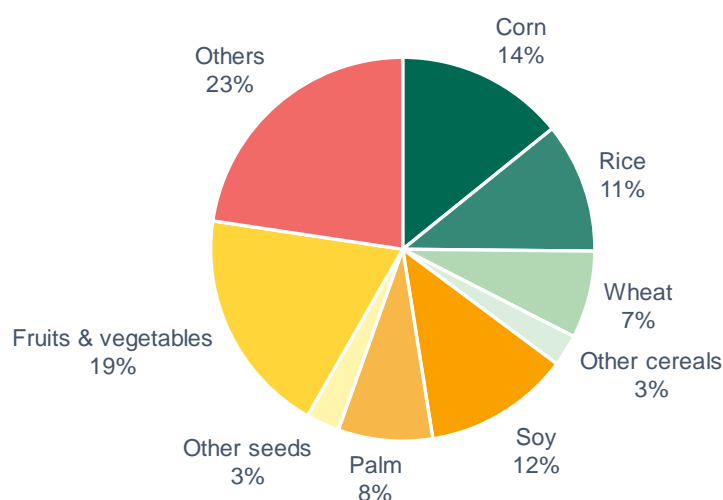
2. Potash industry overview

Overview

Potash is a term typically used to denote potassium-based fertilisers. Potassium is necessary for the formation of sugars, starches, protein synthesis and cell division in plants. It helps adjust water balance, improve stem rigidity and cold hardiness, enhance flavour and colour in fruit and vegetable crops, increase the oil content of fruits and is important for leafy and cereal crops. Potassium is required to obtain a full yield response to applied nitrogen. Lack of potassium will restrict the uptake and utilization of nitrogen during rapid plant growth. This results in excess nitrogen being lost through drainage, commonly known as "leaching", contributing to economic losses for farmers. Potassium deficiency may result in low yields, mottled, spotted or curled leaves, or scorched and burned appearances to leaves.

Potash can be applied directly to crops, blended mechanically or chemically with other fertiliser nutrients. Globally, the most common source of potash application comes in the form of muriate of potash ("MOP"), which is potassium chloride with K_2O content of 60 to 62% per tonne. Sulphate of potash ("SOP"), which is potassium sulphate with K_2O content of 50% per tonne, is also used in certain circumstances including, liquid fertilisers or applications for fruits and vegetables. The application of potash is most important when the crop is in its seedling phase, where the soil conditions are poor, or when potash level in the soil is low, usually prior to planting. Alternatively, potash fertiliser can be applied by drill at planting, commonly known as "combined drilling", which places the potash fertilisers close to the seeds, ideal for the seedling phase. Most potash fertilisers are used in the spring at the start of cultivation, and further use is dependent on potash levels based on soil analysis.

Use of potash by crop globally⁽¹⁾



⁽¹⁾ Tonnes of K_2O used in production of each crop globally

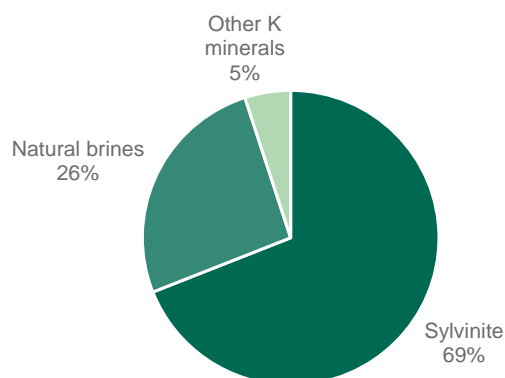
Source: Argus

Production process

Potash is mined from ore deep underground or extracted from brine by means of solution mining and is then milled on the surface. In its processed state, potash appears as a granular mineral of varying size and range in colour, from white to reddish depending on the presence of trace elements, notably iron, which remains after processing.

The main raw solid potash mineral is sylvinite. Sylvinite is treated by flotation, while KCl is separated from the salt and any impurities using hot solution. Solid minerals account for approximately three-quarters of raw materials, while natural brines account for one-quarter of raw materials for potassium production.

Raw material basis for KCl production



Source: Argus

There are three major types of potash production technologies: conventional, solution and salt lake brine.

Conventional mines: Conventional mines involves sinking shafts and mining horizontally across potash seams. The raw ore is then conveyed to a production hoist for processing.

Solution mines: In solution mines, hot water is pumped underground into the ore body under high pressure to dissolve the potassium chloride and sodium chloride. The resulting brine solution is pumped back up for processing via the thermal dissolution route.

Salt lake brine production: Salt lake brine production does not involve ore mining, instead it involves evaporating and treating naturally occurring brines. It represents a relatively small proportion of global capacity, as many salt lakes are too diluted in K_2O content for economic exploitation, or contain too many impurities, making it too costly to extract during processing. Both SOP and MOP can be produced from salt lake brines, depending on the make-up of the brine.

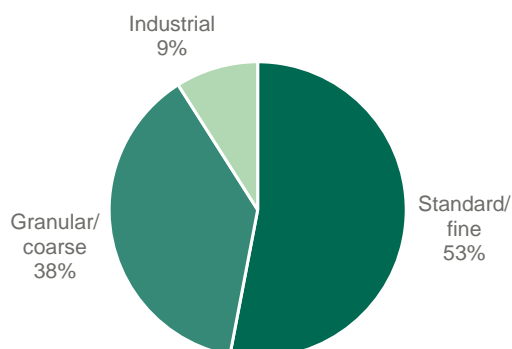
The next stage of the production process is beneficiation to remove the gangue minerals to improve economic value.

Most potash producers operate conventional mines, whereby flotation is employed to beneficiate potash ore. This process is cheaper and simpler to operate than thermal dissolution and crystallisation. The process yields a concentrate containing 60 to 62% K_2O . Waste slimes generated have a significant K_2O content. The slimes may be washed and crystallised to recover KCl for potash production.

A minority of potash producers with solution mines employ the thermal dissolution route, usually because the nature of their ore does not favour flotation. This process leads to products with K_2O content of 61 to 62% per tonne. The potash brine generated from these solution mines coupled with crystallisers can go directly to mechanical evaporators to generate products with high K_2O content.

There are two principal MOP potash grades: Granular/coarse and Standard/fine. These grades differ in their particle size distribution specifications. Standard/fine grade includes white muriate of potash (referred to as "White MOP") and pink muriate of potash (referred to as "Pink MOP"). Granular potash minimises the generation of dust and prevents caking issues. This added advantage means granular potash may be priced at a premium to standard grade potash, depending on regional and local availability. However, the additional cost of production to produce granular grade potash will not always be economically viable. In the production of potash, MOP accounts for 90%, SOP for 7%, potassium nitrate ("NOP") and potassium-magnesium mixed salts ("SPM") for the remainder.

Global production of KCl by grade



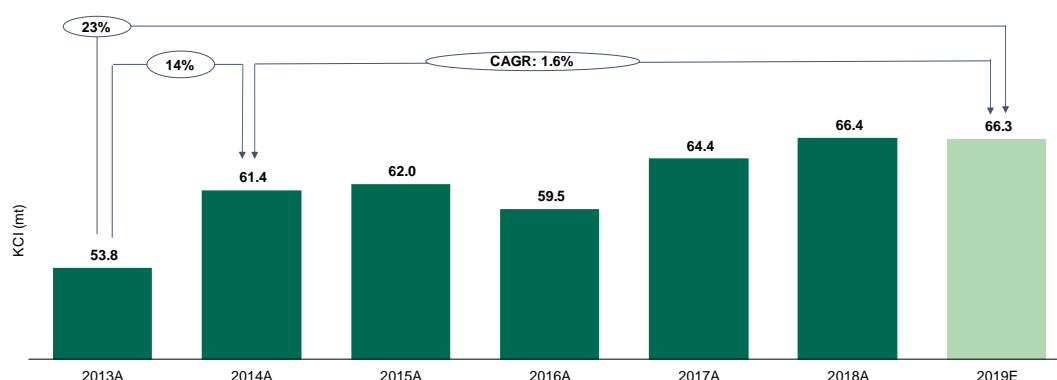
Source: Argus

Demand

According to the Food and Agriculture Organization of the United Nations, approximately 85% of the world's potash production is used as fertiliser, with the balance used principally in industrial applications. There are currently no commercially available viable substitutes for potash that approximate its function in agriculture.

Historical potash demand 2013A–2019E

Million tonnes KCl



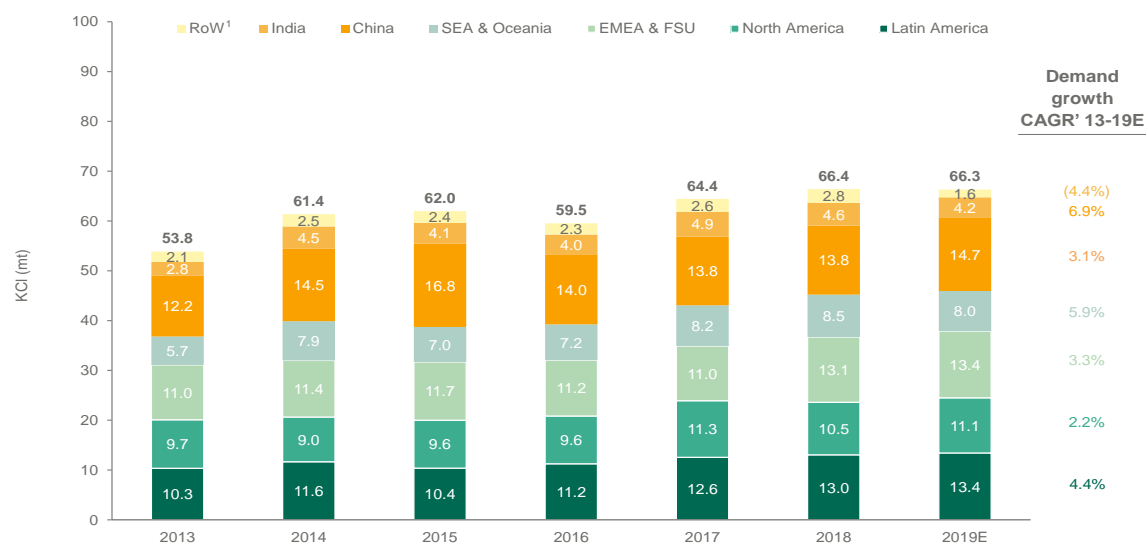
Source: Argus

Global demand was subdued in 2016 due to the significant build-up of inventory levels on the back of lower potash prices in 2015. Buyers across major markets delayed purchases in view of the delay of contracts with China and India bringing about uncertainty in pricing in first half of 2016. In the meantime, world consumption remained strong. Buyers eventually worked through the inventory amount while waiting for a reference price from the China and India contracts. The depletion of inventory in 2016 translated to restocking needs and thus, strong demand growth in 2017.

According to Argus, global demand for fertiliser potash is expected to increase at a long-term rate of 2.5% per annum over 2019 to 2032, reaching the level of 91.2 million tonnes of KCl.

The regional share of potash demand is shown in the following chart:

Potash (KCl) demand by region



(1) Includes some parts of Asia Pacific

Source: Argus

Latin America

Latin America is a large consuming region of potash, with Brazil being one of the primary consumers in the region. Brazil accounts for more than 80% of regional consumption. Consumption in Latin America has been growing steadily at approximately 4.4% per annum from 2013 to 2019E resulting from the increase in soybean agriculture. According to Argus, total KCl consumption in the region is expected to grow from 13.0 million tonnes in 2018 by 47% to 19.2 million tonnes by 2032. The primary drivers for demand growth are increasing arable land and favourable economics for major crops such as coffee and sugarcane.

Asia Pacific

Asia Pacific accounts for c. 41% of global potash demand, with China being the largest potash consuming country accounting for c. 21% of global demand. Demand in China is projected to grow approximately 3.1% per annum from 2013 to 2019E. In recent years demand has been flat due to high inventory levels and uncertainty arising from trade tensions. However, in the long term, demand growth in Asia Pacific is projected to be fuelled by population growth, growing income per capita and shifts in consumption patterns. In the near term, management expects demand in Asia Pacific to be supported by strong demand from NPK compound fertiliser producers in China, favourable monsoon weather in India and the recovery of palm oil prices in the second half of the year. Despite slightly weaker demand in Southeast Asia from palm oil producers in the first quarter of 2019 due to low palm oil prices, management expects demand in Southeast Asia will pick up as prices have recovered in August 2019, contributing to the overall demand growth in the region.

North America

North America is the third largest consuming region, accounting for approximately 16% of world consumption in 2018. In the past decade, the expanding production of corn based ethanol as a bio-fuel has contributed to the growth in potash demand. As the growth balances out, demand in North America is likely to remain relatively flat. In the near term, management expects the application of potash to be high in autumn due to the erosion of soil nutrients as a result of adverse weather experienced in the spring. Inventories are expected to be reduced in the second half of 2019. Adverse weather has impacted two consecutive application seasons in 2018 and 2019, which in turn is expected to drive up grain prices. Farmers are expected to be incentivised to maximise yield to take advantage of the potential high prices in 2020.

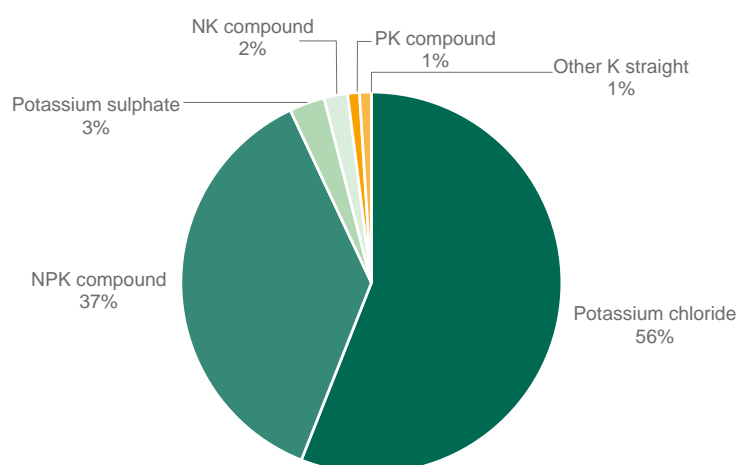
In EMEA consumption of potash has been relatively flat after the demand uplift in 2014, largely due to lower farm subsidies and a shift away from the agriculture sector in the region. EMEA potash demand was steady during the first half of 2019. Regional demand continues to be supported by increasing potash imports to Africa. In Africa, agricultural lands suffers from soil deficiencies leading to crop yields being less than 25% of their potential, while current application rates for fertiliser use are as low as 10kg/ha, as compared to 200kg/ha in developed agricultural regions. According to IMF, Africa's real GDP is expected to grow at 3.9% per annum from 2013 to 2019E, and is expected to grow at similar levels in the next 5 years, while population growth is expected to outpace both India and China. Rising population and growing GDP typically leads to increases in demand for food, and drives the need for agriculture producers to increase their crop yields through the use of fertilisers to meet this demand.

2019 – 2032 estimated population growth and current KCl demand

	2019 Population (million)	Current KCl demand (million tonnes)	Demand per capita (gram per capita)	CAGR of population growth 2019-2032
India	1,366	4.2	3.0	0.8%
China	1,434	14.7	10.2	0.2%
Africa	1,308	1.3	1.0	2.3%

Source: Argus, United Nations

Fertiliser K₂O by product type



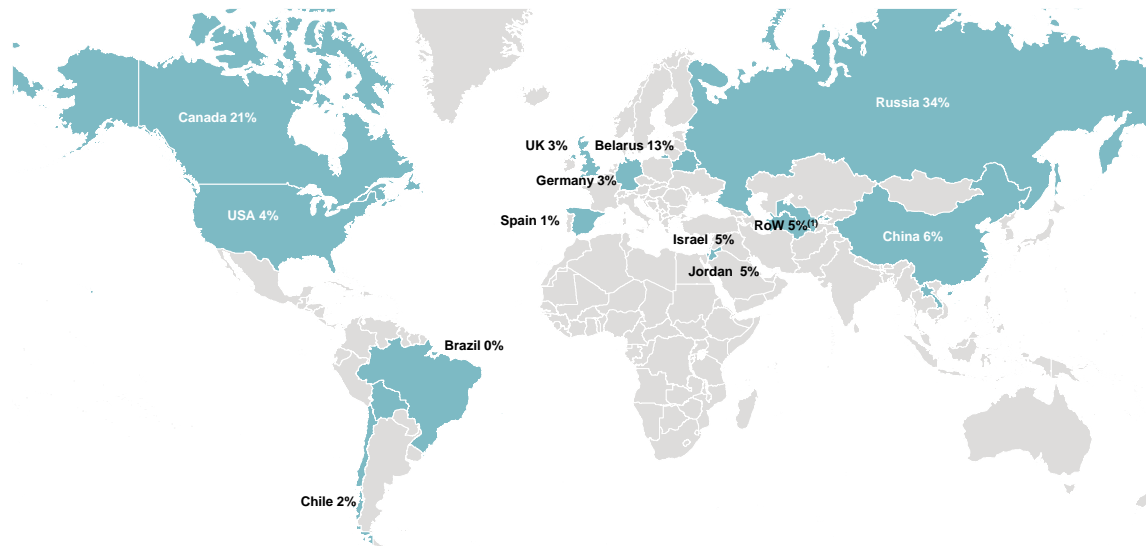
Source: Argus

According to IFA, 61% of all potash is applied as a straight fertiliser and the remainder through compound products, mainly NPK compounds. The NPK industry has been gaining a larger market share year-on-year with its multi-nutrient. Multi-nutrient products offer farmers fuel and labour efficiency advantages over single nutrient products.

Supply

The concentration of potash reserves is high and the production is limited to a small number of countries. According to the United States Geological Survey, the total resources of potash in reserves is equivalent to 9.2 billion tons of KCl, of which Canada, Russia and Belarus together account for the majority of reserves (68%).

Share of global KCl reserves by country

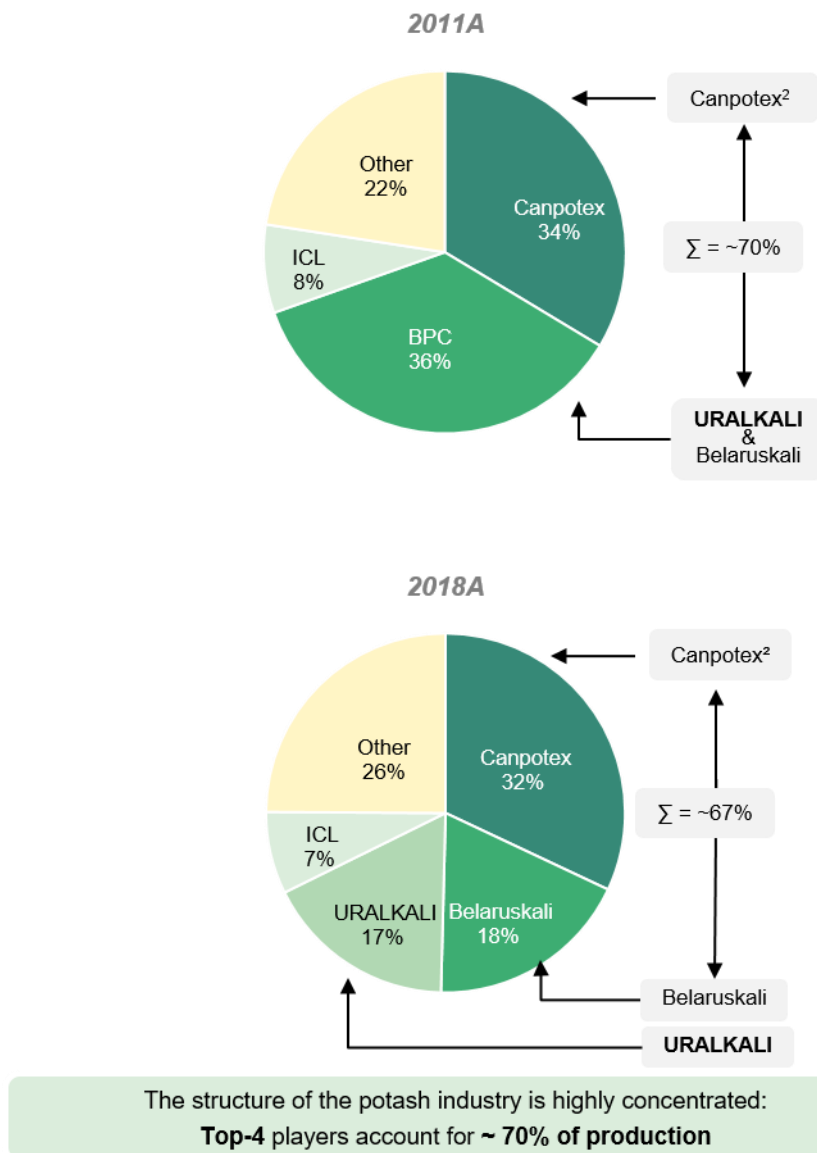


(1) Includes Turkmenistan and Uzbekistan

Source: USGS

Most of the world's economically viable potassium resources lie at significant depths under the earth's surface and potash mines can cost billions of dollars to develop. In the construction of potash mines, scale is an important factor that may contribute to lower unit costs, which may lead to higher overall capital costs. In view of the high concentration of potash deposits and high initial capital requirements to develop new mines, the potash industry has significant barriers to entry for prospective competitors.

Potash market concentration¹



⁽¹⁾ Based on production volumes per Argus and URALKALI data for its own production

⁽²⁾ Canpotex includes Nutrien and Mosaic (prior to 2018, Canpotex included PotashCorp, Agrium and Mosaic)

Source: Argus, URALKALI data for its own production

North America

Nutrien is a Canadian fertiliser company providing crop inputs and services. Nutrien was formed through the combination of PotashCorp and Agrium in 2018. The company produces and distributes potash, nitrogen and phosphate products for industrial, agricultural and feed customers. In 2018, Nutrien produced 12.8 million tonnes of KCl through six mines in Canada, with an operational capacity of 13.8 million tonnes.

The Mosaic Company ("Mosaic"), headquartered in the United States, manufactures potash, phosphate and nitrogen, as well as a number of specialty products. In 2018, Mosaic produced 9.2 million tonnes of KCl through three potash mines in Canada, with an operational capacity of 10.4 million tonnes.

Belarus

Belaruskali, located in Belarus, is a dedicated potash company with four mines operating at Soligorsk since the 1960s. In 2018, Belaruskali produced 12.2 million tonnes of KCl, with an operational capacity of 12.4 million tonnes.

Russia

Uralkali had operated as Russia's sole potash producer since 2011 (following the Merger) and until 2018. Uralkali produces potash and owns and controls its entire value chain, from its 5 mines and 7 ore-treatment mills, to the supply of potassium chloride to customers. The company extracts and processes potassium ore and sells potash for the agriculture and chemical industries. In 2018, Uralkali produced 11.5 million tonnes of potash through 5 mines, with an operational capacity of 12.4 million tonnes.

Eurochem, with principal production assets located in Russia, produces and sells mineral fertilizers. Eurochem has two greenfield potash mines. It is developing the VolgaKaliy (acquired in 2005) and Usolskiy (acquired in 2008) projects. Start and ramp-up of both projects have seen several delays. In 2018, Eurochem produced 0.3 million tonnes of KCl through the Usolskiy mine.

Middle East

Israel Chemicals Ltd. ("ICL"), located in Israel, produces phosphate, potash, bromine, primary magnesium and specialty chemicals. ICL has evaporation ponds in Sodom for potash production, as well as underground mines in Spain. Potash production halted permanently in its UK mines in mid-2018. To replace UK capacity, ICL acquired an Ethiopian mining firm with a potash project; however, this project was terminated. Furthermore, the concession for Reserva Catalana (an additional site where mining has not started) expired in 2012 and ICL is currently working with the government to obtain a renewal of the concession. In 2018, ICL produced 4.9 million tonnes of KCl, with an operational capacity of 5.5 million tonnes.

Arab Potash Company ("APC"), located in Jordan, is a dedicated potash company. APC extracts potash from the Dead Sea. Its main export markets are India, Malaysia and Indonesia. In 2018, APC produced 2.4 million tonnes of KCl, with an operational capacity of 2.4 million tonnes.

Europe

Kali und Salz AG ("K+S") is a German potash and magnesium company with offices in Europe, the United States, South Africa, India, Singapore and Japan. With the recent closure of the Sigmundshall mine in Germany, K+S operates six potash and magnesium mines around the world. In 2018, K+S produced 4.1 million tonnes of KCl, with an operational potash capacity of 7.1 million tonnes.

China

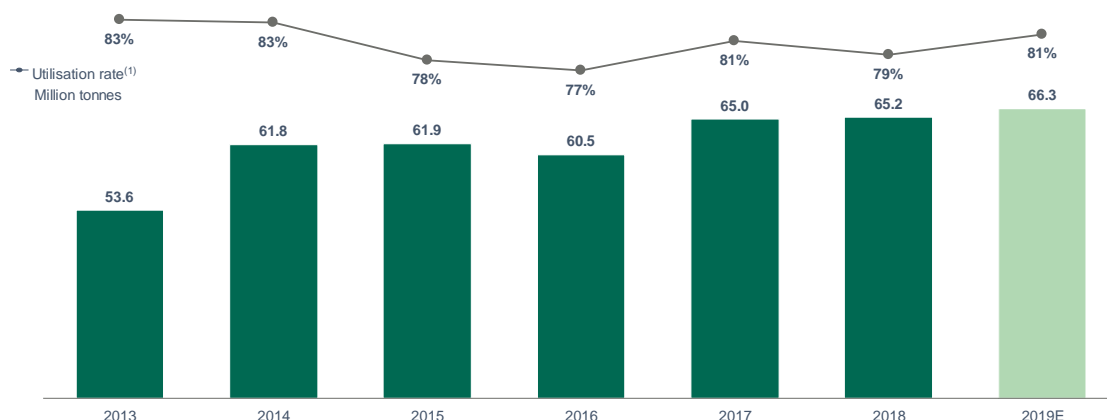
Qinghai Salt Lake Potash Co. Ltd. (Qinghai SLP), located in Chaerhan, Geermu, Qinghai Province is mainly engaged in the development, production and sales of KCl. In 2018, Qinghai SLP produced 4.8 million tonnes of KCl, with an operational production capacity of 5.0 million tonnes.

Chile

Sociedad Quimica y Minera de Chile SA (SQM), located in Chile, engages in the production and distribution of fertilisers, potassium nitrate, iodine and lithium chemicals. In 2018, SQM produced 0.8 million tonnes of KCl, with an operational capacity of 2.7 million tonnes.

The table below sets forth the historical global KCl production and utilisation rates:

Global MOP production 2013 – 2019E



⁽¹⁾ Production as a percentage of operating capacity

Source: Argus

Generally, capacity investments are made during periods when current or expected future demand is strong, prices are high and margins are, or are expected to be high. Investments in new capacity can result in overcapacity, leading to a decline in potash prices. Nonetheless, potash producers typically seek to optimise their portfolio by closing high cost production capacity and adjusting ramp-up schedules to achieve efficiency and market balance. For instance, major potash producers have announced several production cuts in the second half of 2019:

- Mosaic temporarily curtailed potash production at its Colonsay mine in Saskatchewan, which has an annual potash production capacity of 1.5 million tonnes⁽¹⁾
- Belaruskali announced the reduction in production of up to 30% for Q4 2019
- Nutrien announced 8-week inventory shutdowns at its Allan, Lanigan and Vanscoy potash mines in the fourth quarter of 2019, which is expected to reduce potash production by approximately 700,000 tonnes
- Uralkali announced plans to cut back potash production in 2H 2019 by approximately 350,000 – 500,000 tonnes
- K+S announced the reduction in fertiliser production for potassium chloride by up to 300,000 tonnes by the end of 2019

Historical production discipline by major potash players has helped the potash market to cope with temporary lower demand growth periods in the past.

⁽¹⁾ Nutrien Factbook 2019

Potash greenfield and brownfield projects

Conventional mining greenfield projects can be expensive and can take a minimum of seven years from conception to production. A greenfield potash project including infrastructure could cost several billion U.S. dollars with significant time required for construction and ramp-up. For brownfield expansion, the lead time typically varies on a case-by-case basis. Most projects take less than five years, but even relatively straightforward debottlenecking can take more than a year. Given the long lead time, many potash projects are affected by multiple variables that could lead to project delays, budget overruns or become economically unviable as price fluctuates.

The following table sets forth major greenfield and brownfield projects in the past 10 years:

Major greenfields and brownfields developed since 2010

Company	Mine site	Project type	Run-rate capacity (mtpa)		Budget (bn)	Over-spending (bn)	Construction start date	First production date	Ramp-up achieved	Ramp-up completion
PotashCorp	Cory II	Brownfield	1.0	Initial	US\$0.2	US\$0.5	2007	2012	✗	2015
				Actual	US\$0.7	+250%		2012		Operational changes in Q3 2017
PotashCorp	Allan	Brownfield	1.0	Initial	US\$0.6	US\$0.2	2007	2012	✓	2014
				Actual	US\$0.8	+33%		2012		2014
PotashCorp	Picadilly	Brownfield	2.0	Initial	US\$1.6	US\$0.5	2007	2011	✗	2013
				Actual	US\$2.1	29%		2014		Closed since 2016
Agrium	Vanscoy	Brownfield	1.0	Initial	US\$1.5	US\$0.8	2012	Late-2014	✓	2017
				Actual	US\$2.3	+53%		Late-2014		2018
PotashCorp	Rocanville	Brownfield	3.0	Initial	US\$2.6	-	2007	2014	✓	2015
				Actual	-	-		Late-2016		Q2-2017
Turkmenhi miya	Garlyk	Greenfield	1.4	Initial	US\$1.0	US\$0.1	2011	Early 2015	✗	2017
				Actual	US\$1.1	+10%		Mar-2017		Inoperable
K+S	Bethune	Greenfield	2.0 ⁽¹⁾	Initial	US\$2.9	US\$0.7	2011 ⁽⁷⁾	2015	✗	2023 ⁽¹⁾
				Actual	US\$3.6	+24%		Q2 2017		2023 ⁽¹⁾
Mosaic	K-3 Esterhazy	Replacing, older mines	0.9 ⁽⁸⁾	Initial	US\$1.5	-	2013	2018	✗	Expected to ramp-up by 2024
				Updated	US\$1.5	-		2018		
EuroChem	Usolskiy	Greenfield	2.3 ⁽²⁾	Initial	US\$2.8 ⁽⁴⁾	US\$0.4	2012	2017 ⁽⁶⁾	✗	Ramp-up by 2022, phase 2 to be completed in 5 years
				Actual	US\$3.2 ⁽⁵⁾	+14%		Q1 2018 ⁽⁶⁾		
EuroChem	Volgakaliy	Greenfield	2.3 ⁽³⁾	Initial	US\$3.3 ⁽⁴⁾	US\$0.8	2010	2013 ⁽⁶⁾	✗	2016-17
				Actual	US\$4.1 ⁽⁵⁾	+24%		Q4 2018 ⁽⁶⁾		2025
				Initial total	US\$18.0	US\$4.0				
				Actual total	US\$21.9	+22%				

Note: Currency is translated at the average FX rate from January 1st of the year at start of the construction to December 31st of the year of first production

- (1) Phase I reach 2.0 mtpa by end-2017 with subsequent expansion and ramp-up to 2.9 mtpa by 2023 and an optional expansion phase to increase production to 4.0 mtpa
- (2) Excludes Phase 2 expansion of 1.4 mtpa at Usolskiy
- (3) Excludes Phase 2 expansion of 2.3 mtpa at Volgakaliy
- (4) Including projected expenditure for Phase 2 expansion of US\$0.7 million and US\$1.4 million for Usolskiy and Volgakaliy respectively
- (5) Including revised projected expenditure for Phase 2 expansion of US\$1.1 million and US\$1.3 million for Usolskiy and Volgakaliy respectively
- (6) Completion date of Phase 1 only, Phase 2 expected to be completed and ramped up by 2025
- (7) Acquisition year of Potash One along with the Legacy project
- (8) Run-rate capacity of 6.0 mtpa, including 0.9 million tonnes of additional capacity and 5.1 million tonnes of capacity that will substitute the capacity at Esterhazy K1 and K2

Source: third-party company information

PotashCorp's Picadilly mine: PotashCorp decided to abandon its high-cost operations at the Penobsquis mine and began construction at the Picadilly mine, located in New Brunswick, Canada in 2007. The commissioning of the project was delayed by more than three years and exceeded the initial budget by more than 30%. After less than 2 years of operations, PotashCorp announced the indefinite suspension of production at Picadilly. In November 2018, the company announced the permanent closure of the Picadilly mine, recording a non-cash impairment of US\$1.8 billion.

Agrium's Vanscoy mine: In 2011, Agrium proceeded with a one million tonne KCl capacity expansion at its Vanscoy potash facility in Saskatchewan, Canada. The project was expected to be completed by late 2014 with full-ramp up by 2017 at a total cost of approximately US\$1.5 billion. In February 2014, the company announced that expansion would approximately cost 25% more than expected, primarily due to low labour productivity. Upon completion in 2014, the total capital expenditure was US\$2.3 billion, more than 50% over the initial budget.

Turkmenistan's Garlyk mine: An interstate partnership between the Turkmenistan government and the Belarusian government to develop a potash facility with a design capacity of 1.4 million tonnes was delayed by more than two years and operated at less than 3% of its design production capacity in 2018. Under the January 2009 agreement, Belarus was expected to complete the project by end of 2014. However, the project was delayed by more than two years due to shifting deadlines and consequent reassessment of various phases of implementation due to market conditions. Despite the plant's official launch in March 2017, it remains in an inoperable state with unfinished construction work and missing equipment. In 2018, both governments publicly stated an intention to enter arbitration proceedings due to non-payment issues, delays and quality deficiencies in the work delivered. In 2018, the site produced only 32,000 tonnes of KCl, a significant shortfall from its production capacity of 1.4 million tonnes.

K+S Bethune mine: In 2011, K+S acquired Potash One leading to its U.S.\$2.9 billion Legacy project. The initial plan was a solution mine with an initial KCl capacity of 2 million tonnes per year to start in 2016, which would ramp up to approximately 2.9 million tonnes by 2023. The project has the option to further expand production capacity to 4 million tonnes to 2033 in stage 3 of its development. In 2013, K+S revised the budget upwards to U.S.\$ 3.6 billion for the first two stages to be completed by 2016 and an additional U.S.\$ 0.6 billion for the third stage subject to feasibility. In August 2016, a process vessel collapsed, resulting in six months delay, and the completion date was pushed back to the second quarter of 2017. Throughout these projects, there were delays caused by production standstills and strikes by a logistics service provider. The project managed to complete stage 2 of its development plan by 2017 with a design capacity of approximately 2.9 million tonnes of KCl. However, K+S faced quality issues in its potash products at the Bethune mine, which contributed to lower production volumes in 2019. Improvement towards industrial quality is expected in 2020. K+S predicted that production output will be at the lower end of the 1.7-1.9 million range in 2019, below its initial target in 2016.

Eurochem's Volgskiy mine: Eurochem began construction at Volgskiy in 2010. In Phase 1 of the project, the site would reach an initial KCl production capacity of 2.3 million tonnes with potential to expand by another 2.3 million tonnes in Phase 2 of the project. In August 2013, the company released a statement, stating that the Volgskiy project suffered a delay of approximately two years and nine months, due to the failure of the original shaft sinking grouting technology, pushing the completion date to 2017 from its initial target of 2014-15. In 2015, water inflows further hindered the progress of the project, delaying its expected first production to late-2018. To-date, the company has planned for a further seismic survey to be conducted in the mine to improve planning. Eurochem estimates full ramp-up of both Phase 1 and Phase 2 of the project by 2025, however there was no official production amount in FY2018.

Eurochem's Usolskiy mine: In 2012, Eurochem began construction of the Usolskiy mine with an initial completion date of 2017. The company initially estimated that the plant will ramp-up to its full capacity by 2021. However, in 2017, the plant suffered a number of delays to the initial start-up sequence meaning first production was not until April 2018, with full ramp-up pushed to 2022. In 2018, the plant produced 0.3 million tonnes of KCl.

Mosaic's K3 Esterhazy mine: Mosaic announced the development of the K3 mine at Esterhazy in 2009, with a production capacity of 6.0 million tonnes of KCl per year, to replace the K1 and K2 mines, which were suffering from brine inflow. The project was commissioned in 2018 and is expected to fully replace K1 and K2 mines by end of 2023, bringing on 0.9 million tonnes of net capacity additions.

According to Argus, growth in KCl capacity from 2019E to 2024E is expected at 2.5% per annum, adding approximately 10.0 million tonnes of additional capacity. The bulk of the future capacity is expected to be in Belarus, Russia and Turkmenistan. The table below sets forth the major projects, scheduled to be completed from 2018.

New major potash mines projected for completion from 2018

Company	Mine site	Project type	Capacity (mtpa)		Budget (bn)	Project start date	First production date	Situation
Uralkali	Solikamsk-3	Brownfield	0.6	Initial Updated	US\$0.1 US\$0.1	2013	2015 2021	
Belaruskali	Petrikov	Greenfield	1.5	Initial Updated	US\$1.5 -	2014	Dec-2019 Early-2020	Dec-2021 -
Slavkaliy	East Nezhinsky Mine	Greenfield	1.8	Initial Updated	US\$2.0 -	2016	2020 End-2021	Ramp-up delayed from 2020 to 2022
Uralkali	Ust-Yayvinsky	Replacing, older mines	1.0 ⁽¹⁾	Initial Updated	US\$1.2 -	2012	2022-24 On-track	
Uralkali	Solikamsk-2	Replacing, older mines	1.4 ⁽²⁾	Initial Updated	US\$0.7 -	2016	2023-25 On-track	
VPC	Talitsky	Greenfield	2.0	Initial Updated	US\$1.2 US\$2.5	2016	Q4-2021 2022-2023	Initial expectation of full ramp up by Q3-2024
BHP	Jansen (Stage 1)	Greenfield	4.4	Initial Updated	US\$4.7 US\$5.3-5.7	2012	2020 Early 2021	Delayed, yet to seek board approval for project
Vale	Rio Colorado	Greenfield	2.1 ⁽³⁾	Initial Updated	US\$5.9 -	2010	2014 -	Mothballed in 2013 taking impairment of US\$2.1 billion

⁽¹⁾ Gross capacity of 2.8 mtpa, including 1.0 million tonnes of additional capacity and 1.8 million tonnes of capacity that will substitute the depleting capacity of Berezniki-2 mine

⁽²⁾ Gross capacity of 2.5 mtpa, including 1.4 million tonnes of additional capacity and 1.1 million tonnes capacity that will substitute the depleting capacity of Solikamsk-2 mine

⁽³⁾ Initial phase of 2.1 mtpa followed by a second phase of 4.3 mtpa

Source: Argus, third-party company information

Belaruskali's Petrikov mine: Belaruskali started the construction of the Petrikov mines in 2014, with a production capacity of 1.5 million tonnes of KCl per year. The first phase of the mine is due in early 2020.

Verkhnekamsk Potash Company's Talitsky mine: Verkhnekamsk Potash Company, ("VPC"), a subsidiary of Acron, is developing the Talitsky section of the Upper Kama reserves in Russia, with a production capacity of 2.0 million tonnes of KCl. The planning of the project first began in 2012, and first production is expected in 2021, eventually ramping up to full capacity by 2024.

Slavkaliy's East Nezhinsky mine: In 2016, Slavkaliy, a project to develop part of the Nezhinsky reserves, announced that the project has secured US\$1.4 billion credit facility from China Development Bank. The project is expected to be completed by end of 2021, with a production capacity of 1.8 million tonnes of KCl per year.

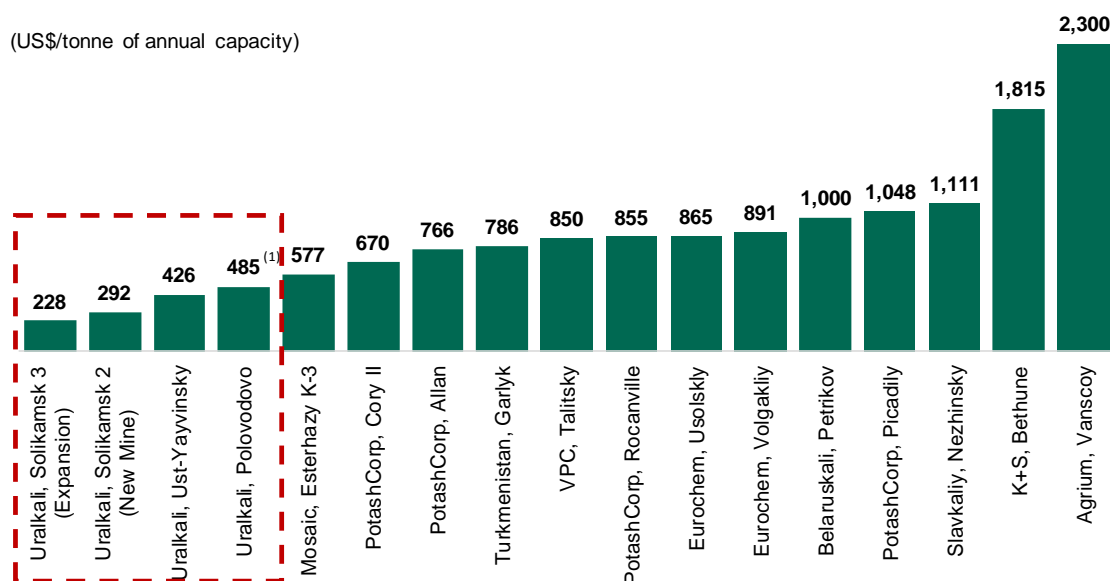
BHP's Jansen mine: The project was initially targeted to be completed by 2016, with production capacity of up to 8 million tonnes of potash per year. In April 2014, after construction works began, BHP abandoned its previous targets for the project and since indicated that the project will be delayed until the beginning of 2020, with production to start in 2025, subject to board approval. Project delays have also strained the initial budget of US\$4.7 billion and stretched the total capital expenditure to US\$5.3-5.7 billion for Stage I of the plan. The total estimated cost comes up to approximately US\$17.5 billion, taking into account Stage 2-4 of the project at an additional cost of US\$4.0 billion per stage.

Vale's Potasio Rio Colorado mine: Vale first acquired the Potasio Rio Colorado ("PRC") solution mining project from Rio Tinto in 2009, with an initial expected production capacity of 4.3 million tonnes of KCl. Development costs continued to escalate, after Vale took over the mine. By 2013, the company suspended the implementation of PRC due to poor expected returns from the project. After spending approximately US\$2.2 billion, the company took a non-cash impairment of US\$2.1 billion in 2013.

The completion of these projects is subject to a number of factors including market conditions, level of demand, potash prices, technical difficulties, unanticipated maintenance of facilities, evolution of market conditions and the cost, and availability of funds. Capacity additions may vary significantly from initial projections.

Global expansion costs

(US\$/tonne of annual capacity)



(1) Mine Capex, Full Capex is US\$671 per tonne

Note: Currency is translated at the average FX rate from January 1st of the year at start of the construction to December 31st of the year of first production

Source: Argus, URALKALI, third-party company information

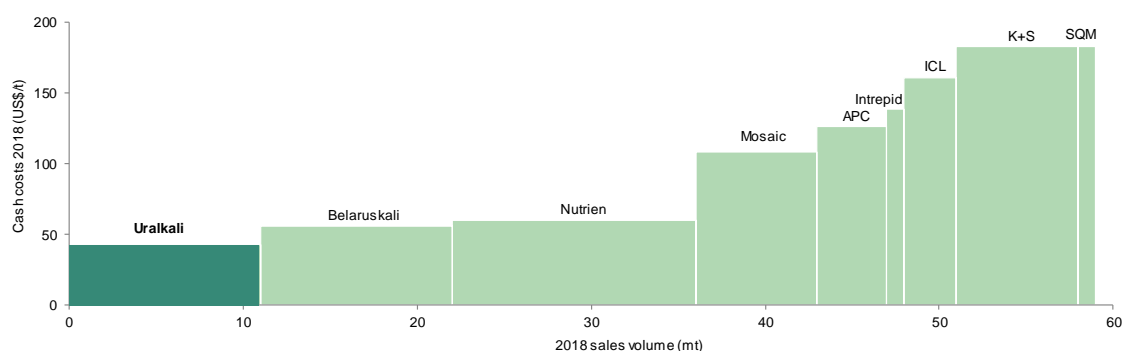
Production costs

Production costs at potash mines vary, depending on the type of mining, geology and local availability of resources. Location of these mines plays a key role in the overall cost curve. For example, mines located far from ports will incur higher inland freight costs. Countries with a cheaper labour force are advantageous in production and development costs.

For the projects to be economically viable for production, prices have to be high enough to cover the high capital servicing costs and the FOB cash costs. Thus, new entrants are likely to compete on price to establish a position in the market but not to such extent that it harms their ability to cover capital servicing costs.

The following chart presents a potash industry cost curve:

Potash industry production cost curve



Source: Argus, third-party company information

Distribution and transportation

Potash is generally purchased either directly from producers or via trading companies by distributors, who then sell to the agricultural industry, producers of NPK compound fertilisers and governments negotiating on behalf of agricultural interests consortiums.

Potash is transported via rail and by sea. Logistical costs vary significantly depending on the location of production and consumption. As the major sources of potash are geographically concentrated, transportation costs during the production process and delivery to the customer have a significant impact on a producer's ability to price its products competitively. Reliable transportation is a key component in the value chain of potash production, as it allows enhanced customer service and reactivity to peaks in demand, as well as ensuring increased control over costs.

In the US and Europe, there are well established rail roads to transport potash from Canadian and German potash mines directly to factories. However, in Latin America, China and most of Asia-Pacific, the majority of potash is imported from Canada or Russia by sea or land.

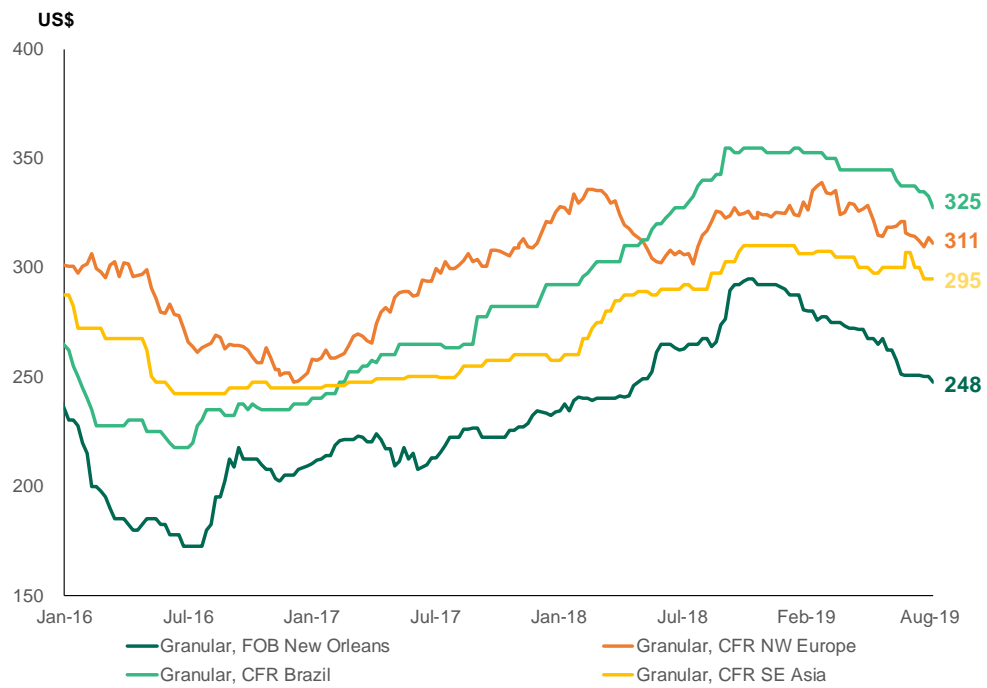
The need to transport products across geographies has attracted potash producers to form export coordination organisations to take advantage of shared logistics networks. For instance, Mosaic and Nutrien markets and distributes its products in the international market through the Canadian Potash Exports ("**Canpotex**").

Pricing dynamics

Fertilisers are commodities for which competition occurs principally on the basis of delivered price. Potash prices are usually negotiated between suppliers or traders and consumers based on delivery contracts. Contracts for potash sales often vary, depending on the market. Contracts may be large sales contracts with fixed prices or negotiated on a monthly basis with terms conditional on minimum orders for the year, or ad hoc "spot" purchases.

The potash industry has picked up from its low point in 2016. Following the period of low prices in 2016, all facilities that were at the higher end of the industry cost curve in North America have closed, shedding more than 3.6 million tonnes of KCl production capacity since 2014. Since then, prices have been recovering steadily. Globally, potash producers have also optimised their operations in the past years by idling or closing high-cost operations or transition to production of other products. This has translated to strong growth in prices during 2018, setting the highest levels in last three years. Contract renegotiations also played a significant role in setting the direction of prices. In 2018, China and India agreed to a new potash contract price of US\$290/t on a cost and freight basis, marking a US\$60/t increase from the previously agreed price in the second half of 2017, while contract prices in India have been on a one-directional increase since 2016. Since its low point in 2016, Indian potash contract prices have increased from US\$227/t to US\$240/t in 2017, and were subsequently followed by a sharp increase to US\$290/t, or approximately 21 per cent. in 2018.

Dynamics of potash prices in key markets



Source: Argus

BUSINESS

Overview

According to Uralkali's estimates, data published by other potash producers and Argus data, the Group is one of the largest pure play potash producers globally with mining operations in Russia, which, based on the Mineral Commodity Summaries, had the largest potash reserve base globally. The Group also benefits from its presence in the most significant markets for fertiliser consumption. According to IFA, in 2018, the Group was one of the largest exporters of potash in the world with an aggregate production volume of 11.5 million tonnes. As of 30 June 2019, the Group's annual potash production capacity is up to 12.0 million tonnes. According to Argus data and Uralkali's estimates, in 2018, the Group accounted for approximately 17 per cent. of global potash production. The Group had proven and probable reserves of 187.7 million tonnes of K_2O as at 1 January 2019 (from total measured and indicated mineral resources of 1,324 million tonnes of K_2O), with access to one of the largest ore fields located in Russia at depths of 200 to 450 metres. Based on publicly available reports of other potash producers, Uralkali believes that in 2018, the Group was one of the most profitable producers of potash with the lowest production costs in the world.

In the six months ended 30 June 2019 and the year ended 31 December 2018, the Group's selected financial metrics specified below were as follows:

- the Group's revenues were U.S.\$ 1,542,890 thousand and U.S.\$ 2,753,577 thousand, respectively;
- the Group's net profit was U.S.\$ 835,891 thousand and a net loss of U.S.\$ 97,006 thousand, respectively;
- the Group's Adjusted EBITDA was U.S.\$ 873,880 thousand and U.S.\$ 1,459,253 thousand, respectively;
- the Group's Adjusted EBITDA margin was 66.1 per cent. on Net revenues of U.S.\$ 1,321,309 thousand and 64.0 per cent. on Net revenues of U.S.\$ 2,281,082 thousand, respectively;
- the Group's Net debt as of the end of the respective period was U.S.\$ 4,693,402 thousand and U.S.\$ 4,886,872 thousand, respectively;
- the Group's total loans and borrowings as of the end of the respective period were U.S.\$ 5,121,718 thousand and U.S.\$ 5,899,877 thousand, respectively.

See "*Selected Financial and Operating Information*".

The Group controls the production chain from potash ore mining through to the supply of potassium chloride to customers. The Group's mining operations comprise five mines in Perm Krai (near the Urals), with an estimated life of mine ranging from seven to forty years. To process the ore from these mines, the Group operates six potash plants and one carnallite plant. The Group produces two main types of potash (each classified into various products): Standard MOP (white and pink) and Granular MOP, each of which is derived from potash ore comprising potassium chloride (KCl) mixed with other minerals. For further details of the conversion ratio of potash ore into KCl and KCl into K_2O , see "*— Production Process and Facilities – Production cycle and components reconciliation*". From its base of operations in the Urals region of Russia, the Group transports its products by rail using its fleet of railcars (which as at 30 June 2019 comprised 7,600 railcars), directly to customers in Russia, Europe and Northern China, as well as to its warehousing and port facilities at JSC BBT in St. Petersburg and the Baltic, Black Sea and Far Eastern ports, from where potash is shipped to overseas customers. The Group distributes its export products through its direct and indirect subsidiaries UKT Latvia, UKT Mauritius and UKT USA. In addition, UKT Brazil performs marketing, consultancy, agency services and sale promotion role in Latin America (primarily in Brazil). In the year ended 31 December 2018, the Group's domestic sales accounted for 23.7 per cent. of the total sales while the remainder 76.3 per cent. was exported to customers in more than 60 countries, including Brazil, Europe, South East Asia, China and India.

In 2019, the Group approved an investment strategy focusing on maintaining one of the leading positions in the global potash industry and achieving further organic growth to increase annual available potash production capacity to 15.0 million tonnes by 2025. The principal measures to be implemented in the context of this strategy include measures aimed at increasing the capacity at existing production sites through the removal of bottlenecks and modernisation, the launch of an additional shaft in Solikamsk-3, the construction of a new Solikamsk-2 mine

to extract the remaining reserves in the Solikamsk plot, as well as the implementation of the Ust-Yaivinsky greenfield project (the development of the Ust-Yaivinsky plot at the Verkhnekamskoye field), which is estimated to contain measured and indicated mineral resources of 254.4 million tonnes of K₂O. Subject to the decision with regard to the second stage of Polovodovsky project being made by 2023, the Group's annual available potash production capacity would increase to 17.8 million tonnes by 2030. See "*Investment Programmes*".

Key Strengths

Uralkali believes its business model provides the following key strengths:

World-class pure play potash producer

According to Argus and Uralkali's estimates, Uralkali is one of the leading global producers of potash globally with mining operations in Russia, which, based on the Mineral Commodity Summaries, had the largest potash reserve base globally. Potash is one of the most commonly used fertilisers which improves plant durability and provides protection from drought, disease, weeds, parasites and cold weather. According to Argus, the global demand for fertiliser potash is expected to increase at a long-term rate of 2.5 per cent. per annum from 2019 to 2032, as the agricultural sector seeks to meet the growing demand arising from the continuous growth of the world population, developing dietary diversity combined with the increase in volumes of farmed crops, as well as the government support of, and investments in, the agricultural sector aimed at preventing food shortages.

The Group has access to one of the largest ore fields located in Russia at depths ranging from 200 to 450 metres. Uralkali has an annual potash production capacity of up to 12.0 million tonnes and 12.4 million tonnes as at 30 June 2019 and 31 December 2018, respectively, with the reduction in capacity being largely attributable to the reduction of mining operations at the Solikamsk-2 mine. In the six months ended 30 June 2019 and the year ended 31 December 2018, the Group produced 5.7 million tonnes and 11.5 million tonnes of potash, respectively.

There are significant economic barriers to the entry of new participants to the potash production industry, largely due to a limited number of economically recoverable potash deposits, extended ramp-up periods, need for material investments, high risks associated with investing into potash production projects and required competencies, which act as a natural limitation for new participants attempting to enter the market.

Fundamental cost advantage underpinning superior profitability

The Group has invested in production and logistics infrastructure which, combined with the relatively low extraction costs of the ore deposits at the Group's mines (as compared with other major potash producers, based on Uralkali's estimates), provides cost advantages throughout the production and distribution process underpinning the Group's superior profitability. In addition, the Group has constructed electricity generation plants near its principal production facilities which, from 1 January 2016 to 31 December 2018, allowed the Group to cover approximately 17-20 per cent. of its electricity needs (based on current production levels) at lower costs than the prices offered by third-party suppliers. In order to further improve cost efficiency, the Group seeks to use equipment and materials produced in Russia, which allows the Group to benefit from more favourable prices and lower shipping costs.

In the six months ended 30 June 2019 and the year ended 31 December 2018, the Group's Cash cost of finished goods per tonne (without goods for resale) was U.S.\$ 42.9 per tonne and U.S.\$ 42.5 per tonne, respectively (as compared to U.S.\$ 41.2 and U.S.\$ 41.4 in the six months ended 30 June 2018 and the year ended 31 December 2017, respectively), which, based on publicly available reports of other potash producers, is the lowest in the potash industry. The Group's total cost of sales in the six months ended 30 June 2019, six months ended 30 June 2018 and the years ended 31 December 2018 and 2017 were U.S.\$ 361,062 thousand, U.S.\$ 362,363 thousand, U.S.\$ 702,867 thousand and U.S.\$ 739,076 thousand, respectively.

Leading positions in premium markets and diversified customer portfolio supported by strong trading and distribution capabilities

The Group maintains one of the leading positions in the global potash industry, including in the premium markets. Its products are distributed through a number of the Group's trading companies, allowing the Group to access all principal regions of potash consumption with the flexibility to adjust supply to a particular market in response to seasonal fluctuations in demand and price dynamics. The Group's diversified customer portfolio is supported by its strong trading and distribution capabilities.

In addition to its sales in Russia, where the Group is the leading domestic producer of potash, the Group also distributes its products to over 60 countries through its network of trading subsidiaries, which comprises UKT Latvia, UKT Mauritius and UKT USA. As a result, the Group has stable, efficient and direct access to all of the key export markets. According to Argus data and Uralkali's estimates, in 2018, the Group was one of the largest exporters of potash in the world, accounting for approximately 17 per cent. of the global potash production.

In addition, the Group owns and operates a large part of its logistics chain, including a significant fleet of railcars, warehouses and a bulk terminal in St. Petersburg, the closest port to the location of the Group's potash resources, which (based on Uralkali's estimates) provides cost benefits and allows the Group to exercise significant control over the logistics process compared to many of its competitors.

Strong cash flow generation through the cycle

The Group has historically maintained high operating performance results and margins which form the base for a strong cash flow generation. In addition, the Group operates a number of payment terms options which are favourable for the Group (such as factoring arrangements and letters of credit), which allows for prompt receipt of the purchase price for the goods sold.

For the six months ended 30 June 2019 and the year ended 31 December 2018, the Group had revenues of U.S.\$ 1,542,890 thousand and U.S.\$ 2,753,577 thousand, respectively, an Adjusted EBITDA margin of 66.1 per cent. on Net revenues of U.S.\$ 1,321,309 thousand and 64.0 per cent. on Net revenues of U.S.\$ 2,281,082 thousand, respectively, and net cash generated from operating activities of U.S.\$ 536,653 thousand and U.S.\$ 1,096,480 thousand, respectively. Strong cash flow generation has historically enabled the Group, among other things, to fund its development plans largely from cash generated from its operating activities. In addition, Uralkali believes its strong financial performance and cash generation from the Group's operations provides a solid platform to execute its future organic expansion plans while maintaining a robust capital structure.

Accretive organic growth options with one of the lowest costs for capacity expansion in the industry

The Group focuses on further organic growth through the development of its existing structural capacity and access to mineral resources at low depths. The Group's investment strategy is aimed at the expansion of the capacity of its production facilities and includes both debottlenecking and modernisation measures, the launch of an additional shaft in Solikamsk-3, the construction of a new Solikamsk-2 mine replacing the existing one which is in process of shutdown, as well as the implementation of the Ust-Yaivinsky greenfield project (with measured and indicated mineral resources of 254.4 million tonnes of K₂O). If successfully implemented, these measures are intended to increase the annual production capacity of the Group to 15.0 million tonnes of potash by 2025. Subject to the decision with regard to the second stage of Polovodovsky project being made by 2023, the Group's annual available potash production capacity would increase to 17.8 million tonnes by 2030. The Group maintains a balanced approach to the expansion Capital expenditures taking into account the cash flow generation and the industry environment. Based on the total estimated cost of the incremental capacity, Uralkali believes its programme is one of the lowest cost development projects in the global potash industry. See "*Investment Programmes*".

Strong liquidity position and track record of successful deleveraging and refinancing

The Group's management considers that the structure of its debt portfolio adequately reflects the currency composition of its revenues and allows the Group to minimise the risks of currency mismatches. Over the last 3 years, the Group has put a particular focus on deleveraging its financial position, reducing the ratio of the Group's Net debt to Adjusted EBITDA (last 12 months) to 2.9x as of 30 June 2019.

The Group has also historically maintained a strong liquidity position covering both short-term and mid-term maturities and has a track record of pro-active debt and liquidity management by maintaining access to multiple financing sources.

In addition, the Group's liquidity position benefits from the available limits under the Group's committed and uncommitted credit lines which protects the Group against liquidity shortages. See "*Operating and Financial Review – Liquidity and Capital Resources – Loans and Borrowings*".

Seasoned management team with an extensive track record and commitment to best practices in environmental, social and governance areas

The Group's management team has a proven track record of successful execution of complex projects and effective business management. It combines extensive industry and marketing experience with financial and in-depth management expertise, and Uralkali's board of directors includes highly professional individuals who have been involved in the Group's business for an extended period of time and have global experience in all necessary areas of competence. The members of the Group's management team have an average of more than fifteen years of industry experience (including fertiliser, mining, chemical, construction and other related industries). Uralkali believes that the high quality of the Group's management ensures timely, efficient and objective decision making and project execution in the best interests of Uralkali and stakeholders.

In addition, the Group adheres to the highest environmental, social and corporate governance and business ethics standards, including the appointment of independent directors to Uralkali's board of directors. Uralkali considers four of its current nine directors to be independent directors. Also see "*—Strategy—Focus on HSE and sustainable development*".

Flexible production model

Three out of six of the Group's key production facilities are fully or partially interchangeable between production of Standard MOP and Granular MOP. Accordingly, the Group can select whether to produce Standard MOP only or whether to continue the production cycle and use the Standard MOP for further production of Granular MOP. See "*— Production Process and Facilities — Processing plants and capacity*". Uralkali believes that the Group's ability to switch production between Standard MOP and Granular MOP in response to changes in market demand and price trends allows the Group to pursue a flexible sales strategy focusing on those products and markets which offer highest yields, which generally results in a higher profit margin and allows the Group to maintain high utilisation rates.

Strategy

The Group intends to continue to strengthen its positions in the global potash industry by implementing its strategy set out below.

Maintain one of the leading positions in the industry

The Group focuses on further balanced organic growth in order to maintain and develop one of the leading positions in the global potash industry. It intends to continue utilising the benefits of its extensive resource base and low cost development opportunities. The Group's capacity expansion programme includes debottlenecking and modernisation measures, as well as maintenance and improvement of its current asset base.

Preserve lowest cash cost of production driving strong margins and free cash flow

Uralkali benefits from the low cost environment across key inputs and is focused on enhancing efficiency. The Group has access to one of the largest fields of potassium ore and low production costs (with the Group's Cash cost of finished goods per tonne (without goods for resale) being the lowest in the potash industry), which is achieved, among other things, through constant development of technical maintenance programmes and more accurate assessment and planning of repair and maintenance works. The Group is also committed to maintaining and improving its advantageous cost position, including through the application of the new innovative technologies and increasing the production levels and utilisation rates. Moreover, the Group has implemented a number of initiatives aimed at increasing the efficiency of energy consumption, which contributes to the overall strategy to decrease the production costs. In addition, the Group seeks to continually improve its labour productivity through the optimisation of business processes, automation of production processes and outsourcing of non-core processes.

Capitalise on strong distribution and marketing capabilities

The Group intends to continue utilising the benefits of its diversified sales channels, established network of sales offices and proximity to customers in key export markets in order to maximise its revenues by focusing on the premium export markets following the satisfaction of the internal demand from the Russian market. The Group seeks to enhance its export sales in the growing premium markets (including, *inter alia*, the Brazilian market) by

relying on its integrated sales system, efficient logistics and worldwide distribution network. The Group is also committed to enhancing its proprietary logistics network to ensure control over principal marketing activities and secure access to new growing markets. Furthermore, the Group intends to benefit from the additional business opportunities through further expansion of its sales markets range, including penetrating new African markets, which the Group believes to be generally underestimated and enjoy the early entrant advantages.

Focus on HSE and sustainable development

The Group focuses on the constant improvement of its environmental, health and safety performance and personnel development. It seeks to provide a healthy and safe working environment for its employees and minimise accidents in the workplace. The Group had zero work-related fatal injuries in 2018 and it remains the Group's key priority to maintain it at this level. The Group also reduced its lost time injury frequency rate by 27 per cent. in 2018, as compared to 2017. See "*– Employees*".

Moreover, the Group aims to constantly increase the personnel awareness of workplace safety procedures and pays particular attention to personnel education and development. In 2018, the Group held 43,900 training activities in Russia (which include various educational programmes, internal seminars and professional trainings). Uralkali has also renewed certification for its compliance with the requirements of the OHSAS 18001-2007 (Occupational Health and Safety Assessment Series) valid through 2021. In addition, the Group pays particular attention to the social investments and initiatives and community engagement and from 2014 to 2018, invested U.S.\$ 84 million in social projects and activities. Also, in September 2019, Uralkali received an "IFA Product Steward Excellence" recognition as part of the IFA international Protect & Sustain certification, which is a standard combining a number of aspects considered by quality management (ISO 9001), labour safety (ISO 14001) and environmental management (OHSAS 18001) systems. The recognition affirms the highest standards of management of all stages of production, transportation and sales of potash fertilisers, as well as the commitment to the best practices in production safety and ecological sustainability of products.

The Group is committed to limiting the environmental impact of its operations, including reducing waste discharges into water and enhancing the efficiency of its waste management facilities. Based on Uralkali's internal financial management reports, in the six months ended 30 June 2019 and the year ended 31 December 2018, the Group invested approximately U.S.\$ 34.8 million and U.S.\$ 63.6 million in environmental protection projects. The total investments of the Group in the environmental protection over the period from 2014 to 2018 amounted to approximately U.S.\$ 224 million. These environmental projects are aimed at the reduction of water consumption, efficient waste management, reduction of energy consumption and air emission. For more details on the Group's environmental projects see "*– Environmental matters*".

Selectively expand production capacity

The continuous growth of the world population, accompanied by the rising standards of living in populous countries, such as China and India, lead to a higher demand for food, while the demand for biofuel is also increasing. At the same time, the reduction of arable land per capita amplifies the need for intensive agricultural technologies. The Group considers the global food security to be one of the key pillars of its strategy, as potash, being one of the key fertilisers, plays a critical role in the world food security. In order to meet the world's growing demand for food, in 2019 the Group embarked on a long term strategic investment programme for the expansion of its production capacity to 15.0 million tonnes envisaging the overall Capital expenditure of U.S.\$ 2.4 billion covering both brownfield and greenfield projects. See "*– Investment Programmes*".

Maintain balanced mineral reserves and resources portfolio

To ensure stable production levels and high utilisation rates, the Group seeks to maintain a balanced mineral reserves and resources portfolio ensuring that depleted plots (in particular, Berezniki-2 and Solikamsk-2 with the aggregate capacity of 2.9 million tonnes of KCl) are replaced with new deposits of equivalent quality and volume of reserves. As part of this strategy, the Group obtained licences with respect to the geological study, exploration and extraction potassium-magnesium mixed salts (SPM) on the Romanovsky plot and with respect to the exploration and extraction of magnesium salt on the west part of the Novo-Solikamsky plot, as well as a licence for the geological study of potassium chloride salt on the Izversky plot. These new plots contribute to both the overall increase of the Group's production volumes and allow for the smooth and gradual replacement of those plots where the reserves are decreasing.

Maintain a robust capital structure

In conjunction with its production capacity expansion plans, the Group seeks to maintain a robust capital structure. In particular, the Group aims to continue to use cash generated from operating activities as the principal source of its funding requirements while endeavouring to achieve, in the medium term perspective, a ratio of Net debt to Adjusted EBITDA (last 12 months) of 2.0-2.5x. As of 30 June 2019, the ratio of the Group's Net debt to Adjusted EBITDA (last 12 months) was equal to 2.9x. The Group focuses on further deleveraging and strengthening of its balance sheet and targets upgrades of the credit ratings assigned to Uralkali. In addition, the Group generally seeks to maintain a comfortable cash position at approximately 0.3x of the Group's Adjusted EBITDA (last 12 months).

History and Development

The Group's business was founded and developed as a state-owned enterprise in the Soviet Union in 1927. In 1983, this entity was separated into two state-owned entities, which subsequently became known as JSC Uralkali and JSC Silvinit. Uralkali production facilities (Berezniki-2, Berezniki-3 and Berezniki-4) were commissioned and constructed between 1969 and 1992, whereby Silvinit production facilities (Solikamsk-1, Solikamsk-2 and Solikamsk-3) were constructed in 1933, 1973 and 1983, respectively. Prior to 1992, all of the Uralkali's and Silvinit's production was sold domestically as part of the Soviet planned economy. In 1992, as part of the state privatisation programme, Uralkali and Silvinit were established as the holding companies for the various mining and production assets of their respective state enterprises. Uralkali adapted to a market economy and the drop in domestic demand for its potash by commencing export activities. In 1997, Uralkali shares were admitted to trading on the Russian Trading System, a predecessor of Moscow Exchange.

Between 2000 and 2005, Uralkali invested in the construction and operation of JSC BBT for the transshipment of potash at the port of St. Petersburg.

In 2007, Uralkali obtained admission of its GDRs to the Official List of the UKLA and to trading on the Regulated Market of the London Stock Exchange.

Between 2008 and 2012, the Group was focusing on both organic and non-organic growth and has undertaken a number of mergers and acquisitions, including the Merger and subsequent consolidation of Silvinit into the Group.

In 2013, the Group discontinued sales through BPC, a joint venture of Uralkali with Belaruskali due to a lack of consensus in respect of the sales strategy and an overall management of the joint venture. As at the date of this Prospectus, BPC is in the process of liquidation and does not conduct any business operations.

In 2013, Uralchem acquired 19.9999 per cent. of Uralkali's ordinary shares. In July 2016, Mr. Dmitry A. Lobiak became the beneficial owner of Rinsoco Trading Co. Limited, the then owner of 18.66 per cent. of Uralkali's ordinary shares, following the acquisition of control over Rinsoco Trading Co. Limited from Onexim group. For the current share capital structure of Uralkali, see "*Principal Shareholders*".

In 2014, in the context of implementation of the Group's objective to increase export sales, the Group acquired a share in Equiplan Participacoes S.A., which is the principal shareholder in Terminais Portuários da Ponta do Felix S.A., a port terminal in the city of Antonina, Brazil that has enabled the Group to obtain a stable deliveries channel to the Brazilian market.

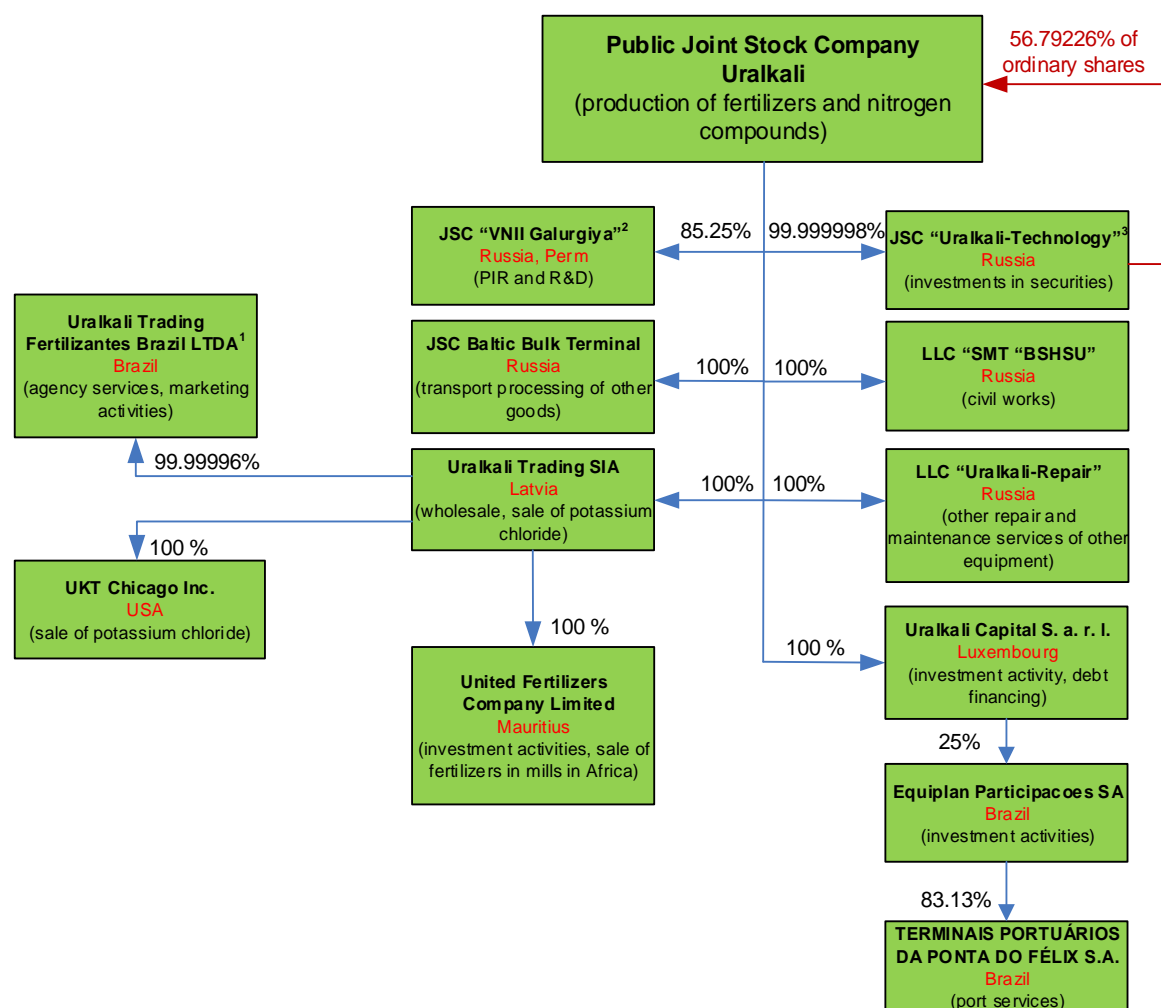
In 2015, Uralkali established UKT Latvia, a new trader which is currently responsible for the export sales of the Group and subsequently liquidated Uralkali Trading S.A., a trader incorporated in Switzerland

From 2011 to 2016, the Group completed a series of shares and global depositary receipts buybacks and in 2015, GDRs were delisted from the London Stock Exchange.

In 2018, UKT Latvia established UKT Mauritius for the purposes of export sales of the Group to certain African countries (including Zambia, Zimbabwe, Kenya, the Republic of South Africa, Mozambique, etc.).

Business Structure

Uralkali is the holding company and main operating company for the Group. The following chart shows the organisational structure of the main subsidiaries and holdings of the Group as at the date of this Prospectus:



¹ Alexander Terletsky, a member of the board of UKT Latvia, holds UKT Latvia's shares comprising 0.00004 per cent. of UKT Latvia's share capital.

² The remaining 14.75 per cent. of shares in JSC "VNII Galurgiya" are held by two legal entities and more than 120 individuals, none of which owns more than one per cent of JSC "VNII Galurgiya"'s share capital.

³ LLC Sberbank Investments, a wholly-owned subsidiary of Sberbank of Russia, holds one preference share of Uralkali-Technology representing 0.000002 per cent. of its share capital. This preference share provides blocking rights only in relation to the certain reserved matters (e.g. reorganisation and liquidation of Uralkali-Technology, amendment of its charter and increase or decrease of its share capital), but does not provide voting rights in relation to other matters (unless a decision not to distribute dividends to the holder of the preference share is adopted) or grant other management or control rights in relation to Uralkali-Technology, including rights to appoint management of Uralkali-Technology or otherwise direct business, operations or policies of Uralkali-Technology.

The Group's management has considered in the past and continues to consider a potential intra-group reorganisation through the merger of Uralkali-Technology into Uralkali. While as of the date of this Prospectus the required shareholder approvals have not been obtained, Uralkali does not exclude the possibility of the merger of Uralkali-Technology into Uralkali (or other forms of corporate restructuring) in the future. To the extent that the merger of Uralkali-Technology into Uralkali is consummated and the Uralkali shares held by Uralkali-Technology are redeemed, it would generally result in the transfer of all assets and liabilities of Uralkali-Technology to Uralkali, the decrease of Uralkali's share capital and the consequential adjustment of the stakes held by Uralkali's shareholders.

Products

The principal product of the Group is potassium chloride (KCl), which is produced by processing sylvinitic ore using the flotation or hallurgic enrichment method (see "*Production Process and Facilities*"). In the six months ended 30 June 2019 and the year ended 31 December 2018, the Group derived 95.2 per cent. and 96.9 per cent. of total revenues from sales of potash, respectively.

KCl is the major source of potassium used in agriculture, which can be used as a single-component fertiliser by itself or for chemical processing to produce compound fertilisers. Compound fertilisers are produced by way of mechanical blending or by way of granulation of KCl with nitrogen and phosphate fertilisers. KCl as a source of potassium is also used in the chemical industry.

The Group produces two main types of potash: Standard MOP (pink and white) and Granular MOP.

- *Standard MOP* is primarily used for agricultural purposes, including the production of blended fertilisers. As per customer's request, the product can be coloured red-pink. It is sold in substantially all of the Group's markets.
- *Granular MOP* is a premium product used primarily in countries with more advanced fertilising application methods. Granulation slows down the absorption of fertiliser nutrients into the soil and thus extends the fertilising effect. It is mainly used for agricultural purposes and is primarily sold to Brazil, as well as certain other countries such as the United States, where it is applied directly to the ground or mechanically blended with nitrogen and phosphate fertilisers and sold at a premium compared to other potash products.

The tables below sets out the Group's production volumes for its main products, together with capacity allocation (expressed as the ratio of actual production to available capacity), for the six months ended 30 June 2019 and 2018 and the years ended 31 December 2018, 2017 and 2016.

	Six Months Ended 30 June			
	2019		2018	
	Volume (millions tonnes)	Operating capacity (%)	Volume (millions tonnes)	Operating capacity (%)
Standard MOP, including	5.7	94.4	5.9	95.7
Granular MOP	1.8	99.3	1.8	97.8

	Year Ended 31 December					
	2018		2017		2016	
	Volume (millions tonnes)	Operating capacity (%)	Volume (millions tonnes)	Operating capacity (%)	Volume (millions tonnes)	Operating capacity (%)
Standard MOP, including	11.5	92.3	12.0	91.9	10.8	88.3
Granular MOP	3.5	96.2	3.4	92.0	3.2	89.7

During the potash production process, as a by-product, substantial quantities of salt (sodium chloride) are produced. The Group stores most of the salt that it produces on open land adjacent to its production facilities and sells a small proportion thereof for application on Russian roads in winter to facilitate the clearance of ice and for other industrial applications. The production and sale of salt is not a core part of the Group's business and represented less than 2 per cent. of its consolidated revenues in 2018.

In addition, the Group also produces carnallite at its Solikamsk-1 plant for the supply to local magnesium producers. In the six months ended 30 June 2019 and 2018 and the years ended 31 December 2018, 2017 and 2016, the Group produced 191 thousand tonnes, 203 thousand tonnes, 390 thousand tonnes, 389 thousand tonnes and 362 thousand tonnes of carnallite, respectively. Revenues derived from sales of carnallite do not materially contribute to the overall revenues of the Group.

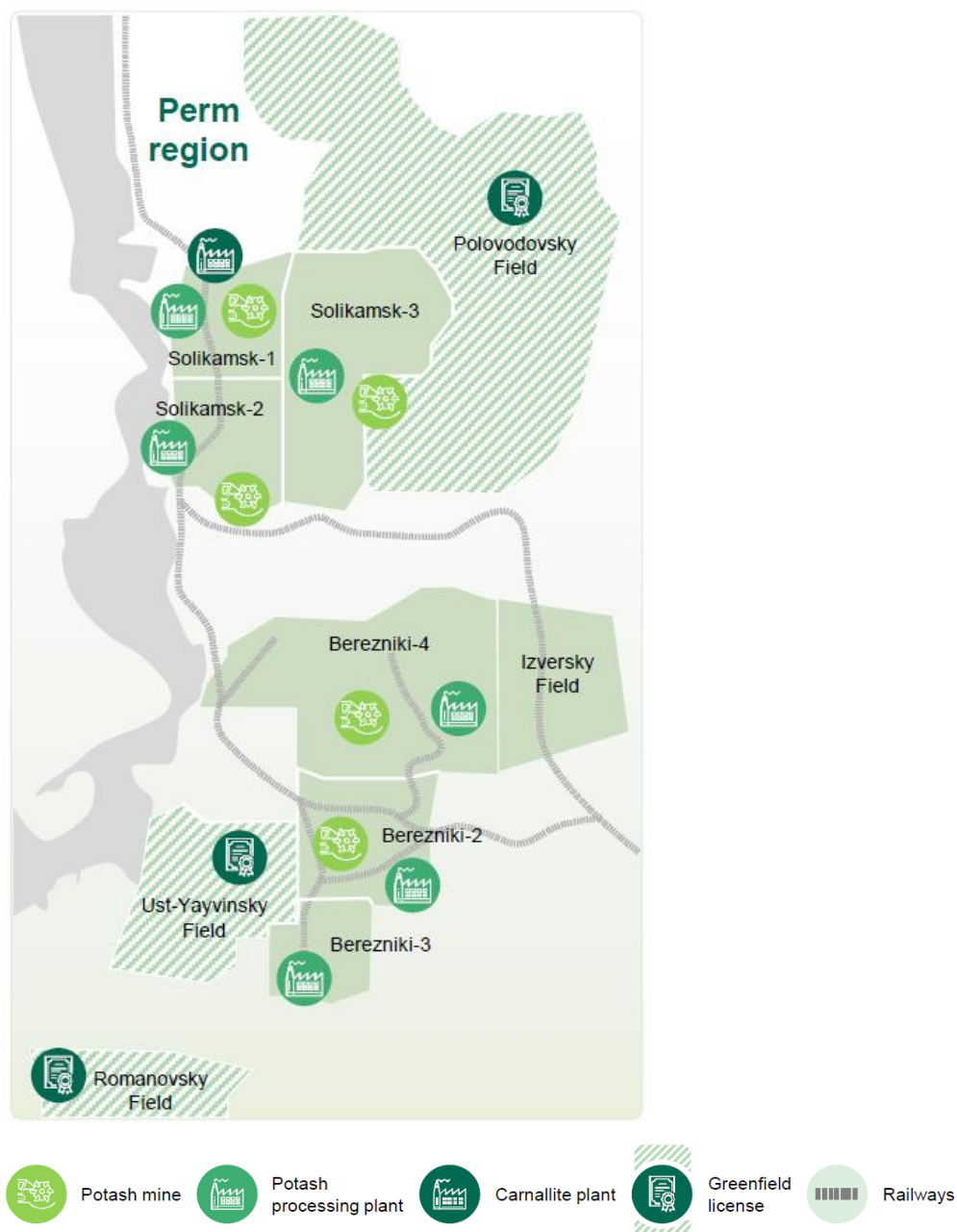
Production Process and Facilities

Production cycle and components reconciliation

The Group produces two main types of potash (each classified into various products): Standard MOP (white and pink) and Granular MOP, each derived from potash ore.

The Group extracts potash ore, which contains potassium chloride (KCl) mixed with other elements, from the mines it operates. Depending on the characteristics of the relevant deposit, the production ratio, which is calculated as the volume of potash ore (in tonnes) required to produce 1 tonne of potassium chloride, varies between 3.6 and 4.2. In its turn, the conversion ratio of 95 per cent. KCl, 98 per cent. KCl and 100 per cent. KCl into K_2O is approximately 60 per cent., 62 per cent. and 63 per cent., respectively.

The Group's mines and processing facilities are located in and around Berezniki and Solikamsk in Perm Krai:





Mining of potash ore

The Group's mining operations are concentrated at five mines in the Verkhnekamskoye field in Perm Krai. Potash ore exists in solid beds in this field at depths of between 200m and 450m below the earth's surface and are extracted by conventional mechanised room and pillar underground mining. These mines comprise (in accordance with the report of SRK Consulting attached as Appendix 1 to this Prospectus (the "**SRK Report**")):

- *Berezniki-2 mine* (Durymskiy plot) is in operation since 1970 with total proven and probable ore reserves of 10.9 million tonnes of K_2O and total measured and indicated mineral resources (inclusive of reserves) of 39.4 million tonnes of K_2O ;
- *Berezniki-4 mine* (Bygelsko-Troitskiy plot) is in operation since 1987 with total proven and probable ore reserves of 67.8 million tonnes of K_2O and total measured and indicated mineral resources (inclusive of reserves) of 386.2 million tonnes of K_2O ;
- *Solikamsk-1 mine* (north part of Solikamskiy plot) is in operation since 1933 with total proven and probable ore reserves of 14.5 million tonnes of K_2O and total measured and indicated mineral resources (inclusive of reserves) of 38.4 million tonnes of K_2O ;
- *Solikamsk-2 mine* (south part of Solikamskiy plot) is in operation since 1973 with total proven and probable ore reserves of 22.6 million tonnes of K_2O and total measured and indicated mineral resources (inclusive of reserves) of 133.1 million tonnes of K_2O ; and
- *Solikamsk-3 mine* (Novo-Solikamskiy plot) is in operation since 1983 with total proven and probable ore reserves of 43.6 million tonnes of K_2O and total measured and indicated mineral resources (inclusive of reserves) of 209.7 million tonnes of K_2O .

See "*—Mineral Resources and Ore Reserves*". For further details of the conversion ratio of potash ore into KCl and KCl into K_2O , see "*—Production Process and Facilities – Production cycle and components reconciliation*".

The Group has licences for the development of the Ust-Yaivinskiy plot and the Polovodovski plot, where it is currently implementing a number of investment activities. See "*—Investment Programmes*". The Group also has obtained licences for the geological study, exploration and extraction on the Romanovski plot and a licence for the geological exploration of the Izverski plot, and the Group is in process of greenfield exploration works on these plots and estimation of reserves. The Group's management considers that the depletion of reserves on the Group's existing plots will be balanced by the development of these plots.

Enrichment of potash ore

The potash ore extracted from the Group's mines undergoes several processes using the flotation and hallurgic enrichment methods.

The hallurgic enrichment method is used to make white Standard MOP for use in agriculture and the chemical industry. This method is based on the difference in solubility of potassium chloride (KCl) salt and sodium chloride (NaCl) salt in water at different temperatures, with further crystallisation of KCl when cooling saturated solution and produces potash fertilisers containing 95 per cent. and 98 per cent. of Standard MOP.

The flotation enrichment method is used to make pink Standard MOP and based on the varying floatability of sylvite and halite minerals in the saturated aqueous solution of KCl and NaCl in the presence of agents. Reduction and crushing of the ore in rod mills produces pulp which is deslimed and placed in the flotation machine. KCl particles from pulp stick to bubbles in the flotation machine and pushed to the surface. The humidity of pink Standard MOP after drying is only 0.5 per cent. This method is used to produce potash fertilisers containing 95 per cent. of Standard MOP.

Granular MOP is produced by way of compression of flotation (pink) Standard MOP. After heating, KCl is being compressed and crushed into granules of the relevant size. The granules are then treated to remove sharp edges and cracks and are hardened in furnaces to increase their strength and subsequently dried, cooled and treated with modifying agents in order to prepare them for storage and transportation.

Processing plants and capacity

The Group operates six principal processing facilities which process potash from its initial potash ore form through to the finished product. As at 30 June 2019, the Group's aggregate production capacities of potash by potash product were up to the following figures:

Product Type	Capacity (millions tonnes)
Standard MOP (if no production of Granular MOP).....	12.0
Standard MOP (with maximum production of Granular MOP)	8.3
Maximum production of Granular MOP	3.7

The Group's six processing facilities comprise:

Berezniki-2 plant: A flotation enrichment plant, which began production in 1970. The Berezniki-2 plant is interchangeable between production of Standard MOP or Granular MOP.

Berezniki-3 plant: A flotation enrichment plant, which began production in 1974. The Berezniki-3 plant is interchangeable between production of Standard MOP or Granular MOP. Since its associated mine (the former Berezniki-3 mine) was flooded in 1986, this production facility processes potash ore delivered mainly from Berezniki-4 mine by rail.

Berezniki-4 plant: A halurgic enrichment plant, which began production in 1992 and Uralkali believes to be one of the most modern in the industry. The Berezniki-4 plant produces Standard MOP.

Solikamsk-1 plant: A halurgic enrichment plant, which began production in 1933. This plant also includes a carnallite enrichment facility. Solikamsk-1 plant produces Standard MOP

Solikamsk-2 plant: A flotation enrichment plant, which began production in 1974. Solikamsk-2 plant is fully interchangeable between production of Standard MOP or Granular MOP. The plant used to process the ore extracted from the Solikamsk-2 mine only, but due to the damage in the mine caused by the 2014 accident, the Solikamsk-2 plant is currently also processing ore delivered from other mines (namely, Berezniki-4, Solikamsk-1 and Solikamsk-3) by motor transport.

Solikamsk-3 plant: A flotation enrichment plant, which began production in 1983. Solikamsk-3 plant produces Standard MOP only, as it does not have the processing capacity to produce Granular MOP.

Energy

The potash production process requires significant amounts of electricity to power, for example, the various processing machines, and heat energy to dry the potash. Approximately 80 per cent. of electricity consumed by the Group is purchased in the open market whereas the remainder of electricity is produced by the Group's power generation facilities. The Groups purchases electricity primarily from CJSC "Energopromyshlennaya Companiya" at the wholesale prices. In addition, the Group has four electricity generation turbines at the Berezniki-4 site with the capacity of 12 MW each and two turbines at the Solikamsk-1 site with the capacity of 6 MW each. In 2018, the turbines generated 325 million kWh of electricity, meeting approximately 17 per cent. of Uralkali's electricity requirements based on current production levels.

The Group's operations also require significant amounts of natural gas, primarily for the production of heat energy and as fuel for its electricity generation assets. The Group currently purchases gas primarily from NOVATEK under a purchase contract which expires in 2022. The selling price in the contract is determined on the basis of tariffs set by the FAS and a discount provided to the Group by NOVATEK.

Investment Programmes

The Group is currently implementing a major expansion programme in order to maintain a leading position in the global potash industry and achieve further organic growth. The programme comprises both ongoing brownfield and greenfield development projects and is intended to increase the Group's total annual production capacity up to 15.0 million tonnes by 2025 at a total estimated cost of U.S.\$ 2.4 billion. Subject to the decision with regard to the second stage of Polovodovsky project being made by 2023, the Group's annual available potash production capacity would increase to 17.8 million tonnes by 2030. The Group believes that its expansion Capital expenditures are among the lowest in the global potash industry and the overall Group's investment under the programme, which includes the increase of the production capacity through the launch of an additional shaft in Solikamsk-3, Ust-Yaivinsky project, New Solikamsk-2 mine project, Polovodovsky project, made from the date of their commencement, is expected to amount to approximately U.S.\$ 1.0 billion by 31 December 2019 out of U.S.\$ 2.4 billion. The Group expects that it will finance the completion of the programme through cash flow generated by operating activities and debt financing. The implementation of some or all of the Group's brownfield and greenfield development projects depends on a number of factors, including those outside of the Group's control. Accordingly, the planned timing of execution of the relevant projects, and the estimated effect therefrom, may be subject to change and are generally dependant on the Group being able to generate sufficient cash from operating activities and to procure the required debt financing for their implementation. See "*Risk Factors – Risks relating to the Group's Business and the Potash Industry – The Group may not be able to execute or fund its investment programmes*" and "*Risk Factors – Risks relating to the Group's Business and the Potash Industry – The Group's development of its greenfield projects involves significant risks*".

Brownfield projects

The Group defines brownfield projects as modernisation or development of its existing mines and production facilities and estimates the weighted average cost of the Group's brownfield projects to be approximately U.S.\$ 192 per tonne of additional production capacity. In addition, the Group's current brownfield projects comprise various investments in debottlenecking of existing enrichment plants and the expansion through the launch of an additional shaft in Solikamsk-3. Uralkali estimates the overall cost of the debottlenecking project to be approximately U.S.\$ 148 per tonne of additional production capacity, while the cost of the expansion of Solikamsk-3 are estimated at U.S.\$ 228 per tonne of additional production capacity. Below is a list of the principal modernisation and development workstreams undertaken or to be undertaken as part of these projects:

Ongoing projects

The ongoing brownfield projects are aimed principally at:

- increasing the extraction efficiency and utilisation of the Group's existing technological sections at Berezniki-2, Berezniki-3, Solikamsk-2 and Solikamsk-3 by 10-15 per cent. through the modernisation and replacement of existing equipment, including:
 - the replacement of flotation machines with larger capacity machines and column flotation machines;
 - the installation of additional thickeners and vacuum filters and switching to a dry ore crushing process to achieve optimal grain size for the purposes of increasing the ratio of extraction of potash from ore;
 - the introduction of an artificial intelligence-based system that utilises digital learning methods to eliminate the human factor errors and increase operational efficiency.
- the increase of the production capacity of Solikamsk-3 through the launch of an additional shaft which is expected to result in the Group's potash output of a 0.6 million tonnes a year increase by 2022. The aggregate cost of this project is estimated at U.S.\$ 137 million, of which approximately 71 per cent. is expected to be invested by 31 December 2019 (based on Uralkali's estimates);

- the refurbishment of granulation units at the Berezniki-2, Berezniki-3 and Solikamsk-2 plants to increase Granular MOP production capacity from the current 3.7 million to the targeted 4.1 million tonnes per year, including the production of high-purity 98 per cent. Granular MOP at the Solikamsk-2 plant (such pilot production is expected to be commenced by the end of 2019).

The completion of these projects, however, is subject to a number of factors, including market conditions, level of demand for, and prices on, potash. In addition, the completion of these projects is subject to change depending on, among other things, the need to conduct unanticipated maintenance on facilities, the evolution of market conditions and the cost and availability of funds.

Completed projects

Since 2016, the Group has completed the following brownfield projects:

- modernisation of the carnallite processing plant at the Solikamsk-1 mine to increase its production capacity to 400 thousand tonnes per year;
- automatising of mineshaft 3 at Solikamsk-3 to increase ore production and haulage to the surface by 400 thousand tonnes per year; and
- reallocation of some of the ore loading and transportation from the Berezniki-4, Solikamsk-1 and Solikamsk-3 facilities to available capacities at the Berezniki-2 and Solikamsk-2 plants in order to maximise utilisation levels of the existing production facilities.

Greenfield projects

The Group is currently undertaking three greenfield projects located adjacent to its existing production facilities at the Ust-Yaivinsky, Solikamsk and Polovodovsky plots.

Ust-Yaivinsky project

The Ust-Yaivinsky project comprises the construction of a new mine with two shafts of 8 metres in diameter and a capacity of 11 million tonnes of ore (which is equivalent to 2.8 million tonnes of KCl) per annum. Excavation works have been performed at both shafts. In addition, a surface complex is currently being constructed as part of the project. The Group expects that mining at the Ust-Yaivinsky block will commence in 2022. It is expected that potash ore extracted from the Ust-Yaivinsky block will be processed at the Berezniki-3 plant.

Uralkali estimates the aggregate cost of this project to be U.S.\$ 1,193 million, of which approximately 56 per cent. is expected to be invested by 31 December 2019 (based on Uralkali's estimates). Consequently, the cost of this project is estimated at U.S.\$ 426 per tonne of additional production capacity. Subject to market conditions, including demand for potash, pricing and other factors, and based on the current project schedule, management expects that this project will reach full production capacity in 2024.

New Solikamsk-2 mine project

The new Solikamsk-2 mine project comprises the construction of a new mine with two shafts of 8 metres in diameter and a capacity of 10 million tonnes of ore (which is equivalent to 2.5 million tonnes of KCl) per annum. This project is being implemented in order to enhance the safety of the extraction of the remaining reserves in the Solikamsk plot after the accident of 2014 in the current Solikamsk-2 mine. Excavation works are currently underway at both shafts. The Group expects to start construction of the surface complex of the new Solikamsk-2 mine in the fourth quarter of 2019. It is expected that potash ore extracted from the new Solikamsk-2 mine will be processed at the existing plant.

Uralkali estimates the aggregate cost of this project to be U.S.\$ 730 million, of which approximately 20 per cent. is expected to be invested by 31 December 2019 (based on Uralkali's estimates). Consequently, the cost of this project is estimated at U.S.\$ 292 per tonne of additional production capacity. Subject to market conditions, including demand for potash, pricing and other factors, and based on the current project schedule, management expects that this project will reach full production capacity in 2025.

Polovodovsky project

The Polovodovsky project includes the development of the Polovodovsky plot with a view to commence the mining and processing of ore. The Group expects that when the project is completed and the new mine is fully operational, it will have two shafts with the aggregate capacity of 12.5 million tonnes of ore (which is equivalent to 2.8 million tonnes of KCl) per annum. The Group plans to implement the Polovodovsky project in two stages (with the decision regarding the implementation of the second stage to be made by 2023).

The first stage includes the construction of two shafts, which is the most complex and time-consuming element of the project and which, based on the current project schedule, is expected to be completed by 2025. As of the date of this Prospectus, the Group has completed the preparation of the design documentation, the preparation works at the site are ongoing and, by the end of 2019, the Group expects to select a contractor for the shaft excavation works and commence the preparation of the technical and construction documentation. Uralkali estimates the aggregate cost of the first stage to be U.S.\$ 308 million.

With regard to the second stage of the project, if implemented, the Group considers two principal options, with the relevant decision expected to be made by 2023: (i) the construction of a mine and related infrastructure with further processing of the extracted ore at the Group's existing facilities (together with the first stage, "**Option 1**"), which may be complemented by (ii) the construction of a new mining and processing complex with a separate beneficiation plant (together with Option 1, "**Option 2**"). To the extent the Group pursues the Option 2, Uralkali expects that, upon completion thereof (which, based on the current project schedule, is expected to occur by 2030), the Group's annual available potash production capacity will increase to 17.8 million tonnes.

If the Group pursues Option 1 only, Uralkali expects that the aggregate project cost would be U.S.\$ 1,359 million (of which approximately U.S.\$ 69 million is expected to be invested by 31 December 2019). If the Group elects to implement Option 2, the additional costs for its implementation are estimated at U.S.\$ 521 million. Consequently, the mine Capital expenditure, which is calculated as the ratio of the total Capital expenditure for Option 1 to its total capacity, is estimated at U.S.\$ 485 per tonne of additional production capacity and the full Capital expenditure, which is calculated as the ratio of the total Capital expenditure for Option 2 to its total capacity, is estimated at U.S.\$ 671 per tonne of additional production capacity.

The completion of the Polovodovsky project, including the timing and the results thereof (including, the estimated increase in capacity) is subject to a number of factors some of which, for example, the due and timely completion of the undertakings by contractors and subcontractors engaged, any geological complexities inherent in the implementation of the project and the general market conditions, may be outside of the Group's control. Accordingly, the timing and the effect of the implementation of the Polovodovsky project may differ from the ones discussed above.

Uralkali estimates the weighted average cost of the Group's greenfield projects to be approximately U.S.\$ 470 per tonne of additional production capacity. According to Nutrien, the cost of a conventional greenfield project in Saskatchewan, Canada, with a capacity of 2 million tonnes of KCl per annum, is U.S.\$ 2,500-3,000 per tonne, including infrastructure such as rail, utilities and port facilities.

Capital Expenditure Outlook for 2020 - 2025

According to the Group's estimates, the aggregate amount of its Capital expenditures for the period from 2020 to 2025 is expected to reach approximately U.S.\$ 3.0 billion, of which (i) approximately U.S.\$ 1.6 billion relates to maintenance and other Capital expenditures, which includes approximately U.S.\$ 200 million of maintenance Capital expenditures per annum (See "*Operating and Financial Review – Liquidity and Capital Resources – Capital requirements*" for a description of other Capital expenditures) and (ii) approximately U.S.\$ 1.4 billion relates to expansion projects.

Distribution and Sales

Distribution arrangements

In the six months ended 30 June 2019 and 2018 and the years ended 31 December 2018, 2017 and 2016, 76.5 per cent., 77.8 per cent., 76.3 per cent., 80.8 per cent. and 79.4 per cent, respectively, of the Group's total volume of sales of potash were sold to export markets. The Group's export sales are made through its subsidiaries UKT Latvia, UKT Mauritius and UKT USA.

UKT Latvia

UKT Latvia is a wholly-owned subsidiary of Uralkali incorporated in Latvia and is responsible for the Group's export sales to Latin America, Southeast Asia, Europe, China and India.

UKT USA

UKT USA is a wholly-owned subsidiary of Uralkali incorporated in the USA and is responsible for the Group's export sales to the U.S. market.

UKT Mauritius

UKT Mauritius is a wholly-owned subsidiary of Uralkali incorporated in Mauritius. It was incorporated in order to improve Group's presence in the region and it is responsible for the Group's export sales, as well as sales of fertilisers produced by companies outside of the Group, to a number of African countries (including Zambia, Zimbabwe, Kenya, the Republic of South Africa, Mozambique etc.).

Sales to the Group's domestic customers in Russia are made directly by Uralkali.

The table below shows the sales volumes of potash products made by the Group in the six months ended 30 June 2019 and 2018 and the years ended 31 December 2018, 2017 and 2016. Sales undertaken by the Group through UKT Latvia are referred to as "UKT Latvia sales" while the sales undertaken by the Group through UKT USA and UKT Mauritius are referred to as "UKT USA sales" and "UKT Mauritius sales", respectively.

	Six Months ended 30 June	
	2019	2018
	(thousand tonnes)	
Domestic sales	1,267	1,316
UKT Latvia sales.....	3,818	4,272
UKT USA sales	295	343
UKT Mauritius sales.....	2	N/A ⁽¹⁾
Total	5,382	5,931

⁽¹⁾ UKT Mauritius was only incorporated in the second half of 2018.

	Year ended 31 December		
	2018	2017	2016
	(thousand tonnes)		
Domestic sales	2,638	2,431	2,254
UKT Latvia sales	7,851	9,399	7,938
UKT USA sales	621	843	760
Total	11,110	12,672	10,952

UKT Brazil

UKT Brazil is a subsidiary of Uralkali incorporated in Brazil which performs marketing, consultancy, agency services and sale promotion role in Latin America (primarily in Brazil), but is not engaged in sales.

Key markets and customers

In the six months ended 30 June 2019 and the year ended 31 December 2018, the Group's top ten customers accounted for 42.9 per cent. and 42.5 per cent. of its total sales volumes, respectively. The Group's principal customers are Yara Group, Fertipar Group, Tocantins, Agri Imex Group, Indian Potash, CNAMPGC, Manzhouli Tianyue Trading Company, Suifenhe Longsheng Economic and Trade Company, Petrovietnam Fertilizer and Chemicals Corporation.

The Group sells its products to end purchasers (primarily farmers), purchasers that utilise the Group's products in their own production (such as producers of compound fertilisers) and traders. The Group's priority is to sell products to end purchasers and purchasers utilising the Group's products in their own production under long-term

arrangements, as generally these sales allow for higher sales margins, as well as the implementation of local pricing strategies and long-term planning of sales volumes, logistics and production.

In the six months ended 30 June 2019, 33.7 per cent., 33.8 per cent. and 32.5 per cent. of the Group's sales comprised the sales of Granular MOP, white Standard MOP and pink Standard MOP, respectively.

The following table shows the Group's sales volumes for the six months ended 30 June 2019 by geographical regions:

	Six Months ended 30 June 2019
	(%)
Latin America	30.4
Russia	23.5
China	17.7
Europe	9.3
Southeast Asia	8.5
USA	5.5
India	4.3
Others	0.8
Total.....	100.0

A summary of the key markets for the Group is set out below.

Latin America. Brazil, being a growing premium market, is the principal market in Latin America for the Group. The vast majority of the Group's sales volumes shipped to Latin America (including the Brazilian market) is Granular MOP (which constitutes approximately 95 per cent. of the total consumption in Brazil). Due to the advanced level of agriculture in Brazil and its agricultural potential, the Group expects this market to remain one of the most attractive ones for the Group. In the six months ended 30 June 2019 and the year ended 31 December 2018, 26.1 per cent. and 21.6 per cent. of the Group's sales volumes of potash, respectively, were derived from sales to customers in Brazil, and 4.3 per cent. and 5.3 per cent., respectively, accounted for sales to the other Latin American countries.

Russia. In the six months ended 30 June 2019 and the year ended 31 December 2018, sales to Russian customers accounted for 23.5 per cent. and 23.7 per cent. of the Group's total sales volumes of potash, respectively. The Group's principal customers in Russia are compound fertiliser producers (including JSC Acron ("**Acron**"), PJSC PhosAgro and Uralchem), accounting, in aggregate, for approximately 89 per cent. and 89 per cent. of the Group's total sales volumes in Russia in the six months ended 30 June 2019 and the year ended 31 December 2018, respectively, while farmers accounted for approximately 4 per cent. and 4 per cent. of total sales volumes, respectively (with the remaining 7 per cent. and 7 per cent. of total sales volumes, respectively, accounting for purchasers that use the Group's products for industrial purposes, including oil and gas companies). The majority of the Group's sales to Russian customers represent the sales of both white and pink Standard MOP.

China. China is the world's largest potash buyer. In the six months ended 30 June 2019 and the year ended 31 December 2018, sales to customers in China accounted for 17.7 per cent. and 12.3 per cent. of the Group's sales volumes of potash, respectively. The Group's sales in China are typically made pursuant to contracts with terms from six to twelve months. The majority of the Group's sales to Chinese customers represent the sales of white Standard MOP.

Europe. In the six months ended 30 June 2019 and the year ended 31 December 2018, 9.3 per cent. and 10.3 per cent. of the Group's sales volumes of potash, respectively, were derived from sales to European customers. Most of these sales were made to producers of compound fertilisers and potassium sulfate and comprised sales of white Standard MOP for industrial application and sales of Granular MOP.

Southeast Asia. In the six months ended 30 June 2019 and the year ended 31 December 2018, 8.5 per cent. and 14.5 per cent. of the Group's sales volumes of potash, respectively, were derived from sales to customers in Southeast Asia (including Bangladesh, Indonesia, Malaysia and Vietnam). Most of these sales are made to producers of compound fertilisers and palm oil plantations. Contracts are generally based on a minimum annual purchase volume set for each particular client. The Group's sales in Southeast Asia represent the sales of pink Standard MOP and Granular MOP.

United States. In the six months ended 30 June 2019 and the year ended 31 December 2018, 5.5 per cent. and 5.6 per cent. of the Group's sales volumes of potash, respectively, were derived from sales to customers in the United States. The majority of the Group's sales to the United States are represented by the sales of Granular MOP to traders.

India. In the six months ended 30 June 2019 and the year ended 31 December 2018, 4.3 per cent. and 5.5 per cent. of the Group's sales volumes of potash, respectively, were derived from sales to customers in India. The Group's sales in India are limited to pink Standard MOP. Negotiations with respect to sales in India are typically concluded annually with a single major customer, which sets the benchmark for contractual terms with other customers in India.

Logistics and distribution assets

The Group's products are transported by rail directly to its customers in Russia, as well as to customers in Northern China and some of its European customers, and by rail for onward transportation by sea to other overseas customers, primarily from the port of St. Petersburg. The main sale terms used by the Group are summarised below. The Group has invested in transportation and storage infrastructure which the Group believes gives it significant logistical and cost-control benefits.

Sale terms

The Group currently uses the following principal sale terms:

EXW (ex-works / ex-warehouse):

For deliveries in Russia: Under EXW sale terms, title to potash is transferred at the time of its acceptance by the customer or the carrier at the Group's warehouses in Berezniki or Solikamsk in the context of domestic sales. In case of domestic EXW deliveries, the selling price is usually lower than the export price because delivery takes place near the production site and the Group does not bear transportation costs.

For export deliveries: Under EXW sale terms, title to potash is transferred at the time of its acceptance by the customer or the carrier at the Group's leased warehouses abroad in the context of export sales. Where the deliveries are offtaken from leased warehouses abroad, the Group will cover the railroad charges for delivery to the relevant seaport, the cost of transloading the potash on board of a ship, the customs clearance charges, freight charges to the port of destination, the cost of unloading the product at the leased warehouse, the warehouse leasing costs and the rail tariff for transporting the empty railcars back from the port of loading to Berezniki or Solikamsk, as the case may be. The price charged to export customers includes the anticipated transportation costs.

FCA (free carrier):

For deliveries in Russia: Under FCA sale terms, title to potash is transferred at the time it is loaded into the customer's railroad cars at the Group production facilities in Berezniki or Solikamsk in the context of domestic sales. The Group makes deliveries FCA Berezniki or Solikamsk only to the domestic market. In case of these deliveries, the selling price is usually lower than the export price because delivery takes place near the production site and the Group does not bear transportation costs.

For export deliveries: Under FCA sale terms, title to potash is transferred at the time it is loaded into the customer's railroad cars at the Group's leased warehouses abroad in the context of export sales. Where the deliveries are offtaken from leased warehouses abroad, the Group will cover the railroad charges for delivery to the relevant seaport, the cost of transloading the potash on board of a ship, the customs clearance charges, freight charges to the port of destination, the cost of unloading the product at the leased warehouse, the warehouse leasing costs, the cost of loading onto the customer's transportation facilities and the rail tariff for transporting the empty railcars back from the port of loading to Berezniki or Solikamsk, as the case may be. The price charged to customers includes the anticipated transportation costs.

CFR (Cost and Freight). Under the CFR sale term, title to potash is transferred when it is loaded onto a ship at the port of shipment. The majority of the Group's sales to Brazil, Southeast Asia, India and the United States, as well as a substantial portion of sales to Europe, when delivered by sea, and sales to China are made on a CFR sale term. Under the CFR sale term, the Group incurs the railway tariff for deliveries to the relevant sea port, the transshipment cost to load potash on the ship, the freight cost for transporting potash to the destination port and

the rail tariff for transporting the empty railcars back from the port of loading to Berezniki or Solikamsk, as the case may be. The price charged to customers includes the anticipated transportation costs.

CIF (cost, insurance and freight). Under the CIF sale term, title to potash is transferred at the time it is loaded onto a ship at the port of shipment. A portion of the Group's deliveries by sea to Europe and Latin America are made on a CIF sale term. Under the CIF sale term, the Group covers the railroad charges for delivery to the relevant seaport, the cost of transloading the potash on board of a ship, the customs clearance charges, cargo and liability insurance, freight charges to the port of destination and the rail tariff for transporting the empty railcars back from the port of loading to Berezniki or Solikamsk, as the case may be. The price charged to customers includes the anticipated transportation costs.

The Group also uses other sale terms (such as CPT, FOB, DAF, DAP, DES, DEQ and DAT), however, the share of each of those sale terms taken individually is relatively small.

The table below shows a breakdown of various delivery methods, as a percentage of the total sales volume, for the periods indicated:

	Six Months ended 30 June	
	2019	2018
	(%)	
CFR, CIF	56.2	57.3
EXW, FCA (from warehouses in Russia).....	21.4	20.2
FOB (from the Russian ports).....	6.0	4.2
CPT.....	2.7	4.3
EXW, FCA, FOB (from warehouses abroad).....	1.0	1.0
DAF, DAP, DES, DEQ, DAT	12.6	12.9

	Year Ended 31 December		
	2018	2017	2016
	(%)		
CFR, CIF	54.9	60.7	43.4
EXW, FCA (from warehouses in Russia).....	21.6	17.9	18.0
CPT.....	5.1	4.3	3.2
FOB (from the Russian ports)	4.2	4.5	4.6
EXW, FCA, FOB (from warehouses abroad).....	2.1	1.5	11.8
DAF, DAP, DES, DEQ, DAT	12.1	11.1	18.9

Distribution assets

The Group's principal distribution assets include:

- a fleet of approximately 7,600 special railcars for carrying mineral fertilisers and 360 dumpcars for carrying potash ore, as well as the repair facilities for the railcars and dumpcars;
- sea and river transportation assets, including JSC BBT, its wholly-owned subsidiary at the port of St. Petersburg, one of the largest ports in Russia, which accounted for 97 per cent. of the Group's maritime transportation volumes for the six months ended 30 June 2019, as well as a port on the River Kama in Solikamsk in Perm Krai;
- transshipment facilities in the Port of Antonina, Brazil, where Uralkali indirectly holds approximately 20 per. cent of shares; and
- strategically located warehouses at the Group's production sites in Berezniki and Solikamsk and at JSC BBT's site in St. Petersburg.

Railway Transportation. Railway transportation is key to the Group's deliveries to JSC BBT at St. Petersburg and other ports for export by sea, as well as Russia, CIS, Europe and China rail sales. Each of the Group's processing

plants have outlets into the Berezniki-Sortirovochnaya train terminal or the Solikamsk II train terminal for transportation of potash.

Rail transportation in Russia and abroad is organised either directly through Russian Railways or through freight forwarding agents engaged by the Group or its customers.

As noted above, the Group owns approximately 7,600 special railcars for transportation of the finished potash product. In addition, the Group leases (on a permanent basis) up to 300 general-purpose gondola cars and up to 2,000 special railcars for carrying mineral fertilisers. Up to 85 per cent. of the Group's potash export shipments are transported in the Group's own railcars, with the remainder transported in railcars of third party operator companies. The Group's domestic potash deliveries are transported in special railcars provided by purchasers and in general-purpose gondola cars of operator companies. The Group also has an automatic logistics management system that monitors the condition and location of its railcars on a regular basis, provides information about their technical characteristics and assists with the execution of the shipping documentation with their further submission to the Russian Railways information system. In addition to special railcars used for bulk potash shipment, the Group owns 360 dumping cars to transport potash ore from the Berezniki-4 mine to the Berezniki-3 plant.

Sea and River Transportation. The Group's main shipping asset is the shipping complex, comprising three unloading stations which are equipped to handle mineral fertilisers. The shipping complex is operated by JSC BBT, which undertakes transshipment for the Group. The annual processing capacity of the shipping complex is approximately 8 million tonnes of mineral fertilisers, however, it can operate at more than a 100 per cent. utilisation rate. The ship loading speed is up to 3 tonnes per hour, with two shiploaders working simultaneously. In the six months ended 30 June 2019 and in 2018, the shipping complex handled 52.8 thousand and 104.5 thousand railcars with mineral fertilisers, respectively. In the six months ended 30 June 2019 and in 2018, 158 and 381 thousand sea vessels, respectively, were loaded at JSC BBT.

In addition, the Group owns a port on the River Kama in Solikamsk in Perm Krai with three berths and a 20,000 tonnes storage facility. In a typical navigation season of May to October, the port has the shipping capacity of 760,000 thousand tonnes of potash and salts. The port provides access via Russia's inland waterways system to the Baltic Sea and the Black Sea.

Storage. Warehousing capacity is important to the Group's business because potash needs to be occasionally stored, as immediate transportation away from production facilities upon production is not always possible. For example, transportation scheduling on Russian Railways or freight timetables often necessitate storage. A key challenge to adequate warehousing capacity is that potash is subject to deterioration from exposure to the environment. Potash can generally be stored for up to twelve months, although the Group typically stores potash for shorter periods. Each of the Group's warehouses at Berezniki and Solikamsk is connected to the rail freight terminals by a system of fully isolated belt conveyors. Different kinds of potash are stored in different warehouses. The total current capacity of the Group's warehouses in Berezniki and Solikamsk is approximately 230,000 tonnes of potash. The Group also has two warehouse complexes at JSC BBT with a combined storage capacity of approximately 251,000 tonnes of potash and leases warehouses in other countries (including Brazil) with a combined storage capacity of approximately 355,000 tonnes of potash.

Mineral Resources and Ore Reserves

The tables below present the Group's ore reserves and mineral resources as of 1 January 2019 in relation to sylvinitite (from which potash is extracted) and carnallite. Mineral resources are reported inclusive of those mineral resources converted to ore reserves and are presented on the basis of, and using the terminology and guidelines set out in, the JORC Code. See "*Appendix 1 – Report of SRK Consulting*" for an explanation of estimation methodologies used by SRK Consulting.

Ore Reserves

The table below presents the Group's sylvinitite and carnallite reserves, as audited by SRK Consulting, as of 1 January 2019.

Sylvinite:

Category	Tonnage	K₂O	K₂O
	(Million tonnes)	(%)	(Million tonnes)
Berezniki-2			
Proven	16.1	19.3	3.1
Probable	39.8	19.6	7.8
Total.....	55.9	19.5	10.9
Berezniki-4			
Proven	166.5	18.8	31.4
Probable	195.3	18.7	36.4
Total.....	361.8	18.7	67.8
Ust-Yayvinsky			
Proven	60.1	16.6	10.0
Probable	110.1	16.7	18.4
Total.....	170.2	16.7	28.4
Solikamsk-1			
Proven	34.3	16.5	5.7
Probable	56.4	15.6	8.8
Total.....	90.8	16.0	14.5
Solikamsk-2			
Proven	30.3	11.9	3.6
Probable	125.9	15.1	19.0
Total.....	156.1	14.5	22.6
Solikamsk-3			
Proven	132.4	15.1	20.0
Probable	156.6	15.1	23.6
Total.....	289.0	15.1	43.6
All Mines			
Proven	439.7	16.8	73.7
Probable	684.1	16.7	114.0
Total.....	1,123.7	16.7	187.7

Carnallite:

Category	Tonnage	MgO	MgO
	(Million tonnes)	(%)	(Million tonnes)
Solikamsk-1			
Proven	13.1	9.6	1.3
Probable	-	-	-
Total.....	13.1	9.6	1.3
Total			
Proven	13.1	9.6	1.3
Probable	-	-	-
Total.....	13.1	9.6	1.3

Mineral Resources

The table below presents the Group's sylvinite and carnallite resources, as audited by SRK Consulting, as of 1 January 2019.

Sylvinite:

Category	Tonnage	K₂O	K₂O
	(Million tonnes)	(%)	(Million tonnes)
Berezniki-2			
Measured	45.9	24.4	11.2
Indicated	113.7	24.8	28.1
Measured + Indicated	159.6	24.7	39.4
Inferred	-	-	-

Category	Tonnage (Million tonnes)	K ₂ O (%)	K ₂ O (Million tonnes)
Berezniki-4			
Measured	568.3	22.2	126.0
Indicated	1,193.3	21.8	260.2
Measured + Indicated	1,761.6	21.9	386.2
Inferred	-	-	-
Ust-Yaivinsky			
Measured	480.9	19.5	94.0
Indicated	809.7	19.8	160.4
Measured + Indicated	1,290.6	19.7	254.4
Inferred	-	-	-
Solikamsk-1			
Measured	83.7	18.0	15.1
Indicated	137.7	17.0	23.3
Measured + Indicated	221.4	17.3	38.4
Inferred	-	-	-
Solikamsk-2			
Measured	68.8	13.8	9.51
Indicated	705.1	17.5	123.59
Measured + Indicated	773.9	17.2	133.10
Inferred	-	-	-
Solikamsk-3			
Measured	275.8	17.1	47.3
Indicated	948.2	17.1	162.4
Measured + Indicated	1,224.0	17.1	209.7
Inferred	-	-	-
Polovodovsky			
Measured	312.8	17.1	53.56
Indicated	1,261.9	16.6	209.79
Measured + Indicated	1,574.7	16.7	263.34
Inferred	-	-	-
All Mines			
Measured	1,836.2	19.4	356.6
Indicated	5,169.5	18.7	967.8
Total Measured + Indicated	7,005.7	18.9	1,324.4
Inferred	-	-	-

Carnallite:

Category	Tonnage (Million tonnes)	MgO (%)	MgO (Million tonnes)
Solikamsk-1			
Measured	122.7	9.8	12.1
Indicated	53.5	8.0	4.3
Measured + Indicated	176.2	9.3	16.4
Inferred	-	-	-
Total			
Measured	122.7	9.8	12.1
Indicated	53.5	8.0	4.3
Measured + Indicated	176.2	9.3	16.4
Inferred	-	-	-

Competition

Potash is a commodity with minimal product differentiation, and, therefore, producers compete largely on price, quality and their ability to offer fast delivery times and supply high quality product. The Group believes that its main competitors globally are Canpotex, Belaruskali, ICL and K+S.

Employees

As of 30 June 2019, the Group's headcount amounted to 20,602. The chart below sets forth the number of the Group's employees as at the dates indicated.

	Six months ended 30 June		Year ended 31 December		
	2019	2018	2018	2017	2016
Employees of the Group	20,602	20,303	20,342	20,245	20,513

As at 30 June 2019, approximately 38.1 per cent. of the employees of the Group belonged to a trade union. The Group has not experienced any labour issues resulting in work stoppages or interruptions. The Group's current collective bargaining agreement with its union member employees is due to expire in 2020.

The Group contributes to the state pension scheme of the Russian Federation on behalf of its employees. In addition to statutory pension benefits, the Group also has several post-employment benefit plans, which cover most of its employees. The plans provide for the payment of defined retirement benefits starting from the statutory retirement age. The amount of the benefit depends on a number of factors, including the length of service upon retirement.

In the six months ended 30 June 2019 and the year ended 31 December 2018, there were 2 and 0 industrial accidents in respect of the Group companies' employees resulting in fatalities at the Group's facilities, respectively. In addition, in September 2019, the Group experienced a further fatality at one of its facilities. The tables below sets out the Group's work-related fatal injury frequency rate and the lost time injury frequency rate for the six months ended 30 June 2019 and 2018 and the years ended 31 December 2018, 2017, 2016, 2015 and 2014.

	Six Months Ended 30 June		Year ended 31 December				
	2019	2018	2018	2017	2016	2015	2014
Work-related fatal injury frequency rate ⁽¹⁾	0.026	0.00	0.00	0.006	0.00	0.018	0.006
Lost time injury frequency rate ⁽²⁾	0.09	0.08	0.08	0.11	0.08	0.11	0.11

(1) Work-related fatal injury frequency rate is calculated as the number of fatalities among the Group's employees (without external contractors) times the ratio of 200 thousand hours to the actual number of hours worked by the Group's employees (without external contractors) during the relevant period.

(2) Lost time injury frequency rate is calculated as the number of lost time injuries among the Group's employees (without external contractors) times the ratio of 200 thousand hours to the actual number of hours worked by the Group's employees (without external contractors) during the relevant period.

In 2018, Uralkali performed a special assessment of occupational safety conditions and obtained a relevant conformity certificate.

Research and Development

The Group pays particular attention to the research and development activities and generally invests in them about U.S.\$ 10 million a year.

The Group's principal research and development activities comprise approximately 100 ongoing and potential projects, including:

- monitoring the state of the waterproof stratum (which protects potash layers from the underground waters) in mined-out areas which mitigates the risk of mine flooding;
- operating and developing seismological monitoring systems at the Group's mines, including forecasting of seismically active zones in order to minimise the risks of the waterproof stratum destruction;

- implementing a new potash deposits development system which is expected to reduce mining preparation time and increase efficiency of mining operations;
- development of modern equipment that increases efficiency of mining operations (for instance, new flotation equipment is expected to increase the ratio of extraction of potash from ore);
- determining the optimal ore crushing parameters for the purposes of increasing the ratio of extraction of potash from ore;
- analysing and optimising the existing production cycle and production capacity at the existing enrichment plants with a view to reduce potash losses and galite waste.

In addition to research and development activities, the Group seeks to improve operations at its facilities, principally by improving operating and production efficiency and reliability, capacity and developing new methodologies.

The Group has an in-house engineering unit that focuses on continuous optimisation of the extraction and enrichment processes. The Group also benefits from an active research and development team, including its unique research institutes located in St. Petersburg and Perm which employ approximately 520 people, 37 of which have a PhD degree.

Moreover, the Group, together with international and regional agricultural institutes and organisations in Southeast Asia, India and Latin America, conducts agronomical testing of products with a view to achieve a growth in the yield and quality of crops. The Group uses the results from such tests to provide trainings on modern techniques of fertiliser application.

Information technologies

As part of its strategy, the Group seeks to implement various digital solutions in the Group's production and ancillary activities. The Group has implemented a number of IT systems (for instance, Oracle eBusiness Suite) in order to ensure that reliable management decisions are made based on up-to-date information. In order to increase the efficiency of its operating activities, the Group has also established a shared service centre which performs accounting and HR functions for the majority of the Group's Russian subsidiaries.

The Group was among the first in the industry to implement a project to create a digital "twin" of a mine. The system replicates the operations of all the functional departments working in a particular mine (surveyors, geologists, technical specialists and equipment). Prior to the commencement of extraction or other mining operations the Groups uses the modelling tools to ensure safety, efficiency and quality control of the mining operations.

In addition, the Group implements innovative technologies (such as the Internet of Things and Big Data) which improve reliability of equipment and increase efficiency of work and the Group's overall performance.

Environmental Matters

The operations of the Group are subject to various environmental laws and regulations. See "*Regulatory Matters – Environmental Matters*".

The Group considers the following to be its key environmental priorities:

- reduction of discharges into water and environmental-friendly water consumption;
- efficient waste management;
- reduction of air emissions using state of the art discharge reduction technologies; and
- reduction of energy consumption.

Since 2016, the Group has focused on the following principal environment protection activities:

- implementing facilities preventing the discharge of drainage water into the Lenva river. As of the date of this Prospectus, this project is completed and the aggregate cost thereof amounted to RUB 50.8 million;
- upgrading the dust-filtering facilities in the granulation department at Berezniki-2. As of the date of this Prospectus, this project is completed and the aggregate cost thereof amounted to RUB 97.3 million.
- construction of cross-section clay-salt waste disposal facilities at Berezniki-4. The aggregate cost of this project is estimated at RUB 2,227.0 million, of which RUB 458.3 million has been invested as at 30 June 2019;
- construction of a hydraulic waste disposal system at Berezniki-2 and Berezniki-4. The aggregate cost of this project is estimated at RUB 5,100.5 million, of which RUB 3,934.1 million has been invested as at 30 June 2019;
- disposal of clay-salt and galite wastes at Berezniki-2, Berezniki-4, Solikamsk-1, Solikamsk-2 and Solikamsk-3. The aggregate cost of this project is estimated at RUB 9,767.6 million, of which RUB 8,139.9 million has been invested as at 30 June 2019.
- commissioning of facilities preventing the discharge of drainage water into the Popovka river and the construction of cleaning and drainage water facilities at Solikamsk-2. As of the date of this Prospectus, this project is completed and the aggregate cost thereof amounted to RUB 155.9 million.

In the six months ended 30 June 2019 and the year ended 31 December 2018, the aggregate investments into environmental projects made by the Group amounted to approximately U.S.\$ 34.8 million and U.S.\$ 63.6 million, respectively, based on Uralkali's internal financial management reports. The Group monitors its activity indicators relating to the social and environmental aspects of sustainable development, including energy, emissions, discharges and waste in line with recommendations issued by the Global Reporting Initiative.

For a discussion of certain risks related to environmental regulations the Group is subject to in Russia, see "*Risk Factors — Risks relating to the Group's Business and the Potash Industry — New or more stringent environmental or health and safety laws and regulations or stricter enforcement of existing environmental or health and safety laws and regulations may have a significant negative effect on the Group's operating results.*"

Site remediation

The Group takes a number of steps to mitigate the impact of its mining operations on the environment, including:

- backfilling worked out mines with halite wastes and clay-salt slimes; and
- restoration of land affected by potash mining, including the decommissioning of underground and surface facilities and general cleanup works.

The Group funds various remedial measures following the flooding of the Berezniki-1 mine in 2006 and burst of suprasalt water in the Solikamsk-2 mine in 2014, as well as associated subsidence, including the occurrence of sinkholes in the Berezniki area 2007, 2010, 2011, 2015 and 2017 and in the Solikamsk area in 2014 and 2018. The Group is also operating a system for conducting subsurface and seismological monitoring and implements a number of measures aimed to mitigate negative consequences of accidents. See "*Risk Factors – Risks Relating to the Group and its Business – The Group's mining and other operations are subject to significant natural risks, including liabilities resulting from environmental remediation*".

Insurance

The Group has insurance for its mining and production facilities which covers damage or loss of above-ground production facilities and business interruption risks in the aggregate insured amount of up to RUB 257,220 million (with the coverage under the relevant policy being RUB 7,700 million), which is valid through 2020.

The Group's civil liability as an operator of dangerous industrial facilities (including mines) and of water development facilities is insured under a policy with an aggregate coverage of RUB 1,545 million, which is also valid through 2020.

The Group also holds certain other insurance policies including obligatory insurance policies required by Russian law.

The Group has also insured its accounts receivable in the aggregate insured amount of U.S.\$ 690 million (with the coverage under the relevant policy being U.S.\$ 208 million which is valid through 2020) and has cargo and charterers liability insurance with specific conditions for each region and type of coverage.

In addition, the Group has directors and officers' liability insurance with an aggregate coverage of U.S.\$ 100 million, which is valid through 2020. On 18 October 2019, the Group also insured directors' and officers' liability in connection with the issuance of the Notes and the preparation of this Prospectus. The relevant insurance is valid for 6 years.

See "*Risk Factors – Risk relating to the Group and its Business – The Group is not insured against all potential losses and liabilities and could be seriously harmed by natural disasters, catastrophes or other risks that are not covered by its insurance policies*".

Special Investment Contracts

As of the date of the Prospectus, CPT rate in Russia is 20 per cent. of which 3 per cent. is federal CPT rate with the remaining 17 per cent. being regional CPT rate. Regions have the right to reduce the regional tax rate for specific categories of taxpayers up to the limit established by the Russian Tax Code.

As at the date of this Prospectus, Uralkali is a party to four SICs, three of which were concluded at the federal level between Uralkali, the Government of the Russian Federation and the Government of the Perm Krai and one – at the regional level between Uralkali and the Government of Perm Krai. Each SIC establishes a preferential tax regime with respect to Uralkali (assuming that Uralkali complies with its obligations under the respective SIC).

The regional SIC was concluded in February 2016 and is valid until February 2022. The preferential regime is in effect for the duration of the contract and provides for (i) a reduced regional CPT rate (13.5 per cent. instead of 17 per cent. which is a standard regional CPT rate) and (ii) a 0 per cent. property tax rate instead of 2 per cent. which is a standard property tax rate) with respect to the property constructed or acquired over the course of the investment project. Given that Uralkali entered into the regional SIC in February 2016 for a period of six years, it may apply the aggregate CPT rate (including federal and regional CPT rates) at the level of 16.5 per cent. (instead of 20 per cent. which is a standard CPT rate) until the end of 2022 and a 0 per cent. property tax rate for a period equal to the term of the SIC.

In addition, in 2018 and 2019 Uralkali entered into three federal SICs. These federal SICs allow Uralkali to apply a 0 per cent. property tax rate for the duration of the contract (up to 2027 (inclusive) under the federal SIC concluded in 2018 and up to 2028 (inclusive) under the two federal SICs entered into in 2019) to property constructed or acquired over the course of the investment projects. These SICs allow Uralkali to enjoy a 0 per cent. aggregate CPT rate (including federal and regional CPT rates once the relevant regional legislation is adopted) to profits earned from these investment projects (instead of 20 per cent. which is a standard CPT rate). The 0 per cent. CPT rate may be applied starting from the year when Uralkali receives first taxable profits and until the expiry of the contract; at the same time pursuant to the amendments to the Russian Tax Code which become effective starting 1 January 2020 the 0 per cent. CPT rate may be applied not later than the period when the aggregate amount of expenses and lost revenues of all level budgets of the Russian Federation exceeds 50 per cent. of the amount of capital investment provided by the federal SICs.

Litigation

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, as well as regulatory and administrative investigations, inquiries and actions regarding tax, labour, environmental and other matters, which, in the past, have resulted in damage awards, settlements or administrative sanctions, including fines.

Other than as set forth below, the Group is not, and has not been, involved in any material governmental, legal or arbitration proceedings, including any such proceedings which are pending or threatened of which the Group is aware, during the twelve months preceding the date of this Prospectus that may have, or have had in the recent past, significant effects on the financial position or profitability of Uralkali and/or the Group.

Due to uncertainties in the legal and regulatory process, there can be no assurance that the Group will not become subject to proceedings or adjudications in the future that could have a material adverse effect on the Group, its results of operations or its financial condition. See "*Risk Factors – Risks Relating to the Russian Federation – Weaknesses related to the Russian legal system and Russian legislation may result in a material adverse effect on the Group and on the rights of investors in the Notes*".

Claim of LLC Nauchno-Vnedrencheskoye Upravlenie seeking payment of a fine. In July 2016, LLC Nauchno-Vnedrencheskoye Upravlenie ("**LLC NVU**"), a contractor of Uralkali, made a complaint to Uralkali seeking payment of additional remuneration of approximately RUB 353 million (approximately U.S.\$ 5.3 million) in connection with termination of the contract with Uralkali. Uralkali believes that LLC NVU has no grounds to request the additional remuneration, as the conditions for payment of the relevant remuneration provided by the agreement with LLC NVU have not been met. LLC NVU has not initiated a court proceeding against Uralkali seeking payment of the remuneration, however, in 2017, LLC NVU filed a claim against Uralkali with the Arbitrazh Court of Perm Krai seeking the same amount of approximately RUB 353 million (approximately U.S.\$ 5.3 million) in connection with termination of the same contract with Uralkali by qualifying this amount as a fine under the contract. Although the court of the first instance upheld the claim of LLC NVU, and Uralkali's motion for appeal was dismissed, the Supreme Court of the Russian Federation overturned the relevant decrees and returned the case to the Arbitrazh Court of Perm Krai for reconsideration. As at the date of this Prospectus, the proceedings in the first instance court have not been concluded.

Claim of minority shareholders relating to the decision of Uralkali's General Shareholders' Meeting approving the issuance of preference shares. In March 2018, Mr. Sergey Sviridov, LLC Ural Invest Management and several other minority shareholders of Uralkali filed a claim against Uralkali in the Arbitrazh Court of Perm Krai seeking invalidation of the decisions of the Extraordinary General Shareholders' Meeting of Uralkali held on 18 December 2017 and the issuance of preference shares approved at that shareholders' meeting. The courts considering the case, including the Judge of the Supreme Court of the Russian Federation, have consistently rejected the claim and the claimant's appeals. In July 2019, the claimants filed a complaint to the chairman of the Supreme Court of the Russian Federation seeking reconsideration of the case in the Supreme Court. Uralkali believes there to be no grounds for such complaint to be upheld.

Uralkali's claim seeking invalidation of the Russian tax authorities' decision related to the decrease of the taxable base. In 2016, the Russian tax authorities held, inter alia, that Uralkali has unjustifiably decreased the profit tax base which resulted in non-payment of taxes in the amount of RUB 980 million (approximately U.S.\$ 14.7 million). In 2017, Uralkali filed a claim seeking to invalidate this decision. The court of the first instance upheld Uralkali's claim while the court of appeal overturned the original decree. The cassation court turned down both decrees and returned the case to the Arbitrazh Court of the city of Moscow for reconsideration, following which the courts of the first instance, court of appeal and the cassation court have rejected Uralkali's claim, including the motion for appeal. As of the date of this Prospectus, the proceedings are still ongoing and Uralkali has filed a complaint to the Supreme Court of the Russian Federation.

Recent Developments

Proposed acquisition of shares in Fertilizantes Heringer S.A.

In September 2019, the Group and the Uralchem group executed a binding letter of intent (the "**LoI**") in respect of the proposed acquisition, together with third-party investors (if any), of a controlling stake (not less than 50 per cent. plus 1 voting share) in Fertilizantes Heringer S.A. (the "**Target**"), one of the largest producers and distributors of fertilisers in Brazil, which produces various types of fertilisers and distributes them utilising its extensive distribution network and a diversified customer base.

According to the terms of the LoI, joint control over the Target may be established through one of the two options, each envisaging a capital injection of up to U.S. \$ 115 million: (i) the Group and Uralchem group together with third-party investors (if the Group elects to engage them), subscribing for additional shares issued by the Target or (ii) the Group and Uralchem group together with third-party investors (if the Group elects to engage them) purchasing a controlling stake in the Target (2 Brazilian reais per share) from current controlling shareholders and subsequently subscribing for additional shares issued by the Target.

As of the date of this Prospectus, the exact split of shareholding in the Target between the purchasers, should the acquisition be completed, has not been determined and agreed. The completion of the transaction is subject to a

number of conditions precedent, including, among others, satisfactory results of due diligence and required antitrust clearances.

Reduction in production by the end of 2019

In September 2019, the Group announced its intention to reduce the production of potash by approximately 350-500 thousand tonnes by the end of 2019. The reduction is due to the overall market conditions and scheduled maintenance works at the Group's production facilities which require their temporary shutdown. The reduction is consistent with the Group's strategy to maintain flexibility of production in response to fluctuations in demand and price dynamics. Uralkali does not believe that the reduction would have a material effect on the Group's position in the global potash industry. See "*— Key Strengths – Leading positions in premium markets and diversified customer portfolio supported by strong trading and distribution capabilities*".

MATERIAL LICENCES

The key terms of the Group's material licences are set out below.

No.	Mine	Issuance/ Re-issuance	Expiry	Periods and main terms
1.	Verkhnekamskoye field, Durymsky plot (Berezniki-2)	15 February 2001/ transferred to PJSC "Uralkali" on 12 May 2015	31 December 2024	<ul style="list-style-type: none"> • Pay fees for subsoil use. • On the basis of an annually executed agreement, sell a portion of the produced ore to the government of the Perm Krai in order to satisfy internal demands of the Perm Krai. • Annually provide the specified state authorities with geological information and information on proven mineral resources being extracted and conserved in soil; on components contained therein and on using subsoil for purposes other than extraction of commercial minerals.
2.	Verkhnekamskoye field, Bygelsko-Troitsky plot (Berezniki-4)	15 February 2001/ transferred to PJSC "Uralkali" on 12 May 2015	1 January 2043	<ul style="list-style-type: none"> • Pay fees for subsoil use. • On the basis of an annually executed agreement, supply a portion of the produced ore to the government of the Perm Krai in order to satisfy internal demands of the Perm Krai. • Annually provide the specified state authorities with geological information and information on proven mineral resources being extracted and conserved in soil; on components contained therein and on using subsoil for purposes other than extraction of commercial minerals.
3.	Verkhnekamskoye field, Solikamsky plot, north part (Solikamsk-1)	30 March 2001/ re-issued to Uralkali on 26 October 2011/ re-issued to PJSC "Uralkali" on 1 June 2015	1 January 2047	<ul style="list-style-type: none"> • Pay fees for subsoil use. • On the basis of an annually executed agreement, supply a portion of the produced ore to the government of the Perm Krai in order to satisfy internal demands of the Perm Krai. • Annually provide the specified state authorities with geological information and information on proven mineral resources being extracted and conserved in soil; on components contained therein and on using subsoil for purposes other than extraction of commercial minerals.

No.	Mine	Issuance/ Re-issuance	Expiry	Periods and main terms
4.	Verkhnekamskoye field, Solikamsky plot, south part (Solikamsk-2)	2 April 2001/re-issued to Uralkali on 26 October 2011/ re-issued to PJSC "Uralkali" on 1 June 2015	31 December 2026	<ul style="list-style-type: none"> • Pay fees for subsoil use. • On the basis of an annually executed agreement, supply a portion of the produced ore to the government of the Perm Krai in order to satisfy internal demands of the Perm Krai. • Annually provide the specified state authorities with geological information and information on proven mineral resources being extracted and conserved in soil; on components contained therein and on using subsoil for purposes other than extraction of commercial minerals.
5.	Verkhnekamskoye field, Novo-Solikamsky plot (Solikamsk-3)	2 April 2001/re-issued to Uralkali on 26 October 2011/ re-issued to PJSC "Uralkali" on 1 June 2015	1 January 2055	<ul style="list-style-type: none"> • Pay fees for subsoil use. • On the basis of an annually executed agreement, supply a portion of the produced ore to the government of the Perm Krai in order to satisfy internal demands of the Perm Krai. • Annually provide the specified state authorities with geological information and information on proven mineral resources being extracted and conserved in soil; on components contained therein and on using subsoil for purposes other than extraction of commercial minerals.
6.	Verkhnekamskoye field, Solikamsky plot, west part (Solikamsk-1)	6 April 2015	06 April 2035	<ul style="list-style-type: none"> • Pay charges, fees and taxes for subsoil use. • Prepare technical projects for suspension or shutdown of the mine and related facilities and obtain approval of these projects by the specified state authorities no later than one year before the deadline scheduled for the completion of mining. • Annually, no later than 15 February of the year following the reporting year, report to the specified state authorities on the works performed in the plot.
7.	Verkhnekamskoye field, Ust-Yaivinsky plot	26 April 2004/ re-issued to PJSC "Uralkali" on 12 May 2015	15 April 2024	<ul style="list-style-type: none"> • Pay charges, fees and taxes for subsoil use. • Prepare technical projects for suspension or shutdown of the mine and related facilities and obtain approval of these projects by the specified state authorities

No.	Mine	Issuance/ Re-issuance	Expiry	Periods and main terms
				<p>no later than one year before the deadline scheduled for the completion of mining.</p> <ul style="list-style-type: none"> • Submit geological information on subsoil to the specified state authorities. • Annually, no later than 15 February of the year following the reporting year, report to the specified state authorities on the works performed in the plot. • When engaging contractors and subcontractors or choosing the technologies, equipment or software to be used on the subsoil plot, give preference to Russian organisations, technologies, equipment or software (as applicable) (given the other conditions being equal and the Russian organisations, technologies, equipment or software being competitive with the foreign ones).
8.	Verkhnekamskoye field, Polovodovsky plot	1 July 2008 / re-transferred to PJSC "Uralkali" on 24 April 2013/ re-issued to PJSC "Uralkali" on 1 June 2015	31 December 2054	<ul style="list-style-type: none"> • Pay charges, fees and taxes for subsoil use. • Prepare technical projects for suspension or shutdown of the mine and related facilities and obtain approval of these projects by the specified state authorities no later than one year before the deadline scheduled for the completion of mining. • Submit geological information on subsoil to the specified state authorities. • Annually, no later than 15 February of the year following the reporting year, report to the specified state authorities on the works performed in the plot. • When engaging contractors and subcontractors or choosing the technologies, equipment or software to be used on the subsoil plot, give preference to Russian organisations, technologies, equipment or software (as applicable) (given the other conditions being equal and the Russian organisations, technologies, equipment or software being competitive with the foreign ones).
9.	Verkhnekamskoye field, Romanovsky plot	25 July 2014/ re-issued to PJSC "Uralkali" on 1 June 2015	25 July 2039	<ul style="list-style-type: none"> • Prepare project documentation for exploration of the plot and obtain the positive opinion of the state expertise no later than 12 months from the date of

No.	Mine	Issuance/ Re-issuance	Expiry	Periods and main terms
				<p>approval of the state reserves commission results.</p> <ul style="list-style-type: none"> • Submit the findings of the exploration works to the state reserves commission no later than 12 months from completion of the exploration works. • Start exploration works no later than 12 months from the date of approval of the relevant project documentation. • Prepare a technical project for development of the plot and obtain approval of the project by the specified state authorities no later than 15 months from the date of approval of the state reserves commission results based on the findings of the exploration works. • Start development of the plot no later than 48 months from the date of approval of the relevant technical project. • Prepare technical projects for suspension or shutdown of the mine and related facilities and obtain approval of these projects by the specified state authorities no later than one year before the deadline scheduled for the completion of mining. • Pay charges, fees and taxes for subsoil use. • Submit geological information on subsoil to the specified state authorities. • Ensure safety of samples containing geological information on subsoil before transferring them to the state storage facilities and accept them for temporary storage free of charge as per request of the specified state authorities. • Annually, no later than 15 February of the year following the reporting year, report to the specified state authorities on the works performed in the plot. • When engaging contractors and subcontractors or choosing the technologies, equipment or software to be used on the subsoil plot, give preference to Russian organisations, technologies, equipment or software (as applicable) (given the other conditions being equal

No.	Mine	Issuance/ Re-issuance	Expiry	Periods and main terms
				and the Russian organisations, technologies, equipment or software being competitive with the foreign ones).
10.	Verkhnekamskoye field, Izversky plot	2 November 2017	2 November 2022	<ul style="list-style-type: none"> • Prepare project documentation for exploration of the plot and obtain the positive opinion of the state expertise no later than 12 months from the licence state registration date. • Start exploration no later than 12 months from the date of approval of the relevant project documentation. • Complete exploration (including exploration and evaluation of fields) and submit the findings of the exploration works to the state reserves commission no later than 60 months from the licence state registration date. • Prepare technical projects for suspension or shutdown of the mine and related facilities and obtain approval of these projects by the specified state authorities no later than one year before the deadline scheduled for the completion of mining. • Pay charges, fees and taxes for subsoil use. • Submit geological information on subsoil to the specified state authorities. • Ensure safety of samples containing geological information on subsoil before transferring them to the state storage facilities and accept them for temporary storage free of charge as per request of the specified state authorities. • Annually, no later than 15 February of the year following the reporting year, report to the specified state authorities on the works performed in the plot. • When engaging contractors and subcontractors or choosing the technologies, equipment or software to be used on the subsoil plot, give preference to Russian organisations, technologies, equipment or software (as applicable) (given the other conditions being equal and the Russian organisations,

No.	Mine	Issuance/ Re-issuance	Expiry	Periods and main terms
				technologies, equipment or software being competitive with the foreign ones).
11.	Verkhnekamskoye field, Bereznikovsky plot (Berezniki-1) ²	15 February 2001 / re-issued to PJSC "Uralkali" on 12 May 2015	31 December 2020	<ul style="list-style-type: none"> • Pay charges, fees and taxes for subsoil use. • Submit geological information on subsoil to the specified state authorities. • Annually, no later than 15 February of the year following the reporting year, report to the specified state authorities on the works performed in the plot.

² On 24 October 2006, ore mining was terminated due to an emergency breakthrough of pre-salt water and brines into the mine and its flooding.

MANAGEMENT AND CORPORATE GOVERNANCE

The structure of Uralkali's management bodies includes the general meeting of shareholders, the board of directors, the management board (collective executive body) and the general director (chief executive officer).

General Meeting of Shareholders

The general meeting of shareholders is the supreme governing body of Uralkali. The annual general meeting of shareholders is held not earlier than two months, and not later than six months, after the end of the reporting fiscal year. Sessions of the general meeting of shareholders held additionally to the annual general meeting of shareholders are considered extraordinary general meetings of shareholders.

Among the key issues that Uralkali's shareholders have the power to consider at the general meeting of shareholders are:

- making amendments to, or adoption of a new version of, Uralkali's charter;
- reorganisation and liquidation of Uralkali;
- determination of the number of members of Uralkali's board of directors, election of its members and early termination of their powers;
- determination of the number, nominal value, and category (type) of authorised shares, and the rights represented by such shares;
- distribution of profits including payment (declaration) of dividends;
- increase or reduction of Uralkali's share capital;
- election of members of Uralkali's internal audit commission;
- appointment of Uralkali's auditor;
- approval of Uralkali's annual reports and annual financial statements;
- approval of certain major transactions and interested party transactions;
- other matters, as set out in the Joint Stock Companies Law.

Board of Directors

The board of directors directs Uralkali's strategy and policy between the general meeting of shareholders and is responsible for the general oversight of Uralkali's activities, with the exception of certain matters stipulated by law as being the exclusive responsibility of the general meeting of shareholders.

As of the date of this Prospectus, the board of directors consists of nine members, each elected at the annual general meeting of shareholders on 24 June 2019. The current terms of appointment of the members of the board of directors expire on the date of the next annual general meeting of shareholders, which is expected to be held by 30 June 2020. Uralkali considers four of its current nine directors, namely Mr. Sergey V. Chemezov, Mr. Paul James Ostling, Mr. Luc Mark J. Maene and Mr. Daniel L. Wolfe, to be independent.

As of the date of this Prospectus, the members of Uralkali's board of directors are as follows:

<u>Name</u>	<u>Year of Birth</u>	<u>Role</u>
Mr. Sergey V. Chemezov	1952	Chairman and independent director
Mr. Dmitry A. Mazepin.....	1968	Deputy chairman and non-executive director

Mr. Dmitry A. Lobiak	1968	Deputy chairman and non-executive director
Mr. Paul James Ostling	1948	Senior independent director
Mr. Dmitry V. Osipov	1966	Chief executive officer
Mr. Luc Mark J. Maene	1946	Independent director
Mr. Daniel L. Wolfe	1965	Independent director
Mr. Igor V. Bulantsev	1969	Non-executive director
Mr. Dimitry V. Tatyannin	1967	Non-executive director

Mr. Sergey V. Chemezov. Mr. Chemezov has been the chairman of the board of directors of Uralkali since March 2014. In 1975, Mr. Chemezov graduated with distinction from the Irkutsk Institute of National Economy. Since December 2007, Mr. Chemezov has held the position of the general director of Rostec, the state corporation for promoting the development, production and export of high-tech industrial products. Mr. Chemezov is also a member of the supervisory board of Rostec. Mr. Chemezov is the chairman of boards of directors of JSC "Rosoboronexport", VSPMO-AVISMA Corporation and KAMAZ PTC. Mr. Chemezov is currently also a member of boards of directors of PJSC "Aeroflot", JSC JSCB "International Financial Club". Mr. Chemezov has a PhD degree in economics. Mr. Chemezov is the chairman of the board of trustees of the Plekhanov Russian University of Economics and the Russian Cycling Federation. Mr. Chemezov has been awarded with numerous orders, including the Second Class, Third Class and Fourth Class Orders of Merit to the Fatherland, Order of Honour, Order of Friendship, and Order of the Legion of Honour and Order of Merit to the Italian Republic.

Mr. Dmitry A. Mazepin. Mr. Mazepin has been a member of the board of directors of Uralkali since March 2014. Mr. Mazepin graduated from the Moscow State Institute of International Relations specialising in international relations of Eastern countries. In 2008, Mr. Mazepin earned a PhD degree in economy. Since 2007, Mr. Mazepin has been a chairman of the board of directors of Uralchem and Uralchem Holding P.L.C. Since 2015, Mr. Mazepin has held various positions in the Russian Union of Industrialists and Entrepreneurs, including a member of the management board, a member of the management bureau and chairman of the Commission for the Mineral Fertiliser Production and Market. Since 2018, Mr. Mazepin has been the chairman of the Russia-Belarus Council of the Russian Chamber of Industry and Commerce and a member of the supervisory council of the Belovezhskaya Puscha Foundation for the Development of Friendship among Fraternal Peoples. Dmitry Mazepin has been a member of the board of directors of Uralkali-Technology since February 2019.

Mr. Dmitry A. Lobiak. Mr. Lobiak has been a member of the board of directors of Uralkali since September 2016. In 1989, Mr. Lobiak graduated from the Leningrad Higher Combined Arms Command College named after Sergey Kirov with specialisation "officer with professional military education, engineer". From 2005 to 2010, Mr. Lobiak was a head of the commercial department at LLC Yuras OIL in Minsk, Belarus. Since 2010, Mr. Lobiak has been a participant and director of LLC Yuras OIL. Since June 2018, Mr. Lobiak has been a director of Rinsoco Trading Co. Limited and since February 2019, Mr. Lobiak has held the position of the chairman of the Board of Directors of Uralkali-Technology. In September 2019, Mr. Lobiak was appointed to the position of a director of Jasnja Investments Limited, which is a member of the Group.

Mr. Paul James Ostling. Mr. Ostling has been a member of the board of directors of Uralkali since June 2011. In 1973, Mr. Ostling graduated from Fordham University School of Law with a Juris Doctor degree. From 2003 to 2007, Mr. Ostling was the global chief operating officer of Ernst & Young Global. From 2007 to 2013, Mr. Ostling was a member of the boards of directors of various companies, including Promsvyazbank PJSC, Uralchem Holding P.L.C., MTS PJSC and DME Limited. From 2012 to November 2016, Mr. Ostling was a member of the board of directors of Brunswick Rail Limited (that he chaired from 2012 to 2015). From September 2015 to November 2016, Mr. Ostling held the position of the CEO of Brunswick Rail Limited. From 2016 to 2017, Mr. Ostling chaired the board of directors of JKC Oil&Gas Plc. Since 2014, Mr. Ostling has been a founder and the chairman of PSINOS Inc., a technology incubator and accelerator. Since 2016, Mr. Ostling has been a member of the board of directors of National Settlement Depository. Mr. Ostling is a member of the board of directors of the Business Council for International Understanding. Since 2007, Mr. Ostling has been a member of the Boy Scouts of America Transatlantic Council and was its president from 2016 to 2019. In 2019, Mr. Ostling joined the board of directors of SF Holdings Company PLC.

Mr. Dmitry V. Osipov. Mr. Osipov has been a member of the board of directors of Uralkali since March 2014. Since December 2013, Mr. Osipov has been Uralkali's Chief Executive Officer. In 1990, Mr. Osipov graduated from the faculty of radiophysics and cybernetics of the Gorky State University. From 2007 to 2011, Mr. Osipov was the general director of Uralchem. From 2007 to 2013, Mr. Osipov was a member of the board of directors of Uralchem and, from 2011 to 2013, a deputy chairman of the board of directors of Uralchem. Since 2016, Mr. Osipov has been a member of the board of directors of Uralchem. Since 2011, Mr. Osipov has been a member of the council and the financial committee of IFA. Since 2014, Mr. Osipov has been a member of the management board and member of the committee on production and mineral fertiliser market of the All-Russian Association of Employers Russian Union of Industrialists and Entrepreneurs and a member of the management board of the Non-profit organisation Russian Association of Fertiliser Producers. Since 2018, Mr. Osipov has been the chairman of the Russia-Nigeria Business Council of the Russian Chamber of Industry and Commerce and a member of the board of directors of Uralkali Trading SIA. Since February 2019, he has been a member of the board of directors of Uralkali-Technology.

Mr. Luc Mark J. Maene. Mr. Maene has been a member of the board of directors of Uralkali since June 2016. In 1970, Mr. Maene graduated from the University of Ghent specialising in agricultural machinery and soil sciences. In 2006, the University of Putra (Malaysia) awarded Mr. Maene a Doctor Honoris Causa degree in agriculture. From 2000 to 2013, Mr. Maene was the president of the European Society of Association Executives (ESAE). From 2017 to 2019, he served as the president of the International Fertiliser Society (IFS). Since 1988, Mr. Maene has been a member of the Centre d'Etudes des Directeurs d'Associations Professionnelles (CEDAP). Since 2013, Mr. Maene has been the director of LM Agri Ltd.

Mr. Daniel L. Wolfe. Mr. Wolfe has been a member of the board of directors of Uralkali since June 2018. In 1987, Mr. Wolfe graduated from Dartmouth University with a BA in Russian language and literature and political science. In 1991, Mr. Wolfe earned his Juris Doctor degree from Columbia Law School. From 2010 to 2014, Mr. Wolfe was a deputy CEO and a member of the management board and the board of directors (including the compensation and remuneration committee and the audit committee) at PJSC "Quadra – Power Generation". From 2014 to 2017, Mr. Wolfe was a deputy general director at Onexim Group, as well as a director at Brooklyn Nets, Barclays Centre, and Renaissance Capital (where he also chaired the audit committee). From 2014 to April 2018, Mr. Wolfe was a member of the board of directors and the audit committee of UC Rusal. Since 2014, Mr. Wolfe has been a director at New York Bakery (LLC Tortopiya).

Mr. Igor V. Bulantsev. Mr. Bulantsev has been a member of the board of directors of Uralkali since April 2019. In 1993, Mr. Bulantsev graduated from Moscow State Technical University with specialisation in automated navigation systems. In 2000, Mr. Bulantsev graduated from the Russian Government Financial Academy with a degree in finance and credit. Mr. Bulantsev also has a Global Executive MBA from IESE Business School. From 2003 to 2009, Mr. Bulantsev was a first deputy chairman of the management board of JSC Nordea Bank. From 2009 to 2016, Mr. Bulantsev chaired the management board of JSC Nordea Bank. From February to July 2016 Mr. Bulantsev was a vice president and director of the client management department of Sberbank of Russia. From August 2016 to January 2019, Mr. Bulantsev was a senior vice president at Sberbank of Russia and the head of Sberbank CIB. From 2016 to 2018, Mr. Bulantsev was the chairman of the board of directors of Sberbank (Switzerland) AG and the chairman of credit committee and the committee on market risks, and was a member of the assets and liabilities management committee and the risks committee of Sberbank of Russia. Since January 2019, Mr. Bulantsev has been a deputy general director — director for economics and finance and member of the board of directors of Uralchem. Since February 2019, Mr. Bulantsev has been a member of the board of directors of JSC Voskresensk Mineral Fertilisers. Since April 2019, he has held a position of a member of the board of directors of LLC Agro Digital.

Mr. Dmitry V. Tatyatin. Mr. Tatyatin has been a member of the board of directors of Uralkali since September 2016. In 1993, Mr. Tatyatin graduated from Voronezh State University (Department of Law). In 2005, Mr. Tatyatin graduated from the Institute of Business and Commercial Administration of the Academy of National Economy under the Government of the Russian Federation (EMBA course). Since 2007, Mr. Tatyatin has been a member (and since 2008 – a deputy chairman) of the board of directors of Uralchem. From 2010 to January 2019, he was the chief legal officer of Uralchem. Since January 2019, Mr. Tatyatin has held the position of the deputy CEO for legal affairs of Uralchem. Since 2008, he has been a member of the board of directors of JSC Voskresensk Mineral Fertilisers and since 2010 – a member of the board of directors of JSC GaloPolymer.

The business address of the members of Uralkali's board of directors is 6 Presnenskaya embankment, building 2, 34th floor, Moscow, Russia, 123112.

Management Board

The management board, together with the chief executive officer, is responsible for the day-to-day operations of Uralkali. The management board reports to the board of directors and the general meeting of shareholders and ensures implementation and performance of the decisions of the general shareholders meeting and the board of directors.

The management board's powers include:

- the determination of short-term objectives of Uralkali;
- preliminary approval of Uralkali's annual budget and their submission to the board of directors for consideration;
- oversight of Uralkali's budget performance;
- nomination of Uralkali's representatives as candidates for election/appointment to the management and control bodies of Uralkali's subsidiaries;
- other matters, as set out in Uralkali's charter.

Uralkali's management board currently consists of seven members. Members of the management board are appointed for a term equal to the term of the board of directors which appointed the respective member of the management board. All members of the management board were appointed on 25 June 2019 with effect from 26 June 2019, except for Mr. Boyarkin who was appointed on 11 September 2019 with effect from 12 September 2019. The chief executive officer of Uralkali chairs the management board. The board of directors may terminate the appointment of any member of the management board at any time.

As of the date of this document, the members of Uralkali's management board are as follows:

<u>Name</u>	<u>Date of Birth</u>	<u>Role</u>
Dmitry V. Osipov	1966	Chief executive officer
Anton V. Vishanenko	1979	Chief financial officer
Vitaly V. Lauk	1968	Technical director
Marina V. Shvetsova	1972	Director for legal and corporate affairs
Irina A. Konstantinova	1978	Human resources director
Eduard V. Smirnov	1969	Director for subsoil management
Igor V. Senokosov	1977	Director for capital construction
Dmitry N. Boyarkin.....	1974	Procurement director

Mr. Dmitry V. Osipov. See "*—Board of directors*" for a short biography of Mr. Osipov.

Mr. Anton V. Vishanenko. Mr. Vishanenko has been chief financial officer of Uralkali since October 2014. In 2001, Mr. Vishanenko graduated from Moscow Aviation Institute. Mr. Vishanenko currently serves as a member of the board of directors at several Group companies. In 2007, Mr. Vishanenko obtained a PhD degree in economics from St. Petersburg State University of Economics and in 2011 an executive MBA from INSEAD. Mr. Vishanenko started his career at Wimm-Bill-Dann as a member of the accounting team. In 2003, he joined Mechel OAO and, in 2006, became its chief financial officer. From 2007 to 2010, Mr. Vishanenko held the position of the chief financial officer of Uralchem. In 2012, he was the chief financial officer of PJSC "NMTP". Mr. Vishanenko is a member of ACCA and an affiliate member of AICPA.

Mr. Vitaly V. Lauk. Mr. Lauk has been technical director of Uralkali since September 2017. In 1993, Mr. Lauk graduated from Perm State Technical University with a degree in underground mining of mineral deposits. In 2015, he graduated from International Management Institute of St. Petersburg (IMISP) with an MBA degree. Mr. Lauk started his carrier in 1990 in Silvinit as a mining specialist. In 2011, as a result of the Merger, Mr. Lauk joined Uralkali as the chief engineer of Solikamsk-3 mine. In 2016, he was appointed as the first deputy technical director of Uralkali.

Ms. Marina V. Shvetsova. Ms. Shvetsova has been the director for legal and corporate affairs of Uralkali since 2006, having previously served as head of the legal department since 2005, and a member of the management board since 2005. Ms. Shvetsova graduated from Perm State University in 1994 with a degree in law. In 2012, she earned an MBA at International Management Institute of St. Petersburg (IMISP). From 2001 to 2005, Ms. Shvetsova worked at CJSC Sibur-Khimprom holding various positions, including head of the legal department. She currently serves as a member of the board of directors at several Group companies.

Ms. Irina A. Konstantinova. Ms. Konstantinova has been human resources director of Uralkali since December 2017, having previously occupied senior positions in Uralkali's human resources directorate. In 2002, Ms. Konstantinova graduated from Perm State Technical University with a degree in chemical technology of inorganic substances. In 2006, Ms. Konstantinova received a diploma in economics and corporate management. In 2011, Ms. Konstantinova graduated from the International Management Institute with a degree in management.

Mr. Eduard V. Smirnov. Mr. Smirnov has been a member of the management board of Uralkali since April 2019. In 1993, Mr. Smirnov graduated from the Perm State Technical University majoring in underground development of mineral deposits. In 2007, he completed an MBA programme with the Synergia Institute of Economics and Finance. From 2004 to 2008, Mr. Smirnov was the chief engineer of the mine "Berezniki-1". From 2011 to 2013, Mr. Smirnov was the deputy chief engineer for mining operations at Uralkali. From 2013 to 2016, Mr. Smirnov was the deputy chief technical officer for mining operations at Uralkali. Since December 2016, Mr. Smirnov held the position of director for subsoil management at Uralkali.

Mr. Igor V. Senokosov. Mr. Senokosov has been a member of the management board of Uralkali since April 2019 and has been the director for capital construction since March 2019. In 1997, Mr. Senokosov graduated from the construction department of the Mogilev Construction College majoring in industrial and civil construction. In 2000, he received a similar degree from the Belarus-Russia University. In 2005, Mr. Senokosov graduated from the department of economics of the Academy of Administration under the President of Belarus majoring in economics and national administration. From 2000 to 2015, Mr. Senokosov worked in JSC "Mogilevtekhmontazh" in Belarus, where he started as an engineer in the production support unit and was subsequently promoted to the chief engineer. From 2015 to 2018, Mr. Senokosov was the general director of Minsk-based OJSC "Promtekhmontazh".

Mr. Dmitry N. Boyarkin. Mr. Boyarkin has been a member of the management board of Uralkali since September 2019 and a procurement director of Uralkali since May 2019. In 1996, Mr. Boyarkin graduated from Siberian Academy for Mining and Metallurgy with a degree in mining engineering. In 2003, he graduated from Kemerovo State University majoring in economics, corporate management, finance and credit. From 2008 to 2014, Mr. Boyarkin served as procurement director in EVRAZ group. From 2014 to 2015, he held a position of deputy CEO – director for procurement and logistics in PIK GROUP. From July 2015 to May 2019, Mr. Boyarkin was the procurement director in Uralchem.

The business address of the members of Uralkali's management board is ul. Pyatiletki, 63, Berezniki, Perm Krai, 618426, Russia.

General Director

The general director is the sole executive body and Uralkali's chief executive officer and the chairman of the management board. The general director reports to the board of directors and the general meeting of shareholders.

The board of directors appoints Uralkali's general director for a term specified in his or her labour contract, subject to a maximum of five years. The general director may be re-elected for an unlimited number of terms. The current chief executive officer, Mr. Osipov, has served in this position since 24 December 2013 and was most recently re-appointed on 20 December 2018.

See also "*Related Party Transactions – Key management's compensation*".

Shares held by Directors and Management

As at the date of this Prospectus, no member of Uralkali's Board of Directors or Management Board directly or indirectly holds any shares of Uralkali or holds any option over such shares, other than Mr. Dmitry A. Lobiak and Mr. Dmitry A. Mazepin, who indirectly hold Uralkali's shares. See "*Principal Shareholders*" for additional details.

Corporate Governance

Uralkali believes that high standard of corporate governance is an essential element of successful business performance. Uralkali's board of directors has approved a number of internal regulations in the area of corporate governance (collectively, the "**Corporate Governance Regulations**"), including Uralkali's Code of corporate governance and Corporate governance policy. With a view to maintain efficient corporate governance, Uralkali updates the Corporate Governance Regulations on a regular basis.

The Corporate Governance Regulations aim to ensure the effective protection of the rights and interests of Uralkali's shareholders, the transparency of decision-making procedures. In addition, the Corporate Governance Regulations set professional standards and ethical responsibility of the members of Uralkali's board of directors and other governing bodies as well as its shareholders and ensure higher transparency of, and the effective control over, Uralkali's financial and economic operations.

As part of its corporate governance strategy Uralkali seeks to maintain optimal balance among executive, non-executive and independent directors. As of the date of this Prospectus, four out of nine members of the board of directors are independent directors. Uralkali believes that the appointment of independent directors allows adopting independent and informed decisions benefiting all shareholders and ensuring the transparency of the corporate governance process.

As at the date of this Prospectus, Uralkali is not aware of any potential conflict of interests between any duties the members of the Uralkali's board of directors owe, on the one hand, and their private interests or the duties owed by any of them to any other person, on the other hand.

Board of Directors Committees

In accordance with the Corporate Governance Regulations, the board of directors has established the following committees of the board of directors:

Appointments and remuneration committee. The appointments and remuneration committee currently consists of five members of the board of directors: Mr. Ostling, Mr. Wolfe, Mr. Maene, Mr. Lobiak and Mr. Bulantsev. The committee is chaired by Mr. Ostling. The competence of the committee includes recruitment of qualified specialists, establishment of necessary key performance indicators and incentives for successful performance of members of Uralkali's management bodies.

Audit committee. The Audit Committee currently consists of three members of the board of directors: Mr. Ostling, Mr. Maene and Mr. Wolfe. The committee is chaired by Mr. Ostling. The key objectives of the committee include the assessment and oversight of Uralkali's financial and economic activity, including the functioning of internal control and risk management systems, oversight of Uralkali's internal audit department, preliminary assessment of Uralkali's financial statements, other matters related to the appointment of, and communication with, Uralkali's external auditors as well as corporate governance and compliance matters.

Corporate social responsibility committee. In line with the Group's overall strategy, Uralkali has a corporate social responsibility committee which currently consists of five members of the board of directors: Mr. Maene, Mr. Osipov, Mr. Ostling, Mr. Tatyannin and Mr. Bulantsev. The committee is chaired by Mr. Maene. The key objectives of the committee include the management and oversight of occupational safety, health, safety and environment protection and social responsibility.

Investments and development committee. The Investments and Development Committee currently consists of five members of the board of directors: Mr. Maene, Mr. Lobiak, Mr. Osipov, Mr. Ostling and Mr. Bulantsev. The committee is chaired by Mr. Maene. The key objective of the committee is the preliminary assessment of Uralkali's key investment projects and control over their implementation, assessment of Uralkali's budget and providing recommendations to the board of directors on adjustments to the budget.

Strategy committee. The strategy committee currently consists of five members of the board of directors: Mr. Bulantsev, Mr. Vishanenko, Mr. Maene, Mr. Ostling, Mr. Tatyannin and Ms. Elena S. Papsheva, a member of the board of directors of Uralchem. The committee is chaired by Mr. Bulantsev. The key objective of the committee is to determine Uralkali's overall strategy and its key strategic priorities. The strategy committee also provides recommendations to the board of directors various strategic initiatives.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding the share capital and principal shareholders of Uralkali based on information received by Uralkali from those shareholders as of the date of this Prospectus.

Shares and share capital

Uralkali's share capital amounts to RUB 1,483,007,945.50 divided into 2,936,015,891 ordinary shares with a nominal value of RUB 0.50 each and 30,000,000 preference shares with a nominal value of RUB 0.50 each.

Shareholders	% of ordinary shares	% of preference shares	% of share capital
Shareholders controlled by Uralkali:			
Uralkali-Technology ⁽¹⁾	56.79226%	-	56.21783%
Shareholders controlled by Mr. Dmitry A. Lobiak:			
Rinsoco Trading Co. Limited ⁽²⁾	23.20771%	50.00%	23.47870%
Shareholders controlled by Mr. Dmitry A. Mazepin:			
Uralchem	19.99999%	50.00%	20.30343%
Total⁽³⁾	100.0000%	100.00%	100.00%

(1) Uralkali holds 100 per cent. of ordinary shares in Uralkali-Technology.

(2) Includes ordinary shares previously owned by the minority shareholders and recently purchased by Rinsoco Trading Co. Limited on the basis of the buy-out request discussed under "*Recent Developments*" below.

(3) Includes ordinary shares which continue to be held by minority shareholders due to the existing encumbrances which restrict their disposal and which Rinsoco Trading Co. Limited is entitled to purchase following such encumbrances being lifted.

Recent Developments

On 5 August 2019, Uralkali received a buy-out request from Rinsoco Trading Co. Limited. As a matter of Russian law, following the receipt of a buy-out request, and subject to certain statutory pre-requisites being complied with (including the payment of purchase price for the securities transferred), ordinary shares held by minority shareholders of Uralkali and securities convertible into ordinary shares of Uralkali were to be transferred to Rinsoco Trading Co. Limited. Save as set out in note 3 to the table in "*Shares and share capital*" above, as of the date of this Prospectus, such transfer has been completed. In addition, the buy-out request resulted in a suspension of trading in Uralkali's ordinary shares on Moscow Exchange with effect from 20 September 2019 (however, such trading could be resumed upon request from Uralkali).

Voting Rights and Change of Control Statement

None of Uralkali's shareholders has voting rights different from any other holder of its shares of the respective category.

Save as set out in "*Operating and Financial Review – Liquidity and Capital Resources – Loans and Borrowings*", to Uralkali's knowledge, there are no arrangements in place as of the date of this Prospectus, the operation of which may at a subsequent date result in a change of control over Uralkali. To the extent the change of control as a result of the enforcement of the pledge discussed in "*Operating and Financial Review – Liquidity and Capital Resources – Loans and Borrowings*" occurs, Uralkali will promptly notify the Issuer thereof, following which the Issuer will promptly notify Euronext Dublin of such change of control and publish the relevant announcement on its website.

TRANSACTIONS WITH RELATED PARTIES

The following is a summary of material transactions with the Group's related parties from 1 January 2016 to 30 June 2019. For details of these transactions, please refer to the Financial Statements.

General

Parties are considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions, as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties include shareholders, associates and entities under control of the Group's major shareholders and key management personnel. Uralkali and its subsidiaries, in its ordinary course of their business, enter into various sale, purchase and service transactions with related parties. Transactions between Uralkali and its subsidiaries, which are related parties of Uralkali, are eliminated on consolidation and are, therefore, not disclosed herein.

The following table sets forth the details of outstanding balances between the Group and its related parties as at 30 June 2019 and 31 December 2018, 2017 and 2016.

Outstanding balances with related parties under control of shareholders with significant influence over the Group	As at 30 June	As at 31 December		
	2019	2018	2017	2016
	<i>(in thousands of US dollars)</i>			
Loans receivable ⁽¹⁾	496,579	386,974	358,684	184,900
Interest receivable	24,033	13,641	20,548	3,862
Loan payable including interest payable	(41,138)	(43,288)	-	-
Trade and other receivables and other financial assets	10,487	10,874	17,776	39
Trade and other payables	(6,420)	(6,704)	(5,308)	(4,163)
Other non-current liabilities	-	(1,809)	(14,026)	-
Lease liability	(4,194)	-	-	-
Advances to suppliers	7,754	7,952	-	-
Advances received	(19)	-	(1,115)	(1,317)

- ⁽¹⁾ The loans receivable represents a U.S.\$ 850 million unsecured revolving loan facility provided in April 2016 to the Group's related party under control of shareholders with significant influence over the Group. The facility was provided on an arms-length basis, bears interest at the rate between 5.6 and 7.1 per cent. per annum (depending on the interest period) payable upon maturity which is scheduled for 2023.

Outstanding balances with associate	As at 30 June	As at 31 December		
	2019	2018	2017	2016
	<i>(in thousands of US dollars)</i>			
Trade and other receivables	-	-	83	-
Trade and other payables	(94)	-	(160)	-
Advances to suppliers	876	1,641	-	-
Other accrued liabilities	-	-	(4,274)	-

In December 2017, April 2018 and February 2019, Uralkali-Technology entered into share pledge agreements with Sberbank of Russia to secure a loan facility provided by Sberbank of Russia to one of the Group's related parties. See "Operating and Financial Review – Liquidity and Capital Resources – Loans and Borrowings – Sberbank pledge" for further information.

The following table set forth the details of significant transactions between the Group and its related parties for the six months ended 30 June 2019 and 2018 and the years ended 31 December 2018, 2017 and 2016.

Transactions with related parties under control of shareholders with significant influence over the Group

	For the six months ended 30 June	
	2019	2018
	<i>(in thousands of US dollars)</i>	
Revenue (sales of potassium chloride)	37,835	22,849
Other revenue	632	577
Interest income	12,163	12,535
Purchase of inventories and goods for resale	(21,281)	(5,216)
Purchase of property, plant and equipment and assets under construction.....	(28)	(398)
Distribution costs	(13,682)	(6,510)
Interest expenses	(1,300)	(1,216)
General and administrative expenses.....	(22)	(887)
Other finance income/(expenses), net.....	5,397	(100)
Other expenses	(189)	(61)
Bargain purchase.....	-	1,426
Cash acquired on acquisition of subsidiaries, net	-	2,209

Transactions with related parties under control of shareholders with significant influence over the Group

	For the year ended 31 December		
	2018	2017	2016
	<i>(in thousands of US dollars)</i>		
Revenue (sales of potassium chloride)	49,200	39,357	27,497
Other revenue	8,446	1,355	1,264
Interest income	26,400	17,411	4,128
Purchase of inventories.....	(11,490)	(11,156)	(7,416)
Purchase of property, plant and equipment and assets under construction.....	(397)	(2,077)	(1,651)
Distribution costs ⁽¹⁾	(16,281)	(10,406)	(6,365)
Interest expenses	(2,729)	-	-
General and administrative expenses.....	(1,534)	(1,603)	(1,450)
Bargain purchase.....	1,350	-	-
Other finance income, net.....	3,863	-	-
Other expenses	(365)	(209)	(88)
Acquisition of subsidiaries, net of cash acquired.....	164	-	-

⁽¹⁾ This line item was entitled "Transportation expenses" in 2017 Financial Statements.

Transactions with associate

	For the six months ended 30 June	
	2019	2018
	<i>(in thousands of US dollars)</i>	
Distribution costs	(2,173)	(1,017)
Other income.....	-	195
Change in accrued liabilities	-	3,097

Transaction with associate

	For the year ended 31 December		
	2018	2017	2016
	<i>(in thousands of US dollars)</i>		
Other income.....	185	-	6,317
Distribution costs	(4,174)	(10,001)	(8,974)
Change in accrued liabilities	4,252	-	-

Key management's compensation

Key management personnel compensation consists of remuneration paid to executive directors and other directors for their services in full-or part-time positions. Compensation is made up of annual remuneration and a performance-linked bonus, which depends on operating results.

The following tables set forth the key management's compensation for the six months ended 30 June 2019 and 2018 and the years ended 31 December 2018, 2017 and 2016.

	Expenses				
	For the six months ended 30 June		For the year ended 31 December		
	2019	2018	2018	2017	2016
	<i>(in thousands of US dollars)</i>				
Short-term employee benefits	3,013	3,256	12,927	7,071	7,412
Termination benefits.....	36	-	-	137	134
Total	3,049	3,256	12,927	7,208	7,546

	Accrued liabilities			
	As at 30 June	As at 31 December		
	2019	2018	2017	2016
	<i>(in thousands of US dollars)</i>			
Short-term employee benefits	3,331	2,933	4,837	4,866
Total	3,331	2,933	4,837	4,866

Changes in the amounts of accrued liabilities are largely explained by changes in the balance of annual bonus which forms a part of key management remuneration remained due as of reporting dates.

REGULATORY MATTERS

General

Russia has not enacted any specific legislation governing the operation of the fertiliser industry and the activities of mineral fertiliser producing and manufacturing companies. The production, sale and distribution of mineral fertilisers in the Russian Federation are regulated by general civil legislation and special legislation relating to quality standards, industrial safety rules, environmental and other issues.

Applicable laws, Rules and Regulations

The legislation regulating mining, processing and the use of minerals in Russia is based on the Constitution of the Russian Federation and Law No. 2395-1 "On Subsoil" dated 21 February 1992, as amended (the "**Subsoil Law**"). The Subsoil Law allocates jurisdiction in the mining sector between federal, regional and local authorities, sets out the basic principles and features of the licence-based regulatory framework, and outlines the rules governing the issuance, transfer, suspension and termination of subsoil licences and subsoil use. There is also a number of regulations issued by the Russian federal government through its ministries and agencies that regulate certain aspects of mineral mining.

Federal Law No. 184-FZ "On Technical Regulation" dated 27 December 2002, as amended (the "**Technical Regulation Law**"), sets forth rules and requirements relating to the development, enactment, application and enforcement of mandatory technical requirements and the development of voluntary standards relating to manufacturing processes, operations, storage, transportation, selling and utilisation.

On 8 April 2014, the Ministry of Industry and Trade of the Russian Federation ("**Minpromtorg**") and the Ministry of Energy of the Russian Federation enacted the "Strategy for Development of the Chemical and Petrochemical Industry until 2030". This document, among other things, determines key ways to develop the chemical industry and sets out steps to implement them. It also proposes measures aimed at phasing out imports in the chemical and petrochemical sectors, increasing the industry's production capacity, enhancing the quality of life of the general population by attaining a level of consumption of chemical and petrochemical products on par with other industrially developed countries, creating new high-efficiency workplaces in the chemical industry and transferring to an economic model based on innovation and investment.

On 18 May 2016, the Russian Government approved the "Plan for Implementation of the strategy for Development of the Chemical and Petrochemical Industry until 2030" (the "**Implementation Plan**"). The Implementation Plan provides for technical upgrade and modernisation of existing chemical and petrochemical production facilities in the period from 2016 to 2030, as well as construction of new cost effective, resource-and energy-saving and environmentally-friendly facilities. The Plan is aimed at boosting the domestic demand for products of Russia's chemical and petrochemical industry.

Federal, Regional and Local Regulatory Authorities

At the federal level, regulatory supervision over the Group's operations is divided primarily among the Russian Government, the Ministry of Economic Development, the Ministry of Natural Resources and Environment and Minpromtorg. The Russian Government ensures the implementation of a general state policy in the area of geological study, use and trade of nitrogen and phosphate fertilisers; it also determines licensing procedures for the use of subsoil in connection with the exploration and extraction of natural resources. The Ministry of Economic Development is responsible for encouraging investment, foreign trade and support of scientific research. The Ministry of Natural Resources and Environment is responsible for the development of government policy and regulation in the sphere of exploration, use, restoration and protection of natural resources and environment. Minpromtorg is responsible for the development of government policy in the areas of industrial development, energy consumption effectiveness, standardisation and metrology.

The federal ministries in Russia are not, however, responsible for compliance control or management of state property and provision of state services, which is within the jurisdiction of federal services and federal agencies. The main federal services and agencies that regulate the operations in Russia include: the Federal Agency for Subsoil Use ("**Rosnedra**"), the Federal Service for the Supervision over the Natural Resources Management ("**Rosprirodnadzor**"), Rostekhnadzor, the Federal Service for Supervision of Consumer Rights Protection and Human Welfare ("**Rospotrebnadzor**"), the Federal Labour and Employment Service ("**Rostrud**"), the Federal Agency for Technical Regulation and Metrology ("**Rosstandart**") and FAS.

In particular, Rosnedra organises tenders and auctions, issues and oversees subsoil licences, approves project design documentation for geological exploration and controls protection of subsoil and implementation of geological exploration.

Rosprirodnadzor issues and oversees environmental permits and licences, establishes limits for waste disposal, monitors and enforces compliance with emission and waste management standards, and provides official ecological examination of relevant project design documentation.

Rostekhnadzor oversees and enforces compliance with certain mandatory industrial safety rules, which include safety procedures relating to the installation, deployment and operation of technical devices and machinery used in the Group's business, and the production and technological processes. It also (i) issues licences for certain industrial activities and activities relating to safety and environmental protection, such as licences for exploitation of inflammable facilities and conduct of operations involving the use of explosives, surveyors' works and use of dangerous wastes and (ii) maintains a register of dangerous facilities.

Rospotrebnadzor oversees and enforces compliance with public health and safety standards as well as consumer rights protection.

Rostrud controls and enforces compliance with labour legislation and occupational health and safety standards.

Rosstandart determines and oversees compliance with mandatory general technical and industrial standards (where applicable) and implements technical regulations.

The FAS implements the state policy relating to promoting the development of the commodity markets and competition, enforcing antimonopoly legislation, and preventing and curbing anticompetitive behaviour, unfair competition practices and other actions restricting competition. The FAS, among other things, oversees acquisitions of controlling stakes in companies meeting certain criteria and the achievement of dominant market position by business enterprises.

In addition to the above-listed federal executive bodies, which are directly involved in the supervision and regulation of the Group's business, there is a number of other governmental bodies and agencies with authority over general issues relating to the Group's business, including the Ministry of Justice of the Russian Federation, and transportation and tax collection agencies.

Under the Subsoil Law, the jurisdiction of the regional authorities in the exploration industry includes, among other things, establishment and execution of local programmes aimed at the development of subsoil plots in the region, maintenance a local database of geological information, the establishment of state funds of mineral resources for the Russian regions, and regulation, along with federal authorities, of the activities of organisations in the mining industry within the territory of the relevant constituencies of the Russian Federation.

In addition, regional and local authorities control land-use allocations and exercise certain taxation powers.

Licensing

The Group is required to obtain licences, permits and authorisations from Russian governmental authorities to conduct its operations. Federal Law No. 99-FZ "On Licensing of Certain Types of Activities" dated 4 May 2011, as amended (the "**Licensing Law**"), and other laws and regulations list activities which can only be performed under a licence and/or a permit issued by the relevant Russian authorities and establish the procedures for the issuance of such licences / permits. In order to conduct its operations, the Group is required to hold licences and permits for, among other things:

- exploration, evaluation and development of subsoil deposits, as described in more detail in "Subsoil Licensing";
- use of water resources;
- pollutant emissions into the environment;
- handling of waste (generation, collection, transportation, storage, processing, disposal and recycling);

- storage and use of explosive materials;
- operation of explosive, flammable and chemically hazardous production facilities (explosives, chemicals and fire hazards); and
- transportation of hazardous materials by railway or river and sea transport.

Under the licensing regulations and the terms of its licences and permits, the Group must comply with numerous industrial standards, employ qualified personnel, maintain certain equipment and a system of quality control, maintain insurance coverage, monitor operations, make appropriate filings and, upon request, submit information requested by the licensing authorities that oversee and inspect its activities. A licence may be suspended in case of (i) imposition of administrative sanctions on the licensee for a gross breach of licensing requirements; and (ii) administrative suspension of activities for a gross breach of the licensing requirements. A licence may also be cancelled by the court in case of a repeated breach of the licensing requirements after suspension of the licence.

According to the Urban Planning Code of the Russian Federation No. 190-FZ dated 29 December 2004, as amended, design, construction and reconstruction of permanent structures and facilities, including those used in mining, are subject to permits for construction and review of the design documentation by the respective authorities and commissioning permits.

Subsoil Licensing

Overview

Each mining operation requires a subsoil licence issued by Rosnedra with respect to an identified mineral field, as well as the right (through ownership, lease or other right) to use the subsoil plot where such licensed mineral field is located. In addition, operating permits are required for specific mining activities. Subsoil licences are issued in accordance with the Subsoil Law, the Russian Civil Code and the Procedure for the Licensing of Subsoil Use adopted by Resolution of the Supreme Soviet of the Russian Federation No. 3314-1 dated 15 July 1992, as amended. A licence granted under the Subsoil Law can be accompanied by a licensing agreement, which sets out the terms and conditions for use of the subsoil.

There are two main types of licences related to the extraction of minerals: general geological exploration licence and mining licence. A general geological exploration licence allows its holder to conduct field exploration and evaluation. This licence only allows to conduct exploration of those mineral resources that are specified in the licence. It does not provide for any priority to the holder of an exploration licence in obtaining a mining licence. A mining licence allows its holder to conduct a detailed exploration and development of fields. It also allows to conduct waste treatment (relating to waste generated by mining operations and related facilities) unless otherwise is stated in the licence. A licence for detailed exploration is not issued separately and the right to conduct detailed exploration is covered by the mining licence. In practice, combined licenses for general and detailed geological exploration and mining may be issued. The boundaries of a licensed area are set out in the licence (and expressed in terms of latitude, longitude and depth). Currently, mining licences and combined exploration and mining licences are awarded by tender or auction conducted by special auction commissions of Rosnedra. While such auction or tender may involve a representative of the relevant region, a separate consent of regional authorities is generally not required in order to issue subsoil licences. The winning bidder in a tender is selected in particular on the basis of the submission of the most technically competent, financially attractive and environmentally sound proposal that meets the published tender terms and conditions. At an auction, the success of a bid is determined by the attractiveness of the financial proposal. A general geological exploration licence may be issued without holding an auction or tender, for example, pursuant to an application made by the interested party, if there are no discovered reserves or mineral resources in the targeted area, or in some other limited cases (wings of the field under development and layers beneath and above the field). Regional authorities may issue production licences for "common" mineral resources, such as clay, sand or limestone. The Russian Government may establish certain limits for companies with foreign ownership on participation in the auctions at which licences for exploration of subsoil plots of federal significance are awarded. Generally, subsoil plots are recognised as those of federal significance on a number of characteristics set out in the relevant Russian laws. The list of subsoil plots of federal significance is maintained by Rosnedra and is updated from time to time.

Pursuant to the Subsoil Law, a subsoil plot is provided to a subsoil user as a "mining allotment", i.e. a geometric block of subsoil. Preliminary mining allotment boundaries are determined at the time the licence is issued. Exact mining allotment boundaries are established upon the approval of a development plan by a special commission

comprised of representatives from the Ministry of Natural Resources and Environment, Rosnedra, Rosprirodnadzor and Rostekhnadzor. These exact boundaries are certified in the mining allotment plan issued to the licensee thereafter. The exact mining allotment boundaries are incorporated into the licence as an integral part. Pursuant to Resolution No. 118 of the Russian Government dated 3 March 2010, as amended, the special commission, and, in certain cases, local authorities have the authority to approve development plans. In addition, a development plan provides for other material issues relating to the development of the fields, including, *inter alia*, safety and environmental measures, sustainable utilisation of fields, conservation and shutdown procedures and reclamation of land.

The term of each licence is set forth in the licence. Prior to January 2000, exploration licences had a maximum term of five years, mining licences a maximum term of 20 years, and combined exploration, evaluation and mining licences a maximum term of 25 years. Following the amendment of the Subsoil Law in January 2000, ordinary exploration licences now have a maximum term of five years; mining licences are generally granted for a term of the expected operational life of the plot based on a feasibility study; and combined licences can be issued for the term of the expected operational life of the plot based on a feasibility study. In addition, the licence for the extraction of the subsoil waters is granted for a 25-year period. These amendments do not affect the terms of licences issued prior to January 2000, but permit licensees to apply for extensions of such licences for the term of the expected operational life of the plot, provided the licensee complies with the licence terms. The term of a subsoil licence runs from the date the licence is registered with Rosnedra. A licensee has the right to develop and sell extracted mineral resources from the area indicated in the licence. The Russian Federation, however, retains ownership of all unextracted subsoil resources at all times, and the licensee only has rights to the minerals or other relevant types of mineral resources when extracted.

A subsoil exploration and production licence gives its holder exclusive subsoil use rights with respect to an identified licence area, including subsurface zones (however, land plots used for developing fields are leased separately and in accordance with the Land Code of the Russian Federation No.136-FZ dated 25 October 2001, as amended (the "**Land Code**")) for the term of the licence.

Extension of Licences

The Subsoil Law permits a subsoil licensee to request an extension of a subsoil licence in order to complete the exploration or evaluation of the minefield, extraction from the subsoil plot covered by the licence or the procedures necessary to vacate the land once the use of the subsoil is complete, provided the licensee complies with the terms and conditions of the licence, the development plan and the relevant regulations.

To extend a subsoil licence a company must file an application with the local office of Rosnedra. In order for a licence extension application to be considered, the applicant must prepare technical documentation describing the exploration and extraction activities to be conducted at the underlying fields. Such documentation must be prepared pursuant to the relevant regulations and approved by Rosnedra.

In practice, the factors that may affect a company's ability to obtain the approval of licence amendments include (i) its compliance with the licence terms and conditions, as well as with the development plan; and (ii) its management's experience and expertise relating to subsoil issues, including experience in amending licences. The Group is periodically checked for compliance by government authorities and has historically been in material compliance with its licences and development plans.

Transfer of Licences

Licences may be transferred only under certain limited circumstances that are set forth in the Subsoil Law, including, among others, the reorganisation or merger of the licensee or in the event that the initial licensee transfers its licence to a subsidiary or a newly established legal entity in which it has at least a 50 per cent. ownership interest, provided that the transferee possesses the equipment and authorisations necessary to conduct the exploration or extraction activity covered by the transferred licence. Licences may not be transferred to a company or group of companies owned by foreign entities which (i) directly or indirectly control 10 per cent. of voting shares comprising the share capital of such company; (ii) determine the decisions taken by such company including terms and conditions of its business; and (iii) appoint the chief executive officer and/or more than 10 per cent. of members of the board of directors (supervisory board) or other collective management board of such company. However, the Russian Government in some exceptional cases may approve the transfer of the licences to such company or group of companies.

Maintenance and Termination of Licences

A licence sets out the terms and conditions for the use of the subsoil licence and certain environmental, safety and production commitments. Rosnedra and the licensee also enter into a licensing agreement where they may set out the expressly agreed additional terms, such as target extraction rates; conducting certain mining and other exploratory and development activities; protecting the environment in the licensed areas from damage; providing geological information and data to the local authorities and fulfilling specified commitments with respect to the social and economic development of the region. When the licence expires, the licensee must return the land to the condition required for its future use. Although most of the conditions set out in a licence are based on mandatory provisions of Russian law, certain provisions in a licensing agreement are left to the discretion of the licensing authorities and often negotiated between the parties.

If the subsoil licensee fails to fulfil the licence requirements, the licence may, upon notice, be terminated by the licensing authorities.

The Subsoil Law and other Russian legislation contain extensive provisions with respect to the limitation, suspension or termination of the rights of a subsoil user. A licensee can be fined or its rights may be limited, suspended or terminated for repeated breaches of the law, as a consequence of a direct threat to the lives or health of people working or residing in the local area or in the event of certain emergency situations. The rights of a subsoil user may also be limited, suspended or terminated for violations of material licence terms. Although the Subsoil Law does not specify which terms are material, failure to pay subsoil taxes and related payments or failure to commence operations in a timely manner have been common grounds for limitation, suspension or termination of the rights of a subsoil user.

Consistent overproduction, underproduction or a failure to meet financial obligations in respect of a project (pursuant to the licensing agreement) are also likely to constitute violations of material licence terms. In addition, certain licences provide that a licensee's failure to fulfil any of its obligations may constitute grounds for limitation, suspension or termination of the rights of a subsoil user.

The Group must comply with the Subsoil Law, including the provisions governing the use of subsoil, exploration and development of mineral resources. Pursuant to the terms of the Group's licences and its developments plans, tailings and waste produced during the extraction of ore must be commercially justified, adequately stored and re-processed if possible. The Group must also ensure deep processing of the extracted ore and provide geological information in respect of the fields underlying the Group's licences to the regional department of the Ministry of Natural Resources and Environment on a quarterly basis.

Payments

Payments with respect to the exploration, evaluation and extraction of minerals include: (i) payments for the use of subsoil under the Subsoil Law (which may include regular payments for exploration of minerals and certain one-off payments); and (ii) the mineral extraction tax under the Russian Tax Code. Failure to make these payments could result in the suspension or termination of the subsoil licence.

Land Use Rights

Russian legislation prohibits the carrying out of any commercial activity, including mineral extraction activities, on a land plot without appropriate land use rights. Land use rights are generally obtained for only those parts of the licence area which are actually in use, including the plot being mined, access areas, and areas where other mining-related activity is being carried out.

Pursuant to the Land Code, legal entities may generally have ownership or lease rights with regard to land in the Russian Federation.

Russian law currently categorises all land as having a particular designated purpose, for example: agricultural land, industry land, settlement lands, lands under specially protected territories and objects. Land should be used in accordance with the purpose designated by the relevant category.

Most land in the Russian Federation is owned by the federal, regional or municipal authorities, which can sell, lease or grant other rights of use to third parties, including through auctions. As a general rule, a lessee has no pre-emptive right as to entering into a new land lease agreement with a lessor upon the expiration of the lease of the

land owned by the federal, regional or municipal authorities without holding an auction. However, a new lease agreement can be concluded without holding an auction when the following criteria have been met: (i) a lessee applies for conclusion of a new agreement before the expiration of lease, (ii) no other party has an exclusive right to purchase the relevant land plot, (iii) previous lease agreement was not terminated on any of the grounds provided by the Civil Code or the Land Code (improper use of the land plot etc.) and (iv) as of the date of entering into a new lease agreement, the legal grounds for provision of the relevant land plot to the lessee without conducting a public auction remain effective. In order to renew a land lease agreement, the lessee must apply to the lessor for a renewal prior to the expiration of the agreement. Any lease agreement of a land plot for a period of one year or more must be registered with the Russian Federal Service for State Registration, Cadastre and Cartography ("**Rosreestr**").

Rosreestr records details of land plots, including their measurements and boundaries, in a unified register. A landowner must obtain a state cadastre number for a land plot as a condition to selling, leasing or otherwise transferring interests in that plot. Rosreestr maintains the Unified State Register of Immovable Property (the "**Register of Immovable Property**") containing data on the specifications of immovable property (cadastral record data) and the rights to immovable property. Generally, under the Civil Code, the right of ownership and the other rights to real estate property (such as buildings, land plots and other real estate items), the restriction of these rights, their arising, transfer and cessation shall be registered with the Register of Immovable Property. Federal Law No. 218-FZ "On State Registration of Immovable Property," dated 13 July 2015, as amended, regulates the procedure for the state registration of rights and transactions. A person acquires the right to the real estate property only upon the state registration of such right in the Register of Immovable Property. A person, whose right has been registered earlier in the Register of Immovable Property, has a right to register an objection note with respect to the subsequently registered right of another person. However, if the person who registered the objection has not pursued such challenge in the court within three months, the objection note must be cancelled and further objection by the same person will not be allowed.

Environmental Compliance

General

The Group is subject to laws, regulations and other legal requirements relating to the protection of the environment, including those governing the discharge of substances into the air and water, the management and disposal of hazardous substances and waste, the clean-up of contaminated areas on the production sites and protection of flora, fauna and other wildlife. Issues of environmental protection in Russia are regulated primarily by Federal Law No. 7-FZ "On Environmental Protection" dated 10 January 2002, as amended (the "**Environmental Protection Law**"), as well as by a number of other federal laws and regulations.

Environmental Protection Authorities

Rosprirodnadzor, Rostekhnadzor, the Russian Federal Service for Hydrometeorology and Environmental Monitoring, the Russian Federal Agency on Forestry and the Russian Federal Agency on Water Resources (along with their regional branches) are primarily responsible for environmental control, and the monitoring, implementation and enforcement of the relevant laws and regulations. The Russian Government and the Ministry of Natural Resources and Environment are responsible for the development of regulatory documents in the sphere of environmental protection and for the co-ordination of activities of the regulatory authorities in this area. Such regulatory authorities, along with other state authorities, individuals and public and non-governmental authorities also have the right to initiate lawsuits for the compensation of damage caused to the environment. The statute of limitations for such lawsuits is 20 years.

Payments for negative impact on the environment ("pay-to-pollute" regime)

The Environmental Protection Law establishes a "pay-to-pollute" regime administered by the federal and local authorities. The Ministry of Natural Resources and Environment adopts regulatory documents governing the permissible impact on the environment and the extraction of resources, while Rosprirodnadzor establishes limits on emissions and disposals of substances and waste. A company may obtain approval for exceeding these statutory limits from the federal or regional authorities depending on the type and scale of the environmental impact. As a condition for such approval, a plan for the reduction of emissions or disposals must be developed by the company and cleared with an appropriate governmental authority. Fees, as set forth in Decree of the Russian Government No. 255 "On Calculation and Collection of Payments for Negative Impact on the Environment," dated 3 March 2017, as amended, are assessed on a sliding scale for both the statutory and individually approved limits on

emissions and effluents and for pollution in excess of these limits. Under this sliding scale, the lowest fees are imposed for pollution within the statutory limits, higher fees are imposed for pollution within the individually approved limits and the highest fees are imposed for pollution exceeding such limits. Payments for negative impact on the environment do not relieve a company from its responsibility to take environmental protection measures and undertake restoration of the territory after the activities are completed.

The Russian Government has established fees for the statutory approved limits on emissions and effluents and for pollution in excess of these limits. The fees may be increased by statutory approved multiplier. The applicable rate (multiplier) effective until 31 December 2019 is 25 times the base rate for quantities discharged in excess of the approved limits.

Starting 1 January 2020, the highest multiplier will be up to 100 times the base rate and will apply to companies exceeding such pollution limits and having a significant negative environmental impact.

Additionally, in July 2019, the Russian authorities adopted Federal Law No. 195-FZ "On Implementation of Experiment on Pollution Emission Quotation and Introduction of Amendments to Separate Legal Acts of the Russian Federation in Part of Reduction of Hazardous Air Pollution" dated 26 July 2019 introducing a quotation system in relation to pollution emissions for a period from 2020 to 2024 in twelve Russian cities, in particular, Bratsk, Krasnoyarsk, Lipetsk, Magnitogorsk, Mednogorsk, Nizhny Tagil, Novokuznetsk, Chelyabinsk, Cherepovets and Chita. In 2020, upon recommendation of local authorities the Russian Government should approve programmes aimed at reducing air pollutant emissions in each respective city. Companies with facilities that will be affected by the experimental quotation system shall develop their own programmes for reducing air pollutant emissions. In case the company is not able to comply with the quotation programme, compensatory measures will be triggered.

Industrial environmental monitoring

Under the Environmental Protection Law, objects having a negative environmental impact are divided into four categories based on the level of impact: objects having a significant negative environmental impact (I category), objects having a moderate negative environmental impact (II category), objects having a low negative environmental impact (III category) and objects having a minimal negative environmental impact (IV category). The criteria for determining the appropriate category of impact are determined by the Russian Government and take into account such factors as the level of negative environmental impact on business and/or production activity, toxic levels and the carcinogenic property of polluting substances and the classification of industrial facilities. All objects having a negative environmental impact should be registered with state authorities.

The Environmental Protection Law requires companies operating businesses and activities at a specified impact level to carry out industrial environmental monitoring, which includes implementation of a programme of industrial environmental monitoring and reporting on the results of the industrial environmental monitoring to Rosprirodnadzor.

Ecological approval

Any activities that may affect the environment are subject to state ecological approval by federal authorities in accordance with Federal Law No. 174-FZ "On Ecological Expert Examination," dated 23 November 1995, as amended. Conducting operations that may cause damage to the environment without state ecological approval may result in the negative consequences described under "*Environmental liability*."

Environmental Liability

If the operations of a company violate environmental requirements or cause harm to the environment or to any individual or legal entity, environmental authorities may suspend such operations for up to 90 days or a lawsuit may be brought to limit or ban such operations and require the company to remedy the effects of the violation. Any company or employees that fail to comply with environmental regulations may be subject to administrative and/or civil liability, and individuals may be held administratively or criminally liable. Courts may also impose clean-up obligations on violators in lieu of or in addition to imposing fines.

Since 1 January 2012, owners of specified types of hazardous facilities are required to obtain insurance for liability for harm caused to third parties as a result of accidents at the facilities, except for harm caused to the environment. In addition, the Ministry of Natural Resources and Environment has recommended that a voluntary environmental

insurance policy be obtained to cover events of accidental environmental pollution of air or land or accidental discharge of waste waters or other clean-up liabilities.

Subsoil licences generally require certain environmental commitments. Although these commitments can be substantial, the penalties for failing to comply are generally low and the clean-up requirements are not very onerous, but failure to comply may lead to a suspension of mining works.

Reclamation

The Group conducts its reclamation activities in accordance with the provisions of the Land Code and Regulation on Reclamation and Conservation of Land enacted by the Decree of the Russian Government No. 800 dated 10 July 2018. The Group believes that it has complied in all material respects with the environmental standards of the appropriate regulatory authorities in Russia.

Greenhouse Gas Emissions (GHG)

The Group's approach to GHG emissions is tailored to satisfy both domestic and international standards. The Russian national GHG action was introduced by Decree of the Russian Government No. 504-r dated 2 April 2014 and reflected the commitment of the Russian Government to reduce such emissions to no more than 75 per cent. by 2020 (with reference to the 1990 baseline). The Russian GHG legislation is evolving and the key laws and regulations are being passed, however, currently, most of the regulation only deals with monitoring of the GHG emission, for example, the Decree of the Russian Government No. 716-r dated 22 April 2015, the Order of the Ministry of Natural Resources and Environment No. 300 dated 20 June 2015 or the Order of the Ministry of Natural Resources and Environment No. 330 dated 29 June 2017.

Accordingly, the Group intends to ensure compliance with these statutory requirements once they are officially promulgated.

Technical Regulations

The Technical Regulation Law governs the development, enactment, application, and enforcement of mandatory requirements, and development of voluntary standards relating to products, manufacturing, storage, transportation, sales and utilisation, as well as assessment of compliance with such requirements. Under the Technical Regulation Law, technical rules and regulations can be enacted only by treaties to which the Russian Federation is a party, decrees of the Russian President, resolutions of the Russian Government, and regulations adopted by Russian state authorities responsible for state regulation. Mandatory rules applicable to products and product-related operations and processes are also established by the current technical regulations of the Customs Union, which replace prior national regulations.

In the absence of technical regulations adopted under the Technical Regulation Law, the existing federal laws and regulations, including the previously adopted state standards (the so-called "**GOSTs**"), that prescribe specific requirements applicable to various products and technological processes, remain in force and are mandatory to the extent that they protect health, property, the environment or consumers.

In those cases where the Technical Regulation Law provides for mandatory confirmation of product conformity to the established technical regulations (standards), certain Group companies are obliged to obtain certificates of compliance evidencing that their products meet the requirements of such technical regulations. Certain Group companies are obliged to obtain the permits, which prove that their technical equipment used at hazardous production facilities meets the relevant industrial safety requirements.

Where certification is not mandatory, a company may elect for voluntary certification by applying for a compliance certificate from the relevant authorities. Following the issuance of that certificate, the applicant has the right to use the relevant compliance mark on its products.

Violation of the rules of mandatory certification, i.e. sale of the goods subject to mandatory certification without required certificates, may lead to an administrative fine and/or suspension of business operations for up to 90 days and confiscation of non-compliant products.

Industrial Safety

Due to the nature of the Group's business, a substantial portion of its activities is conducted at industrial sites by large numbers of workers, and labour protection is of significant importance to the operation of these sites.

The principal law regulating industrial safety is Federal Law No. 116-FZ "On Industrial Safety of Dangerous Industrial Facilities" dated 21 July 1997, as amended (the "**Safety Law**"). The Safety Law applies, in particular, to industrial facilities and sites where companies undertake certain hazardous activities, including activities related to the usage, production, processing, storage, transportation or utilisation of fuels and explosive, toxic and environmentally dangerous substances, as well as usage of lifting machines, production of alloys of ferrous and non-ferrous metals.

Under the Safety Law, hazardous industrial facilities are divided into four categories based on the level of hazard that varies from class I (extremely hazardous industrial sites) to class IV (least hazardous industrial sites). Rostekhnadzor classifies hazardous industrial facilities at the time of their state registration. For the purposes of state registration companies are to file the information regarding the facilities with the relevant authority within 10 days after they start operating the facility. Rostekhnadzor exercises the broadest control and supervision over sites pertaining to the first and second category, whereas sites included in the third and fourth categories enjoy a more liberal compliance regime.

Generally, any construction, reconstruction, shutdown or other activities in relation to regulated industrial sites is subject to an industrial safety review. Any deviation from project documentation in the process of construction, reconstruction or shutdown of industrial sites is prohibited, unless the revised documentation is examined by an expert and approved by Rostekhnadzor. On top of that, a company wishing to implement additional safety requirements or to substitute the requirements set forth in the legislation should file a safety case substantiating the proposed requirements. Such safety case is subject to mandatory industrial safety review.

Companies that operate hazardous industrial facilities and sites have a wide range of obligations under the Safety Law and the Labour Code (as defined below). In particular, they must limit access to such sites to specialists complying with the relevant qualifications and medical requirements, maintain industrial safety controls and carry insurance for third-party liability for injuries caused in the course of operating industrial sites. The Safety Law also requires these companies to enter into contracts with professional wrecking companies or create their own wrecking services in certain cases, conduct personnel training, create systems to cope with and inform Rostekhnadzor of accidents and maintain these systems in good working order.

Companies operating hazardous industrial facilities of first and second category must also prepare declarations of industrial safety which summarise the risks associated with operating a particular industrial site and measures the company has taken and will take to mitigate such risks, and use the site in accordance with the applicable industrial safety requirements. Such declaration must be adopted by the CEO of the company, who is personally responsible for the completeness and accuracy of the data contained therein. The industrial safety declaration, as well as an industrial safety review are required for the issuance of a licence permitting the operation of a dangerous industrial facility. Dangerous industrial facilities must be registered in the state register of dangerous industrial facilities maintained by Rostekhnadzor. The registration is permanent and must be renewed only in case of changes in the regulated industrial site's composition and the shutdown or launch of a dangerous facility.

Any company or individual violating industrial safety rules may incur administrative and/or civil liability, and individuals may also incur criminal liability. A company that violates safety rules in a way that negatively impacts the health of an individual may also be required to compensate the individual for lost earnings, as well as health-related damages.

Antimonopoly Regulation

The antimonopoly legislation of the Russian Federation is based on Federal Law No. 135-FZ dated 26 July 2006 "On the Protection of Competition" (the "**Competition Law**") as amended, and other federal laws and regulations governing antimonopoly issues. Compliance with antimonopoly legislation in Russia is monitored by the FAS. Russian legislation grants the FAS the powers necessary for the performance of its functions and dealing with violations of antimonopoly legislation.

In accordance with the Competition Law, companies having a dominant position in a particular goods market are prohibited from, among other things, entering into agreements, which have the effect of limiting competition,

including artificially limiting the supply of goods, maintaining high or low monopolistic prices and refusing without justification to sell goods to third parties. A company will be deemed to have a dominant position if its share in a particular goods market exceeds 50 per cent. (in some circumstances its market share may be below 35 per cent.).

Prior antimonopoly clearance from the FAS is required in respect of any acquisition of: (i) more than 25 per cent. of the voting shares in a Russian joint stock company (or a one-third interest in a Russian limited liability company) and any subsequent increase of that stake to more than 50 per cent. or more than 75 per cent. of the voting shares (or a one-half and two-third interest in a Russian limited liability company); (ii) subject to certain exceptions, fixed production assets or goodwill of a company located in Russia in an amount exceeding 20 per cent. of the aggregate balance sheet value of all fixed production assets and goodwill of such company; (iii) the right to control the business activities of another Russian company or perform the functions of its executive body; or (iv) more than 50 per cent. of the voting shares (or a 50 per cent. interest) in, or other right to control the business activities or perform the functions of the executive body of a company registered outside Russia, which, during the previous year, delivered or provided goods or services into Russia for an aggregate total amount exceeding RUB 1 billion (approximately US\$ 16 million). Certain other transactions are also subject to a prior antimonopoly clearance from the FAS.

Any of the above acquisition transactions would require a prior approval of the FAS if according to the latest balance sheet: (i) the aggregate asset value of a purchaser (and its group) together with the target (and its group) exceeds RUB 7 billion (approximately US\$ 111 million), or the total revenues of such persons for the preceding calendar year exceed RUB 10 billion (approximately US\$ 159 million); and (ii) the total asset value of the target (and its group) exceeds RUB 400 million (approximately US\$ 6.3 million). Intra-group transactions if the seller and the purchaser to a transaction belong to the same group though ownership of more than 50 per cent. shares (e.g. the seller and the purchaser are both controlled by the same parent company, or one party is controlled by the other party), are exempt from merger control regulation. Other intra-group transactions can be also exempt from prior clearance by the FAS, subject to compliance with certain reporting requirements.

The Competition Law expressly provides for extraterritorial application to the transactions, which are made outside of the Russian Federation (including transaction made between foreign entities) but lead, or may lead, to the restriction of competition in the Russian Federation and which relate to assets located in the Russian Federation or to the shares (or participation interests) in Russian companies or rights in relation to Russian companies or non-Russian companies with a turnover in Russia exceeding RUB 1 billion (approximately US\$ 16 million).

Under the Competition Law, if a transaction violates the merger control rules by way of, for example, acquisition of the shares of a Russian company without obtaining the prior approval of the FAS, such acquisition transaction may be invalidated by a court upon petition filed by the FAS, provided that such transaction has led or may lead to the restriction of competition, for example, by means of strengthening of a dominant position in the relevant market. Administrative fines can be imposed by the FAS for entering into a transaction without the prior approval of the FAS.

More generally, Russian legislation provides for civil, administrative and criminal liability (which is set out only for cartelling cases) for violations of the Russian antimonopoly legislation.

Employment and Labour

Labour matters in Russia are primarily governed by the Labour Code of the Russian Federation No. 197-FZ dated 30 December 2001, as amended (the "**Labour Code**"). In addition to this core legislation, relationships between employers and employees are regulated by various federal laws.

Employment contracts

As a general rule, employment contracts for an indefinite term are concluded with all employees. Russian labour legislation expressly limits the possibility of entering into fixed term employment contracts. Generally, an employment contract can be entered into for a fixed term of up to five years in cases where labour relations may not be established for an indefinite term due to the nature of the duties or the conditions of the performance of such duties, as provided by the Labour Code and federal laws. The Labour Code specifies where the employer is obliged to enter into fixed term employment contracts, and where the employer may, but is not obliged to, conclude such agreement subject to the parties' mutual agreement. Employment contract with the chief executive officer, his deputy, and the chief accountant may be concluded either for a fixed or an indefinite term.

In certain cases specifically provided for by the Labour Code the employer is obliged to enter into a fixed term employment contract. A fixed term employment contract must be entered into, *inter alia*, with an employee employed to:

- perform the job duties of another employee for the period of his/her temporary leave of absence;
- work abroad (i.e., if the employee is sent by its Russian employer to work outside Russia);
- perform seasonal work (which, due to the condition of climate or nature can only be performed in course of a particular season not exceeding six months); and
- perform work outside the scope of the employer's ordinary activity (reconstruction, installation, commissioning and other work which is without doubt temporary and shall not take more than one year) and work specifically related to a temporary (up to one year) extension of production or scope of services provided.

In certain other cases provided for by the Labour Code the employer may, but is not obliged to, enter into a fixed term employment contract subject to the parties' mutual agreement. In particular, a fixed term employment contract may be entered into, *inter alia*, with:

- the company's chief executive officer, its deputies, and the chief accountant;
- retirees by age and persons who are only allowed temporary work in accordance with a medical certificate; and
- part-time employees.

An employer may terminate an employment contract only on the basis of the specific grounds listed in the Labour Code, including:

- the liquidation of the company or downsizing of its staff;
- the failure of the employee to comply with the position's requirements due to incompetence as confirmed by the results of an evaluation;
- the systematic failure of the employee to fulfil his or her job duties, if he or she was subject to disciplinary measures;
- a single gross violation by the employee of his or her job duties in the events expressly specified in the Labour Code; and
- the provision by the employee of false documents upon entering into the employment contract.

Regardless of the grounds for termination of employment, on the employee's last day of work (which is the date of termination of employment) the employer must pay the employee his/her salary, compensation for unused vacation and other outstanding payments (such as bonuses).

Depending on the grounds for termination of employment and the terms of the employment contract, an employee may also be entitled to a severance payment. As a general rule, an employee dismissed due to downsizing of staff or the company's liquidation is entitled to the sum of following severance payments: (i) an average monthly salary; (ii) an average monthly salary payable maintained for a period of employment but not more than two months following the employment termination date; and (iii) an additional average monthly salary, if an employee applies for jobs with the local employment service within two weeks of the employment termination date and is not offered a new job within three months of the redundancy.

The Labour Code also provides protection for specified categories of employees. For example, except in cases of liquidation of an organisation, an employer cannot dismiss an expectant mother. In addition, an employer may not dismiss a mother with a child under the age of three, a single mother with a child under the age of 14 (or a disabled child under the age of 18) or other persons caring for a child under the age of 14 (or a disabled child under the age

of 18) without a mother, other than due to liquidation of an organisation, specified breach of the employment duties by an employee, and for certain delinquent actions. Employment contracts with minors can be terminated only with the consent of the state labour inspection and the commission for protection of minors' rights (except in the case of liquidation of an organisation).

Any termination of employment that is inconsistent with the Labour Code requirements may be invalidated by a court, which may require the employer to reinstate such employee. Lawsuits resulting in the reinstatement of illegally dismissed employees and the payment of damages for wrongful dismissal are increasingly frequent and Russian courts tend to support employees' rights in most cases. Where a court reinstates an employee, the employer must compensate the employee for unpaid salary for the period between the wrongful termination and reinstatement, for any mental distress and the employee's legal and other expenses incurred as a result of the litigation.

Work time

The Labour Code generally sets the regular working week at 40 hours. Any time worked beyond 40 hours per week, as well as work on public holidays and weekends, must be compensated at a higher rate or with additional days of paid vacation.

Annual paid vacation under the Labour Code is generally 28 calendar days. The Labour Code contemplates additional paid vacation in a number of cases, including work on an unlimited hours basis, work under harmful conditions and work in the Northern regions of Russia. Companies may establish additional paid vacations beyond the statutory minimums. Employees who perform work in harmful conditions may be entitled to additional paid vacation of at least seven calendar days.

Prior to 1 January 2019, the retirement age in Russia comprised 60 years for men and 55 years for women. Starting from 1 January 2019, the retirement age in Russia will be gradually raised to 65 for men and 60 for women by 2028.

Salary

The minimum monthly salary in Russia is established by federal law from time to time. Starting from 1 January 2019, the minimum monthly salary is set at the amount of RUB 11,280 (approximately U.S.\$ 179 as at the date of the Prospectus). The salaries of the Group's employees are higher than the statutory minimum and none are below such minimum.

Employees working in localities with abnormal climatic conditions are entitled to increased compensation due to unfavourable climatic or other conditions in particular regions.

Strikes

The Labour Code defines a strike as a temporary and voluntary refusal of employees to fulfil their work duties with the intention of settling a collective labour dispute. Russian legislation contains several requirements, which must be met for strikes to be legal. An employer may not use an employee's participation in a legal strike as a ground for terminating an employment contract, although Russian law generally does not require employers to pay salaries to striking employees for the duration of the strike. Furthermore, an employee's participation in an illegal strike may entail imposition of a disciplinary penalty for labour misconduct.

Trade Unions

The activities of trade unions are generally governed by the Federal Law No. 10-FZ "On Trade Unions, Their Rights and Guaranties of Their Activity," dated 12 January 1996, as amended (the "**Trade Union Law**"). The Trade Union Law defines a trade union as a voluntary union of individuals with common professional and other interests incorporated for the purposes of representing and protecting the rights and interests of its members.

As part of their activities, trade unions have the right to:

- negotiate collective contracts and agreements between trade unions and employers, federal, regional and local governmental authorities and other entities;

- monitor compliance with labour laws, collective bargaining and other agreements;
- access work sites and offices and request information relating to labour issues from the management of companies and state and municipal authorities;
- represent their members and other employees in individual and collective labour disputes with employers;
- organise strikes and participate in them; and
- monitor redundancies and seek action by municipal authorities to delay or suspend mass layoffs.

Russian law requires that companies cooperate with trade unions and do not interfere with their activities. Trade unions and their officers enjoy certain guarantees.

If a trade union discovers any violation of work condition requirements, notification is sent to the employer with a request to cure the violation and to suspend work if there is an immediate threat to the lives or health of employees. The trade union may apply to state authorities and labour inspectors and prosecutors to ensure that an employer does not violate Russian labour laws. Trade unions may also initiate collective labour disputes, which may lead to strikes.

To initiate a collective labour dispute, trade unions must present their demands to the employer. The employer is then obliged to consider the demands and notify the trade union of its decision. If the dispute remains unresolved, a reconciliation commission is gathered to resolve the dispute. Collective labour disputes may be further referred to mediation or labour arbitration.

The Trade Union Law provides that those who violate the rights and guarantees of trade unions and their officers may be subject to disciplinary, administrative and criminal liability. Although the Trade Union Law provides that those who violate the rights and guarantees provided to trade unions and their officers may be subject to disciplinary, administrative and criminal liability, no specific sanctions for these violations are set forth in Russian legislation.

DESCRIPTION OF THE ISSUER

The Issuer was incorporated in Ireland on 20 February 2013, registered number 524117, as a private limited company under the Companies Acts 1963 – 2012 of Ireland and was subsequently re-registered as a designated activity company under the Companies Act 2014 on 23 June 2016 with its name changed to Uralkali Finance Designated Activity Company. The registered office of the Issuer is 2nd Floor, Palmerston House, Fenian Street, Dublin 2, Ireland and phone number is +353 1 905 8020.

Corporate Services Provider

Cafico Corporate Services Limited (the "**Corporate Services Provider**"), an Irish company, acts as the corporate services provider for the Issuer. The office of the Corporate Services Provider serves as the general business office of the Issuer. Through the office and pursuant to the terms of the corporate services agreement entered into on 24 April 2013 between the Issuer and the Corporate Services Provider (the "**Corporate Services Agreement**"), the Corporate Services Provider performs various management functions on behalf of the Issuer, including the provision of certain clerical, reporting, accounting, administrative and other services until termination of the Corporate Services Agreement. In consideration of the foregoing, the Corporate Services Provider receives various fees and other charges payable by the Issuer at rates agreed upon from time to time plus expenses. The terms of the Corporate Services Agreement provide that either party may terminate the Corporate Services Agreement upon the occurrence of certain stated events, including any material breach by the other party of its obligations under the Corporate Services Agreement which is either incapable of remedy or which is not cured within 30 days from the date on which it was notified of such breach. In addition, either party may terminate the Corporate Services Agreement at any time by giving at least 90 days written notice to the other party.

The Corporate Services Provider's principal office is 2nd Floor, Palmerston House, Fenian Street, Dublin 2, Ireland.

Corporate Purpose of the Issuer

The principal objects of the Issuer are set forth in clause 3 of its Constitution (as currently in effect) and permit the Issuer, inter alia, to lend money and give credit, secured or unsecured, to issue debentures, loan participation notes, enter into derivatives and otherwise to borrow or raise money and to grant security over its property for the performance of its obligations or the payment of money.

The Issuer is organised as a special purpose company. The Issuer was established to raise capital by the issue of debt securities and to use an amount equal to the proceeds of each such issuance to advance a loan to the Borrower.

Since its incorporation, the Issuer has not engaged in any material activities other than those incidental to its registration as a private company, its re-registration as a designated activity company under the Companies Act 2014 and those related to (i) the authorisation, issue and repayment of U.S.\$ 650,000,000 3.723 per cent. Loan Participation Notes due 2018, and (ii) the authorisation and issue of the Notes. The Issuer has no employees.

Capital and Shareholders

The authorised share capital of the Issuer is EUR 100 divided into 100 ordinary shares of par value EUR 1 each (the "**Shares**"). The Issuer has issued one Share, which is fully paid and is held on trust by Cafico Trust Company Limited (the "**Share Trustee**") under the terms of a declaration of trust (the "**Declaration of Trust**") dated 26 February 2013, under which the Share Trustee holds the Shares on trust for charity. The Share Trustee has no beneficial interest in and derives no benefit (other than any fees for acting as Share Trustee) from its holding of the Shares. The Share Trustee will apply any income derived from the Issuer solely for the above purposes.

Directors and Company Secretary

The Issuer's Constitution provides that the Board of Directors of the Issuer will consist of at least two Directors.

The Directors of the Issuer and their business addresses are as follows:

Rolando Ebuna	2 nd Floor, Palmerston House, Fenian Street, Dublin 2, Ireland.
Yolanda Kelly	2 nd Floor, Palmerston House, Fenian Street, Dublin 2, Ireland.

The Company Secretary is Cafico Secretaries Limited.

Financial Statements

The Issuer has published financial statements in respect of the periods ending on 31 December 2018 and 31 December 2017 which are incorporated by reference into this Prospectus. The Issuer will not prepare interim financial statements. The financial year of the Issuer ends on 31 December in each year.

Each year, a copy of the audited profit and loss account and balance sheet of the Issuer together with a report of the directors and the auditors thereon is required to be filed in the Irish Companies Registration Office within 28 days of the annual return date of the Issuer and is available for inspection. The profit and loss account and balance sheet can be obtained free of charge from the registered office of the Issuer.

The Issuer Financial Statements, incorporated by reference in this Prospectus, have been audited by Grant Thornton, independent auditors, as stated in their report. The address of Grant Thornton is 13-18 City Quay, Dublin 2, Ireland who are chartered accountants and members of the Institute of Chartered Accountants and registered auditors qualified to practise in Ireland.

LOAN AGREEMENT

The following is the text of the Loan Agreement to be entered into between Uralkali and the Issuer.

This Agreement is made on 18 October 2019 **between:**

- (1) **PUBLIC JOINT STOCK COMPANY URALKALI**, a public joint stock company incorporated under the laws of the Russian Federation with its registered office at 618426, Russia, Perm Territory, Berezniki, ul. Pyatiletki, 63 ("**Uralkali**"); and
- (2) **URALKALI FINANCE DESIGNATED ACTIVITY COMPANY**, a designated activity company incorporated under the laws of Ireland with its registered office at 2nd Floor, Palmerston House, Fenian Street, Dublin 2, Ireland (the "**Lender**").

Whereas:

The Lender has at the request of Uralkali agreed to make available to Uralkali a loan facility in the amount of U.S.\$500,000,000 on the terms and subject to the conditions of this Agreement.

Now it is hereby agreed as follows:

1 Definitions and Interpretation

1.1 Definitions

In this Agreement (including the recitals), the following terms shall have the meanings indicated:

"**12-month Consolidated EBITDA**" means the aggregate Consolidated EBITDA for the two most recent Measurement Periods preceding any date of determination for which consolidated financial statements of the Group are available;

"**Account**" means the account in the name of the Lender with the Principal Paying Agent, account number 11975013 (or such other account as may from time to time be agreed with the Trustee and the Lender pursuant to the Trust Deed and notified to Uralkali at least ten Business Days in advance of such change);

"**Affiliate**" of any specified Person means: (i) any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person; or (ii) any other Person who is a director or officer (A) of such specified Person, (B) of any Subsidiary of such specified Person, or (C) of any Person described in (i) or (ii) above. For the purposes of this definition, "**control**" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing;

"**Agency**" means any agency, authority, central bank, department, committee, government, legislature, minister, ministry, official or public or statutory Person (whether autonomous or not) of, or of the government of, any state or supranational body;

"**Agreement**" means this Agreement as originally executed or as it may be amended or supplemented from time to time;

"**Approved Jurisdiction**" means, as at any date of determination, the United States of America, the Russian Federation, Switzerland, Canada and any member state of the European Union as constituted on such date or as of the Closing Date;

"**Asset Acquisition**" means (i) an investment by Uralkali or any of its Subsidiaries in any other Person pursuant to which such Person (other than a Subsidiary of Uralkali) shall become a Subsidiary of Uralkali, or shall be consolidated or merged with Uralkali or any of its Subsidiaries or (ii) the acquisition by

Uralkali or any of its Subsidiaries, of assets of any Person which constitute all or substantially all of the assets of such Person or which comprise a division or line of business of such Person;

"Asset Sale" means any direct or indirect lease, sale, transfer or other disposition (in each case other than a sale and lease-back) either in one transaction or in a series of related transactions, by Uralkali or any Material Subsidiary to a Person that is not a member of the Group, including any disposition by means of a merger, consolidation or similar transaction, of any of its properties or assets (including any shares of Capital Stock of a Subsidiary of Uralkali (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than Uralkali or its Subsidiary)), other than:

- (a) a disposition of any cash or Cash Equivalent Items;
- (b) the creation of a Lien;
- (c) any disposition constituting or resulting from the enforcement of a Lien incurred in compliance with Clause 9.1;
- (d) the sale, lease or other disposition of equipment or machinery or raw materials or inventory or any other asset that, in each case, is obsolete, worn out, negligible, redundant, surplus or outdated;
- (e) the lease, assignment or sublease of any real or personal property in the ordinary course of business, including the sale of accounts receivable in factoring or similar arrangements entered into in the ordinary course of business;
- (f) sales or other dispositions of assets or property received by Uralkali or any of its Subsidiaries upon the foreclosure on a Lien granted in favour of Uralkali or any of its Subsidiaries or any other transfer of title with respect to any secured investment in default;
- (g) sales or other disposals of products or stock in trade in the ordinary course of business;
- (h) sales or transfers of assets or property of the social infrastructure nature;
- (i) the disposal of fixed assets (i) where the proceeds of such disposal are to be reinvested by Uralkali in the purchase for full market value of, or (ii) in exchange for, fixed assets comparable or superior as to type, value and quality within six months of the relevant disposal or at time of such exchange, as the case may be; and
- (j) sales or other disposals of Capital Stock of Uralkali acquired for employees for the purpose of its employee share incentive scheme;

"Auditors" means the independent auditors of the Group's consolidated financial statements prepared in accordance with IFRS for the time being;

"Authorised Signatory" means, in relation to Uralkali, any officer who is authorised to bind Uralkali by virtue of Uralkali's constitutive documents or any Person who is authorised under a power of attorney executed by such officer on behalf of Uralkali;

"Board of Directors" means, as to any Person, the board of directors, management board or equivalent competent governing body of such Person, or any duly authorised committee thereof;

"Business Day" means a day on which (a) the London interbank market is open for dealings between banks generally and (b) if on that day a payment is to be made hereunder, commercial banks generally are open for business in Dublin, New York City, Moscow and in the city where the specified office of the Principal Paying Agent is located;

"Capital Lease Obligation" means an obligation that is required to be classified and accounted for as a finance or capital lease for financial reporting purposes in accordance with IFRS, and the amount of Indebtedness represented by such obligation shall be the capitalised amount of such obligation

determined in accordance with IFRS; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty;

"Capital Stock" of any Person means any and all shares, interests (including partnership interests), rights to purchase, warrants, options, participations or other equivalents of or ownership interests in (however designated) equity of such Person, including any preferred stock of such Person, whether now outstanding or issued after the Closing Date, including without limitation, all series and classes of such Capital Stock but excluding any debt securities convertible into such equity;

"Cash and Cash Equivalents" means, at any time, and without duplication, any amounts and investments shown as cash and cash equivalents in the most recently published consolidated financial statements of the Group prepared in accordance with IFRS, in each case not subject to any security interest (other than pursuant to any customary bankers' liens arising by operation of law) and the proceeds of which are capable of being remitted to a member of the Group;

"Cash Equivalent Items" means:

- (a) any investment in direct obligations of an Approved Jurisdiction or any Agency thereof or obligations guaranteed by an Approved Jurisdiction or any Agency thereof;
- (b) investments in demand and time deposit accounts, certificates of deposit and money market deposits with a maturity of one year or less from the date of acquisition thereof issued by a bank or trust company which is organised under the laws of an Approved Jurisdiction, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of U.S.\$500,000,000 (or the foreign currency equivalent thereof) and has outstanding debt which is rated "BBB-" or "Baa3" (or such similar equivalent rating) or higher by at least one nationally recognised statistical rating organisation;
- (c) repurchase obligations with a term of not more than 30 calendar days for underlying securities of the types described in paragraph (a) above entered into with a bank meeting the qualifications described in paragraph (b) above;
- (d) investments in commercial paper with a maturity of one year or less from the date of acquisition, issued by a corporation (other than an Affiliate of Uralkali) organised and in existence under the laws of an Approved Jurisdiction with a rating at the time as of which any investment therein is made of "P1" (or higher) or "A1" (or higher), as the case may be, according to a Rating Agency;
- (e) investments in securities with maturities of six months or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of an Approved Jurisdiction or by any political subdivision or taxing authority thereof, and rated at least "BBB-" or "Baa3", as the case may be, by a Rating Agency; and
- (f) investments in money market funds that invest substantially all their assets in securities of the types described in paragraphs (a) through (e) above;

"Closing Date" means 22 October 2019;

"Comparable Treasury Issue" means the United States Treasury security selected by the Determination Agent as having a maturity comparable to the remaining term of the Loan from the Make Whole Optional Prepayment Date to the Repayment Date, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to the Repayment Date;

"Comparable Treasury Price" means, with respect to any Make Whole Optional Prepayment Date, the average of three, or such lesser number as is obtained by the Determination Agent, Reference Treasury Dealer Quotations for the Make Whole Optional Prepayment Date;

"Conditions" means the terms and conditions of the Notes as set out in Schedule 3 of the Trust Deed;

"Consolidated EBITDA" means the consolidated profit/loss of the Group for any Measurement Period from ordinary activities before taxation:

- (a) before deducting/adding any amounts shown as Net Finance Income/(Expense) in the then most recently published consolidated financial statements of the Group prepared in accordance with IFRS;
- (b) before taking into account any items treated as exceptional or extraordinary items;
- (c) before deducting any amount attributable to the amortisation of intangible assets or the depreciation of tangible assets; and
- (d) after deducting the amount of any profit of any member of the Group which is attributable to minority interests,

in each case, to the extent added, deducted or taken into account, as the case may be, for the purposes of determining the profits of the Group from ordinary activities before taxation;

"Consolidated Net Indebtedness" means at any date of determination an amount equal to (a) (and without duplication) the aggregate outstanding principal, capital or nominal amount (and any fixed or minimum premium payable on prepayment or redemption) of the Indebtedness of the Group on a consolidated basis as calculated in accordance with the then most recently published consolidated financial statements of the Group prepared in accordance with IFRS (adjusted by excluding any Indebtedness incurred in respect of any Non-recourse Project Financing), reduced by (b) (x) the aggregate Cash and Cash Equivalents of the Group on a consolidated basis and (y) the amount of any assets arising from any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price with respect to Indebtedness as determined in good faith by Uralkali (z) the capitalised element of liability under any lease or hire purchase contract which would, in accordance with IFRS, be treated as a financial balance sheet liability, in each case, as calculated (to the extent applicable) in accordance with the then most recently published consolidated financial statements of the Group prepared in accordance with IFRS;

"Consolidated Total Assets" means at the date of determination, the total assets of the Group as shown in the then most recent audited or reviewed published consolidated financial statement of the Group prepared in accordance with IFRS;

"Core Business" means production of potash based fertilisers and any business, services or activity that is related, complementary, incidental, ancillary or similar thereto;

"Determination Agent" means a financial adviser or bank being a reputable financial institution operating in the United States Treasury Securities market in New York which is independent of Uralkali, appointed by Uralkali and at Uralkali's expense for the purpose of determining the Make Whole Prepayment Amount;

"Disinterested Director" means, with respect to any transaction or series of related transactions, a member of the Board of Directors of Uralkali who does not have any material direct or indirect financial interest in or with respect to such transaction or series of related transactions. A Person shall not be ineligible to constitute a Disinterested Director solely as a result of such Person owning any equity interests of Uralkali or any of its Subsidiaries or acting as an officer, director or employee of Uralkali or any of its Subsidiaries;

"Dollars", "U.S.\$" and "U.S. Dollars" means the lawful currency of the United States of America;

"Environment" means living organisms including the ecological systems of which they form part and the following media:

- (a) air (including air within natural or man-made structures, whether above or below ground);
- (b) water (including territorial, coastal and inland waters, water under or within land and water in drains and sewers); and/or

- (c) land (including land under water);

"Environmental Law" means all applicable laws and regulations of any jurisdiction in which any member of the Group conducts business which:

- (a) have as a purpose or effect the protection of, and/or prevention of harm or damage to, the Environment;
- (b) provide remedies or compensation for harm or damage to the Environment; and
- (c) relate to Hazardous Substances or health or safety matters;

"Environmental Licence" means any authorisation, consent, approval, resolution, licence, exemption, filing or registration required at any time under Environmental Law in order to conduct the Core Business;

"Event of Default" has the meaning assigned to such term in Clause 10.1 hereof;

"Extraordinary Resolution" has the meaning set out in Schedule 5 of the Trust Deed;

"Facility" has the meaning given to it in Clause 2.1;

"Fair Market Value" means the price that would be paid in an arm's length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the competent management body of Uralkali or the relevant competent management body of the Subsidiary of Uralkali (including a majority of the Disinterested Directors, if applicable) whose determination shall be conclusive if evidenced by a resolution of such relevant competent management body;

"Fitch" means Fitch Ratings, Inc.;

"Global Note Certificate" means the Regulation S Global Note Certificate and the Rule 144A Global Note Certificate;

"Group" means Uralkali and its consolidated Subsidiaries from time to time taken as a whole;

"guarantee" means, in relation to any Indebtedness of any Person, any obligation, contingent or otherwise, of another Person, directly or indirectly, to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for the payment of such Indebtedness (including any suretyship arrangement);

"IAS 34" means the International Accounting Standard 34, Interim Financial Reporting issued by the IASB, as amended, supplemented, restated or superseded from time to time;

"Hazardous Substance" means any waste, pollutant, contaminant or other substance (including any liquid, solid, gas, ion, living organism or noise) that may be harmful to human health or other life or the Environment or a nuisance to any person;

"IFRS" means the International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board ("**IASB**") and interpretations issued

by the International Financial Reporting Interpretations Committee (as amended, supplemented or reissued from time to time);

"Incur", or any derivative thereof (including **"Incurrence"**), means issue, assume, guarantee, create, incur or otherwise become liable for; provided, however, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) or is merged into a Subsidiary will be deemed to be Incurred by such Subsidiary at the time it becomes or is so merged into a Subsidiary;

"Indebtedness" means, in respect of any Person, any indebtedness for, or in respect of (without duplication), moneys borrowed; any amount raised by acceptance under any acceptance credit facility; any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument; any amount of money raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing; the amount of any liability in respect of a capital lease that would at that time be required to be capitalised on a balance sheet in accordance with IFRS and (without double counting) the amount of any liability in respect of any guarantee or indemnity (whether on or off balance sheet) for any of the items referred to above; provided that, for the avoidance of doubt, Indebtedness shall not include moneys raised by way of the issue of share capital (whether or not for cash consideration) and any premium on such share capital; and provided further that Indebtedness shall not include Indebtedness among Uralkali and Subsidiaries or among Subsidiaries; and provided further that Indebtedness shall not include any trade credit extended to such Person in connection with the acquisition of goods and/or services on arm's length terms and in the ordinary course of trading of that Person;

"Interest Payment Date" means 22 April and 22 October of each year in which the Loan remains outstanding, commencing on 22 April 2020;

"Investment Grade Rating" means a rating equal to or higher than (i) Baa3 (or the equivalent) by Moody's (ii) BBB- (or the equivalent) by Standard & Poor's and (iii) BBB- (or the equivalent) by Fitch or in each case the equivalent thereof from any duly approved substitute Rating Agency;

"Investment Grade Status" means that the Notes have an Investment Grade Rating from any two Rating Agency;

"Leverage Ratio" means as of any date of determination the ratio of Consolidated Net Indebtedness to 12-Month Consolidated EBITDA of the Group after giving effect on a pro forma basis to:

- (a) the incurrence or repayment of any other Indebtedness after the Measurement Period most recently ended prior to the event giving rise to the need to make such calculation;
- (b) the exclusion from the aggregate Cash and Cash Equivalents of the Group of the portion of Cash and Cash Equivalents associated with the incurrence of any Indebtedness the permissibility of which is then being measured; and
- (c) the exclusion of Consolidated EBITDA associated with any Asset Sales or the inclusion of Consolidated EBITDA associated with any Asset Acquisitions (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of the incurrence or assumption of Indebtedness) occurring on or after the first day of the first Measurement Period used in the calculation of such 12-Month Consolidated EBITDA as if any such Asset Sales or Asset Acquisitions occurred on such first day,

in each case, as calculated in accordance with or (as applicable) on the same basis as the then most recently published consolidated financial statements of the Group prepared in accordance with IFRS and in the case of any calculation of Consolidated EBITDA in respect of paragraph (c) above the pro forma calculations shall be determined in good faith based on such financial statements and information as are available and on reasonable assumptions and estimates by a responsible financial or accounting officer of Uralkali whose determination will be conclusive (in the absence of manifest error);

"Lien" means any mortgage, pledge, encumbrance, lien, charge or other security interest (including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction) securing any obligation of any Person;

"Loan" means, at any time, an amount equal to the aggregate principal amount of the Facility granted by the Lender pursuant to this Agreement, as reduced from time to time by repayment or prepayment;

"Make Whole Optional Prepayment Date" has the meaning assigned to such term in Clause 5.5 hereof;

"Make Whole Prepayment Amount" means the higher of (a) the portion of the Loan that is to be prepaid pursuant to Clause 5.5 and (b) the amount equal to the sum of the present values of the portion of the Loan that is to be prepaid pursuant to Clause 5.5, together with the present values of the scheduled interest payments on such portion of the Loan from the Make Whole Optional Prepayment Date to the Repayment Date in each case, discounted to the Make Whole Optional Prepayment Date on a semi-annual compounded basis at the adjusted U.S. Treasury Rate plus 50 basis points, all as determined by the Determination Agent;

"Material Adverse Effect" means a material adverse effect on (a) the financial condition or business of Uralkali or the Group or (b) Uralkali's ability to perform its payment or any other material obligation under this Agreement or the Paying Agency Agreement or (c) the validity, legality or enforceability of this Agreement or the Paying Agency Agreement or the rights or remedies of the Lender under this Agreement;

"Material Subsidiary" means any Subsidiary of Uralkali:

- (a) whose gross assets constitute 10 per cent. of the total consolidated gross assets of the Group; or
- (b) whose gross revenue constitutes 10 per cent. or more of the total consolidated gross revenue of the Group,

determined by reference to the most recent annual consolidated financial statements of the Group prepared in accordance with IFRS and the most recent annual standalone reporting forms of the relevant Subsidiary, which were used for the purposes of preparing the Group's consolidated financial statements prepared in accordance with IFRS and, for the avoidance of doubt, excluding intra-Group items, in each case taking into account on a pro forma basis any consolidation, amalgamation or merger referred to in Clause 9.4;

"Measurement Period" means a period of six months ending on 30 June or 31 December for which consolidated financial statements of the Group (or the other relevant Person in respect of which the particular calculation is to be made, as the case may be) prepared in accordance with IFRS are available. For the avoidance of doubt, any non-balance sheet financial information for a Measurement Period ending on 31 December of any year shall be calculated by subtracting (a) the relevant information for the Measurement Period ending on 30 June of that year from (b) the equivalent information for that year;

"Moody's" means Moody's Investors Service, Inc.;

"Non-recourse Project Financing" means any financing of all or part of the costs of the acquisition, construction or development of any project, if the Person or Persons providing such financing expressly agree to limit their recourse to the project financed and the revenues derived from such project as the source of repayment for the moneys advanced;

"Noteholder" means, in relation to a Note, the Person in whose name such Note is for the time being registered in the register of Noteholders (or, in the case of a joint holding, the first named holder thereof) and **"Noteholders"** shall be construed accordingly;

"Notes" means the U.S.\$ 500,000,000 4.000 per cent. loan participation notes due 2024 proposed to be issued by the Lender as issuer under the Trust Deed;

"Officer's Certificate" means a certificate signed by an Authorised Signatory, principal accounting officer or principal financial officer of Uralkali;

"Opinion of Counsel" means a written opinion from international legal counsel who is reasonably acceptable to the Lender and the Trustee;

"Par Optional Prepayment Date" has the meaning assigned to such term in Clause 5.6 hereof;

"Paying Agency Agreement" means the paying agency agreement dated the date hereof, as amended, varied or supplemented relating to the Notes;

"Paying Agent" shall have the meaning attributed to it in the Paying Agency Agreement;

"Permitted Indebtedness" means any or all of the following:

- (a) Indebtedness outstanding on the Issue Date;
- (b) intercompany and intra-Group indebtedness owed to and held by Uralkali or any of its Subsidiaries; provided, however, that any subsequent disposition, pledge or transfer of such Indebtedness (other than to Uralkali or any of its Subsidiaries) shall be deemed, in each case, to constitute the incurrence of such Indebtedness by the obligor thereof;
- (c) Indebtedness of a Subsidiary of Uralkali incurred and outstanding on or prior to the date on which such Subsidiary became a Subsidiary of Uralkali (other than Indebtedness incurred in connection with, or to provide all or any portion of the funds or credit support utilised to consummate, the transaction or series of related transactions pursuant to which such Subsidiary became a Subsidiary of Uralkali); provided, however, that on the date of such acquisition and after giving pro forma effect thereto, Uralkali would have been entitled to incur at least U.S.\$1.00 of additional Indebtedness pursuant to Clause 9.2.1;
- (d) Refinancing Indebtedness incurred by Uralkali or any of its Subsidiaries in respect of Indebtedness incurred by Uralkali or any of its Subsidiaries pursuant to Clause 9.2.1 or Clause 9.2.2;
- (e) Indebtedness under any hedging agreement of Uralkali or any of its Subsidiaries entered into to limit interest rate, exchange rate or commodity price risks; provided that such hedging agreement is not for speculative purposes;
- (f) obligations in respect of performance, bid and surety bonds, completion guarantees, letters of credit (other than any reimbursement obligations of Uralkali or any of its Subsidiaries to the issuing bank of the relevant letter of credit arising upon the payment by the issuing bank of the underlying obligation, where such obligation remains unpaid beyond any applicable grace period) or similar obligations provided by Uralkali or any of its Subsidiaries in the ordinary course of business of the Group;
- (g) Indebtedness arising from agreements of Uralkali or any of its Subsidiaries providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business, assets or Capital Stock of Uralkali or any of its Subsidiaries; provided that (A) with respect to dispositions, the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the net proceeds (including the Fair Market Value of non-cash consideration) actually received by (or held in escrow as a collateral for such Indebtedness for later release to) Uralkali and its Subsidiaries in connection with such disposition (without giving effect to any subsequent changes in value) and (B) in each case, such Indebtedness is not reflected on the balance sheet of Uralkali or any of its Subsidiaries (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet shall not be deemed to be reflected on such balance sheet for purposes of this part (B) of this paragraph (g));
- (h) Indebtedness in respect of workers' compensation claims or claims arising under similar legislation, or pursuant to self-insurance obligations and not in connection with the borrowing of money or the obtaining of advances or credit;

- (i) (A) Purchase Money Indebtedness and (B) Capital Lease Obligations incurred to finance the acquisition, construction, development or improvement by Uralkali or any of its Subsidiaries of assets used or useful in its Core Business, provided that the aggregate principal amount of such Indebtedness incurred under part (A) of this paragraph (i) does not exceed U.S.\$200,000,000 at any time outstanding;
- (j) Indebtedness arising from the honouring by a bank or other financial institution of a cheque, draft or similar instrument inadvertently drawn against insufficient funds in the ordinary course of business provided, however, that such Indebtedness is extinguished within five Business Days of its incurrence;
- (k) Indebtedness incurred under any revolving credit facility (including any warehouse finance or any other inventory finance facility) solely for working capital purposes in an ordinary course of business of the Group provided that the maturity of any advance thereunder is less than 365 days and the principal amount outstanding thereunder does not exceed U.S.\$150,000,000 at any one time;
- (l) Indebtedness in respect of accrued discounts, customer deposits and advance payments received from customers for services provided or assets sold in the ordinary course of business;
- (m) Indebtedness in respect of any Non-recourse Project Financing;
- (n) any guarantee by Uralkali or any of its Subsidiaries of Indebtedness of Uralkali or any of its Subsidiaries; in each case, to the extent that the guaranteed Indebtedness was permitted to be incurred by another provision of Clause 9.2; and
- (o) other Indebtedness of Uralkali and its Subsidiaries in an aggregate principal amount which, when taken together with the principal amount of all other Indebtedness incurred pursuant to this paragraph (o) and then outstanding, will not exceed U.S.\$250,000,000 at any time outstanding provided, however, that if an item of Indebtedness initially incurred pursuant to this paragraph (o) can subsequently be incurred pursuant to Clause 9.2.1, such Indebtedness shall be deemed to have been incurred under Clause 9.2.1 and not under this paragraph (o).

"Permitted Liens" means:

- (a) Liens granted by Uralkali or any of its Subsidiaries which are existing as at the date of this Agreement;
- (b) Liens arising or created in connection with any Non-recourse Project Financing if the Lien is solely on the property, income, assets or revenues of the project for which the financing was incurred provided that (i) the person or persons providing such financing limits its recourse primarily to the property, income, assets or revenues subject to such Lien, (ii) such Lien is created solely for the purpose of securing Indebtedness incurred by Uralkali or any Subsidiary in compliance with Clause 9.2, and (iii) no such Lien shall extend to any other property, income, assets or revenues of Uralkali or any of its Subsidiaries;
- (c) Liens on any property, income or assets of a Person existing at the time that such Person is acquired, merged into or consolidated with Uralkali and/or any of its Subsidiaries; provided that such Liens were not created in contemplation of such event and do not extend to any assets, income or property of Uralkali or any of its Subsidiaries, other than the surviving Person and its Subsidiaries;
- (d) Liens on assets, income or property acquired by Uralkali and/or any of its Subsidiaries existing prior to such acquisition; provided that such Liens were not created in contemplation of such acquisition and do not extend to any other assets, income or property;
- (e) any Lien on the Capital Stock of Uralkali held by any Material Subsidiary of Uralkali;
- (f) any Lien on the property or assets of any member of the Group, securing Indebtedness incurred for the purposes of financing all or part of the acquisition, maintenance, repair or construction

of such property or assets provided that (a) no such Lien shall extend to any other property or assets of any member of the Group, (b) the aggregate principal amount of all Indebtedness secured by Liens under this paragraph on such property or assets does not exceed the purchase price of such property or assets (including customs duties, transport, insurance, construction and installation costs and other incidental costs and expenses of purchase and any VAT or similar taxes thereon) and (iii) such Lien attaches to such property or assets concurrently with the maintenance or repair thereof or within 90 days after the acquisition or commencement of construction thereof, as the case may be;

- (g) Liens incurred, or pledges and deposits in connection with workers' compensation, unemployment insurance and other social security benefits, and leases, appeal bonds and other obligations of like nature in the ordinary course of business;
- (h) any Liens arising by operation of law;
- (i) Liens for ad valorem, income or property taxes or assessments and similar charges which either are not delinquent or are being contested in good faith by appropriate proceedings for which Uralkali or any of its Subsidiaries has set aside in its books of account reserves to the extent required by IFRS, as consistently applied;
- (j) easements, rights of way, restrictions (including municipal and zoning restrictions), utility agreements, reservations, permits, servitudes, minor defects or irregularities in title and other similar charges or encumbrances, and Liens arising under leases or subleases (including finance leases or subleases) granted to others, in each case not interfering in any material respect with the business of the Group and existing, arising or incurred in the ordinary course of business;
- (k) Liens granted by any Subsidiary of Uralkali in favour of Uralkali or another Subsidiary of Uralkali or by Uralkali in favour of its Subsidiaries with respect to the property or assets, or any income or profits therefrom, of Uralkali or such Subsidiary, as the case may be;
- (l) (i) bankers' Liens in respect of deposit accounts, (ii) statutory landlords' Liens, (iii) deposits to secure the performance of bids, trade contracts, government contracts, leases, statutory obligations, surety and appeal bonds, performance and return-of-money bonds or liabilities to insurance carriers under insurance or self-insurance arrangements and other obligations of like nature (so long as, (X) with respect to items described in (ii) and (iii) above of this paragraph (l), such Liens do not secure obligations constituting Indebtedness for borrowed money and (Y) with respect to items described in (i), (ii) and (iii) above of this paragraph (l), such Liens are incurred in the ordinary course of business), and (iv) Liens arising from any judgment, decree or other order which does not constitute an Event of Default;
- (m) a right of set-off, right to combine accounts or any analogous right which any bank or other financial institution may have relating to any credit balance of any member of the Group;
- (n) any Lien on any receivables securing pre-export financing undertaking;
- (o) any Lien in respect of obligations arising under hedging arrangements so long as the related indebtedness is permitted to be incurred under this Loan Agreement and any such hedging is not speculative;
- (p) any Lien over any rights, title or interest in, to or under any Product Delivery Contract, including the receivables generated under any such Product Delivery Contract and all other monies and proceeds arising in connection with any such Product Delivery Contract, and any Lien over any bank accounts into which the receivables, monies and proceeds from any such Product Delivery Contract are paid or transferred (including (i) amounts standing to the credit of such bank accounts and (ii) any rights under any agreements establishing or opening such bank accounts);
- (q) any Lien to secure the Indebtedness incurred under any revolving credit facility (including any warehouse finance or any other inventory finance facility) solely for working capital purposes in the ordinary course of business of the Group provided that the maturity of any advance

thereunder is less than 365 days and the aggregate principal amount outstanding thereunder does not exceed U.S.\$200,000,000 at any one time;

- (r) Liens upon, or with respect to, any present or future assets or revenues or any part thereof which are created pursuant to any repo transaction;
- (s) Any extension, renewal or substitution for any Lien permitted by any of the preceding paragraphs (a) through (r); provided, however, that, such extension, renewal or replacement shall be no more restrictive in any material respect than the original Lien, with respect to Liens incurred pursuant to this Clause the principal amount secured has not increased (other than any increase representing costs, fees, expenses or commission associated with such extension, renewal or substitution) and the Liens have not been extended to any additional property (other than proceeds of the property in question);
- (t) any Lien on the property, income or assets of Uralkali or any of its Subsidiaries securing Indebtedness of Uralkali or such Subsidiaries incurred in an aggregate principal amount outstanding at any one time not to exceed 20 per cent. of the Consolidated Total Assets of the Group. For the avoidance of doubt this paragraph (t) does not include any Lien created in accordance with paragraphs (a) to (s) hereof;

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company or government or any agency or political subdivision thereof or other entity;

"Potential Event of Default" means an event or circumstance which would with the giving of notice, the expiry of any grace or remedy period, the issue of a certificate and/or the fulfilment of any other requirement provided for in Clause 10.1 become an Event of Default;

"Principal Paying Agent" means Citibank, N.A., London Branch;

"Product Delivery Contract" means any contract for the sale or delivery of fertilisers or other products of the Group, entered into from time to time between Uralkali and any of its Subsidiaries and/or Uralkali and/or any of its Subsidiaries with any other Person in the ordinary course of Uralkali's or, as the case may be, such Subsidiary's business that is customary in the fertiliser industry, including any commission agency contracts, any spot sale contract and any transportation or other contracts related thereto;

"Purchase Money Indebtedness" means Indebtedness (a) consisting of the deferred purchase price of property, its repair, refurbishment, upgrade, construction, addition, development or improvement, conditional sale obligations, obligations under any title retention agreement, other purchase money obligations and obligations in respect of industrial revenue bonds or similar Indebtedness, in each case where the maturity of such Indebtedness does not exceed the anticipated useful life of the asset being financed, and (b) incurred (including under any export credit facility) to finance the acquisition, repair, refurbishment, upgrade, construction, additions and improvements by Uralkali or its Subsidiary of such asset (including the cost of design, development, construction, acquisition, transportation, installation, improvement and migration of assets); provided, however, that (i) any Lien arising in connection with any such Indebtedness shall be limited (a) in all cases to the specific asset being financed or, in the case of real property or fixtures, including additions and improvements, the real property, fixtures, additions and improvements on which such asset is attached, and (b) in the case of export credit facilities, to any shares of any entity holding such assets, any revenues generated by such assets and any other Lien the lenders under the relevant export credit facility may request, (ii) such Indebtedness is incurred (other than in respect of Indebtedness with respect to any export credit facility) within 180 calendar days after such acquisition of such assets and (iii) the aggregate principal amount of Purchase Money Indebtedness at any one time outstanding shall not exceed (x) the Fair Market Value of the acquired or constructed asset or improvement so financed or (y) in the case of an uncompleted constructed asset, the amount of the asset to be constructed, as determined on the date the contract for construction of such asset was entered into by Uralkali or the relevant Subsidiary of Uralkali (including, in each case, any reasonable related fees and expenses incurred in connection with such acquisition, construction or development);

"Rate of Interest" has the meaning assigned to such term in Clause 4.1;

"Rating Agency" means Fitch, Moody's or Standard & Poor's or any of their respective affiliates and successors or any other internationally recognised securities rating agency substituted for any of them by Uralkali with the prior written approval of the Trustee;

"Reference Treasury Dealer" means each of the three nationally recognised firms selected by the Determination Agent that are primary U.S. Government securities dealers;

"Reference Treasury Dealer Quotations" means with respect to each Reference Treasury Dealer and any Make Whole Optional Prepayment Date, the average, as determined by the Determination Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Determination Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time on the third business day (in New York City) immediately preceding such Make Whole Optional Prepayment Date;

"Refinance" means, in respect of any Indebtedness, to refinance, extend, renew, refund, repay, prepay, purchase, redeem, defease or retire, or to issue other Indebtedness in exchange or replacement for, such Indebtedness. **"Refinanced"** and **"Refinancing"** shall have correlative meanings;

"Refinancing Indebtedness" means Indebtedness that Refinances any Indebtedness of Uralkali or any of its Subsidiaries existing on the Closing Date or incurred in compliance with this Agreement, including Indebtedness that Refinances Refinancing Indebtedness; provided, however, that:

- (a) where the Indebtedness being Refinanced has a Stated Maturity that is later than the Stated Maturity of the Notes, such Refinancing Indebtedness has a Stated Maturity that is later than the Stated Maturity of the Notes;
- (b) in all cases, such Refinancing Indebtedness has an aggregate principal amount (or if incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if incurred with original issue discount, the aggregate accreted value) then outstanding (plus fees and expenses, including any premium and defeasance costs) under the Indebtedness being Refinanced; and
- (c) where the Indebtedness being Refinanced is subordinated in right of payment to the Loan, such Refinancing Indebtedness is subordinated in right of payment to the Loan at least to the same extent as the Indebtedness being Refinanced,

provided that, if refinancing, extension, renewal, refund, repayment, prepayment, purchase, redemption, defeasance or retirement of any Indebtedness is initially funded from sources other than Refinancing Indebtedness, the Refinancing Indebtedness is raised within six (6) months of such refinancing, extension, renewal, refund, repayment, prepayment, purchase, redemption, defeasance or retirement and is identified as such in good faith by a director or member of the management board or a responsible accounting or financial officer of Uralkali or the relevant Subsidiary thereof.

"Regulation S" means Regulation S under the Securities Act;

"Regulation S Global Note Certificate" means the single, permanent global note certificate in fully registered form without interest coupons representing the Notes to be issued pursuant to Clause 3.1 of the Trust Deed outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act;

"Repayment Date" means 22 October 2024;

"Reserved Rights" has the meaning specified in the Trust Deed;

"Rule 144A" means Rule 144A under the Securities Act;

"Rule 144A Global Note Certificate" means the single, permanent global note certificate in fully registered form without interest coupons representing the Notes to be issued pursuant to clause 3.2 of the Trust Deed to qualified institutional buyers (as defined in Rule 144A under the Securities Act) that are also qualified purchasers (as defined in Section 2(a)(51)(A) of the U.S. Investment Company Act of

1940) in reliance on the exemption from registration under the Securities Act provided by Rule 144A thereunder;

"Russian Roubles" means the lawful currency of the Russian Federation;

"Same-Day Funds" means same-day, freely transferable Dollar funds settled through the New York Clearing House Interbank Payments System or such other funds for payment in Dollars as the Lender may at any time determine to be customary for the settlement of international transactions in New York City of the type contemplated hereby;

"Securities Act" means the U.S. Securities Act of 1933;

"Standard & Poor's" means Standard & Poor's International Services, Inc.;

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"Stock Exchange" means The Irish Stock Exchange plc trading as Euronext Dublin;

"Subscription Agreement" means the subscription agreement dated 18 October 2019 between the Lender as Issuer, Uralkali and the Managers named therein relating to the Notes;

"Subsidiary" means any corporation or other business entity of which Uralkali owns or controls (either directly or through one or more Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect a majority of the directors, managers or trustees of such corporation or other business entity;

"Taxes" means any present or future taxes, levies, imposts or duties (including interest or penalties thereon) imposed, assessed, charged, collected, demanded, withheld or claimed by the Russian Federation, Ireland or any tax authority thereof or therein provided, however, that for the purposes of this definition the references to Ireland shall, upon the occurrence of a Relevant Event (as this term is defined in the Trust Deed), be deemed to be references to the jurisdiction in which the Trustee is domiciled for tax purposes; and the term **"Taxation"** shall be construed accordingly;

"Trust Deed" means the trust deed relating to the Notes (to be dated the Closing Date) between the Lender and the Trustee as amended, varied or supplemented from time to time;

"Trustee" means Citicorp Trustee Company Limited, as trustee under the Trust Deed and any successor thereto as provided thereunder;

"U.S. Dollar Equivalent" means with respect to any amount denominated in a currency other than U.S. Dollars, at any time for the determination thereof, the amount of U.S. Dollars obtained by converting such other currency into U.S. Dollars at the spot rate for the purchase of U.S. Dollars with such other currency as most recently published under "Currency Rates" in the section of the Financial Times entitled "Currencies, Bonds & Interest Rates" (or if the Financial Times is no longer published, or if such information is no longer available in the Financial Times, such other source as may be specified in good faith by Uralkali); and

"U.S. Treasury Rate" means either (i) the rate per annum equal to the yield, under the heading that represents the average for the week immediately preceding the third business day (in New York City) prior to the Make Whole Optional Prepayment Date, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities" for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the Repayment Date, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the U.S. Treasury Rate shall be interpolated

or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the third business day (in New York City) prior to the relevant date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the Make Whole Optional Prepayment Date, in each case calculated on the third business day (in New York City) immediately preceding the Make Whole Optional Prepayment Date.

1.2 Other Definitions

Unless the context otherwise requires, terms used in this Agreement which are not defined in this Agreement but which are defined in the Trust Deed, the Notes, the Paying Agency Agreement or the Subscription Agreement shall have the meanings assigned to such terms therein, provided that in the case of terms defined or references herein to documents to which Uralkali is not a party, Uralkali has been sent an up-to-date copy of such documents by the Lender as soon as reasonably practicable (including any amendments thereto that may affect the meaning or interpretation of any such term or reference).

1.3 Interpretation

Unless the context or the express provisions of this Agreement otherwise require, the following shall govern the interpretation of this Agreement:

- 1.4** All references to Clause or sub-Clause are references to a Clause or sub-Clause of this Agreement.
- 1.5** All references to a "day" shall be to a calendar day unless otherwise specified.
- 1.6** The terms "hereof", "herein" and "hereunder" and other words of similar import shall mean this Agreement as a whole and not any particular part hereof.
- 1.7** Words importing the singular number include the plural and vice versa.
- 1.8** The table of contents and the headings are for convenience only and shall not affect the construction hereof.
- 1.9** A reference to "this agreement" or to any other agreement or document referred to in this agreement is a reference to this agreement or such other document or agreement as amended, varied, supplemented, restated, extended or novated (in each case, other than in breach of the provisions of this agreement) from time to time.
- 1.10** A reference to a statute or statutory provision shall include all subordinate legislation under that statute or statutory provision, or replacement or substitution of such legislation, made from time to time.
- 1.11** A Potential Event of Default or an Event of Default is "continuing" if it has not been remedied or waived.

2 Facility

2.1 Facility

On the terms and subject to the conditions set forth herein, the Lender hereby agrees to lend to Uralkali, and Uralkali hereby agrees to borrow from the Lender, U.S.\$ 500,000,000 (the "**Facility**").

2.2 Purpose

Uralkali shall use the proceeds of the Facility in the manner and for the purpose stated under "**Use of Proceeds**" in the Prospectus.

2.3 Facility Fee

Uralkali shall pay a fee to the Lender in consideration for the arrangement of the Facility of U.S.\$ 3,267,664.44 (the "**Facility Fee**").

3 Drawdown

3.1 Drawdown

On the terms and subject to the conditions set forth herein, on the Closing Date the Lender shall make the Facility available to Uralkali and Uralkali shall make a single drawing in the full amount of the Facility.

3.2 Payment of the Facility Fee

3.2.1 In consideration of the Lender's undertaking to make the Facility available to Uralkali, Uralkali agrees to pay the Facility Fee to the Lender in Same-Day Funds one Business Day prior to the Closing Date to the account in the name of the Lender with the Principal Paying Agent, account number 11975528. The Facility Fee shall be calculated taking into account the front-end commissions, fees and costs incurred by the Lender.

3.2.2 If, following payment of the Facility Fee by Uralkali to the Lender in accordance with sub-Clause 3.2.1 above, closing of the issue of Notes does not take place in accordance with clause 9 of the Subscription Agreement, the Lender shall promptly return the Facility Fee to Uralkali less an amount equal to the Managers' Expenses (as set out in the Fees Side Letter).

3.3 Disbursement

Subject to the conditions set forth herein, on the Closing Date the Lender shall transfer in Same-Day Funds (unless Uralkali and the Lender agree otherwise) the amount of the Facility to Uralkali's account as follows:

Beneficiary Name: PJSC Uralkali

Beneficiary bank Name: AO RAIFFEISENBANK POVOLZHSKY BRANCH

Beneficiary bank Address: 17/1, Troickaya street, Moscow, Russia

SWIFT code: RZBMRUMM

Transit account Beneficiary: USD: 40702840023001404950

Current account: USD: 40702840723000404950

Correspondent Bank: CITIBANK NA

Correspondent bank Address: 399 Park Avenue, New York, NY 10022, USA

SWIFT code correspondent Bank: CITIUS33

Correspondent Account: 36343873

3.4 Ongoing Fees and Expenses

In consideration of the Lender (a) making available the Facility to Uralkali and (b) supporting such a continuing facility, Uralkali shall pay in one or more instalments within ten Business Days of demand to the Lender each year an additional fee equating to all duly documented ongoing costs and documented expenses of the Lender properly incurred in connection with this Agreement or the Notes (including, without limitation, any corporate service provider fees, stock exchange fees, listing fees, audit fees, reasonable legal fees and the anticipated winding-up expenses of the Lender) as set forth in an invoice from the Lender to Uralkali accompanied by such documentary evidence as may be reasonably required by Uralkali, and providing, in reasonable detail, the nature and calculation of the relevant payment or expense, and shall provide Uralkali with an executed act of acceptance, the form of which Uralkali shall provide to the Lender in advance.

4 Interest

4.1 Rate of Interest

Uralkali will pay interest in U.S. Dollars to the Lender on the outstanding principal amount of the Loan from time to time hereunder at the rate of 4.000 per cent. per annum (the "**Rate of Interest**").

4.2 Payment of Interest

Interest at the Rate of Interest shall accrue from day to day, starting from (and including) the Closing Date and shall be paid in respect of each Interest Period in arrear not later than 14:30 (London time) one Business Day prior to each Interest Payment Date to the Account. Interest on the Loan will cease to accrue from (and excluding) the due date for repayment thereof (or on any date upon which the Loan is prepaid in accordance with this Agreement) unless payment of principal due on such date is improperly withheld or refused, in which event interest will continue to accrue (before or after any judgment) at the Rate of Interest to but excluding the date on which payment in full of the principal thereof is made.

4.3 Calculation of Interest

The amount of interest payable in respect of the Loan for any Interest Period shall be calculated by applying the Rate of Interest to the outstanding principal amount of the Loan, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). If interest is required to be calculated for any other period other than an Interest Period, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of actual days elapsed.

"**Interest Period**" means each period beginning on (and including) the Closing Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date.

5 Repayment and Prepayment

5.1 Repayment

Except as otherwise provided herein, Uralkali shall repay the Loan not later than 14:30 (London time) one Business Day prior to the Repayment Date.

5.2 Special Prepayment

If, (a) either (i) as a result of the application of any amendments or clarifications to or change in the double tax treaty between the Russian Federation and Ireland or the laws or regulations of the Russian Federation or Ireland or of any political sub-division thereof or any authority having power to tax therein (including as a result of a judgment of a court of competent jurisdiction) or a change in, or clarification of, the application or official interpretation of such double tax treaty, such laws or regulations which change, clarification or amendment is announced, enacted or becomes effective on or after the date of this Agreement or (ii) as a result of the enforcement of the security provided for in the Trust Deed, Uralkali would thereby be required to make or increase any payment due hereunder as provided in Clause 6.2 or 6.3, or 5.2 (for whatever reason) Uralkali would have to or has been required to pay additional amounts pursuant to Clause 8, then Uralkali may at any time (without premium or penalty), upon not less than 30 days' notice to the Lender, copied to the Trustee (which notice shall be irrevocable), prepay the Loan in whole (but not in part).

5.3 Illegality

If, at any time, by reason of the introduction of any change after the date of this Agreement in any applicable law, regulation, regulatory requirement or directive of any agency of any state to which the Lender is subject, the Lender reasonably determines (setting out in reasonable detail the nature and extent of the relevant circumstances) (following receipt of such determination Uralkali may request from the Lender an Opinion of Counsel with the cost of such Opinion of Counsel being borne solely by Uralkali) that it is or would be unlawful or contrary to such applicable law, regulation, regulatory requirement or directive for the Lender to allow all or part of the Loan or the Notes to remain outstanding or for the

Lender to maintain or give effect to any of its obligations in connection with this Agreement or the Notes and/or to charge or receive or to be paid interest at the rate then applicable to the Loan or the Notes, then upon notice by the Lender to Uralkali in writing (setting out in reasonable detail the nature and extent of the relevant circumstances), Uralkali and the Lender shall consult in good faith as to a basis which eliminates the application of such circumstances; provided, however, that the Lender shall be under no obligation to continue such consultation if a basis has not been determined within 30 days of the date on which it so notified Uralkali. If such a basis has not been determined within the 30 days, then upon notice in writing by the Lender to Uralkali, copied to the Trustee, Uralkali shall prepay the Loan (without penalty or premium) in whole (but not in part) on the next Interest Payment Date or on such earlier date as the Lender shall certify on not less than 15 days' notice to be necessary to comply with such requirements (in any event being not earlier than the last Business Day of any grace period allowed by applicable laws or regulations).

5.4 Prepayment of Loan upon Redemption and Cancellation of Notes

The Lender, Uralkali or any member of the Group may from time to time, in accordance with the Conditions, purchase Notes in the open market or by tender or by a private agreement at any price. The Lender, Uralkali or any such member of the Group may, at its option, hold, reissue, resell or, in the case of Uralkali or such member of the Group, from time to time deliver to the Lender Notes together with a request (a "**Request**") for the Lender to present such Notes to the Registrar for cancellation or from time to time procure the delivery to the Registrar of instructions ("**Instructions**") to redeem and thereafter cancel a specified aggregate principal amount of Notes represented by a Global Note Certificate in each case upon not less than 30 days' notice. Any Instructions shall be accompanied by evidence reasonably satisfactory to the Lender and the Registrar that the Lender, Uralkali or any such member of the Group is entitled to give such Instructions or Request (or, in the case of Notes represented by a Global Note Certificate, request that the account entries in the records of the relevant clearing system reflecting the Lender's, Uralkali's or any such member of the Group's beneficial interest in such part of the relevant Global Note Certificate be updated to reflect such cancellation) on the date specified in the Instructions or Request (as the case may be) whereupon the relevant Register shall be updated accordingly to reflect such cancellation. On, and with effect from, the date specified in any Request or, as the case may be, Instructions, the Loan shall be deemed to be prepaid for all purposes in such amount as corresponds to the aggregate principal amount of Notes presented with a Request or specified in Instructions, together with accrued interest and other amounts (if any) thereon and no further payment shall be payable or required to be made with respect thereto.

5.5 Optional Prepayment at Make Whole

Uralkali may, at any time, on giving not less than 30 nor more than 60 days' notice to the Lender (which notice shall be irrevocable and shall specify the date fixed for prepayment (the "**Make Whole Optional Prepayment Date**")), prepay the Loan in whole (but not in part) at the Make Whole Prepayment Amount plus accrued and unpaid interest on the Loan so prepaid to but excluding the Make Whole Optional Prepayment Date.

5.6 Optional Prepayment at Par

Uralkali may, at any time on or after the date three months prior to the Repayment Date, on giving not less than 30 nor more than 60 days' notice to the Lender (which notice shall be irrevocable and shall specify the date fixed for prepayment (the "**Par Optional Prepayment Date**")), prepay in whole or in part the Loan at its principal amount plus accrued and unpaid interest on the Loan so prepaid to but excluding the Par Optional Prepayment Date.

5.7 Payment

If the Loan is to be prepaid by Uralkali pursuant to any of the provisions of Clause 5.2, 5.3, 5.5 or 5.6:

- 5.7.1** no later than one Business Day prior to the due date for such prepayment, Uralkali shall deposit in the Account an amount in cash equal to the amount required to be paid on such due date; and
- 5.7.2** Uralkali shall, simultaneously with such prepayment or reduction, pay to the Lender (by deposit to the Account) accrued but unpaid interest thereon to (but excluding) the date of such

prepayment and all other sums then payable by Uralkali pursuant to this Agreement in relation to the amount to be prepaid.

5.8 Provisions Exclusive

Uralkali may not voluntarily repay or prepay the Loan except in accordance with the express terms of this Agreement. Any amount prepaid may not be reborrowed.

6 Payments

6.1 Making of Payments

All payments of principal and interest and other amounts payable under Clause 6.2 hereof (other than those in respect of Reserved Rights) to be made by Uralkali under this Agreement shall be made unconditionally by credit transfer to the Lender not later than 14:30 (London time) one Business Day prior to each Interest Payment Date or the Repayment Date or any other due date for redemption (as the case may be) in Same-Day Funds to the Account, or as the Trustee may otherwise direct following the occurrence of a Relevant Event (as defined in the Trust Deed).

The Lender agrees with Uralkali that the Lender will not deposit any other monies into the Account and that no withdrawals shall be made from the Account other than for payments to be made in accordance with this Agreement, the Trust Deed and the Paying Agency Agreement.

If, at any time, it shall become impracticable, by reason of any action of any governmental authority or any change of law, exchange control regulations or any similar event, for Uralkali to make any payments hereunder in the manner specified in this Clause 6.1, then Uralkali may agree with the Lender alternative arrangements for such payments to be made.

6.2 No Set-Off, Counterclaim or Withholding; Gross-Up

All payments to be made by Uralkali under this Agreement (including any amounts payable under Clause 6.3) shall be made in full without set-off or counterclaim and (except to the extent required by law) without deduction or withholding for or on account of any Taxes. If Uralkali shall be required by applicable law to make any deduction or withholding from any payment under this Agreement for or on account of any such Taxes, it shall, on the due date of such payment, increase any payment due hereunder to such amount as may be necessary to ensure that the Lender receives a net amount in Dollars (or its U.S. Dollar Equivalent) equal to the full amount which it would have received had payment not been made subject to such Taxes, it shall account to the relevant authorities for the relevant amount of such Taxes so withheld or deducted within the time allowed for such payment under the applicable law and shall deliver to the Lender without undue delay evidence reasonably satisfactory to the Lender of such deduction or withholding and of the accounting therefor to the relevant taxing authority. If the Lender pays any amount in respect of any Taxes, including penalties or interest, Uralkali shall reimburse the Lender in Dollars, for such payment within five Business Days of demand. For the avoidance of doubt, this Clause 6.2 is without prejudice to the obligation of the Lender to obtain a certificate from the competent Irish authorities pursuant to Clause 6.6.

Any notification by the Lender to Uralkali in connection with this Clause 6.2 shall be given as soon as reasonably practicable after the Lender becomes aware of any obligation on it to make any such withholding or deduction or pay any Taxes. The Lender shall, as soon as reasonably practicable following request by Uralkali, provide Uralkali (at Uralkali's expense) with reasonable detail in writing as to the reasons for such withholding or deduction or payment of Taxes. Nothing in this paragraph shall prejudice in any way the obligation to gross-up contained in this Clause 6.2.

6.3 Withholding on the Notes

If the Lender notifies Uralkali (setting out in reasonable detail the nature and extent of the obligation and providing, upon the request of Uralkali, an Opinion of Counsel in respect of the existence of such obligation, with the cost of such Opinion of Counsel to be borne solely by Uralkali) that it has become obliged to make any withholding or deduction for or on account of any Taxes imposed or levied, collected, withheld or assessed by or on behalf of Ireland or any political subdivision or any authority

thereof or therein having the power to tax from any payment which it is obliged to make, or would otherwise be obliged to make but for the imposition of any such withholding or deduction for or on account of any such Taxes, under or in respect of the Notes, Uralkali agrees to pay into the Account for the benefit of the Lender, not later than 14:30 (London time) one Business Day prior to the date on which payment is due to the Noteholders in Same-Day Funds, such additional amounts as are equal to the said additional amounts which the Lender would be required to pay in order that the net amounts received by the Noteholders after such withholding or deduction will equal the respective amounts which would have been received by the Noteholders in the absence of such withholding or deduction; provided, however, that the Lender shall immediately upon receipt from any Paying Agent of the reimbursement of any sums paid pursuant to this provision, to the extent that the Noteholders, as the case may be, are not entitled to such additional amounts pursuant to the Conditions, pay such additional amounts to Uralkali (it being understood that neither the Lender, nor the Principal Paying Agent nor any Paying Agent shall have any obligation to determine whether any Noteholder is entitled to such additional amounts).

6.4 Reimbursement

To the extent that the Lender subsequently obtains and uses any tax credit or allowance or obtains any other reimbursements or refunds relating to a deduction or withholding or payment of Taxes with respect to which Uralkali has made a payment pursuant to this Clause 6, the Lender shall promptly pay to Uralkali so much of the benefit or refund it received as will leave the Lender substantially in the same position as it would have been had no additional amount been required to be paid by Uralkali pursuant to this Clause 6; provided, however, that the question of whether any such benefit or refund has been received, and accordingly, whether any payment should be made to Uralkali, the amount of any such payment and the timing of any such payment, shall be determined reasonably by the Lender, in consultation with Uralkali, provided that the Lender shall notify Uralkali promptly upon determination that it has received any such benefit or refund.

6.5 Mitigation

6.5.1 If at any time either party hereto becomes aware of circumstances which would or might, then or thereafter, give rise to an obligation on the part of Uralkali to make any deduction, withholding or payment as described in Clause 6.2 or 6.3, then, without in any way limiting, reducing or otherwise qualifying the Lender's rights, or Uralkali's obligations, under such sub-Clauses, such party shall as soon as reasonably practicable upon becoming aware of such circumstances notify the other party, and, thereupon the parties shall consider and consult with each other in good faith with a view to finding, agreeing upon and implementing a method or methods by which any such obligation may be avoided or mitigated and, to the extent that both parties can do so without taking any action which in the reasonable opinion of such party is prejudicial to its own position, take such reasonable steps as may be available to it to avoid such obligation or mitigate the effect of such circumstances. Uralkali agrees to reimburse the Lender for all reasonable and documented costs and expenses (including but not limited to legal fees) properly incurred by the Lender in connection with this Clause 6.5.

6.5.2 If the Lender ceases, as a result of the Lender's actions, to be tax resident in Ireland for the purposes of the double taxation treaty between the Russian Federation and Ireland, and such cessation results in Uralkali being required to make payments pursuant to Clause 6.2 or 6.3 or Clause 8 then, except in circumstances where the Lender has ceased to be tax resident in Ireland by reason of any change in law (as described in Clause 5.2) (including without limitation, a change in a double taxation treaty or in such law or treaty's application or interpretation), Uralkali may require the Lender to seek the substitution of the Lender as obligor under the Notes and as Lender under the Loan. Uralkali shall bear all properly incurred costs and expenses relating to or arising out of such substitution.

6.6 Tax Treaty Relief

6.6.1 The Lender shall, at the request of Uralkali, once in each calendar year prior to the first Interest Payment Date in that calendar year, provide Uralkali, at the expense of Uralkali (provided that the expenses incurred are documented), no later than 15 Business Days prior to such Interest Payment Date with a notarised tax residency certificate issued or certified by (as applicable) the competent authorities of Ireland confirming that the Lender is resident for tax purposes in

Ireland for the purposes of the agreement between Ireland and the Russian Federation for the avoidance of double taxation with respect to income in the calendar year of such Interest Payment Date. At the cost of Uralkali (provided the costs incurred are documented), the residency certificate shall be apostilled at the Irish Department of Foreign Affairs. The Lender shall not be responsible for any failure to provide, or any delays in providing, such tax residency certificate as a result of any action or inaction of any authority of Ireland (provided that such residency certificate has been properly requested by the Lender and reasonably sufficient time has been allowed for the authorities in Ireland to issue such certificate), but shall notify Uralkali as soon as practicable about any such failure or delay with a detailed description of the actions taken by the Lender to obtain such tax residency certificate.

6.6.2 If Russian legislation regulating the procedures for obtaining an exemption from Russian withholding tax on income changes, the Lender shall use its reasonable and timely efforts to assist Uralkali to obtain relief from such tax pursuant to the double taxation treaty between the Russian Federation and Ireland. In all other cases, the Lender shall, subject to being fully indemnified by Uralkali for all reasonable and documented costs it incurs in so doing, co-operate with Uralkali in completing any procedural formalities necessary for Uralkali to obtain authorisation to make any payment without any deduction or withholding on account of any Taxes.

6.6.3 Notwithstanding Clause 6.4, if Uralkali makes a withholding or deduction for or on account of Taxes from a payment under or in respect of this Agreement, Uralkali may apply on behalf of the Lender to the relevant taxing authority of the Russian Federation (the "**Russian Taxing Authority**") for a payment to be made by such authority to the Lender with respect to such Tax. If, whether following a claim made on its behalf by Uralkali or otherwise, the Lender receives such a payment ("**Russian Tax Payment**") from the Russian Taxing Authority with respect to such Taxes, it will as soon as reasonably possible notify Uralkali that it has received that payment (and the amount of such payment); whereupon, provided that Uralkali has notified the Lender in writing of the details of an account (the "**Uralkali Account**") to which a payment or transfer should be made, and that the Lender is able to make a payment or transfer under the applicable laws and regulations, the Lender will, as soon as reasonably practicable (but in any event no later than five Business Days from the receipt thereof), pay or transfer an amount equal to the Russian Tax Payment to the Uralkali Account.

6.6.4 The Lender agrees promptly, upon becoming aware thereof, to notify Uralkali if it ceases to be resident in Ireland for tax purposes.

6.6.5 Subject to Clauses 6.5 and 8.2, the Lender agrees that it shall maintain its residency for tax purposes only in Ireland.

7 Conditions Precedent

The obligation of the Lender to make the Loan shall be subject to the further conditions precedent that as of the Closing Date, (a) no Potential Event of Default or Event of Default shall have occurred and be continuing, (b) the Subscription Agreement, the Trust Deed and the Paying Agency Agreement shall have been executed and delivered, (c) the Lender shall have received the proceeds of the issue of the Notes pursuant to the Subscription Agreement and (d) the Lender shall have received the Facility Fee.

8 Change in Law; Increase in Cost

8.1 Compensation

In the event that after the date of this Agreement there is any change in or introduction of any tax, law, regulation, regulatory requirement or official directive (whether or not having the force of law but, if not having the force of law, the observance of which is in accordance with the generally accepted financial practice of financial institutions in the country concerned) or in the official interpretation or application thereof by any Agency charged with the administration thereof and/or any compliance by the Lender in respect of the Loan or the Facility with any request, policy or guideline (whether or not having the force of law but, if not having the force of law, the observances of which is in accordance with the generally accepted financial practice of financial institutions in the country concerned) made or issued after the

date of this Agreement from or of any central bank or other fiscal, monetary or other authority, agency or any official of any such authority having jurisdiction over the Lender, which:

- 8.1.1** subjects or will subject the Lender to any Taxes with respect to payments of principal of or interest on the Loan or any other amount payable under this Agreement (other than any Taxes payable by the Lender on its overall net income (except to the extent that the Lender is unable to obtain a deduction for tax purposes on payments to the Noteholders which offsets any tax liability on equivalent amounts received under this Agreement) or any Taxes referred to in Clause 6.2 or 6.3); or
- 8.1.2** increases or will increase the taxation of or changes or will change the basis of taxation of payments to the Lender of principal of or interest on the Loan or any other amount payable under this Agreement (other than any such increase or change which arises by reason of any increase in the rate of tax payable by the Lender on its overall net income (except to the extent that the Lender is unable to obtain a deduction for tax purposes on payments to the Noteholders which offsets any tax liability on equivalent amounts received under this Agreement) or as a result of any Taxes referred to in Clause 6.2 or 6.3); or
- 8.1.3** imposes or will impose on the Lender any other condition affecting this Agreement, the Facility or the Loan, and if as a result of any of the foregoing:
- (i) the cost to the Lender of making, funding or maintaining the Loan or the Facility is increased; or
 - (ii) the amount of principal, interest or other amount payable to or received by the Lender hereunder is reduced; or
 - (iii) the Lender makes any payment or foregoes any interest or other return on or calculated by reference to the gross amount of any sum receivable by it from Uralkali hereunder or makes any payment or foregoes any interest or other return on or calculated by reference to the gross amount of the Loan,

then subject to the following, and in each such case:

- (a) the Lender shall, as soon as practicable after becoming aware of such increased cost, reduced amount or payment made or foregone, give written notice to Uralkali, together with a certificate signed by one authorised official of the Lender describing in reasonable detail the introduction or change or request which has occurred and the country or jurisdiction concerned and the nature and date thereof and demonstrating the connection between such introduction, change or request and such increased cost, reduced amount or payment made or foregone, and setting out in reasonable detail the basis on which such amount has been calculated, and enclosing all relevant supporting documents evidencing the matters set out in such certificate; and
- (b) Uralkali, in the case of sub-Clauses 8.1.3(i) and 8.1.3(iii), shall on demand by the Lender, pay to the Lender such additional amount as shall be necessary to compensate the Lender for such increased cost, and, in the case of sub-Clause 8.1.3(ii) above, at the time the amount so reduced would otherwise have been payable, pay to the Lender such additional amount as shall be necessary to compensate the Lender for such reduction, payment or foregone interest or other return; provided, however, the amount of such increased cost, reduced amount or payment made or foregone shall be deemed not to exceed an amount equal to the proportion thereof which is directly attributable to this Agreement, provided that the Lender shall not be entitled to such additional amount where such increased cost arises as a result of the negligence or default of the Lender and provided further that this Clause 8.1 will not apply to or in respect of any matter for which the Lender has already been compensated under Clause 6.2 or 6.3.

8.2 Mitigation

In the event that the Lender becomes entitled to make a claim pursuant to Clause 8.1, the Lender shall consult in good faith with Uralkali and shall use reasonable efforts (based on the Lender's reasonable interpretation of any relevant tax, law, regulation, requirement, official directive, request, policy or guideline) to reduce, in whole or in part, Uralkali's obligations to pay any additional amount pursuant to such Clause 8.1, except that nothing in this Clause 8.2 shall obligate the Lender to incur any costs or expenses (other than any minor costs of an administrative or similar nature) in taking any action which, in the reasonable opinion of the Lender, is prejudicial to its interests, unless Uralkali agrees to reimburse the Lender for such costs and expenses.

9 Covenants

The covenants in this Clause 9 shall remain in force from the date of this Agreement for so long as the Loan or any part of it remains outstanding.

9.1 Negative Pledge

Uralkali shall not, and shall not permit any of its Material Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Liens, other than Permitted Liens, on any of its or their property or assets, now owned or hereafter acquired, or any revenues, income or profits therefrom, securing any Indebtedness, unless, at the same time or prior thereto, the Loan is secured equally and rateably with such other Indebtedness or has the benefit of such other security or other arrangements as the Trustee in its absolute discretion shall deem to be not materially less prejudicial to the Noteholders or it shall be approved by an Extraordinary Resolution (as defined in the Trust Deed).

9.2 Limitation on Indebtedness

9.2.1 Uralkali shall not, and shall not cause or permit any of its Subsidiaries to, incur, any Indebtedness except if: (i) no Event of Default has occurred and is continuing at the time, or would occur as a consequence of the incurrence of such Indebtedness; and (ii) the Leverage Ratio is 3.5:1 or lower after giving effect to such incurrence on a pro forma basis, including a pro forma application of the net proceeds therefrom (as described under the definition of Leverage Ratio).

9.2.2 Notwithstanding the foregoing Clause 9.2.1, Uralkali and its Subsidiaries may incur any Indebtedness if it's a Permitted Indebtedness at any time.

9.2.3 For purposes of determining compliance with this covenant:

- (a) in the event that an item of Indebtedness (or any portion thereof) meets the criteria of more than one of the types of Indebtedness described in Clause 9.2.1 or 9.2.2, Uralkali, in its sole discretion, will classify such item of Indebtedness (or any portion thereof) at the time of incurrence and will only be required to include the amount and type of such Indebtedness in one of the above Clauses; and
- (b) Uralkali will be entitled to divide and classify and re-classify an item of Indebtedness in more than one of the types of Indebtedness described in Clause 9.2.1 or 9.2.2 and may change the classification of an item of Indebtedness (or any portion thereof) to any other type of Indebtedness described in Clause 9.2.1 or 9.2.2 at any time.

The outstanding principal amount of any particular Indebtedness shall be counted only once and any obligations arising under any guarantees, Lien, letter of credit or similar instrument supporting such Indebtedness shall not be double counted.

9.2.4 For the purposes of determining compliance with any U.S. dollar denominated restriction on the incurrence of Indebtedness where the Indebtedness incurred is denominated in a different currency, the amount of such Indebtedness will be the U.S. Dollar Equivalent determined on the date of the incurrence of such Indebtedness; provided, however, that if any such Indebtedness denominated in a different currency is subject to a currency hedging agreement with respect to

U.S. dollars covering all principal, premium, if any, and interest payable on such Indebtedness, the amount of such Indebtedness expressed in U.S. dollars will be as provided in such currency hedging agreement. The principal amount of any Refinancing Indebtedness incurred in the same currency as the Indebtedness being Refinanced will be the U.S. Dollar Equivalent, as appropriate, of the Indebtedness Refinanced, except to the extent that (A) such U.S. Dollar Equivalent was determined based on a Currency Agreement, in which case the principal amount of such Refinancing Indebtedness will be determined in accordance with the preceding sentence, and (B) the principal amount of the Refinancing Indebtedness exceeds the principal amount of the Indebtedness being Refinanced, in which case the U.S. Dollar Equivalent of such excess, as appropriate, will be determined on the date such Refinancing Indebtedness is incurred. Notwithstanding any other provision of this covenant, the maximum amount that Uralkali or any of its Subsidiaries may incur pursuant to this covenant shall not be deemed to be exceeded, with respect to outstanding Indebtedness, due solely as a result of fluctuations in the exchange rates or currency values.

9.3 Claims Pari Passu

Uralkali shall refrain from any action which would result in the claims of the Lender against it under this Agreement ceasing to rank at least pari passu with the claims of all its other present and future unsecured creditors of Uralkali, save for those claims that are preferred by any bankruptcy, insolvency, liquidation or similar laws of general application or any other mandatory provisions of applicable law.

9.4 Mergers

Uralkali shall not enter into or become subject to, and shall not permit any Material Subsidiary to enter into or become subject to, any reorganisation (as such term is construed by applicable legislation, including, without limitation and where applicable, any amalgamation, demerger, merger or corporate reconstruction) or other event analogous to any such reorganisation (as determined by the legislation of the jurisdiction of Uralkali or the relevant Material Subsidiary (as the case may be)), in each case with respect to a Person which is not a member of the Group, if such a reorganisation or analogous event would have a Material Adverse Effect.

9.5 Disposals

Uralkali will not, and will not permit any Material Subsidiary to make any Asset Sale, except where the consideration received in respect of such disposed assets is at least equal to the Fair Market Value of such assets or properties sold, disposed of or otherwise transferred in such Asset Sale and where such Asset Sale would not have a Material Adverse Effect.

9.6 Transactions with Affiliates

Uralkali shall not, and shall ensure that none of its Subsidiaries, directly or indirectly, will, conduct any business, enter into or permit to exist any transaction or series of related transactions (including, without limitation, the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service but excluding any Product Delivery Contract) with, or for the benefit of, any Affiliate (an "**Affiliate Transaction**") including, without limitation, intercompany loans, unless the terms of such Affiliate Transaction are no less favourable to Uralkali or such Subsidiary, as the case may be, than those that could be obtained (at the time of such transaction or, if such transaction is pursuant to a written agreement, at the time of the execution of the agreement providing therefore) in a comparable arm's-length transaction with a Person that is not an Affiliate of Uralkali or such Subsidiary.

This Clause 9.6 does not apply to: (i) any Affiliate Transaction between Uralkali and its Subsidiaries and between Subsidiaries of Uralkali (ii) compensation of employee benefit arrangements with any officer or director of Uralkali or such Subsidiary arising as a result of their employment contract or (iii) any other Affiliate Transaction the outstanding Fair Market Value of which does not exceed U.S.\$100,000,000 (or its U.S. Dollar Equivalent).

9.7 Payment of Taxes

Uralkali shall, and shall ensure that its Material Subsidiaries shall, pay or discharge or cause to be paid or discharged, before the same shall become overdue, all taxes, assessments and governmental charges levied or imposed upon, or upon the income, profits or assets of Uralkali or any Subsidiary in each case exceeding U.S.\$100,000,000 (each such tax, assessment or governmental charge, a "**Relevant Tax**"), provided, however, that none of Uralkali nor any of its Subsidiaries shall be required to pay or discharge or cause to be paid or discharged any Relevant Tax (a) whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with IFRS or other appropriate provision (in the reasonable opinion of Uralkali or the relevant Material Subsidiary) has been made or (b) if such failure to pay or discharge shall not have a Material Adverse Effect and provided further that, in the case of either (a) or (b) above, if any Relevant Tax (including any applicable penalties) is paid or discharged after becoming overdue, such payment or discharge shall be deemed to remedy any breach of this Clause 9.7 with respect to such Relevant Tax.

9.8 Delivery of Information

- 9.8.1** Uralkali will deliver to the Lender and the Trustee and publish on Uralkali's website as soon as they become available, but in any event within 150 days after the end of each of its financial years, copies of the Group's audited consolidated financial statements for such financial year, in each case audited and prepared in accordance with IFRS as consistently applied, together with the corresponding financial statements for the preceding period prepared in accordance with IFRS.
- 9.8.2** Uralkali will deliver to the Lender and the Trustee and publish on Uralkali's website as soon as they become available, but in any event within 120 days after the end of the first half of each of its financial years, copies of the Group's unaudited consolidated condensed interim financial information for such period, in each case reviewed and prepared in accordance with IAS 34 as consistently applied, together with the corresponding financial statements for the preceding period prepared in accordance with IFRS.
- 9.8.3** Uralkali will ensure that each set of the Group's audited consolidated financial statements prepared in accordance with IFRS, and the Group's unaudited consolidated condensed interim financial information, prepared in accordance with IAS 34, in each case delivered by it pursuant to this Clause 9.8, is accompanied by a report thereon of the Auditors.
- 9.8.4** Uralkali will deliver to the Lender and the Trustee on each Interest Payment Date an Officer's Certificate stating that, to the best of the knowledge, information and belief of the signatories to such Officer's Certificate, having made all reasonable enquiries there has not been, as at a date not more than five Business Days before the date of such certificate (the "**Certification Date**"), an Event of Default since the Certification Date of the last certificate or, if none, the date of this Agreement which is continuing (or if any Event of Default shall have occurred and be continuing, describing all such Events of Default).
- 9.8.5** Subject to any restrictions under applicable law or regulations (including without limitation regarding insider dealing or market abuse), Uralkali hereby undertakes that it will deliver to the Lender and the Trustee, without undue delay, such additional information as it or the Trustee reasonably requires for the purposes of the discharge of the duties and discretions vested in it under this Agreement or Trust Deed, including providing, without limitation (i) an Officer's Certificate certifying (A) those Subsidiaries which are Material Subsidiaries pursuant to this Agreement and (B) as to the Notes held by or on behalf of Uralkali or any member of the Group as at the date of such certificate, such Officer's Certificate to be provided within 14 days of Uralkali's audited and consolidated annual accounts being made publicly available, and (ii) a notification whenever it or any member of the Group has purchased and retained Notes for its own account.
- 9.8.6** Uralkali undertakes to furnish to the Lender such information as the Stock Exchange (or any other or further stock exchange or stock exchanges or any relevant authority or authorities on which the Notes may, from time to time, be listed or admitted to trading) may require in respect

of Uralkali, the Group or the Notes as necessary in connection with the listing or admission to trading on such stock exchange or relevant authority of such instruments.

9.8.7 Uralkali consents that any information provided to the Lender pursuant to this Clause 9.8 may also be provided to the Trustee, if so requested by the Trustee, without violating any duty of confidentiality or secrecy that the Lender may owe to Uralkali under the laws of Ireland.

9.9 Environmental compliance

Uralkali shall and shall ensure that each of its Subsidiaries will, comply in all respects with all Environmental Laws and obtain and maintain any Environmental Licence and take all reasonable steps in anticipation of known or expected future changes to or obligations under the same, save to the extent that such failure to do so would not reasonably be expected to have a Material Adverse Effect or where any such failure to obtain and maintain any Environmental Licence is remedied within 90 days.

9.10 Maintenance of Insurance

Uralkali shall, and shall ensure that its Subsidiaries will, keep those of their assets and properties which are of an insurable nature insured with insurers of good standing against loss or damage to the extent that Uralkali considers in good faith such insurance to be prudent and assets and properties of similar character are customarily so insured by corporations in the same jurisdictions similarly situated and owning like properties and carrying on a similar business, save to the extent that such failure to do so would not reasonably be expected to have a Material Adverse Effect.

9.11 Maintenance of Authorisations

Uralkali shall, and shall ensure that its Subsidiaries shall, take all necessary action to obtain and do or cause to be done all things necessary, in the opinion of Uralkali or the relevant Subsidiary, to ensure the continuance of its corporate existence, its business and intellectual property relating to its Core Business and Uralkali shall each take all necessary action to obtain, and do or cause to be done all things necessary to ensure the continuance of, all consents, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, which may at any time be required to be obtained or made in the Russian Federation, Ireland or, as the case may be, the applicable jurisdiction of the Issuer if different from the aforementioned or for the execution, delivery or performance of this Agreement or for the validity or enforceability thereof (as applicable) where failure to do so has had or could have a Material Adverse Effect.

9.12 Covenant Suspension

If on any date following the Closing Date (the "**Suspension Date**") (i) the Notes have Investment Grade Status and (ii) no Potential Event of Default or Event of Default has occurred and is continuing on such date (together, the "**Suspension Conditions**"), and such conditions are certified to the Trustee in an Officer's Certificate, then beginning on the Suspension Date and continuing until such time (the "**Reversion Date**"), if any, at which the Notes cease to have Investment Grade Status (such period, the "**Suspension Period**"), Uralkali and any of its Subsidiaries (as applicable) will not be obliged to comply with their respective obligations under Clauses 9.2, 9.4, 9.5, 9.6, 9.7, 9.9, 9.10 and 9.11 (the "**Suspended Covenants**") and, in each case, any related Events of Default under Clause 10 will cease to be effective and will not be applicable to Uralkali or any of its Subsidiaries.

If a Reversion Date occurs, Uralkali and its Subsidiaries (as applicable) will thereafter again be subject to the Suspended Covenants until such time (if any) as the Suspension Conditions are again satisfied.

Notwithstanding that the Suspended Covenants may be reinstated upon the occurrence of a Reversion Date, no Potential Event of Default or Event of Default will be deemed to have occurred as a result of any (i) actions of Uralkali and any of its Subsidiaries taken or committed to be taken during the Suspension Period pursuant to law, court or government orders, resolutions of the relevant board of directors or other management body of a relevant member of the Group or a binding and legally effective contract; or (ii) any omission or failure by Uralkali and any of its Subsidiaries to act in respect of any of the Suspended Covenants during the Suspension Period.

If, following the occurrence of a Reversion Date, any act or omission of Uralkali and any of its Subsidiaries, in respect of Clauses 9.7, 9.9, 9.10 and 9.11 which would have been a Potential Event of Default or Event of Default during the Suspension Period but for the operation of this Clause 9.12 is continuing, Uralkali shall have 60 days to cure and remedy any such event and during such period such act or omission shall not constitute a Potential Event of Default or an Event of Default.

On the Reversion Date, all Indebtedness incurred during the Suspension Period will be classified to have been incurred pursuant to one of the paragraphs of the definition of "Permitted Indebtedness" in Clause 1.1 (to the extent such Indebtedness would be permitted to be incurred thereunder as of the Reversion Date and after giving effect to Indebtedness incurred prior to the Suspension Period and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred pursuant to one of the paragraphs of the definition of "Permitted Indebtedness" in Clause 1.1, such Indebtedness will be deemed to have been outstanding on the Closing Date, so that it is classified as permitted under paragraph (a) of the definition of "Permitted Indebtedness" in Clause 1.1.

On the Reversion Date, all disposals made during the Suspension Period and all Affiliate Transactions entered into during the Suspension Period will be classified to have been made or entered into, as the case may be, pursuant to one of the exceptions in Clause 9.5 or 9.6, respectively.

On the Reversion Date, all Liens made or entered into during the Suspension Period will be deemed to have been outstanding on the Closing Date, so that it is classified as permitted under paragraph (a) of the definition of "Permitted Liens" in Clause 1.1.

10 Events of Default

10.1 Events of Default

If one or more of the following events shall occur and be continuing (each, an "**Event of Default**"), the Lender shall be entitled to the remedies set forth in Clause 10.3:

- 10.1.1** Uralkali fails to pay any amount of principal, interest or other amounts payable hereunder within six Business Days (in the case of principal) or ten Business Days (in the case of interest or other amounts) of when the same were due hereunder; or
- 10.1.2** a default is made by Uralkali in the performance or observance of any of its other obligations under this Agreement and except where such default is not capable of remedy, such default remains unremedied for the period of 45 days after written notice thereof, addressed to Uralkali by the Lender, has been delivered to Uralkali; or
- 10.1.3** any present or future Indebtedness of Uralkali or any Material Subsidiary (i) is not paid upon the later of (A) when due upon final maturity or (B) if there is an originally applicable grace period in respect of such Indebtedness at final maturity, upon the expiration of such originally applicable grace period or (ii) becomes due and payable prior to its specified maturity as a result of an event of default (howsoever described); provided that the total amount of such Indebtedness that is not so paid (after the expiration of any such originally applicable grace period) or so due and payable equals or exceeds U.S.\$100,000,000 (or its U.S. Dollar Equivalent); or
- 10.1.4** the amount of unsatisfied judgments, decrees or orders of courts or dispute resolution bodies of competent jurisdiction for the payment of money against Uralkali and any of its Subsidiaries in the aggregate at any given moment of time exceeds U.S.\$100,000,000 (or its U.S. Dollar Equivalent), except in circumstances where such judgment, decree or order, as the case may be, is being contested or appealed by Uralkali and/or the relevant Material Subsidiary or Material Subsidiaries of Uralkali in good faith or is discharged within 120 days of being made; or
- 10.1.5** an effective resolution is passed by Uralkali or an order of a court of competent jurisdiction is made (and has come into force) that Uralkali be wound-up or dissolved otherwise than for the purposes of or pursuant to a consolidation, reorganisation, amalgamation, merger, reconstruction or analogous event permitted or not prohibited by this Agreement, or the terms of which shall have previously been approved in writing by the Lender; or

- 10.1.6** an effective resolution is passed by a Material Subsidiary or an order of a court of competent jurisdiction is made (and has come into force) for the winding-up or dissolution of any Material Subsidiary except (i) for the purposes of or pursuant to a consolidation or amalgamation with or merger into Uralkali or any other Subsidiary (provided such Subsidiary will be a Material Subsidiary following such consolidation, amalgamation or merger), (ii) for the purposes of or pursuant to a consolidation, reorganisation, amalgamation, merger, reconstruction or analogous event (other than as described in (i) above) permitted or not prohibited by this Agreement, or the terms of which shall have previously been approved in writing by the Lender or (iii) by way of a voluntary winding-up or dissolution and there are surplus assets in any Material Subsidiary and such surplus assets attributable to Uralkali and/or any Material Subsidiary are distributed to Uralkali and/or any other Subsidiary (provided such Subsidiary will be a Material Subsidiary following such winding-up or dissolution); or
- 10.1.7** an encumbrancer takes possession or a receiver is appointed of the whole or (in the reasonable opinion of the Lender) a material part of the assets or undertaking of Uralkali or any Material Subsidiary which has a Material Adverse Effect and is not discharged or rescinded within 120 days of its commencement (or such longer period as the Lender, acting reasonably, may consider appropriate in relation to the jurisdiction concerned); or
- 10.1.8** a distress, execution or seizure before judgment is levied or enforced upon the whole or a material part of the property of Uralkali or any Material Subsidiary which has a Material Adverse Effect and is not stayed or discharged within 120 days of its commencement (or such longer period as the Lender, acting reasonably, may consider appropriate in relation to the jurisdiction concerned); or
- 10.1.9** Uralkali or any Material Subsidiary through an official action of the Board of Directors of Uralkali or such Material Subsidiary (as the case may be) announces its intention not to pay or its inability to pay, or is unable to pay, its debts generally as and when they fall due; or
- 10.1.10** proceedings shall have been initiated against Uralkali or any Material Subsidiary for its liquidation, insolvency, bankruptcy or dissolution under any applicable bankruptcy, or insolvency law (and which, with respect to any Material Subsidiary only, have a Material Adverse Effect) and such proceedings shall not have been discharged or stayed within a period of 120 days (or such longer period as the Lender, acting reasonably, may consider appropriate in relation to the jurisdiction concerned) unless such liquidation, insolvency, bankruptcy or dissolution is being contested in good faith; or
- 10.1.11** Uralkali or any Material Subsidiary shall initiate or consent to proceedings for its liquidation, insolvency, bankruptcy or dissolution relating to itself under any applicable bankruptcy or insolvency law or make a general assignment for the benefit of, or enter into any general composition with, its creditors unless, with respect to any Material Subsidiary only, such liquidation, insolvency, bankruptcy or dissolution would not have a Material Adverse Effect or such liquidation or dissolution, whilst solvent, is permitted pursuant to Clause 9.4; or
- 10.1.12** a moratorium is agreed or declared in respect of any Indebtedness of Uralkali or any Material Subsidiary and the same has a Material Adverse Effect or any governmental authority or agency condemns, seizes, compulsorily purchases, transfers or expropriates all or (in the reasonable opinion of the Lender) a material part of the assets, licences or all or a majority of the shares of Uralkali or any Material Subsidiary and the same has a Material Adverse Effect; or
- 10.1.13** any event occurs which under the laws of the Russian Federation or, in the case of a Material Subsidiary, the jurisdiction of its incorporation (if different), has an analogous effect to any of the events referred to in sub-Clauses 10.1.4 to 10.1.12 above.

10.2 Notice of Default

Uralkali shall deliver to the Lender, promptly after becoming aware of the occurrence thereof, written notice in the form of an Officer's Certificate of any event which is an Event of Default, or a Potential Event of Default, its status and what action Uralkali is taking or proposes to take with respect thereto.

10.3 Default Remedies

If any Event of Default shall occur and be continuing, the Lender may, by notice in writing to Uralkali, (a) declare the obligations of the Lender hereunder to be immediately terminated, whereupon such obligations shall terminate, and (b) declare the outstanding principal amount of the Loan to be immediately due and payable, together with interest and any additional amounts accrued to (and including) the date of termination under this Agreement, whereupon all such amounts shall become immediately due and payable, all without diligence, presentment, demand of payment, protest or notice of any kind, which are expressly waived by Uralkali.

10.4 Rights Not Exclusive

The rights provided for herein are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

10.5 Right of Set-off

If an Event of Default shall occur and be continuing, Uralkali authorises the Lender to proceed, to the fullest extent permitted by applicable law, without prior notice, by right of set-off, banker's lien, counterclaim or otherwise, against any assets of Uralkali in any currency that may at any time be in the possession of the Lender (except for any assets of Uralkali in repayment of loans substantially similar to this Agreement), at any branch or office, to the full extent of all amounts due and payable to the Lender hereunder.

11 Indemnity

11.1 Indemnification

Uralkali undertakes to the Lender, that if the Lender, or any director, officer, attorney, employee or agent of the Lender (each an "**indemnified party**") directly incurs any loss, liability, claim, demand or damage, charge or expense (including without limitation reasonable legal fees, costs and expenses) (a "**Loss**") as a result of or in connection with the Loan or this Agreement (or enforcement thereof) (excluding a Loss that is the subject of the undertakings contained in Clauses 6.2, 6.3, 8 and 12.8 of this Agreement (it being understood that the Lender may not recover twice in respect of the same Loss and excluding any taxes (which exclusion shall be without prejudice to the provisions of Clause 12.4 below)), and/or the issue, constitution, sale, listing and/or enforcement of the Notes and/or the Notes being outstanding, Uralkali shall pay to the Lender within five Business Days of demand an amount equal to such Loss and (without duplication) all documented costs, charges and expenses which it or any indemnified party has reasonably incurred in connection with investigating, disputing or defending any such action or claim as such costs, charges and expenses are incurred unless such Loss was either caused by such indemnified party's negligence, default, bad faith, fraud or wilful misconduct or arises out of a breach of the representations and warranties or undertakings of the Lender contained in this Agreement or any other Issuer Agreement. The Lender shall not have any duty or obligation whether as fiduciary or trustee for any indemnified party or otherwise, to recover any such payment or to account to any other Person for any amounts paid to it under this Clause.

11.2 Independent Obligation

Clause 11.1 constitutes a separate and independent obligation of Uralkali from its other obligations under or in connection with this Agreement and shall not affect, or be construed to affect, any other provision of this Agreement.

11.3 Evidence of Loss

A certificate of the Lender setting forth the amount of Loss described in Clause 11.1 and specifying in full detail the basis therefor shall, in the absence of manifest error, be *prima facie* evidence of the amount of such losses, expenses and liabilities.

11.4 Survival

The obligations of Uralkali pursuant to Clauses 11.1, 12.2, 12.4 and 12.8 shall survive the execution and delivery of this Agreement, the drawdown of the Facility and the repayment of the Loan, in each case by Uralkali.

12 General

12.1 Evidence of Debt

The entries made by the Lender in the accounts maintained by the Lender in accordance with its usual practice and evidencing the amounts from time to time lent by and owing to it hereunder shall, in the absence of manifest error, be *prima facie* evidence of the existence and amounts of Uralkali's obligations recorded herein.

12.2 Stamp Duties

Uralkali shall pay all stamp, registration and documentary taxes or duties (if any) imposed on or payable by Uralkali or the Lender in the United Kingdom, the Russian Federation or Ireland which may be payable or determined to be payable in connection with the execution, delivery, performance, enforcement or admissibility in evidence of this Agreement and shall indemnify the Lender against any and all costs and expenses which may be incurred or suffered by the Lender with respect to, or resulting from, delay or failure by Uralkali to procure the payment of such taxes or similar charges.

12.3 VAT

Where a sum is payable under this Agreement to the Lender, Uralkali will, in addition, pay in respect of VAT:

- 12.3.1** where the payment (or any part of it) constitutes the consideration (or any part thereof) for any supply of services made to Uralkali, such amounts as equal any VAT properly chargeable thereon by the Lender (not being VAT for which Uralkali has to account for on its own account to the relevant taxing authority) on receipt of a valid VAT invoice;
- 12.3.2** where the payment is to reimburse or indemnify the Lender for any cost, charge or expense incurred by it (except where the payment falls within sub-Clause 12.3.3 below), such amount as equals any VAT, which the Lender represents in good faith is not recoverable by it or by the representative member of any VAT group of which it is a member, charged to or incurred by the Lender in respect of any cost, charge or expense which gives rise to or is reflected in the payment on production of relevant invoices or equivalent evidence of such payment having been made; and
- 12.3.3** where the payment is in respect of costs or expenses incurred by the Lender as agent for Uralkali and except where section 47(3) of the United Kingdom Value Added Tax Act 1994 or section 28(1) of the Value-Added Tax Consolidation Act 2010 of Ireland (or any equivalent legislation in a jurisdiction outside the United Kingdom or Ireland) applies, such amount as equals the amount included in the costs or expenses in respect of VAT and in such case the Lender shall use reasonable efforts to procure that the actual supplier of goods or services which the Lender received as agent issues a valid VAT invoice directly to Uralkali in respect of the relevant supply.

12.4 Payment Gross-Up

Where any payment is made under this Agreement to the Lender pursuant to an indemnity, compensation or reimbursement provision, the sum payable shall be increased or decreased (as the case may be) so as to take into account (a) any charge to Taxation in the hands of the Lender in respect of such payment and (b) any tax relief available to the Lender in respect of the matter giving rise to the payment and which may be offset against the charge to Taxation, such that the Lender shall be left with a sum equal to the sum that it would have retained in the absence of such a charge to Taxation and such tax relief.

12.5 Waivers

No failure to exercise and no delay in exercising, on the part of the Lender or Uralkali, any right, power or privilege hereunder and no course of dealing between Uralkali and the Lender shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and not exclusive of any rights, or remedies provided by applicable law.

12.6 Notices

12.6.1 Method

Each communication under this Agreement shall be made by fax, electronic communication or otherwise in writing. Each communication or document to be delivered to any party under this Agreement shall be sent to that party at the fax number, postal address or electronic address, and marked for the attention of the person (if any), from time to time designated by that party to each other party for the purpose of this Agreement. The initial telephone number, fax number, postal address, electronic address and person so designated by the parties under this Agreement are set out below:

(i) if to Uralkali:

Address: 618426, Russia, Perm Territory
Berezniki, ul. Pyatiletki, 63

Fax: +7 342 429 6980
Tel: +7 342 429 5757
Email: Elena.Bushmanova@uralkali.com,
Yuliya.Demidova@uralkali.com,
Mariya.Ermilova@uralkali.com,
Ivan.Akinin@uralkali.com,
Sofya.Shkvaryuk@uralkali.com

Attention: Elena Bushmanova, Yuliya Demidova, Mariya Ermilova,
Ivan Akinin, Sofya Shkvaryuk

(ii) if to the Lender:

Address: 2nd Floor Palmerston House
Fenian Street
Dublin 2
Ireland

Fax: +353 1 905 8029
Tel: +353 1 905 8020
Attention: The Directors
Email: uralkali@caficointernational.com

(iii) if to the Trustee:

Address: Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Fax: +44 207 500 5877
Attention: Citicorp Trustee Company Limited

or to such other address, fax number or email address as any party may hereafter specify in writing to the other.

12.6.2 Deemed Receipt

Any such communication shall take effect, in the case of a letter, at the time of delivery, in the case of a fax, when the relevant delivery receipt is received by the sender, in the case of an electronic communication, when the relevant receipt of such communication being read is given, or where no read receipt is requested by the sender, at the time of sending, provided that no delivery failure notification is received by the sender within 24 hours of sending such communication or, in the case of a telephone communication, when made; provided that any communication which is received (or deemed to take effect in accordance with the foregoing) after 5:00pm on a business day or on a non-business day in the place of receipt shall be deemed to take effect at the opening of business on the next following business day in such place. Any communication delivered to any party under this Agreement which is to be sent by fax or electronic communication will be written legal evidence.

12.7 Assignment

12.7.1 Subject to sub-Clauses 12.7.2 and 12.7.3, this Agreement shall enure to the benefit of and be binding upon the parties, their respective successors and any permitted assignee or transferee of some or all of a party's rights under this Agreement. Any reference in this Agreement to any party shall be construed accordingly and, in particular, references to the exercise of any rights, benefits and discretions or the making of any determination (including forming an opinion) by, and the delivery of notices, certificates and information to, the Lender, shall include references to the exercise of any such rights, benefits or discretions by or the making of such determination (including forming an opinion) by the Trustee (as Trustee). Notwithstanding the foregoing, the Trustee shall not be entitled to participate in any determinations by, and the delivery of notices, certificates and information to, the Lender or any discussions between the Lender and Uralkali or any agreements of the Lender or Uralkali, pursuant to Clause 6.4, 6.5 or 8.

12.7.2 Uralkali shall not assign or transfer all or any part of its rights or obligations hereunder to any other party or **person**.

12.7.3 Subject to the provisions of Clause 15 of the Trust Deed, the Lender may not assign or transfer, in whole or in part, any of its rights, obligations and benefits under this Agreement other than the Reserved Rights except that the Lender may charge by way of first fixed charge in favour of the Trustee (as Trustee) of certain of the Lender's rights and benefits under this Agreement and assign to the Trustee certain rights, interests and benefits under this Agreement, in each case, as set out in Clause 4 of the Trust Deed.

12.8 Currency Indemnity

To the fullest extent permitted by law, the obligation of Uralkali in respect of any amount due in Dollars under this Agreement shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in Dollars that the Lender may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any reasonable premium and costs of exchange) on the Business Day immediately following the day on which the Lender receives such payment. If the amount in Dollars that may be so purchased for any reason falls short of the amount originally due (the "**Due Amount**"), Uralkali hereby agrees to indemnify and hold harmless the Lender against any deficiency in Dollars. Any obligation of Uralkali not discharged by payment in Dollars shall, to the fullest extent permitted by applicable law, be due as a separate and independent obligation and, until discharged as provided herein, shall continue in full force and effect. If the amount in Dollars that may be purchased exceeds that Due Amount the Lender shall promptly pay the amount of the excess to Uralkali.

12.9 Contracts (Rights of Third Parties) Act 1999

Except as otherwise specifically provided herein, a Person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement except that the Trustee may enforce and rely on any provision of this Agreement to the same extent as if it were a party hereto subject to the terms and conditions of the Trust Deed. This Agreement may be terminated

and any term may be amended or waived without the consent of any such Person so expressly provided for under this Agreement.

12.10 Governing Law

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with English law.

12.11 Dispute Resolution

12.11.1 Dispute Resolution

The parties irrevocably agree that any dispute arising out of or in connection with this Agreement, including a dispute as to the validity, existence or termination of this Agreement or the consequences of its nullity and/or this Clause 12.11 (a "**Dispute**"), shall be resolved by arbitration in London, England, conducted in the English language by three arbitrators and administered by the LCIA (formerly the London Court of International Arbitration) in accordance with the LCIA Rules (the "**LCIA Rules**"), which rules are deemed to be incorporated by reference into this Clause, save that the LCIA Rules shall be amended as follows: the third arbitrator, who shall act as presiding arbitrator, shall be nominated by the two arbitrators nominated by the parties. If the presiding arbitrator is not so nominated within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, the presiding arbitrator shall be chosen by the LCIA.

12.11.2 Waiver of Immunity

To the extent that Uralkali or the Lender may now or hereafter be entitled, in any jurisdiction in which any legal action or proceeding may at any time be commenced with respect to this Agreement, to claim for itself or any of its undertaking, properties, assets or revenues present or future any immunity (sovereign or otherwise) from suit, jurisdiction of any court, attachment prior to judgment, attachment in aid of execution of a judgment, execution of a judgment or award or from set-off, banker's lien, counterclaim or any other legal process or remedy with respect to its obligations under this Agreement and/or to the extent that in any such jurisdiction there may be attributed to Uralkali or the Lender any such immunity (whether or not claimed), Uralkali and the Lender hereby irrevocably agree not to claim, and hereby waive, any such immunity.

12.12 Severability

In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

12.13 Counterparts

This Agreement may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same agreement.

12.14 Language

The language which governs the interpretation of this Agreement is the English language.

12.15 Amendments

Except as otherwise provided by its terms, this Agreement may not be varied except by an agreement in writing signed by the parties.

12.16 Partial Invalidity

The illegality, invalidity or unenforceability to any extent of any provision of this Agreement under the law of any jurisdiction shall affect its legality, validity or enforceability in such jurisdiction to such extent only and shall not affect its legality, validity or enforceability under the law of any other jurisdiction, nor the legality, validity or enforceability of any other provision.

12.17 Prescription

In the event that the Notes become void pursuant to Condition 10 of the Notes, the Lender shall forthwith repay to Uralkali the principal amount of such Note subject to the Lender having previously received from Uralkali, and being in possession of, a corresponding amount in respect of principal pursuant to this Agreement.

12.18 FATCA and Tax Reporting

Uralkali will provide the Lender with sufficient information, provide all reasonable assistance necessary, and pay any costs associated with, compliance by the Lender with (i) Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Section 1471 through 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof; and (ii) any other tax reporting or information exchange regime to which the Lender is subject.

12.19 Non-Petition and Limited Recourse

Neither Uralkali nor any other Person acting on its behalf shall be entitled at any time to institute against the Lender, or join in any institution against the Lender of, any bankruptcy, administration, moratorium, reorganisation, controlled management, arrangement, insolvency, examinership, winding-up or liquidation proceedings or similar insolvency proceedings under any applicable bankruptcy or similar law in connection with any obligation of the Lender under this Agreement, save for lodging a claim in the liquidation of the Lender which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Lender.

Uralkali hereby agrees that it shall have recourse in respect of any claim against the Lender only to sums in respect of principal, interest or other amounts (if any), as the case may be, received and retained (net of tax) by or for the account of the Lender pursuant to this Agreement (the "**Lender Assets**"), subject always to the Security Interests (as defined in the Trust Deed), and that any claim by Uralkali shall be reduced *pro rata* so that the total of all such claims does not exceed the aggregate value of the Lender Assets after meeting claims secured on them. Neither Uralkali nor any Person acting on its behalf shall be entitled to take any further steps against the Lender to recover any further sums and no debt shall be owned by the Lender to such Person in respect of any such further sum.

It is expressly agreed and understood that the entry into this Agreement constitutes a corporate obligation only of the Lender. No personal liability shall attach to or be incurred by any shareholder, member, equity holder, officer, agent, employee or director of the Lender in his capacity as such, under or by reason of any of the obligations, covenants or agreements of such party as a result of entry into this Agreement or implied therefrom and any and all personal liability of every such shareholder, member, equity holder, officer, agent, employee or director for breaches by the Lender of any such obligations, covenants or agreements, either at law or by statute or constitution, is hereby expressly waived by Uralkali as a condition of and in consideration for the execution of this Agreement except to the extent that any such Person acts in bad faith or is negligent in the context of its obligations.

The provisions of this Clause 12.19 shall survive the termination of this Agreement.

In witness whereof, the parties hereto have caused this Agreement to be executed on the date first written above.

TERMS AND CONDITIONS OF THE NOTES

The U.S.\$ 500,000,000 4.000 per cent Loan Participation Notes due 2024 (the "**Notes**", which expression includes any further Notes issued pursuant to Condition 14 and forming a single series herewith), without coupons, of Uralkali Finance Designated Activity Company (the "**Issuer**", which expression shall include any entity substituted for the Issuer in accordance with the Trust Deed) are constituted by, are subject to, and have the benefit of a trust deed (the "**Trust Deed**", which expression includes such trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified) dated 22 October 2019 and made between the Issuer and Citicorp Trustee Company Limited as trustee (the "**Trustee**", which expression shall include any successors) for the Noteholders (as defined below) under the Trust Deed.

The Issuer has authorised the creation, issue and sale of the Notes for the sole purpose of financing a U.S.\$ 500,000,000 loan (the "**Loan**") to Public Joint Stock Company Uralkali ("**Uralkali**"). The terms of the Loan are set forth in a loan agreement (the "**Loan Agreement**") dated 18 October 2019 between the Issuer and Uralkali.

In each case where amounts of principal, interest and additional amounts (if any) are stated herein or in the Trust Deed to be payable in respect of the Notes, the obligations of the Issuer to make any such payment shall constitute an obligation only to account to the Noteholders on each date upon which such amounts of principal, interest and additional amounts (if any), respectively are due in respect of the Notes, for an amount equivalent to sums of principal, interest and additional amounts (if any) actually received and retained (after deduction or withholding of any taxes, duties and other deductions whatsoever) by or for the account of the Issuer pursuant to the Loan Agreement, less any amounts in respect of the Reserved Rights (as defined in the Trust Deed). Noteholders must therefore rely solely and exclusively on the covenant to pay under the Loan Agreement, the benefit of the Security Interests (as defined below) and the credit and financial standing of Uralkali. Noteholders shall have no recourse (direct or indirect) to any other asset of the Issuer.

The Issuer has charged by way of first fixed charge in favour of the Trustee for the benefit of the Trustee and the Noteholders certain of its rights and interests as lender under the Loan Agreement as security for its payment obligations in respect of the Notes and under the Trust Deed (the "**Charge**") and has assigned certain other rights under the Loan Agreement to the Trustee (the "**Assigned Rights**" and, together with the Charge, the "**Security Interests**") in each case excluding the Reserved Rights.

In certain circumstances, the Trustee can (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) be required by Noteholders holding in aggregate at least 25 per cent of the principal amount of the Notes outstanding (as defined in the Trust Deed) or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders to exercise certain of its powers under the Trust Deed (including those arising under the Security Interests).

Payments in respect of the Notes will be made (subject to the receipt of the relevant funds from Uralkali under the Loan Agreement) pursuant to a paying agency agreement (such agreement, as amended or supplemented from time to time, the "**Paying Agency Agreement**") dated 18 October 2019 and made between the Issuer, Uralkali, Citibank N. A., London Branch as the principal paying agent and a transfer agent (the "**Principal Paying Agent**", which expression shall include any successors), Citigroup Global Markets Europe AG as the registrar ("**Registrar**", which expression shall include any successors), Citibank N.A. as U.S. paying agent and U.S. transfer agent (together with the Principal Paying Agent, the "**Paying Agents**" and the "**Transfer Agents**", which expression shall include any successors) and the Trustee. References herein to the "**Agents**" are to the Registrars, the Paying Agents and the Transfer Agents and any reference to an "**Agent**" is to any one of them.

Copies of the Trust Deed, the Loan Agreement and the Paying Agency Agreement are available for inspection by Noteholders during normal business hours by appointment at: (a) the registered office of the Trustee being, at the date hereof, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB; (b) the registered office of the Issuer being, at the date hereof, 2nd Floor, Palmerston House, Fenian street, Dublin 2, Ireland; (c) at the specified office of the Principal Paying Agent, the initial specified office of which is set out below.

Certain provisions of these terms and conditions (the "**Conditions**") are summaries or restatements of, and are subject to, the detailed provisions of the Trust Deed, the Loan Agreement (the form of which is scheduled to and incorporated in the Trust Deed) and the Paying Agency Agreement. Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of all the provisions of the Loan Agreement and the Paying Agency Agreement that are applicable to them.

Unless otherwise stated, terms not defined herein shall have the same meanings given to them in the Trust Deed.

1 Status and Limited Recourse

The Notes are limited recourse secured obligations of the Issuer.

The sole purpose of the issue of the Notes is to provide the funds for the Issuer to finance the Loan. The Notes constitute the obligation of the Issuer to apply the proceeds from the issue of the Notes solely for financing the Loan and to account to the Noteholders for an amount equivalent to the principal, interest and additional amounts (if any) actually received and retained (after deduction or withholding of such taxes or duties as may be required to be made by the Issuer by law in respect of each sum to the extent that the Issuer has not received a corresponding payment (also after deduction or withholding of such taxes or duties as may be required to be made by the Issuer in respect thereof)) by or for the account of the Issuer pursuant to the Loan Agreement, less any amount in respect of the Reserved Rights.

The Trust Deed provides that payments in respect of the Notes equal to the sums actually received and retained (after deduction or withholding of any taxes, duties and other deductions whatsoever) by or for the account of the Issuer by way of principal, interest or additional amounts (if any) pursuant to the Loan Agreement, less any amount in respect of the Reserved Rights, will be made *pro rata* among all Noteholders (subject to Condition 7), on the Business Day following the date of, and in the currency of, and subject to the conditions attaching to, the equivalent payment pursuant to the Loan Agreement. The Issuer shall not be liable to make any payment in respect of the Notes other than as expressly provided herein and in the Trust Deed. As provided therein, the Issuer shall be under no obligation to exercise in favour of the Noteholders any rights of set-off or to combine accounts or counterclaim that may arise out of other transactions between the Issuer and Uralkali.

Noteholders have notice of, and have accepted, these Conditions and the contents of the Trust Deed, the Paying Agency Agreement and the Loan Agreement. It is hereby expressly provided that, and Noteholders are deemed to have accepted that:

- (a) neither the Issuer nor the Trustee makes any representation or warranty in respect of, or shall at any time have any responsibility for, or (in the case of the Issuer) save as otherwise expressly provided in the Trust Deed, in Condition 1(f) below or in the Loan Agreement (in the case of the Issuer), any liability or obligation in respect of the performance and observance by Uralkali of its obligations under the Loan Agreement or the recoverability of any sum of principal or interest (or any additional amounts) due or to become due from Uralkali under the Loan Agreement;
- (b) neither the Issuer nor the Trustee shall at any time have any responsibility for, or obligation or liability in respect of, the condition (financial or otherwise), creditworthiness, affairs, status, nature or prospects of Uralkali;
- (c) neither the Issuer nor the Trustee shall at any time be liable for any representation or warranty or any act, default or omission of Uralkali under or in respect of the Loan Agreement;
- (d) neither the Issuer nor the Trustee shall, save as set out in the Trust Deed, at any time have any responsibility for, or liability or obligation in respect of, the performance and observance by the Agents of their respective obligations under the Paying Agency Agreement;
- (e) the payment of principal, interest and other amounts, if any, under, and performance of the terms, of the Notes depend solely and exclusively upon performance by Uralkali of its obligations under the Loan Agreement, and Uralkali's credit and financial standing;
- (f) the Issuer and the Trustee shall be entitled to rely on delivery to them of Officer's Certificates (as defined in the Trust Deed) and/or any other certificates (whether or not addressed to the Issuer or the Trustee) from Uralkali, or procured by Uralkali, as a means of monitoring whether Uralkali is complying with its obligations under the Loan Agreement or as to the identity of Uralkali's Material Subsidiaries (as defined in the Loan Agreement) and shall not otherwise be responsible for investigating any aspect of Uralkali's performance in relation thereto and (in the case of the Issuer) subject as further provided in the Trust Deed, neither the Issuer as lender

under the Loan Agreement nor the Trustee will be liable for any failure to make any investigations which might be made by a lender or a security holder (as applicable) in relation to the property which is subject to the Security Interests and held by way of security for the performance of the Issuer's obligations under the Notes, and shall not be bound to enquire into or be liable for any defect or failure in the right or title of the Issuer to the property which is subject to the Security Interests whether such defect or failure was known to the Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will the Trustee have any liability for the enforceability of the security created by the Security Interests whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such security; the Trustee has no responsibility for the value of such security;

- (g) neither the Trustee nor the Issuer shall at any time be required to expend or risk its own funds or otherwise incur any financial liability in the performance of its obligations or duties or the exercise of any right, power, authority or discretion pursuant to these Conditions until the Issuer, or the Trustee, as the case may be, has received an indemnity and/or security to its satisfaction and/or the funds that are necessary to cover the costs and expenses in connection with such performance or exercise, or has been (in its sole discretion) sufficiently assured that it will receive such funds;
- (h) the Issuer will not be liable to make any payments to compensate for any withholding or deduction required to be made by or on behalf of the Issuer in respect of any payment relating to the Notes, or for any payment for or on account of taxes required to be made by the Issuer on or in relation to any sum received by it under the Loan Agreement, save to the extent that it has received additional amounts under the Loan Agreement in respect of such withholding or deduction or payment, and the Issuer shall, furthermore, not be obliged to take any actions or measures as regards such deduction or withholding or payment, other than those set out in this context in the Loan Agreement. The Trustee shall have no responsibility or liability for any shortfall in respect of any such deduction, withholding or payment;
- (i) under the Trust Deed, the obligations of the Issuer in respect of the Notes rank *pari passu* and rateably without any preference among themselves; and
- (j) in the event that the payments under the Loan Agreement are made by Uralkali, to, or to the order of, the Trustee or (subject to the provisions of the Trust Deed) the Principal Paying Agent, such payments will *pro tanto*, to the extent of such payment, satisfy the obligations of the Issuer in respect of the Notes (unless, upon due presentation of a Note, payment is improperly withheld or refused).

Save as otherwise expressly provided herein and in the Trust Deed, no proprietary or other direct interest in the Issuer's rights under or in respect of the Loan Agreement, the Loan, the Account or the Security Interests exists for the benefit of the Noteholders. Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce the Loan Agreement or direct recourse to Uralkali, except through action by the Trustee pursuant to the relevant Security Interests granted to the Trustee in the Trust Deed. Neither the Issuer nor, following the enforcement of the Security Interests created in the Trust Deed, the Trustee shall be required to take any steps, actions or proceedings to enforce payment under the Loan Agreement unless it has been indemnified and/or secured and/or prefunded by the Noteholders to its satisfaction.

As provided in the Trust Deed and notwithstanding any other provision hereof, the obligations of the Issuer under the Notes shall be solely to make payments of amounts in aggregate equal to each sum actually received and retained (net of tax and other deductions whatsoever) by or for the account of the Issuer (after deduction or withholding of such taxes or duties as may be required to be made by the Issuer by law in respect of each such sum to the extent the Issuer has not received a corresponding payment (also after deduction or withholding of such taxes or duties as may be required to be made by the Issuer in respect thereof) pursuant to the Loan Agreement) from Uralkali, in respect of principal, interest, additional amounts or, as the case may be, other amounts pursuant to the Loan Agreement (less any amounts in respect of the Reserved Rights), the right to receive which will, *inter alia*, be assigned to the Trustee as security for the Issuer's payment obligations in respect of the Notes and the Trust Deed. Accordingly, all payments to be made by the Issuer under the Notes will be made only from and to the

extent of such sums received or recovered by or on behalf of the Issuer or the Trustee (following a Relevant Event (as defined in the Trust Deed) or (if applicable) an Event of Default (as defined in the Loan Agreement)). Noteholders shall look solely to such sums for payments to be made by the Issuer under the Notes, the obligation of the Issuer to make payments in respect of the Notes will be limited to such sums and Noteholders will have no further recourse to the Issuer or any of the Issuer's other assets in respect thereof. Notwithstanding any other provisions of these Conditions and the provisions of the Trust Deed, the Trustee and the Noteholders shall have recourse to the Security Interests only in accordance with Clause 4 of the Trust Deed. After realisation of the security which has become enforceable and distribution of the proceeds in accordance with Clause 8 of the Trust Deed, the obligations of the Issuer with respect to the Trustee and the Noteholders in respect of the Notes shall be fully satisfied and none of the foregoing parties may take any further steps against the Issuer to recover further sums in respect thereof and the right to receive any such sums shall be extinguished.

None of the Noteholders, the Trustee or the other creditors (nor any other person acting on behalf of any of them) shall be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, administration, moratorium, reorganisation, controlled management, arrangement, insolvency, examinership, winding-up or liquidation proceedings or similar insolvency proceedings under any applicable bankruptcy or similar law in connection with any obligation of the Issuer relating to the Notes or otherwise owed to the creditors, save for lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer.

No Noteholder or the Trustee shall have any recourse against any director, shareholder, or officer of the Issuer in respect of any representations, warranties, obligations, covenants or agreements entered into or made by the Issuer in respect of the Notes, other than in the case of fraud, negligence or wilful default in the context of such person's obligations.

2 Form, Denomination, Register and Transfers

(a) Form and denomination

Notes are issued in registered form, in the denominations of U.S.\$200,000 or integral multiples of U.S.\$1,000 in excess thereof (each, an "**Authorised Holding**") without interest coupons attached.

(b) Register, Title and Transfers

(i) *Register*

Each Registrar will maintain a register (the "**Registers**" and each a "**Register**") in respect of the Notes outside the United Kingdom in accordance with the provisions of the Paying Agency Agreement. In these Conditions the "holder" of a Note means the person in whose name such Note is for the time being registered in the relevant Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (a "**Certificate**") will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded in the relevant Register.

(ii) *Title*

Title to the Notes will pass by and upon registration in the relevant Register. The holder of each Note shall (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such holder.

(iii) *Transfers*

Subject to the terms of the Paying Agency Agreement and paragraphs 2(b)(iv) and (v) of this Condition 2(b), a Note may be transferred in whole or in part upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the specified office of the relevant Registrar or at the specified office of the Transfer Agent, together with such evidence as the relevant Registrar or the Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided however, that a Note may not be transferred unless the principal amount of the Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of the Notes not transferred are Authorised Holdings. Where not all the Notes represented by the surrendered Certificates are the subject of the transfer, a new Certificate in respect of the balance of the Notes not transferred will be issued to the transferor.

(iv) *Registration and delivery of Notes*

Subject to paragraph (v) of this Condition 2(b), within five business days of the surrender of a Certificate in accordance with the immediately preceding paragraph above, the relevant Registrar will register the transfer in question and deliver a new Certificate to each relevant holder at its specified office or (at the request and risk of such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this paragraph, "business day" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the relevant Registrar has its specified office. In the case of the transfer of only a part of the Notes, a new Certificate in respect of the balance of the Notes not transferred will be so delivered or (at the risk and, if mailed at the request of the transferor otherwise than by ordinary uninsured mail, at the expense of the transferor) sent by mail to the transferor. The transfer of Notes will be effected without charge but against such indemnity as the relevant Registrar or the Transfer Agent, as applicable, may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer. Noteholders may not require transfers to be registered (A) during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes and (B) after any such Note has been called for redemption.

(v) *Regulations concerning Transfers and Registration*

All transfers of Notes and entries on the Registers are subject to the detailed regulations concerning the transfer of Notes scheduled to the Paying Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and each Registrar. A copy of the current regulations will be mailed (free of charge) by each Registrar to any Noteholder who requests in writing a copy of such regulations and who can confirm that they are a Noteholder to the satisfaction of the Registrar.

3 Restrictive Covenant

As provided in the Trust Deed, so long as any Note remains outstanding (as defined in the Trust Deed), the Issuer will not, without the prior written consent of the Trustee or an Extraordinary Resolution (as defined in the Trust Deed), agree to any amendment to or any modification, cancellation or waiver of, or authorise any breach or proposed breach of, the terms of the Loan Agreement (other than in respect of the Reserved Rights) and will act at all times in accordance with any instructions of the Trustee from time to time with respect to the Loan Agreement, except as otherwise expressly provided in the Trust Deed or the Loan Agreement, as the case may be. Any such amendment, modification, waiver, cancellation or authorisation made with the consent of the Trustee shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such amendment or modification shall be notified by the Issuer to the Noteholders in accordance with Condition 13.

Save as provided above, so long as any Note remains outstanding, the Issuer, without the prior written consent of the Trustee or an Extraordinary Resolution, shall not, *inter alia*, incur any other indebtedness

for borrowed moneys other than the issue of Notes and any further securities in accordance with Condition 14, the issue of notes on a limited recourse basis, provided that such notes are not secured on the assets of the Issuer over which the Security Interests have been created or the Issuer's share capital, engage in any business (other than entering into any agreements related to the Notes or any other issue of further securities or notes as aforesaid, activities reasonably required to maintain its existence or comply with any applicable law, regulation, judgment or its constitutional documents and performing any acts incidental to or necessary in connection with the Notes or any other issue of notes as aforesaid or such related agreements (including the holding of any security in connection therewith), making the Loan to Uralkali pursuant to the Loan Agreement or any future loans to Uralkali in connection with the issue of further securities or notes as aforesaid (including derivative transactions on a limited recourse basis) and performing any act incidental to or necessary in connection therewith), declare any dividends, have any subsidiaries or employees, purchase, own, lease or otherwise acquire any real property (including office premises or like facilities), consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entity (to the extent the same is within the control of the Issuer) to any person (otherwise than as contemplated in these Conditions and the Trust Deed), issue any further shares (other than those required to convert the Issuer's status to that of a public company and to the extent the same is within the control of the Issuer) or make any distribution to its shareholders, give any guarantee or assume any other liability (other than in connection with any act or agreement permitted pursuant to this Condition 13), or unless required under the laws of Ireland, petition for any winding-up or bankruptcy.

4 Interest

On each Interest Payment Date (or such later date as amounts equivalent to amounts of interest due on such date are received by or for the account of the Issuer) the Issuer shall account to the Noteholders for an amount equal to the amount of interest actually received by or for the account of the Issuer pursuant to the Loan Agreement, which interest under the Loan is payable at a rate of 4.000 per cent per annum as set out in clause 4 of the Loan Agreement.

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (after as well as before judgment) at the rate of interest and until the time set out in clause 4 of the Loan Agreement.

In these Conditions, "**Interest Payment Date**" means 22 April and 22 October of each year commencing on 22 April 2020.

5 Redemption and Purchase

(a) *Final Redemption*

Unless previously prepaid or repaid pursuant to clauses 5.2, 5.3, 5.4, 5.5, 5.6 or 10 of the Loan Agreement, Uralkali will be required to repay the Loan on the Repayment Date and, subject to such repayment, as set forth in the Loan Agreement, all the Notes then remaining outstanding will on 22 October 2024 (the "**Repayment Date**") be redeemed or repaid by the Issuer at 100 per cent of the principal amount thereof together with accrued interest.

(b) *Early Redemption*

Under the Loan Agreement:

- (i) Uralkali may, in the circumstances set out in clause 5.2 of the Loan Agreement prepay the Loan in whole but not in part; or
- (ii) the Issuer may require Uralkali to prepay the Loan in whole but not in part in the circumstances set out in clause 5.3 of the Loan Agreement.

If the Loan should become repayable pursuant to clauses 5.2, 5.3, 5.4 or 10 of the Loan Agreement prior to the Repayment Date, as set forth in the Loan Agreement, all Notes then remaining outstanding will thereupon become due and redeemable or repayable at 100 per cent of the principal amount together with accrued interest and (subject to the Loan being repaid

together with accrued interest and such amounts actually being received by the Issuer) shall be redeemed or repaid by the Issuer on the date specified pursuant to the Loan Agreement and the Issuer will endeavour to give not less than 14 days' notice thereof to the Trustee and the Noteholders in accordance with Condition 13.

(c) *Optional Redemption at the option of the Issuer under Make Whole Call Option*

At any time prior to the Repayment Date Uralkali may, at its option, on giving not less than 30 nor more than 60 days' notice to the Issuer (which notice shall be irrevocable and shall specify the date fixed for prepayment (the "**Make Whole Optional Prepayment Date**")), prepay the Loan in whole (but not in part) at the Make Whole Prepayment Amount (as defined in the Loan Agreement) plus accrued and unpaid interest on the Loan so prepaid to but excluding the Make Whole Optional Prepayment Date (the "**Make Whole Call Option**").

Immediately on receipt of such notice, the Issuer shall forward it to the Noteholders (in accordance with Condition 13), the Trustee and the Principal Paying Agent. If, as a result of the Make Whole Call Option, the Loan is repaid by Uralkali as set forth in the Loan Agreement prior to the Repayment Date, the Notes will thereupon become due and repayable and the Issuer shall, subject to receipt of the relevant amounts from Uralkali under the Loan, redeem the Notes on the Make Whole Optional Prepayment Date.

The Issuer's obligations in respect of this Condition 5(c) to redeem and make payment for the Notes shall constitute an obligation only to account to Noteholders on the Make Whole Optional Prepayment Date for an amount equivalent to the sums received by or for the account of the Issuer pursuant to the Loan Agreement.

Any notice of redemption given under this Condition 5(c) will override any notice of redemption given (whether previously or the same date, or subsequently) under Condition 5(d).

(d) *Optional Redemption at the option of the Issuer under Par Call Option*

At any time on or after the date falling three months prior to the Repayment Date, Uralkali may, on giving not less than 30 nor more than 60 days' notice to the Issuer (which notice shall be irrevocable and shall specify the date fixed for prepayment (the "**Par Optional Prepayment Date**")), prepay in whole or in part the Loan at its principal amount plus accrued and unpaid interest on the Loan so prepaid to but excluding the Par Optional Prepayment Date (the "**Par Call Option**").

Immediately on receipt of such notice, the Issuer shall forward it to the Noteholders (in accordance with Condition 13), the Trustee and the Principal Paying Agent. If, as a result of the Par Call Option, the Loan is repaid by Uralkali as set forth in the Loan Agreement prior to the Repayment Date, the Notes will thereupon become due and repayable and the Issuer shall, subject to receipt of the relevant amounts from Uralkali under the Loan, redeem the Notes on the Par Optional Prepayment Date.

In the case of a partial redemption, the Notes to be redeemed shall be selected either: (i) in accordance with the procedures of the relevant clearing systems; or (ii) if the Notes are not held in a clearing system or if the relevant clearing systems prescribe no method of selection, the Notes will be redeemed on a pro rata basis according to the holding of each Noteholder; subject, in each case, to compliance with any applicable laws and stock exchange or other relevant regulatory requirements. Neither the Trustee nor any Agent shall have any liability for any selection made pursuant to this Condition 5(d).

The Issuer's obligations in respect of this Condition 5(d) to redeem and make payment for the Notes shall constitute an obligation only to account to Noteholders on the Par Optional Prepayment Date for an amount equivalent to the sums received by or for the account of the Issuer pursuant to the Loan Agreement.

Any notice of redemption given under this Condition 5(d) will override any notice of redemption given (whether previously or the same date, or subsequently) under Condition 5(d).

(e) *Purchases*

The Loan Agreement provides that the Issuer, Uralkali or any member of the Group (as defined in the Loan Agreement) may from time to time purchase Notes in the open market or by tender or by a private agreement at any price. The Issuer, Uralkali or any such member of the Group may, at its option, hold, reissue, resell or, in the case of Uralkali or such member of the Group, from time to time deliver such Notes to the Issuer for cancellation, whereupon the Issuer shall, pursuant to the Paying Agency Agreement, instruct the Registrar to cancel such Notes. Upon the cancellation of such Notes, the Loan shall be treated as prepaid for all purposes by Uralkali in an amount corresponding to the aggregate principal amount of the Notes surrendered for cancellation, together with accrued interest (if any) thereon and no further payments shall be made or required to be made by Uralkali in respect of such Notes nor shall such Notes be reissued.

The Issuer may compel any beneficial owner of Notes initially sold pursuant to Rule 144A under the Securities Act to sell its interest in such Notes, or may sell such interest on behalf of such holder, if such holder is a U.S. person that is not a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and a qualified purchaser (as defined in Section 2(a)(51)(A) of the U.S. Investment Company Act of 1940).

6 Payments

(a) *Principal*

Payments of principal shall be made by transfer to a U.S. Dollar account maintained by the payee upon surrender of the relevant Certificates at the specified office of the Principal Paying Agent or at the specified office of the Transfer Agent.

(b) *Interest*

Payments of interest shall be made by transfer to a U.S. Dollar account maintained by the payee and (in the case of interest payable on redemption) upon presentation of the relevant Certificates at the specified office of the Principal Paying Agent or at the specified office of the Transfer Agent.

(c) *Payments subject to fiscal law*

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business day*

A Note may only be presented for payment on a day which is a business day in the place of presentation. If the due date for payment of interest or principal is not a business day, the holder of a Note shall not be entitled to payment of the amount due until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, "business day" means a day on which the London interbank market is open for dealings between banks generally if on that day a payment is to be made hereunder, commercial banks generally are open for business in Dublin, New York City and in the city where the specified office of the Principal Paying Agent is located.

(e) *Record Date*

Each payment in respect of a Note will be made to the person shown as the holder in the relevant Register at the opening of business (in the place of the relevant Registrar's specified office) on the fifteenth day before the due date for each payment (the "**Record Date**").

(f) *Agents*

The Paying Agency Agreement provides that the Issuer may at any time, with the prior written approval of the Trustee and Uralkali appoint a successor Registrar or Principal Paying Agent and/or additional or successor paying agents or transfer agents provided that for so long as the Notes are listed and/or admitted to trading on any stock exchange, the Issuer will ensure that it maintains: (i) a Principal Paying Agent; (ii) a Paying Agent as may be required by the rules and regulations of such stock exchange; and (iii) a Registrar having a specified office outside the United Kingdom. Any such appointment of successor or other Agents shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not more than 45 days' and not less than 30 days' notice thereof shall have been given to the continuing Agents, Uralkali, the Trustee and to the Noteholders in accordance with Condition 13.

In acting under the Paying Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

(g) *Accrued Interest*

In addition, if the due date for redemption or repayment of a Note is not an Interest Payment Date, interest accrued from the preceding Interest Payment Date or, as the case may be, from the date of issuance of the Notes, shall be payable only as and when actually received by or for the account of the Issuer pursuant to the Loan Agreement.

(h) *Payments by Uralkali*

Save as directed by the Trustee at any time after the Security Interests created pursuant to the Trust Deed become enforceable, the Issuer will require Uralkali to make all payments of principal, interest and any additional amounts (if any) to be made pursuant to the Loan Agreement to an account in the name of the Issuer with the Principal Paying Agent. Pursuant to the Charge, the Issuer will charge by way of first fixed charge, all its rights, title and interest in and to all sums of money (with the exception of sums relating to the Reserved Rights) then or in the future so deposited in such account and the debts represented thereby to the Trustee for the benefit of the Trustee and the Noteholders.

(i) *Currency other than U.S. Dollars*

In respect of the Issuer's obligations under Conditions 4, 5, 6 and 7, and subject to the following sentence, if the Issuer receives any amount under the Loan Agreement in a currency other than U.S. Dollars, the Issuer's obligation under the relevant Condition shall be fully satisfied by paying such sum (after deducting any costs of exchange) as the Issuer receives upon conversion of such sum into U.S. Dollars in accordance with customary banking practice in the spot market on the business day immediately following the day on which such sum is received by the Issuer, provided that the Issuer shall use its best efforts to procure any payments due from Uralkali pursuant to clause 12.8 of the Loan Agreement. If the Issuer receives any payment from Uralkali pursuant to clause 12.8 of the Loan Agreement with respect to amounts due under the Notes, the Issuer shall pay such sum to the Noteholders in accordance with this Condition 6.

7 Taxation

All payments in respect of the Notes will be made without deduction or withholding for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of Ireland or any authority thereof or therein having the power to tax, unless the deduction or withholding of such taxes or duties is required by law. In such event, the Issuer shall make such additional payments as shall result in the receipt by the Noteholders of such amount as would have been received by them if no such withholding or deduction had been required, provided that such additional payments shall only be required to be paid by the Issuer to the extent and only at such time as the Issuer receives an equivalent payment from Uralkali under the Loan. To the extent that the Issuer does not receive any such equivalent payment from Uralkali, the Issuer will account to the relevant Noteholder for an additional amount equivalent to a pro rata proportion of such additional amount (if any) as is actually received by, or for

the account of, the Issuer pursuant to the Loan Agreement, on the date of, in the currency of, and subject to any conditions attaching to, the payment of such additional amount to the Issuer, provided that no such additional amount will be payable:

- (a) to a Noteholder (a) who is liable for such taxes or duties by reason of his having some connection with Ireland other than the mere holding of such Note or the receipt of payments in respect thereof or (b) who is able to avoid a deduction or withholding by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant tax authority;
- (b) in respect of a Note presented for payment of principal more than 30 days after the Relevant Date except to the extent that such additional payment would have been payable if such Note had been presented for payment on such 30th day;
- (c) in respect of a Note held by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another Paying Agent in a Member State of the European Union; or
- (d) in respect of any FATCA Withholding.

Notwithstanding any other provision of these Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

As used herein, "**Relevant Date**" means the later of (a) the date on which the equivalent payment under the Loan Agreement first becomes due and (b) if the full amount payable by Uralkali corresponding to such payment has not been received by, or for the account of, the Issuer pursuant to the Loan Agreement on or prior to such date, it means the date on which such full amount shall have been so received and notice to that effect shall have been duly given to the Noteholders by or on behalf of the Issuer in accordance with Condition 13.

Any reference herein or in the Trust Deed to payments in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable in accordance with the Trust Deed and this Condition 7 or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed. If the Issuer becomes resident in any taxing jurisdiction other than or in addition to Ireland, references in these Conditions to Ireland shall be construed as references to Ireland and/or such other jurisdiction.

8 Enforcement

The Trust Deed provides that only the Trustee (subject to Condition 1) may enforce the provisions of the Notes or the Trust Deed or pursue the remedies under general law to enforce the rights of the Noteholders and no Noteholder will be entitled to pursue such remedies unless the Trustee having become bound to proceed in accordance with the Trust Deed has failed to do so within a reasonable period and such failure is continuing.

The Trust Deed also provides that, in the case of an Event of Default (as defined in the Loan Agreement), that is continuing or of a Relevant Event, the Trustee (subject to the non-petition covenant in Condition 1) may and shall, if requested in writing to do so by Noteholders holding at least 25 per cent in principal amount of the Notes outstanding, or if directed to do so by an Extraordinary Resolution, and, in any such case, subject to it being secured and/or indemnified and/or prefunded to its satisfaction, institute such steps, actions or proceedings as it may think fit to enforce the rights of the Noteholders and the provisions of the Trust Deed, including to declare all amounts payable under the Loan Agreement by Uralkali, to be immediately due and payable in certain circumstances (in the case of an Event of Default that is

continuing), or exercise any rights under the Security Interests created in the Trust Deed in favour of the Trustee (in the case of a Relevant Event). Upon repayment of the Loan following an Event of Default and a declaration as provided herein, the Notes shall be redeemed or repaid at their principal amount together with accrued interest thereon and thereupon shall cease to be outstanding.

9 Meetings of Noteholders; Modification of Notes, Trust Deed and Loan Agreement; Waiver; Substitution of the Issuer

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including any modification of, or any arrangement in respect of, the Notes, the Loan Agreement or the Trust Deed. Noteholders will be entitled (in connection with a vote conducted by way of a poll) to one vote per U.S.\$1,000 in principal amount of Notes held by them. Such a meeting may be convened by the Issuer, Uralkali or the Trustee and shall be convened by the Issuer or by the Trustee, subject to its being indemnified and/or secured and/or prefunded to its satisfaction, upon the request in writing of holders of the Notes holding not less than one tenth of the aggregate principal amount of the outstanding Notes. The Trust Deed provides that special quorum provisions apply for meetings of Noteholders convened for the purpose of amending certain terms concerning, *inter alia*, the amount payable on, and the currency of payment in respect of, the Notes and the amounts payable and currency of payment under the Loan Agreement. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that, at any meeting the business of which includes any matter listed in the proviso to paragraph 6(i) of Schedule 5 to the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds in principal amount of the Notes outstanding owned by the Noteholders who are so present or represented at the meeting or at any adjourned such meeting not less than one-third, of the principal amount of the Notes for the time being outstanding.

The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding, or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution.

The Trustee may agree, without the consent of the Noteholders, to any modification of these Conditions, the Notes, the Trust Deed, the Paying Agency Agreement or, following the creation of any Security Interests, the Loan Agreement which, in each case, in the opinion of the Trustee is of a formal, minor or technical nature, or made to correct any manifest error or in the opinion of the Trustee is not materially prejudicial to the interests of the Noteholders. The Trustee may also waive or authorise or agree to the waiving or authorising of any breach or proposed breach by the Issuer of the Conditions or the Trust Deed or, following the creation of the Security Interests, by Uralkali of the terms of the Loan Agreement, or determine that any event which could or might otherwise give rise to a right of acceleration under the Loan Agreement or any Relevant Event shall not be treated as such (in each case other than any such breach or proposed breach in respect of the Reserved Rights), if in the opinion of the Trustee, to do so would not be materially prejudicial to the interests of the Noteholders, provided always that the Trustee may not exercise such power of waiver in contravention of a written request given by holders of 25 per cent in aggregate principal amount of the Notes then outstanding or any express direction by Extraordinary Resolution or Written Resolution. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and shall be promptly notified to the Noteholders in accordance with Condition 13.

The Trust Deed contains provisions which provide that Uralkali or the Issuer may, with the prior written consent of Uralkali and further provided certain conditions have been met (as further set out in the Trust Deed), and subject to having complied with the requirements set out in the Trust Deed and such requirements as the Trustee may direct (without the consent of the Noteholders) in the interest of

Noteholders, substitute any entity in place of the Issuer as creditor under the Loan Agreement, as issuer and principal obligor in respect of the Notes and as obligor under the Trust Deed, subject to the substitute's rights under the Loan Agreement being charged and assigned to the Trustee as security for the payment obligations of the substitute obligor under the Trust Deed and the Notes. Not later than 14 days after compliance with the aforementioned requirements, notice thereof shall be given to the Noteholders in accordance with Condition 13. In connection with the exercise of any of its powers, trusts, authorities or discretions, the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, shall not have regard to the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. No Noteholder is entitled to claim from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

10 Prescription

Notes will become void unless presented for payment within 10 years (in the case of principal) or five years (in the case of interest) from the due date for payment in respect thereof.

11 Indemnification of Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances, including provisions relieving it from taking steps, actions or proceedings to enforce payment unless indemnified and/or secured and/or prefunded to its satisfaction, and to be paid its costs and expenses in priority to any claims of Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and/or Uralkali and any entity relating to the Issuer and/or Uralkali without accounting for any profit.

The Trustee's responsibilities are solely those of trustee for the Noteholders on the terms of the Trust Deed. Accordingly, the Trustee makes no representations and assumes no responsibility for the validity or enforceability of the Loan Agreement or the security created in respect thereof or for the performance by the Issuer of its obligations under or in respect of the Notes and the Trust Deed or by Uralkali in respect of the Loan Agreement. The Trustee is entitled to assume that Uralkali is performing all of its obligations pursuant to the Loan Agreement and that the Issuer is performing its obligations under the Notes, the Loan Agreement and the Trust Deed (and shall have no liability for doing so) until it has actual knowledge or express written notice to the contrary.

The Trustee shall have no liability to any Noteholder or any other person for any shortfall it may suffer if it is liable for tax in respect of any payments received by it or as a result of the Security Interests being enforced by the Trustee.

12 Replacement of Notes

If a Certificate shall become mutilated, defaced, lost, stolen or destroyed it may, subject to all applicable laws and regulations and requirements of any stock exchange on which the Notes are from time to time listed or quoted, be replaced at the specified offices of the relevant Registrar and the Transfer Agents (or any other place of which notice shall have been given to the Noteholders in accordance with Condition 13) on payment of such costs, expenses, taxes and duties as may be incurred in connection therewith and on such terms as to evidence, security and indemnity and otherwise as may reasonably be required by or on behalf of the Issuer and/or the Transfer Agents. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13 Notices

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the relevant Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. The Issuer shall also ensure that all notices are duly published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been given on the date of such notice.

If by reason of any other cause it shall be impracticable to publish any notice to Noteholders as provided above, then such notification to such Noteholders as shall be given in accordance with the rules of the stock exchange or other relevant authority on which the Notes are for the time being listed and/or admitted to trading shall constitute sufficient notice to such Noteholders for every purpose hereunder.

14 Further Issues

The Issuer may from time to time, with the consent of Uralkali but without the consent of the Noteholders, create and issue further notes and bonds having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) so as to be consolidated and form a single series with the Notes. Such further notes shall be issued under a deed supplemental to the Trust Deed containing such provisions as the Trustee may reasonably require. In relation to any further issue which is to be consolidated and form a single series with the Notes, the Issuer will enter into a loan agreement with Uralkali on the same terms as the Loan Agreement (or on the same terms except for the date, the first payment of interest, the provisions relating to the fees payable by Uralkali to the Issuer and the amount of principal) and supplemental to the Loan Agreement, or may amend and restate the same with Uralkali on substantially the same terms as the Loan Agreement (except for the date, the first payment of interest, the provisions relating to the fees payable by Uralkali to the Issuer and the amount of principal). The Issuer will provide a first fixed charge in favour of the Trustee in respect of certain of its rights and interests under such loan agreement and will assign to the Trustee certain of its rights under such loan agreement, which will secure both the Notes and such further securities and which will supplement the Security Interests in relation to the existing Notes or may amend and supplement the Security Interests for such purpose. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides. Application will be made for such further securities to be listed and admitted to trading on the stock exchange on which the Notes are from time to time listed or quoted.

15 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

16 Governing Law

The Notes, the Paying Agency Agreement, the Loan Agreement and the Trust Deed and any non-contractual obligations arising out of or in connection therewith shall be governed by and construed in accordance with English law. The Issuer has, in the Trust Deed, irrevocably agreed for the benefit of the Trustee and the Noteholders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed or the Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed or the Notes) and accordingly has submitted to the exclusive jurisdiction of the English courts.

The Issuer has, in the Trust Deed, waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee and the Noteholders may take any suit, action or proceeding arising out of or in connection with the Trust Deed or the Notes respectively (including any suit, action or proceedings relating to any non-contractual obligations arising out of or in connection with the Trust Deed or the Notes) (together referred to as "**Proceedings**") against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

The Issuer has, in the Trust Deed, irrevocably and unconditionally appointed Law Debenture Corporate Services Limited at the latter's registered office for the time being as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of such agent ceasing so to act it will appoint such other person as the Trustee may approve as its agent for that purpose.

SUMMARY OF THE PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The following is a summary of the provisions to be contained in the Trust Deed to constitute the Notes and in the Global Note Certificates which will apply to, and in some cases modify, the Conditions while the Notes are represented by the Global Note Certificates.

The Global Note Certificates

The Regulation S Notes will be evidenced on issue by the Regulation S Global Note Certificate registered in the name of a nominee for, and deposited with a common depository on behalf of, Euroclear and Clearstream, Luxembourg. Beneficial interests in the Regulation S Global Note Certificate may be held only through Euroclear or Clearstream, Luxembourg at any time. See "*Clearing and Settlement – Book-Entry Procedures for the Global Note Certificates*". By acquisition of a beneficial interest in the Regulation S Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. person, that it is located outside the United States and that, if it determines to transfer such beneficial interest prior to the expiration of the "distribution compliance period" (as such term is defined in Rule 902 of Regulation S), it will transfer such interest only (a) to a person who is not a U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (b) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB that is also a QP purchasing for its own account or the account of a QIB that is also a QP, in each case in accordance with any applicable securities laws of any state of the United States. See "*Transfer Restrictions*".

The Rule 144A Notes will be evidenced on issue by the Rule 144A Global Note Certificate deposited with a custodian for, and registered in the name of a nominee of, DTC. Beneficial interests in the Rule 144A Global Note Certificate may only be held through DTC at any time. See "*Clearing and Settlement – Book-Entry Procedures for the Global Note Certificates*". By acquisition of a beneficial interest in the Rule 144A Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB that is also a QP and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Trust Deed. See "*Transfer Restrictions*".

Beneficial interests in the relevant Global Note Certificates will be subject to certain restrictions on transfer set forth therein and in the Trust Deed, the Paying Agency Agreement and the Global Note Certificates will bear the applicable legends regarding the restrictions set forth under "*Transfer Restrictions*". A beneficial interest in the Regulation S Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note Certificate only in denominations greater than or equal to the minimum denominations applicable to interests in the Rule 144A Global Note Certificate and only upon receipt by the Registrar of a written certification (in the form provided in a Paying Agency Agreement relating to the Notes (the "**Paying Agency Agreement**")) to the effect that the transferor reasonably believes that the transferee is a QIB that is also a QP and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Beneficial interests in the Rule 144A Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate only upon receipt by the Registrar of a written certification (in the form provided in the Paying Agency Agreement) from the transferor to the effect that the transfer is being made in an offshore transaction in accordance with Regulation S.

Any beneficial interest in the Regulation S Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note Certificate will, upon transfer, cease to be an interest in the Regulation S Global Note Certificate and become an interest in the Rule 144A Global Note Certificate, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Rule 144A Global Note Certificate for as long as it remains such an interest. Any beneficial interest in the Rule 144A Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate will, upon transfer, cease to be an interest in the Rule 144A Global Note Certificate and become an interest in the Regulation S Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note Certificate for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Except in the limited circumstances described below, owners of beneficial interests in Global Note Certificates will not be entitled to receive physical delivery of Definitive Certificates. The Notes are not issuable in bearer form.

Exchange For Definitive Certificates

Exchange

Each Global Note Certificate will be exchangeable in whole, but not in part (free of charge to the holder but subject to the receipt of funds necessary therefor from Uralkali) if: (i) a Global Note Certificate is held by or on behalf of (A) DTC, and DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Global Note Certificate or ceases to be a "clearing agency" registered under the Exchange Act or if at any time it is no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC or (B) Euroclear or Clearstream, Luxembourg, as the case may be, and Euroclear or Clearstream, Luxembourg, as the case may be, is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, by the holder giving notice to the Registrar or any Transfer Agent and the Issuer or (ii) the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 8 which would not be suffered were the Notes in definitive form and a note to such effect signed by the requisite number of signatories of the Issuer is delivered to the Trustee, by the Issuer giving notice to the Registrar or any Transfer Agent and the Noteholders of its intention to exchange the relevant Global Note Certificate for Definitive Certificates on or after the Exchange Date (as defined below) specified in the notice or (iii) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of the Noteholders under the Notes and the Trustee has been advised by counsel that in connection with such proceeding it is necessary or appropriate for the Trustee to obtain possession of the Notes, by the Trustee giving notice to the Registrar or any Transfer Agent and the Noteholders.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note Certificate for Definitive Certificates for a period of 15 calendar days ending on the date for any payment of principal or interest in respect of the Notes.

If only one of the Global Note Certificates (the "**Exchanged Global Note Certificate**") becomes exchangeable for Definitive Certificates in accordance with the above paragraphs, the transfers of Notes may not take place between, on the one hand, persons holding Definitive Certificates issued in exchange for beneficial interests in the Exchanged Global Note Certificate and, on the other hand, persons wishing to purchase beneficial interests in the other Global Note Certificate.

"**Exchange Date**" means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar and any Transfer Agent is located.

Delivery

In such circumstances, the relevant Global Note Certificate shall be exchanged in full for Definitive Certificates and the Issuer will, at the cost of the Issuer (and against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note Certificate must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes and (b) in the case of the Rule 144A Global Note Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a QIB that is also a QP. Definitive Certificates issued in exchange for a beneficial interest in the Rule 144A Global Note Certificate shall bear the legend applicable to transfer pursuant to Rule 144A, as set forth under "*Transfer Restrictions*".

Legends

The holder of a Definitive Certificate may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Definitive Certificate bearing the legend referred to under "*Transfer Restrictions*", or upon specific request for removal of

the legend on a Rule 144A Definitive Certificate, the Issuer will deliver only Rule 144A Definitive Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act.

In addition, each Global Note Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Notes evidenced by the Global Note Certificate. The following is a summary of these provisions.

Payments

Payments of principal and interest in respect of Notes evidenced by a Global Note Certificate shall be made to the person who appears at the relevant time on the register of Noteholders as holder of the relevant Global Note Certificate against presentation (in the case of payment of interest) and (if no further payment falls to be made on it) surrender thereof to or to the order of the Principal Paying Agent (or to or to the order of such other Paying Agent as shall have been notified to the Noteholders for this purpose) which shall endorse such payment or cause such payment to be endorsed in the Schedule to the relevant Global Note Certificate (such endorsement being prima facie evidence that the payment in question has been made). No person shall however be entitled to receive any payment on the relevant Global Note Certificate falling due after the Exchange Date, unless the exchange of the relevant Global Note Certificate for the relevant Definitive Certificates is improperly withheld or refused by or on behalf of the Issuer. All payments in respect of Notes represented by a Global Note Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means (i) in respect of the Regulation S Global Note, held on behalf of Euroclear or Clearstream, Luxembourg, a day when Euroclear or Clearstream Luxembourg is open for business and (ii) in respect of a the Rule 144A Global Note held on behalf of DTC, a day when DTC is open for business.

Notices

Notwithstanding Condition 13] so long as the Global Note Certificate is held by or on behalf of DTC, Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**"), notices to Noteholders represented by the Global Note Certificate may be given by delivery of the relevant notice to DTC, Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System rather than in the manner specified in Condition 13 (provided that for so long as the Notes are listed thereon, notices will also be given in accordance with the rules and regulations of Euronext Dublin, if required) and shall be deemed to be given to holders of interests in the Global Note Certificate with the same effect as if they had been given to such Noteholder in accordance with Condition 14.

Meetings

The holder of the Global Note Certificate and any proxy appointed by it will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of each U.S.\$1,000 in principal amount of Notes represented by the relevant Global Note Certificate.

Trustee's Powers

In considering the interests of Noteholders whilst the Global Note Certificate is held on behalf of a clearing system, the Trustee, to the extent it considers it appropriate to do so in the circumstances, may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Note Certificate and may consider such interests, and treat such accountholders, as if such accountholders were the holders of the Notes in respect of which the Global Note Certificate is issued.

Redemption at the option of the Issuer

Any option of the Issuer provided for in the Conditions shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise

of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg, DTC or any Alternative Clearing System (as the case may be), save that if the relevant clearing system prescribes no method of selection of the Notes to be redeemed, the Notes will be redeemed on a pro rata basis according to the holding of each Noteholder.

Record Date

All payments in respect of Notes represented by a Global Note Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means (i) in respect of the Regulation S Global Note Certificate, held on behalf of Euroclear or Clearstream, Luxembourg, a day when Euroclear or Clearstream, Luxembourg is open for business and (ii) in respect of a the Rule 144A Global Note Certificate held on behalf of DTC, a day when DTC is open for business.

Cancellation

Cancellation of any Note required by the Conditions to be cancelled will be effected by reduction in the principal amount of the relevant Global Note Certificate by a record made in the Register and notation of the relevant Global Note Certificate.

Prescription

Claims in respect of principal, interest and other amounts payable in respect of the Global Note Certificates will become void unless they are presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest or any other amounts) from the due date for payment in respect thereof.

Enforcement

For the purposes of enforcement of the provisions of the Trust Deed against the Trustee, the persons named in a certificate of the holder of the Notes in respect of which the relevant Global Note Certificate is issued shall be recognised as the beneficiaries of the trusts set out in the Trust Deed to the extent of the principal amount of their interest in the Notes set out in the certificate of the holder as if they were themselves the holders of Notes in such principal amounts.

Benefit of the Conditions

Unless a Global Note Certificate has been exchanged or cancelled the holder hereof shall, except as provided in the relevant Global Note Certificate, be entitled to the same rights and benefits and subject to the Conditions as if such holder were the holder of the relevant Definitive Certificates for which the Global Note Certificate may be exchanged.

Each Global Note Certificate shall not be valid or become obligatory for any purpose until authenticated by or on behalf of the Registrar.

The Global Note Certificates and any non-contractual obligations arising out of or in connection with them shall be governed by and construed in accordance with English law.

TRANSFER RESTRICTIONS

Rule 144A Notes

Each purchaser of Rule 144A Notes, by accepting delivery of this Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a QIB that is also a QP, (b) not a broker-dealer that owns and invests on a discretionary basis less than U.S.\$25 million in securities of unaffiliated issuers, (c) not a participant-directed employee plan, such as a 401(k) plan, (d) acquiring such Notes for its own account, or for the account of one or more QIBs each of which is also a QP, (e) not formed for the purpose of investing in the Notes or the Issuer, and (f) aware, and each beneficial owner of such Notes has been advised, that the seller of such Notes to it may be relying on Rule 144A.
2. It will (a) along with each account for which it is purchasing, hold and transfer beneficial interests in the Rule 144A Notes in a principal amount that is not less than U.S.\$200,000 and (b) provide notice of these transfer restrictions to any subsequent transferees. In addition, it understands that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositories.
3. It understands that the Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB that is also a QP purchasing for its own account or for the account of one or more QIBs that are also QPs each of which is purchasing not less than U.S.\$200,000 principal amount of Notes or (b) in an offshore transactions to a person, that is not a U.S. person (within the meaning of Regulation S) in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, and in each case in accordance with any applicable securities laws of any State of the United States.
4. It understands that the Issuer has the power under the Trust Deed to compel any beneficial owner of Rule 144A Notes that is not a QIB and also a QP to sell its interest in the Rule 144A Notes, or may sell such interest on behalf of, or purchase such interest from, such owner at a price equal to the least of (x) the purchase price therefor paid by the beneficial owner, (y) 100 per cent. of the principal amount thereof or (z) the fair market value thereof. The Issuer has the right to refuse to honour the transfer of an interest in the Rule 144A Notes to a U.S. person who is not a QIB and also a QP.
5. It understands that the Rule 144A Notes, unless otherwise agreed between the Issuer and the Trustee in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE AND THE LOAN IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (A "**QIB**") THAT IS A QUALIFIED PURCHASER (A "**QP**") WITHIN THE MEANING OF SECTION 2(a)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940 (THE "**INVESTMENT COMPANY ACT**") PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB THAT IS ALSO A QP WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, AND IN AN AMOUNT FOR EACH ACCOUNT OF NOT LESS THAN U.S.\$200,000 PRINCIPAL AMOUNT OF NOTES OR (2) TO PERSONS WHO ARE NOT U.S. PERSONS (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) IN OFFSHORE TRANSACTIONS IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S, AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE NOTES IN RESPECT HEREOF OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR EFFECT, WILL BE VOID AB INITIO AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS

TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER OF THIS NOTE, THE TRUSTEE OR ANY INTERMEDIARY. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

EACH BENEFICIAL OWNER HEREOF REPRESENTS THAT (1) IT IS A QIB THAT IS ALSO A QP; (2) IT IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.\$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS; (3) IT IS NOT A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401 (k) PLAN; (4) IT IS HOLDING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QIB THAT IS ALSO A QP; (5) IT WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER OR THIS NOTE; (6) IT, AND EACH ACCOUNT FOR WHICH IT HOLDS NOTES, WILL HOLD AND TRANSFER AT LEAST U.S.\$200,000 IN PRINCIPAL AMOUNT OF NOTES; (7) IT UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITORIES AND (8) IT WILL PROVIDE NOTICE OF THE FOREGOING TRANSFER RESTRICTIONS TO ITS SUBSEQUENT TRANSFEREES.

THE BENEFICIAL OWNER HEREOF HEREBY ACKNOWLEDGES THAT, IF AT ANY TIME WHILE IT HOLDS AN INTEREST IN THIS NOTE IT IS A PERSON WHO IS NOT A QIB THAT IS ALSO A QP, THE ISSUER MAY (A) COMPEL IT TO SELL ITS INTEREST IN THIS NOTE TO A PERSON (1) WHO IS ALSO A QIB THAT IS ALSO A QP AND WHO IS OTHERWISE QUALIFIED TO PURCHASE THIS NOTE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OR (2) IN AN OFFSHORE TRANSACTION TO A PERSON THAT IS NOT A U.S. PERSON IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S OR (B) COMPEL THE BENEFICIAL OWNER TO SELL ITS INTEREST IN THIS NOTE TO THE ISSUER OR AN AFFILIATE OF THE ISSUER OR TRANSFER ITS INTEREST IN THIS NOTE TO A PERSON DESIGNATED BY OR ACCEPTABLE TO THE ISSUER AT A PRICE EQUAL TO THE LEAST OF (X) THE PURCHASE PRICE THEREFOR PAID BY THE BENEFICIAL OWNER, (Y) 100 PERCENT OF THE PRINCIPAL AMOUNT THEREOF OR (Z) THE FAIR MARKET VALUE THEREOF. THE ISSUER HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF AN INTEREST IN THIS NOTE TO A PERSON WHO IS NOT A QIB AND ALSO A QP. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT.

EACH BENEFICIAL OWNER HEREOF OR OF ANY INTEREST HEREIN IS DEEMED TO REPRESENT AND WARRANT THAT FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN (1) IT IS NOT AND IS NOT USING ASSETS OF A BENEFIT PLAN INVESTOR (AS DEFINED IN SECTION 3(42) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**")), (2) IF IT IS A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR ANY ENTITY WHOSE ASSETS ARE TREATED AS ASSETS OF ANY SUCH PLAN, THE PURCHASE AND HOLDING OF THIS NOTE OR ANY INTEREST HEREIN DOES NOT RESULT IN A VIOLATION OF ANY STATUTE, REGULATION, ADMINISTRATIVE DECISION, POLICY OR ANY OTHER LEGAL AUTHORITY APPLICABLE TO SUCH PLAN AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY SUCH NOTE OR INTEREST TO ANY PERSON WITHOUT FIRST OBTAINING THESE SAME FOREGOING DEEMED REPRESENTATIONS AND WARRANTIES. "**BENEFIT PLAN INVESTORS**" INCLUDE (1) ANY EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF ERISA), THAT IS SUBJECT TO PART 4, SUBTITLE B OF TITLE I OF ERISA, (2) ANY PLAN TO WHICH SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**") APPLIES, INCLUDING, WITHOUT LIMITATION, INDIVIDUAL RETIREMENT ACCOUNTS AND KEOGH PLANS (EACH OF (1) AND (2) A "**PLAN**"), AND (3) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY PURSUANT TO THE PLAN ASSET REGULATION ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR, 29 C.F.R. SECTION 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA (INCLUDING, FOR THIS PURPOSE, THE GENERAL ACCOUNT OF AN INSURANCE COMPANY, ANY OF THE UNDERLYING ASSETS OF WHICH CONSTITUTE "**PLAN ASSETS**" UNDER SECTION 401(c) OF ERISA).

THE ISSUER MAY COMPEL EACH BENEFICIAL OWNER HEREOF TO CERTIFY PERIODICALLY THAT SUCH OWNER IS A QIB AND ALSO A QP.

6. It understands and acknowledges that its purchase and holding of such Notes constitutes a representation and agreement by it that, by its purchase and holding of such Notes or any interest therein, the purchaser and/or holder thereof and each transferee will be deemed to have represented (1) it is not and is not using assets of a Benefit Plan Investor (as defined in Section 3(42) of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**")), (2) if it is a governmental, church or non-U.S. plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or any entity whose assets are treated as assets of any such plan, the purchase and holding of the Notes or any interest therein does not result in a violation of any statute, regulation, administrative decision, policy or any other legal authority applicable to such plan, and (3) it will not sell or otherwise transfer any such Note or interest therein to any person without first obtaining these same foregoing representations and warranties. "**Benefit Plan Investors**" include (1) any employee benefit plan (as defined in Section 3(3) of ERISA), that is subject to Part 4, Subtitle B, of Title I of ERISA, (2) any plan to which Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "**Code**") applies, including, without limitation, individual retirement accounts and Keogh plans (each of (1) and (2) a "**Plan**"), and (3) any entity whose underlying assets include plan assets by reason of a Plan's investment in the entity pursuant to the Plan Asset Regulation issued by the United States Department of Labor, 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (including, for this purpose, the general account of an insurance company, any of the underlying assets of which constitute "plan assets" under section 401(c) of ERISA). It acknowledges that the Issuer, Uralkali, the Registrar, the Managers and their respective affiliates, and others will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Rule 144A Notes is no longer accurate, it shall promptly notify the Issuer, Uralkali and the Managers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts who are QIBs that are also QPs, it represents that it has sole investment discretion with respect to each such account, and that it has full power to make the above acknowledgements, representations and agreements on behalf of each such account.

The purchaser and any fiduciary causing it to acquire an interest in any Notes agrees to indemnify and hold harmless the Issuer, the Managers and the Trustee and their respective affiliates, from and against any cost, damage or loss incurred by any of them as a result of any of the foregoing representations and agreements being or becoming false.

In the event that the Issuer determines that any Note is held by a Benefit Plan Investor, the Issuer may cause a sale or transfer of such Note.

Any purported acquisition or transfer of any Note or beneficial interest therein to an acquirer or transferee that does not comply with the requirements of this paragraph 6 shall be null and void *ab initio*.

7. It understands that the Rule 144A Notes will be evidenced by the Rule 144A Global Note Certificate. Before any interest in the Rule 144A Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Paying Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Regulation S Notes, by accepting delivery of this Prospectus and the Regulation S Notes, will be deemed to have represented, agreed and acknowledged that:

8. It is, or at the time Regulation S Notes are purchased will be, the beneficial owner of such Regulation S Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer, Uralkali or a person acting on behalf of such an affiliate.

9. It understands that the Regulation S Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the "distribution compliance period" (as such term is defined in Rule 902 of Regulation S), it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believes is a QIB that is also a QP purchasing for its own account or for the account of a QIB that is also a QP or (b) in an offshore transaction to a person that is not a U.S. person in accordance with Rule 903 or Rule 904 of Regulation S, in the case of (a) and (b), in accordance with any applicable securities laws of any state of the United States.
10. It understands that the Regulation S Notes will be evidenced by the Regulation S Global Note Certificate. Before any interest in the Regulation S Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Paying Agency Agreement) as to compliance with applicable securities laws.
11. It understands and acknowledges that its purchase and holding of such Notes constitutes a representation and agreement by it that, by its purchase and holding of such Notes or any interest therein, the purchaser and/or holder thereof and each transferee will be deemed to have represented and warranted at the time of its purchase and throughout the period that it holds such Note or any interest therein, (1) it is not and is not using assets of a Benefit Plan Investor (as defined in Section 3(42) of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**")), (2) if it is a governmental, church or non-U.S. plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or any entity whose assets are treated as assets of any such plan, the purchase and holding of the Notes or any interest therein does not result in a violation of any statute, regulation, administrative decision, policy or any other legal authority applicable to such plan, and (3) it will not sell or otherwise transfer any such note or interest to any person without first obtaining these same foregoing representations and warranties. "**Benefit Plan Investors**" include (1) any employee benefit plan (as defined in Section 3(3) of ERISA), that is subject to Part 4, Subtitle B, of Title I of ERISA, (2) any plan to which Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "**Code**") applies, including, without limitation, individual retirement accounts and Keogh plans (each of (1) and (2) a "**Plan**"), and (3) any entity whose underlying assets include plan assets by reason of a Plan's investment in the entity pursuant to the Plan Asset Regulation issued by the United States Department of Labor, 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (including, for this purpose, the general account of an insurance company, any of the underlying assets of which constitute "**plan assets**" under section 401(c) of ERISA). It acknowledges that the Issuer, Uralkali, the Registrar, the Managers and their affiliates and others will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes is no longer accurate, it shall promptly notify the Issuer, Uralkali, and the Managers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the above acknowledgements, representations and agreements on behalf of each account.

The purchaser and any fiduciary causing it to acquire an interest in any Notes agrees to indemnify and hold harmless the Issuer, the Managers and the Trustee and their respective affiliates, from and against any cost, damage or loss incurred by any of them as a result of any of the foregoing representations and agreements being or becoming false.

In the event that the Issuer determines that any Note is held by a Benefit Plan Investor, the Issuer may cause a sale or transfer of such Note.

Any purported acquisition or transfer of any Note or beneficial interest therein to an acquirer or transferee that does not comply with the requirements of this paragraph 6 shall be null and void *ab initio*.

CLEARING AND SETTLEMENT

Book-Entry Procedures for the Global Note Certificates

Custodial and depository links are to be established between Euroclear, Clearstream, Luxembourg and DTC to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading. See "*—Book-Entry Ownership*" and "*—Settlement and Transfer of Notes.*"

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in the Regulation S Global Note Certificate directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

DTC

DTC has advised the Issuer as follows: DTC is a limited-purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants ("**DTC Participants**") and facilitate the clearance and settlement of securities transactions between DTC Participants through electronic computerised book-entry changes in accounts of its DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly.

Investors may hold their interests in the Rule 144A Global Note Certificate directly through DTC if they are DTC Participants in the DTC system, or indirectly through organisations which are DTC Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more DTC Participants and only in respect of such portion of the aggregate principal amount of the relevant Rule 144A Global Note Certificate as to which such DTC Participant or DTC Participants has or have given such direction.

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

The Regulation S Global Note Certificate will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depository on behalf of, Euroclear and Clearstream, Luxembourg.

The address of Euroclear is 1 Boulevard du Roi Albert 11, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F Kennedy, L-1855, Luxembourg.

DTC

The Rule 144A Global Note Certificate will have a CUSIP number, an ISIN and a Common Code and will be deposited with a custodian (the "**Custodian**") for, and registered in the name of a nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC, system. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a Note evidenced by a Global Note Certificate must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note Certificate and in relation to all other rights arising under that Global Note Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note Certificate, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note Certificate as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants or DTC Participants (as the case may be) in any clearing system to owners of beneficial interests in such Global Note Certificate held through such Direct Participants or DTC Participants (as the case may be) in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note Certificate and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note Certificate in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants or DTC Participants (as the case may be), which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct Participants', Indirect Participants' or DTC Participants' records (as the case may be).

Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant, Indirect Participant or DTC Participant (as the case may be) through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Direct Participants, Indirect Participants or DTC Participants (as the case may be) acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note Certificate held within a clearing system are exchanged for Definitive Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants or DTC Participants (as the case may be) to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct Participants or the DTC Participants (as the case may be) will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants or DTC Participants (as the case may be), by Direct Participants to Indirect Participants, and by Direct Participants, Indirect Participants or DTC Participants (as the case may be) to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in the Global Note Certificates to such persons may be

limited. In particular, because DTC can only act on behalf of DTC Participants the ability of a person having an interest in the Rule 144A Global Note Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC Participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to U.S. corporate debt obligations in DTC's Same-Day Funds Settlement system in same-day funds, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC; are required to be made between DTC Participants.

Trading between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC Participant holding a beneficial interest in the Rule 144A Global Note Certificate to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Regulation S Global Note Certificate (subject to the certification procedures provided in the Paying Agency Agreement), the DTC Participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12:00 p.m., New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg Participant. On the settlement date, the custodian of the Rule 144A Global Note Certificate will instruct the Registrar to (1) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note Certificate of the relevant class and (2) increase the amount of Notes registered in the name of the nominee of the common depository for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note Certificate. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC Participant wishing to purchase a beneficial interest in the Rule 144A Global Note Certificate (subject to the certification procedures provided in the Paying Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depository for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC Participant on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depository for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Rule 144A Global Note Certificate who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC Participant and (b) instruct the Registrar to (1) decrease the amount of Notes registered in the name of the nominee of the common depository for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note Certificate; and (2) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note Certificate.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interest in Global Note Certificates among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC, they are under no obligation to perform or continue to perform such procedure, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have the responsibility for the performance, by Euroclear, Clearstream, Luxembourg or DTC or their

respective Direct Participants, Indirect Participants or DTC Participants, as the case may be, of their respective obligations under the rules and procedures governing their operations.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the Closing Date (as defined in the Loan Agreement), which will be the fifth business day following the date of pricing the Notes. Pursuant to Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle five business days following the pricing date (T+5), to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes on the date of pricing or the next succeeding business day should consult their own adviser.

SUBSCRIPTION AND SALE

Each of J.P. Morgan Securities plc, Sberbank CIB (UK) Limited, Société Générale, VTB Capital plc, Crédit Agricole Corporate and Investment Bank, ING Bank N.V., London Branch, Natixis, Renaissance Securities (Cyprus) Limited, UBS AG London Branch and UniCredit Bank AG (together the "**Managers**" and each a "**Manager**") have, in a subscription agreement dated 18 October 2019 (the "**Subscription Agreement**") and made among the Issuer, Uralkali and the Managers upon the terms and subject to the conditions contained therein, severally and not jointly, agreed to subscribe and pay for the Notes as set out opposite their names below at the issue price of 100 per cent. of the principal amount of the Notes.

Manager	Principal Amount of the Notes
	(U.S.\$)
J.P. Morgan Securities plc	50,000,000
Sberbank CIB (UK) Limited	50,000,000
Société Générale	50,000,000
VTB Capital plc	50,000,000
Crédit Agricole Corporate and Investment Bank	50,000,000
ING Bank N.V., London Branch.....	50,000,000
Natixis	50,000,000
Renaissance Securities (Cyprus) Limited.....	50,000,000
UBS AG London Branch	50,000,000
UniCredit Bank AG.....	50,000,000
Total	500,000,000

The Managers shall make any offers and sales into the United States, to the extent necessary, through their U.S. registered broker-dealer affiliates.

The Managers are entitled to commissions and reimbursement of certain expenses pursuant to the Subscription Agreement. The Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

Selling Restrictions

United States of America

The Notes (the "**Securities**") have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Securities are being offered and sold only to (1) QIBs, in reliance on Rule 144A, that are also QPs and (2) to persons who are not U.S. persons in reliance on Regulation S.

Each Manager has severally represented and warranted that it has offered and sold the Securities, and agrees that it will offer and sell the Securities (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, (the "**Distribution Compliance Period**") only in accordance with Rule 903 of Regulation S, except that the Managers may offer or sell the Securities to QIBs who are also QPs in reliance on Rule 144A as set forth below. Accordingly, each Manager has represented and warranted neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts (as such term is defined in Regulation S) with respect to the Securities, and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

Each Manager has severally represented, warranted and agreed that, at or prior to confirmation of a sale of Notes (other than a sale pursuant to Rule 144A), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the Distribution Compliance Period a confirmation or notice to substantially the following effect:

"The securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with (A) Regulation S under the Securities Act ("**Regulation**

S") to a person who is not a U.S. person or (B) Rule 144A under the Securities Act to a person that the seller reasonably believes is a qualified institutional buyer (within the meaning of Rule 144A under the Securities Act) that is also a qualified purchaser (as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940). Terms used above which are not otherwise defined have the meanings given to them by Regulation S under the Securities Act."

Terms used in this paragraph and not otherwise defined herein have the meanings given to them by Regulation S.

Each Manager has severally represented, warranted and undertaken that neither it nor any of its affiliates, nor any person acting on its or their behalf has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer and sale of the Securities in the United States.

Each Manager has severally represented, warranted and undertaken that:

- (a) it has offered and sold and will offer and sell the Notes in the United States only to persons whom it reasonably believes are QIBs and QPs who can represent that (A) they are QPs who are QIBs within the meaning of Rule 144A; (B) they are not broker-dealers who own and invest on a discretionary basis less than U.S.\$25 million in securities of unaffiliated issuers; (C) they are not participant-directed employee plans, such as a 401(k) plan; (D) they are acting for their own account, or the account of one or more QIBs each of which is a QP; (E) they are not formed for the purpose of investing in the Notes or the Issuer; (F) each account for which they are purchasing will hold and transfer at least U.S.\$200,000 in principal amount of Notes at any time; (G) they understand that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositories; and (H) they will provide notice of the transfer restrictions set forth in the Prospectus to any subsequent transferees; and
- (b) it is a QIB and a QP.

Each Manager has severally represented that it has not entered and agrees that it will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Notes, except with its affiliates or with the prior written consent of the Issuer and Uralkali.

Each Manager may, through its respective U.S. registered broker-dealer affiliates, arrange for the offer and resale of the Notes in the United States only to QIBs that are QPs in accordance with Rule 144A.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States, or to or for the account or benefit of a U.S. person, by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

Each Manager has severally represented, warranted and undertaken with the Issuer and Uralkali and each other Manager that:

- (a) **Financial promotion:** it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended ("FSMA")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

Each of the Managers has severally represented, warranted and undertaken with the Issuer and Uralkali and each other Manager that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make

available any Notes to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
- (b) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as professional client as defined in point (10) of Article 4(1) of MiFID II.

Russian Federation

Each Manager has severally agreed that the Notes will not be offered, transferred or sold as part of their initial distribution or at any time thereafter to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation unless and to the extent otherwise permitted under Russian law.

Ireland

Each Manager has severally represented, warranted and agreed that:

- (a) it will not underwrite the issue of, or place, the Notes otherwise than in conformity with the provisions of the European Union (Markets in Financial Instruments) Regulations 2017 (as amended, the "**MiFID II Regulations**"), including, without limitation, Regulation 5 (*Requirement for authorisation (and certain provisions concerning MTFs and OTFs)*) thereof, or any rule or any code of conduct made under the MiFID II Regulations, and the provisions of the Investor Compensation Act 1998 (as amended);
- (b) it will not underwrite the issue of, or place, the Notes otherwise than in conformity with the provisions of the Companies Act 2014, the Central Bank Acts 1942-2018 (as amended) and any codes of practice made under Section 117(1) of the Central Bank Act 1989 (as amended);
- (c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of, the Notes otherwise than in conformity with the provisions of the Prospectus Regulation and any rules issued by the Central Bank under Section 1363 of the Companies Act 2014; and
- (d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of, the Notes otherwise than in conformity with the provisions of the Market Abuse Regulation (EU 596/2014) (as amended) and any rules and guidance issued by the Central Bank under Section 1370 of the Companies Act 2014.

Singapore

Each Manager has severally represented, warranted and undertaken with the Issuer and each other Manager that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the preliminary prospectus, the Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

General

Each Manager has severally agreed that it has in all material respects (to the best of its knowledge and belief) complied and will comply with all applicable laws and regulations in each jurisdiction in which it offers, sells or delivers Notes and it has not taken, nor will it take, any action in any jurisdiction that would, or is intended to, permit a public offering of the Notes, or possession or distribution of any offering materials (in preliminary, proof or final form) in relation thereto, in any country or jurisdiction where action for that purpose is required. Each Manager has severally undertaken to the Issuer and Uralkali that it will use its reasonable efforts not to, directly

or indirectly, offer or sell any Notes in any country or jurisdiction except under circumstances that will (to the best of its knowledge and belief) result in compliance with any applicable securities laws and regulations and all offers and sales of Notes by it will be made on the same terms.

These selling restrictions may be modified by the agreement of the Issuer, Uralkali and the Managers following a change in a relevant law, regulation or directive.

The Managers and their respective affiliates have engaged in transactions with Uralkali and other members of the Group (including, in some cases, credit agreements and credit lines) in the ordinary course of their banking business and the Managers performed various investment banking, financial advisory, and other services for Uralkali, for which they received customary fees, and the Managers and their respective affiliates may provide such services in the future.

In addition, each of the Managers and their respective affiliates may, from time to time, engage in further transactions with, and perform services for, Uralkali and/or other members of the Group in the ordinary course of their respective businesses. Where any of the Managers or their respective affiliates have a lending relationship with Uralkali and/or other members of the Group, they routinely hedge their credit exposure consistent with their customary risk management policies. Typically, the Managers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in relevant securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In connection with the issue of the Notes, one or more of the Managers and any of its respective affiliates acting as an investor for its own account may subscribe for or purchase Notes and in that capacity may retain, subscribe for, purchase or sell the Notes for its own account, and the amount of such subscription may be significant. Any such subscription for a significant amount of the Notes by any initial purchaser could adversely affect future liquidity of, and the development of a trading market in, the Notes.

CERTAIN ERISA CONSIDERATIONS

This Prospectus was not intended or written to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under U.S. federal tax law. This Prospectus was written to support the promotion or marketing of the Notes.

ERISA imposes fiduciary standards and certain other requirements on employee benefit plans subject thereto (collectively, "**ERISA Plans**"), including collective investment funds, separate accounts, and other entities or accounts whose underlying assets are treated as assets of such plans pursuant to the U.S. Department of Labor "plan assets" regulation, 29 CFR Section 2510.3-101 (the "**Plan Assets Regulation**") as modified by Section 3(42) of ERISA, and on those persons who are fiduciaries with respect to ERISA Plans.

Under a "**look-through rule**", if an ERISA Plan or a plan that is not subject to ERISA but that is subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "**Code**") (collectively, "**Plans**"), invests in an "**equity interest**" of an entity and no other exception applies, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets. Unless another exception applies, this rule can apply where benefit plan investors own 25 per cent. or more of the value of any class of equity interest in the entity. For purposes of this 25 per cent. determination, the value of equity interests held by persons (other than benefit plan investors) that have discretionary authority or control with respect to the assets of the entity or that provide investment advice for a fee (direct or indirect) with respect to such assets (or any affiliate of such a person) is disregarded. An equity interest does not include a security that is treated as indebtedness (under applicable local law) which does not have substantial equity features. The term "**benefit plan investor**" is defined as (a) an employee benefit plan (as defined in Section 3(3) of ERISA) that is subject to Title I of ERISA, (b) a plan to which Section 4975 of the Code applies, or (c) any entity whose underlying assets include "**plan assets**" by reason of any such plan's investment in the entity. Where the value of an equity interest in an entity, as determined under the Plan Assets Regulation, relates solely to identified property of the entity, that property could be treated as the sole property of a separate entity.

Because the Issuer is not required to and may not possess any assets other than the Loan and the Notes are expected to be paid by the Issuer only to the extent of proceeds and other amounts received under or from the Loan, they may be regarded for ERISA purposes as indebtedness having substantial equity features or as equity interests in a separate entity whose sole asset is the Loan. Further, neither the Issuer nor Citicorp Trustee Company Limited as trustee will or be able to monitor the Noteholders' possible status as benefit plan investors. Accordingly, the Notes (and interests in Notes) are not permitted to be acquired by or on behalf of any benefit plan investor.

Governmental plans, certain church plans and certain non U.S. plans, while not subject to the prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to federal, state, local, non U.S. or other laws or regulations that are substantially similar to the foregoing provisions of ERISA or the Code. Fiduciaries of such plans should consult with their counsel before purchasing any of the Notes or any interest therein.

BY ITS PURCHASE AND HOLDING OF THE NOTES (INCLUDING ANY TRANSFEREE), THE PURCHASER THEREOF WILL BE DEEMED TO MAKE THE REPRESENTATIONS AND AGREEMENTS CONCERNING ITS STATUS AS A BENEFIT PLAN INVESTOR OR OTHER EMPLOYEE BENEFIT PLAN AS SET FORTH HEREIN UNDER *TRANSFER RESTRICTIONS*.

The foregoing discussion should not be construed as legal advice. Any potential purchaser of Notes should consult its legal counsel with respect to issues arising under ERISA, Section 4975 of the Code and any Similar Laws and make its own independent decisions.

TAXATION

The following is a general description of certain Russian Federation, Irish and United States federal tax considerations relating to the Notes and/or the Loan. It does not purport to be a complete analysis of all tax considerations relating to the Notes and the Loan, whether in those countries or elsewhere. Prospective purchasers of the Notes should consult their own advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under such Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Also, investors should note that an appointment by an investor in the Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

Russian Federation

General

The following is a summary of certain Russian tax considerations relevant to the purchase, ownership and disposition of the Notes as well as taxation of payments of interest on the Loan. The summary is based on the laws of the Russian Federation in effect on the date of this Prospectus. The summary does not seek to address the applicability of, and procedures in relation to, taxes levied by regions, municipalities or other non-federal authorities of the Russian Federation, nor does the summary seek to address the availability of double tax treaty relief in respect of the Notes, and it should be noted that there may be practical difficulties involved in claiming double tax treaty relief. Prospective investors should consult their own advisers regarding the tax consequences of investing in the Notes in their own particular circumstances. No representation with respect to Russian tax consequences to any particular Noteholder is made hereby.

For the purposes of this summary, a "**Resident Noteholder**" means:

- a Russian legal entity which acquires, holds and disposes the Notes, and a legal entity or an organisation, in each case organised under a non-Russian law, which acquires, holds and disposes the Notes through its permanent establishment in Russia, or a foreign entity or an organisation recognised as a Russian tax resident in accordance with the requirements set out in the Russian Tax Code and the applicable double tax treaty which acquires, holds and disposes of the Notes ("**Resident Noteholder – Legal Entity**");
- an individual who satisfies the criteria for being a Russian tax resident. A "Russian tax resident" is an individual who is actually present in Russia for an aggregate period of 183 calendar days or more in any period comprised of 12 consecutive months, who acquires, holds and disposes of the Notes (the "**Resident Noteholder – Individual**"). Presence in the Russian Federation for tax residency purposes is not considered interrupted if an individual departs from the Russian Federation for short periods of time (less than six months) for medical treatment, education purposes or completion of employment or other duties related to work (rendering services) at offshore hydrocarbon fields.

For the purposes of this summary, the term "**Non-Resident Noteholder**" means:

- a legal entity or an organisation in each case not organised under the Russian law and not recognised as a Russian tax resident which holds and disposes of the Notes otherwise than through its permanent establishment in the Russian Federation (the "**Non-Resident Noteholder – Legal Entity**"), and
- a Noteholder who is an individual not actually present in the Russian Federation for an aggregate period of 183 days or more in a period comprised of 12 consecutive months (the "**Non-Resident Noteholder – Individual**"). The interpretation of this definition by the Russian Ministry of Finance states that for tax withholding purposes an individual's tax residency status should be determined on the date of the income payment (based on the number of days in Russia in the 12-month period preceding the date of the payment). The individual's final tax liability in Russia for the reporting calendar year should be determined based on the number of days spent in Russia in such calendar year.

Tax residency rules and the Russian Federation's rights with regard to taxation rules may be affected by an applicable double tax treaty. The Russian tax treatment of interest payments made by Uralkali to the Issuer (or to the Trustee, as the case may be) under the Loan Agreement may affect the Noteholders. See "*Taxation of Interest on the Loan*" below.

Taxation of the Notes

Resident Noteholders

Resident Noteholders will be subject to all applicable Russian taxes in respect of income derived by them in connection with the acquisition, ownership and/or disposition of the Notes. Resident Noteholders should consult their own tax advisers with respect to the effect that the acquisition, holding and/or disposition of the Notes may have on their tax position.

Non-Resident Noteholders

A Non-Resident Noteholder generally should not be subject to any Russian taxes in respect of payment of interest and repayment of principal on the Notes received from the Issuer. A Non-Resident Noteholder also generally should not be subject to any Russian taxes in respect of any gains or other income realised on redemption, sale or other disposition of the Notes, provided that the proceeds from such disposition are not received from a source within the Russian Federation.

Taxation of Non-Resident Noteholders – Individuals

Acquisition of the Notes

The acquisition of the Notes by Non-Resident Noteholders – Individuals may constitute a taxable event for Russian personal income tax purposes pursuant to provisions of the Russian Tax Code relating to the material benefit (deemed income) received by individuals as a result of the acquisition of securities. In particular, if the acquisition price of the Notes is below the lower margin of the fair market value of the Notes calculated under a specific procedure for the determination of market prices of securities for Russian personal income tax purposes, the difference (if qualified as Russian source income) may become subject to Russian personal income tax at the rate of 30 per cent. (or such other tax rate as may be effective at the time of acquisition), which is, arguably, subject to reduction or elimination under the applicable double tax treaty.

According to the Russian Tax Code, taxation of income of Non-Resident Noteholders – Individuals will depend on whether this income is qualified as received from Russian or non-Russian sources. Although the Russian tax law does not contain any provisions in relation to how the related material benefit should be sourced, in practice the Russian tax authorities may infer that such income should be considered as Russian source income if the Notes are purchased in Russia. In the absence of any additional guidance as to what should be considered as a purchase of securities in Russia, the Russian tax authorities may apply various criteria in order to determine the source of the relating material benefit, including looking at the place of conclusion of the acquisition transaction, location or residence of the broker executing the transaction, location of the issuer, or other similar criteria. There is no assurance, therefore, that, as a result, any material benefit received by the Non-Resident Noteholders – Individuals in connection with the acquisition of the Notes will not become taxed in Russia.

Interest on the Notes

The Non-Resident Noteholders – Individuals generally should not be subject to any Russian taxes in respect of payment of interest on the Notes received from the Issuer. Taxation of interest on the Notes may however be affected by the taxation treatment of income from sale of the Notes and taxation of interest on the Loan (see "*Taxation of Non-Resident Noteholders – Individuals – Sale or other Disposition of the Notes*" and "*Taxation of Interest on the Loan*" below).

Sale or other Disposition of the Notes

A Non-Resident Noteholder – Individual should not be subject to any Russian taxes in respect of gain or other income realised on a redemption, sale or other disposal of the Notes outside of Russia, provided that the proceeds of such sale, redemption, or disposal are not treated to be received from a source within Russia.

Subject to any available tax treaty relief, if the receipt of any proceeds from sale or other disposition of the Notes by a Non-Resident Noteholder – Individual is classified as income from a source within the Russian Federation for Russian personal income tax purposes, these proceeds will become subject to Russian personal income tax at a rate of 30 per cent. (or such other tax rate as may be effective at the time of payment).

Since the Russian Tax Code does not contain any additional guidance as to when the sales or disposal proceeds should be deemed to be received from Russian sources by an individual not qualifying as a tax resident for Russian personal income tax purposes, in practice the Russian tax authorities may infer that such income should be considered as Russian source income, if the Notes are sold or disposed of in Russia. In the absence of any guidance as to what should be considered as a sale or other disposal of securities in Russia, the Russian tax authorities may apply various criteria in order to determine the source of the sale or other disposal, including looking at the place of conclusion of the transaction, the location of the Issuer, or other similar criteria. There exists a remote risk that the Russian tax authorities may treat the disposal proceeds as those received in Russia by Non-resident Noteholders – Individuals and tax them accordingly, but this risk is unlikely to be significant as the tax authorities generally treat income from securities issued by non-Russian companies and traded outside Russia as a foreign source income. If the disposal proceeds are considered as being derived from Russian sources, the tax will apply to the gross amount of proceeds received upon the sale or other disposition of the Notes (including accrued and paid interest on the Notes) decreased by the amount of any available duly documented cost deductions (including the original acquisition costs and other documented expenses related to the acquisition, holding and sale or other disposition of the Notes) provided that such documentation is duly executed and is available to the person required to calculate and withhold the tax in a timely manner. There is a risk that, if the documentation supporting the cost deductions is deemed insufficient by the Russian tax authorities or the person remitting the respective income to the Non-Resident Noteholders – Individuals (where such person is considered the tax agent obliged to calculate and withhold Russian personal income tax and remit it to the Russian budget), the deduction will be disallowed. In such case, the tax rate will apply to the gross amount of sales proceeds.

Under certain circumstances, if the disposition proceeds (including accrued and paid interest on the Notes) are paid to a Non-Resident Noteholder – Individual by a licensed Russian broker or an asset manager who carries out operations for the benefit of the Non-Resident Noteholder – Individual under an asset management agreement, brokerage agreement, agency agreement, commission agreement or a commercial mandate agreement, the applicable Russian personal income tax at the rate of 30 per cent. (or such other tax rate as may be in force at the time of payment) should be withheld at source by such broker or asset manager who will be considered the tax agent. The amount of tax withheld will be calculated after taking into account available documented deductions for the original acquisition cost and related expenses on the acquisition, holding and sale or other disposition of the Notes to the extent such deductions and expenses can be determined by the entity making the payment of income to the Non-Resident Noteholder – Individual. The tax agent would be required to report to the Russian tax authorities in respect of its inability to withhold personal income tax in full within one month upon termination of the agreement (see above) or by 1 March of the year following the calendar year in which the income was received. Failure or inability of the tax agent to timely withhold the applicable Russian personal income tax in full will place the onus of reporting and payment of such tax on the Non-Resident Noteholder – Individual.

If the duly documented acquisition costs and other documented expenses related to the acquisition, holding and the sale or other disposal of the Notes were born within the relationship with a party other than the tax agent obliged to calculate and withhold Russian personal income tax in relation to the sales proceeds, then these original duly documented costs and other documented expenses related to the acquisition, holding and the sale or other disposal of the Notes may be taken into account by the tax agent upon written application of the Non-Resident Noteholder – Individual and presentation of the documents confirming the costs and expenses.

Where the Notes are sold to Russian legal entities or individuals in the way other than through licensed brokers or asset managers, generally no Russian personal income tax should be withheld at source by these persons. The Non-Resident Noteholder – Individual would be liable to file a personal income tax return individually, report on the amount of income realised to the Russian tax authorities and apply for a deduction in the amount of the acquisition and other expenses related to the acquisition, holding and sale or other disposition of the Notes confirmed by the supporting documentation. The applicable personal income tax would then have to be paid by the Non-Resident Noteholder – Individual on the basis of the filed personal income tax return.

Under certain circumstances gains received and losses incurred by a Non-Resident Noteholder – Individual as a result of sale or other disposition of the Notes and other securities of the same category (i.e., securities qualified as traded or non-traded for Russian personal income tax purposes) occurring within the same tax year may be

aggregated for the Russian personal income tax purposes which would affect the total amount of personal income tax payable by a Non-Resident Noteholder – Individual in Russia.

Any gain derived by a Non-Resident Noteholder – Individual from the disposition of the Notes may be affected by changes in the exchange rate between the currency of acquisition of the Notes, the currency of disposition of the Notes and roubles.

Non-Resident Noteholders – Individuals should consult their own tax advisors with respect to tax consequences arising upon the disposition of the Notes, including the receipt of sales proceeds from a source within Russia further to their disposition.

Taxation of Non-Resident Noteholders – Legal Entities

Acquisition of the Notes

The acquisition of the Notes by Non-Resident Noteholders – Legal Entities (whether upon their issue or in the secondary market) should not constitute a taxable event under Russian tax law and there should be no tax implications for the Non-Resident Noteholders – Legal Entities associated with acquisition of the Notes.

Interest on the Notes

The Non-Resident Noteholders – Legal Entities generally should not be subject to any Russian taxes in respect of payment of interest on the Notes received from the Issuer. Taxation of interest on the Notes may however be affected by the taxation treatment of interest on the corresponding Loan (see "*Taxation of Interest on the Loan*" below).

Disposition of the Notes

Generally, no Russian withholding tax should arise upon disposition of the Notes by Non-Resident Noteholders – Legal Entities. There is, however, some residual uncertainty regarding tax treatment of the portion of the sales or disposition proceeds received from source within the Russian Federation, if any, attributable to the accrued interest on the Notes.

Tax Treaty Relief

The Russian Federation has concluded double tax treaties with a number of countries and honours a number of double tax treaties concluded by the former Union of Soviet Socialist Republics. These double tax treaties may contain provisions allowing the reduction or elimination of Russian income taxes applicable to income received by a Non-Resident Noteholder from Russian sources in connection with the acquisition, holding, sale or other disposal of the Notes.

In order to obtain benefits available under the applicable double tax treaties, Non-Resident Noteholders must comply with the certification, information, and reporting requirements in force in the Russian Federation (relating, in particular, to the confirmation of the entitlement and eligibility to treaty benefits).

In an unlikely scenario where a Non-Resident Noteholder – Legal Entity receives income subject to Russian income tax withholding, it will need to provide the payer of income which is regarded a tax agent with a certificate of tax residence issued by the competent tax authority of the relevant treaty country in advance of payment of income. The certificate should confirm that the respective Non-Resident Noteholder – Legal Entity is the tax resident of the relevant double tax treaty country for the purposes of the applicable double tax treaty. This certificate generally should be apostilled or legalised and needs to be renewed on an annual basis. A notarised Russian translation of the certificate will have to be provided to the person which is regarded a tax agent as well. The tax residency of Non-Resident Noteholders – Legal Entities which are banks in jurisdictions which have concluded double tax treaties with the Russian Federation and which have the actual right to receive income can be confirmed by public information guides (e.g. Bankers Almanac) in lieu of the tax residency certificate.

There is also an obligation for a Non-Resident Noteholder – Legal Entity to provide a tax agent with the confirmation that it has an actual right to receive income in order to enjoy the double tax treaty benefits. This confirmation is also required in advance of payment of income. The payer of income in practice may request

additional documents confirming the entitlement and eligibility of such Non-Resident Noteholder to the benefits of the relevant double tax treaty in relation to income concerned.

In order to enjoy the benefits of the applicable double tax treaty, a Non-Resident Noteholder – Individual must provide to the tax agent a passport of a foreign citizen to prove his/her tax residency status in the foreign jurisdiction. If this document is not sufficient to prove the residency status, the tax agent will request the Non-Resident Noteholder – Individual to provide a tax residency certificate issued by the competent authorities in his/her country of residence for tax purposes. It is not clear from the law how the tax agent shall determine whether a passport is sufficient to confirm the individual's eligibility to double tax treaty benefits.

Within 30 days upon payment of income subject to tax exemption or withholding at a reduced tax rate under the respective double tax treaty, the tax agent is required to submit information to the tax authorities on foreign individuals (passport details and citizenship) and income (type of income, amount of income and date of payment).

The procedure of elimination of double taxation of Non-Resident Noteholders – Individuals in the case of absence of a tax agent is not explicitly indicated in the Russian Tax Code.

Non-Resident Noteholders should consult their own tax advisors regarding possible tax treaty relief and procedures required to be fulfilled for obtaining such relief with respect to any Russian taxes imposed in respect of interest income on the Notes or any income received in connection with the acquisition, holding, sale and other disposition of the Notes.

Refund of Tax Withheld

If Russian withholding tax on income derived from Russian sources by a Non-Resident Noteholder – Legal Entity was withheld at source, a claim for a refund of the tax that was excessively withheld at source can be filed by that Non-Resident Noteholder – Legal Entity with the Russian tax authorities within three years following the year in which the tax was withheld, provided such Non-Resident Noteholder – Legal Entity is entitled to the benefits of the applicable double tax treaty allowing it not to pay the tax or allowing it to pay the tax at a reduced tax rate in relation to such income. There is no assurance that such refund will be possible in practice.

If Russian personal income tax applicable to income derived from Russian sources by a Non-Resident Noteholder – Individual, for whom double tax treaty relief is available, was withheld at source notwithstanding the right of this Non-Resident Noteholder – Individual to rely on benefits of the applicable double tax treaty allowing the individual not to pay the tax in Russia or allowing the individual to pay the tax at the reduced tax rate in relation to such income, a claim for a refund of Russian personal tax which was excessively withheld at source and an application of the benefits of the applicable double tax treaty, together with a passport of a foreign individual/tax residency certificate issued by the competent authorities in his/her country of residence may be filed by that Non-Resident Noteholder – Individual with the tax agent within three years following the tax year when the corresponding income was received. In the absence of a tax agent who withheld the Russian personal income tax under consideration (for instance, in case of a liquidation of the tax agent), such an application for a refund may be filed with the Russian tax authorities within the same period (three years from the date when the tax was paid) accompanied by the Russian tax return, a tax residency certificate and documents evidencing tax withholding to the Russian tax authorities. There can be no assurance that the tax agent and/or the Russian tax authorities will refund this tax in practice.

Although the Russian Tax Code arguably contains an exhaustive list of documents and information which have to be provided by the foreign person to the Russian tax authorities for the tax refund purposes, the Russian tax authorities may, in practice, require a wide variety of documentation confirming the right of a Non-Resident Noteholder to obtain tax relief available under the applicable double tax treaty. Such documentation may not be explicitly required by the Russian Tax Code and may, to a large extent, depend on the position of local representatives of the tax inspectorates.

Obtaining a refund of Russian income taxes that were excessively withheld at source is likely to be a time consuming process requiring many efforts and no assurance can be given that such refund will be granted to the Non-Resident Noteholders in practice.

Non-Resident Noteholders should consult their own tax advisors regarding possible tax treaty relief and procedures required to be fulfilled in order to obtain treaty relief in practice with respect to any Russian taxes imposed on income received by a Non-Resident Noteholder upon the acquisition and disposition of the Notes.

Taxation of Interest on the Loan

In general, payments of interest on borrowed funds made by a Russian entity to a non-resident legal entity or organisation having no registered presence and/or no permanent establishment in Russia are subject to Russian withholding tax at the rate of 20 per cent., which could potentially be reduced or eliminated under the terms of an applicable double tax treaty.

Exemption for eurobond structures

Generally, no withholding tax should arise in eurobond structures by virtue of the specific exemption envisaged by the Russian Tax Code (the "**Eurobond Exemption**"). The Russian Tax Code provides that Russian borrowers should be fully released from the obligation to withhold tax from interest and other payments made to foreign entities provided that the following conditions are all met:

- (1) interest is paid on debt obligations of Russian entities that arose in connection with the placement by foreign entities of "traded bonds", which are defined as bonds or other debt obligations (a) listed and/or admitted to trading on one of the qualifying foreign exchanges and/or (b) that have been registered with one of the qualifying foreign depository/clearing organisations;
- (2) the recipient of interest on any loan is a foreign entity which is the issuer of issued bonds (e.g., the Issuer), or a foreign entity authorised to receive interest income payable on the issued bonds, or a foreign entity to which rights and obligations under bonds issued by another foreign entity have been assigned;
- (3) there is a double tax treaty between Russia and the jurisdiction of tax residence of the recipient of payments on the loan which can be confirmed by a duly executed tax residency certificate.

The list of qualifying foreign exchanges and foreign depository/clearing organisations was approved by the CBR (the "**List**"). Euronext Dublin and the clearing systems Euroclear, Luxembourg and Clearstream were included in the List. We note that Euronext Dublin (being the new trading name of the Irish Stock Exchange) is not expressly referred to in the List but the Irish Stock Exchange is. While one may theoretically argue that, due to the above technicality, the Eurobond exemption does not apply, Uralkali considers the risk of such interpretation to be remote. Firstly, the exchange is operated by the same legal entity as at the time of adopting the List. Furthermore, to the extent the Notes are deposited with a common depository for, and registered in the name of nominee of, Euroclear and Clearstream, Luxembourg, the above risk becomes irrelevant as the condition for application of the Eurobond Exemption would in any event be complied with.

Similarly, the Depository Trust Company ("**DTC**") is not expressly mentioned in the List, but rather its parent company – the Depository Trust & Clearing Corporation ("**DTCC**"). Under certain conditions, including (i) delisting of the Notes from Euronext Dublin and (ii) them being deposited with DTC only, the Russian tax authorities could apply a formalistic approach and take the position that the Eurobond Exemption does not apply as DTC is not included in the List. However, Uralkali does not consider this risk to be material as current and previous versions of the List specifically refer to DTCC, but in fact DTCC does not perform financial services; it was established as a holding company for various operating subsidiaries, including DTC. Therefore, it should be safe to assume that DTC also meets the conditions for the Eurobond Exemption, because when drafting the List the CBR (and previously the Federal Financial Markets Service) should have referred to the depository and clearing institutions, and the only way DTCC functions as such an institution is through DTC.

The fact that the relevant bonds or debt obligations are admitted to circulation on a stock exchange or deposited with a depository and clearing organisation that is on the List should be confirmed by the Russian company paying interest based on information provided by the foreign stock exchange and/or foreign depository and clearing organisation, or the prospectus for the traded bonds or other documents related to the issue of the bonds, or on the basis of information from publicly available sources.

A debt obligation qualifies as connected with the issuance of "traded bonds" by foreign companies if it is expressly stated in the agreement governing the relevant debt obligation and/or in the terms and conditions and/or the prospectus for the issuance of "traded bonds", or if this fact is confirmed by the actual transfer of funds upon the issuance of "traded bonds".

The Eurobond Exemption applies not only to interest amounts, but also to other payments made by a Russian borrower, provided that such payments are contemplated by the terms of the relevant debt obligation or are made

in connection with the terms of the relevant "traded bonds" and/or debt obligation (including the early buy-back or redemption thereof).

From purely technical standpoint, the Eurobond Exemption does not provide for an exemption to the foreign interest income recipients from Russian withholding tax, although currently there is no requirement in the Russian tax legislation for the foreign income recipients – legal entities to self-assess and pay the tax to the Russian tax authorities. The Ministry of Finance acknowledged in the information letter published on its website that the release from obligation to act as a tax agent means, in effect, that tax at source within Russia should not arise in connection with Eurobonds, since there is neither a mechanism nor obligation for a non-resident to independently calculate and pay such tax. There can be no assurance that such rules will not be introduced in the future or that the tax authorities would not make attempts to collect the tax from the foreign income recipients, including the Issuer or the Noteholders.

Uralkali believes that it should be possible to satisfy conditions established by the Russian Tax Code and obtain a release from the obligation to withhold Russian income tax from payments of interest and certain other amounts, as the case may be, on any Loan to the Issuer as long as the conditions set forth above are met throughout the term of any Loan and the Notes.

We note that the Irish tax authorities issue tax residency certificates required for application of the Eurobond Exemption in electronic format, while the Russian tax authorities are used to seeing tax residency certificates in hard copy with an apostille and notarised translation. It is possible to apostille and notarise a print-out of an electronic certificate in Ireland and thus obtain a duly executed hard copy version of it, but failure to do this in time (or at all) may lead to a risk that the Russian tax authorities will not accept electronic tax residency certificates or their print-outs for the purposes of exemption of payments related to issuance of traded bonds from tax withholding under the Eurobond Exemption. In this case Uralkali will be obliged to withhold tax from the payments made under the Loan and would be withholding such taxes from the respective future payments.

If interest and/or any other amounts due under any Loan become payable to the Trustee pursuant to the Trust Deed, there is some residual uncertainty whether the Eurobond Exemption would be available to Uralkali.

Specifically, there is some uncertainty whether, following the enforcement of the Security, the Trustee will qualify as the "entity authorised to receive interest income payable on the issued bonds" containing in the Russian Tax Code. It is not expected that the Trustee will, or will be able to, claim a Russian withholding tax exemption under such circumstances. It creates a potential risk that in case payments under any Loan are made to the Trustee for the benefit of the Non-Resident Noteholders, the Russian withholding tax at the rate of 20 per cent. (or such other tax rate as may be effective at the time of payment) or Russian personal income tax at the rate of 30 per cent. (or such other tax rate as may be effective at the time of payment), should be deducted from the amount of interest and some other payments under any Loan.

Double tax treaty relief

Another exemption from Russian tax withholding for interest on loans provided by Irish tax residents to Russian tax resident borrowers is set forth by the Agreement between the Government of Ireland and the Government of the Russian Federation for the Avoidance of Double Taxation with respect to Taxes on Income signed on 29 April 1994 (the "**DTT**"). In order to qualify for the exemption, the Issuer needs to be a tax resident of Ireland, the income should not be attributable to a permanent establishment of the Issuer in Russia, and, as far as interest is concerned, the interest must be set at arm's length and the Issuer must be the beneficial owner of such income.

Although the DTT does not provide for definition of the term "beneficial owner", this concept was introduced to Russian domestic legislation in 2015. A person will not qualify for a beneficial owner if it has limited authorities regarding disposal of the income received; has only intermediary functions in respect of such income and does not perform any other functions or undertake any risks; distributes the income (fully or partially) to another person who would not be entitled to the benefits under a double tax treaty.

Prior to these amendments, on 30 December 2011, the Ministry of Finance issued a letter from which it follows that SPVs issuing notes in the context of loan participation structures (loan participation notes ("**LPNs**"), also known as Eurobonds) may not qualify as beneficial owners of interest on loans paid by Russian borrowers. Although the letter is worded rather vaguely, it appears that since (i) the SPVs referred to in the letter were established by Russian borrowers, and (ii) the amounts of principal and interest on the notes issued by the SPVs, as well as the interest payment dates and the term, coincided exactly with those of the loan extended by the SPVs

to the Russian borrowers, the Ministry of Finance held that such SPVs do not have the right to determine the economic fate of income and act similarly to nominees of the noteholders. Thus, the Ministry of Finance concluded in the aforementioned letter that Russian borrowers raising funds through an LPN structure must determine the treaty relief based on the tax residency of the noteholders rather than the tax residency of the SPVs. However, in 2012, the Eurobond Exemption was introduced in the Russian Tax Code (See "*Taxation of Interest on the Loan – Exemption for eurobond structures*").

In light of the above, it is unlikely that the Issuer will qualify as a beneficial owner of income, and, therefore, 20 per cent. withholding tax may be applied to the interest paid by the Uralkali to the Issuer, unless the Eurobond Exemption applies. This, however, should not preclude application of the look-through approach by Uralkali, provided that Noteholders are tax residents of jurisdictions with double tax treaties with Russia and are able to prove their beneficial ownership status.

Payment gross-up

If any payments under any Loan become subject to Russian tax withholding (as a result of which the Issuer will be required to reduce payments made by it under the Notes by the amount of such withholding tax), Uralkali will be obliged (subject to certain conditions) under the terms of the relevant Loan Agreement to increase payments under the relevant Loan, as may be necessary, so that the net payments received by the Issuer will be equal to the amounts it would have received in absence of such tax withholding.

Value Added Tax (VAT)

Russian VAT is not applied to the rendering of financial services involving the provision of a loan in monetary form. Therefore, no VAT will be payable in the Russian Federation in respect of interest and principal payments under the Loan.

Ireland

The following is a summary of the principal Irish tax consequences for individuals and companies of ownership of the Notes based on the laws and practice of the Irish Revenue Commissioners currently in force in Ireland and may be subject to change. It deals with Noteholders who beneficially own their Notes as an investment. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, such as dealers in securities, trusts, etc. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

Taxation of Noteholders

Withholding Tax

In general, tax at the standard rate of income tax (currently 20 per cent.) is required to be withheld from payments of Irish source interest which should include interest payable on the Notes. The Issuer will not be obliged to make a withholding or deduction for or on account of Irish income tax from a payment of interest on a Note where:

- (a) the Notes are Quoted Eurobonds, i.e. securities which are issued by a company (such as the Issuer), which are listed on a recognised stock exchange (such as Euronext Dublin) and which carry a right to interest; and
- (b) the person by or through whom the payment is made is not in Ireland, or if such person is in Ireland, either:
 - (i) the Notes are held in a clearing system recognised by the Irish Revenue Commissioners; (DTC, Euroclear and Clearstream, Luxembourg are, amongst others, so recognised); or
 - (ii) the person who is the beneficial owner of the Notes is not resident in Ireland and has made a declaration to a relevant person (such as a paying agent located in Ireland) in the prescribed form; and

(c) one of the following conditions is satisfied:

- (i) the Noteholder is resident for tax purposes in Ireland or, if not so resident, is otherwise within the charge to corporation tax in Ireland in respect of the interest; or
- (ii) the interest is subject, under the laws of a relevant territory, without any reduction computed by reference to the amount of such interest or other distribution, to a tax in a Relevant Territory which corresponds to income tax or corporation tax in Ireland and which generally applies to profits, income or gains received in that territory, by persons, from sources outside that territory; or
- (iii) the Noteholder is not a company which, directly or indirectly, controls the Issuer, is controlled by the Issuer, or is controlled by a third company which also directly or indirectly controls the Issuer, and neither the Noteholder, nor any person connected with the Noteholder, is a person or persons:
 - (A) from whom the Issuer has acquired assets;
 - (B) to whom the Issuer has made loans or advances; or
 - (C) with whom the Issuer has entered into a Swap Agreement,

where the aggregate value of such assets, loans, advances or Swap Agreements represents not less than 75 per cent. of the aggregate value of the assets of the Issuer, or

- (iv) the Issuer is not aware at the time of the issue of any Notes that any Noteholder of those Notes is (i) a person of the type described in (c)(iii) above AND (ii) is not subject, without any reduction computed by reference to the amount of such interest or other distribution, to a tax in a Relevant Territory which generally applies to profits, income or gains received in that territory, by persons, from sources outside that territory,

where for these purposes, the term

"Relevant Territory" means a member state of the European Union (other than Ireland) or a country with which Ireland has signed a double tax treaty; and

"Swap Agreement" means any agreement, arrangement or understanding that –

- (i) provides for the exchange, on a fixed or contingent basis, of one or more payments based on the value, rate or amount of one or more interest or other rates, currencies, commodities, securities, instruments of indebtedness, indices, quantitative measures, or other financial or economic interests or property of any kind, or any interest therein or based on the value thereof, and
- (ii) transfers to a person who is a party to the agreement, arrangement or undertaking, or to a person connected with that person, in whole or in part, the financial risk associated with a future change in any such value, rate or amount without also conveying a current or future direct or indirect ownership interest in the asset (including any enterprise or investment pool) or liability that incorporates the financial risk so transferred.

Thus, so long as the Notes continue to be quoted on Euronext Dublin are held in a clearing system recognised by the Irish Revenue Commissioners; (DTC, Euroclear and Clearstream, Luxembourg are, amongst others, so recognised), and one of the conditions set out in paragraph (c) above is satisfied, interest on the Notes can be paid by any Paying Agent acting on behalf of the Issuer free of any withholding or deduction for or on account of Irish income tax. If the Notes continue to be quoted but cease to be held in a recognised clearing system, interest on the Notes may be paid without any withholding or deduction for or on account of Irish income tax provided such payment is made through a Paying Agent outside Ireland, and one of the conditions set out in paragraph (c) above is satisfied.

Encashment Tax

Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from interest on any Note, where such interest is collected or realised by a bank or encashment agent in Ireland on behalf of any Noteholder. There is an exemption from encashment tax where the beneficial owner of the interest is not resident in Ireland and has made a declaration to this effect in the prescribed form to the encashment agent or bank.

Income Tax, PRSI and Universal Social Charge

Notwithstanding that a Noteholder may receive interest on the Notes free of withholding tax, the Noteholder may still be liable to pay Irish income tax with respect to such interest. Noteholders resident or ordinarily resident in Ireland who are individuals may be liable to pay Irish income tax, pay related social insurance (PRSI) contributions and the universal social charge in respect of interest they receive on the Notes.

Interest paid on the Notes may have an Irish source and therefore may be within the charge to Irish income tax, notwithstanding that the Noteholder is not resident in Ireland. In the case of Noteholders who are non-resident individuals such Noteholders may also be liable to pay the universal social charge in respect of interest they receive on the Notes.

Ireland operates a self-assessment system in respect of tax and any person, including a person who is neither resident nor ordinarily resident in Ireland, with Irish source income comes within its scope.

There are a number of exemptions from Irish income tax available to certain non-residents. Firstly, interest payments made by the Issuer are exempt from income tax so long as the Issuer is a qualifying company for the purposes of Section 110 of the Taxes Consolidation Act 1997 ("**TCA**"), the recipient is not resident in Ireland and is resident in a Relevant Territory and, the interest is paid out of the assets of the Issuer. Secondly, interest payments made by the Issuer in the ordinary course of its trade or business to a company are exempt from income tax provided the recipient company is not resident in Ireland and is a company which is either resident for tax purposes in a Relevant Territory which imposes a tax that generally applies to interest receivable in that Relevant Territory by companies from sources outside that Relevant Territory and which tax corresponds to income tax or corporation tax in Ireland or, in respect of the interest is exempted from the charge to Irish income tax under the terms of a double tax agreement which is either in force or which is not yet in force but which will come into force once all ratification procedures have been completed. Thirdly, interest paid by the Issuer free of withholding tax under the quoted Eurobond exemption is exempt from income tax, where the recipient is a person not resident in Ireland and resident in a Relevant Territory or is a company not resident in Ireland which is under the control, whether directly or indirectly, of person(s) who by virtue of the law of a Relevant Territory are resident for the purpose of tax in a Relevant Territory and are not under the control of person(s) who are not so resident or is a company not resident in Ireland where the principal class of shares of the company or its 75 per cent. parent is substantially and regularly traded on a recognised stock exchange. For the purposes of these exemptions and where not specified otherwise, residence is determined under the terms of the relevant double taxation agreement or in any other case, the law of the country in which the recipient claims to be resident. Interest falling within the above exemptions is also exempt from the universal social charge.

Notwithstanding these exemptions from income tax, a corporate recipient that carries on a trade in Ireland through a branch or agency in respect of which the Notes are held or attributed, may have a liability to Irish corporation tax on the interest.

Relief from Irish income tax may also be available under the specific provisions of a double tax treaty between Ireland and the country of residence of the recipient.

Interest on the Notes which does not fall within the above exemptions is within the charge to income tax, and, in the case of Noteholders who are individuals, is subject to the universal social charge. In the past the Irish Revenue Commissioners have not pursued liability to income tax in respect of persons who are not regarded as being resident in Ireland except where such persons have a taxable presence of some sort in Ireland or seek to claim any relief or repayment in respect of Irish tax. However, there can be no assurance that the Irish Revenue Commissioners will apply this treatment in the case of any Noteholder.

Capital Gains Tax

A Noteholder will not be subject to Irish tax on capital gains on a disposal of Notes unless (i) such holder is either resident or ordinarily resident in Ireland or (ii) such holder carries on a trade or business in Ireland through a branch or agency in respect of which the Notes were used or held or (iii) the Notes cease to be listed on a stock exchange in circumstances where the Notes derive their value or more than 50 per cent. of their value from Irish real estate, mineral rights or exploration rights.

Capital Acquisitions Tax

A gift or inheritance of Notes will be within the charge to capital acquisitions tax (which subject to available exemptions and reliefs, will be levied at 33 per cent.) if either (i) the donor or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the donor is domiciled in Ireland irrespective of his residence or that of the donee/successor) on the relevant date or (ii) if the Notes are regarded as property situate in Ireland (i.e. if the Notes are physically located in Ireland or if the register of the Notes is maintained in Ireland).

Stamp Duty

No stamp duty or similar tax is imposed in Ireland on the issue, transfer or redemption of the Notes provided the Issuer is a qualifying company for the purposes of Section 110 of the TCA and the proceeds of the Notes are used in the course of the Issuer's business.

THE PROPOSED FINANCIAL TRANSACTIONS TAX ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary deals only with purchasers of Notes that are U.S. Holders acquiring Notes in this offering at their issue price (generally the first price at which a substantial amount of the Notes is sold for money, excluding sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers) and that will hold the Notes as capital assets (generally, property held for investment). The discussion does not address any U.S. tax consequences to holders of the Notes that are not U.S. Holders, and does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors (including consequences under the alternative minimum tax and the tax on net investment income), and does not address state, local, non-U.S. or non-income tax laws (such as the estate or gift tax laws). This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as

financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies traders that elect to mark-to-market, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Notes in connection with a trade or business conducted outside of the United States, investors required to take include certain amounts in income no later than the time such amounts are reflected on their financial statements or investors whose functional currency is not the U.S. Dollar).

As used herein, the term "U.S. Holder" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States, any state thereof or the District of Columbia (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if either a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Notes by the partnership.

The summary is based on the tax laws of the United States including the Internal Revenue Code of 1986, as amended (the "**Code**"); legislative history, final, temporary, and proposed regulations issued under the Code; published rulings and court decisions; all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL AND NON-U.S. TAX LAWS, NON-INCOME TAX LAWS (SUCH AS ESTATE AND GIFT TAXES) AND OTHER FEDERAL TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

U.S. Federal Income Tax Characterisation of the Notes

No authority directly addresses the characterisation of securities like the Notes for U.S. federal income tax purposes and no ruling will be requested from the U.S. Internal Revenue Service (the "**IRS**") as to the characterisation of the Notes for these purposes. To the extent relevant for U.S. federal income tax purposes, the Issuer intends to treat the Notes as indebtedness for these purposes consistent with their form. This characterisation is binding on all U.S. Holders unless the U.S. Holder discloses on its U.S. federal income tax return that it is treating the Notes in a manner inconsistent with the Issuer's characterisation. No assurance can be given that the IRS will not assert, or that a court would not sustain, a position regarding the characterisation of the Notes that is contrary to the Issuer's characterisation. If the IRS were to challenge such characterisation, there is a risk that the Notes may be recast as equity interests for U.S. federal income tax purposes. If this were to happen, certain U.S. Holders may be subject to additional requirements and the failure to comply with such requirements could subject those U.S. Holders to significant penalties. Prospective investors should seek advice from their own tax advisers as to the consequences to them of alternative characterisations of the Notes and the possibility that the Notes will be classified as equity interests. The discussion below assumes that the Notes will be treated as debt for U.S. federal income tax purposes.

Payments of Interest

Interest on a Note will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the U.S. Holder's method of accounting for U.S. federal income tax purposes.

A U.S. Holder will also be required to include any withholding taxes paid, or deemed paid, on its behalf as ordinary income. Interest and any additional amount paid by the Issuer on the Notes generally will constitute income from sources outside the United States. U.S. Holders should consult their tax advisers concerning the applicability of the U.S. foreign tax credit and source of income rules to income attributable to the Notes.

Sale and Retirement of Notes

A U.S. Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the U.S. Holder's tax basis in the Note. A U.S. Holder's tax basis in a Note will generally be its cost. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Gain or loss recognised on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Notes exceeds one year. The ability of U.S. Holders to use capital losses is subject to limitations. Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source. Consequently, if a Russian or Irish tax is imposed on such gain, the U.S. Holder generally will not be able to use the corresponding foreign tax credit, unless the holder has other foreign-source income of the appropriate type in respect of which the credit may be used. The U.S. foreign tax credit rules are very complex and U.S. Holders should consult their tax advisers with respect to the application of these rules to their particular circumstances.

Substitution of the Issuer

If a successor is substituted for the Issuer, the substitution may, depending on the circumstances, be treated as an exchange of the Notes for deemed new notes of the successor. In such an event, unless a non-recognition provision applies, a U.S. Holder generally will recognise any gain or loss realised in the deemed exchange in an amount equal to the difference, if any, between (i) the issue price of the new notes (which would be their fair market value assuming the Notes are trading on an established market) and (ii) the U.S. Holder's adjusted tax basis in the Notes. If the stated principal amount of the new notes received in the deemed exchange exceeds their issue price, a U.S. Holder may be required to recognise original issue discount ("**OID**") as ordinary income on the new notes as a result of the substitution. The OID would be the amount by which the stated principal amount of the new notes exceeds their issue price. Regardless of its regular method of tax accounting, a U.S. Holder would be required to accrue any OID as ordinary income on a constant yield to maturity basis whether or not it received cash payments, unless the amount of OID was less than 0.25 per cent. of the issue price multiplied by the number of complete years to maturity, in which case such "de minimis OID" generally would result in capital gain upon the sale or retirement of the Notes. U.S. Holders should consult their tax advisers regarding the foregoing.

Backup Withholding and Information Reporting

In general, payments of interest and the proceeds of a sale or retirement of the Notes payable to a U.S. Holder by a U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

U.S. Holders should consult their tax advisers regarding any other reporting obligations they may have as a result of their acquisition, ownership or disposition of Notes. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

U.S. Foreign Account Tax Compliance Rules

Pursuant to Sections 1471 through 1474 of the Code (commonly referred to as "**FATCA**") and subject to the proposed regulations discussed below, a "foreign financial institution" (such as the Issuer or another non-U.S. financial institution through which payments on the Notes are made) may be required to withhold U.S. tax on certain "**foreign passthru payments**" to the extent such payments are treated as attributable to certain U.S. source payments. A foreign financial institution may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made with respect to the Notes if the terms of the Notes and the terms of the Loans are materially modified after the date that is six months after the date on which the final regulations that define "foreign passthru payments" for purposes of FATCA are published (the "Grandfather Date"). Such withholding tax generally would apply unless the recipient of the relevant payment has entered into an agreement with the IRS to provide certain information on its account holders or is otherwise exempt from or is in deemed-compliance with FATCA. If the Issuer itself is not in compliance with FATCA, payments it receives may be subject to

FATCA withholding. Pursuant to proposed regulations issued under FATCA, any withholding on foreign passthru payments on the Notes that are not otherwise grandfathered would apply to passthru payments made on or after the date that is two years after the date of publication in the Federal Register of applicable final regulations defining foreign passthru payments. Taxpayers generally may rely on these proposed regulations until final regulations are issued. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their tax advisers on how these rules may apply to their investment in the Notes.

If an amount in respect of FATCA were to be deducted or withheld from interest, principal or other payments on or with respect to the Notes, the Issuer would have no obligation to pay additional amounts or otherwise indemnify a Noteholder for any such withholding or deduction by the Issuer, the Principal Paying Agent or any other party as a result of the deduction or withholding of such amount. A Noteholder that is withheld upon under FATCA generally will be able to obtain a refund only to the extent an applicable income tax treaty with the United States entitles the Noteholder to a reduced rate of tax on the payment that was subject to withholding under FATCA, provided the required information is furnished in a timely manner to the IRS.

Significant aspects of the application of FATCA are based on regulations, proposed regulations and interim guidance, which may be subject to change. Noteholders should consult their advisers about the application of FATCA, in particular if they may be classified as financial institutions under the FATCA rules.

GENERAL INFORMATION

1. Uralkali was incorporated in the Russian Federation on 14 October 1992, as an open joint stock company for an unlimited duration, and it operates under the laws of the Russian Federation in accordance with the Civil Code and the Joint Stock Companies Law. Uralkali has its registered office at: 618426, the Russian Federation, Perm Krai, Berezniki, ul. Pyatiletki, 63; telephone no. +7 (3424) 29 60 59. Uralkali is registered in the Unified State Register of Legal Entities in Russia under main state registration number 1025901702188.
2. The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The Common Code and ISIN for the Regulation S Notes are 201004039 and XS2010040397, respectively. The Common Code, CUSIP and ISIN for the Rule 144A Notes are 111730415, 91689LAA8 and US91689LAA89, respectively. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg and the address for DTC is 55 Water Street, New York, NY 10041, United States of America.
3. Application has been made to Euronext Dublin for the Notes to be admitted to the Official List of Euronext Dublin and to trading on the Regulated Market through Arthur Cox Listing Services Limited. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of Euronext Dublin or to trading on the Regulated Market for the purposes of the Prospectus Regulation. The total expenses relating to the admission to trading will be EUR 8,000.
4. The Legal Entity Identifier of the Issuer is 635400BFOZMTDM8DSV32. The Legal Entity Identifier of the Borrower is 2534008CWTSB8JAUM458.
5. This Prospectus is valid until 22 October 2019. The obligation to supplement the Prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when the Prospectus is no longer valid.
6. Copies of the following documents may be inspected at the offices of the Principal Paying Agent in London and the registered office of the Issuer in Dublin during usual business hours on any weekday (Saturdays and public holidays excepted) for so long as the Notes are listed on Euronext Dublin:
 - (a) a copy of this Prospectus, together with any supplement to this Prospectus;
 - (b) the constitution of the Issuer;
 - (c) the charter of Uralkali;
 - (d) the Financial Statements, including the reports thereon;
 - (e) the Issuer Financial Statements;
 - (f) the Loan Agreement;
 - (g) the Agency Agreement; and
 - (h) the Trust Deed, which includes the form of the Global Note Certificates and the Definitive Certificates.

Each of the above documents will be available in hard copy at the offices of the Issuer, Uralkali and the Paying Agents. The document referred to in paragraph (b) above will be available at the following website: https://www.uralkali.com/upload/Uralkali_Finance_DAC_Constitution_02.06.2016.pdf for the life of this Prospectus. The document referred to in paragraph (h) above will be available, from the date thereof, at the following website: https://www.uralkali.com/investors/fixed_income/ for the life of this Prospectus. The Issuer Financial Statements will be available at https://www.ise.ie/debt_documents/Issuer%202017%20Financial%20Statements_fbb2d051-c8cc-47cf-9b7e-0f7c47a97b6f.pdf and

https://www.ise.ie/debt_documents/Issuer%202018%20Financial%20Statements_af67f11f-b020-414a-ab4f-9b66fe7eb471.pdf for the life of this Prospectus.

7. Entering into the Loan Agreement and the issue of the Notes were authorised by a decision of the Board of Directors of the Issuer on 17 October 2019.
8. No consents, approvals, authorisations or orders of any regulatory authorities other than as disclosed in the Prospectus are required by the Issuer under the laws of Ireland for maintaining the Loan or for issuing the Notes.
9. Since 31 December 2018, there has been no material adverse change in the financial position or the prospects of the Issuer, such date being the date of the last audited financial statements of the Issuer.
10. Since 31 December 2018, there has been no significant change in the financial performance of the Issuer, such date being the date of the last audited financial statements of the Issuer.
11. Save for the fees payable to the Managers, the Trustee and the Agents, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest that is material to the issue of the Notes.
12. There has been no significant change in the financial performance or financial position of Uralkali or of the Group since the six months ended 30 June 2019 and no material adverse change in the prospects of Uralkali or of the Group since 31 December 2018.
13. There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during the previous 12 months in relation to the Issuer, which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.
14. The Trust Deed provides, inter alia, that the Trustee may rely on any certificate or report prepared by accountants pursuant to the Trust Deed (whether or not addressed to the Trustee), notwithstanding whether or not the accountants' liability in respect thereof is limited by a monetary cap or otherwise.
15. Uralkali has obtained all necessary consents, approvals and authorisations in the Russian Federation in connection with its entry into, and performance of its obligations under, the Loan Agreement (to the extent applicable).
16. Citigroup Global Markets Europe AG will act as Registrar in relation to the Notes.
17. The loan to value ratio of the Notes is 100 per cent.
18. Citicorp Trustee Company Limited is a professional trustee company, which is providing its services in relation to the Notes on an arm's length basis in consideration of a fee. Under the terms of the Trust Deed, the power of appointing new trustees is vested in the Issuer (with the prior written consent of Uralkali) but a trustee so appointed must in the first place be approved by an Extraordinary Resolution of Noteholders. The Noteholders have the power, exercisable by Extraordinary Resolution, to remove any trustee or trustees. The removal of any trustee is only effective if following the removal there remains a trustee (being a trust corporation) in office after such removal. In addition, Citicorp Trustee Company Limited, or any other trustee duly appointed, may retire at any time upon giving not less than three months notice in writing to the Issuer (copied to Uralkali). The retirement of any trustee is only effective if, following the retirement, there remains a trustee (being a trust corporation) in office after such retirement. If the trustee has given notice of its desire to retire and the Issuer is unable to procure a new trustee to be appointed and the Issuer has not by the expiry of such notice (with the prior written consent of Uralkali) appointed a new trustee, the trustee shall have the power of appointing new trustee(s).
19. The 2018 Financial Statements and the 2017 Financial Statements have been audited by AO "Deloitte & Touche CIS", independent auditors, whose address is 5 Lesnaya Street, 125047 Moscow, Russia. AO "Deloitte & Touche CIS" is a member of Self-regulated organisation of auditors "Russian Union of auditors" (Association). In addition, the Interim Financial Statements have been reviewed by AO "Deloitte & Touche CIS". A review is limited primarily to inquiries of personnel of the entity and

analytical assessments and therefore does not provide the assurance attainable in a financial statement audit.

20. Neither the Issuer nor Uralkali intends to provide post-issuance information concerning the Notes or the Loan.
21. The report reproduced in Appendix I — Report of SRK Consulting was produced by SRK Consulting, internationally recognised independent experts with regards to mining assets, acting through their office at 5th Floor, Churchill House, 17 Churchill Way, Cardiff CF10 2HH, United Kingdom, and was signed by the Chairman and Corporate Consultant (Resource Geology) and Principal Consultant (Geology/Mineral Economics) of SRK Consulting named therein, and is reproduced herein in the form and context in which it appears with SRK Consulting's consent. SRK Consulting holds no interest in the Issuer or the Borrower.

GLOSSARY OF TECHNICAL TERMS

"available production"	In relation to the Group, Uralkali's estimate of its capacity for potash production (taking into account projected stoppages for planned repair and maintenance) in the relevant annual or other specified period.
"carnallite"	Salt mineral, $\text{KMgCl}_3 \times 6 \text{H}_2\text{O}$.
"feasibility study"	A detailed study of the economics of a project based on technical calculations and specific mine designs undertaken to a sufficiently high degree of confidence to justify a decision to construction.
"g/t"	Grammes per tonne.
"Grade"	The quantity of ore of metal in a specific quantity of rock.
"Granular MOP"	Granular muriate of potash.
"Indicated Mineral Resources"	That part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as sub outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.
"Inferred Mineral Resources"	That part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as sub outcrops, trenches, pits, workings and drill holes that may be limited or of uncertain quality and reliability.
"JORC Code"	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, setting out minimum reporting standards, recommendations and guidelines, as most recently outlined in the 2004 edition prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.
"K₂O"	Potassium oxide, a term used in the fertiliser industry to define potassium content.
"KCl"	Potassium chloride
"Measured Mineral Resources"	That part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.
"MOP"	Muriate of potash (chemical symbol "KCl").
"NPK"	A fertiliser primarily composed of three main elements: Nitrogen (N), Phosphorus (P), and Potassium (K).

"Ore"	Mineral bearing rock that contains one or more minerals, at least one of which can be mined and treated profitably under current or immediate foreseeable economic conditions.
"Ore Reserves"	The economically mineable material derived from a Measured and/or indicated mineral resource. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified. Ore Reserves are subdivided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.
"Pink Standard MOP"	Pink muriate of potash.
"Probable Ore Reserves"	Economically mineable material derived from a Measured/Indicated mineral resource. It is estimated with a lower level of confidence than a proved Ore Reserve. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified.
"Proved Ore Reserves"	Economically mineable material derived from a Measured mineral resource. It is estimated with a high level of confidence. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified.
"structural capacity"	In relation to the Group, the maximum production capacity that Uralkali believes could be achieved (taking into account projected stoppages for planned repair and maintenance) in an annual period if the Group were able to process all the ore that could be mined using the Group's existing mine shaft structures after certain improvements to the ore hoisting and shaft ventilation systems.
"sylvinite"	Evaporite containing the main minerals sylvite and halite.
"White Standard MOP"	White muriate of potash.

APPENDIX I
REPORT OF SRK CONSULTING

[Starts on the next page]

Our Ref: U30237 Uralkali JORC Report Dec 2018_Final 210119a.docx

21 January 2019

The Board of Directors
Joint Stock Company Uralkali
63 Pyatiletki 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 1-1: Uralkali Licence Summary

Asset/Deposit	Registration No.	Expiry Date	Licence Type	Area (km ²)
Berezniki 2	2546	31 st December 2024	Mining ²	67.25
Berezniki 4	2545	1 st January 2043	Mining ¹	185.5
Ust-Yayvinsky	2543	15 th April 2024	Exploration and Mining ³	83.6
Solikamsk 1	2547	1 st January 2047	Mining ¹	44.47
Solikamsk 2	2548	31 st December 2026	Mining ²	50.38
Solikamsk 3	2549	1 st January 2055	Mining ²	110.01
Polovodovsky	2551	31 st December 2054	Exploration and Mining ¹	381.01
Romanov	2550	25 th July 2039	Exploration and Mining ¹	58.07
Solikamsk 1	2541	6 th April 2035	Exploration and Mining ⁴	8.58
Izversky (Berezniki 4 Extension)	2682	2 nd November 2022	Exploration	49.11

1: Potassium salts, magnesium salts and rock salt

2: Potassium salts and rock salt

3: Potassium and magnesium salt

4: Magnesium salt

Uralkali acquired an exploration licence during 2014, termed Romanov (#2550), which covers an area to the south of the current Berezniki operations. SRK understands this licence area was explored historically and is currently estimated to have resources classified in the Russian P1 and P2 categories. SRK understands that Uralkali has plans in place to undertake further exploration drilling on this licence and to then re-estimate the resources based on this drilling with a view to increasing the confidence in the assigned classification. SRK considers there to be insufficient data currently available to report these P1 and P2 resources as Mineral Resources as defined by the JORC Code in this case and therefore this licence is not discussed any further in this report.

In addition to this, during 2017 Uralkali acquired a further exploration licence termed Izversky (#2682) which is immediately adjacent to the eastern portion of the current Berezniki 4 mine. SRK understands this has the potential to increase the Mineral Resources and therefore extend the Berezniki 4 operations to the east, however, there are currently no estimated resources on this licence. SRK understands that Uralkali has plans in place to undertake further exploration drilling on this licence and to then estimate the resources based on this drilling. There is therefore currently insufficient data currently available to report Mineral Resources as defined by the JORC Code and therefore this licence is not discussed any further in this report.

While not reflected in the current licences held by Uralkali, SRK understands that Uralkali is considering applying for an extension of its licence for Solikamsk 2 (#2548) to the west to encompass an additional area which would have the potential to increase the Mineral Resource associated with this licence (albeit that this would be done under a separate license). This became allowed following the adoption of the Decree of the Government of the Russian Federation No. 429 dated 3 May 2012, which means that it is now possible to increase the boundaries of subsoil plots granted for geological exploration and/or detailed prospecting and production of minerals in any spatial direction. This can be done repeatedly throughout the term of the mineral licence but applies only to the same mineral(s) as specified on the existing licence

and, notably the amount of additional resource encompassed by the increase in area may not exceed 20% of the resources of the initial licence and as entered into the state balance. SRK understands that Uralkali is evaluating this further before applying for a licence extension. While the area under consideration was drilled previously in the Soviet era, and while this confirmed the presence of mineralisation, assuming this licence extension is applied for and granted, then further exploration and drilling will be required to determine the quantity and quality mineralisation present to the level of confidence that could then be potentially reported as a Mineral Resource.

SRK has been provided with copies of the licences above and has confirmed that the Mineral Resources and Ore Reserves stated in this report fall within the boundaries of such licences. SRK notes that all licences have been re-issued and amended between 2015 and 2017 and the expiry dates extended to the dates shown above. SRK notes that for the licence for mining of carnalite ore (#2541) which relates to an area adjacent to Solikamsk-1 and the extreme western portion of Solikamsk-3, Uralkali has indicated that this material is being accessed for mining of carnalite from the existing infrastructure of Solikamsk-1 and therefore SRK has reported this material alongside the sylvinite estimates given for this mine.

The licenses for some of the operating and development mines will expire within the term of the 20-year Business Plan, even though some of these mines are planned to continue operating beyond this time and have resources and reserves to support this. SRK, however, considers it reasonable to assume that Uralkali will obtain extensions to these licences in due course on application as long as it continues to fulfil its licence obligations and the resource and reserve estimates given here reflect this assumption.

2. QUANTITY AND QUALITY OF DATA

2.1 Introduction

The descriptions of data quantity and quality given in Section 2.2 below relate to the original Uralkali sites before the merger with JSC Silivinit; namely Berezniki 2, Berezniki 4 and Ust-Yayvinsky while those in Section 2.3 relate to the former JSC Silivinit sites; namely Solikamsk 1, Solikamsk 2, Solikamsk 3 and Polovodovsky.

2.2 Original Uralkali Operations

The resource and reserve estimates derived by Uralkali for the original Uralkali sites are primarily based on exploration drilling undertaken between 1972 and 1998. A specially laid out drilling programme was developed for each mine with the aim of enabling 10% of the contained resources to be assigned to the A category of resources as defined by the Russian Reporting Code, 20% to the B category and 70% to the C1 category.

The A category is the highest category in the Russian Reporting Code and only used where the stated tonnage and grade estimates are considered to be known to a very high degree of accuracy. The B, C1 and C2 categories are lower confidence categories, with C2 denoting the least level of confidence of the three categories. All of these categories, apart from C2, are acceptable for use in supporting mining plans and feasibility studies. In the case of the Uralkali assets, blocks have been assigned to the A category where the drillhole spacing is less than 1km, to the B category where the drillhole spacing is between 1 and 2km and to the C1 category where the drillhole spacing is 2km. Areas drilled at a larger spacing than this, up to a 4km spacing, have historically been assigned to the C2 category, although it is noted that as at 1 January 2019, there are no C2 resources reported for these assets.

As a result of the above process, each mine is typically drilled on a 2 km by 2 km grid or less before a decision is taken to develop the mine. This information is, however, then supplemented by underground drilling once the access development is in place. This typically creates a grid of intersections measuring 400 m by 200 m. While Uralkali does not regularly upgrade the categorisation of its resources based on this drilling, which it rather uses to optimise the mining layouts, it does periodically undertake a re-estimation calculation on specific areas and will take into account the available data from this underground drilling in doing this where relevant. The most recent update of the estimation for Berezniki-4 for example was undertaken in 2006.

The drillholes, whether drilled from surface or underground, are sampled at intervals of at least 16cm 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 12,650m between 2009 and 2012.

The diamond drillholes, whether drilled from surface or underground, were drilled with a diameter of either 92 mm or 112 mm for surface holes and 50-76 mm for underground holes.

Holes were sampled at intervals between 10 cm and 6 m, averaging between 105 cm to 130 cm. Core recovery through the sylvinit horizons is reported to be good at an average of 84-85%, while the recovery through the carnalite horizon at Solikamsk 1 is reported to be 74%.

Core 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 1,200m, to the B category where the drillhole spacing is between 1,200m and 2,400m and to the C1 category where the drillhole spacing is 2,400m 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 2.4km by 2.4km grid or less before a decision is taken to develop the mine. This information is, however, then supplemented by underground drilling once the access development is in place. This typically creates a grid of intersections measuring from 100m by 300m or in cases up to 400 m by 800 m. As is the case with Uralkali, Silvinit does not upgrade the estimation or categorisation of its resources based on this underground drilling on a regular basis but rather uses this to optimise the mining layouts. Notwithstanding this, a full re-estimation calculation was undertaken by Silvinit in 2006 (see below) for the Solikamsk mines and this took into account the available data from underground drilling where available.

3. RESOURCE ESTIMATION

3.1 Introduction

The most up to date resource statements produced by Uralkali are those derived for the annual 5GR reports which give the status as of 1 January each year. The completion of 5GR reports is a statutory requirement. These estimates are produced using standard classical Russian techniques and are essentially based on calculations made in previous years and adjusted for mining during the prior year. Given that the estimates reported herein are being produced before the end of 2018 and before the formal submission of 5GR reports by Uralkali, SRK notes that for the purposes of these estimates the depletion for mining is based on actual production data for January to October 2018 inclusive and forecast data for November to December. This section comments primarily on these statements.

The first resource estimates undertaken and approved for each of the former Silvinit operations were as follows:

- Solikamsk 1 and 2 – 1952;
- Solikamsk 3 – 1962; and
- Polovodovsky – 1975

The resource estimates at each of the active mines have undergone various updates since this time, the most recent of which was in 2006. These estimates were approved by the State Committee for Reserves and take into account all surface and underground drilling data available at that time. As noted above, additional exploration drilling has recently been undertaken at Polovodovsky, and the original estimate produced in 1975 has been updated during 2013 and 2014.

3.2 Estimation Methodology

Each seam and each mine is treated separately in the resource estimation procedure. In each case the horizons are first divided into blocks such that each sub-divided block has reasonably consistent borehole spacing within it; that is more intensely drilled areas are subdivided from less intensely drilled areas. Each resulting “resource block” is then evaluated separately using the borehole intersections falling within that block only.

Specifically, composited 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 2m and a minimum block grade which, dependent on the mine, varies between 11.4% K₂O (Polovodovsky) and 15.5% K₂O (Ust-Yayvinsky). Table 3-2 below summarises SRK’s understanding of the carnalite resource statement prepared by Uralkali to reflect the status of its assets as of 1 January 2019. Uralkali’s carnalite statements (Solikamsk-1 only) are based on a minimum seam thickness of 2m and a minimum block grade of 7.2% MgO.

Table 3-1: Uralkali Sylvinit Mineral Resource Statement at 1 January 2019

Mine	Category	Tonnage (Mt)	K ₂ O (%)	K ₂ O (Mt)
Berezniki 2	A	7.7	33.7	2.6
	B	38.2	22.5	8.6
	C1	113.7	24.8	28.1
	A+B+C1	159.6	24.7	39.4
	C2	-	-	-
Berezniki 4	A	193.0	21.8	42.1
	B	375.3	22.4	83.9
	C1	1,193.3	21.8	260.2
	A+B+C1	1,761.6	21.9	386.2
	C2	-	-	-
Ust-Yayvinsky	A	169.9	19.0	32.3
	B	311.0	19.8	61.7
	C1	809.7	19.8	160.4
	A+B+C1	1,290.6	19.7	254.4
	C2	-	-	-
Solikamsk 1	A	74.7	18.1	13.6
	B	9.0	16.6	1.5
	C1	137.7	17.0	23.3
	A+B+C1	221.4	17.3	38.4
	C2	-	-	-
Solikamsk 2	A	14.2	19.8	2.8
	B	68.8	13.8	9.5
	C1	710.0	17.5	124.6
	A+B+C1	793.0	17.3	136.9
	C2	-	-	-
Solikamsk 3	A	90.3	17.7	16.0
	B	185.5	16.8	31.3
	C1	948.2	17.1	162.4
	A+B+C1	1,224.0	17.1	209.7
	C2	-	-	-
Polovodovsky	A	-	-	-
	B	312.8	17.1	53.6
	C1	1,261.9	16.6	209.8
	A+B+C1	1,574.7	16.7	263.3
	C2	-	-	-
Summary All Mines				
	A	549.8	19.9	109.4
	B	1,300.7	19.2	250.1
	C1	5,174.4	18.7	968.8
	A+B+C1	7,024.9	18.9	1,328.2
	C2	-	-	-

Table 3-2: Uralkali Carnalite Mineral Resource Statement at 1 January 2019

Mine	Category	Tonnage (Mt)	MgO (%)	MgO (Mt)
Solikamsk 1	A	104.3	10.0	10.5
	B	18.4	8.8	1.6
	C1	53.5	8.0	4.3
	A+B+C1	176.2	9.3	16.4
	C2	-	-	-

SRK notes that while Mineral Resources for carnalite are only shown in this report at Solikamsk-1, as this is the only operation that is currently mining and processing such and where there is a plan to mine this in the future as is reflected in the Business Plan, there is carnalite present at other Uralkali sites, in particular at Ust-Yayvinsky. This has been estimated by Uralkali and been assigned generally to B and C1 classification categories, however, as there is no plan currently to exploit this material at present 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 carnalite respectively. SRK has re-classified the resource estimates using the terminology and guidelines proposed in the JORC Code. In doing this, SRK has reported those blocks classified as A or B by Uralkali as Measured, those blocks classified as C1 as Indicated and those blocks classed as C2 as Inferred. SRK's audited Mineral Resource statements are reported inclusive of those Mineral Resources converted to Ore Reserves. The audited Ore Reserve is therefore a sub set of the Mineral Resource and should not be considered as additional to this.

SRK has not attempted to optimise Uralkali's Business Plan. Consequently, SRK's audited resource statements are confined to those seams that both have the potential to be mined economically and which are currently being considered for mining by Uralkali only.

Table 3-3: SRK Audited Sylvinitic Mineral Resource Statement at 1 January 2019

Category	Tonnage (Mt)	K ₂ O (%)	K ₂ O (Mt)
Berezniki 2			
Measured	45.9	24.4	11.2
Indicated	113.7	24.8	28.1
Measured + Indicated	159.6	24.7	39.4
Inferred	-	-	-
Berezniki 4			
Measured	568.3	22.2	126.0
Indicated	1,193.3	21.8	260.2
Measured + Indicated	1,761.6	21.9	386.2
Inferred	-	-	-
Ust-Yayvinsky			
Measured	480.9	19.5	94.0
Indicated	809.7	19.8	160.4
Measured + Indicated	1,290.6	19.7	254.4
Inferred	-	-	-
Solikamsk 1			
Measured	83.7	18.0	15.1
Indicated	137.7	17.0	23.3
Measured + Indicated	221.4	17.3	38.4
Inferred	-	-	-
Solikamsk 2			
Measured	68.8	13.8	9.51
Indicated	705.1	17.5	123.59
Measured + Indicated	773.9	17.2	133.10
Inferred	-	-	-
Solikamsk 3			
Measured	275.8	17.1	47.3
Indicated	948.2	17.1	162.4
Measured + Indicated	1,224.0	17.1	209.7
Inferred	-	-	-
Polovodovsky			
Measured	312.8	17.1	53.56
Indicated	1,261.9	16.6	209.79
Measured + Indicated	1,574.7	16.7	263.34
Inferred	-	-	-
Summary All Mines			
Measured	1,836.2	19.4	356.6
Indicated	5,169.5	18.7	967.8
Measured + Indicated	7,005.7	18.9	1,324.4
Inferred	-	-	-

Table 3-4: SRK Audited Carnalite Mineral Resource Statement at 1 January 2019

Category	Tonnage (Mt)	MgO (%)	MgO (Mt)
Solikamsk 1			
Measured	122.7	9.8	12.1
Indicated	53.5	8.0	4.3
Measured + Indicated	176.2	9.3	16.4
Inferred	-	-	-

3.5 SRK Comments

SRK has reviewed the estimation methodology used by Uralkali to derive the above estimates, and the geological assumptions made, and considers these to be reasonable given the information available. SRK has also undertaken various re-calculations both of individual blocks and seams as a whole and has in all cases found no material errors or omissions.

Overall, SRK considers the resource estimates reported by Uralkali to be a reasonable reflection of the total quantity and quality of material demonstrated to be present at the assets and which has potential to be exploited as of 1 January 2019.

The audited Mineral Resource statement as at 1 January 2019 presented above is different to that presented as at 1 January 2016, as last reviewed and reported by SRK, largely as a function of mining depletion during 2016, 2017 and 2018 and also some re-assessments completed over the three-year period (2016 to 2018) by Uralkali.

The two most material changes to the Mineral Resource statement, excluding mining depletion, are as follows:

- During 2016, Uralkali undertook a re-estimation of blocks classified in the C2 category (Inferred according to JORC Classification) in the eastern portion of Berezniki 4 and also reclassified these as C1 category (Indicated according to JORC Classification). A total of 310.3Mt was removed from the C2 Category with 225.8Mt added to the C1 Category. The re-estimation was undertaken incorporating the results of 10 additional drillholes that had been drilled over this area since the original estimate. As a result of the new information obtained, revised block boundaries were demarcated which reduced the overall tonnage largely due to two holes with low grade intersections and the block areas were correspondingly reduced to take this into account.
- During 2018, Uralkali undertook a number of resource block re-evaluations at Solikamsk 2 and made a series of re-assessments and write-offs for parts of blocks. Notably, Uralkali intends on temporarily suspending production from the existing shaft infrastructure at Solikamsk 2 during 2019 and as such has undertaken a review of the remaining Mineral Resources that will be able to be accessed and mined prior to this and has made adjustments to the Mineral Resources accordingly. Overall a total of 148.0Mt has been removed from the resource estimate as a result of these re-evaluations. This is spread across resource categories with 32.1Mt removed from A Category blocks, 6.8Mt from B Category blocks and 109.1Mt from C1 category blocks.

There is also a difference of some 19.1Mt between the Uralkali and SRK Audited Sylvinite Mineral Resource Statements. The reason being that the SRK Audited Statement does not include certain resources Uralkali plans to write off during 2019 at Solikamsk 2, which, as noted

above, relate to the planned temporary suspension of production at the existing mine during 2019. Uralkali has provided an approximation of the block tonnages and grades that will be written off and these have been removed from the SRK Audited Mineral Resource Statement as at 1 January 2019. Notwithstanding these adjustments, it is noted that there are significant Mineral Resources remaining at Solikamsk 2 which will be accessed from new shafts which are currently under construction in the southern part of the licence area and this is discussed further below.

4. ORE RESERVE ESTIMATION

4.1 Introduction

Uralkali does not report reserves as these are typically defined by reporting guidelines and terminology developed in Europe, North America and Australia; that is, estimates of the tonnage and grade of total material that is planned to be delivered to the various processing plants over the life of the mine. SRK has therefore derived estimates of such using historical information supplied by Uralkali and gained during its site visits regarding the mining losses and dilution experienced during mining to date. SRK has also restricted the resulting estimates to those areas planned to be mined by Uralkali in its Business Plan during the next 20 years from 2019 to 2038 inclusive. The Business Plan assumes that Uralkali will successfully re-negotiate some its licences as required over this period and the Ore Reserve Statements therefore also assume this will be the case.

4.2 Modifying Factors

The Modifying Factors applicable to the derivation of reserves comprise estimates for ore losses and planned and unplanned dilution associated with the separation of the ore and waste. This is normally a function of the orebody characteristics and mining methods selected.

The Modifying Factors considered by SRK to be appropriate for the sylvinitic and carnalite being mined at each of the assets are shown below in Table 4-1 below. The *Tonnage Conversion Factor* takes into account both the percentage of material expected to be left behind in pillars and the amount of dilution expected to be included when mining the ore and is applied to the in situ resource tonnage to derive the tonnage of material expected to be delivered to the plants. The *K₂O/MgO Grade Conversion Factor* accounts for the expected difference in grade between the in situ resource and the above plant feed tonnage as a result of incorporation within the latter of waste extracted along with this and is therefore applied to the in situ grade to derive the grade of ore expected to be delivered to the plants.

Uralkali undertakes an annual reconciliation to compare the ore tonnes mined each year with the resource that has been sterilised by this mining and it is these figures for the last 11-13 years that SRK has reviewed to derive the *Tonnage Conversion Factor*. Similarly, Uralkali keeps a record of the in situ grade of the material sterilised by mining each year and SRK has compared these with the grade of material reported to have been fed to the plants over the last 11-13 years to derive the *Grade Conversion Factor*. Given this, SRK is confident that the Modifying Factors used reflect the geometry of the orebodies being mined and the mining methods currently being used.

Table 4-1: SRK Modifying Factors

Description	Tonnage Conversion Factor (%)	Grade Conversion Factor (%)
Solikamsk 1 (sylvinite)	41%	92%
Solikamsk 1 (carnalite)	29%	97%
Solikamsk 2	44%	88%
Solikamsk 3	48%	88%
Berezniki 2	35%	79%
Berezniki 4	44%	85%
Ust-Yayvinsky	37%	85%

4.3 SRK Audited Reserve Statements

As with its audited Mineral Resource statements, SRK's Ore Reserve statements have been re-classified using the terminology and guidelines proposed in the JORC Code. To facilitate this, SRK has been provided with actual production and operating cost data for 2009 to 2018 and a production forecast for 2019 to 2038 inclusive reflecting Uralkali's current plans regarding the refurbishment of some existing processing facilities and also the installation of additional facilities.

SRK's audited Ore Reserve statement is therefore confined to those seams that are currently being considered for mining within the next 20 years only. Specifically, SRK has classed that material reported in the tables above as a Measured Mineral Resource, and which is planned to be exploited within the first ten years of the Business Plan, as a Proved Ore Reserve; and that material reported in the tables above as an Indicated Mineral Resource, and which is planned to be exploited within the Business Plan, and also that material reported above as a Measured Mineral Resource, but which is planned to be mined during the second 10 years of the Business Plan, as a Probable Ore Reserve.

SRK's Ore Reserve statement does not include any material from Polovodovsky as further work and assessment of this is required to enable the reporting of Ore Reserves in accordance with the JORC Code. However, it does include an Ore Reserve for Ust-Yayvinsky which is currently under construction. At Ust-Yayvinsky, the work has been completed to an advanced stage, detailed project documentation has been completed and the necessary permits are in place. Furthermore, work on shaft construction has commenced and is in progress. SRK has derived Ore Reserve estimates for Ust-Yayvinsky using information obtained from Uralkali but also taking cognisance of the historical information regarding the mining losses and dilution experienced during mining to date at Uralkali's existing operations.

SRK can confirm that the Ore Reserve Statements presented in Table 4-2 and Table 4-3 below, for sylvinite and carnalite respectively, have been derived from the resource blocks provided to SRK and incorporate sufficient estimates for ore losses and dilution based on actual historical data. The break-even price required to support this statement over the period of the business plan is between USD80-110/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 Sylvinitic Ore Reserve Statement at 1 January 2019

Category	Tonnage (Mt)	K ₂ O (%)	K ₂ O (Mt)
Berezniki 2			
Proven	16.1	19.3	3.1
Probable	39.8	19.6	7.8
Total	55.9	19.5	10.9
Berezniki 4			
Proven	166.5	18.8	31.4
Probable	195.3	18.7	36.4
Total	361.8	18.7	67.8
Ust-Yayvinsky			
Proven	60.1	16.6	10.0
Probable	110.1	16.7	18.4
Total	170.2	16.7	28.4
Solikamsk 1			
Proven	34.3	16.5	5.7
Probable	56.4	15.6	8.8
Total	90.8	16.0	14.5
Solikamsk 2			
Proven	30.3	11.9	3.6
Probable	125.9	15.1	19.0
Total	156.1	14.5	22.6
Solikamsk 3			
Proven	132.4	15.1	20.0
Probable	156.6	15.1	23.6
Total	289.0	15.1	43.6
Polovodovsky			
Proven	-	-	-
Probable	-	-	-
Total	-	-	-
Summary All Mines			
Proven	439.7	16.8	73.7
Probable	684.1	16.7	114.0
Total	1,123.7	16.7	187.7

Table 4-3: SRK Audited Carnalite Ore Reserve Statement at 1 January 2019

Category	Tonnage (Mt)	MgO (%)	MgO (Mt)
Solikamsk 1			
Proven	13.1	9.6	1.3
Probable	-	-	-
Total	13.1	9.6	1.3

SRK can also confirm that no Inferred Mineral Resources have been converted to Ore Reserves and notes that the Mineral Resource statements reported above are inclusive of, and therefore include, those Mineral Resources used to generate the Ore Reserves.

The large difference between SRK's audited Mineral Resource statement and its audited Ore Reserve statement is partly a function of the relatively low mining recovery inherent in the Room and Pillar mining method employed and partly a function of the fact that SRK has limited the Ore Reserve statement to that portion of the Mineral Resource on which an appropriate level of technical work has been completed. In this case, this relates to the period covered by the next 20 years of Uralkali's Business Plan.

Notwithstanding this, SRK considers that the actual life of some of the mines will extend beyond the current 20-year period covered by the Business Plan. In particular, at the currently assumed production rates, the following mines have the potential to extend beyond that covered by the current 20-year Business Plan approximately as follows:

- Berezniki 4: 21 years
- Solikamsk 2: 18 years
- Solikamsk 3: 20 years

4.4 SRK Comments

While the overall audited total Ore Reserve statement as at 1 January 2019 presented above of 1,123.7Mt with an average grade of 16.8% K₂O has a similar total tonnage to that presented as at 1 January 2016 of 1,102.1Mt 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 Reserves statement:

- **Berezniki 2:** The total Ore Reserve as at 1 January 2019 of 55.9Mt with an average grade of 19.5% K₂O compares to 81.7Mt with an average grade of 20.5% K₂O as at 1 January 2016. The reduction in the Ore Reserve tonnage in the current statement is primarily a function of mining depletion between 2016 and 2018 while the grade reduction is function of a lower 'Grade Conversion Factor' being applied which reflects the lower conversion achieved over the last 3 years based on analysis of actual mining and plant data. Based on the Uralkali Business Plan projections and the remaining Ore Reserve, this mine is forecast to be fully depleted by 2026.
- **Berezniki 4:** The total Ore Reserve as at 1 January 2019 of 361.8Mt with an average grade of 19.2% K₂O compares to 325.1Mt with an average grade of 19.5% K₂O as at 1 January 2016. Despite mining depletion between 2016 and 2018, the Ore Reserve tonnage reported as at 1 January 2019 has increased as a function of the latest Uralkali Business Plan projections which are forecasting higher annual mined tonnages than previous projections of the 20-year Business Plan period. The forecast projections now assume that this mine will operate at near capacity of some 19.8Mt of ore mined per annum for most of the 20-year Business Plan period (compared to up to 18.9Mtpa in previous Business Plans) and

Uralkali has budgeted investments in additional mining equipment in order to achieve this. Notwithstanding the increase to higher mine output in the current 20-year Business Plan, SRK considers the forecast mined tonnages achievable and as noted above, even allowing for this, Berezniki 4 still has potential to continue mining for some 21 years beyond the current 20-year Business Plan at the forecast production rate.

- **Ust-Yayvinsky:** The total Ore Reserve as at 1 January 2019 of 170.2Mt with an average grade of 16.7% K₂O compares to 163.8Mt 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 Plant 3 (and Plant 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 90.8Mt with an average grade of 15.8% K₂O compares to 91.9Mt with an average grade of 16.1% 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 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 156.1Mt with an average grade of 14.5% K₂O compares to 168.4Mt with an average grade of 15.1% K₂O as at 1 January 2016. The reduction in Ore Reserve tonnage in the current statement is a function of the water inflow event which occurred in late 2014 in the northern extremity of the Solikamsk 2 licence area. Production has continued from this mine using the existing shafts since this time, albeit at approximately half the capacity, however, production is forecast to resume at full capacity following the sinking of a new shaft and construction of a new surface complex in the southern portion of this licence area to service a 'New Solikamsk 2' mine (including a conveyor system to transport ore to the existing Solikamsk 2 processing facility). Preliminary shaft sinking commenced during 2018. SRK has reviewed the current status of the New Solikamsk 2 Project and the further work required to complete this and while SRK considers the forecast construction period to be achievable, this will be challenging and there is a risk to a delay in mining production commencing from the 'New Solikamsk 2' mine from that currently envisaged in the Uralkali Business Plan. Should a delay in construction occur, it is however likely that Uralkali would be able to compensate for the resulting production shortfall by temporarily increasing production from other mines which have spare operating capacity. Notwithstanding this and as noted above, Solikamsk 2 also has potential to continue mining for some 18 years beyond the current 20-year Business Plan at the forecast production rate.
- **Solikamsk 3:** The total Ore Reserve as at 1 January 2019 of 289.0Mt with an average grade of 15.1% K₂O compares to 271.0Mt 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 mine production occurs over a longer period of the 20-year plan and also higher expanded mining output levels of some 14.8Mtpa compared to the 13.7Mtpa 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 (carnalite):** The total Ore Reserve as at 1 January 2019 of 13.1Mt with an average grade of 9.1% MgO compares to 12.8Mt 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 carnalite ore well beyond the current 20-year Business Plan period.

The 20-year Business Plan includes a number of large capital investment projects and expansions to both the Berezniki and Solikamsk operations (the capital costs of which have been taken into account in Uralkali's Business Plan and which SRK has taken account of in determining the economics of the operations) and as such the Ore Reserve reported here takes into account the additional amount of material planned to be mined over this period. SRK also notes that the forecast production assumptions at some of the mines and processing facilities are somewhat higher than that actually achieved at times in the last few years but understands that this reduced production rate historically has primarily partly been driven by the prevailing market conditions rather than capacity constraints (with the exception of Solikamsk 2 due to the water inflow incident) at the various operations. SRK therefore assumes that the forecast increase in production levels at each of the facilities is warranted and justified based on Uralkali's market expectations going forward.

SRK has reviewed the expansions and capital investments proposed by Uralkali and considers the work proposed and the timeline assumed for the work to be completed to be generally reasonable and achievable although as noted above we consider the timeframe for construction of the 'new Solikamsk 2' mine to be challenging and there is a risk this could be delayed. Should a delay in construction occur, it is however likely that Uralkali would be able to compensate for the resulting production shortfall by temporarily increasing production from other mines which have spare operating capacity. In some cases, the expansion projects are already underway and some of the increases to mining and processing capacities are assumed to be achieved by de-bottlenecking the existing facilities in addition to upgrading and adding new equipment (mining and processing) and processing lines. SRK notes that in order to achieve these increases in production, Uralkali will need to ensure that sufficient resources, management and staffing are available given that many of these expansions are taking place simultaneously and alongside major construction projects, such as that underway at Ust-Yayvinsky, Solikamsk 2 and Solikamsk 3.

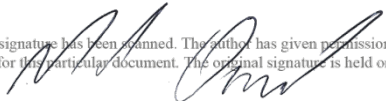
5. CONCLUDING REMARKS

In SRK's opinion the Mineral Resource and Ore Reserve statements as included herein are materially compliant with the JORC Code and are valid as at 1 January 2019. In accordance with additional reporting requirements of the JORC Code (2012), included in an Appendix to this report are the JORC checklist tables which include additional details and commentary on "*Sampling Techniques and Data*", "*Estimation and Reporting of Mineral Resources*" and "*Estimation and Reporting of Ore Reserves*".

SRK considers that should the Ore Reserves as presented herein be re-stated in accordance with the reporting requirements of the United States Securities and Exchange Commission (the "SEC"), specifically Securities Act Industry Guide 7 ("Industry Guide 7"), such Ore Reserves would not be materially different. SRK however notes that certain terms as used in this letter, such as "resources" are prohibited when reporting in accordance with Industry Guide 7.


Yours Faithfully

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Dr Mike Armitage
Chairman & Corporate Consultant
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Nick Fox,
Principal Consultant
(Geology/Mineral Economics),
SRK Consulting (UK) Limited

APPENDIX

A JORC CHECKLIST TABLES

Section 1 Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling. Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information. 	<p>The Mineral Resource and Ore Reserve estimates derived for Berezniki projects are primarily based on surface exploration drilling undertaken between 1972 and 1998.</p> <p>The Mineral Resource and Ore Reserve estimates derived for Solikamsk projects are primarily based on surface exploration drilling undertaken between 1925 and 2012.</p> <p>Exploration was generally undertaken by State enterprises based in Solikamsk and Berezniki.</p> <p>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.</p>
Drilling techniques	<ul style="list-style-type: none"> 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.). 	<p>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.</p>
Drill sample recovery	<ul style="list-style-type: none"> Method of recording and assessing core and chip sample recoveries and results assessed. Measures taken to maximise sample recovery and ensure representative nature of the samples. Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material. 	<p>Core recovery through the sylvinitic horizons is reported to be good at an average of 84-85%, while the recovery through the carnalite horizon at Solikamsk 1 is reported to be 74%.</p>
Logging	<ul style="list-style-type: none"> Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography. The total length and percentage of the relevant intersections logged. 	<p>Drill core samples are subject to the follow analysis:</p> <ul style="list-style-type: none"> detailed description based on visual identification of units, seams and layers; field identification of mineral and lithological composition; photography (recent years); assaying (see below); geophysical logging (for all holes since 1952); <p>During drilling from the surface, the following geophysical analysis is undertaken:</p> <ul style="list-style-type: none"> gamma-logging; neutron gamma-logging; caliper logging; inclinometer survey; electric logging; resistivity metering; thermometric measurements; gas logging. <p>For Berezniki operating mines some 76,600m of core from exploration holes have been logged.</p>

Criteria	JORC Code explanation	Commentary
		For Solikamsk operating mines some 69,600m of core from exploration holes have been logged.
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> • If core, whether cut or sawn and whether quarter, half or all core taken. • If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry. • For all sample types, the nature, quality and appropriateness of the sample preparation technique. • Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. • Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. • Whether sample sizes are appropriate to the grain size of the material being sampled. 	<p>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.</p> <p>Assaying is carried out at an in house laboratory using classical wet chemistry techniques. Approximately 5-6% of samples are repeat assayed internally while a similar percentage are sent to an external laboratory for check assaying.</p>
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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. 	<p>See comments above.</p> <p>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).</p>
Location of data points	<ul style="list-style-type: none"> • Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. • Specification of the grid system used. • Quality and adequacy of topographic control. 	<p>Since 1939, topographic and geodesic surveys have been undertaken to generate topographic maps scales 1:10,000 and 1:5,000.</p> <p>Topographic and geodesic surveys are performed by specialist organisations under the instruction of Uralkali.</p> <p>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.</p>
Data spacing and distribution	<ul style="list-style-type: none"> • Data spacing for reporting of Exploration Results. • Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. • Whether sample compositing has been applied. 	<p>The general drill spacing of surface drill holes relative to Russian Resource classification categories (see Section 3 below) is as follows:</p> <p>Berezniki Mines A Category: less than 1,000m B Category: between 1,000m and up to 2,000m C1 Category: 2,000m spacing C2 Category: Up to 4,000m spacing</p>

Criteria	JORC Code explanation	Commentary
		<p>Solikamsk Mines A Category: less than 1,200m B Category: between 1,200m and up to 2,400m C1 Category: 2,400m spacing C2 Category: Up to 4,000m spacing</p> <p>In addition to the above, underground drilling is undertaken at the operating mine on a general spacing of approximately 400m.</p>
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. 	All drill holes have been drilled vertically through a flat lying/gently dipping and undulating orebody, which SRK considers is appropriate.
Sample security	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	<p>Core samples taken from surface holes are kept in covered storage, until the state Examination is passed, after which this is discarded.</p> <p>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.</p>
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of sampling techniques and data. 	<p>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.</p> <p>The Russian State authority RosGeoFond also reviews reports on resource re-estimations (via the 5GR statement submitted annually by Uralkali). The Russian State Reserves Commission (GKZ) also undertakes audits and reviews of the resources statements.</p>

Section 3 Estimation and Reporting of Mineral Resources

Criteria	JORC Code explanation	Commentary
Database integrity	<ul style="list-style-type: none"> Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes. Data validation procedures used. 	SRK has reviewed the drill logs/assay results, plan view geological and resource block interpretations and resulting block listings and resource calculations and undertaken check calculations and found no material errors or omissions.
Site visits	<ul style="list-style-type: none"> Comment on any site visits undertaken by the Competent Person and the outcome of those visits. If no site visits have been undertaken indicate why this is the case. 	SRK has undertaken annual site visits between 2007 and 2015 and again in 2018 to the operating mines, processing plants and associated surface infrastructure facilities.
Geological interpretation	<ul style="list-style-type: none"> Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit. Nature of the data used and of any assumptions made. The effect, if any, of alternative interpretations on Mineral Resource estimation. The use of geology in guiding and controlling Mineral Resource estimation. The factors affecting continuity both of grade and geology. 	<p>High confidence in the geological interpretation of the deposit based on various phases of exploration and first hand observation from underground mining operations.</p> <p>The upper and lower limits of the mineralisation are well defined.</p>
Dimensions	<ul style="list-style-type: none"> 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. 	<p>Each deposit is flat lying/gently dipping and with minor undulations:</p> <p>Berezniki Mine 2 (Durmanski Licence Area). This licence extends some 7.9km north-south and 7.7km east-west and covers an area of about 67km². The average depth of the seams mined is about 345m and the average thickness between 2.5m and 4.5m.</p> <p>Berezniki Mine 4 (Bygelso-Troitski Licence). This licence extends some 12km north-south and 17km east-west and covers an area of about 185km². The average depth of the seams mined is about 320m and they have an average thickness of 3m.</p> <p>Ust-Yayvinsky Mine (Ust-Yayvinsky Licence). This is currently under construction. The licence extends up to some 10.8km by 10.3km and covers an area of about 84km². The average depth of the seams to be mined is about 390m and they have an average thickness of between 3m and 5m.</p> <p>Solikamsk Mine 1 (Solikamsk Lease Northern Part). This licence extends some 6.3km by 6.3km and covers an area of about 44km². The depth of the seams mined is between 260m and 350m with they have a thickness of between 3m and 5.5m.</p> <p>Solikamsk Mine 2 (Solikamsk Lease Southern Part). This licence extends some 8.6km by 7.3km and covers an area of about 50km². The depth of the seams mined is between 200m and 300m and they have a thickness of between 4.5m and 6m.</p> <p>Solikamsk Mine 3 (Novo-Solikamsk Licence). This licence extends some 16.4km by 8.9km and covers an area of about 110km². The depth of the seams mined is between 250m and 380m with they have a thickness of between 3m and 4m.</p> <p>Polovodovsky. This licence extends up to some 30km by 29km and covers an</p>

Criteria	JORC Code explanation	Commentary
		area of about 381km ² . The average depth of the seams is about 270m and they have a thickness of between 3.4m and 4.2m. The Polovodovsky licence contains Mineral Resources only while all other licences have declared Ore Reserves (see Section 4 below).
Estimation and modeling techniques	<ul style="list-style-type: none"> The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used. The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data. The assumptions made regarding recovery of by-products. Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation). In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed. Any assumptions behind modelling of selective mining units. Any assumptions about correlation between variables. Description of how the geological interpretation was used to control the resource estimates. Discussion of basis for using or not using grade cutting or capping. The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available. 	<p>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.</p> <p>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 calculating a length weighted average of all of these composited intersections. No top cuts are applied and all intersections are allocated the same weighting.</p> <p>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.</p> <p>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.</p> <p>SRK considers the Mineral Resource estimation methodology to be appropriate for the geometry and style of mineralisation and available data.</p>
Moisture	<ul style="list-style-type: none"> Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content. 	The resource estimates are expressed on a dry tonnage basis and in-situ moisture content is not estimated.
Cut-off parameters	<ul style="list-style-type: none"> The basis of the adopted cut-off grade(s) or quality parameters applied. 	Uralkali's sylvinite Mineral Resource statements are based on a minimum seam thickness of 2m and a minimum block grade which dependent on the mine varies between 11.4% and 15.5% K ₂ O. Uralkali's carnalite Mineral Resource statements are based on a minimum seam thickness of 2m and a minimum block grade of 7.2% MgO.
Mining factors or assumptions	<ul style="list-style-type: none"> Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the 	<p>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.</p> <p>Ust-Yayvinsky is under construction and studies have been undertaken to determine the economic viability of this. A Room and Pillar mining method is also planned for this mine. Refer to Section 4 for mining factors and assumptions for</p>

Criteria	JORC Code explanation	Commentary
	<i>basis of the mining assumptions made.</i>	conversion to Ore Reserves. Polovodovsky is currently reported as a Mineral Resource only and feasibility studies are underway for the development of this.
Metallurgical factors or assumptions	<ul style="list-style-type: none"> <i>The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.</i> 	Refer to comment above regarding mining factors and assumptions and also to Section 4 regarding Ore Reserves.
Environmental factors or assumptions	<ul style="list-style-type: none"> <i>Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.</i> 	Existing infrastructure is in place at the operating mines including facilities to dispose of salt and slimes waste. Expansion of these facilities or construction of new ones can take place as required.
Bulk density	<ul style="list-style-type: none"> <i>Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.</i> <i>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.</i> <i>Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.</i> 	Bulk density measurements are taken from historical drill core samples and also actual measurements during the course of operations.
Classification	<ul style="list-style-type: none"> <i>The basis for the classification of the Mineral Resources into varying confidence categories.</i> <i>Whether appropriate account has been taken of all relevant factors (i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).</i> <i>Whether the result appropriately reflects the Competent Person's view of the deposit.</i> 	<p>SRK has reclassified the Russian classification categories in accordance with the JORC Code.</p> <p>Generally, SRK has reported those blocks classified as A or B per the Russian classification system as Measured, those blocks classified as C1 as Indicated and those blocks classed as C2 as Inferred.</p> <p>SRK considers the quantity and quality of data that underpins the estimation and classification given to be appropriate for the categories used.</p>
Audits or reviews	<ul style="list-style-type: none"> <i>The results of any audits or reviews of Mineral Resource estimates.</i> 	<p>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.</p> <p>The Russian State authority RosGeoFond also reviews reports on resources re-</p>

Criteria	JORC Code explanation	Commentary
Discussion of relative accuracy/confidence	<ul style="list-style-type: none"> Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate. The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available. 	<p>estimations (via the 5GR statement submitted annually by Uralkali). The Russian State Reserves Commission (GKZ) also undertakes audit and reviews of the resources statements.</p> <p>The Mineral Resource estimates have been prepared and classified in accordance with the Russian system of reporting resources and have been re-classified by SRK using the terminology and guidelines of the JORC Code (2012).</p> <p>The resource quantities should be considered as global estimates.</p> <p>Five of the seven areas with Mineral Resources are operating mines and also have Ore Reserves declared. Uralkali undertakes annual reconciliations and SRK has used this information in deriving appropriate Modifying Factors for conversion to Ore Reserves (Refer to Section 4 below).</p>

Section 3 Estimation and Reporting of Ore Reserves

Criteria	JORC Code explanation	Commentary
Mineral Resource estimate for conversion to Ore Reserves	<ul style="list-style-type: none"> Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve. Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves. 	<p>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.</p> <p>The Mineral Resources presented are inclusive of those Mineral Resources converted to Ore Reserves.</p> <p>SRK has restricted the Ore Reserves to the material planned to mined during the next 20 years.</p>
Site visits	<ul style="list-style-type: none"> Comment on any site visits undertaken by the Competent Person and the outcome of those visits. If no site visits have been undertaken indicate why this is the case. 	SRK has undertaken an annual site visit between 2007 and 2015 and again in 2018 to the operating mines, processing plants and associated surface infrastructure facilities.
Study status	<ul style="list-style-type: none"> The type and level of study undertaken to enable Mineral Resources to be converted to Ore Reserves. The Code requires that a study to at least Pre-Feasibility Study level has been undertaken to convert Mineral Resources to Ore Reserves. Such studies will have been carried out and will have determined a mine plan that is technically achievable and economically viable, and that material Modifying Factors have been considered. 	<p>Berezniki Mines 2 and 4 and Solikamsk Mines 1, 2 and 3 are all operating mines and have a 20-year mine plan. SRK has verified that the mine plans are both technically and economically feasible for each mine.</p> <p>Ust-Yayvinsky is currently under construction and has been the subject of Feasibility Studies to determine the technical and economic viability of this.</p> <p>No Ore Reserves are declared for the Polovodovsky site.</p>
Cut-off parameters	<ul style="list-style-type: none"> The basis of the cut-off grade(s) or quality parameters applied. 	Refer to Section 3 above.
Mining factors or assumptions	<ul style="list-style-type: none"> The method and assumptions used as reported in the Pre-Feasibility or Feasibility Study to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate factors by optimisation or by preliminary or detailed design). The choice, nature and appropriateness of the selected mining method(s) and other mining parameters including associated design issues such as pre-strip, access, etc. The assumptions made regarding geotechnical parameters (eg pit slopes, stope sizes, etc), grade control and pre-production drilling. The major assumptions made and Mineral Resource model used for pit and stope optimisation (if appropriate). The mining dilution factors used. The mining recovery factors used. Any minimum mining widths used. The manner in which Inferred Mineral Resources are utilised in mining studies and the sensitivity of the outcome to their inclusion. The infrastructure requirements of the selected mining methods. 	<p>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.</p> <p>The Modifying Factors applicable to the derivation of Ore Reserves comprise estimates for ore losses and planned and unplanned dilution associated with the separation of the ore and waste. This is normally a function of the orebody characteristics and mining methods selected. The Modifying Factors considered by SRK to be appropriate for the sylvinite and carnalite being mined at each of the assets are shown in Table 4-1 of this report. These have been derived by SRK from analysis of actual production data.</p> <p>No Inferred Mineral Resources are included within the Mine Plan</p> <p>Each mine requires access via shafts and is supported by appropriate surface infrastructure.</p> <p>A new shaft complex is currently under construction for the Ust-Yayvinsky mine.</p>
Metallurgical factors or assumptions	<ul style="list-style-type: none"> The metallurgical process proposed and the appropriateness of that process to the style of mineralisation. Whether the metallurgical process is well-tested technology or novel in nature. The nature, amount and representativeness of metallurgical test work undertaken, the 	There are 6 processing facilities in operation to process the mined material from the various mining operations. These utilise existing and proven technology and have been operating for a number of years. This gives a high level of confidence in the assumed plant feed tonnages and recoveries to final product assumed in the 20-year mine plans.

Criteria	JORC Code explanation	Commentary
	<p><i>nature of the metallurgical domaining applied and the corresponding metallurgical recovery factors applied.</i></p> <ul style="list-style-type: none"> Any assumptions or allowances made for deleterious elements. The existence of any bulk sample or pilot scale test work and the degree to which such samples are considered representative of the orebody as a whole. For minerals that are defined by a specification, has the ore reserve estimation been based on the appropriate mineralogy to meet the specifications? 	<p>Mined material from Ust-Yayvinsky will be processed in one of the existing processing facilities located in Berezniki.</p>
Environmental	<ul style="list-style-type: none"> The status of studies of potential environmental impacts of the mining and processing operation. Details of waste rock characterisation and the consideration of potential sites, status of design options considered and, where applicable, the status of approvals for process residue storage and waste dumps should be reported. 	<p>Waste in the form of salt residue and slimes waste are disposed of in existing waste storage facilities and have remaining capacity and/or can be expanded as necessary.</p> <p>Uralkali has confirmed that all environmental permits required for all current and future operations are in place. This includes permits related to:</p> <ul style="list-style-type: none"> Harmful (polluting) emissions into atmospheric air; Discharges of polluting substances and micro-organisms into water bodies; Resolutions regarding use of water bodies; Documents establishing limits of wastes generation and wastes disposal. <p>When the validity of issued permits expires, new permits are obtained as required.</p>
Infrastructure	<ul style="list-style-type: none"> The existence of appropriate infrastructure: availability of land for plant development, power, water, transportation (particularly for bulk commodities), labour, accommodation; or the ease with which the infrastructure can be provided, or accessed. 	<p>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.</p>
Costs	<ul style="list-style-type: none"> The derivation of, or assumptions made, regarding projected capital costs in the study. The methodology used to estimate operating costs. Allowances made for the content of deleterious elements. The source of exchange rates used in the study. Derivation of transportation charges. The basis for forecasting or source of treatment and refining charges, penalties for failure to meet specification, etc. The allowances made for royalties payable, both Government and private. 	<p>Forecast operating costs are based on actual costs incurred and adjusted as required.</p> <p>Project capital costs are derived on a project by project basis in-house from first principles by a team of experienced engineers.</p>
Revenue factors	<ul style="list-style-type: none"> The derivation of, or assumptions made regarding revenue factors including head grade, metal or commodity price(s) exchange rates, transportation and treatment charges, penalties, net smelter returns, etc. The derivation of assumptions made of metal or commodity price(s), for the principal metals, minerals and co-products. 	<p>For the purpose of the 20-year Business Plan, Uralkali assumes a long term commodity price of some USD235/t (weighted average of domestic and export prices).</p>
Market assessment	<ul style="list-style-type: none"> The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future. A customer and competitor analysis along with the identification of likely market windows for the product. Price and volume forecasts and the basis for these forecasts. 	<p>Detailed analysis on demand, supply and stocks for the potash sector are widely available in the public domain.</p> <p>Uralkali has been successfully producing and selling potash products for a number of years.</p>

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> For industrial minerals the customer specification, testing and acceptance requirements prior to a supply contract. 	
Economic	<ul style="list-style-type: none"> The inputs to the economic analysis to produce the net present value (NPV) in the study, the source and confidence of these economic inputs including estimated inflation, discount rate, etc. NPV ranges and sensitivity to variations in the significant assumptions and inputs. 	<p>Uralkali has produced a real terms 20-year Business Plan in USD for the existing operations and the new Ust-Yayvinsky mine and this has been reviewed by SRK to confirm the economic viability of the operations.</p> <p>Forecast operating costs are based on operating experience, current budgets and actual historical costs, adjusted as required. Project capital costs have been derived from first principles in-house.</p>
Social	<ul style="list-style-type: none"> The status of agreements with key stakeholders and matters leading to social licence to operate. 	<p>Uralkali's social obligations are established by subsoil use terms and conditions (license agreements) to subsoil use licenses. Uralkali complies to the subsoil use terms and conditions established.</p>
Other	<p>To the extent relevant, the impact of the following on the project and/or on the estimation and classification of the Ore Reserves:</p> <ul style="list-style-type: none"> Any identified material naturally occurring risks. The status of material legal agreements and marketing arrangements. The status of governmental agreements and approvals critical to the viability of the project, such as mineral tenement status, and government and statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and discuss the materiality of any unresolved matter that is dependent on a third party on which extraction of the reserve is contingent. 	<p>The main technical risk to underground potash mines is through water ingress. Uralkali has historically closed two mines due to previous flooding incidents. Berezniki Mine 1 operated from 1954 but flooded late in 2006 while Berezniki 3 operated from 1973 until flooding in 1986.</p> <p>Solikamsk 2 experienced water ingress in November 2014 and this has been taken into account of in the current Business Plan. Extraction via the existing shaft infrastructure is forecast to be temporarily suspended in 2019. A 'new Solikamsk 2 mine' is currently under construction.</p> <p>Uralkali sells its product on both the domestic and international markets. The majority of sales are performed through off-take agreements with customers and these are typically renegotiated on an annual basis in terms of both quantity and price. Uralkali has an established marketing team that is responsible for all legal and marketing issues related to off-take agreements with customers.</p> <p>The status of each Exploration and Mining Licence is summarised in Table 1-1 of this report. The licenses for the operating and development for some of the mines will expire within the term of the 20-year Business Plan, even though some of these mines are planned to continue operating beyond this time and have Mineral Resources and Ore Reserves to support this. SRK considers it reasonable to expect that Uralkali will obtain extensions to these licences in due course on application as long as it continues to fulfil its licence obligations.</p>
Classification	<ul style="list-style-type: none"> 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). 	<p>SRK's audited Ore Reserve statement is confined to those seams that are currently being considered for mining within the next 20 years only.</p> <p>Specifically, SRK has classed that material reported as a Measured Mineral Resource, and which is planned to be exploited within the first ten years of the Business Plan, as a Proved Ore Reserve; and that material reported as an Indicated Mineral Resource, and which is planned to be exploited within the Business Plan, and also that material reported as a Measured Mineral Resource, but which is planned to be mined during the following 10 years of the Business Plan, as a Probable Ore Reserve.</p>

Criteria	JORC Code explanation	Commentary
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of Ore Reserve estimates. 	SRK has derived the Ore Reserve estimates presented in this report.
Discussion of relative accuracy/confidence	<ul style="list-style-type: none"> Where appropriate a statement of the relative accuracy and confidence level in the Ore Reserve estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the reserve within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate. The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. Accuracy and confidence discussions should extend to specific discussions of any applied Modifying Factors that may have a material impact on Ore Reserve viability, or for which there are remaining areas of uncertainty at the current study stage. It is recognised that this may not be possible or appropriate in all circumstances. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available. 	<p>SRK can confirm that the Ore Reserve defined in Table 4-2 and Table 4-3 of this report, for sylvinite and carnalite respectively, have been derived from the resource blocks provided to SRK and incorporate sufficient estimates for ore losses and dilution based on actual historical data.</p> <p>The break-even price required to support this statement is between USD80-110/tonne of product in January 2019 terms and based on current expectation of inflation and exchange rates. This is calculated as the price required to cover all cash operating costs excluding distribution and including corporation tax. Including proposed capital investments over the period of the 20-year Business Plan gives a total break-even price of some USD120/tonne of product. Finally, SRK can also confirm that no Inferred Mineral Resources have been converted to Ore Reserves.</p> <p>The large difference between SRK's audited Mineral Resource statement and its audited Ore Reserve statement is partly a function of the relatively low mining recovery inherent in the Room and Pillar mining method employed. It is also partly a function of the fact that SRK has limited the Ore Reserve statement to that portion of the Mineral Resource on which an appropriate level of technical work has been completed. In this case this relates to the period covered by the remaining 20 years of Uralkali's Business Plan.</p> <p>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.</p>

APPENDIX II

CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

Unaudited Interim Condensed Consolidated Financial Statements of PJSC Uralkali as of and for the six months ended 30 June 2019	F-2
Report on Review of Interim Condensed Consolidated Financial Statements	F-4
Interim Condensed Consolidated Statement of Financial Position	F-6
Interim Condensed Consolidated Statement of Profit or Loss	F-7
Interim Condensed Consolidated Statement of Other Comprehensive Income	F-8
Interim Condensed Consolidated Statement of Cash Flows	F-9
Interim Condensed Consolidated Statement of Changes in Equity	F-10
Notes to the Interim Condensed Consolidated Financial Statements	F-11
Audited Consolidated Financial Statements of PJSC Uralkali as of and for the year ended 31 December 2018	F-25
Independent Auditors' Report	F-27
Consolidated Statement of Financial Position	F-31
Consolidated Statement of Profit or Loss	F-32
Consolidated Statement of Other Comprehensive Income	F-33
Consolidated Statement of Cash Flows	F-34
Consolidated Statement of Changes in Equity	F-35
Notes to the Consolidated Financial Statements	F-36
Audited Consolidated Financial Statements of PJSC Uralkali as of and for the year ended 31 December 2017	F-78
Independent Auditors' Report	F-80
Consolidated Statement of Financial Position	F-84
Consolidated Statement of Profit or Loss	F-85
Consolidated Statement of Other Comprehensive Income	F-86
Consolidated Statement of Cash Flows	F-87
Consolidated Statement of Changes in Equity	F-88
Notes to the Consolidated Financial Statements	F-89



URALKALI GROUP

**Interim Condensed Consolidated
Financial Statements
for the First Half of 2019
(Unaudited)**

Contents	Page
Report on Review of Interim Condensed Consolidated Financial Statements.....	1
Interim Condensed Consolidated Statement of Financial Position	3
Interim Condensed Consolidated Statement of Profit or Loss	4
Interim Condensed Consolidated Statement of Other Comprehensive Income	5
Interim Condensed Consolidated Statement of Cash Flows	6
Interim Condensed Consolidated Statement of Changes in Equity	7
Notes to the Interim Condensed Consolidated Financial Statements	
1 The Uralkali Group and its operations	8
2 Basis of preparation and significant accounting policies	8
3 IFRS standards update	9
4 Related parties	10
5 Segment information	12
6 Property, plant and equipment	13
7 Derivative financial instruments.....	14
8 Cash and cash equivalents	14
9 Equity	15
10 Loans and borrowings	16
11 Provisions.....	17
12 Revenues	18
13 Cost of sales	18
14 Distribution costs	18
15 General and administrative expenses	19
16 Other operating income and expenses.....	19
17 Finance income and expenses.....	19
18 Contingencies, commitments and operating risks	20
19 Fair value of financial instruments	21
20 Events after reporting date	21

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Public Joint Stock Company Uralkali and its subsidiaries (the "Group") as of 30 June 2019 and the related interim condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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


Vladimir Biryukov,
Engagement partner

29 August 2019



The Entity: Public Joint Stock Company "Uralkali"

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

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

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

Audit Firm: AO "Deloitte & Touche CIS"

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

Primary State Registration Number: 1027700425444

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

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

URALKALI GROUP
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019 (UNAUDITED)
(in thousands of US dollars, unless otherwise stated)



	Note	30 June 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,728,528	2,387,976
Prepayments for acquisition of property, plant and equipment and intangible assets		298,232	265,680
Goodwill		935,243	849,151
Intangible assets		2,641,283	2,414,466
Deferred income tax asset		24,848	24,278
Prepaid transaction costs on bank facilities		125,835	103,833
Loan receivable	4	520,612	400,615
Investment in associate		2,354	3,092
Derivative financial assets	7	1,490	338
Other non-current assets		89,279	56,739
Total non-current assets		7,367,704	6,506,168
Current assets			
Inventories		195,800	139,636
Trade and other receivables		387,252	351,887
Advances to suppliers		52,945	43,494
Income tax prepayments		1,831	21,115
Derivative financial assets	7	15,760	30,261
Other financial assets		24	15
Cash and cash equivalents	8	428,316	1,013,015
Total current assets		1,081,928	1,599,423
TOTAL ASSETS		8,449,632	8,105,591
EQUITY			
Share capital	9	35,762	35,762
Preference shares	9	239	239
Treasury shares	9	(28,126)	(27,996)
Share premium		399,932	409,814
Currency translation reserve		(3,821,203)	(3,924,941)
Retained earnings		5,092,831	4,264,935
Equity attributable to the company's equity holders		1,679,435	757,813
Non-controlling interests		12,563	12,654
TOTAL EQUITY		1,691,998	770,467
LIABILITIES			
Non-current liabilities			
Loans and borrowings	10	3,382,337	3,815,628
Post-employment and other long-term benefit obligations		41,263	28,782
Deferred income tax liability		719,835	631,335
Provisions	11	415,132	340,497
Derivative financial liabilities	7	22,983	121,523
Other non-current liabilities		-	1,810
Total non-current liabilities		4,581,550	4,939,575
Current liabilities			
Loans and borrowings	10	1,739,381	2,084,259
Trade and other payables		261,242	217,745
Advances received		12,313	22,177
Provisions	11	72,957	62,820
Derivative financial liabilities	7	26,287	7,130
Current income tax payable		63,904	1,418
Total current liabilities		2,176,084	2,395,549
TOTAL LIABILITIES		6,757,634	7,335,124
TOTAL LIABILITIES AND EQUITY		8,449,632	8,105,591

The interim condensed consolidated financial statements for the 1st half of 2019 were approved for issue on behalf of the Management of the Group on 29 August 2019:


Dmitry Osipov
 Chief Executive Officer


Anton Vishanenko
 Chief Financial Officer

The accompanying notes on pages 8 to 21 are an integral part of these Interim Condensed Consolidated Financial Statements.

URALKALI GROUP
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE 1ST HALF OF 2019 (UNAUDITED)
(in thousands of US dollars, unless otherwise stated)



	Note	1st half of 2019	2018
Revenues	12	1,542,890	1,396,538
Cost of sales	13	(361,062)	(362,363)
Gross profit		1,181,828	1,034,175
Distribution costs	14	(297,416)	(336,974)
General and administrative expenses	15	(85,394)	(85,306)
Taxes other than income tax		(9,617)	(12,173)
Other operating (expenses) / income, net	16	(46,993)	621
Operating profit		742,408	600,343
Finance income / (expenses), net	17	292,942	(598,769)
Profit before income tax		1,035,350	1,574
Income tax expense		(199,459)	(274)
Net profit for the period		835,891	1,300
Profit / (loss) attributable to:			
Company's equity holders		835,982	1,300
Non-controlling interests		(91)	-
Net profit for the period		835,891	1,300
Weighted average number of ordinary shares in issue (million)		1,271	1,293
Earnings per share – basic and diluted (in US cents)		65.77	0.10

The accompanying notes on pages 8 to 21 are an integral part of these Interim Condensed Consolidated Financial Statements.

URALKALI GROUP
INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE 1ST HALF OF 2019 (UNAUDITED)
(in thousands of US dollars, unless otherwise stated)



	1st half of 2019	2018
Net profit for the period	835,891	1,300
Other comprehensive (loss) / income		
Items that will not be reclassified to profit or loss:		
Remeasurement of post-employment benefit obligations	(8,086)	(565)
Effect of translation to presentation currency	103,738	(86,417)
Total other comprehensive income / (loss) for the period	95,652	(86,982)
Total comprehensive income / (loss) for the period	931,543	(85,682)
Total comprehensive income / (loss) for the period attributable to:		
Company's equity holders	931,634	(85,682)
Non-controlling interests	(91)	-

The accompanying notes on pages 8 to 21 are an integral part of these Interim Condensed Consolidated Financial Statements.

URALKALI GROUP
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 1ST HALF OF 2019 (UNAUDITED)
(in thousands of US dollars, unless otherwise stated)



	Note	1st half of 2019	2018
Cash flows from operating activities			
Profit before income tax		1,035,350	1,574
Adjustments for:			
Depreciation of property, plant and equipment, right-of-use assets and amortisation of intangible assets		131,472	131,579
Loss on disposals of property, plant and equipment and intangible assets	16	11,859	1,751
Impairment of prepayments for acquisition of property, plant and equipment and intangible assets		144	4
Reversal of write-down of inventories to net realisable value		(1,904)	(329)
Impairment / (reversal of impairment) of property, plant and equipment and assets under construction	6	2,321	(185)
Impairment of trade and other receivables and advances to suppliers		91	510
Change in provisions, net	11	4,178	(3,037)
Fair value (gain) / loss on derivative financial instruments, net	17	(91,411)	28,818
Foreign exchange (gain) / loss, net	17	(348,575)	373,901
Other finance expenses, net		147,044	196,050
Operating cash flows before working capital changes		890,569	730,636
(Increase) / decrease in trade and other receivables and advances to suppliers		(52,835)	165,917
Increase in inventories		(40,006)	(11,918)
Decrease in trade and other payables, advances received and provisions		(11,379)	(74,624)
Increase in other taxes payable		8,708	5,687
Cash generated from operations		795,057	815,698
Interest paid		(164,152)	(163,152)
Income taxes paid		(94,252)	(51,623)
Net cash generated from operating activities		536,653	600,923
Cash flows from investing activities			
Acquisition of property, plant and equipment		(152,739)	(145,066)
Acquisition of intangible assets		(3,022)	(1,020)
Proceeds from sales of property, plant and equipment		182	1,189
Loan issued		(109,040)	(94,815)
Proceeds from loan repayments		12	47
Cash acquired on acquisition of subsidiaries, net	4	-	2,209
Purchase of other financial assets		(21)	-
Dividends and interest received		7,648	5,008
Net cash used in investing activities		(256,980)	(232,448)
Cash flows from financing activities			
Repayments of borrowings	10	(1,521,746)	(568,346)
Proceeds from borrowings		1,485,062	496,883
Proceeds from issuance of bonds	10	-	240,260
Arrangement fees and other financial charges paid		(41,931)	(34,882)
Redemption of bonds	10	(800,000)	(581,900)
Cash proceeds from derivatives	7	18,068	5,094
Cash paid for derivatives	7	-	(75,152)
Purchase of treasury shares	9	(10,012)	(125,640)
Proceeds from issuance of preference shares		-	51,226
Lease payments		(1,459)	(18)
Net cash used in financing activities		(872,018)	(592,475)
Effect of changes in foreign exchange rate on cash and cash equivalents		7,646	(13,120)
Net decrease in cash and cash equivalents		(584,699)	(237,120)
Cash and cash equivalents at the beginning of the period	8	1,013,015	1,072,609
Cash and cash equivalents at the end of the period	8	428,316	835,489

The accompanying notes on pages 8 to 21 are an integral part of these Interim Condensed Consolidated Financial Statements.

		Attributable to the company's equity holders								
	Note	Share capital	Preference shares	Treasury shares	Share premium	Retained earnings	Currency translation reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2018		35,762	-	(27,101)	483,572	4,362,066	(3,717,237)	1,137,062	12,017	1,149,079
Net profit for the period		-	-	-	-	1,300	-	1,300	-	1,300
Other comprehensive loss		-	-	-	-	(565)	(86,417)	(86,982)	-	(86,982)
Total comprehensive income / (loss) for the period		-	-	-	-	735	(86,417)	(85,682)	-	(85,682)
Transactions with owners										
Purchase of treasury shares	9	-	-	(895)	(124,745)	-	-	(125,640)	-	(125,640)
Preference share issue	9	-	239	-	50,987	-	-	51,226	-	51,226
Total transactions with owners		-	239	(895)	(73,758)	-	-	(74,414)	-	(74,414)
Balance at 30 June 2018		35,762	239	(27,996)	409,814	4,362,801	(3,803,654)	976,966	12,017	988,983
Balance at 1 January 2019		35,762	239	(27,996)	409,814	4,264,935	(3,924,941)	757,813	12,654	770,467
Net profit / (loss) for the period		-	-	-	-	835,982	-	835,982	(91)	835,891
Other comprehensive (loss) / income		-	-	-	-	(8,086)	103,738	95,652	-	95,652
Total comprehensive income / (loss) for the period		-	-	-	-	827,896	103,738	931,634	(91)	931,543
Transactions with owners										
Purchase of treasury shares	9	-	-	(130)	(9,882)	-	-	(10,012)	-	(10,012)
Total transactions with owners		-	-	(130)	(9,882)	-	-	(10,012)	-	(10,012)
Balance at 30 June 2019		35,762	239	(28,126)	399,932	5,092,831	(3,821,203)	1,679,435	12,563	1,691,998

The accompanying notes on pages 8 to 21 are an integral part of these Interim Condensed Consolidated Financial Statements.

1 The Uralkali Group and its operations

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

The Company holds operating licences, issued by the Department of Subsoil Use of the Privolzhsky Federal district for the extraction of potassium, magnesium and sodium salts from a number of plots of the Verkhnekamskoye field. In addition, the Company holds a licence for geological exploration of the Izversky plot on the territory of Usolsky and Alexandrovsky districts of the Perm region. Summary of the Company’s information about key exploration and production licenses is provided in table below:

Licences	Type	Valid until
Northern part of Solikamsky plot, Bigelsko-Troitsky and Novo-Solikamsky plots	Production	2043 - 2055
Durimansky plot and the southern part of Solikamsky plot	Production	2024 - 2026
Ust'-Yaivinsky plot of the Verkhnekamskoye field	Production	2024
Polovodovsky plot of the Verkhnekamskoye field	Production	2054
Romanovsky plot of the Verkhnekamskoye field	Production	2039
Izversky plot	Exploration	2022

As at 30 June 2019 and 31 December 2018, the Group had no ultimate controlling party.

The Company was incorporated in the Russian Federation on 14 October 1992 and has its registered office at 63 Pyatiletki ul., Berezniki, 618426, the Perm region, Russian Federation.

2 Basis of preparation and significant accounting policies

Principles of preparation of interim condensed consolidated financial statements

These interim condensed consolidated financial statements for the first half (hereinafter – “1st half”) of 2019 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”). These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board (“IFRS’s”).

The accounting policies, critical accounting judgements and estimates and methods of computation applied in these interim condensed consolidated financial statements are consistent with those of the consolidated financial statements for the year ended 31 December 2018, except for the impact of the adoption of the new standards and interpretations described in Note 3.

Going concern

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

As at 30 June 2019, the Group’s current liabilities exceeded its current assets by US\$ 1,094,156 (31 December 2018: US\$ 796,126).

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

After making appropriate enquires, the Group considers that it has adequate resources to cover the working capital deficit and continue in operational existence for at least the next 12 months from the end of the reporting period. 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 10.

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

2 Basis of preparation and significant accounting policies (continued)

Functional and presentation currency

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

Foreign currency exchange rates

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

	30 June 2019		31 December 2018		30 June 2018	
	US\$	Euro	US\$	Euro	US\$	Euro
closing rate	63.08	71.82	69.47	79.46	62.76	72.99
average rate for the 1st half year	65.34	73.84	-	-	59.35	71.82

Income tax

Income tax in the interim periods is accrued using the tax rate that would be the best estimate of the weighted average annual income tax rate. The change in effective tax rate was caused mainly by the factor that some income and expenses are excluded for income tax calculation purposes under Russian tax code and the amounts of such income and expenses may fluctuate from period to period.

3 IFRS standards update

The Group has adopted standards that are mandatory for financial periods beginning on or after 1 January 2019.

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

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

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

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

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

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

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

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

3 IFRS standards update (continued)

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

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

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

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

4 Related parties

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

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

Outstanding balances with related parties under control of shareholders with significant influence over the Group	30 June 2019	31 December 2018
Loan receivable	496,579	386,974
Interest receivable	24,033	13,641
Loan payable including interest payable	(41,138)	(43,288)
Trade and other receivables and other financial assets	10,487	10,874
Trade and other payables	(6,420)	(6,704)
Other non-current liabilities	-	(1,809)
Lease liability	(4,194)	-
Advances to suppliers	7,754	7,952
Advances received	(19)	-
Outstanding balances with associate		
Trade and other payables	(94)	-
Advances to suppliers	876	1,641

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 until 2023.

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

In the 1st half of 2019 and 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. The pledge was provided as security for the loan with Sberbank of one of the Group's related parties effective till March 2023.

As at 30 June 2019, the Group pledged ordinary shares of PJSC Uralkali, representing 26.66% (31 December 2018: ordinary shares and GDRs, representing 26.17%) of the Company's share capital as primary pledge. As at 30 June 2019, the Group pledged ordinary shares, representing 28.6% (31 December 2018: ordinary shares and GDRs, representing 28.6%) 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 10).

4 Related parties (continued)

The pledge was provided for a fee at market terms. As at 30 June 2019, the fair value of this service of US\$ 8.3 million (31 December 2018: US\$ 7.2 million) was recognised in other non-current assets, US\$ 4.2 million in other payables (31 December 2018: US\$ 4.5 million) and nil in other non-current liabilities (31 December 2018: US\$ 1.8 million).

In the 1st half of 2018, the Company placed preference shares among some of the Group's shareholders, who are related parties of the Group (Note 9).

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

Transactions with related parties under control of shareholders with significant influence over the Group	1st half of	
	2019	2018
Revenue (sales of potassium chloride)	37,835	22,849
Other revenue	632	577
Interest income	12,163	12,535
Purchase of inventories and goods for resale	(21,281)	(5,216)
Purchase of property, plant and equipment and assets under construction	(28)	(398)
Distribution costs	(13,682)	(6,510)
Interest expenses	(1,300)	(1,216)
General and administrative expenses	(22)	(887)
Other finance income / (expenses), net	5,397	(100)
Other expenses	(189)	(61)
Bargain purchase	-	1,426
Cash acquired on acquisition of subsidiaries, net	-	2,209
Transactions with associate		
Distribution costs	(2,173)	(1,017)
Other finance income, net	-	195
Change in accrued liabilities	-	3,097

Key management's compensation

Key management personnel compensation consists of remuneration paid to executive directors and other directors for their services in full- or part-time positions. Compensation is made up of annual remuneration and a performance bonus depending on operating results.

Key management compensation is presented below:

	Expenses		Accrued liabilities	
	1st half of 2019	1st half of 2018	30 June 2019	31 December 2018
Short-term employee benefits	3,013	3,256	3,331	2,933
Termination benefits	36	-	-	-
Total	3,049	3,256	3,331	2,933

5 Segment information

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

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

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

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

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

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

	Note	1st half of 2019	2018
Revenues	12	1,542,890	1,396,538
Revenues net of freight, railway tariff, rent of wagons and transshipment costs	12,14	1,321,309	1,130,277
Operating profit		742,408	600,343
Cash CAPEX		155,761	146,086

b) Geographical information

The analysis of Group sales by region was:	1st half of 2019	2018
Russia	293,550	233,612
China, India, South East Asia	443,874	454,006
Latin America, USA	619,224	556,424
Europe, other countries	186,242	152,496
Total revenues	1,542,890	1,396,538

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

c) Major customers

The amount of revenue from each external customer which contributed more than 10% of the Group's revenue in the 1st half of 2019 is presented below:

	Revenue	%
Major customer 1	182,297	12%
Major customer 2	160,064	10%

The Group had no external customers which represented more than 10% of the Group's revenues in the 1st half of 2018.

6 Property, plant and equipment

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

	Note	2019	2018
Cost			
Balance at 1 January, as previously reported		3,784,352	3,952,269
Reclassified to right-of-use assets on adoption of IFRS 16	3	(7,679)	-
Balance at 1 January, adjusted		3,776,673	3,952,269
Additions		175,034	185,036
Disposals and write-offs		(30,543)	(17,806)
Changes in estimates of provisions	11	55,152	59,950
Effect of translation to presentation currency		390,130	(337,146)
Balance at 30 June		4,366,446	3,842,303
Accumulated depreciation and impairment			
Balance at 1 January, as previously reported		1,396,376	1,490,321
Reclassified to right-of-use assets on adoption of IFRS 16	3	(1,972)	-
Balance at 1 January, adjusted		1,394,404	1,490,321
Depreciation charge		114,778	101,192
Disposals and write-offs		(18,502)	(14,868)
Impairment / (reversal of impairment)	16	2,321	(185)
Effect of translation to presentation currency		144,917	(127,121)
Balance at 30 June		1,637,918	1,449,339
Net book value			
As at 1 January, as previously reported		2,387,976	2,461,948
As at 1 January, adjusted		2,382,269	2,461,948
As at 30 June		2,728,528	2,392,964

Allocation of depreciation charge for the period is presented below:

	Note	1st half of 2019	1st half of 2018
Cost of sales	13	91,920	87,839
Distribution costs	14	4,846	5,560
General and administrative expenses	15	4,427	4,909
Other expenses	16	8,303	611
Capitalised within assets under construction		5,282	2,273
Total		114,778	101,192

Fully depreciated assets still in use

As at 30 June 2019 and 31 December 2018, the gross carrying value of fully depreciated property, plant and equipment still in use was US\$ 353,690 and US\$ 329,365, respectively.

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

	1st half of 2019	1st half of 2018
Capitalised interest expenses	24,512	20,353
Capitalised foreign exchange losses	-	7,097
Total capitalised borrowing costs	24,512	27,450

In the 1st half of 2019, the Group used average interest capitalisation rate of 4.76% (1st half 2018: 4.85%).

7 Derivative financial instruments

As at 30 June 2019, the derivative financial instruments were represented by:

				Notional amount	
				30 June 2019	31 December 2018
	The Group pays	The Group receives	Issue	Maturity	
Cross-currency interest rate swap	US\$ at fixed rate	RR at fixed rate	2018	2023	US\$ 239 mln (RR 15,000 mln)
					US\$ 239 mln (RR 15,000 mln)
	US\$ at fixed rate	RR at fixed rate	2018	2021	US\$ 149 mln (RR 10,000 mln)
					US\$ 149 mln (RR 10,000 mln)
Interest rate swap	US\$ at fixed rate	RR at fixed rate	2017	2020	US\$ 265 mln (RR 15,000 mln)
					US\$ 265 mln (RR 15,000 mln)
	US\$ at fixed rate	US\$ at floating rate	2016	2019	US\$ 167 mln (RR 10,513 mln)
					US\$ 333 mln (RR 23,134 mln)
	US\$ at fixed rate	US\$ at floating rate	2017	2020	US\$ 1,000 mln (RR 63,076 mln)
					US\$ 1,000 mln (RR 69,470 mln)

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

	30 June 2019	31 December 2018
Assets		
Current derivative financial assets	15,760	30,261
Non-current derivative financial assets	1,490	338
Total derivative financial assets	17,250	30,599
Liabilities		
Current derivative financial liabilities	(26,287)	(7,130)
Non-current derivative financial liabilities	(22,983)	(121,523)
Total derivative financial liabilities	(49,270)	(128,653)

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

	Note	2019	2018
Balance as at 1 January		98,054	98,594
Cash proceeds from derivatives		18,068	5,094
Cash paid for derivatives		-	(75,152)
Changes in the fair value	17	(91,411)	28,818
Effect of translation to presentation currency		7,309	(5,863)
Balance as at 30 June		32,020	51,491

Derivatives are carried at their fair value and categorised within Level 2 of the fair value hierarchy. There have not been changes in the valuation techniques as applied in year end and described in the annual report.

8 Cash and cash equivalents

	30 June 2019	31 December 2018
Cash on hand and bank balances		
RR denominated cash on hand and bank balances	25,871	49,716
US\$ denominated bank balances	271,034	475,309
EUR denominated bank balances	24,929	31,226
Other currencies denominated balances	157	369
Term deposits		
US\$ term deposits	100,001	452,327
RR term deposits	6,175	4,068
Other currencies term deposits	149	-
Total cash and cash equivalents	428,316	1,013,015

As at 30 June 2019 and 31 December 2018, all term deposits had a maturity within three months since the date of acquisition.

9 Equity

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

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

The number of unissued authorised ordinary shares is 1,730 million (31 December 2018: 1,730 million) with a nominal value per share of US cents 0.79 (RR 0.5) (31 December 2018: US cents 0.72 (RR 0.5)).

The number of unissued authorised preference shares is 120 million (31 December 2018: 120 million) with a nominal value per share of US cents 0.79 (RR 0.5) (31 December 2018: US cents 0.72 (RR 0.5)) according to the Company's Charter dated 27 July 2018. In June 2018, the Company issued 30 million preference shares.

Treasury shares. During the 1st half of 2019, the Company purchased 7,537,670 (1st half 2018: 51,908,433) ordinary shares for a total amount of US\$ 10,012 (1st half 2018: US\$ 125,640) as a result of a mandatory redemption procedure pursuant to Russian Federal Law On Joint Stock Companies. The difference between the total acquisition cost of US\$ 10,012 (1st half 2018: US\$ 125,640) and the nominal value of US\$ 130 (1st half 2018: US\$ 895) of the shares was reflected as a decrease in share premium.

As at 30 June 2019, the treasury shares comprise 1,667,372,633 ordinary shares (31 December 2018: 1,659,834,963 ordinary shares represented by the ordinary shares and GDRs of the Company). During the 1st half of 2019 GDRs were converted into ordinary shares in proportion 5:1.

On 31 May 2019, the Board of Directors of the Company recommended to the shareholders to approve a major transaction (that together with other related transactions is worth over 50% of the carrying value of the Company's assets) – conclusion of an addendum to one of the Group's loan facilities with Sberbank, which provides, among other things, a change in the availability periods of the credit limit. On 24 June 2019, this transaction was approved by the general shareholders meeting. According to the Russian Federal Law on Joint Stock Companies the shareholders who voted against or did not take part in voting on the transaction became entitled to submit their shares to the Company for buyback. As at, the Group did not accrue any liabilities in the statement of financial position related to the major transaction. Within the 45-day period prescribed by the law (which ended on 8 August 2019), 57,259 ordinary shares were to be repurchased for a total amount of RR 5.1 million (US\$ 78.5).

Delisting. The Moscow Exchange downgraded the listing of the Company's shares from Level 1 to Level 3 effective from 26 June 2017 following a decrease of the Company's free float to below 7.5% of the issued capital for over six months. Taking into account this fact and the reduced trading activity with the Company's shares on the Moscow exchange, the Board of Directors unanimously recommended that the Company's shareholders approve the delisting of the Company's shares from the Moscow Exchange. On 18 December 2017, the delisting was approved by the extraordinary general shareholders' meeting ("EGM"). As of the reporting date, the delisting procedure has not been completed yet.

10 Loans and borrowings

In order to increase convenience of users of the financial statements, in the 1st half of 2019 management made a decision to aggregate Bonds and Borrowings and present them as a single line item Borrowings within the interim condensed consolidated statement of financial position. Accordingly, comparative information at 31 December 2018 was reclassified.

The table below shows the split of loans and borrowings into short-term and long-term as at 30 June 2019 and 31 December 2018.

	30 June 2019	31 December 2018
Short-term loans and borrowings		
Bank loans in US\$: floating interest	739,071	1,259,371
Bank loans in US\$: fixed interest	752,428	2,570
Bank loans in EUR: floating interest	1,931	1,674
Short-term part of long-term bonds quoted on Moscow Stock Exchange	242,106	820,627
Short-term lease payable	3,845	17
Total short-term loans and borrowings and current portion of long-term loans and borrowings	1,739,381	2,084,259
Long-term loans and borrowings		
Bank loans in US\$: floating interest	2,198,888	2,228,939
Bank loans and other borrowings in US\$: fixed interest	241,037	993,045
Bank loans in EUR: floating interest	526,503	10,816
Long-term bonds quoted on Moscow Stock Exchange	395,372	575,243
Long-term lease payable	20,537	7,585
Total long-term loans and borrowings	3,382,337	3,815,628
Total loans and borrowings	5,121,718	5,899,887

Bank loans and other borrowings

	2019	2018
Balance at 1 January	4,496,415	4,773,344
Bank loans and other borrowings received, denominated in US\$	800,000	525,878
Bank loans received, denominated in EUR	685,062	16,883
Bank loans repaid, denominated in US\$	(1,351,544)	(475,169)
Bank loans repaid, denominated in EUR	(170,202)	(933)
Bank loans repaid, denominated in RR	-	(92,244)
Interest accrued and discounting	108,981	115,476
Interest paid	(107,914)	(115,697)
Recognition of syndication fees and other financial charges	(21,198)	(2,524)
Amortisation of syndication fees and other financial charges	12,845	5,888
Foreign exchange (gain) / loss, net	(450,083)	406,236
Effect of translation to presentation currency	457,496	(410,774)
Balance at 30 June	4,459,858	4,746,364

As at 30 June 2019 and 31 December 2018, no equipment or inventories were pledged as security for bank loans.

As at 30 June 2019, bank loans in the amount of US\$ 2,881,493 (31 December 2018: US\$ 2,585,075) 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. During the 1st half of 2019 GDRs were converted into ordinary shares in proportion 5:1). In 2017 and 2018, amendments to Sberbank facilities were signed – the term of the credit facility was extended and the interest rate was decreased. Funds under the committed credit line in the amount of US\$ 2.0 billion are available to be drawn down from 1 January 2020 till 31 December 2020; funds in the amount of US\$ 1.9 billion are available to be drawn down from 23 November 2019 till 19 June 2020. As at 30 June 2019, the Company has not yet used the facility.

In May 2018, the Company signed an uncommitted credit facility in the amount of up to US\$ 80 million with Rosbank, which is available for two years. As at 30 June 2019, the Company has not utilised the facility.

In June 2018, the Company signed a US\$ 825 million 5-year pre-export facility with 11 international banks. The interest rate is 1 month LIBOR + 1.9%. The loan was used for refinancing of the Company's existing loans and for general corporate purposes. As at 30 June 2019, US\$ 825 million of the facility was drawn down.

In March 2019, the Company signed an uncommitted credit facility in the amount of up to EUR 50 million with ING BANK N.V., which is available for 12 months. As at 30 June 2019, the Company has not utilised the facility.

10 Loans and borrowings (continued)

In March 2019, the Company signed an uncommitted credit facility in the amount of up to EUR 105 million with Commerzbank, which is available for 36 months. As at 30 June 2019, the Company has not utilised the facility.

In June 2019, the Company signed a US\$ 725 million and EUR 650 million 5-year pre-export facility with 13 international banks. The interest rate is 1 month LIBOR + 1.9% for US\$ tranche and 1 month EURIBOR + 1.7% for EUR tranche. The loan was used for refinancing of the Company's existing loans and for general corporate purposes. As at 30 June 2019, the credit line was utilised in amount of US\$ 725 million and EUR 463.3 million.

Bonds

	2019	2018
Balance at 1 January	1,395,870	1,661,191
Issuance of bonds	-	240,260
Repurchase of bonds	(800,000)	(581,900)
Interest accrued	38,744	46,045
Interest paid	(55,113)	(46,963)
Recognition of syndication fees and other financial charges	(436)	(39)
Amortisation of syndication fees	231	315
Foreign exchange (gain) / loss	(64,684)	119,737
Effect of translation to presentation currency	122,866	(142,639)
Balance at 30 June	637,478	1,296,007

In March 2019 US\$ denominated bonds at the nominal value of US\$ 800 million which were previously sold to VTB were fully redeemed.

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 the 1st half of 2018 (bonds in the amount of US\$ 68.1 mln were purchased by the Group in previous periods).

In June 2018, the Company issued RR bonds in the amount of RR 15 billion (US\$ 241 million) at par under its exchange bond programme. The coupon rate was 7.70% p.a., and the coupon period is 182 days. Nominal value of the bond is RR 1,000. The bond matures in 5 years.

The Group was in compliance with all financial and non-financial covenants as at 30 June 2019.

11 Provisions

Note	Filling cavities	Asset retirement obligations	Resettle-ment	Mine flooding	Restruc-turing	Legal	Total
Carrying amount at 1 January 2018	172,400	53,909	17,398	6,421	7,009	5,173	262,310
Changes in estimates added to property, plant and equipment	6	8,605	51,345	-	-	-	59,950
Changes in estimates charged to profit or loss	-	-	-	(2,908)	(78)	-	(2,986)
Accrual of provision	-	-	-	-	-	(51)	(51)
Utilisation of provision	(11,887)	-	(10,849)	(294)	-	(4,885)	(27,915)
Unwinding of the present value discount	5,449	2,281	197	202	228	-	8,357
Effect of translation to presentation currency	(14,282)	(7,338)	(860)	(364)	(584)	(157)	(23,585)
Current liabilities	19,837	-	-	1,422	3,422	80	24,761
Non-current liabilities	140,448	100,197	5,886	1,635	3,153	-	251,319
Carrying amount at 30 June 2018	160,285	100,197	5,886	3,057	6,575	80	276,080
Carrying amount at 1 January 2019	267,086	113,664	5,622	9,989	6,686	270	403,317
Changes in estimates added to property, plant and equipment	6	35,864	19,288	-	-	-	55,152
Changes in estimates charged to profit or loss	-	-	105	768	147	-	1,020
Accrual of provision	-	169	3,054	-	-	64	3,287
Reversal of provision	-	-	-	-	-	(129)	(129)
Utilisation of provision	(29,845)	(348)	(3,452)	(608)	(79)	(154)	(34,486)
Unwinding of the present value discount	11,893	4,748	129	456	292	-	17,518
Effect of translation to presentation currency	27,721	12,380	562	1,035	691	21	42,410
Current liabilities	66,165	-	3,723	2,045	952	72	72,957
Non-current liabilities	246,554	149,901	2,297	9,595	6,785	-	415,132
Carrying amount at 30 June 2019	312,719	149,901	6,020	11,640	7,737	72	488,089

11 Provisions (continued)

Key assumptions used in estimation of provisions were as follows:

	30 June 2019	31 December 2018
Risk-free rates	7.0% - 7.6%	7.6% - 9.3%
Expected date of settlement	2019 - 2060	2019 - 2060
Expected inflation in Russia within 3 years from the reporting date	4.1% - 4.9%	4.1% - 4.5%
Expected inflation in Russia starting from the 4th year after the reporting date	4%	4%

In the 1st 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 resulted in change of the provision for asset retirement obligations in the 1st half of 2018 by US\$ 28,843 million.

12 Revenues

	2019	1st half of 2018
Potassium chloride	838,687	779,766
Potassium chloride (granular)	546,486	473,228
Revenue from rendering transportation services	84,264	102,652
Other revenues	73,453	40,892
Total revenues	1,542,890	1,396,538

13 Cost of sales

	Note	2019	1st half of 2018
Cost of finished goods sold			
Depreciation of property, plant and equipment	6	91,920	87,839
Employee benefits		77,697	86,098
Materials and components		52,433	55,803
Fuel and energy		49,906	53,329
Repairs and maintenance		30,972	24,501
Amortisation of licences		18,309	29,943
Transportation between mines by railway		6,053	6,347
Other costs		15,348	19,738
Change in work in progress, finished goods and goods in transit		(1,754)	(1,235)
Total cost of finished goods		340,884	362,363
Goods for resale		20,178	-
Total cost of sales		361,062	362,363

14 Distribution costs

	Note	2019	1st half of 2018
Railway tariff and rent of wagons		121,594	144,863
Freight		89,586	110,548
Commissions and marketing expenses		21,471	13,715
Transport repairs and maintenance		13,353	14,556
Transshipment		10,401	10,850
Employee benefits		8,434	7,346
Depreciation of property, plant and equipment	6	3,720	4,146
Depreciation of right-of-use assets		351	-
Other costs		28,506	30,950
Total distribution costs		297,416	336,974

Depreciation of property, plant and equipment in the amount of US\$ 1,126 is included into Transport repairs and maintenance and Transshipment costs (Note 6) (1st half of 2018: US\$ 1,414). Depreciation of right-of-use assets in the amount of US\$ 187 is included into Transshipment costs (1st half of 2018: nil).

15 General and administrative expenses

	Note	1st half of 2019	2018
Employee benefits		48,778	48,770
Depreciation of property, plant and equipment	6	4,427	4,909
Mine rescue crew		3,010	3,078
Security		2,952	2,997
Communication and information system services		2,811	2,293
Consulting, audit and legal services		2,298	2,483
Amortisation of intangible assets		2,041	2,717
Materials and fuel		2,027	2,304
Repairs and maintenance		1,278	1,618
Depreciation of right-of-use assets		1,088	-
Other expenses		14,684	14,137
Total general and administrative expenses		85,394	85,306

16 Other operating income and expenses

	Note	1st half of 2019	2018
Loss on disposals of property, plant and equipment and intangible assets		11,859	1,751
Impairment / (reversal of impairment) loss on property, plant and equipment and assets under construction	6	2,321	(185)
Depreciation of property, plant and equipment	6	8,303	611
Accrual of resettlement provision	11	3,159	-
Social cost and charity		24,356	3,024
Other income, net		(3,005)	(5,822)
Total other operating expenses / (income), net		46,993	(621)

17 Finance income and expenses

	Note	1st half of			
		2019		2018	
		Income	Expenses	Income	Expenses
Foreign exchange gain / (loss)		348,575	-	-	(373,901)
Fair value gain / (loss) on derivative financial instruments, net	7	91,411	-	-	(28,818)
Interest income / (expenses)		18,943	(123,262)	17,337	(141,661)
Loss from unwinding and effect of changes in effective interest rate, net		-	(19,753)	-	(30,918)
Syndication fees and other financial charges		-	(14,816)	-	(10,100)
Letters of credit fees		-	(7,479)	-	(3,226)
Fair value losses on investments		-	(2,955)	-	(28,261)
Loss from associate		-	-	-	(723)
Dividend income		-	-	195	-
Other finance income / (expenses)		2,285	(7)	3,462	(2,155)
Total finance income / (expenses)		461,214	(168,272)	20,994	(619,763)
Total finance income / (expenses), net		292,942	-	-	(598,769)

18 Contingencies, commitments and operating risks

18.1 Legal proceedings

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

18.2 Insurance

The Group 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.

18.3 Environmental matters

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

18.4 Operating environment of the Group

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

The Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014, the oil price decreased significantly.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. This led to reduced access of the Russian businesses to international capital markets.

The impact of further economic and political developments on future operations and financial position of the Group might be significant.

18.5 Capital expenditure commitments

As at 30 June 2019, the Group had contractual commitments for the purchase of property, plant and equipment and intangible assets for US\$ 481,880 (31 December 2018: US\$ 442,986) from third parties. As at 30 June 2019 and 31 December 2018, the Group had no contractual commitments for the purchase of property, plant and equipment from related parties.

The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover these and any similar commitments.

19 Fair value of financial instruments

At 30 June 2019 and 31 December 2018, the fair value of the Group's financial assets and liabilities stated at amortised cost approximates to their carrying amounts, except for financial instruments presented in the table below:

		30 June 2019		31 December 2018	
	Level	Carrying value	Fair value	Carrying value	Fair value
Financial assets					
Loan issued (including interests receivable)	3	520,612	516,187	400,615	382,970
Financial liabilities					
Borrowings	3	4,484,240	4,484,260	4,504,017	4,492,803
Bonds	1	637,478	636,146	1,395,870	1,377,855

20 Events after reporting date

In August 2019, Euro 187 million of the pre-export facility signed in June 2019 was drawn down.



URALKALI GROUP

Consolidated financial statements
for the year ended 31 December 2018

Contents	Page
Independent Auditor's Report	1
Consolidated Statement of Financial Position	5
Consolidated Statement of Profit or Loss	6
Consolidated Statement of Other Comprehensive Income	7
Consolidated Statement of Cash Flows	8
Consolidated Statement of Changes in Equity	9

Notes to the Consolidated Financial Statements

1	The Uralkali Group and its operations	10
2	Basis of preparation and significant accounting policies	10
3	IFRS standards update	22
4	Critical accounting judgements and key sources of estimation uncertainty	23
5	Related parties	27
6	Segment information	29
7	Property, plant and equipment	30
8	Goodwill	32
9	Intangible assets	33
10	Inventories	33
11	Trade and other receivables	34
12	Derivative financial instruments	35
13	Cash and cash equivalents	36
14	Equity	36
15	Borrowings	38
16	Bonds	40
17	Provisions	41
18	Trade and other payables	42
19	Revenues	42
20	Cost of sales	42
21	Distribution costs	43
22	General and administrative expenses	43
23	Other operating income and expenses	43
24	Finance income and expenses	44
25	Income tax expense	44
26	Contingencies, commitments and operating risks	46
27	Financial risk management	47
28	Fair value of financial instruments	51
29	Principal subsidiaries	51
30	Events after reporting date	51

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

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

Basis for Opinion

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

Key audit matters

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

Why the matter was determined to be a key audit matter**How the matter was addressed in the audit**

Assessment of compliance with covenants

Refer to Note 2: Basis of preparation and significant accounting policies, and Note 15: Borrowings.

The Group is highly leveraged with net debt of US\$ 4,886,872 thousand as at 31 December 2018 and has to comply with certain financial and non-financial covenants stipulated in loan agreements.

In addition to an analysis of compliance with covenants at the reporting date, Management prepares financial forecasts to assess going concern and the Group's ability to comply with covenants in the future. These financial forecasts are particularly sensitive to changes in potash prices.

Due to the factors above, we consider assessment of compliance with covenants to be a key audit matter.

We obtained an understanding of the process for monitoring compliance with financial and non-financial covenants stipulated in loan agreements.

We reviewed the terms and conditions of loan agreements and recalculated covenants.

We challenged Management's key assumptions used in the financial forecast by:

- Assessing covenant compliance forecasts, including stress test scenarios and related mitigation plans;
- Testing the appropriateness of Management's assumptions including foreign currency exchange rates and potash prices, the inflation rate, and the discount rate based on the available market information;
- Performing our own sensitivity analysis to test the adequacy of the available headroom related to covenant compliance.

Expected credit losses for the loan issued

Refer to Note 4: Critical accounting judgements and key sources of estimation uncertainty, and Note 5: Related parties.

The Group issued a loan to a related party amounting to US\$400,615 thousand (including accrued interest) as at 31 December 2018. After initial recognition, the loan is measured at amortised cost using the effective interest rate method, less allowance for expected credit losses.

This is a key audit matter due to the materiality of the outstanding balance as at 31 December 2018 and the significance of Management's estimates and judgements in assessing the expected credit losses for the loan. These estimates and judgements primarily relate to projections of potash prices and foreign currency exchange rates.

Our audit procedures included, but were not limited to, understanding the methodology and analysing the valuation model and inputs used by Management to assess the expected credit losses for the loan.

We evaluated the appropriateness and consistency of Management's judgments and estimates, including the following:

- Analysing different scenarios of the loan repayment;
- Comparing the key assumptions used in the cash flows model to the available market information;
- Challenging the historical accuracy of Management forecasts;
- Assessing the sensitivity of the model to changes in key parameters.

We assessed the financial condition and financial performance of the related party.

Other Information

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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


- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.


- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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


Ilya Ryabtsev,
Team leader
14 March 2019



Audited entity: Public Joint Stock Company "Uralkali"

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

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

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

Audit Firm: AO "Deloitte & Touche CIS"

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

Primary State Registration Number: 1027700425444

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

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

URALKALI GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2018
(in thousands of US dollars, unless otherwise stated)



	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	7	2,387,976	2,461,948
Prepayments for acquisition of property, plant and equipment and intangible assets		265,680	221,246
Goodwill	8	849,151	1,024,146
Intangible assets	9	2,414,466	2,973,680
Deferred income tax asset	25	24,278	16,615
Prepaid transaction costs on bank facilities		103,833	70,397
Loan receivable	5	400,615	-
Investment in associate		3,092	23,789
Derivative financial assets	12	338	6,047
Other non-current assets		56,739	63,242
Total non-current assets		6,506,168	6,861,110
Current assets			
Inventories	10	139,636	91,939
Trade and other receivables	11	351,887	533,959
Advances to suppliers		43,494	26,608
Income tax prepayments		21,115	3,812
Derivative financial assets	12	30,261	16,783
Loan receivable	5	-	379,232
Other financial assets		15	1,927
Cash and cash equivalents	13	1,013,015	1,072,609
Total current assets		1,599,423	2,126,869
TOTAL ASSETS		8,105,591	8,987,979
EQUITY			
Share capital	14	35,762	35,762
Preference shares	14	239	-
Treasury shares	14	(27,996)	(27,101)
Share premium		409,814	483,572
Currency translation reserve		(3,924,941)	(3,717,237)
Retained earnings		4,264,935	4,362,544
Equity attributable to the company's equity holders		757,813	1,137,540
Non-controlling interests		12,654	12,017
TOTAL EQUITY		770,467	1,149,557
LIABILITIES			
Non-current liabilities			
Borrowings	15	3,240,385	3,490,666
Bonds	16	575,243	1,059,954
Post-employment and other long-term benefit obligations		28,782	36,604
Deferred income tax liability	25	631,335	645,605
Provisions	17	340,497	221,314
Derivative financial liabilities	12	121,523	11,609
Other non-current liabilities		1,810	14,027
Total non-current liabilities		4,939,575	5,479,779
Current liabilities			
Borrowings	15	1,263,632	1,291,875
Bonds	16	820,627	601,237
Trade and other payables	18	217,745	272,918
Advances received		22,177	22,448
Provisions	17	62,820	40,996
Derivative financial liabilities	12	7,130	109,815
Current income tax payable		1,418	19,354
Total current liabilities		2,395,549	2,358,643
TOTAL LIABILITIES		7,335,124	7,838,422
TOTAL LIABILITIES AND EQUITY		8,105,591	8,987,979

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

Dmitry Osipov
Chief Executive Officer

Anton Vishanenko
Chief Financial Officer

The accompanying notes on pages 10 to 51 are an integral part of these consolidated financial statements.

URALKALI GROUP
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of US dollars, unless otherwise stated)



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

The accompanying notes on pages 10 to 51 are an integral part of these consolidated financial statements.

URALKALI GROUP
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of US dollars, unless otherwise stated)



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

The accompanying notes on pages 10 to 51 are an integral part of these consolidated financial statements.

URALKALI GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of US dollars, unless otherwise stated)



	Note	2018	2017
Cash flows from operating activities			
Profit before income tax		7,734	1,093,017
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets	7, 9	256,766	239,176
Loss on disposals of property, plant and equipment and intangible assets	23	6,241	8,318
Loss on impairment of prepayments for acquisition of property, plant and equipment and intangible assets		202	448
Reversal of write-down of inventories to net realisable value		(616)	(798)
Accrual / (reversal) of impairment of property, plant and equipment and assets under construction	7	878	(2,849)
Accrual of impairment of trade and other receivables and advances to suppliers		7,853	1,304
Change in provisions, net	17	7,421	(8,696)
Fair value loss / (gain) on derivative financial instruments, net	24	106,246	(51,662)
Foreign exchange loss / (gain), net	24	737,676	(271,908)
Other finance expenses, net	24	350,831	331,855
Operating cash flows before working capital changes		1,481,232	1,338,205
Decrease / (increase) in trade and other receivables and advances to suppliers		122,203	(277,104)
(Increase) / decrease in inventories		(69,408)	78,687
Decrease in trade and other payables, advances received and provisions		(73,153)	(18,275)
Increase / (decrease) in other taxes payable		13,472	(6,934)
Cash generated from operations		1,474,346	1,114,579
Interest paid		(328,723)	(326,436)
Income taxes paid		(49,143)	(77,643)
Net cash generated from operating activities		1,096,480	710,500
Cash flows from investing activities			
Acquisition of property, plant and equipment		(356,818)	(269,782)
Acquisition of intangible assets		(1,623)	(1,106)
Proceeds from sales of property, plant and equipment		3,185	2,575
Loans issued		(131,279)	(333,973)
Proceeds from loans repayments		104,639	160,192
Purchase of other financial assets		(537)	(1,704)
Proceeds from sale of other financial assets		-	70,010
Acquisition of subsidiaries, net of cash acquired		164	(165)
Proceeds from sale of subsidiaries, net of cash disposed		319	-
Dividends and interest received		12,962	10,149
Net cash used in investing activities		(368,988)	(363,804)
Cash flows from financing activities			
Repayments of borrowings	15	(1,841,598)	(3,244,000)
Proceeds from borrowings		1,521,883	1,603,010
Proceeds from issuance of bonds	16	389,056	1,070,181
Arrangement fees and other financial charges paid		(83,309)	(32,391)
Redemption of bonds	16	(581,900)	-
Cash proceeds from derivatives	12	17,816	12,710
Cash paid for derivatives	12	(111,507)	(151,792)
Purchase of treasury shares	14	(125,640)	(26,104)
Proceeds from issuance of preference shares	14	51,226	-
Finance lease payments		(35)	(34)
Dividends paid to the Company's shareholders		(48)	-
Net cash used in financing activities		(764,056)	(768,420)
Effect of changes in foreign exchange rate on cash and cash equivalents		(23,030)	8,812
Net decrease in cash and cash equivalents		(59,594)	(412,912)
Cash and cash equivalents at the beginning of the period	13	1,072,609	1,485,521
Cash and cash equivalents at the end of the period	13	1,013,015	1,072,609

The accompanying notes on pages 10 to 51 are an integral part of these consolidated financial statements.

URALKALI GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of US dollars, unless otherwise stated)



		Attributable to equity holders of the Company								
	Note	Share capital	Preference shares	Treasury shares	Share premium	Retained earnings	Currency translation reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2017		35,762	-	(26,909)	509,484	3,486,183	(3,739,971)	264,549	11,533	276,082
Profit for the period		-	-	-	-	873,979	-	873,979	649	874,628
Other comprehensive income		-	-	-	-	2,382	22,734	25,116	-	25,116
Total comprehensive income for the period		-	-	-	-	876,361	22,734	899,095	649	899,744
Transactions with owners										
Purchase of non-controlling interest		-	-	-	-	-	-	-	(165)	(165)
Purchase of treasury shares	14	-	-	(192)	(25,912)	-	-	(26,104)	-	(26,104)
Total transactions with owners		-	-	(192)	(25,912)	-	-	(26,104)	(165)	(26,269)
Balance at 31 December 2017		35,762	-	(27,101)	483,572	4,362,544	(3,717,237)	1,137,540	12,017	1,149,557
Balance at 1 January 2018, as previously reported		35,762	-	(27,101)	483,572	4,362,544	(3,717,237)	1,137,540	12,017	1,149,557
Adjustment due to adoption of IFRS 9	3	-	-	-	-	(478)	-	(478)	-	(478)
Balance at 1 January 2018, adjusted		35,762	-	(27,101)	483,572	4,362,066	(3,717,237)	1,137,062	12,017	1,149,079
(Loss) / profit for the period		-	-	-	-	(97,643)	-	(97,643)	637	(97,006)
Other comprehensive (loss) / income		-	-	-	-	560	(207,704)	(207,144)	-	(207,144)
Total comprehensive (loss) / income for the period		-	-	-	-	(97,083)	(207,704)	(304,787)	637	(304,150)
Transactions with owners										
Dividends declared for preference shares	14	-	-	-	-	(48)	-	(48)	-	(48)
Purchase of treasury shares	14	-	-	(895)	(124,745)	-	-	(125,640)	-	(125,640)
Preference shares issue	14	-	239	-	50,987	-	-	51,226	-	51,226
Total transactions with owners		-	239	(895)	(73,758)	(48)	-	(74,462)	-	(74,462)
Balance at 31 December 2018		35,762	239	(27,996)	409,814	4,264,935	(3,924,941)	757,813	12,654	770,467

The accompanying notes on pages 10 to 51 are an integral part of these consolidated financial statements.

1 The Uralkali Group and its operations

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

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

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

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

2 Basis of preparation and significant accounting policies

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

2.1 Basis of preparation and presentation

Compliance with International Financial Reporting Standards

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

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

Going concern

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

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

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

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

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

2 Basis of preparation and significant accounting policies (continued)

Basis of presentation

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

2.2 Consolidated financial statements

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

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

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

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

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

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

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

2.3 Non-controlling interests

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

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

2.4 Property, plant and equipment

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

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

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

2 Basis of preparation and significant accounting policies (continued)

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 and are recognised in profit or loss.

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

	Useful lives in years
Buildings	10 to 60
Mining assets ¹	5 to 30
Plant and equipment	2 to 30
Transport vehicles	5 to 15
Other	2 to 15
Land	Not depreciated

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

2.5 Operating leases

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

2.6 Finance lease liabilities

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

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

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

2.7 Goodwill

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

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

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

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

2 Basis of preparation and significant accounting policies (continued)

2.8 Intangible assets

The Group's intangible assets, other than goodwill, have definite useful lives and primarily include mining licences. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, or, in the case of assets acquired in a business combination, at fair value as at the date of the combination and subsequently on the same basis as intangible assets that are acquired separately.

Expenditure on software, patents, trademarks and non-mineral licences are capitalised and amortised using the straight-line method over their useful lives. Mining licences are amortised under a unit of production method.

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

2.9 Financial instruments

Accounting policies applied since 1 January 2018

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

A gain or loss on initial recognition is only recorded if there is a difference between the fair value and the transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase or sell the financial assets.

Classification of financial assets and liabilities

The Group classifies its financial assets into the following measurement categories:

- (a) Financial assets at fair value through profit or loss ("FVTPL");
- (b) Financial assets at fair value through other comprehensive income ("FVTOCI"); and
- (c) Financial assets at amortised cost.

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

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

- (a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Financial liabilities have the following measurement categories:

- (a) Financial liabilities at FVTPL;
- (b) Financial liabilities at amortised cost;
- (c) Financial guarantee contracts.

2 Basis of preparation and significant accounting policies (continued)

Subsequent measurement of financial assets

Debt financial assets

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

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

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

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

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

Equity financial assets

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

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

The Group doesn't have investments into equity instruments.

Impairment of financial assets

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

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

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

2 Basis of preparation and significant accounting policies (continued)

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

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

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

Significant increase in credit risk

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

Definition of default

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

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

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

Derecognition of financial assets

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

Subsequent measurement of financial liabilities

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

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

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

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

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

2 Basis of preparation and significant accounting policies (continued)

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 their fair value at each reporting date. Changes in the fair value of derivative instruments are included in profit or loss for the year. Derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The income received from currency-interest rate swap transactions reduces interest expense. The Group does not apply hedge accounting.

Cash and cash equivalents

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

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

Accounting policies applied until 31 December 2017

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

Classification. Until 31 December 2017, the Group classified its financial assets in the following categories: (a) financial assets at FVTPL; (b) loans and receivables; (c) investments held-to-maturity; and (d) available-for-sale financial assets.

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

2 Basis of preparation and significant accounting policies (continued)

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

Fair value of financial assets and financial liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

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

- (i) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- (ii) Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- (iii) Level 3 inputs are unobservable inputs for the asset or liability.

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

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

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

Liabilities carried at amortised 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 Basis of preparation and significant accounting policies (continued)

2.10 Income tax

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

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

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

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

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

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

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

2.11 Inventories

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

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

2.12 Share capital

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

2 Basis of preparation and significant accounting policies (continued)

2.13 Treasury shares

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

2.14 Dividends

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

2.15 Value added tax (VAT)

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

2.16 Borrowing costs

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

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

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that a cash outflow will be required to settle the obligation and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain.

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

Provision for filling cavities

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

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

2 Basis of preparation and significant accounting policies (continued)

Provision for asset retirement obligations

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

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

2.18 Foreign currency translation

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

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

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

- (i) Assets and liabilities for consolidated statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (ii) Income and expenses for consolidated statements of profit or loss, other comprehensive income and cash flows are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses and cash flows are translated at the dates of the transactions);
- (iii) Components of equity are translated at the historic rate; and
- (iv) All resulting exchange differences are recognised in other comprehensive income.

Foreign currency exchange rates

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

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

2 Basis of preparation and significant accounting policies (continued)

2.19 Revenue recognition

From 1 January 2018 the Group recognises revenue from contracts with customers under IFRS 15. The impact of the change in accounting policy is disclosed in Note 3.

The Group uses a single five-step revenue recognition model that is applied to all contracts with customers and is based on the transfer of control over goods and services. The Group recognises revenue from sale of potassium and delivery services.

Revenue from sale of potassium is recognised when control of the goods is transferred to the customer.

Contracts with buyers for the supply of potassium use a variety of delivery terms. In a number of contracts the Group is obliged to provide services for the delivery of potassium to a certain place after the control of the goods passed to the buyer. According to IFRS 15 revenue from rendering such delivery services is treated as a separate performance obligation, which should be recognised over period of time of service, not at moment of control for potassium transfer to the buyer, as recognised earlier under IAS 18.

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

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

Revenue from sales of products other than potassium chloride (such as carnallite, salts, etc.) is recognised as Other revenue.

2.20 Transshipment, transport repairs and maintenance costs

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

2.21 Employee benefits

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

2.22 Social costs

The Group incurs social costs related to the provision of benefits such as health services and charity costs related to various social programmes. These amounts have been charged to other operating expenses.

2.23 Pension costs

In the normal course of business, the Group contributes to the Russian Federation state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed as incurred.

For defined benefit pension plans, the cost of providing benefits is determined using the Projected Unit Credit Method and is charged to profit or loss so as to spread the cost over the service period of the employees. An interest cost representing the unwinding of the discount rate on the scheme liabilities is charged to profit or loss. The liability recognised in the consolidated statement of financial position, in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date. The plans are not externally funded. The defined benefit obligation is calculated annually by the Group. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms of maturity approximating the terms of the relevant pension liability.

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

2 Basis of preparation and significant accounting policies (continued)

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

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

2.24 Earnings/loss per share

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

2.25 Segment reporting

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

3 IFRS standards update

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

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

	Balance at 31 December 2017, as previously reported	Adjustment, IFRS 9	Balance at 1 January 2018, adjusted
Trade receivables	533,959	(580)	533,379
Deferred income tax assets	16,615	102	16,717
Retained earnings and other reserves	4,362,544	(478)	4,362,066

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

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

3 IFRS standards update (continued)

IFRS 15 Revenues from Contracts with Customers. IFRS 15 provides a single five-step revenue recognition model that will apply to all contracts with customers is based on the transfer of control over goods and services. IFRS 15 replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. In accordance with the transition provisions in IFRS 15 the Group has elected to apply the standard retrospectively without restating the comparatives with the effect of transition to be recognised as at 1 January 2018. The impact of IFRS 15 adoption on the Group's consolidated financial statements is disclosed in Note 19. The revenue's accounting approach is disclosed in Note 2.

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

Title	Subject	Effective for annual periods beginning on or after	Expected effect on the consolidated financial statements
IFRS 16	Leases	1 January 2019	Under review, see below
IFRIC 23	Uncertainty Over Income Tax Treatments	1 January 2019	Under review
Amendments to IFRS 9	Prepayment Features With Negative Compensation	1 January 2019	Under review
Amendments to IAS 28	Long-Term Interests in Associates and Joint Ventures	1 January 2019	Under review
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019	Under review
Annual Improvements to IFRS Standards 2015-2017 Cycle:		1 January 2019	
• amendments to IFRS 3	Obtaining control of a business		Under review
• amendments to IFRS 11	Obtaining joint control of a business		Under review
• amendments to IAS 12	Income tax consequences of dividends		Under review
• amendments to IAS 23	Specific borrowing outstandings		Under review
Amendments to Conceptual Framework	Fair value, improved definitions and recommendations	1 January 2020	Under review
Amendments to IFRS 3	Definition of a business	1 January 2020	Under review
Amendments to IAS 1 and IAS 8	Definition of a materiality	1 January 2020	Under review
IFRS 17	Insurance contracts	1 January 2021	Not applicable

IFRS 16 Leases. As at 31 December 2018, the Group has non-cancellable operating lease commitments of US\$ 43 million (31 December 2017: US\$ 21 million) (Note 26). IAS 17 does not require the recognition of any right-of-use assets or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in Note 26. A preliminary assessment indicates that some of these arrangements would meet the definition of a lease under IFRS 16, and hence the Group would recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have an impact on the amounts recognised in the Group's consolidated financial statements and Management is currently assessing its full potential effect. It is not practicable to provide a reasonable estimate of the financial effect until the Management completes the review.

4 Critical accounting judgements and key sources of estimation uncertainty

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

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

4.1 Critical judgements in applying accounting policies

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

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

Remaining useful life of property, plant and equipment and mining licences

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

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

The estimated remaining useful life of certain property, plant and equipment and mineral resources is beyond the expiry date of the relevant mining licences (Note 1). Management believes that in the future the licences will be further renewed in due course at nominal cost. Any changes to this assumption could significantly affect prospective depreciation and amortisation charges and asset carrying values.

Classification of loan issued to a related party

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

4.2 Key sources of estimation uncertainty

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

Provision for filling cavities

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

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

- Estimated time to fill cavities. Cash flow payments are expected to occur principally between 2019 and 2028;
- The extent of the filling cavities work which will have to be performed in the future may vary depending on the actual environmental situation. Management believes that the legal obligation to replace the ore and waste mined is consistent with the cavities filling plan agreed with Rostekhnadzor;
- 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%).

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

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

During the mining period at SKRU-2, the Group will continue to incur expenses to mitigate consequences of the accident. During the remaining period of mining, the Group will be recording the above expenses within cost of sales as they relate to the day-to-day operation of the mine. After the end of mining, all similar expenses are to be incurred by the Group to ensure the safety of filling cavities and liquidation works until 2027. Thus as at 31 December 2018, the above expenses and overhead expenses for the period from 2023 to the beginning of 2025 estimated by the Group's experts are recognised within the provision for filling cavities. As a result the provision increased by US\$ 82 million and US\$ 54 million, respectively (Note 17), with the corresponding increase in property, plant and equipment.

The geological process is a subject to significant uncertainty; therefore, in the event of unforeseen circumstances related to the accident liquidation, there is a risk that mining may cease before 2023. For instance, if mining would have ended in 2019, the provision for filling cavities would have been higher than the current provision by US\$ 156 million (the increase would also be capitalised within property, plant and equipment).

The carrying amount of assets that will be used to both replace ore and waste extracted from the mine and to perform other decommissioning activities are depreciated over 6 years until the beginning 2025. The Group's Managements estimates the activity on cavity filling and part of decommissioning activities to be completed during the above period.

Provisions for Solikamsk-2 mine flooding

On 18 November 2014, a burst of suprasalt water was detected into the mined-out area of SKRU-2, which was caused by the negative development of the 1995 accident related to a mass collapse of rock and subsequent substantial destruction of the water-proof layer – emergency circumstances that could not be prevented.

The Group immediately developed a comprehensive mitigation plan that has been executed throughout 2015–2018.

In line with the mitigation plan, the Group continues to comprehensively monitor the situation. Currently the Group is implementing a number of engineering and other arrangements to minimise the impact of the accident and reduce suprasalt water inflows into the mine.

The major uncertainties associated with the provision for Solikamsk-2 mine flooding are as follows:

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

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

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

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

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

Provision for asset retirement obligations

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

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

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

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

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

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

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

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

Annual impairment test of goodwill

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

Mining licences

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

Review of impairment indicators for property, plant and equipment

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

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

Recoverability of a loan issued to a related party

At the end of each reporting period, Management considers the financial position and financial performance of the debtor to identify whether the loan is recoverable. The ability of the debtor to repay the loan depends on returns from its investments in companies operating in the fertiliser industry. Management applied a number of significant assumptions in their financial model to assess the recoverability of the loan, which are disclosed in Note 8.

Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations (Note 26.2).

5 Related parties

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

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

Outstanding balances with related parties under control of shareholders with significant influence over the Group	31 December 2018	31 December 2017
Loan receivable	386,974	358,684
Interest receivable	13,641	20,548
Loan payable including interest payable	(43,288)	-
Trade and other receivables and other financial assets	10,874	17,776
Trade and other payables	(6,704)	(5,308)
Other non-current liabilities	(1,809)	(14,026)
Advances to suppliers	7,952	-
Advances received	-	(1,115)

Outstanding balances with associate	31 December 2018	31 December 2017
Trade and other receivables and other financial assets	-	83
Trade and other payables	-	(160)
Advances to suppliers	1,641	-
Other accrued liabilities	-	(4,274)

The loan to a related party is a US\$ denominated unsecured revolving loan facility granted in April 2016 initially for a period of two years under market conditions. In 2018, this facility was prolonged till 2023.

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

5 Related parties (continued)

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

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

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

In April 2018, the Group additionally pledged:

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

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

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

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

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

Transactions with related parties under control of shareholders with significant influence over the Group	2018	2017
Revenue (sales of potassium chloride)	49,200	39,357
Other revenue	8,446	1,355
Interest income	26,400	17,411
Purchase of inventories	(11,490)	(11,156)
Purchase of property, plant and equipment and assets under construction	(397)	(2,077)
Distribution costs	(16,281)	(10,406)
Interest expenses	(2,729)	-
General and administrative expenses	(1,534)	(1,603)
Bargain purchase	1,350	-
Other finance income, net	3,863	-
Other expenses	(365)	(209)
Acquisition of subsidiaries, net of cash acquired	164	-
Transactions with associate	2018	2017
Other income	185	-
Transportation expenses	1,385	4,920
Change in accrued liabilities	4,252	-
Distribution costs	(2,789)	(5,081)

5 Related parties (continued)

Key management's compensation

Key management personnel compensation consists of remuneration paid to executive directors and other directors for their services in full- or part-time positions. Compensation is made up of annual remuneration and a performance bonus depending on operating results.

Key management's compensation is presented below:

	Expenses		Accrued liabilities	
	2018	2017	31 December 2018	31 December 2017
Short-term employee benefits	12,927	7,071	2,933	4,837
Termination benefits	-	137	-	-
Total	12,927	7,208	2,933	4,837

6 Segment information

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

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

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

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

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

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

	Note	2018	2017
Revenues	19	2,753,577	2,760,874
Revenues net of freight, railway tariff, rent of wagons and transshipment costs	19, 21	2,281,082	2,182,681
Operating profit		1,202,487	1,101,302
Cash CAPEX		358,441	270,888

- (b) Geographical information

The analysis of Group sales by region was:	2018	2017
Russia	485,562	412,953
China, India, South East Asia	872,055	1,032,799
Latin America, USA	1,061,879	936,119
Europe, other countries	334,081	379,003
Total revenues	2,753,577	2,760,874

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

- (c) Major customers

The Group had no external customers which represented more than 10% of the Group's revenues in the years ended 31 December 2018 and 31 December 2017.

7 Property, plant and equipment

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

	Buildings	Mining assets	Plant and equipment	Transport	Other	Land	Assets under construction	Total
Cost								
Balance at 1 January 2017	702,547	803,391	1,143,817	202,791	19,964	7,601	617,092	3,497,203
Additions	29	-	33	-	-	-	244,644	244,706
Changes in estimates added to property, plant and equipment (Note 17)	(12,566)	71,466	(1,177)	-	-	-	-	57,723
Recognition of asset related to decommissioning obligations (Note 17)	201	-	-	-	-	-	412	613
Commissioning of assets and transfers	38,135	115,622	55,869	3,334	(927)	24	(212,057)	-
Disposals	(548)	(7,963)	(16,965)	(7,810)	(105)	-	(3,629)	(37,020)
Effect of translation to presentation currency	37,610	44,974	61,145	10,703	1,094	406	33,112	189,044
Balance at 31 December 2017	765,408	1,027,490	1,242,722	209,018	20,026	8,031	679,574	3,952,269
Acquired on acquisitions of subsidiaries	-	-	-	44,444	-	-	-	44,444
Additions	119	382	14	-	56	13	330,158	330,742
Changes in estimates added to property, plant and equipment (Note 17)	18,301	202,660	1,880	-	1	-	18	222,860
Commissioning of assets and transfers	23,542	99,945	37,727	24,301	620	46	(186,181)	-
Disposals	(1,893)	(1,457)	(22,979)	(3,096)	(283)	(15)	(6,091)	(35,814)
Effect of translation to presentation currency	(134,684)	(204,919)	(213,966)	(42,106)	(3,458)	(1,387)	(129,629)	(730,149)
Balance at 31 December 2018	670,793	1,124,101	1,045,398	232,561	16,962	6,688	687,849	3,784,352

7 Property, plant and equipment (continued)

	Buildings	Mining assets	Plant and equipment	Transport	Other	Land	Assets under construction	Total
Accumulated depreciation and impairment								
Balance at 1 January 2017	(168,034)	(277,541)	(693,206)	(95,524)	(9,987)	-	(8,758)	(1,253,050)
Depreciation charge	(27,603)	(82,396)	(73,795)	(12,585)	(1,268)	-	-	(197,647)
Disposals	186	6,610	15,149	4,178	102	-	-	26,225
Transfers	(29)	(81)	(370)	315	182	-	(17)	-
Reversal of impairment	14	137	568	589	-	-	1,541	2,849
Effect of translation to presentation currency	(9,275)	(15,718)	(37,549)	(5,199)	(514)	-	(443)	(68,698)
Balance at 31 December 2017	(204,741)	(368,989)	(789,203)	(108,226)	(11,485)	-	(7,677)	(1,490,321)
Depreciation charge	(28,204)	(100,947)	(58,309)	(15,052)	(1,097)	-	-	(203,609)
Disposals	1,068	1,166	21,047	2,867	274	-	24	26,446
Impairment	-	-	-	-	-	-	(878)	(878)
Effect of translation to presentation currency	37,625	72,762	138,480	19,679	2,042	-	1,398	271,986
Balance at 31 December 2018	(194,252)	(396,008)	(687,985)	(100,732)	(10,266)	-	(7,133)	(1,396,376)
Net Book Value								
Balance at 1 January 2017	534,513	525,850	450,611	107,267	9,977	7,601	608,334	2,244,153
Balance at 31 December 2017	560,667	658,501	453,519	100,792	8,541	8,031	671,897	2,461,948
Balance at 31 December 2018	476,541	728,093	357,413	131,829	6,696	6,688	680,716	2,387,976

7 Property, plant and equipment (continued)

Allocation of depreciation charge for the period is presented below:

Allocation of depreciation charge for the period	Note	2018	2017
Cost of sales	20	176,565	169,512
Distribution costs	21	11,154	11,847
General and administrative expenses	22	9,738	7,862
Other operating expenses		1,206	1,364
Capitalised within assets under construction		4,946	7,062
Total		203,609	197,647

Fully depreciated assets still in use

As at 31 December 2018 and 31 December 2017, the gross carrying value of fully depreciated property, plant and equipment still in use was US\$ 329,365 and US\$ 416,046 respectively.

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

	2018	2017
Capitalised interest expenses	42,647	36,280
Capitalised foreign exchange losses	20,512	600
Total capitalised borrowing costs	63,159	36,880

In 2018, the Group used average interest capitalisation rate 4.6% (2017: 4.2%).

8 Goodwill

	2018	2017
Carrying value at 1 January	1,024,146	972,536
Effect of translation to presentation currency	(174,995)	51,610
Carrying value at 31 December	849,151	1,024,146

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

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

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

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

	2018	2017
RR/US\$ exchange rate (till 2040)	From 65 to 97.7	From 61 to 138
Growth rate beyond one year	4.0% p.a.	4.0% p.a.
US\$ weighted average cost of capital	10.9% p.a.	10.2% p.a.
Long-term inflation rate in Russia	4.0% p.a.	4.0% p.a.

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

9 Intangible assets

	Note	Mining licences	Software	Other	Total
Cost					
Balance at 1 January 2017		3,214,118	16,473	9,576	3,240,167
Additions		-	603	903	1,506
Disposals		-	(946)	(209)	(1,155)
Effect of translation to presentation currency		170,566	874	508	171,948
Balance at 31 December 2017		3,384,684	17,004	10,778	3,412,466
Additions		-	1,027	519	1,546
Disposals		-	(1,717)	(61)	(1,778)
Effect of translation to presentation currency		(578,339)	(2,850)	(1,882)	(583,071)
Balance at 31 December 2018		2,806,345	13,464	9,354	2,829,163
Accumulated amortisation					
Balance at 1 January 2017		(361,614)	(5,219)	(3,947)	(370,780)
Amortisation charge	20, 22	(45,327)	(2,394)	(870)	(48,591)
Disposals		-	884	2	886
Effect of translation to presentation currency		(19,782)	(296)	(223)	(20,301)
Balance at 31 December 2017		(426,723)	(7,025)	(5,038)	(438,786)
Amortisation charge	20, 22	(54,274)	(2,950)	(879)	(58,103)
Disposals		-	1,704	18	1,722
Effect of translation to presentation currency		78,197	1,383	890	80,470
Balance at 31 December 2018		(402,800)	(6,888)	(5,009)	(414,697)
Net book value					
Balance at 1 January 2017		2,852,504	11,254	5,629	2,869,387
Balance at 31 December 2017		2,957,961	9,979	5,740	2,973,680
Balance at 31 December 2018		2,403,545	6,576	4,345	2,414,466

10 Inventories

	31 December 2018	31 December 2017
Raw materials and spare parts	62,575	65,213
Finished products	67,105	16,986
Work in progress	3,750	3,671
Other inventories	6,206	6,069
Total inventories	139,636	91,939

11 Trade and other receivables

	31 December 2018	31 December 2017
Financial receivables		
Trade receivables at amortised cost	241,218	484,536
Trade receivables at FVTOCI	63,260	-
Contract assets	4,150	-
Other receivables	16,616	11,936
Less: allowance for ECL	(18,877)	(14,010)
Total financial receivables	306,367	482,462
Non-financial receivables		
VAT recoverable	40,527	49,570
Other taxes recoverable	798	1,927
Other non-financial receivables	4,195	-
Total non-financial receivables	45,520	51,497
Total trade and other receivables	351,887	533,959

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

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

As at 31 December 2018, ECL for other receivables of US\$ 7,076 (1 January 2018: US\$ 4,044) was measured at an amount equal to 12-month ECL, ECL for other receivables of US\$ 9,540 (1 January 2018: US\$ 7,892) was measured at an amount equal lifetime ECL.

Movements of the allowance for ECL were as follows:

	2018		2017	
	Trade receivables	Other receivables	Trade receivables	Other receivables
31 December – calculated under IAS 39	(6,920)	(7,090)	(6,673)	(6,640)
Adjustment IFRS 9 (Note 3)	(539)	(41)	-	-
Opening balance at 1 January	(7,459)	(7,131)	(6,673)	(6,640)
Allowance accrued	(6,244)	(3,494)	(762)	(1,138)
Allowance reversed	1,219	708	490	345
Allowance utilised	606	417	188	710
Foreign exchange (loss) / gain, net	(674)	-	190	(13)
Effect of translation to presentation currency	1,733	1,442	(353)	(354)
Balance at 31 December	(10,819)	(8,058)	(6,920)	(7,090)

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

11 Trade and other receivables (continued)

Analysis of trade and other receivables by quantity of days overdue is as follows:

31 December 2018	Current	less than 45 days overdue	45 to 90 days overdue	over 90 days overdue	Total
Gross carrying amount - trade receivables (insured)	153,376	17,590	72	63	171,101
Gross carrying amount - trade receivables (non-insured)	116,799	12,221	2,562	5,945	137,527
Gross carrying amount - other receivables	5,312	1,764	677	8,863	16,616
Allowance for ECL	(1,713)	(1,641)	(2,390)	(13,133)	(18,877)

1 January 2018	Current	less than 45 days overdue	45 to 90 days overdue	over 90 days overdue	Total
Gross carrying amount - trade receivables (insured)	307,743	6,510	-	-	314,253
Gross carrying amount - trade receivables (non-insured)	158,008	4,514	144	7,617	170,283
Gross carrying amount - other receivables	2,711	1,333	813	7,079	11,936
Allowance for ECL	(747)	(104)	(330)	(13,409)	(14,590)

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

12 Derivative financial instruments

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

					Notional amount	
					31 December 2018	31 December 2017
	The Group pays	The Group receives	Issue	Maturity		
Cross-currency interest rate swap	US\$ at fixed rate	RR at fixed rate	2018	2023	US\$ 239 mln (RR 15,000 mln)	-
	US\$ at fixed rate	RR at fixed rate	2018	2021	US\$ 149 mln (RR 10,000 mln)	-
	US\$ at fixed rate	RR at fixed rate	2017	2020	US\$ 265 mln (RR 15,000 mln)	US\$ 265 mln (RR 15,000 mln)
	US\$ at floating rate	RR at floating rate	2013	2018	-	US\$ 250 mln (RR 8,213 mln)
Interest rate swap					US\$ 333 mln (RR 23,134 mln)	US\$ 833 mln (RR 47,981 mln)
	US\$ at fixed rate	US\$ at floating rate	2016	2019	US\$ 1,000 mln (RR 69,470 mln)	US\$ 1,000 mln (RR 57,600 mln)
	US\$ at fixed rate	US\$ at floating rate	2017	2020		

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

	31 December 2018	31 December 2017
Assets		
Current derivative financial assets	30,261	16,783
Non-current derivative financial assets	338	6,047
Total derivative financial assets	30,599	22,830
Liabilities		
Current derivative financial liabilities	(7,130)	(109,815)
Non-current derivative financial liabilities	(121,523)	(11,609)
Total derivative financial liabilities	(128,653)	(121,424)

12 Derivatives (continued)

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

	Note	2018	2017
Balance at 1 January		98,594	277,125
Cash proceeds from derivatives		17,816	12,710
Cash paid for derivatives		(111,507)	(151,792)
Changes in the fair value	24	106,246	(51,662)
Effect of translation to presentation currency		(13,095)	12,213
Balance at 31 December		98,054	98,594

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

13 Cash and cash equivalents

	Interest rates	31 December 2018	31 December 2017
Cash on hand and bank balances			
RR denominated cash on hand and bank balances		49,716	73,165
US\$ denominated bank balances		475,309	856,422
EUR denominated bank balances		31,226	32,387
Other currencies denominated balances		369	110
Highly liquid risk-free bonds		-	70,158
Term deposits			
US\$ term deposits	0.6% p.a. - 3.5% p.a. (31 December 2017: 0.6% p.a. - 1.38% p.a.) 4% p.a. - 7.4% p.a.	452,327	39,134
RR term deposits	(31 December 2017: 5.7% p.a. - 6.52% p.a.)	4,068	1,233
Total cash and cash equivalents		1,013,015	1,072,609

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

In 2017, the Group purchased US government bonds. These bonds were short-term, highly liquid with AAA rating from Fitch and Moody's agencies and were considered risk-free. These bonds were sold in 2018.

14 Equity

	Number of ordinary shares (in millions)	Number of preference shares (in millions)	Number of treasury shares (in millions)	Ordinary shares	Preference shares	Treasury shares	Total
At 1 January 2017	2,936	-	(1,596)	35,762	-	(26,909)	8,853
Treasury shares purchased	-	-	(11)	-	-	(192)	(192)
At 31 December 2017	2,936	-	(1,608)	35,762	-	(27,101)	8,661
At 1 January 2018	2,936	-	(1,608)	35,762	-	(27,101)	8,661
Treasury shares purchased	-	-	(52)	-	-	(895)	(895)
Issuance of own shares	-	30	-	-	239	-	239
At 31 December 2018	2,936	30	(1,660)	35,762	239	(27,996)	8,005

The number of unissued authorised ordinary shares is 1,730 million (31 December 2017: 1,730 million) with a nominal value per share of 0.720 US cents (0.5 RR) (31 December 2017: 0.868 US cents (0.5 RR)).

14 Equity (continued)

The number of unissued authorised preference shares is 120 million (31 December 2017: 150 million) with a nominal value per share of 0.720 US cents (0.5 RR) (31 December 2017: 0.868 US cents (0.5 RR)) according to the Company's Charter on 27 July 2018. In 2018, the Company issued 30 million preference shares.

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

Treasury shares. During 2018, the Company purchased 51,908,433 (2017: 11,109,568) ordinary shares for a total amount of US\$ 125,640 (2017: US\$ 26,104) as a result of a mandatory redemption procedure pursuant to Russian Federal Law On Joint Stock Companies. The difference between the total acquisition cost of US\$ 125,640 (2017: US\$ 26,104) and the nominal value of the shares of US\$ 895 (2017: US\$ 192) was reflected as a decrease in share premium.

As at 31 December 2018, the treasury shares comprise 1,659,834,963 ordinary shares (31 December 2017: 1,607,926,530) represented by the shares and GDRs of the Company.

On 16 November 2018, the Board of Directors of the Company recommended to the shareholders to approve a major transaction (that together with other related transactions is worth over 50% of the carrying value of the Company's assets) to increase the credit limit of one of the Group's loan facilities with Sberbank. On 26 December 2018, this transaction was approved by the general shareholders meeting. According to the Federal Law on Joint Stock Companies the shareholders who voted against or did not take part in voting on the transaction became entitled to submit their shares to the Company for buyback. As at 31 December 2018, the Group did not accrue any liabilities in the statement of financial position related to the major transaction. Within the 45-day period prescribed by the law (which ended on 9 February 2019), 7,537,670 ordinary shares were to be repurchased for a total amount of RR 666 million (US\$ 9.6 million).

Delisting. The Moscow Stock Exchange downgraded the listing of the Company's shares from Level 1 to Level 3 effective from 26 June 2017 following a decrease of the Company's free float to below 7.5% of the issued capital for over six months. Taking into account this fact and the reduced trading activity with the Company's shares on the Moscow exchange, the Board of Directors unanimously recommended that the Company's shareholders approve the delisting of the Company's shares from the Moscow Exchange. On 18 December 2017, the delisting was approved by the extraordinary general shareholders' meeting ("EGM"). As of the reporting date, the delisting procedure has not been completed yet.

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

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

The difference between the total value of the issue of US\$ 51,226 and the nominal value of preference shares of US\$ 239 was reflected as an increase in share premium.

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

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

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

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

15 Borrowings

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

Short-term bank loans and current portion of long-term bank loans due within 12 months	Interest rates	31 December 2018	31 December 2017
Bank loans in US\$: floating interest	From 3 month LIBOR + 1.45% to 3 month LIBOR + 3.55% (31 December 2017: From 1 month Libor +2.2% to 3 month LIBOR +3.55%)	1,259,371	1,145,987
Bank loans in US\$: fixed interest	From 3.8% to 5.22% (31 December 2017: From 3.8% to 4.61%)	2,570	1,852
Bank loans in EUR: floating interest	6 month EURIBOR + 1.05%	1,674	-
Bank loans in RR: floating interest	(31 December 2017: 3 month MosPrime + 2.59%)	-	144,018
Total short-term bank loans and current portion of long-term bank loans due within 12 months		1,263,615	1,291,857
Long-term bank loans			
Bank loans in US\$: floating interest	From 3 month Libor + 1.45% to 3 month LIBOR + 3.55% (31 December 2017: From 1 month LIBOR +2.2% to 3 month LIBOR +3.55%)	2,228,939	2,731,858
Bank loans and other borrowings in US\$: fixed interest	From 3% to 5.22% (31 December 2017: From 3.8% to 4.61%)	993,045	749,629
Bank loans in EUR: floating interest	6 month EURIBOR + 1.05%	10,816	-
Total long-term bank loans and borrowings		3,232,800	3,481,487
Finance lease payable			
Short-term finance lease payable		17	18
Long-term finance lease payable		7,585	9,179
Total finance lease payable		7,602	9,197
Total borrowings		4,504,017	4,782,541

	2018	2017
Balance at 1 January	4,773,344	6,409,114
Bank loans and other borrowings received, denominated in US\$	1,550,625	1,603,010
Bank loans received, denominated in EUR	16,883	-
Bank loans repaid, denominated in US\$	(1,708,783)	(3,056,349)
Bank loans repaid, denominated in EUR	(1,851)	-
Bank loans repaid, denominated in RR	(130,964)	(187,651)
Interest accrued	233,176	278,922
Interest paid	(232,449)	(293,041)
Recognition of syndication fees and other financial charges	(14,820)	(13,486)
Amortisation of syndication fees and other financial charges	12,425	20,727
Foreign exchange loss / (gain), net	826,278	(292,516)
Effect of translation to presentation currency	(827,449)	304,614
Balance at 31 December	4,496,415	4,773,344

As at 31 December 2018 and 31 December 2017, no equipment or inventories were pledged as security for bank loans.

15 Borrowings (continued)

As at 31 December 2018, bank loans amounting US\$ 2,585,075 (31 December 2017: US\$ 2,025,340) were collateralised by future sales proceeds of the Group under export contracts with certain customers.

In March 2016, a credit line agreement with Sberbank was signed in the amount of up to US\$ 3.9 billion for the purpose of refinancing of other loans received from the bank as well as for other general corporate purposes, which, together with related agreements, were secured by way of pledge to Sberbank of the Company's shares and GDRs constituting 28.6% of the Company's issued ordinary shares (equivalent of 389,981,286 ordinary shares and 89,959,526 GDRs). In 2017 and 2018, amendments to Sberbank facilities were signed – the term of the credit facility was extended and the interest rate was decreased. Funds under the committed credit line in the amount of US\$ 2.0 billion are available to be drawn down from 1 January 2020 till 31 December 2020; funds in the amount of US\$ 1.9 billion are available to be drawn down from 23 November 2019 till 19 June 2020.

In April 2017, the Company signed a revolving credit line agreement in the amount of up to US\$ 750 million with Sberbank, Sberbank AG (Switzerland) and SIB LIMITED (CYPRUS). The availability period of the credit line is 3 years, during which the Company can borrow funds in tranches and with different maturities within the limit and the tenor of the credit line availability. The funds raised can be used for the Company's general corporate purposes, including refinancing of its current debt obligations. In October 2018, the Company signed an amendment to the credit line agreement. The amount of the line was increased to US\$ 1,250 million. The final maturity date should not exceed 1 July 2023. As at 31 December 2018, the credit line was utilised in the amount of US\$ 950 million.

On 16 August 2017, the Company signed a US\$ 850 million 5-year pre-export facility with 11 international banks. The interest rate is 1 month LIBOR + 2.2%. The loan was used for refinancing of the Company's existing loans including PXF facilities of 2013 and 2015 and for general corporate purposes. As at 31 December 2018, the credit line was fully utilised.

In October 2017, the Company signed uncommitted revolving facility agreement in the amount up to US\$ 500 million with Gazprombank with an availability period of 23 months from the signing date. The borrower shall apply all amounts borrowed by it under the facility towards its general corporate purposes (including, but not limited to, refinancing of its existing indebtedness). As at 31 December 2018, the Company has not utilised the facility.

In January 2018, the Company signed an uncommitted revolving credit facility in the amount of up to US\$ 100 million with Credit Agricole, which is available for one year. In December 2018, the availability period was extended till 31 March 2019. As at 31 December 2018, the Company has not utilised the facility.

In May 2018, the Company signed an uncommitted credit facility in the amount of up to US\$ 80 million with Rosbank, which is available for two years. As at 31 December 2018, the Company has not utilised the facility.

In June 2018, the Company signed a US\$ 825 million 5-year pre-export facility with 11 international banks. The interest rate is 1 month LIBOR + 1.9%. The loan was used for refinancing of the Company's existing loans and for general corporate purposes. As at 31 December 2018, US\$ 825 million of the facility was drawn-down.

The Group was in compliance with all financial and non-financial covenants as at 31 December 2018.

16 Bonds

In April 2013, the Group issued US\$ denominated Eurobonds at the nominal value of US\$ 650 million bearing a coupon of 3.723% p.a. maturing in 2018. These bonds were fully redeemed in 2018.

In May 2017, the Company issued RR bonds in the amount of RR 15 billion (US\$ 265.4 million) under its exchange bond programme. The coupon rate was 8.80% p.a., coupon period is 182 days. Nominal value of the bond is RR 1,000. The bond matures in 3 years. The Group has concluded cross-currency interest rate swap agreements to translate debt and interest payments to US\$ (Note 12).

In October 2017, JSC "Uralkali-Technologia" sold bonds issued by the Company to JSC VTB Capital. At the same time the Company entered into an interest rate swap to exchange the coupon rate with the interest rate of financing (Note 12).

In June 2018, the Company issued RR bonds in the amount of RR 15 billion (US\$ 241 million) at par under its exchange bond programme. The coupon rate was 7.70% p.a., and the coupon period is 182 days. Nominal value of the bond is RR 1,000. The bond matures in 5 years. The Group has concluded cross-currency interest rate swap agreements to translate debt and interest payments to dollars (Note 12).

In November 2018, the Company issued RR bonds in the amount of RR 10 billion (US\$ 148 million) at par under its exchange bond programme. The coupon rate was 9.30% p.a., and the coupon period is 182 days. Nominal value of the bond is RR 1,000. The bond matures in 3 years. The Group has concluded cross-currency interest rate swap agreements to translate debt and interest payments to dollars (Note 12).

	2018	2017
Balance at 1 January	1,661,191	584,907
Issuance of bonds	389,056	1,070,181
Redemption of bonds	(581,900)	-
Interest accrued	96,723	44,125
Interest paid	(95,424)	(32,480)
Recognition of syndication fees and other financial charges	(678)	(745)
Amortisation of syndication fees	472	604
Foreign exchange loss / (gain), net	196,957	(31,019)
Effect of translation to presentation currency	(270,527)	25,618
Balance at 31 December	1,395,870	1,661,191

	31 December 2018	31 December 2017
Short-term bonds		
Short-term bonds quoted on Irish Stock Exchange	-	585 329
Short-term bonds quoted on Moscow Stock Exchange	820 627	15 908
Total short-term bonds	820,627	601,237
Long-term bonds		
Long-term bonds quoted on Moscow Stock Exchange	575 243	1,059,954
Total long-term bonds	575,243	1,059,954
Total bonds	1,395,870	1,661,191

17 Provisions

	Note	Filling cavities	Asset retirement obligations	Resettle- ment	Mine flooding	Restruc- turing	Legal	Total
Balance at 1 January 2017		98,182	64,290	10,822	9,223	6,287	19,006	207,810
Changes in estimates added to property, plant and equipment	7	77,675	(19,952)	-	-	-	-	57,723
Changes in estimates charged to profit or loss		-	-	(817)	(3,152)	(32)	-	(4,001)
Accrual of provision		-	613	10,084	-	-	6,084	16,781
Utilisation of provision		(18,079)	-	(3,397)	(896)	(140)	(66)	(22,578)
Reversal of provision		-	-	-	-	-	(21,476)	(21,476)
Unwinding of the present value discount		8,522	5,724	54	799	555	808	16,462
Effect of translation to presentation currency		6,100	3,234	652	447	339	817	11,589
Current liabilities		23,314	-	11,179	1,033	297	5,173	40,996
Non-current liabilities		149,086	53,909	6,219	5,388	6,712	-	221,314
Balance at 31 December 2017		172,400	53,909	17,398	6,421	7,009	5,173	262,310
Changes in estimates added to property, plant and equipment	7	150,413	72,447	-	-	-	-	222,860
Changes in estimates charged to profit or loss		-	-	137	6,343	702	-	7,182
Accrual of provision		-	-	-	-	-	362	362
Reversal of provision		-	-	-	-	-	(123)	(123)
Utilisation of provision		(23,366)	(518)	(10,268)	(1,564)	(159)	(4,691)	(40,566)
Unwinding of the present value discount		10,483	4,475	378	389	426	-	16,151
Effect of translation to presentation currency		(42,844)	(16,649)	(2,023)	(1,600)	(1,292)	(451)	(64,859)
Current liabilities		58,264	-	2,316	1,641	329	270	62,820
Non-current liabilities		208,822	113,664	3,306	8,348	6,357	-	340,497
Balance at 31 December 2018		267,086	113,664	5,622	9,989	6,686	270	403,317

Due to changes in 2018 (Note 4.2 Provision for filling cavities) the provision for filling cavities, provision for asset retirement obligations and mine flooding provision increased by US\$ 136 million, US\$ 49 million and US\$ 6 million, respectively as at 31 December 2018.

In the first half of 2018, the Group revised methodology of mines flooding protection due to changes in regulatory requirements. The above changes in the regulatory requirements caused the mining period revision, which is resulted in change in the provision for asset retirement obligations to the amount of by US\$ 27 million.

18 Trade and other payables

	31 December 2018	31 December 2017
Financial payables		
Trade payables	49,813	66,334
Accrued liabilities	72,581	90,552
Salary payable and related accruals	39,498	53,798
Other payables	24,618	37,716
Total financial payables	186,510	248,400
Non-financial payables		
Other taxes payable	23,676	19,342
Other non-financial payables	7,559	5,176
Total non-financial payables	31,235	24,518
Total trade and other payables	217,745	272,918

As at 31 December 2018, trade and other payables of US\$ 12,889 (31 December 2017: US\$ 42,716) were denominated in foreign currencies: 67% of this balance was denominated in US\$ (31 December 2017: 38%) and 31% was denominated in Euro (31 December 2017: 54%).

19 Revenues

	Note	2018	2017
Potassium chloride		1,580,990	1,710,530
Potassium chloride (granular)		896,629	959,164
Revenue from rendering transportation services	3	190,174	-
Other revenues		85,784	91,180
Total revenues		2,753,577	2,760,874

20 Cost of sales

	Note	2018	2017
Depreciation	7	176,565	169,512
Employee benefits		168,110	168,708
Materials and components		115,310	123,929
Fuel and energy		101,865	108,085
Repairs and maintenance		64,703	43,526
Amortisation of licences	9	54,274	45,327
Transportation between mines by railway		12,636	12,228
Change in work in progress, finished goods and goods in transit		(41,156)	36,951
Other costs		50,560	30,810
Total cost of sales		702,867	739,076

21 Distribution costs

	Note	2018	2017
Railway tariff and rent of wagons		242,806	301,033
Freight		208,477	248,343
Transport repairs and maintenance		29,806	31,892
Commissions and marketing expenses		23,813	23,003
Transshipment		21,212	28,817
Employee benefits		17,244	10,855
Depreciation	7	8,176	8,567
Other costs		81,389	95,294
Total distribution costs		632,923	747,804

Depreciation of property, plant and equipment in the amount of US\$ 2,978 is included into Transport repairs and maintenance and Transshipment costs (2017: US \$3,280).

22 General and administrative expenses

	Note	2018	2017
Employee benefits		95,600	89,953
Depreciation	7	9,738	7,862
Consulting, audit and legal services		7,227	4,349
Mine rescue crew		5,924	6,134
Security		5,783	6,475
Materials and fuel		5,167	5,182
Communication and information system services		4,480	4,413
Amortisation of intangible assets	9	3,829	3,264
Repairs and maintenance		3,546	3,167
Other expenses		33,358	26,591
Total general and administrative expenses		174,652	157,390

23 Other operating income and expenses

		2018	2017
Loss on disposals of property, plant and equipment and intangible assets		6,241	8,318
Change in legal provision	17	239	(15,392)
Social cost and charity		6,784	6,242
Other operating expenses / (income), net		4,566	(5,572)
Total other operating expenses / (income), net		17,830	(6,404)

24 Finance income and expenses

	Note	2018		2017	
		Income	Expenses	Income	Expenses
Foreign exchange (loss) / gain		-	(737,676)	271,908	-
Interest income / (expenses)		40,149	(287,252)	25,600	(286,767)
Fair value (loss) / gain on derivative financial instruments, net	12	-	(106,246)	51,662	-
Loss from unwinding and effect of changes in effective interest rate, net		-	(43,070)	-	(14,590)
Fair value losses on investments		-	(33,850)	-	-
Syndication fees and other financial charges		-	(19,660)	-	(50,243)
Letters of credit fees		-	(10,710)	-	(4,349)
Loss from associate		-	(1,071)	-	(1,463)
Finance lease expense		-	(850)	-	(915)
Other finance income / (loss)		6,032	(549)	966	(94)
Total finance income / (loss)		46,181	(1,240,934)	350,136	(358,421)
Total finance expenses, net		-	(1,194,753)	-	(8,285)

The syndication fees and other financial charges in 2017 include the write-off of the prepaid commission in the amount of US\$ 16,641 related to a US\$ 1.5 billion credit line from Sberbank. The credit line was available till 3 March 2017. This credit line has not been used due to it being more costly as compared to other available funding options.

25 Income tax expense

	2018	2017
Current income tax expense	9,976	156,527
Adjustments recognised in the period for current income tax of prior periods	(107)	(6,187)
Deferred income tax (benefit) / expense	94,871	68,049
Income tax expense	104,740	218,389

Income before taxation and non-controlling interests for consolidated financial statements purposes is reconciled to income tax as follows:

	2018	2017
Profit before income tax	(7,734)	(1,093,017)
Theoretical tax charge at a rate of 16.5%	1,276	180,348
Corrections of profit tax for prior years	(107)	(6,187)
Tax effect of expenses which are not deductible, net	3,541	14,567
Effect of different tax rates in countries and regions	(1,720)	(3,565)
Effect of changes in tax rate	106,625	457
Write-off of deferred tax asset	2,392	27,779
Effect of previously unrecognised tax losses for disposed entities	-	5,501
Other	(7,267)	(511)
Income tax expense	104,740	218,389

As at 31 December 2018, most companies of the Group were registered in the Russian Federation, Perm region and were taxed at a rate from 16.5% to 20%, however, the main income tax temporary differences relate to the Company, which was taxed at a preferential tax rate of 16.5% in 2018.

In August 2018, the Legislative Assembly of the Perm region enacted a law, among others, imposing a limitation on minimal income tax rates and cancelling the preferential tax rate application from 2021. However as in 2016 the Company concluded a regional special investment contract valid until 2022, the Company is able to apply the minimum income tax rate of 16.5% until 31 December 2022. Starting from 2023, the Company will apply the general income tax rate of 20%.

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

25 Income tax expense (continued)

Due to changes in legislation, the Group revised the impact of 20% income tax rate on the temporary differences that are expected to be realised after 2022, the corresponding difference is recognised in profit or loss.

In 2018 and 2017, foreign subsidiaries were taxed applying respective national income tax rates.

The tax effect of the movements in the temporary differences for the year ended 31 December 2018 was the following:

	31 December 2017	Recognised in profit or loss	Adjustment, IFRS 9	Effect of translation to presentation currency	31 December 2018
Tax effects of taxable and deductible temporary differences					
Property, plant and equipment	(189,436)	(70,188)	-	39,201	(220,423)
Intangible assets	(490,480)	(77,785)	-	91,380	(476,885)
Inventories	2,242	(1,518)	-	(235)	489
Borrowings	(6,572)	(604)	-	1,182	(5,994)
Trade and other receivables	4,448	6,253	102	(1,384)	9,419
Prepaid transaction costs on bank facilities	(11,623)	(8,324)	-	2,803	(17,144)
Derivative financial instruments	16,278	5,231	-	(3,291)	18,218
Trade and other payables	(461)	1,758	-	(92)	1,205
Tax loss carry-forward	1,762	7,048	-	(987)	7,823
Provisions	45,173	43,408	-	(11,945)	76,636
Other	(321)	(150)	-	70	(401)
Total net deferred tax liability	(628,990)	(94,871)	102	116,702	(607,057)

The tax effect of the movements in the temporary differences for the year ended 31 December 2017 was the following:

	31 December 2016	Recognised in profit or loss	Effect of translation to presentation currency	31 December 2017
Tax effects of taxable and deductible temporary differences				
Property, plant and equipment	(153,573)	(27,356)	(8,507)	(189,436)
Intangible assets	(473,305)	7,840	(25,015)	(490,480)
Inventories	6,029	(4,054)	267	2,242
Borrowings	(6,290)	51	(333)	(6,572)
Trade and other receivables	(2,027)	6,489	(14)	4,448
Prepaid transaction costs on bank facilities	(13,432)	2,498	(689)	(11,623)
Derivative financial instruments	45,726	(31,463)	2,015	16,278
Trade and other payables	1,510	(2,025)	54	(461)
Tax loss carry-forward	19,651	(18,687)	798	1,762
Provisions	34,294	8,942	1,937	45,173
Other	9,588	(10,284)	375	(321)
Total net deferred tax liability	(531,829)	(68,049)	(29,112)	(628,990)

Deferred tax balances presented in the consolidated statement of financial position were as follows:

	31 December 2018	31 December 2017
Deferred income tax asset	24,278	16,615
Deferred income tax liability	(631,335)	(645,605)
Deferred income tax liability, net	(607,057)	(628,990)

As at 31 December 2018, the Group has not recognised a deferred income tax liability in respect of taxable temporary differences associated with investments in subsidiaries in the amount of US\$ 187,832 (31 December 2017: US\$ 177,482). The Group controls the timing of the reversal of these temporary differences and does not expect their reversal in the foreseeable future.

26 Contingencies, commitments and operating risks

26.1 Legal proceedings

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

26.2 Tax legislation

Laws and regulations affecting business in the Russian Federation continue to change rapidly. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for three calendar years preceding the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects on the consolidated financial statements could be significant.

According to the amendments introduced into the Russian tax legislation, the undistributed profits of the Group foreign subsidiaries, recognised as controlled foreign companies, may result in an increase of the tax base of the controlling entities. According to current forecasts the profits of controlled foreign companies does not increase the taxable profits of the Company due to application of appropriate norms of tax legislation of the Russian Federation. Despite the fact that the Group has developed a tax planning strategy with regard to the legislation on controlled foreign companies applicable to the Group foreign subsidiaries, Management of the Group does not exclude the fiscal approach of regulating authorities to the order of determination of taxable profits in controlling entities of the Group in Russia.

Since 1 January 2019, the VAT rate in Russia has increased from 18% to 20%. In Russia, VAT rate of 20% has been applied prospectively since 1 January 2019 (2018: 18%).

26.3 Insurance

The Company generally enters into insurance agreements when it is required by statutory legislation. The insurance agreements do not cover the risks of damage to third parties' property resulting from the Group's underground activities and the risks reflected in Note 4.

26.4 Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. In the current enforcement climate under existing legislation, Management believes that there are no significant liabilities for environmental damage due to legal requirements except for those mentioned in Note 4. The Group's mining activities and the recent mine flooding may cause subsidence that may affect the Group's facilities, and those of the cities of Berezniki and Solikamsk, State organisations and others.

26.5 Operating environment of the Group

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

The Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014, the oil price decreased significantly.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. This led to reduced access of the Russian businesses to international capital markets.

26 Contingencies, commitments and operating risks (continued)

The impact of further economic and political developments on future operations and financial position of the Group might be significant.

26.6 Capital expenditure commitments

As at 31 December 2018, the Group had contractual commitments for the purchase of property, plant and equipment and intangible assets for US\$ 442,986 (31 December 2017: US\$ 485,160) from third parties. As at 31 December 2018 and 31 December 2017, the Group had no contractual commitments for the purchase of property, plant and equipment from related parties.

The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover these and any similar commitments.

26.7 Operating lease commitments

As at 31 December 2018 and 31 December 2017, the Group leased property, plant and equipment, mainly land plots. The future minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2018	31 December 2017
Not later than 1 year	3,285	3,139
Later than 1 year and not later than 5 years	8,945	8,724
Later than 5 years	31,187	9,355
Total future minimum lease payments	43,417	21,218

27 Financial risk management

27.1 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to reduce the cost of capital.

27.2 Categories of financial instruments

	Note	31 December 2018	31 December 2017
Financial assets			
Loan receivable (including interests receivable)	5	400,615	379,232
Trade and other receivables	11	306,367	482,462
Derivative financial assets	12	30,599	22,830
Other financial assets		15	1,927
Cash and cash equivalents	13	1,013,015	1,072,609
Financial liabilities			
Borrowings and finance lease	15	4,504,017	4,782,541
Bonds	16	1,395,870	1,661,191
Derivative financial liabilities	12	128,653	121,424
Trade and other payables	18	186,510	248,400

27 Financial risk management (continued)

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.

27 Financial risk management (continued)

(b) Credit risk

Credit risk arises from the possibility that counterparties to transactions may default on their obligations, causing financial losses for the Group. The objective of managing credit risk is to prevent losses of liquid funds deposited in counterparties.

Financial assets, which potentially subject Group entities to credit risk, consist primarily of loan issued, trade receivables, cash and bank deposits.

As at 31 December 2018, the maximum exposure to credit risk resulting from financial assets is equal to the carrying amount of the Group's financial assets of US\$ 1,750,611 (31 December 2017: US\$ 1,959,060).

The Group is not exposed to significant concentrations of credit risk. As at 31 December 2018, the Group had 62 counterparties (31 December 2017: 63 counterparties), each of them having receivables balances above US\$ 1,000. The total aggregate amount of these balances was US\$ 300,091 (31 December 2017: US\$ 462,644) 92% of the total amount of financial trade and other receivables (31 December 2017: 98%). Cash and short-term deposits are placed in banks and financial institutions, which are considered at the time of deposit to have optimal balance between rate of return and risk of default. The Group has no other significant concentrations of credit risk.

As at 31 December 2018, the Group has a loan issued to a related party which gives exposure to credit risk at the amount of US\$ 400,615 (31 December 2017: US\$ 379,232).

Loan to related parties and pledge agreements (Note 5) involve related parties without publicly available credit ratings. Management therefore prepared financial models to assess the credit risk associated with loans to related parties and pledged agreements which involved a number of judgements as described in Note 4. The impairment methodology on loans to related parties is described in Note 2.

Trade receivables are subject to a policy of active credit risk management which focuses on an assessment of ongoing credit evaluation and account monitoring procedures. The objective of the management of trade receivables is to sustain the growth and profitability of the Group by optimising asset utilisation while at the same time maintaining risk at an acceptable level.

The effective monitoring and controlling of credit risk is performed by the Group's corporate treasury function. The credit quality of each new customer is analysed before the Group enters into contractual agreements. The credit quality of customers is assessed taking into account their financial position, past experience, country of origin and other factors. Management believes that the country of origin is one of the major factors affecting a customer's credit quality and makes a corresponding analysis (Note 11). Most customers from developing countries are supplied on secured payment terms, including letters of credit or factoring arrangements. These terms include deliveries against opened letters of credit and arrangements with banks on non-recourse discounting of promissory notes received from customers.

Although the collection of receivables could be influenced by economic factors, Management believes that there is no significant risk of loss to the Group beyond the provision already recorded (Note 11).

27 Financial risk management (continued)

The table below shows the credit quality of cash, cash equivalents and deposits neither past due nor impaired on the reporting date, based on the credit ratings of independent agencies as at 31 December 2018 and 31 December 2017, if otherwise not stated in table below:

Rating - Moody's, Fitch, Standard&Poor's	31 December 2018	31 December 2017
From AAA / Aaa to A- / A3	207,823	172,577
From BBB+ / Baa1 to BBB- / Baa3	492,213	836,201
From BB+ / Ba1 to B- / B3	305,857	7,716
Unrated*	7,122	56,115
Total cash and cash equivalents, not past due nor impaired	1,013,015	1,072,609

* Unrated balance contains cash on hand and other cash equivalents.

(c) Liquidity risk

In accordance with prudent liquidity risk Management, the Management of the Group aims to maintain sufficient cash in order to meet its obligations. Group treasury aims to maintain sufficient level of liquidity based on monthly cash flow budgets, which are prepared for the year ahead and continuously updated during the year.

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the time remaining from the reporting to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows at spot rates.

At 31 December 2018	Note	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	18	186,510	-	-	186,510
Borrowings		1,467,802	3,350,206	123,061	4,941,069
Bonds		878,469	669,981	-	1,548,450
Finance lease liabilities		781	3,122	28,067	31,970
Derivative financial liabilities		-	40,218	-	40,218
Total		2,533,562	4,063,527	151,128	6,748,217

At 31 December 2017	Note	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	18	248,400	-	-	248,400
Borrowings		1,485,196	3,631,248	60,509	5,176,953
Bonds		662,368	1,119,912	-	1,782,280
Finance lease liabilities		941	3,765	34,416	39,122
Derivative financial liabilities		106,987	1,851	-	108,838
Total		2,503,892	4,756,776	94,925	7,355,593

28 Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Management has used all available market information in estimating the fair value of financial instruments.

The table below discloses the Group's financial assets and financial liabilities stated at amortised cost within levels of the fair value hierarchy:

Financial assets	Level	31 December 2018		31 December 2017	
		Carrying value	Fair value	Carrying value	Fair value
Loan issued (including interests receivable)	3	400,615	382,970	379,232	383,413
Trade and other receivables	3	306,367	306,367	482,427	482,427
Other financial assets	3	15	15	1,912	1,912
Total		706,997	689,352	863,571	867,752

Financial liabilities	Level	31 December 2018		31 December 2017	
		Carrying value	Fair value	Carrying value	Fair value
Borrowings	3	4,504,017	4,492,803	4,782,541	4,771,134
Bonds	1	1,395,870	1,377,855	1,661,191	1,645,938
Trade and other payables	3	186,510	186,511	248,402	248,402
Total		6,086,397	6,057,169	6,692,134	6,665,474

29 Principal subsidiaries

The Group had the following principal subsidiaries as at 31 December 2018 and 31 December 2017:

Name	Nature of business	Percentage of voting rights	Percentage of ownership	Country of registration
LLC "SMT "BSHSU"	Construction	100.00%	100.00%	Russia
LLC "Vagon Depo Balahonzi"	Repair and maintenance	100.00%	100.00%	Russia
LLC "Uralkali-Remont"	Repair and maintenance	100.00%	100.00%	Russia
LLC "Avtotranskali"	Transportation	100.00%	100.00%	Russia
JSC "Baltic Bulker Terminal"	Sea terminal	100.00%	100.00%	Russia
JSC "VNII Galurgii"	Scientific institute	85.25%	85.25%	Russia
Uralkali Trading SIA	Trading	100.00%	100.00%	Latvia
Uralkali Trading Chicago	Trading	100.00%	100.00%	USA

30 Events after reporting date

On 15 February 2019, the Company repurchased 7,537,670 ordinary shares for a total amount of RR 666 million (US\$ 9.6 million) (Note 14). The Company has no outstanding obligation related to this transaction.

In March 2019, the Company signed uncommitted credit facilities in the amount of up to 50 million Euro with ING Bank, which is available for 36 months and in the amount of up to 105 million Euro with Commerzbank, which is available for 18 months. As at issue date the ING Bank's credit line was fully utilised, the Commerzbank's credit line was utilised in the amount of 100 million Euro.



URALKALI GROUP

Consolidated financial statements
for the year ended 31 December 2017

Contents	Page
Independent Auditor's Report	1
Consolidated Statement of Financial Position	5
Consolidated Statement of Profit or Loss	6
Consolidated Statement of Other Comprehensive Income	7
Consolidated Statement of Cash Flows	8
Consolidated Statement of Changes in Equity	9

Notes to the Consolidated Financial Statements

1	The Uralkali Group and its operations	10
2	Basis of preparation and significant accounting policies	10
3	IFRS standards update	19
4	Critical accounting judgements and key sources of estimation uncertainty	21
5	Related parties	25
6	Segment information	26
7	Property, plant and equipment	28
8	Goodwill	30
9	Intangible assets	31
10	Inventories	31
11	Trade and other receivables	32
12	Derivative financial instruments	33
13	Cash and cash equivalents	34
14	Equity	34
15	Borrowings	35
16	Bonds	37
17	Provisions	38
18	Trade and other payables	39
19	Revenues	39
20	Cost of sales	39
21	Distribution costs	40
22	General and administrative expenses	40
23	Other operating income and expenses	40
24	Finance income and expenses	41
25	Income tax expense	41
26	Contingencies, commitments and operating risks	43
27	Financial risk management	44
28	Fair value of financial instruments	47
29	Principal subsidiaries	48
30	Events after reporting date	49

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Public Joint Stock Company "Uralkali" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of profit or loss, other comprehensive income, statement of changes in equity and statement of cash flows for 2017, 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 2017, and its consolidated financial performance and its consolidated cash flows for 2017 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. We do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Assessment of compliance with covenants	<p>We obtained an understanding of the process of monitoring compliance with financial and non-financial covenants stipulated in loan agreements.</p>
<p>Refer to Note 2 Basis of preparation and significant accounting policies and Note 15 Borrowings.</p>	<p>We reviewed the terms and conditions of loan agreements and recalculated covenants.</p>
<p>The Group is highly leveraged with net debt of US\$ 5,371,123 thousand as at 31 December 2017 and it has to comply with certain financial and non-financial covenants stipulated in loan agreements.</p>	<p>We challenged Management's key assumptions used in the financial forecast by:</p>
<p>In addition to the analysis of compliance with covenants at the reporting date, Management prepares financial forecasts to assess the Group's ability to comply with covenants in the future. These financial forecasts are particularly sensitive to changes in foreign currency exchange rates and long-term potash prices.</p>	<ul style="list-style-type: none"> • assessing covenant compliance forecasts, including stress tests scenarios and related mitigation plans; • testing the appropriateness of Management's assumptions including foreign currency exchange rates and potash prices, inflation rate, and discount rate based on the available market information; and • performing our own sensitivity analysis to test the adequacy of the available headroom related to covenant compliance.
Recoverability of the loan issued	<p>Our audit procedures included, but were not limited to, understanding the methodology and analysing the valuation model and inputs used by Management to assess the recoverability of the loan.</p>
<p>Refer to Note 4 Critical accounting judgements and key sources of estimation uncertainty in applying accounting policies and Note 5 Related parties.</p>	<p>We evaluated the appropriateness and consistency of Management's judgments and estimates, including the following:</p>
<p>The Group issued a loan to a related party amounting to US\$ 379,232 thousand as at 31 December 2017 to finance business operations of the related party. After initial recognition, the loan is measured at amortised cost using the effective interest rate method, less any loss allowances for expected credit losses.</p>	<ul style="list-style-type: none"> • comparing key assumptions used in the cash flows model to the available market information; • assessing sensitivity of the model to changes in key parameters; • challenging historical accuracy of Management and market forecasts.
<p>This is a key audit matter due to the materiality of the outstanding balance as at 31 December 2017 and the significance of Management's estimates and judgements involved in assessing the recoverability of the loan. These estimates and judgements primarily relate to projections of long-term potash prices and foreign currency exchange rates.</p>	<p>We assessed the financial condition and financial performance of the related party and obtained confirmation from the related party of the outstanding balance at 31 December 2017.</p>
	<p>We considered whether subsequent amendments to the loan agreement after the balance-sheet date had any impact on Management's assessment of the recoverability of the loan.</p>

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report and Quarterly report for the 1st quarter of 2018, but does not include the consolidated financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Annual report and Quarterly report for the 1st quarter of 2018, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;

- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.


Chaban Dmitriy,
Engagement partner


3 April 2018



Audited entity: Public Joint Stock Company "Uralkali"

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

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

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

Audit Firm: ZAO "Deloitte & Touche CIS"

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

Primary State Registration Number: 1027700425444

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

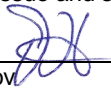
Member of Self-regulated organization of auditors "Russian Union of auditors" (Association), ORNZ 11603080484

URALKALI GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2017
(in thousands of US dollars, unless otherwise stated)



	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	7	2,461,948	2,244,153
Prepayments for acquisition of property, plant and equipment and intangible assets		221,246	186,831
Goodwill	8	1,024,146	972,536
Intangible assets	9	2,973,680	2,869,387
Deferred income tax asset	25	16,615	47,408
Income tax prepayments		-	26,222
Prepaid transaction costs on bank facilities		70,397	81,410
Loan issued	5	-	188,762
Investment in associate		23,789	23,942
Derivative financial assets	12	6,047	-
Other non-current assets		63,242	3,600
Total non-current assets		6,861,110	6,644,251
Current assets			
Inventories	10	91,939	162,036
Trade and other receivables	11	533,959	261,554
Advances to suppliers		26,608	27,502
Income tax prepayments		3,812	32,868
Derivative financial assets	12	16,783	-
Loan issued	5	379,232	-
Other financial assets		1,927	68,267
Cash and cash equivalents	13	1,072,609	1,485,521
Total current assets		2,126,869	2,037,748
TOTAL ASSETS		8,987,979	8,681,999
EQUITY			
Share capital	14	35,762	35,762
Treasury shares	14	(27,101)	(26,909)
Share premium		483,572	509,484
Currency translation reserve		(3,717,237)	(3,739,971)
Retained earnings		4,362,544	3,486,183
Equity attributable to the company's equity holders		1,137,540	264,549
Non-controlling interests		12,017	11,533
TOTAL EQUITY		1,149,557	276,082
LIABILITIES			
Non-current liabilities			
Borrowings	15	3,490,666	4,590,673
Bonds	16	1,059,954	582,357
Post-employment and other long-term benefit obligations		36,604	34,424
Deferred income tax liability	25	645,605	579,237
Provisions	17	221,314	164,683
Derivative financial liabilities	12	11,609	123,753
Other non-current liabilities		14,027	-
Total non-current liabilities		5,479,779	6,075,127
Current liabilities			
Borrowings	15	1,291,875	1,827,201
Bonds	16	601,237	2,550
Trade and other payables	18	272,918	247,356
Advances received		22,448	49,604
Provisions	17	40,996	43,127
Derivative financial liabilities	12	109,815	153,372
Current income tax payable		19,354	7,580
Total current liabilities		2,358,643	2,330,790
TOTAL LIABILITIES		7,838,422	8,405,917
TOTAL LIABILITIES AND EQUITY		8,987,979	8,681,999

Approved for issue and signed on behalf of the Board of Directors on 3 April 2018:


Dmitry Osipov
Chief Executive Officer


Anton Vishanenko
Chief Financial Officer

The accompanying notes on pages 10 to 49 are an integral part of these consolidated financial statements.

URALKALI GROUP
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2017
(in thousands of US dollars, unless otherwise stated)



	Note	2017	2016
Revenues	19	2,760,874	2,278,249
Cost of sales	20	(739,076)	(549,766)
Gross profit		2,021,798	1,728,483
Distribution costs	21	(747,804)	(547,676)
General and administrative expenses	22	(157,390)	(154,082)
Taxes other than income tax		(21,706)	(25,414)
Other operating income/(expenses), net	23	6,404	(12,741)
Operating profit		1,101,302	988,570
Finance (expenses)/income, net	24	(8,285)	768,126
Profit before income tax		1,093,017	1,756,696
Income tax expense	25	(218,389)	(329,550)
Net profit for the period		874,628	1,427,146
Profit/(loss) attributable to:			
Company's equity holders		873,979	1,427,283
Non-controlling interests		649	(137)
Net profit for the period		874,628	1,427,146
Weighted average number of ordinary shares in issue (million)		1,336	1,417
Earnings per share – basic and diluted (in US cents)		65.42	100.73

The accompanying notes on pages 10 to 49 are an integral part of these consolidated financial statements.

URALKALI GROUP
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017
(in thousands of US dollars, unless otherwise stated)



	2017	2016
Net profit for the period	874,628	1,427,146
Other comprehensive income/(loss)		
Items that will not be reclassified to profit:		
Remeasurement of post-employment benefit obligations	2,382	1,579
Effect of translation to presentation currency	22,734	(33,475)
Total other comprehensive income/(loss) for the period	25,116	(31,896)
Total comprehensive income for the period	899,744	1,395,250
Total comprehensive income/(loss) for the period attributable to:		
Company's equity holders	899,095	1,395,387
Non-controlling interests	649	(137)

The accompanying notes on pages 10 to 49 are an integral part of these consolidated financial statements.

URALKALI GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017



(in thousands of US dollars, unless otherwise stated)

	Note	2017	2016
Cash flows from operating activities			
Profit before income tax		1,093,017	1,756,696
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets	7,9	239,176	194,151
Loss on disposals of property, plant and equipment and intangible assets	23	8,318	9,322
Loss on/(reversal of) impairment of prepayments for acquisition of property, plant and equipment and intangible assets		448	(2,207)
(Reversal)/accrual of provision for obsolete inventories		(798)	3,770
(Reversal)/accrual of impairment of property, plant and equipment and assets under construction		(2,849)	3,191
Accrual/(reversal) of impairment of trade and other receivables and advances to suppliers		1,304	(991)
Change in provisions, net	17	(8,696)	9,436
Fair value gain on derivative financial instruments, net	24	(51,662)	(184,983)
Foreign exchange gain, net	24	(271,908)	(888,967)
Other finance expenses, net		331,855	305,824
Operating cash flows before working capital changes		1,338,205	1,205,242
(Increase)/decrease in trade and other receivables and advances to suppliers		(277,104)	165,064
Decrease/(increase) in inventories		78,687	(4,042)
Decrease in trade and other payables, advances received and provisions		(18,275)	(4,634)
(Decrease)/increase in other taxes payable/receivable		(6,934)	16,037
Cash generated from operations		1,114,579	1,377,667
Interest paid		(326,436)	(318,848)
Income taxes paid net of refunds received		(77,643)	(46,835)
Net cash generated from operating activities		710,500	1,011,984
Cash flows from investing activities			
Acquisition of property, plant and equipment		(269,782)	(317,399)
Acquisition of intangible assets		(1,106)	(5,732)
Proceeds from sales of property, plant and equipment		2,575	590
Loan issued		(333,973)	(477,438)
Proceeds from loan repayments		160,192	292,536
Purchase of other financial assets		(1,704)	-
Proceeds from sale of other financial assets		70,010	-
Dividend and interest received		10,149	13,504
Net cash used in investing activities		(363,639)	(493,939)
Cash flows from financing activities			
Repayments of borrowings	15	(3,244,000)	(910,977)
Proceeds from borrowings	15	1,603,010	1,370,533
Proceeds from issuance of bonds	16	1,070,181	-
Arrangement fees and other financial charges paid		(32,391)	(112,269)
Cash proceeds from derivatives	12	12,710	14,671
Cash paid for derivatives	12	(151,792)	(215,620)
Purchase of treasury shares	14	(26,104)	(506,134)
Decrease in restricted cash		-	200,000
Acquisition of subsidiaries, net of cash acquired		(165)	-
Finance lease payments		(34)	(40)
Dividends paid to the Company's shareholders		-	(106)
Net cash used in financing activities		(768,585)	(159,942)
Effect of changes in foreign exchange rate on cash and cash equivalents		8,812	15,540
Net (decrease)/increase in cash and cash equivalents		(412,912)	373,643
Cash and cash equivalents at the beginning of the period	13	1,485,521	1,111,878
Cash and cash equivalents at the end of the period	13	1,072,609	1,485,521

The accompanying notes on pages 10 to 49 are an integral part of these consolidated financial statements.

	Attributable to equity holders of the Company						Non-controlling interests	Total
	Share capital	Treasury shares	Share premium	Retained earnings	Currency translation reserve	Total		
Balance as at 1 January 2016	35,762	(23,953)	1,012,662	2,057,321	(3,706,496)	(624,704)	11,670	(613,034)
Profit/(loss) for the period	-	-	-	1,427,283	-	1,427,283	(137)	1,427,146
Other comprehensive income/(loss)	-	-	-	1,579	(33,475)	(31,896)	-	(31,896)
Total comprehensive income/(loss) for the period	-	-	-	1,428,862	(33,475)	1,395,387	(137)	1,395,250
Transactions with equity shareholders								
Purchase of treasury shares (Note 14)	-	(2,956)	(503,178)	-	-	(506,134)	-	(506,134)
Total transactions with equity shareholders	-	(2,956)	(503,178)	-	-	(506,134)	-	(506,134)
Balance as at 31 December 2016	35,762	(26,909)	509,484	3,486,183	(3,739,971)	264,549	11,533	276,082
Profit for the period	-	-	-	873,979	-	873,979	649	874,628
Other comprehensive income	-	-	-	2,382	22,734	25,116	-	25,116
Total comprehensive income for the period	-	-	-	876,361	22,734	899,095	649	899,744
Transactions with equity shareholders								
Purchase of non-controlling interest	-	-	-	-	-	-	(165)	(165)
Purchase of treasury shares (Note 14)	-	(192)	(25,912)	-	-	(26,104)	-	(26,104)
Total transactions with equity shareholders	-	(192)	(25,912)	-	-	(26,104)	(165)	(26,269)
Balance as at 31 December 2017	35,762	(27,101)	483,572	4,362,544	(3,717,237)	1,137,540	12,017	1,149,557

The accompanying notes on pages 10 to 49 are an integral part of these consolidated financial statements.

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 Mineral Resource Usage Department in the Privolzhskii Federal district for the extraction of potassium, magnesium and sodium salts from the Durimanskiy, Bigelsko-Troitsky, Solikamskiy (north and south parts) and Novo-Solikamskiy plots of the Verkhnekamskoye field. The licences were prolonged on 1 April 2013 till 2018 – 2021 at nominal cost. In 2016 licences previously valid till 2018 were prolonged till 2043 – 2055 (north part of Solikamskiy plot, Bigelsko-Troitsky and Novo-Solikamskiy plots). In 2017 the licences for the south part of Solikamskiy plot and Durimanskiy plot previously valid till 2021 were prolonged till 2026 and 2024, respectively. The Company also owns licences for the Ust'-Yaivinskiy plot of the Verkhnekamskoye field, which expires in 2024, for the Polovodovski plot of the Verkhnekamskoye field, which expires in 2054, and for the Romanovskoye plot of the Verkhnekamskoye field, which expires in 2039. In 2017 the Company received a licence for geological exploration of the Izverski plot on the territory of Usolsky and Alexandrovsky districts of the Perm region, which is valid until 2022.

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

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

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.

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

After making appropriate enquires, the Management considers that the Group has adequate resources to cover the working capital deficit and continue in operational existence for at least the next 12 months from the 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 the Note 15.

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

2 Basis of preparation and significant accounting policies (continued)

Basis of presentation

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

2.2 Consolidated financial statements

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

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

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

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

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

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

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

2.3 Non-controlling interests

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

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

2.4 Property, plant and equipment

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

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

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

2 Basis of preparation and significant accounting policies (continued)

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 and are recognised in profit or loss.

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

	Useful lives in years
Buildings	10 to 60
Mining assets ¹	5 to 30
Plant and equipment	2 to 30
Transport vehicles	5 to 15
Other	2 to 15
Land	Not depreciated

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

2.5 Operating leases

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

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.

¹ Mining assets include mine infrastructure and present value of future decommissioning and filling cavities costs. Depreciation methods applied to these mining assets as well as their useful lives are stated in Note 4. Future decommissioning costs for buildings and equipment are included in Buildings and Plant and equipment groups.

2 Basis of preparation and significant accounting policies (continued)

2.8 Intangible assets

The Group's intangible assets, other than goodwill, have definite useful lives and primarily include mining licences. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, or, in the case of assets acquired in a business combination, at fair value as at the date of the combination and subsequently on the same basis as intangible assets that are acquired separately.

Expenditure on software, patents, trademarks and non-mineral licences are capitalised and amortised using the straight-line method over their useful lives. Mining licences are amortised under a unit of production method.

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

2.9 Financial assets and liabilities

Classification of financial assets and liabilities

The Group classifies its financial assets into the following measurement categories: (a) financial assets at fair value through profit or loss; (b) loans and receivables; (c) investments held-to-maturity; and (d) available-for-sale financial assets.

Derivative financial instruments, represented by cross-currency interest rate and interest rate swaps, are carried at their fair value. Derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The income received from currency-interest rate swap transactions reduces interest expense. The Group does not apply hedge accounting.

All other financial assets except for loans and receivables and cash are included in the available-for-sale category.

Financial liabilities have the following measurement categories: (a) financial liabilities at fair value through profit or loss (FVTPL) and (b) other financial liabilities. Changes in value are recognised in profit or loss for the year (as finance income or finance costs) in the period in which they arise. Other financial liabilities are carried at amortised cost.

Measurement of financial assets and liabilities

Depending on their classification, financial instruments are carried at fair value, cost or amortised cost, as described below.

Trade and other receivables are measured at amortised cost using the effective interest method. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss.

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. Cash and cash equivalents are carried at amortised cost using the effective interest method. 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.

2 Basis of preparation and significant accounting policies (continued)

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.

Pledge agreements are initially measured at their fair values and, if not designated as at fair value through profit or loss (FVTPL), are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Borrowings are 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 are accrued when the counterparty has performed its obligations under contract and are carried at amortised cost using the effective interest method.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

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

- (i) level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date,
- (ii) level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly, and
- (iii) level 3 inputs are unobservable inputs for the asset or liability.

Initial recognition of financial assets and liabilities

Derivatives and other financial assets at fair value through profit or loss are initially recorded at fair value. All other financial assets/liabilities are initially recorded at fair value plus/minus transaction costs. Fair value at initial recognition is best evidenced by the transaction price.

A gain or loss on initial recognition is only recorded if there is a difference between the fair value and the transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. All regular way purchases and sales of financial instruments are recognised on the trade date, which is the date that the Group commits to purchase or sell the financial instrument.

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.

2 Basis of preparation and significant accounting policies (continued)

Derecognition of financial assets and liabilities

The Group derecognises financial assets when: (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired; or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets; or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

2.10 Income tax

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

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

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

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

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

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

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

2.11 Inventories

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

2 Basis of preparation and significant accounting policies (continued)

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

2.12 Share capital

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

2.13 Treasury shares

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

2.14 Dividends

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

2.15 Value added tax (VAT)

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

2.16 Borrowing costs

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

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

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that a cash outflow will be required to settle the obligation and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain.

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

2 Basis of preparation and significant accounting policies (continued)

2.18 Foreign currency translation

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

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

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

- (i) assets and liabilities for consolidated statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (ii) income and expenses for consolidated statements of profit or loss, other comprehensive income and cash flows are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses and cash flows are translated at the dates of the transactions);
- (iii) components of equity are translated at the historic rate; and
- (iv) all resulting exchange differences are recognised in other comprehensive income.

Foreign currency exchange rates

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

	31 December 2017		31 December 2016	
	US\$	Euro	US\$	Euro
closing rate	57.60	68.87	60.66	63.81
average rate	58.35	65.90	67.03	74.23

2.19 Revenue recognition

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods under the appropriate INCOTERMS specified in the sales contracts, unless other terms are specified in a separate clause in the sales contracts;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Revenue from sales of products other than potassium chloride (such as carnallite, salts, etc.) is recognised as Other revenue.

2 Basis of preparation and significant accounting policies (continued)

2.20 Transshipment, transport repairs and maintenance costs

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

2.21 Employee benefits

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

2.22 Social costs

The Group incurs social costs related to the provision of benefits such as health services and charity costs related to various social programmes. These amounts have been charged to other operating expenses.

2.23 Pension costs

In the normal course of business, the Group contributes to the Russian Federation state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed as incurred.

For defined benefit pension plans, the cost of providing benefits is determined using the Projected Unit Credit Method and is charged to profit or loss so as to spread the cost over the service period of the employees. An interest cost representing the unwinding of the discount rate on the scheme liabilities is charged to profit or loss. The liability recognised in the consolidated statement of financial position, in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date. The plans are not externally funded. The defined benefit obligation is calculated annually by the Group. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms of maturity approximating the terms of the relevant pension liability.

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

2.24 Earnings/loss per share

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

2.25 Segment reporting

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

3 IFRS standards update

The following is a list of new or amended IFRS standards and interpretations that have been applied by the Group for the first time in these annual consolidated financial statements:

Title	Subject	Effect on the consolidated financial statements
Amendments to IAS 7	Statement of cash flows	The Group's liabilities arising from financing activities consist of borrowings (note 15), bonds (note 16) and derivative financial liabilities (note 12). A reconciliation between the opening and closing balances of these items is provided in notes 15, 16 and 12. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in notes 15, 16 and 12, the application of these amendments has had no impact on the Group's consolidated financial statements.
Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses	No effect.
Amendments to IFRS 12	Disclosure of interests in other entities	No effect.

With the exception of specific items mentioned above, the adoption of these new and revised standards and interpretations had no effect on the amounts reported as well as the presentation and disclosure of information in the consolidated financial statements of the Group.

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

Title	Subject	Effective for annual periods beginning on or after	Expected effect on the consolidated financial statements
IFRS 9	Financial Instruments	1 January 2018	No significant changes are anticipated, see below.
IFRS 15	Revenue from Contracts with Customers	1 January 2018	Under review, see below.
IFRS 16	Leases	1 January 2019	Under review, see below.
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018	No significant changes are anticipated
IFRIC 23	Uncertainty Over Income Tax Treatments	1 January 2019	Under review
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined later	Not applicable
Amendments to IFRS 9	Prepayment Features With Negative Compensation	1 January 2019	No significant changes are anticipated
Amendments to IAS 28	Long-Term Interests in Associates and Joint Ventures	1 January 2019	Not applicable

IFRS 9 Financial Instruments

IFRS 9 will change the classification and measurement principles for financial assets, but is not anticipated to have a significant impact on the consolidated financial statements. The key areas of IFRS 9 which will impact the Group relate to the classification of financial assets and the application of the expected loss model.

All recognised financial assets currently within the scope of IAS 39 will be subsequently measured at either amortised costs, fair value through profit or loss (FVTPL), or fair value through other comprehensive income (FVTOCI) under IFRS 9 depending on the contractual cash flows of the instrument and the business model under which it is held.

3 IFRS standards update (continued)

No significant changes are anticipated in classification and measurement of financial instruments, except for classification of factored receivables which will be accounted at FVTOCI.

The impairment model for financial assets under IFRS 9 will reflect expected credit losses and changes in those expected credit losses as opposed to reflecting only for incurred credit losses under IAS 39.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as required or permitted by IFRS 9. In relation to loans to related parties and pledge agreements (Note 5), Management does not expect to recognise any credit losses within the next 12 months.

In general, Management anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

The Group has assessed the impact of the adoption of IFRS 9 on the Group's consolidated financial statements as insignificant.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract with the customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contracts;
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group recognises revenue from the following major sources:

- sale of goods;
- complex service (sale of goods and delivery and package services);
- other revenue.

Management is currently assessing full potential effect of IFRS 15 implementation.

3 IFRS standards update (continued)

IFRS 16 Leases

As at 31 December 2017, the Group has non-cancellable operating lease commitments of 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 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 the application of the Group's accounting policies, which are described in Note 2, Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Group 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 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 previously valid until 2018 were prolonged to 2043–2055 (north part of Solikamskiy plot, Bigelsko-Troitsky and Novo-Solikamskiy plots). Management assesses the remaining useful life of mining licences on the basis of the expected mining reserves.

The estimated remaining useful life of certain property, plant and equipment and mineral resources is beyond the expiry date of the relevant mining licences (Note 1). Management believes that in future the licences will be further renewed in due order at nominal cost. Any changes to this assumption could significantly affect prospective depreciation and amortisation charges and asset carrying values.

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.

Provisions for mine Solikamsk-2 flooding

On 18 November 2014, a burst of suprasalt water was detected into the mined-out area of Solikamsk-2 ("SKRU-2"), which was caused by the negative development of the 1995 accident related to a mass collapse of the rock and subsequent substantial destruction of the water-proof layer – emergency circumstances which could not be prevented.

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

Comprehensive mitigation plan was developed immediately and has been executed throughout 2015–2017.

In line with the accident mitigation plan, the Group continues to comprehensively monitor the situation. Currently the Group is implementing a number of engineering and other arrangements to minimise the impact of the accident and reduce suprasalt water inflows into the mine.

The major uncertainties associated with the provision for mine Solikamsk-2 flooding are as follows:

- amount of expenses which are best available estimates of future costs;
- period of time over which expenses are expected to be incurred. The major cash outflows are expected to be incurred up to 2023; and
- in 2017 Management applied the discount rate of 7.3% based on government bonds interest rates (2016: from 8.2% to 8.4%).

As at the date of 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 Solikamsk-2 flooding other than those disclosed in the consolidated financial statements for the year ended 31 December 2017.

Provisions for mine Berezniki-1 flooding

Since 28 October 2006, the Group ceased production operations at the Berezniki-1 mine due to natural groundwater inflow that reached a level which could not be properly controlled by the Group.

In January 2007 the Government Committee for the prevention of negative consequences of the accident caused by the flooding of a mine in the Verkhnekamskoye field in Perm Region was set up. The Committee is still working, and a series of measures to prevent any negative consequences of the accident in Berezniki-1 are in place. The Company conducts constant monitoring and is involved in other monitoring and prevention activities.

Management believes that as at 31 December 2017 there are no liabilities relating to the Berezniki-1 flooding which are not recorded or not disclosed in the consolidated financial statements.

Provision for filling cavities

A provision has been established in the consolidated financial statements for the Group's obligation to replace the ore and waste extracted from the Solikamsk mines and Berezniki-2 and Berezniki-4 mines (Note 17).

Management initially estimated the amount of legal obligations for filling cavities within fixed assets. Remeasurement of an existing amount of these cavities that result from changes in estimates of mine surveys is recorded as an addition or disposal of an asset and is depreciated over its useful life using the straight-line method of depreciation. Unwinding of the discount is recognised in profit or loss in finance income and finance costs. The amount of expenses incurred due to filling of the cavities for other reasons is recognised in the current period in the consolidated statement of profit or loss.

The major uncertainties that relate to 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 2018 and 2044;
- 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 the State Mine Supervisory Body;
- 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 4.0% to 4.9% for the period starting from 2018 till 2020 (2016: from 4.5% to 5.4%). Starting from 2021, the expected inflation rate in the Russian Federation is forecasted to be 4.3% (2016: 4.7%); and
- In 2017, Management applied discount rates ranging from 7.1% to 9.3% based on government bonds interest rates (2016: from 8.2% to 8.6%).

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

Restructuring provision

The Group accrued a provision for the closing down of the processing and carnallite plants subdivision at Berezniki 1 (Note 17).

The major uncertainties that relate to the amount and timing of the cash outflows related to the restructuring works and assumptions made by Management in respect of these uncertainties are as follows:

- Estimated costs of dismantling and restoration works for the dismantling of the processing and carnallite plants at Berezniki-1;
- Estimated time to complete works. Major cash outflows are expected to occur till 2019;
- In 2017 Management applied discount rates ranging from 6.6% to 7.0% based on government bonds interest rates (2016: from 8.3% to 8.4%).

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 estimated lives of mines, therefore requiring estimates to be made over a long period.

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 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 scientific institutes JSC "NII Galurgii" and 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 that relate to the amount and timing of the cash outflows related to 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 occur principally between 2026 and 2069. These estimates are based on Management's current best assessment of the Group's current reserves;
- The extent of the restoration works which 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 licences;
- The future unit cost of decommissioning works may vary depending on the technology and the cost of resources used, as well as the inflation rate. The forecasted inflation rate in the Russian Federation is expected to be in the range of 4.0% to 4.9% for the period starting from 2018 till 2020 (2016: from 4.5% to 5.4%). Starting from 2021, the expected inflation rate in the Russian Federation is forecasted to be 4.3% (2016: 4.7%);
- In 2017, Management applied discount rates ranging from 7.6% to 9.3% based on government bonds interest rates (2016: from 8.5% to 8.6%).

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

During 2017, the Group completed its assessment of future costs to fulfil its current decommissioning obligations for Ust'-Yayvinskii mine. Total estimated provision for asset retirement obligations amounts to US\$ 613 as at 31 December 2017.

Provision for resettlement

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

Under this agreement the Company will allocate up to RR 1,264 mln (US\$ 21.9 mln at the exchange rate as at 31 December 2017) in addition to previously allocated funds according to the agreement concluded as at 5 December 2013. The expenses in the amount of RR 422 mln (US\$ 7.2 mln at the average exchange rate for 2017) are expected to be incurred not earlier than 2019 and were recognized in long-term provisions as at 31 December 2017 on a discounted basis.

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 about a range of technical and economic factors, including technology for construction of the mines, the level of capital expenditure needed to develop the deposit, the expected start of the 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 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 2017.

Classification and recoverability of a loan issued to a related party

In 2016 the Group issued an unsecured revolving loan facility to a related party for a period of 2 years. Management considered among other things, the interest rate, maturity of the loan and payment history of the debtor 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, rather than a transaction accounted for as a distribution to owners in the consolidated statement of changes in equity.

At the end of each reporting period, Management considers the financial position and financial performance of the debtor to identify whether the loan is recoverable. The ability of the debtor to repay the loan depends on returns from its investments in companies operating in the fertiliser industry. Management applied a number of significant assumptions in their financial model to assess the recoverability of the loan which are disclosed in Note 8.

Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations (Note 26.2).

5 Related parties

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

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

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

Outstanding balances with related parties under control of shareholders with significant influence over the Group	31 December 2017	31 December 2016
Loan issued including interest receivable	379,232	188,762
Trade and other receivables and other financial assets	17,776	39
Other non-current liabilities	14,026	-
Trade and other payables	5,308	4,163
Advances received	1,115	1,317

Outstanding balances with associate	31 December 2017	31 December 2016
Accrued liabilities	4,274	-
Trade and other payables	160	-
Trade and other receivables	83	-

The loan to a related party is a US\$ denominated unsecured revolving loan facility granted in April 2016 for a period of 2 years under market conditions and was prolonged in 2018 till 2023 (Note 30). The loan is given at a market rate with interests payable at the maturity date.

In December 2017, the Group entered into a share pledge agreement with PJSC "Sberbank of Russia" (hereinafter – "Sberbank") whereby the Company pledged some of its own shares held by JSC Uralkali-Technologiya as security for loans of a related party, as follows:

- 41,104,223 shares of PJSC Uralkali representing 1.4% of Company's share capital as primary pledge; and
- 252,497,366 shares of PJSC Uralkali representing 8.6% 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 at market terms and expires in 2023. As at 31 December 2017, the fair value of the pledged agreement of US\$ 17.7 mln for 6 years was recognised in other non-current assets, other payables and other non-current liabilities.

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

Transactions with related parties under control of shareholders with significant influence over the Group	2017	2016
Revenue (sales of potassium chloride)	39,357	27,497
Other revenue	1,355	1,264
Interest income	17,411	4,128
Purchase of inventories	11,156	7,416
Transportation expenses	10,406	6,365
Purchase of property, plant and equipment and assets under construction	2,077	1,651
General and administrative expenses	1,603	1,450
Other expenses	209	88

5 Related parties (continued)

Transactions with associate	2017	2016
Other income	-	6,317
Transshipment	4,920	4,288
Other distribution costs	5,081	4,686

Key management's compensation

Key management personnel compensation consists of remuneration paid to executive directors and other directors for their services in full- or part-time positions. Compensation is made up of annual remuneration and a performance bonus depending on operating results.

Key management's compensation is presented below:

	Expenses		Accrued liabilities	
	2017	2016	31 December 2017	31 December 2016
Short-term employee benefits	7,071	7,412	4,837	4,866
Termination benefits	137	134	-	-
Total	7,208	7,546	4,837	4,866

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 and transshipment costs;
- operating profit;
- cash capital expenditures net of VAT ("Cash CAPEX").

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

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

	Note	2017	2016
Revenues	19	2,760,874	2,278,249
Revenues net of freight, railway tariff and transshipment costs	19, 21	2,182,680	1,850,970
Operating profit		1,101,302	988,570
Cash CAPEX		270,888	323,130

6 Segment information (continued)

b) Geographical information

The analysis of Group sales by region was:	2017	2016
Russia	412,953	350,800
China, India, South East Asia	1,032,799	952,949
Latin America, USA	936,119	632,751
Europe, other countries	379,003	341,749
Total revenues	2,760,874	2,278,249

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

c) Major customers

The Group had no external customers which represented more than 10% of the Group's revenues in the years ended 31 December 2017 and 2016.

7 Property, plant and equipment

	Buildings	Mining assets	Plant and equipment	Transport	Other	Land	Assets under construction	Total
Cost								
Balance as at 1 January 2016	488,916	631,832	817,040	155,474	20,578	6,271	488,528	2,608,639
Additions	74	-	1,558	139	-	-	323,884	325,655
Changes in estimates added to property, plant and equipment (Note 17)	634	46,676	-	-	-	-	-	47,310
Commissioning of assets and transfers	105,932	1,915	157,932	17,116	(3,735)	74	(289,752)	(10,518)
Disposals	(4,000)	(996)	(18,445)	(2,468)	(226)	(14)	(6,678)	(32,827)
Effect of translation to presentation currency	110,991	123,964	185,732	32,530	3,347	1,270	101,110	558,944
Balance as at 31 December 2016	702,547	803,391	1,143,817	202,791	19,964	7,601	617,092	3,497,203
Additions	29	-	33	-	-	-	244,644	244,706
Changes in estimates added to property, plant and equipment (Note 17)	(12,566)	71,466	(1,177)	-	-	-	-	57,723
Recognition of asset related to decommissioning obligations (Note 17)	201	-	-	-	-	-	412	613
Commissioning of assets and transfers	38,135	115,622	55,869	3,334	(927)	24	(212,057)	-
Disposals	(548)	(7,963)	(16,965)	(7,810)	(105)	-	(3,629)	(37,020)
Effect of translation to presentation currency	37,610	44,974	61,145	10,703	1,094	406	33,112	189,044
Balance as at 31 December 2017	765,408	1,027,490	1,242,722	209,018	20,026	8,031	679,574	3,952,269

7 Property, plant and equipment (continued)

	Buildings	Mining assets	Plant and equipment	Transport	Other	Land	Assets under construction	Total
Accumulated depreciation and impairment								
Balance as at 1 January 2016	110,886	263,025	470,206	71,777	8,222	-	1,549	925,665
Depreciation charge	21,910	50,332	69,785	11,968	959	-	-	154,954
Disposals	(1,590)	(398)	(15,129)	(2,095)	(83)	-	-	(19,295)
Transfers	11,456	(82,315)	61,371	(1,829)	(716)	-	1,516	(10,517)
(Reversal of impairment)/impairment	(1,229)	4,663	(5,347)	512	-	-	4,592	3,191
Effect of translation to presentation currency	26,601	42,234	112,320	15,191	1,605	-	1,101	199,052
Balance as at 31 December 2016	168,034	277,541	693,206	95,524	9,987	-	8,758	1,253,050
Depreciation charge	27,603	82,396	73,795	12,585	1,268	-	-	197,647
Disposals	(186)	(6,610)	(15,149)	(4,178)	(102)	-	-	(26,225)
Transfers	29	81	370	(315)	(182)	-	17	-
(Reversal of impairment)/impairment	(14)	(137)	(568)	(589)	-	-	(1,541)	(2,849)
Effect of translation to presentation currency	9,275	15,718	37,549	5,199	514	-	443	68,698
Balance as at 31 December 2017	204,741	368,989	789,203	108,226	11,485	-	7,677	1,490,321
Net Book Value								
Balance as at 1 January 2016	378,030	368,807	346,834	83,697	12,356	6,271	486,979	1,682,974
Balance as at 31 December 2016	534,513	525,850	450,611	107,267	9,977	7,601	608,334	2,244,153
Balance as at 31 December 2017	560,667	658,501	453,519	100,792	8,541	8,031	671,897	2,461,948

In 2016 the Group changed the classification between groups of fixed assets due to the changes to approach of classification of assets as Mining assets.

7 Property, plant and equipment (continued)

Allocation of depreciation charge for the period	2017	2016
Cost of sales (Note 20)	169,512	130,724
Distribution costs (Note 21)	11,847	10,719
General and administrative expenses (Note 22)	7,862	6,784
Other operating expenses (Note 23)	1,364	885
Capitalised within assets under construction	7,062	5,842
Total	197,647	154,954

Fully depreciated assets still in use

As at 31 December 2017 and 31 December 2016 the gross carrying value of fully depreciated property, plant and equipment still in use was US\$ 416,046 and US\$ 385,964 respectively.

8 Goodwill

	2017	2016
Carrying value as at 1 January	972,536	809,397
Effect of translation to presentation currency	51,610	163,139
Carrying value as at 31 December	1,024,146	972,536

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.

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

	2017	2016
RR/US\$ exchange rate (till 2040)	From 61 to 138	From 65 to 123
Growth rate beyond one year	4.0% p.a.	4.0% p.a.
US\$ weighted average cost of capital	10.2% p.a.	10.9% p.a.
Long-term inflation rate	4.0% p.a.	From 3.0% to 6.4% p.a.

The Group did not recognise any impairment of goodwill in the consolidated financial statements for the years ended 31 December 2017 and 31 December 2016.

9 Intangible assets

	Note	Mining licences	Software	Other	Total
Cost					
Balance as at 1 January 2016		2,674,962	9,354	9,961	2,694,277
Additions		-	6,336	132	6,468
Disposals		-	(1,608)	(2,292)	(3,900)
Effect of translation to presentation currency		539,156	2,391	1,775	543,322
Balance as at 31 December 2016		3,214,118	16,473	9,576	3,240,167
Additions		-	603	903	1,506
Disposals		-	(946)	(209)	(1,155)
Effect of translation to presentation currency		170,566	874	508	171,948
Balance as at 31 December 2017		3,384,684	17,004	10,778	3,412,466
Accumulated amortisation					
Balance at 1 January 2016		(263,547)	(3,354)	(2,393)	(269,294)
Amortisation charge	20, 21, 22	(40,671)	(2,448)	(1,920)	(45,039)
Disposals of accumulated amortisation		-	1,372	956	2,328
Effect of translation to presentation currency		(57,396)	(789)	(590)	(58,775)
Balance as at 31 December 2016		(361,614)	(5,219)	(3,947)	(370,780)
Amortisation charge	20, 21, 22	(45,327)	(2,394)	(870)	(48,591)
Disposals of accumulated amortisation		-	884	2	886
Effect of translation to presentation currency		(19,782)	(296)	(223)	(20,301)
Balance as at 31 December 2017		(426,723)	(7,025)	(5,038)	(438,786)
Net book value					
As at 1 January 2016		2,411,415	6,000	7,568	2,424,983
As at 31 December 2016		2,852,504	11,254	5,629	2,869,387
As at 31 December 2017		2,957,961	9,979	5,740	2,973,680

10 Inventories

	31 December 2017	31 December 2016
Raw materials and spare parts	65,213	72,754
Finished products	16,986	77,330
Work in progress	3,671	4,553
Other inventories	6,069	7,399
Total inventories	91,939	162,036

11 Trade and other receivables

	31 December 2017	31 December 2016
Financial receivables		
Trade receivables	484,536	209,630
Other receivables	11,936	17,315
Less: provision for doubtful debt	(14,010)	(13,313)
Total financial receivables	482,462	213,632
Non-financial receivables		
VAT recoverable	49,570	47,286
Other taxes recoverable	1,927	636
Total non-financial receivables	51,497	47,922
Total trade and other receivables	533,959	261,554

As at 31 December 2017 trade receivables of US\$ 464,628 (31 December 2016: US\$ 189,513), net of provision for impairment, were denominated in foreign currencies; 89% of this balance was denominated in US\$ (31 December 2016: 88%) and 11% was denominated in Euro (31 December 2016: 12%).

Movements of the provision for doubtful debt were as follows:

	2017		2016	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Balance as at 1 January	(6,673)	(6,640)	(8,503)	(4,755)
Provision accrued	(762)	(1,138)	(7,585)	(2,858)
Provision reversed	490	345	10,618	892
Provision utilised	188	710	90	40
Foreign exchange gain/(loss), net	190	(13)	83	1,087
Effect of translation to presentation currency	(353)	(354)	(1,377)	(1,045)
Balance as at 31 December	(6,920)	(7,090)	(6,674)	(6,639)

The accrual and reversal of the provision for doubtful debt have been included in other operating expenses in the consolidated statement of profit or loss (Note 23). Amounts charged to the provision account are written off when there is no expectation of recovering additional cash.

Analysis by credit quality of trade and other receivables is as follows:

	31 December 2017		31 December 2016	
	Trade receivables	Other receivables	Trade receivables	Other receivables
<i>Current and not impaired</i>				
Insured	335,235	139	85,068	158
Not insured or factored	130,516	2,572	97,787	9,978
Total current and not impaired	465,751	2,711	182,855	10,136
<i>Past due but not impaired</i>				
less than 45 days overdue	11,024	1,333	12,319	404
45 to 90 days overdue	132	209	902	52
over 90 days overdue	709	593	6,880	84
Total past due but not impaired	11,865	2,135	20,101	540
<i>Impaired</i>				
45 to 90 days overdue	12	604	9	50
over 90 days overdue	6,908	6,486	6,665	6,589
Total amount of impaired accounts receivable	6,920	7,090	6,674	6,639
Total accounts receivable (gross)	484,536	11,936	209,630	17,315
Impairment provision	(6,920)	(7,090)	(6,674)	(6,639)
Total accounts receivable	477,616	4,846	202,956	10,676

11 Trade and other receivables (continued)

As at 31 December 2017 and 2016 no trade and other receivables were pledged as collateral.

Management carried out an assessment of past due but not impaired trade and other receivables, as a result of which concluded that no impairment is needed due to stable financial position and solvency of counterparties.

12 Derivative financial instruments

As at 31 December 2017, the derivative financial instruments were represented by:

	The Group pays	The Group receives	Issue	Maturity	Notional amount	
					31 December 2017	31 December 2016
Cross-currency interest rate swap	US\$ at floating rate US\$-ISDA+4.2%	RR at floating rate MosPrime 3m+2.59%	2013	2018	US\$ 250 mln (RR 8,213 mln)	US\$ 583 mln (RR 19,163 mln)
	US\$ at fixed rate 3.6%	RR at fixed rate 8.8%	2017	2020	US\$ 265 mln (RR 15,000 mln)	-
Interest rate swap	US\$ at fixed rate 1.52%-1.54%	US\$ at floating rate USD-Libor 3M	2016	2019	US\$ 833 mln (RR 47,981 mln)	-
	US\$ at fixed rate 1.82%-1.8425%	US\$ at floating rate USD-Libor 3M	2017	2020	US\$ 1,000 mln (RR 57,600 mln)	-

In 2017 in order to reduce the currency risk the Company concluded a zero-cost collar agreement (a combination of buying an option to sell and selling an option to purchase) for monthly sale of US\$ 25 mln for a 12 month period. The lower limit of the agreement RR 56.00 per US dollar and the upper limit is RR 76.25 – 79.9 per US dollar.

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

	31 December 2017	31 December 2016
Assets		
Current derivative financial assets	16,783	-
Non-current derivative financial assets	6,047	-
Total derivative financial assets	22,830	-
Liabilities		
Current derivative financial liabilities	109,815	153,372
Non-current derivative financial liabilities	11,609	123,753
Total derivative financial liabilities	121,424	277,125

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

	Note	2017	2016
Balance as at 1 January		277,125	585,603
Cash proceeds from derivatives		12,710	14,671
Cash paid for derivatives		(151,792)	(215,620)
Changes in the fair value	28	(51,662)	(184,983)
Effect of translation to presentation currency		12,213	77,454
Balance as at 31 December		98,594	277,125

13 Cash and cash equivalents

	Interest rates	31 December 2017	31 December 2016
Cash on hand and bank balances			
RR denominated cash on hand and bank balances		73,165	47,176
US\$ denominated bank balances		856,422	1,035,325
EUR denominated bank balances		32,387	45,281
Other currencies denominated balances		110	12,390
Highly liquid risk-free bonds		70,158	-
Term deposits			
	0.60% p.a. – 1.38% p.a. (31 December 2016:		
US\$ term deposits	0.51% p.a. – 1.73% p.a.) 5.70% p.a. – 6.52% p.a. (31 December 2016:	39,134	312,000
RR term deposits	5.21% p.a. – 9.40% p.a.)	1,233	33,349
Total cash and cash equivalents		1,072,609	1,485,521

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

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

14 Equity

	Number of ordinary shares (in millions)	Number of treasury shares (in millions)	Ordinary shares	Treasury shares	Total
As at 1 January 2016	2,936	(1,425)	35,762	(23,953)	11,809
Treasury shares purchased	-	(171)	-	(2,956)	(2,956)
As at 1 January 2017	2,936	(1,596)	35,762	(26,909)	8,853
Treasury shares purchased	-	(11)	-	(192)	(192)
As at 31 December 2017	2,936	(1,607)	35,762	(27,101)	8,661

The number of unissued authorised ordinary shares is 1,730 million (31 December 2016: 1,730 million) with a nominal value per share of 0.868 US cents (0.5 RR) (31 December 2016: 0.824 US cents (0.5 RR)). All shares stated in the table above have been issued and fully paid.

The number of unissued authorised preference shares is 150 million (31 December 2016: 0) with a nominal value per share of 0.868 US cents (0.5 RR) (31 December 2016: 0). At the reporting date preference shares were not issued.

Treasury shares. On 23 November 2015, the Company's Board of Directors approved an open market buyback programme in respect of shares and GDRs. The programme commenced on 24 November 2015 and expired on 31 March 2016. Since the launch of the Company's open market buyback programme, an aggregate of 101,117,702 shares and 8,506,136 GDRs representing 4.9% of the Company's share capital have been purchased (including 28,428,735 shares and 8,430,936 GDRs that were purchased during November-December 2015).

On 18 May 2016 the Company's Board of Directors approved another open market buyback programme in respect of Company's ordinary shares. This programme included the purchase of GDRs in privately negotiated transactions. The programme was open from 19 May to 19 September 2016. During this period the Group purchased 92,272,796 shares and 1,215,191 GDRs that in aggregate constitute 3.4% of the Company's share capital.

During 2016 and 2017 the Company purchased 46,211 and 11,109,568 ordinary shares correspondingly as a result of redemption right exercise pursuant to Joint Stock Company Law.

14 Equity (continued)

The total amount spent on purchase of ordinary shares and GDRs of the Company during 2017 was US\$ 26,104 (2016: US\$ 506,134). All transaction costs were included into the purchase price of shares and GDRs. The difference between the purchase price of US\$ 26,104 and the nominal value of the shares of US\$ 192 was accounted for as a decrease in Share premium.

Treasury shares as at 31 December 2017 comprise 1,607,926,530 ordinary shares (31 December 2016: 1,596,816,962) represented by shares and GDRs of the Company owned by JSC "UK-Technologia", wholly owned subsidiary of the Group.

Preference shares. On 18 December 2017 the extraordinary general shareholders' meeting (the "EGM") made decision to increase the share capital of the Company by way of issuance of 150,000,000 non-convertible preferred shares, which will be placed by way of closed subscription to major shareholders of the Company at a price to be determined by the Board of Directors prior to the offering.

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

The Moscow Stock Exchange made decision to downgrade the listing of Company's shares from Level 1 to Level 3 effective from 26 June 2017 following the decrease of the free float of the Company's shares to 7.5% of the issued capital for a period longer than 6 months. Taking into account this fact and the reduced volume of trading in the Company's shares on the stock exchange, the Board of Directors unanimously recommended to the Company's shareholders to approve the delisting of the Company's shares from the Moscow Exchange. On 18 December 2017 EGM made decision on delisting of the Company's shares from Moscow stock exchange.

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

In 2017 and 2016, at the General Meeting of Shareholders of the Company Shareholders resolved not to pay any dividends.

15 Borrowings

	31 December 2017	31 December 2016
Bank loans	4,773,344	6,409,114
Short-term bank loans	1,291,857	1,827,100
Long-term bank loans	3,481,487	4,582,014
Finance lease payable	9,197	8,760
Short-term finance lease payable	18	101
Long-term finance lease payable	9,179	8,659
Total borrowings	4,782,541	6,417,874

Bank loans

	2017	2016
Balance as at 1 January	6,409,114	5,897,427
Bank loans received, denominated in US\$	1,603,010	1,370,533
Bank loans repaid, denominated in US\$	(3,056,349)	(714,065)
Bank loans repaid, denominated in RR	(187,651)	(196,912)
Interest accrued	278,922	294,949
Interest paid	(293,041)	(296,476)
Recognition of syndication fees and other financial charges	(13,486)	(19,831)
Amortisation of syndication fees and other financial charges	20,727	12,338
Foreign exchange gain, net	(292,516)	(1,055,914)
Effect of translation to presentation currency	304,614	1,117,065
Balance as at 31 December	4,773,344	6,409,114

15 Borrowings (continued)

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

		31 December 2017	31 December 2016
Short-term bank loans			
	Interest rates		
Bank loans in US\$: floating interest	From 1 month Libor + 2.2% to 3 month Libor + 3.55% (31 December 2016: From 1 month Libor +2.15% to 6 month Libor +4.65%)	1,145,987	1,641,788
Bank loans in US\$: fixed interest	From 3,8% to 4.61%	1,852	-
Bank loans in RR: floating interest	MosPrime 3M + 2.59% (31 December 2016: MosPrime 3M + 2.59%)	144,018	185,312
Total short-term bank loans		1,291,857	1,827,100
Long-term bank loans			
Bank loans in US\$: floating interest	From 1 month Libor +2.2% to 3 month Libor +3.55% (31 December 2016: From 1 month Libor +2.15% to 6 month Libor +4.65%)	2,731,858	4,447,492
Bank loans in US\$: fixed interest	From 3,8% to 4.61%	749,629	-
Bank loans in RR: floating interest	31 December 2016: MosPrime 3M + 2.59%	-	134,522
Total long-term bank loans		3,481,487	4,582,014

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

As at 31 December 2017, bank loans amounting US\$ 2,025,340 (31 December 2016: US\$ 2,138,964) were collateralised by future sales proceeds of the Group under export contracts with certain customers.

In March 2016 a credit line agreement with PJSC "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 PJSC "Sberbank" of the Company shares and GDRs constituting 28.6% of the Company's issued ordinary shares (equivalent of 389,981,286 ordinary shares and 89,959,526 GDRs). In 2017 amendments to Sberbank facilities were signed – the term of the credit facility was extended and the interest rate was decreased. Funds under the committed credit line in the amount of US\$ 2.0 billion are available to be drawn down from 1 January 2019 till 31 December 2020; funds in the amount of US\$ 1.9 billion are available to be drawn down from 23 November 2019 till 19 June 2020. As at 31 December 2017, the Company has not yet used the facility.

On 29 August 2016 the Extraordinary General Meeting of the Company's shareholders approved a number of interrelated transactions in respect of the placement of the Company's Exchange Traded Bonds in favor of JSC "Uralkali-Technologia" with a total nominal value of US\$ 800 mln and with a value of US\$ 1 per one bond. The purpose of this placement was to replace the Company's shares/GDRs with the Exchange Traded Bonds in the US\$ 800 mln REPO agreement signed on 23 September 2015 between JSC "Uralkali-Technologia" and JSC "VTB Capital". JSC "Uralkali-Technologia" terminated the pledge over the Company's GDRs and released the Company's ordinary shares from REPO, constituting totally 20% of the Company's issued ordinary shares. In October 2017 the liability under the REPO agreement between JSC "Uralkali-Technologia" and JSC "VTB Capital" was repaid.

In April 2017 the Company signed a revolving credit line agreement in the amount of up to US\$ 750 mln with PJSC Sberbank of Russia, Sberbank AG (Switzerland) and SIB LIMITED (CYPRUS). The availability period of the credit line is 3 years, during which the Company can borrow funds in tranches and with different maturities within the limit and the tenor of the credit line availability. The funds raised can be used for the Company's general corporate purposes, including refinancing of its current debt obligations. As at 31 December 2017 the credit line was fully utilised in two tranches, each for a period of 3 years.

15 Borrowings (continued)

On 16 August 2017 the Company signed a US\$ 850 mln 5-year pre-export facility with 11 international banks. The interest rate is 1M LIBOR + 2.2%. The loan was used for refinancing of the Company's existing loans including PXF facilities of 2013 and 2015 and for general corporate purposes.

In October 2017 the Company signed up to US\$ 500 mln revolving facility agreement with Gazprombank with the availability period from the signing date to and including 23 months from the signing date. The borrower shall apply all amounts borrowed by it under the facility towards its general corporate purposes (including, but not limited to, refinancing of its existing indebtedness). As at 31 December 2017 the line was not utilized.

In January 2018 the Company signed an uncommitted revolving credit facility in the amount of up to \$100 mln with Credit Agricole, which is available for one year (Note 30).

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

The Group was in compliance with all financial and non-financial covenants as at 31 December 2017.

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.

In May 2017 the Company issued ruble bonds in the amount of RR 15 billion under its exchange bond programme. The coupon rate was 8.80% p.a., coupon period is 182 days. Nominal value of the bond is RR 1,000. The bond matures in 3 years. The Group has concluded the cross-currency interest rate swap agreements to translate to dollars debt and interest payments (Note 12).

In October 2017 JSC "Uralkali-Technologia" sold bonds issued by the Company to JSC "VTB Capital". At the same time the Company entered into an interest rate swap to exchange the coupon rate with the interest rate of financing (Note 12).

	2017	2016
Balance as at 1 January	584,907	584,668
Issuance of bonds	1,070,181	-
Interest accrued	44,125	21,325
Interest paid	(32,480)	(21,215)
Recognition of syndication fees and other financial charges	(745)	-
Amortisation of syndication fees	604	476
Foreign exchange gain	(31,019)	(107,001)
Effect of translation to presentation currency	25,618	106,654
Balance as at 31 December	1,661,191	584,907

	31 December 2017	31 December 2016
Short-term bonds		
Short-term bonds quoted on Irish Stock Exchange	585,329	2,550
Short-term bonds quoted on Moscow Stock Exchange	15,908	-
Total short-term bonds	601,237	2,550
Long-term bonds		
Long-term bonds quoted on Irish Stock Exchange	-	582,357
Long-term bonds quoted on Moscow Stock Exchange	1,059,954	-
Total long-term bonds	1,059,954	582,357
Total bonds	1,661,191	584,907

17 Provisions

	Note	Provision for filling cavities	Restruc- turing provision	Resettle- ment provision	Mine flooding provision	Legal provision	Provision for asset retirement obligations	Total
Balance as at 1 January 2016		58,296	5,611	-	7,823	14,244	35,084	121,058
Recognition of asset retirement obligations and changes in estimates added to property, plant and equipment	7	31,094	-	-	-	-	16,216	47,310
Changes in estimates		-	(703)	-	207	140	-	(356)
Accrual of provision		-	-	9,792	-	-	-	9,792
Utilisation of provision		(11,997)	(318)	-	(1,219)	-	-	(13,534)
Unwinding of the present value discount		6,345	611	-	850	1,570	3,818	13,194
Effect of translation to presentation currency		14,444	1,086	1,030	1,562	3,052	9,172	30,346
Current liabilities		11,639	200	10,822	1,460	19,006	-	43,127
Non-current liabilities		86,543	6,087	-	7,763	-	64,290	164,683
Balance as at 31 December 2016		98,182	6,287	10,822	9,223	19,006	64,290	207,810
Changes in estimates added to property, plant and equipment	7	77,675	-	-	-	-	(19,952)	57,723
Changes in estimates		-	(32)	(817)	(3,152)	-	-	(4,001)
Accrual of provision		-	-	10,084	-	6,084	613	16,781
Reversal of provision		-	-	-	-	(21,476)	-	(21,476)
Utilisation of provision		(18,079)	(140)	(3,397)	(896)	(66)	-	(22,578)
Unwinding of the present value discount		8,522	555	54	799	808	5,724	16,462
Effect of translation to presentation currency		6,100	339	652	447	817	3,234	11,589
Current liabilities		23,314	297	11,179	1,033	5,173	-	40,996
Non-current liabilities		149,086	6,712	6,219	5,388	-	53,909	221,314
Balance as at 31 December 2017		172,400	7,009	17,398	6,421	5,173	53,909	262,310

18 Trade and other payables

	31 December 2017	31 December 2016
Trade payables	66,334	61,098
Accrued liabilities	90,552	77,990
Salary payable and related accruals	53,798	50,493
Other payables	37,716	32,232
Total financial payables	248,400	221,813
Other taxes payable	19,342	24,097
Other non-financial payables	5,176	1,446
Total non-financial payables	24,518	25,543
Total trade and other payables	272,918	247,356

As at 31 December 2017 trade and other payables of US\$ 42,716 (31 December 2016: US\$ 13,437) were denominated in foreign currencies: 38% of this balance was denominated in US\$ (31 December 2016: 79%) and 54% was denominated in Euro (31 December 2016: 8%).

19 Revenues

	2017	2016
Potassium chloride	1,710,530	1,482,803
Potassium chloride (granular)	959,164	736,041
Other revenues	91,180	59,405
Total revenues	2,760,874	2,278,249

20 Cost of sales

	Note	2017	2016
Depreciation	7	169,512	130,724
Employee benefits		168,708	138,381
Materials and components		123,929	89,526
Fuel and energy		108,085	81,471
Repairs and maintenance		43,526	36,054
Amortisation of licences	9	45,327	40,671
Change in work in progress, finished goods and goods in transit		36,951	4,578
Transportation between mines by railway		12,228	9,061
Other costs		30,810	19,300
Total cost of sales		739,076	549,766

21 Distribution costs

	Note	2017	2016
Railway tariff and rent of wagons		301,033	214,641
Freight		248,343	183,318
Transport repairs and maintenance		31,892	25,055
Transshipment		28,817	29,320
Commissions and marketing expenses		23,003	11,148
Employee benefits		10,855	16,468
Depreciation	7	8,567	7,398
Storage expenses		4,872	13,722
Other costs		90,422	46,606
Total distribution costs		747,804	547,676

Depreciation in the amount of US\$ 3,280 is included into Transport repairs and maintenance and Transshipment costs (2016: US \$3,321).

22 General and administrative expenses

	Note	2017	2016
Employee benefits		89,953	87,354
Depreciation	7	7,862	6,784
Security		6,475	6,041
Mine rescue crew		6,134	5,123
Materials and fuel		5,182	4,263
Communication and information system services		4,413	4,016
Consulting, audit and legal services		4,349	8,713
Amortisation of intangible assets	9	3,264	4,368
Repairs and maintenance		3,167	3,059
Other expenses		26,591	24,361
Total general and administrative expenses		157,390	154,082

23 Other operating income and expenses

	Note	2017	2016
Other operating expenses/(income) related to non-current assets			
Loss on disposals of property, plant and equipment and intangible assets		8,318	9,322
(Reversal)/accrual of impairment loss on property, plant and equipment and assets under construction		(2,849)	3,773
Other operating expenses/(income) related to non-current assets		1,812	(1,904)
Other operating expenses/(income) related to accounting estimates and accrued liabilities			
Accrual of resettlement provision	17	9,267	9,792
(Reversal)/accrual of legal provision	17	(15,392)	140
Other operating income related to provisions and accrued liabilities		(1,848)	(7,241)
Other operating expenses/(income)			
Social cost and charity		6,242	7,742
Other income, net		(11,954)	(8,883)
Total other operating (income)/expenses, net		(6,404)	12,741

24 Finance income and expenses

	Note	2017	2016
Foreign exchange gain		271,908	888,967
Fair value gain on derivative financial instruments, net	12	51,662	184,983
Interest income		25,600	17,260
Gain on disposal of other financial assets		862	-
Dividend income		104	172
Gain from discounting and unwinding, net		-	1,694
Income from associate		-	279
Total finance income		350,136	1,093,355
Interest expense		(286,767)	(289,685)
Syndication fees and other financial charges		(50,243)	(30,407)
Loss from discounting and unwinding, net		(14,590)	-
Letters of credit fees		(4,349)	(4,043)
Loss from associate		(1,463)	-
Finance lease expense		(915)	(797)
Fair value losses on investments		(61)	(297)
Other finance expenses		(33)	-
Total finance expenses		(358,421)	(325,229)
Total finance (expenses)/income, net		(8,285)	768,126

The syndication fees and other financial charges 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 PJSC "Sberbank of Russia". The credit line was available for utilisation till 3 March 2017. This credit line has not been used due to it being more costly as compared to other funding options.

Capitalised interest expense and foreign exchange gain/loss in the cost of assets under construction were as follows:

	2017	2016
Capitalised interest expenses	36,280	26,949
Capitalised foreign exchange losses	600	-
Total capitalised borrowing costs	36,880	26,949

25 Income tax expense

	2017	2016
Current income tax expense	156,527	197,124
Adjustments recognised in the period for current income tax of prior periods	(6,187)	(449)
Deferred income tax expense	68,049	132,875
Income tax expense	218,389	329,550

Income before taxation and non-controlling interests for consolidated financial statements purposes is reconciled to income tax as follows:

	2017	2016
Profit before income tax	(1,093,017)	(1,756,696)
Theoretical tax charge at a rate of 16.5% (2016: 15.5%)	180,348	272,288
Corrections of profit tax for prior years	(6,187)	(449)
Tax effect of expenses which are not deductible, net	14,567	13,721
Effect of different tax rates in countries and regions	(3,565)	176
Effect of changes in tax rate	457	39,452
Write-off of deferred tax asset	27,779	6,006
Effect of previously unrecognised tax losses for disposed entities	5,501	-
Other	(511)	(1,644)
Income tax expense	218,389	329,550

25 Income tax expense (continued)

As at 31 December 2017 and 2016, most companies of the Group were registered in the Russian Federation, Perm region and were taxed at a rate from 16.5% to 19.5% on taxable profits as at 31 December 2017 and at a rate from 15.5% to 17.0% as at 31 December 2016. However, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the end of the reporting period. In 2015, a new law was adopted by Legislative Assembly of Perm region which determined the income tax rate of 17.0% in 2016 up to 20.0% in 2018 and further. However, for those taxpayers which make significant capital investments and/or donate to charity on the territory of Perm region, the tax rate can be decreased by a certain percentage (which is calculated using the formula stated in the law). The decreased tax rate cannot be lower than 15.5% in 2016 and 16.5% starting from 2017.

Management of the Group performed an analysis using the forecasts of capital expenditure and profits based on which they expect to utilize the tax benefit for some of the entities of the Group registered in Perm region, including the Company.

In 2017 and 2016, 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 2017 was the following:

	31 December 2016	Recognised in profit or loss	Effect of translation to presentation currency	31 December 2017
Tax effects of taxable and deductible temporary differences				
Property, plant and equipment	(153,573)	(27,356)	(8,507)	(189,436)
Intangible assets	(473,305)	7,840	(25,015)	(490,480)
Inventories	6,029	(4,054)	267	2,242
Borrowings	(6,290)	51	(333)	(6,572)
Trade and other receivables	(2,027)	6,489	(14)	4,448
Prepaid transaction costs on bank facilities	(13,432)	2,498	(689)	(11,623)
Derivative financial instruments	45,726	(31,463)	2,015	16,278
Trade and other payables	1,510	(2,025)	54	(461)
Tax loss carry-forward	19,651	(18,687)	798	1,762
Provisions	34,294	8,942	1,937	45,173
Other	9,588	(10,284)	375	(321)
Total net deferred tax liability	(531,829)	(68,049)	(29,112)	(628,990)

The tax effect of the movements in the temporary differences for the year ended 31 December 2016 was the following:

	31 December 2015	Recognised in profit or loss	Effect of translation to presentation currency	31 December 2016
Tax effects of taxable and deductible temporary differences				
Property, plant and equipment	(104,222)	(25,647)	(23,704)	(153,573)
Intangible assets	(374,959)	(20,604)	(77,742)	(473,305)
Inventories	30,487	(27,691)	3,233	6,029
Borrowings	(3,869)	(1,485)	(936)	(6,290)
Trade and other receivables	(3,173)	1,617	(471)	(2,027)
Prepaid transaction costs on bank facilities	(408)	(11,711)	(1,313)	(13,432)
Derivative financial instruments	90,762	(57,305)	12,269	45,726
Trade and other payables	590	725	195	1,510
Tax loss carry-forward	23,215	(7,459)	3,895	19,651
Provisions	18,756	10,639	4,899	34,294
Other	2,410	6,046	1,132	9,588
Total net deferred tax liability	(320,411)	(132,875)	(78,543)	(531,829)

25 Income tax expense (continued)

Deferred tax balances presented in the consolidated statement of financial position were as follows:

	31 December 2017	31 December 2016
Deferred income tax asset	16,615	47,408
Deferred income tax liability	(645,605)	(579,237)
Deferred income tax liability, net	(628,990)	(531,829)

As at 31 December 2017 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\$ 177,482 (31 December 2016: US\$ 200,565). The Group controls the timing of the reversal of these temporary differences and does not expect their reversal in the foreseeable future.

26 Contingencies, commitments and operating risks

26.1 Legal proceedings

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

26.2 Tax legislation

Laws and regulations affecting business in the Russian Federation continue to change rapidly. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for three calendar years preceding the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects on the consolidated financial statements could be significant.

According to the amendments introduced into the Russian tax legislation, the undistributed profits of the Group foreign subsidiaries, recognised as controlled foreign companies, may result in an increase of the tax base of the controlling entities. According to current forecasts the profits of controlled foreign companies does not increase the taxable profits of the Company due to application of appropriate norms of tax legislation of the Russian Federation. Despite the fact that the Group has developed a tax planning strategy with regard to the legislation on controlled foreign companies applicable to the Group foreign subsidiaries, Management of the Group does not exclude the fiscal approach of regulating authorities to the order of determination of taxable profits in controlling entities of the Group in Russia.

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 Contingencies, commitments and operating risks (continued)

26.5 Operating environment of the Group

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

The Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014, the oil price decreased significantly.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. This led to reduced access of the Russian businesses to international capital markets.

The impact of further economic and political developments on future operations and financial position of the Group might be significant.

26.6 Capital expenditure commitments

As at 31 December 2017 the Group had contractual commitments for the purchase of property, plant and equipment and intangible assets for US\$ 485,160 (31 December 2016: US\$ 426,016) from third parties. As at 31 December 2017 and 31 December 2016, the Group had no contractual commitments for the purchase of property, plant and equipment from related parties.

The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover these and any similar commitments.

26.7 Operating lease commitments

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

	31 December 2017	31 December 2016
Not later than 1 year	3,139	3,198
Later than 1 year and not later than 5 years	8,724	9,958
Later than 5 years	9,355	16,074
Total operating lease commitments	21,218	29,230

27 Financial risk management

27.1 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to reduce the cost of capital.

27 Financial risk management (continued)

27.2 Categories of financial instruments

	Note	31 December 2017	31 December 2016
Financial assets			
Loan issued	5	379,232	188,762
Trade and other receivables	11	482,462	213,632
Derivative financial assets	12	22,830	-
Other financial assets		1,927	68,267
Cash and cash equivalents	13	1,072,609	1,485,521
Financial liabilities			
Borrowings	15	4,782,541	6,417,874
Bonds	16	1,661,191	584,907
Derivative financial liabilities	12	121,424	277,125
Trade and other payables	18	248,400	221,813

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 2017, if during the year the US\$ and Euro had strengthened by 10% against the RR with all other variables held constant, the net profit for the year would have been US\$ 386,626 lower (31 December 2016: US\$ 416,066 lower), if during the year the US\$ and Euro had weakened by 10% against the RR with all other variables held constant, the net profit for the year would have been US\$ 392,556 higher (31 December 2016: US\$ 416,066 higher), mainly as a result of foreign exchange gains/losses on the translation of US\$ and Euro denominated trade receivables, cash in bank, deposits, foreign exchange losses/gains on the translation of US\$ denominated borrowings and bonds issued and changes of 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.

27 Financial risk management (continued)

(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 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 (year ended 31 December 2016: net profit for the year would have been US\$ 106,299 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.

The maximum exposure to credit risk resulting from financial assets is equal to the carrying amount of the Group's financial assets of US\$ 1,959,060 (31 December 2016: US\$ 1,956,182).

The Group is not exposed to significant concentrations of credit risk. As at 31 December 2017 the Group had 63 counterparties (31 December 2016: 28 counterparties), each of them having receivables balances above US\$ 1,000. The total aggregate amount of these balances was US\$ 462,644 (31 December 2016: US\$ 181,529) or 98% of the total amount of financial trade and other receivables (31 December 2016: 85%). Cash and short-term deposits are placed in banks and financial institutions, which are considered at the time of deposit to have optimal balance between rate of return and risk of default. The Group has no other significant concentrations of credit risk.

As at 31 December 2017 the Group has a loan issued to a related party which gives exposure to credit risk at the amount of US\$ 379,232.

Loans to related parties and pledge agreements (Note 5) involve related parties without publicly available credit ratings. Management therefore prepared financial models to assess the credit risk associated with loans to related parties and pledged agreements which involved a number of judgements as described in Note 4. Management does not expect to recognise any credit losses in relation to loans to related parties and pledge agreements within the next 12 months.

Trade receivables are subject to a policy of active credit risk management which focuses on an assessment of ongoing credit evaluation and account monitoring procedures. The objective of the management of trade receivables is to sustain the growth and profitability of the Group by optimising asset utilisation while at the same time maintaining risk at an acceptable level.

The effective monitoring and controlling of credit risk is performed by the Group's corporate treasury function. The credit quality of each new customer is analysed before the Group enters into contractual agreements. The credit quality of customers is assessed taking into account their financial position, past experience, country of origin and other factors. Management believes that the country of origin is one of the major factors affecting a customer's credit quality and makes a corresponding analysis (Note 11). Most customers from developing countries are supplied on secured payment terms, including letters of credit or factoring arrangements. These terms include deliveries against opened letters of credit and arrangements with banks on non-recourse discounting of promissory notes received from customers.

Although the collection of receivables could be influenced by economic factors, Management believes that there is no significant risk of loss to the Group beyond the provision already recorded (Note 11).

27 Financial risk management (continued)

The table below shows the credit quality of cash, cash equivalents, deposits and restricted cash balances neither past due nor impaired on the reporting date, based on the credit ratings of independent agencies as at 31 December 2017 and 2016, if otherwise not stated in table below:

Rating - Moody's, Fitch, Standard&Poor's	31 December 2017	31 December 2016
From AAA / Aaa to A- / A3	172,577	255,146
From BBB+ / Baa1 to BBB- / Baa3	836,201	629,599
From BB+ / Ba1 to B- / B3	7,716	133,211
Unrated*	56,115	467,565
Total cash and cash equivalents, not past due nor impaired	1,072,609	1,485,521

* Unrated balance contains cash on hand and other cash equivalents.

(c) Liquidity risk

In accordance with prudent liquidity risk Management, the Management of the Group aims to maintain sufficient cash in order to meet its obligations. Group treasury aims to maintain sufficient level of liquidity based on monthly cash flow budgets, which are prepared for the year ahead and continuously updated during the year.

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the time remaining from the reporting to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows at spot rates.

As at 31 December 2017	Note	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	18	248,400	-	-	248,400
Borrowings		1,485,196	3,631,248	60,509	5,176,953
Bonds		662,368	1,119,912	-	1,782,280
Finance lease liabilities		941	3,765	34,416	39,122
Derivative financial liabilities		106,987	1,851	-	108,838
Total		2,503,892	4,756,776	94,925	7,355,593

As at 31 December 2016	Note	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	18	221,813	-	-	221,813
Borrowings		2,149,567	5,050,662	79,925	7,280,154
Bonds		26,397	658,679	-	685,076
Finance lease liabilities		894	3,576	33,576	38,046
Derivative financial liabilities		146,923	114,248	-	261,171
Total		2,545,594	5,827,165	113,501	8,486,260

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.

28 Fair value of financial instruments (continued)

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 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 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.

Financial assets	Stated at	Level	31 December 2017		31 December 2016	
			Carrying value	Fair value	Carrying value	Fair value
Loan issued	Amortised cost	3	379,232	383,413	188,762	188,762
Derivative financial assets	Fair value	2	16,783	16,783	-	-
Trade and other receivables	Amortised cost	3	482,427	482,427	213,632	213,632
Other financial assets	Amortised cost	3	1,912	1,912	68,267	68,770
Total			880,354	884,535	470,661	471,164

Financial liabilities	Stated at	Level	31 December 2017		31 December 2016	
			Carrying value	Fair value	Carrying value	Fair value
Borrowings	Amortised cost	3	4,782,541	4,771,134	6,417,874	6,417,874
Bonds	Amortised cost	1	1,661,191	1,645,938	584,907	580,084
Derivative financial liabilities	Fair value	2	121,424	121,424	277,125	277,125
Trade and other payables	Amortised cost	3	248,402	248,402	221,813	221,813
Total			6,813,558	6,786,898	7,501,719	7,496,896

29 Principal subsidiaries

The Group had the following principal subsidiaries as at 31 December 2017:

Name	Nature of business	Percentage of voting rights	Percentage of ownership	Country of registration
LLC "SMT "BSHSU"	Construction	100.00%	100.00%	Russia
LLC "Vagon Depo Balahonzi"	Repair and maintenance	100.00%	100.00%	Russia
LLC "Uralkali-Remont"	Repair and maintenance	100.00%	100.00%	Russia
LLC "Avtotranskali"	Transportation	100.00%	100.00%	Russia
JSC "Baltic Bulker Terminal"	Sea terminal	100.00%	100.00%	Russia
LLC "Satellit-service"	IT services	100.00%	100.00%	Russia
JSC "NII Galurgii"	Scientific institute	100.00%	100.00%	Russia
JSC "VNII Galurgii"	Scientific institute	85.25%	85.25%	Russia
Uralkali Trading SIA	Trading	100.00%	100.00%	Latvia
Uralkali Trading Chicago	Trading	100.00%	100.00%	USA

30 Events after reporting date

In January 2018 the Company signed an uncommitted revolving credit facility in the amount of up to US\$100 mln with Credit Agricole, which is available for one year. Amounts borrowed can be used to finance working capital, capital expenditures or to refinance existing indebtedness.

In February 2018, the loan issued to a related party was prolonged till 2023 (Note 5).

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