URALKALI GROUP

Interim Condensed Consolidated
Financial Statements
for the first half of 2018
(unaudited)

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Notes to the Interim Condensed Consolidated Financial Statements

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Public Joint Stock Company Uralkali and its subsidiaries (the "Group") as at 30 June 2018 and the related interim condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the first half of 2018, 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*.

Chaban Dmitry,
Engagement partner

29 August 2018

The Entity: Public Joint Stock Company “Uralkali”

Certificate of state registration № 1128, issued on 14 October 1992 by the Berezniki Administration, Perm region.

Certificate of registration in the Unified State Register of Legal Entities № 1025901702188, issued on 11 September 2002.

Location: 63, Pyatiletki ul., Berezniki, 618426, the Perm region

Audit Firm: 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.

(IN THOUSANDS OF US DOLLARS, UNLESS OTHERWISE STATED)

	Note	30 June 2018 (unaudited)	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,392,964	2,461,948
Prepayments for acquisition of property, plant and equipment and intangible assets		235,113	221,246
Goodwill		939,999	1,024,146
Intangible assets		2,699,301	2,973,680
Deferred income tax asset		23,141	16,615
Prepaid transaction costs on bank facilities		88,467	70,397
Loan issued	4	456,774	-
Investment in associate		4,364	23,789
Derivative financial assets	7	6,441	6,047
Other non-current assets		48,959	63,242
Total non-current assets		**6,895,523**	**6,861,110**
Current assets			
Inventories		96,579	91,939
Trade and other receivables		336,312	533,959
Advances to suppliers		37,961	26,608
Income tax prepayments		32,079	3,812
Derivative financial assets	7	28,607	16,783
Loan issued	4	-	379,232
Other financial assets		1,772	1,927
Cash and cash equivalents	8	835,489	1,072,609
Total current assets		**1,368,799**	**2,126,869**
TOTAL ASSETS		**8,264,322**	**8,987,979**
EQUITY			
Share capital	9	35,762	35,762
Preference shares	9	239	-
Treasury shares	9	(27,996)	(27,101)
Share premium		409,814	483,572
Currency translation reserve		(3,803,654)	(3,717,237)
Retained earnings		4,362,801	4,362,544
Equity attributable to the company's equity holders		**976,966**	**1,137,540**
Non-controlling interests		12,017	12,017
TOTAL EQUITY		**988,983**	**1,149,557**
LIABILITIES			
Non-current liabilities			
Borrowings	10	2,946,991	3,490,666
Bonds	11	477,768	1,059,954
Post-employment and other long-term benefit obligations		35,881	36,604
Deferred income tax liability		595,931	645,605
Provisions	12	251,319	221,314
Derivative financial liabilities	7	39,538	11,609
Other non-current liabilities		2,730	14,027
Total non-current liabilities		**4,350,158**	**5,479,779**
Current liabilities			
Borrowings	10	1,807,801	1,291,875
Bonds	11	818,239	601,237
Trade and other payables		214,630	272,918
Advances received		11,700	22,448
Provisions	12	24,761	40,996
Derivative financial liabilities	7	47,001	109,815
Current income tax payable		1,049	19,354
Total current liabilities		**2,925,181**	**2,358,643**
TOTAL LIABILITIES		**7,275,339**	**7,838,422**
TOTAL LIABILITIES AND EQUITY		**8,264,322**	**8,987,979**

The interim condensed consolidated financial statements for the 1st half of 2018 were approved for issue on behalf of the Management of the Group on 29 August 2018:

Dmitry Osipov
Chief Executive Officer

Anton Vishanenko
Chief Financial Officer

(in thousands of US dollars, unless otherwise stated)

	Note	1st half of 2018	1st half of 2017
Revenues	13	1,396,538	1,387,600
Cost of sales	14	(362,363)	(371,995)
Gross profit		**1,034,175**	**1,015,605**
Distribution costs	15	(336,974)	(361,745)
General and administrative expenses	16	(85,306)	(77,798)
Taxes other than income tax		(12,173)	(11,685)
Other operating income/(expenses), net	17	621	(13,266)
Operating profit		**600,343**	**551,111**
Finance expenses, net	18	(598,769)	(4,717)
Profit before income tax		**1,574**	**546,394**
Income tax expense		(274)	(95,190)
Net profit for the period		**1,300**	**451,204**
Profit attributable to:			
Company's equity holders		1,300	451,124
Non-controlling interests		-	80
Net profit for the period		**1,300**	**451,204**
Weighted average number of ordinary shares in issue (million)		1,293	1,340
Earnings per share – basic and diluted (in US cents)		**0.10**	**33.67**

(in thousands of US dollars, unless otherwise stated)

	1st half of 2018	1st half of 2017
Net profit for the period	**1,300**	**451,204**
Other comprehensive loss		
Items that will not be reclassified to profit or loss:		
Remeasurement of post-employment benefit obligations	(565)	(19)
Effect of translation to presentation currency	(86,417)	(1,964)
Total other comprehensive loss for the period	**(86,982)**	**(1,983)**
Total comprehensive (loss)/income for the period	**(85,682)**	**449,221**
Total comprehensive (loss)/income for the period attributable to:		
Company's equity holders	(85,682)	449,141
Non-controlling interests	-	80

(in thousands of US dollars, unless otherwise stated)

	Note	1st half of 2018	1st half of 2017
Cash flows from operating activities			
Profit before income tax		1,574	546,394
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets	6, 14, 16	131,579	122,346
Loss on disposals of property, plant and equipment and intangible assets	17	1,751	4,812
Loss on impairment of prepayments for acquisition of property, plant and equipment and intangible assets		4	397
Reversal of provision for obsolete inventories		(329)	(926)
Reversal of impairment of property, plant and equipment and assets under construction		(185)	(2,160)
Accrual of impairment of trade and other receivables and advances to suppliers		510	484
Change in provisions, net	12	(3,037)	11,237
Fair value loss/(gain) on derivative financial instruments, net	18	28,818	(7,399)
Foreign exchange loss/(gain), net	18	373,901	(156,296)
Other finance expenses, net		196,050	168,412
Operating cash flows before working capital changes		**730,636**	**687,301**
Decrease /(increase) in trade and other receivables and advances to suppliers		165,917	(233,597)
(Increase) / decrease in inventories		(11,918)	68,493
Decrease in trade and other payables, advances received and provisions		(74,624)	(65,775)
Increase in other taxes payable		5,687	4,963
Cash generated from operations		**815,698**	**461,385**
Interest paid		(163,152)	(157,956)
Income taxes paid		(51,623)	(45,137)
Net cash generated from operating activities		**600,923**	**258,292**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(145,066)	(114,332)
Acquisition of intangible assets		(1,020)	(901)
Proceeds from sales of property, plant and equipment		1,189	2,370
Loan issued		(94,815)	(159,425)
Proceeds from loan repayments		47	25,374
Purchase of other financial assets		-	(1,764)
Proceeds from sale of other financial assets		-	70,693
Dividends and interest received		5,008	5,431
Net cash used in investing activities		**(234,657)**	**(172,554)**
Cash flows from financing activities			
Repayments of borrowings	10	(568,346)	(1,131,976)
Proceeds from borrowings		496,883	751,415
Proceeds from issuance of bonds	11	240,260	267,408
Arrangement fees and other financial charges paid		(34,882)	(10,395)
Purchase of bonds issued		(581,900)	-
Cash proceeds from derivatives	7	5,094	4,751
Cash paid for derivatives	7	(75,152)	(74,050)
Purchase of treasury shares	9	(125,640)	(47)
Acquisition of subsidiaries, net of cash acquired	4	2,209	-
Proceeds from issuance of preference shares	9	51,226	-
Finance lease payments		(18)	(16)
Net cash used in financing activities		**(590,266)**	**(192,910)**
Effect of changes in foreign exchange rate on cash and cash equivalents		(13,120)	8,525
Net decrease in cash and cash equivalents		**(237,120)**	**(98,647)**
Cash and cash equivalents at the beginning of the period	**8**	**1,072,609**	**1,485,521**
Cash and cash equivalents at the end of the period	**8**	**835,489**	**1,386,874**

(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		-	-	-	-	451,124	-	451,124	80	451,204
Other comprehensive loss		-	-	-	-	(19)	(1,964)	(1,983)	-	(1,983)
Total comprehensive income/(loss) for the period		**-**	**-**	**-**	**-**	**451,105**	**(1,964)**	**449,141**	**80**	**449,221**
Transactions with owners										
Purchase of treasury shares	9	-	-	-	(47)	-	-	(47)	-	(47)
Total transactions with owners		**-**	**-**	**-**	**(47)**	**-**	**-**	**(47)**	**-**	**(47)**
Balance at 30 June 2017		**35,762**	**-**	**(26,909)**	**509,437**	**3,937,288**	**(3,741,935)**	**713,643**	**11,613**	**725,256**
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**
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)
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**

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 (north and south parts) and Novo-Solikamsky plots of the Verkhnekamskoye field. On 1 April 2013 the licences were prolonged till 2018 - 2021 at nominal cost. In 2016 the licences previously valid till 2018 were prolonged till 2043 - 2055 (north part of Solikamsky plot, Bigelsko-Troitsky and Novo-Solikamsky plots). In 2017 the licences for the south part of Durimansky plot and 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 30 June 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

Principles of preparation of interim condensed consolidated financial statements

These interim condensed consolidated financial statements for the first half (hereinafter – "1st half") of 2018 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 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The accounting policies and critical accounting judgements and estimates applied in these interim condensed consolidated financial statements are consistent with those of the consolidated financial statements for the year ended 31 December 2017, 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 2018 the Group's current liabilities exceeded its current assets by US$ 1,556,382 (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 interim condensed 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 please refer to the Note 10.

Consequently, Management of the Group has determined that it is appropriate to adopt the going concern basis in the preparation of these interim condensed consolidated financial statements.

Functional and presentation currency

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

(in thousands of US dollars, unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

Foreign currency exchange rates

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

	30 June 2018		31 December 2017		30 June 2017	
	US$	Euro	US$	Euro	US$	Euro
closing rate	62.76	72.99	57.60	68.87	59.09	67.50
average rate	59.35	71.82	58.35	65.90	57.99	62.72

Income tax

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

3 IFRS standards update

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

IFRS 9 Financial Instruments 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.

	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

No significant changes are anticipated 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.

IFRS 15 "Revenue from contracts with customers" 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.

One of the key points of IFRS 15 is the identification of performance obligations. 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. Under IFRS 15, revenue from rendering such delivery services is treated as a separate performance obligation, which should be recognized over period of time of service, not at moment of control for potassium transfer to the buyer, as recognized earlier under IAS 18. However, due to the short lead time to deliver such services and the absence of individually significant transactions, the application of IFRS 15 did not have a significant impact on the Group's financial statements, except for requirements for more detailed disclosure.

(in thousands of US dollars, unless otherwise stated)

4 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.

Details of significant transactions 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 2018**	**31 December 2017**
Loan issued including interest receivable	456,774	379,232
Loan received including interest payable	47,078	-
Trade and other receivables and other financial assets	15,563	17,776
Trade and other payables	5,737	5,308
Other non-current liabilities	2,730	14,026
Advances to suppliers	1,571	-
Advances received	-	1,115

Outstanding balances with associate	**30 June 2018**	**31 December 2017**
Trade and other receivables	-	83
Trade and other payables	243	160
Advances to suppliers	2,054	-
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.

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, as follows:

- Shares of PJSC Uralkali representing 1.4% of the Company's share capital as primary pledge; and
- Shares of PJSC Uralkali representing 8.6% of the Company's share capital as secondary pledge, which were also pledged as primary security for credit facilities received by the Group from Sberbank in 2016 (Note 10).

In April 2018, the Group additionally pledged:

- Shares and GDRs of PJSC Uralkali representing 24.7% of the Company's share capital as primary pledge; and
- Shares and GDRs of PJSC Uralkali representing 20.0% of the Company's share capital as secondary pledge, which were also pledged as primary security for credit facilities received by the Group from Sberbank in 2016 (Note 10).

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 at market terms. As at 30 June 2018, the fair value of the pledge of US$ 7.7 million (31 December 2017 – US$ 17.7 million) for five years was recognised in other non-current assets, other payables and other non-current liabilities.

In 2018, the Company placed preference shares among some of the Group shareholders, who are related parties of the Group (Note 9).

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

(in thousands of US dollars, unless otherwise stated)

4 Related parties (continued)

Transactions with related parties under control of shareholders with significant influence over the Group	1st half of 2018	2017
Revenue (sales of potassium chloride)	22,849	20,256
Other revenue	577	672
Interest income	12,535	7,052
Purchase of inventories	5,216	4,460
Purchase of property, plant and equipment and assets under construction	398	-
Distribution costs	6,510	7,401
Interest expenses	1,216	-
General and administrative expenses	887	646
Bargain purchase	1,426	-
Other finance expenses, net	100	-
Other expenses	61	74
Acquisition of subsidiaries, net of cash acquired	2,209	-

Transactions with associate	1st half of 2018	2017
Other income	195	-
Change in accrued liabilities	(3,097)	-
Distribution costs	1,017	5,027

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 2018	1st half of 2017	30 June 2018	31 December 2017
Short-term employee benefits	3,256	3,572	2,657	4,837
Total	**3,256**	**3,572**	**2,657**	**4,837**

5 Segment information

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

It was determined that the Group has one operating segment – the extraction, production and sales of 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	1st half of 2018	2017
Revenues	13	1,396,538	1,387,600
Revenues net of freight, railway tariff and transshipment costs	13, 15	1,130,276	1,095,250
Operating profit		600,343	551,111
Cash CAPEX		146,086	115,233

(in thousands of US dollars, unless otherwise stated)

5 Segment information (continued)

b) Geographical information

	1st half of	
	2018	**2017**
Russia	233,612	202,172
China, India, South East Asia	454,006	484,759
Latin America, USA	556,424	494,183
Europe, other countries	152,496	206,486
Total revenues	**1,396,538**	**1,387,600**

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

c) Major customers

The Group had no external customers which represented more than 10% of the Group's revenue during the 1st half of 2018 and 2017.

6 Property, plant and equipment

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

	Note	**2018**	**2017**
Cost			
As at 1 January		**3,952,269**	**3,497,203**
Additions		185,036	109,654
Disposals and write-offs		(17,806)	(22,922)
Changes in estimates of provisions	12	59,950	(13,546)
Effect of translation to presentation currency		(337,146)	91,648
Balance at 30 June		**3,842,303**	**3,662,037**
Accumulated depreciation and impairment			
As at 1 January		**1,490,321**	**1,253,050**
Depreciation charge		101,192	99,374
Disposals and write-offs		(14,868)	(15,753)
Reversal of impairment	17	(185)	(2,160)
Effect of translation to presentation currency		(127,121)	31,810
Balance at 30 June		**1,449,339**	**1,366,321**
Net book value			
As at 1 January		**2,461,948**	**2,244,153**
As at 30 June		**2,392,964**	**2,295,716**

Allocation of depreciation charge for the period is presented below:

		1st half of	
	Note	**2018**	**2017**
Cost of sales	14	87,839	85,158
Distribution costs	15	5,560	6,060
General and administrative expenses	16	4,909	3,922
Other expenses		611	674
Capitalised within assets under construction		2,273	3,560
Total		**101,192**	**99,374**

Fully depreciated assets still in use

As at 30 June 2018 and 31 December 2017, the gross carrying value of fully depreciated property, plant and equipment still in use was US$ 372,554 and US$ 416,046, respectively.

(in thousands of US dollars, unless otherwise stated)

7 Derivative financial instruments

In June 2018, in order to minimize the effect of fluctuations in the dollar exchange rate against the ruble on interest payments and the amount of principal debt on bonds issued in June 2018, the Group concluded a number of currency-interest rate swap contracts for the total amount of US$ 239 million. During the term of the contracts (until 2023) the Group will make payments in US dollars at a fixed rate of 4.5% and at the same time receive payments in rubles at a fixed rate of 7.7%.

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

	30 June 2018	31 December 2017
Assets		
Current derivative financial assets	28,607	16,783
Non-current derivative financial assets	6,441	6,047
Total derivative financial assets	**35,048**	**22,830**
Liabilities		
Current derivative financial liabilities	(47,001)	(109,815)
Non-current derivative financial liabilities	(39,538)	(11,609)
Total derivative financial liabilities	**(86,539)**	**(121,424)**

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		5,094	4,751
Cash paid for derivatives		(75,152)	(74,050)
Changes in the fair value	18	28,818	(7,399)
Effect of translation to presentation currency		(5,863)	8,798
Balance at 30 June		**51,491**	**209,225**

8 Cash and cash equivalents

	30 June 2018	31 December 2017
Cash on hand and bank balances		
RR denominated cash on hand and bank balances	72,473	73,165
US$ denominated bank balances	634,805	856,422
EUR denominated bank balances	35,285	32,387
Balances denominated in other currencies	180	110
Highly liquid risk-free bonds	-	70,158
Term deposits		
US$ term deposits	90,340	39,134
RR term deposits	2,406	1,233
Total cash and cash equivalents	**835,489**	**1,072,609**

As at 30 June 2018 and 31 December 2017, all term deposits had maturities 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 the 1st half of 2018.

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 2017	**2,936**	**-**	**(1,596)**	**35,762**		**(26,909)**	**8,853**
Treasury shares purchased	-	-	-	-		-	-
At 30 June 2017	**2,936**	**-**	**(1,596)**	**35,762**		**(26,909)**	**8,853**
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**

The number of unissued authorised ordinary shares is 1,730 million (31 December 2017: 1,730 million) with a nominal value per share of 0.797 US cents (0.5 RR) (31 December 2017: 0.868 US cents (0.5 RR)).

The number of unissued authorised preference shares is 120 million (31 December 2017: 150 million) with a nominal value per share of 0.797 US cents (0.5 RR) (31 December 2017: 0.868 US cents (0.5 RR)) according to Company Charter. At the reporting date the Company issued 30 million preference shares. The respective changes in the Company Charter were registered on 27 June 2018.

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

Treasury shares. During the 1st half of 2018 the Company purchased 51,908,433 shares (1st half of 2017: 17,485) as a result of exercising the redemption right pursuant to Joint Stock Company Law in the total amount of around US$ 125,640 (1st half of 2017: US$ 47).

The difference between the total acquisition cost of US$ 125,640 and the nominal value of US$ 895 of the shares was recorded as a decrease in share premium.

Treasury shares as at 30 June 2018 comprised 1,659,834,963 ordinary shares (31 December 2017: 1,607,926,530) represented by shares and GDRs of the Company.

Delisting. 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 six 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, the extraordinary general shareholders' meeting ("EGM") made decision on delisting of the Company's shares from the Moscow Stock Exchange. As at the reporting date, the delisting procedure is not completed yet.

Preference shares. On 18 December 2017, the extraordinary general shareholders' meeting made the decision to increase the share capital of the Company by way of issuance of 150 million non-convertible preferred shares.

As at 30 June 2018, the Company had placed 30 million preferred shares through a closed subscription among the shareholders of the Company who are owners of ordinary shares in the amount of more than 10% of the issued ordinary shares of the Company as at the date of determination (fixation) of persons entitled to participate in the General meeting of shareholders – 23 November 2017. The report on the results of the issue was registered on 16 July 2018.

The difference between the total amount of issuance of US$ 51,226 and the nominal value of preference shares of US$ 239 was recorded as an increase in share premium.

According to Russian law and the company's Charter, these shares are non-cumulative and, as a general rule, do not provide voting rights, except as expressly provided for by law. Holders of preference shares are entitled to vote starting from the meeting following the annual General meeting of shareholders, at which decision was made to pay no dividends or a decision was made to partially pay dividends on preference shares.

The amount of the minimum dividend income is fixed in the Charter and is 0.1 rubles per preference share.

(in thousands of US dollars, unless otherwise stated)

10 Borrowings

	30 June 2018	31 December 2017
Bank loans and borrowings	**4,746,364**	**4,773,344**
Short-term bank loans	1,807,784	1,291,857
Long-term bank loans and borrowings	2,938,580	3,481,487
Finance lease payable	**8,428**	**9,197**
Short-term finance lease payable	17	18
Long-term finance lease payable	8,411	9,179
Total borrowings	**4,754,792**	**4,782,541**

Bank loans

	2018	2017
Balance at 1 January	**4,773,344**	**6,409,114**
Bank loans and other borrowings received, denominated in US$	525,878	751,415
Bank loans received, denominated in EUR	16,883	-
Bank loans repaid, denominated in US$	(475,169)	(1,037,557)
Bank loans repaid, denominated in EUR	(933)	-
Bank loans repaid, denominated in RR	(92,244)	(94,419)
Interest accrued	115,476	147,654
Interest paid	(115,697)	(147,003)
Recognition of syndication fees and other financial charges	(2,524)	(731)
Amortisation of syndication fees and other financial charges	5,888	7,125
Foreign exchange loss / (gain), net	406,236	(158,579)
Effect of translation to presentation currency	(410,774)	169,819
Balance at 30 June	**4,746,364**	**6,046,838**

The table below shows interest rates as at 30 June 2018 and 31 December 2017 and the split of bank loans into short-term and long-term.

Short-term bank loans	30 June 2018	31 December 2017
Bank loans in US$: floating interest	1,760,184	1,145,987
Bank loans in US$: fixed interest	1,788	1,852
Bank loans in EUR: floating interest	1,687	-
Bank loans in RR: floating interest	44,125	144,018
Total short-term bank loans	**1,807,784**	**1,291,857**
Long-term bank loans		
Bank loans in US$: floating interest	2,130,008	2,731,858
Bank loans and other borrowings in US$: fixed interest	796,841	749,629
Bank loans in EUR: floating interest	11,731	-
Total long-term bank loans and borrowings	**2,938,580**	**3,481,487**

As at 30 June 2018 and 31 December 2017, no equipment or inventories were pledged as security for bank loans.

As at 30 June 2018, bank loans amounting US$ 1,964,090 (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 PJSC Sberbank of Russia was signed in the amount of up to US$ 3.9 billion for the purpose of refinancing of other loans received from the bank as well as for other general corporate purposes, which, together with related agreements, were secured by way of pledge to PJSC Sberbank of Russia of the Company shares and GDRs constituting 28.6% of the Company's issued ordinary shares (equivalent of 389,981,286 ordinary shares and 89,959,526 GDR). 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 30 June 2018, the Company has not yet used the facility.

(in thousands of US dollars, unless otherwise stated)

10 Borrowings (continued)

In October 2017, the Company signed up to US$ 500 million revolving facility agreement with JSC 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 30 June 2018, US$300 million of the facility was drawn-down.

In January 2018, the Company signed an uncommitted revolving credit facility in the amount of up to $100 million with Credit Agricole, which is available for one year. As at 30 June 2018, US$100 million of the facility was drawn-down.

In May 2018, the Company signed an uncommitted frame credit facility in the amount of up to US$80 million with PJSC Rosbank, which is available for two years. As at 30 June 2018, US$80 million of the facility was drawn-down.

On 29 June 2018, the Company signed a US$ 825 million 5-year pre-export facility with 11 international banks. The interest rate is 1M LIBOR + 1.9%. The loan will be used to refinance of the Company's existing loans and for general corporate purposes. As at 30 June 2018, the Company has not yet used the facility.

The Group was in compliance with all financial and non-financial covenants as at 30 June 2018.

11 Bonds

In April 2013, the Group issued US$ denominated bonds 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.

In June 2018, the Company issued ruble bonds in the amount of RR 15 billion at par under its exchange bond programme. The coupon rate was at 7.70% p.a., and the coupon period is 182 days. A nominal value of the bond is RR 1,000. The bond matures in 5 years.

	2018	2017
Balance at 1 January	**1,661,191**	**584,907**
Issuance of bonds	240,260	267,408
Redemption of bonds	(581,900)	-
Interest accrued	46,045	12,692
Interest paid	(46,963)	(10,493)
Recognition of syndication fees and other financial charges	(39)	-
Amortisation of syndication fees	315	272
Foreign exchange loss / (gain)	119,737	(16,178)
Effect of translation to presentation currency	(142,639)	4,194
Balance at 30 June	**1,296,007**	**842,802**

	30 June 2018	31 December 2017
Short-term bonds		
Short-term bonds quoted on the Irish Stock Exchange	-	585,329
Short-term bonds quoted on the Moscow Stock Exchange	818,239	15,908
Total short-term bonds	**818,239**	**601,237**
Long-term bonds		
Long-term bonds quoted on the Moscow Stock Exchange	477,768	1,059,954
Total long-term bonds	**477,768**	**1,059,954**
Total bonds	**1,296,007**	**1,661,191**

(in thousands of US dollars, unless otherwise stated)

12 Provisions

	Note	Filling cavities	Restruc-turing	Resettle-ment	Mine flooding	Legal	Asset retirement obligations	Total
Carrying amount at 1 January 2017		**98,182**	**6,287**	**10,822**	**9,223**	**19,006**	**64,290**	**207,810**
Changes in estimates added to property, plant and equipment	6	(6,158)	-	-	-	-	(7,388)	(13,546)
Changes in estimates charged to profit or loss		-	40	-	32	-	-	72
Accrual of provision		-	-	10,148	-	1,017	-	11,165
Utilisation of provision		(8,166)	-	-	(291)	-	-	(8,457)
Unwinding of the present value discount		4,202	269	-	394	813	2,821	8,499
Effect of translation to presentation currency		2,800	162	98	243	471	1,795	5,569
Current liabilities		**10,029**	**709**	**19,697**	**1,933**	**21,307**	**-**	**53,675**
Non-current liabilities		**80,831**	**6,049**	**1,371**	**7,668**	**-**	**61,518**	**157,437**
Carrying amount at 30 June 2017		**90,860**	**6,758**	**21,068**	**9,601**	**21,307**	**61,518**	**211,112**
Carrying amount at 1 January 2018		**172,400**	**7,009**	**17,398**	**6,421**	**5,173**	**53,909**	**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		-	(78)	-	(2,908)	-	-	(2,986)
Reversal of provision		-	-	-	-	(51)	-	(51)
Utilisation of provision		(11,887)	-	(10,849)	(294)	(4,885)	-	(27,915)
Unwinding of the present value discount		5,449	228	197	202	-	2,281	8,357
Effect of translation to presentation currency		(14,282)	(584)	(860)	(364)	(157)	(7,338)	(23,585)
Current liabilities		**19,837**	**3,422**	**-**	**1,422**	**80**	**-**	**24,761**
Non-current liabilities		**140,448**	**3,153**	**5,886**	**1,635**	**-**	**100,197**	**251,319**
Carrying amount at 30 June 2018		**160,285**	**6,575**	**5,886**	**3,057**	**80**	**100,197**	**276,080**

Key assumptions used in estimation of provisions were as follows:

	30 June 2018	**31 December 2017**
Risk-free rates	6.6% - 7.8%	6.6% - 9.3%
Expected date of settlement	2018 – 2069	2018 - 2069
Expected inflation in Russia within 3 years from the reporting date	4.0% - 4.5%	4.0% - 4.9%
Expected inflation in Russia starting from the 4th year after the reporting date	4.1%	4.3%

In the 1st half of 2018, due to the changes in regulatory requirements, the Group revised the methodology for the mine flooding protection. As a result of changes in this methodology, the total amount of changes in estimate of asset retirement obligation amounted to US$ 28,843. The remainder change is due to change on macroeconomic assumptions.

(in thousands of US dollars, unless otherwise stated)

13 Revenues

	1st half of 2018	2017
Potassium chloride	779,766	831,514
Potassium chloride (granular)	473,228	512,260
Revenue from rendering transportation services	102,652	-
Other revenues	40,892	43,826
Total revenues	**1,396,538**	**1,387,600**

14 Cost of sales

	Note	1st half of 2018	2017
Depreciation	6	87,839	85,158
Employee benefits		86,098	78,271
Materials and components		55,803	51,116
Fuel and energy		53,329	54,317
Amortisation of licences		29,943	24,990
Repairs and maintenance		24,501	15,697
Railway transportation between mines		6,347	6,084
Change in work in progress, finished goods and goods in transit		(1,235)	38,183
Other costs		19,738	18,179
Total cost of sales		**362,363**	**371,995**

15 Distribution costs

	Note	1st half of 2018	2017
Railway tariff and rent of wagons		144,863	160,473
Freight		110,548	115,755
Transport repairs and maintenance		14,556	15,496
Commissions and marketing expenses		13,715	10,184
Transshipment		10,850	16,121
Employee benefits		7,346	5,212
Depreciation	6	4,146	4,300
Other costs		30,950	34,204
Total distribution costs		**336,974**	**361,745**

Depreciation of property, plant and equipment in the amount of US$ 1,414 is included into Transport repairs and maintenance and Transhipment costs (Note 6) (1st half of 2017: US$ 1,760).

16 General and administrative expenses

	Note	1st half of 2018	2017
Employee benefits		48,770	46,122
Depreciation	6	4,909	3,922
Mine rescue crew		3,078	3,046
Security		2,997	3,232
Amortisation of intangible assets		2,717	1,542
Consulting, audit and legal services		2,483	2,384
Materials and fuel		2,304	2,472
Communication and information system services		2,293	1,939
Repairs and maintenance		1,618	1,194
Other expenses		14,137	11,945
Total general and administrative expenses		**85,306**	**77,798**

(in thousands of US dollars, unless otherwise stated)

17 Other operating income and expenses

	Note	1st half of 2018	1st half of 2017
Other operating expenses/(income) related to non-current assets			
Loss on disposals of property, plant and equipment and intangible assets		1,751	4,812
Reversal of impairment loss on property, plant and equipment and assets under construction		(185)	(2,160)
Other operating expenses related to non-current assets		615	1,071
Other operating (income)/expenses related to accounting estimates and accrued liabilities			
Accrual of resettlement provision	12	-	10,148
(Reversal)/accrual of legal provision	12	(51)	1,017
Other operating (income)/expenses related to provisions and accrued liabilities		(2,398)	516
Other operating expenses/(income)			
Social cost and charity		3,024	1,905
Other income, net		(3,377)	(4,043)
Total other operating (income)/expenses, net		**(621)**	**13,266**

18 Finance income and expenses

		1st half of 2018		1st half of 2017	
	Note	Income	Expenses	Income	Expenses
Foreign exchange (loss) /gain		-	(373,901)	156,296	-
Fair value (loss) / gain on derivative financial instruments, net	7	-	(28,818)	7,399	-
Interest income / (expenses)		17,337	(141,169)	11,790	(142,913)
Gain on disposal of other financial assets		-	-	1,102	-
Dividend income		195	-	-	-
Loss from unwinding and effect of changes in effective interest rate, net		-	(30,918)	-	(4,992)
(Loss) / income from associate		-	(723)	226	-
Syndication fees and other financial charges		-	(10,100)	-	(31,234)
Letters of credit fees		-	(3,226)	-	(1,989)
Finance lease expense		-	(492)	-	(460)
Other finance income / (expenses)		3,462	(2,155)	58	-
Fair value losses on investments		-	(28,261)	-	-
Total finance income / (loss)		**20,994**	**(619,763)**	**176,871**	**(181,588)**
Total finance expenses, net		**-**	**(598,769)**	**-**	**(4,717)**

The syndication fee and other financial charges for the 1st half of 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 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 available funding options.

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

	1st half of 2018	1st half of 2017
Capitalised interest expenses	20,353	17,432
Capitalised foreign exchange losses	7,097	604
Total capitalised borrowing costs	**27,450**	**18,036**

(in thousands of US dollars, unless otherwise stated)

19 Contingencies, commitments and operating risks

19.1 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.

19.2 Insurance policies

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

19.3 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.

19.4 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.

Because Russia 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. Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies.

The above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, economic recession and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

19.5 Capital expenditure commitments

As at 30 June 2018, the Group had contractual commitments for the purchase of property, plant and equipment and intangible assets for US$ 440,560 (31 December 2017: US$ 485,160) from third parties. As at 30 June 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.

19.6 Operating lease commitments

As at 30 June 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:

	30 June 2018	**31 December 2017**
Not later than 1 year	3,001	3,139
Later than 1 year and not later than 5 years	7,790	8,724
Later than 5 years	9,292	9,355
Total operating lease commitments	**20,083**	**21,218**

(in thousands of US dollars, unless otherwise stated)

20 Fair value of financial instruments

Financial assets	Stated at	Level	30 June 2018 Carrying value	30 June 2018 Fair value	31 December 2017 Carrying value	31 December 2017 Fair value
Loan issued	Amortised cost	3	456,774	424,166	379,232	383,413
Derivative financial assets	Fair value	2	35,048	35,048	22,830	22,829
Trade and other receivables	Amortised cost	3	299,606	299,606	482,427	482,427
Other financial assets	Amortised cost	3	1,772	1,772	1,927	1,927
Total			**793,200**	**760,592**	**886,416**	**890,596**

Financial liabilities	Stated at	Level	30 June 2018 Carrying value	30 June 2018 Fair value	31 December 2017 Carrying value	31 December 2017 Fair value
Borrowings	Amortised cost	3	4,754,792	4,739,196	4,782,541	4,771,134
Bonds	Amortised cost	1	1,296,007	1,295,083	1,661,191	1,645,938
Derivative financial liabilities	Fair value	2	86,539	86,539	121,424	121,424
Trade and other payables	Amortised cost	3	195,796	195,796	248,402	248,402
Total			**6,333,134**	**6,316,614**	**6,813,558**	**6,786,898**

21 Events after reporting date

On 29 June 2018, the Company signed the US$ 825 mln 5-year pre-export facility with 11 international banks. The interest rate is 1M LIBOR + 1.9%. The loan will be used to refinance of the Company's existing loans and for general corporate purposes. The facility was drawn down by two tranches on 17 July 2018 and 10 August 2018 in the total amount of US$ 825 mln.