

URALKALI GROUP

Interim Condensed Consolidated
Financial Statements for the First Half of 2021
(Unaudited)

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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 of 30 June 2021 and the related interim condensed consolidated statements of profit or loss, 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

27 August 2021



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-regulatory organization of auditors Association "Sodruzhestvo", ORNZ 12006020384.


INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

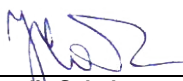
AS AT 30 JUNE 2021 (UNAUDITED)

(in thousands of US dollars, unless otherwise stated)

	Note	30 June 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,820,560	2,781,088
Prepayments for acquisition of property, plant and equipment and intangible assets		205,773	187,529
Goodwill		815,105	798,517
Intangible assets		2,238,869	2,210,747
Deferred income tax asset		9,357	3,273
Investment in associate		1,329	2,096
Derivative financial assets	7	7,309	68
Other non-current assets		115,266	108,341
Total non-current assets		6,213,568	6,091,659
Current assets			
Inventories		148,147	121,259
Trade and other receivables		486,276	326,353
Advances to suppliers		45,629	38,758
Income tax prepayments		231	436
Derivative financial assets	7	19,911	19,722
Loans receivable	4	103,718	966,731
Cash and cash equivalents	8	504,579	1,007,352
Total current assets		1,308,491	2,480,611
TOTAL ASSETS		7,522,059	8,572,270
EQUITY			
Share capital	9	21,872	21,872
Preference shares	9	239	239
Treasury shares	9	(4,149)	-
Share (discount) / premium	9	(1,235,315)	50,987
Currency translation reserve		(4,106,614)	(4,103,262)
Retained earnings		6,285,739	5,750,303
Equity attributable to the Company's equity holders		961,772	1,720,139
Non-controlling interests		11,739	12,201
TOTAL EQUITY		973,511	1,732,340
LIABILITIES			
Non-current liabilities			
Loans and borrowings	10	3,795,395	4,009,313
Post-employment and other long-term benefit obligations		41,964	42,264
Deferred income tax liability		563,374	554,572
Provisions	11	428,406	460,282
Derivative financial liabilities	7	129,290	119,363
Other non-current liabilities		2,593	2,645
Total non-current liabilities		4,961,022	5,188,439
Current liabilities			
Loans and borrowings	10	1,196,931	1,193,376
Trade and other payables		217,411	279,564
Advances received		21,906	25,861
Provisions	11	89,754	90,471
Derivative financial liabilities	7	14,494	14,998
Current income tax payable		47,030	47,221
Total current liabilities		1,587,526	1,651,491
TOTAL LIABILITIES		6,548,548	6,839,930
TOTAL LIABILITIES AND EQUITY		7,522,059	8,572,270

The interim condensed consolidated financial statements for the 1st half of 2021 were approved for issue on behalf of the Management of the Group on 27 August 2021:


Vitaly Lauk
 Chief Executive Officer


Natalia Soboleva
 Chief Financial Officer

The accompanying notes on pages 8 to 21 are an integral part of these Interim Condensed Consolidated Financial Statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE 1ST HALF OF 2021 (UNAUDITED)

(in thousands of US dollars, unless otherwise stated)

	Note	1st half of	
		2021	2020
Revenues	12	1,459,899	1,323,471
Cost of sales	13	(329,069)	(421,209)
Gross profit		1,130,830	902,262
Distribution costs	14	(401,938)	(381,860)
General and administrative expenses	15	(79,754)	(79,507)
Taxes other than income tax		(13,450)	(7,659)
Other operating expenses, net	16	(38,627)	(20,009)
Operating profit		597,061	413,227
Finance income / (expenses), net	17	41,498	(586,746)
Profit / (loss) before income tax		638,559	(173,519)
Income tax expense		(103,585)	(6,692)
Net profit / (loss) for the period		534,974	(180,211)
Profit / (loss) attributable to:			
Company's equity holders		535,436	(180,037)
Non-controlling interests		(462)	(174)
Net profit / (loss) for the period		534,974	(180,211)
Weighted average number of ordinary shares in issue (million)		1,093	1,269
Earnings / (loss) per share – basic and diluted (in US cents)		48.99	(14.19)

The accompanying notes on pages 8 to 21 are an integral part of these Interim Condensed Consolidated Financial Statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 1ST HALF OF 2021 (UNAUDITED)

(in thousands of US dollars, unless otherwise stated)

	1st half of	
	2021	2020
Net profit / (loss) for the period	534,974	(180,211)
Other comprehensive loss		
Items that will not be reclassified to profit or loss:		
Effect of translation to presentation currency	(3,352)	(226,149)
Total other comprehensive loss for the period	(3,352)	(226,149)
Total comprehensive income / (loss) for the period	531,622	(406,360)
Total comprehensive income / (loss) for the period attributable to:		
Company's equity holders	532,084	(406,186)
Non-controlling interests	(462)	(174)

The accompanying notes on pages 8 to 21 are an integral part of these Interim Condensed Consolidated Financial Statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 1ST HALF OF 2021 (UNAUDITED)
(in thousands of US dollars, unless otherwise stated)

	Note	1st half of	
		2021	2020
Cash flows from operating activities			
Profit / (loss) before income tax		638,559	(173,519)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment, right-of-use assets and amortisation of intangible assets		144,320	150,573
Loss on disposals of property, plant and equipment and intangible assets	16	1,535	1,719
Reversal of impairment of prepayments for acquisition of property, plant and equipment and intangible assets		(203)	-
Write-down / (reversal of write-down) of inventories to net realisable value		399	(23)
Impairment of property, plant and equipment and assets under construction		558	-
Impairment of trade and other receivables and advances to suppliers	16	169	5,073
Change in provisions, net	11	(173)	899
Fair value (gain) / loss on derivative financial instruments, net	17, 7	(11,918)	103,653
Foreign exchange (gain) / loss, net	17	(118,529)	395,099
Other finance expenses, net	17	88,949	87,994
Operating cash flows before working capital changes		743,666	571,468
Increase in trade and other receivables and advances to suppliers		(189,864)	(97,822)
(Increase) / decrease in inventories		(25,590)	92,838
Decrease in provisions	11	(33,498)	(20,747)
(Decrease) / increase in trade and other payables and advances received		(56,630)	45,377
Increase in other taxes payable		9,884	7,616
Cash generated from operations		447,968	598,730
Interest paid		(80,235)	(100,887)
Income taxes paid		(113,047)	(21,887)
Net cash generated from operating activities		254,686	475,956
Cash flows from investing activities			
Acquisition of property, plant and equipment		(136,735)	(158,347)
Acquisition of intangible assets		(642)	(932)
Proceeds from sales of property, plant and equipment		363	264
Loans issued		-	(424,265)
Proceeds from loans repayments		756,801	297,684
Dividends and interest received		114,200	7,126
Net cash generated from / (used in) investing activities		733,987	(278,470)
Cash flows from financing activities			
Repayments of borrowings	10	(597,595)	(965,879)
Proceeds from borrowings	10	406,201	665,490
Proceeds from issuance of bonds	10	-	452,302
Arrangement fees and other financial charges paid		(19,342)	(14,006)
Redemption of bonds	10	-	(210,849)
Cash proceeds from derivatives	7	13,700	6,301
Cash paid for derivatives	7	(2,159)	(52,526)
Purchase of treasury shares	9	(1,290,451)	-
Lease payments		(1,068)	(1,643)
Net cash used in financing activities		(1,490,714)	(120,810)
Effect of changes in foreign exchange rate on cash and cash equivalents		(732)	(27,394)
Net (decrease) / increase in cash and cash equivalents		(502,773)	49,282
Cash and cash equivalents at the beginning of the period	8	1,007,352	482,678
Cash and cash equivalents at the end of the period	8	504,579	531,960

The accompanying notes on pages 8 to 21 are an integral part of these Interim Condensed Consolidated Financial Statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 1ST HALF OF 2021 (UNAUDITED)

(in thousands of US dollars, unless otherwise stated)

	Note	Equity attributable to the Company's equity holders						Total	Non-controlling interests	Total equity
		Share capital	Preference shares	Treasury shares	Share premium / (discount)	Retained earnings	Currency translation reserve			
Balance at 1 January 2020		35,762	239	(28,126)	399,855	5,459,775	(3,774,604)	2,092,901	12,551	2,105,452
Net loss for the period		-	-	-	-	(180,037)	-	(180,037)	(174)	(180,211)
Other comprehensive loss		-	-	-	-	-	(226,149)	(226,149)	-	(226,149)
Total comprehensive loss for the period		-	-	-	-	(180,037)	(226,149)	(406,186)	(174)	(406,360)
Transactions with owners										
Cancellation of treasury shares	9	(13,890)	-	28,126	(348,868)	334,632	-	-	-	-
Total transactions with owners		(13,890)	-	28,126	(348,868)	334,632	-	-	-	-
Balance at 30 June 2020		21,872	239	-	50,987	5,614,370	(4,000,753)	1,686,715	12,377	1,699,092
Balance at 1 January 2021		21,872	239	-	50,987	5,750,303	(4,103,262)	1,720,139	12,201	1,732,340
Net profit / (loss) for the period		-	-	-	-	535,436	-	535,436	(462)	534,974
Other comprehensive loss		-	-	-	-	-	(3,352)	(3,352)	-	(3,352)
Total comprehensive income / (loss) for the period		-	-	-	-	535,436	(3,352)	532,084	(462)	531,622
Transactions with owners										
Purchase of treasury shares	9	-	-	(4,149)	(1,286,302)	-	-	(1,290,451)	-	(1,290,451)
Total transactions with owners		-	-	(4,149)	(1,286,302)	-	-	(1,290,451)	-	(1,290,451)
Balance at 30 June 2021		21,872	239	(4,149)	(1,235,315)	6,285,739	(4,106,614)	961,772	11,739	973,511

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. The licences expire at different periods until 2055. In addition, the Company holds a licence for geological exploration and evaluation of the Izversky plot.

On 30 November 2020, JSC United Chemical Company Uralchem (hereinafter – “Uralchem”) obtained effective control over the Group's activities. In 1st half 2021, LLC Uralkali-Invest, 100% subsidiary of the Group, acquired ordinary shares representing 18.53% of the Company's share capital (Note 9). As a result of this transaction Uralchem increased its effective ownership in the Group to 100%.

The Company's significant shareholders and their voting interest were as follows:

	30 June 2021	31 December 2020
Uralchem ¹	81.47%	81.47%
LLC Uralkali-Invest	18.53%	-
Rinsoco Trading Co. Limited ²	-	18.53%

¹ The beneficial owner of the company and the ultimate controlling party of the Group is Mr. D. Mazepin

² The beneficial owner of the company is Mr. D. Lobiak

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 2021 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 2020, 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 2020, except for adoption of new or amended IFRS standards and interpretations as disclosed 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 2021, the Group's current liabilities exceeded its current assets by US\$ 279,035.

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. 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:

	30 June 2021		31 December 2020		30 June 2020	
	US\$	Euro	US\$	Euro	US\$	Euro
closing rate	72.37	86.20	73.88	90.68	69.95	78.68
average rate for the 1st half year	74.28	89.55	-	-	69.37	76.44

Seasonality

The Group's revenues are affected by seasonal variations in each market in which it operates. The Group has an access to 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 manages 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. Accordingly, seasonality does not have a significant impact on the Group's revenues and expenses.

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 2021.

The following is a list of new or amended IFRS standards and interpretations effective for annual periods beginning on or after 1 January 2021 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
Amendments to IFRS 16: Covid-19 Related Rent Concessions	The new amendment to IFRS 16 extend, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.	No effect
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2	The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (e.g. LIBOR, EURIBOR) is replaced with an alternative nearly risk-free interest rate. The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. The Group intends to use the practical expedient in future periods if it becomes applicable.	No effect

4 Related parties

Related parties include parent company, major shareholders controlling the Group, with significant influence over the Group, entities under control of the Group's major shareholders, associates, key management personnel and entities under their control. 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.

4 Related parties (continued)

On 30 November 2020, Uralchem became the controlling shareholder of the Company (Note 1). As a result of the obtaining of the control by Uralchem, the Group does not have any shareholders with significant influence over the Group. For the 1st half of 2020, transactions with these related parties are included in transactions with related parties under control of shareholders with significant influence over the Group.

Transactions with the parent company

Details of outstanding balances between the Group and Uralchem are disclosed below:

Outstanding balances with Uralchem	30 June 2021	31 December 2020
Loan receivable	99,865	177,939
Interest receivable	3,853	1,963
Trade and other receivables	71	13
Trade and other payables	(5,193)	(19,230)
Lease liability	(3,509)	(3,999)
Advances received	-	(56)

The loan receivable is a US\$ denominated unsecured revolving loan facility granted by the Group in 2020 initially for a period until 31 December 2020. In September 2020, this facility was prolonged until December 2021. The loan was issued at a market rate with interest payable at the maturity date. In February 2021, the Group received US\$ 79,080 as a partial repayment of the loan and interest receivable.

Details of transactions between the Group and Uralchem are disclosed below:

Transactions with Uralchem	1st half of 2021
Revenue (sales of potassium chloride)	6,072
Other revenue	284
Interest income	2,524
Other finance income	382
Purchase of inventories and goods for resale	(9,377)
Distribution costs	(20)
Interest expenses	(105)
General and administrative expenses	(628)
Other expenses	(129)

In February-March 2021, the Group entered into pledge agreements with PJSC Sberbank of Russia (hereinafter – “Sberbank”) for the Company’s own ordinary shares held by LLC Uralkali-Invest. The pledge was provided as security in favour of Sberbank for the loan of the Group’s parent company effective until 2026 and the agreements related thereto.

As at 30 June 2021, the Group pledged ordinary shares of PJSC Uralkali, representing 18.53% of the Company’s share capital (Note 9).

The pledge was provided for a fee at market terms.

Transactions with other related parties

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

Outstanding balances with other related parties	30 June 2021	31 December 2020
Loans receivable	-	677,889
Interest receivable	-	108,940
Trade and other receivables	1,519	1,588
Trade and other payables	(2,339)	(2,190)
Loan payable including interest payable	-	(40,572)
Advances to suppliers	42	12,905

As at 31 December 2020, loans and interests receivable included US\$ 569,043 and US\$ 217,786 due under loans advanced by the Group at market rates maturing in 2023 and 2022, respectively. In February 2021, these loans and interests receivable accrued to date were repaid in full.

4 Related parties (continued)

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

Transactions with other related parties	1st half of 2021
Acquisition of treasury shares (Note 9)	(1,290,451)
Revenue (sales of potassium chloride)	18,024
Other revenue	752
Interest income	3,535
Other finance income	474
Purchase of inventories and goods for resale	(330)
Distribution costs	(10,059)
Interest expenses	(1,075)
General and administrative expenses	(41)
Other finance expenses	(142)
Other income	244

Transactions with related parties under control of shareholders with significant influence over the Group

Details of significant transactions between the Group and related parties under control of shareholders with significant influence over the Group are disclosed below:

Transactions with related parties under control of shareholders with significant influence over the Group	1st half of 2020
Revenue (sales of potassium chloride)	22,778
Other revenue	649
Interest income	17,366
Other finance income	8,444
Purchase of inventories and goods for resale	(23,070)
Distribution costs	(15,701)
Interest expenses	(1,392)
General and administrative expenses	(22)
Other finance expenses	(8,665)
Other expenses	(145)

Transactions with associate

Outstanding balances and transactions between the Group and associate are disclosed below:

Outstanding balances with associate	30 June 2021	31 December 2020
Trade and other payables	(2)	(219)
Advances to suppliers	593	873

Transactions with associate	1st half of 2021	2020
Distribution costs	(1,032)	(3,287)
Other finance expenses	(789)	-

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	
	1st half of 2021	1st half of 2020	30 June 2021	31 December 2020
Short-term employee benefits	4,880	5,278	3,056	3,618
Termination benefits	714	-	-	-
Total	5,594	5,278	3,056	3,618

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	
		2021	2020
Revenues	12	1,459,899	1,323,471
Revenues net of freight, railway tariff, rent of wagons and transshipment costs	12, 14	1,146,714	1,062,484
Operating profit		597,061	413,227
Cash CAPEX		137,377	159,279

b) Geographical information

	1st half of	
	2021	2020
Russia	263,327	232,830
China, India, South East Asia	487,274	504,435
Latin America, USA	492,148	385,118
Europe, other countries	217,150	201,088
Total revenues	1,459,899	1,323,471

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

c) Major customers

In the 1st half of 2021, the amount of revenue from the external customer which contributed more than 10% of the Group's revenue was US\$ 171,032. The Group had no external customers which represented more than 10% of the Group's revenues in the 1st half of 2020.

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	2021	2020
Cost			
Balance at 1 January		4,520,240	4,886,036
Additions		136,968	142,126
Disposals		(19,658)	(8,829)
Changes in estimates of provisions	11	(23,985)	9,362
Effect of translation to presentation currency		96,384	(563,162)
Balance at 30 June		4,709,949	4,465,533
Accumulated depreciation and impairment			
Balance at 1 January		(1,739,152)	(1,780,568)
Depreciation charge		(128,392)	(134,614)
Disposals		17,768	6,875
Impairment	16	(558)	-
Effect of translation to presentation currency		(39,055)	205,855
Balance at 30 June		(1,889,389)	(1,702,452)
Net book value			
As at 1 January		2,781,088	3,105,468
As at 30 June		2,820,560	2,763,081

Allocation of depreciation charge for the period is presented below:

Allocation of depreciation charge for the period	Note	1st half of	
		2021	2020
Cost of sales	13	85,914	120,171
Distribution costs	14	4,587	4,950
General and administrative expenses	15	4,112	4,724
Other operating expenses	16	26,793	1,713
Capitalised within assets under construction		6,986	3,056
Total		128,392	134,614

Fully depreciated assets still in use

As at 30 June 2021 and 31 December 2020, the gross carrying value of fully depreciated property, plant and equipment still in use was US\$ 303,555 and US\$ 303,958, respectively.

Capitalised borrowing costs

Interest expense and foreign exchange losses capitalised in the cost of assets under construction were as follows:

Capitalised borrowing costs	1st half of	
	2021	2020
Capitalised interest expenses	10,642	18,726
Capitalised foreign exchange losses	6,848	10,113
Total capitalised borrowing costs	17,490	28,839

In the 1st half of 2021, the Group used average interest capitalisation rate of 2.68% (1st half 2020: 3.27%).

7 Derivative financial instruments

As at 30 June 2021 and 31 December 2020, the derivative financial instruments were represented by:

	The Group pays	The Group receives	Issue	Maturity	Notional amount	
					30 June 2021	31 December 2020
Cross-currency interest rate swap	US\$ at fixed rate	RR at fixed rate	2020	2025	US\$ 454 mln (RR 30,000 mln)	US\$ 454 mln (RR 30,000 mln)
			2018	2023	US\$ 239 mln (RR 15,000 mln)	US\$ 239 mln (RR 15,000 mln)
			2018	2021	US\$ 149 mln (RR 10,000 mln)	US\$ 149 mln (RR 10,000 mln)
Interest rate swap	US\$ at fixed rate	US\$ at floating rate; nil if rate is negative	2020	2025	US\$ 940 mln (RR 68,030 mln)	US\$ 940 mln (RR 69,443 mln)
			2020	2024	US\$ 601 mln (RR 43,475 mln)	US\$ 601 mln (RR 44,378 mln)
	Euro at fixed rate	Euro at floating rate; nil if rate is negative	2020	2023	US\$ 424 mln (RR 30,707 mln)	US\$ 424 mln (RR 31,344 mln)
			2019	2024	Euro 650 mln (RR 56,032 mln)	Euro 650 mln (RR 58,944 mln)

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

	30 June 2021	31 December 2020
Assets		
Current derivative financial assets	19,911	19,722
Non-current derivative financial assets	7,309	68
Total derivative financial assets	27,220	19,790
Liabilities		
Current derivative financial liabilities	(14,494)	(14,998)
Non-current derivative financial liabilities	(129,290)	(119,363)
Total derivative financial liabilities	(143,784)	(134,361)

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

	Note	2021	2020
Derivative financial liabilities, net at 1 January		114,571	8,417
Cash proceeds from derivatives		13,700	6,301
Cash paid for derivatives		(2,159)	(52,526)
Changes in the fair value	17	(11,918)	103,653
Effect of translation to presentation currency		2,370	(1,443)
Derivative financial liabilities, net at 30 June		116,564	64,402

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 Group's annual consolidated financial statements for the year ended 31 December 2020.

8 Cash and cash equivalents

	30 June 2021	31 December 2020
Cash on hand and bank balances		
RR denominated cash on hand and bank balances	63,639	33,477
US\$ denominated bank balances	302,446	452,733
EUR denominated bank balances	114,394	72,260
Other currencies denominated balances	443	366
Term deposits		
US\$ term deposits	14,993	441,613
RR term deposits	8,664	6,903
Total cash and cash equivalents	504,579	1,007,352

9 Equity

	Number of ordinary shares (in mln)	Number of preference shares (in mln)	Number of treasury shares (in mln)	Ordinary shares	Preference shares	Treasury shares	Total
At 1 January 2020	2,936	30	(1,668)	35,762	239	(28,126)	7,875
Cancellation of treasury shares	(1,668)	-	1,668	(13,890)	-	28,126	14,236
At 30 June 2020	1,268	30	-	21,872	239	-	22,111
At 1 January 2021	1,268	30	-	21,872	239	-	22,111
Acquisition of treasury shares	-	-	(241)	-	-	(4,149)	(4,149)
At 30 June 2021	1,268	30	(241)	21,872	239	(4,149)	17,962

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 2020: 1,730 million) with a nominal value 0.5 roubles (31 December 2020: 0.5 roubles) per share.

The number of unissued authorised preference shares is 120 million (31 December 2020: 120 million) with a nominal value 0.5 roubles (31 December 2020: 0.5 roubles) per share.

Acquisition of treasury shares

In February-March 2021, LLC Uralkali-Invest acquired 240,565,083 ordinary shares of the Company representing 18.53% of the Company's share capital from a related party for a total cash consideration of US\$ 1,290,451. The difference between the total acquisition cost of US\$ 1,290,451 and the nominal value of the shares of US\$ 4,149 in the amount of US\$ 1,286,302 was recognised as an increase in share discount.

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10 Loans and borrowings

The table below shows the split of loans and borrowings into short-term and long-term as at 30 June 2021 and 31 December 2020.

	30 June 2021	31 December 2020
Short-term loans and borrowings		
Bank loans in US\$: floating interest	566,226	698,206
Bank loans in US\$: fixed interest	200,704	200,718
Bank loans and other borrowings in RR: fixed interest	6,201	1,516
Bank loans in EUR: floating interest	265,548	137,762
Short-term part of long-term bonds quoted on Irish Stock Exchange	3,778	3,833
Short-term part of long-term bonds quoted on Moscow Exchange	150,046	147,072
Short-term lease payable	4,428	4,269
Total short-term loans and borrowings and current portion of long-term loans and borrowings	1,196,931	1,193,376
Long-term loans and borrowings		
Bank loans in US\$: floating interest	2,100,287	2,176,134
Bank loans and other borrowings in US\$: fixed interest	41,194	40,572
Bank loans in EUR: floating interest	511,970	663,762
Long-term bonds quoted on Irish Stock Exchange	497,499	497,184
Long-term bonds quoted on Moscow Exchange	620,824	608,036
Long-term lease payable	23,621	23,625
Total long-term loans and borrowings	3,795,395	4,009,313
Total loans and borrowings	4,992,326	5,202,689

Bank loans and other borrowings

	2021	2020
Balance at 1 January	3,918,670	4,138,420
Bank loans received, denominated in US\$	400,000	665,000
Bank loans and other borrowings received, denominated in RR	6,201	490
Bank loans repaid, denominated in US\$	(596,641)	(965,074)
Bank loans repaid, denominated in EUR	(954)	(805)
Reimbursement of subsidised bank loan, denominated in RR	(1,487)	-
Interest accrued	42,983	63,523
Interest paid	(41,451)	(64,453)
Recognition of syndication fees and other financial charges	(18,096)	(10,351)
Amortisation of syndication fees and other financial charges	8,176	5,032
Foreign exchange (gain) / loss, net	(93,156)	494,966
Effect of translation to presentation currency	67,885	(487,464)
Balance at 30 June	3,692,130	3,839,284

As at 30 June 2021 and 31 December 2020, no equipment or inventories were pledged as security for loans and borrowings.

As at 30 June 2021, bank loans in the amount of US\$ 3,361,294 (31 December 2020: US\$ 3,586,137) were collateralised by future sales proceeds of the Group under export contracts with certain customers.

In March 2020, the Company signed a credit facility in the amount of up to US\$ 1.6 billion with Sberbank for the purpose of refinancing of other loans received from the bank as well as for other general corporate purposes and which is available until December 2021. In November 2020, the Company signed an additional agreement for restatement of the original credit facility agreement including extending the availability period until November 2022. As at 30 June 2021, the Company has not yet used the facility.

In May 2020, the Company signed an up to US\$ 1 billion 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 and for general corporate purposes. As at 30 June 2021, US\$ 940 million were drawn down.

In June 2021, the Company signed an up to US\$ 1.25 billion 5-year sustainability-linked pre-export facility with 18 international banks. Sustainability key performance indicators, to which the loan agreement is linked cover ecological issues as well as the safety operations of the Company. The base-interest rate is 1 month LIBOR + 1.90%. The loan was used for refinancing of the Company's existing loans and for general corporate purposes. As at 30 June 2021, US\$ 400,000 million were drawn down.

In June 2021, an outstanding balance under pre-export facility agreement signed in August 2017, in the amount of US\$ 306,944 was early repaid in full.

10 Loans and borrowings (continued)

Bonds

	2021	2020
Balance at 1 January	1,256,125	1,149,734
Issuance of bonds	-	452,302
Repurchase of bonds	-	(210,849)
Interest accrued	37,608	42,443
Interest paid	(37,572)	(35,133)
Recognition of syndication fees and other financial charges	-	(89)
Amortisation of syndication fees	592	637
Foreign exchange loss, net	(9,986)	58,954
Effect of translation to presentation currency, net	25,380	(159,810)
Balance at 30 June	1,272,147	1,298,189

In March 2020, the Company issued RR bonds in the amount of RR 30 billion (US\$ 452,302) at par under its exchange bond programme. The coupon rate was 6.85% p.a., and the coupon period is 182 days. Nominal value of the bond is RR 1,000. The bonds mature in 5 years.

In May 2020, RR denominated bonds with nominal value of RR 15 billion issued in 2017 under the Company's exchange bond programme were redeemed.

The Group was in compliance with all financial and non-financial covenants as at 30 June 2021.

11 Provisions

	Note	Filling cavities	Asset retirement obligations	Resettle-ment	Mine flooding	Restruc-turing	Legal	Total
Balance at 1 January 2020		447,799	198,246	5,650	11,044	7,607	54	670,400
Changes in estimates added to property, plant and equipment	6	(50,288)	59,650	-	-	-	-	9,362
Changes in estimates charged to profit or loss		-	-	-	123	464	-	587
Accrual of provision		-	263	-	-	-	49	312
Utilisation of provision		(18,572)	(372)	(1,442)	(355)	-	(6)	(20,747)
Unwinding of the present value discount		11,424	5,182	160	310	207	-	17,283
Effect of translation to presentation currency		(51,028)	(23,339)	(639)	(1,271)	(881)	(6)	(77,164)
Current liabilities		57,900	629	3,729	1,584	129	91	64,062
Non-current liabilities		281,435	239,001	-	8,267	7,268	-	535,971
Balance at 30 June 2020		339,335	239,630	3,729	9,851	7,397	91	600,033
Balance at 1 January 2021		324,302	209,074	3,531	7,136	6,614	96	550,753
Changes in estimates added to property, plant and equipment	6	(1,016)	(22,969)	-	-	-	-	(23,985)
Changes in estimates charged to profit or loss		-	-	-	(303)	(464)	-	(767)
Accrual of provision		-	5	-	-	-	589	594
Utilisation of provision		(31,845)	(421)	(767)	(424)	(36)	(5)	(33,498)
Unwinding of the present value discount		8,304	6,099	-	178	173	-	14,754
Effect of translation to presentation currency		6,090	3,887	53	134	130	15	10,309
Current liabilities		83,187	1,187	2,817	1,248	620	695	89,754
Non-current liabilities		222,648	194,488	-	5,473	5,797	-	428,406
Balance at 30 June 2021		305,835	195,675	2,817	6,721	6,417	695	518,160

Key assumptions used in estimation of provisions were as follows:

	30 June 2021	31 December 2020
Risk-free rates	6.0% - 7.3%	4.2% - 7.0%
Expected date of settlement	2021 - 2060	2021 - 2059
Expected long-term inflation in Russia	4.1%	4.1%

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12 Revenues

	1st half of	
	2021	2020
Potassium chloride	791,473	759,795
Potassium chloride (granular)	477,281	435,354
Revenue from rendering transportation services	139,917	78,658
Other revenues	51,228	49,664
Total revenues	1,459,899	1,323,471

13 Cost of sales

		1st half of	
	Note	2021	2020
Cost of finished goods sold			
Depreciation of property, plant and equipment	6	85,914	120,171
Employee benefits		77,272	75,866
Materials and components		55,331	48,809
Fuel and energy		45,848	43,973
Repairs and maintenance		23,742	25,782
Amortisation of licences		20,083	15,739
Transportation between mines by railway		5,538	4,632
Other costs		10,288	16,721
Change in work in progress, finished goods and goods in transit		(5,976)	58,513
Total cost of finished goods		318,040	410,206
Goods for resale		11,029	11,003
Total cost of sales		329,069	421,209

14 Distribution costs

		1st half of	
	Note	2021	2020
Freight		156,278	102,179
Railway tariff and rent of wagons		143,857	140,123
Transport repairs and maintenance		13,986	17,435
Transshipment		13,050	18,685
Commissions and marketing expenses		12,303	11,831
Employee benefits		8,535	7,021
Depreciation of property, plant and equipment	6	3,442	3,831
Storage expenses		1,451	12,454
Depreciation of right-of-use assets		267	341
Other costs		48,769	67,960
Total distribution costs		401,938	381,860

Depreciation of property, plant and equipment in the amount of US\$ 1,145 is included into Transport repairs and maintenance and Transshipment costs (Note 6) (1st half of 2020: US\$ 1,119). Depreciation of right-of-use assets in the amount of US\$ 233 is included into Transshipment costs (1st half of 2020: US\$ 246).

15 General and administrative expenses

		1st half of	
	Note	2021	2020
Employee benefits		47,929	43,788
Depreciation of property, plant and equipment	6	4,112	4,724
Communication and information system services		3,277	2,837
Security		2,822	2,992
Consulting, audit and legal services		2,276	3,243
Materials and fuel		2,167	2,017
Repairs and maintenance		1,744	1,748
Amortisation of intangible assets		1,570	1,403
Depreciation of right-of-use assets		840	1,286
Mine rescue crew		230	2,980
Other expenses		12,787	12,489
Total general and administrative expenses		79,754	79,507

16 Other operating expenses

	Note	1st half of	
		2021	2020
Depreciation of property, plant and equipment	6	26,793	1,713
Social cost and charity		5,098	4,429
Loss on disposals of property, plant and equipment and intangible assets		1,535	1,719
Impairment loss on property, plant and equipment and assets under construction	6	558	-
Impairment of trade and other receivables and advances to suppliers		169	5,073
Other expenses, net		4,474	7,075
Total other operating expenses, net		38,627	20,009

17 Finance income and expenses

	Note	1st half of			
		2021		2020	
		Income	Expenses	Income	Expenses
Foreign exchange gain / (loss)		118,529	-	-	(395,099)
Fair value gain / (loss) on derivative financial instruments, net	7	11,918	-	-	(103,653)
Interest income / (expenses)		7,103	(71,023)	22,911	(88,371)
Loss from unwinding and effect of changes in effective interest rate, net		-	(14,896)	-	(21,875)
Syndication fees and other financial charges		-	(8,912)	-	(6,907)
Letters of credit fees		-	(2,811)	-	(2,329)
Fair value gain on investments		68	-	6,314	-
Other finance income / (expenses)		1,522	-	2,273	(10)
Total finance income / (expenses)		139,140	(97,642)	31,498	(618,244)
Total finance income / (expenses), net		41,498	-	-	(586,746)

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, the 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 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.

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, the Management believes that there are no significant liabilities for environmental damage due to legal requirements. The Group's mining activities may cause subsidence that may affect the Group's facilities, and those of the cities of Berezniki and Solikamsk, State organisations and others.

18 Contingencies, commitments and operating risks (continued)

18.4 Operating environment of the Group

The Group operates in the fertilizer industry with production assets in Russia and sales networks in the E.U., USA, Asia and Latin America. The highly competitive nature of the market makes prices of the Group's key products relatively volatile.

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.

Starting from 2014, sanctions have been imposed in several packages by the USA and the E.U. on certain Russian officials, businessmen and companies. This led to reduced access of the Russian businesses to international capital markets.

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 disease caused by a novel strain of coronavirus a global pandemic and recommended containment and mitigation measures worldwide. Since 30 March 2020, in Russia as in many countries where an outbreak of the virus has been detected, a lockdown and other restrictive measures were introduced; most businesses were closed, except for life-supporting or continuous production, most office employees were transferred to remote working. While lockdowns were eased, certain restrictions are still kept in place.

COVID-19 is having a significant impact on countries, which are the main consumers of potash (China, Europe and the USA) and other producers of potash around the world. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have essential impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing.

During 1st half 2021, COVID-19 has not caused any material adverse impact on functioning of the Group's operating facilities, personnel, as well as supply chain and sales, since agricultural sector is a defensive industry which addresses the basic needs of food security and stability for countries globally. Health and safety of employees remains the Group's utmost focus. In response to the adverse epidemiological situation, the Company quickly introduced a number of preventative measures to stop the coronavirus from spreading and took preventative steps to minimise risk to the health and safety of all personnel at both industrial and office premises, as well as the residents of the regions in which the Group operates. During 1st half 2021, impact of coronavirus on financial results of the Group was mainly limited to expenses related to abovementioned measures.

Significance of the effect of COVID-19 on the Group's business largely depends on the duration and the incidence of the pandemic effects on the world and Russian economy. The Management is unable to predict all developments which could have an impact on the industry and the wider economy and consequently what effect, if any, they could have on the future financial position of the Group. The Management believes all necessary measures are being taken to support the sustainability and growth of the Group's business in the current circumstances.

18.5 Capital expenditure commitments

As at 30 June 2021, the Group had contractual commitments for the purchase of property, plant and equipment and intangible assets for US\$ 226,330 (31 December 2020: US\$ 225,378) from third parties.

The Management has already allocated the necessary resources in respect of these commitments. The Management believes that future net income and funding will be sufficient to cover these and any similar commitments.

19 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:

	Level	30 June 2021		31 December 2020	
		Carrying value	Fair value	Carrying value	Fair value
Financial liabilities					
Bank loans and other borrowings	3	3,720,179	3,675,627	3,946,564	3,911,163
Bonds	1	1,272,147	1,265,936	1,256,125	1,281,995
Total		4,992,326	4,941,563	5,202,689	5,193,158

As at 30 June 2021 and 31 December 2020, the carrying amount of cash and cash equivalents, loans issued, trade and other financial receivables and payables approximated its fair value.

20 Events after reporting date

In July-August 2021, the Company received US\$ 300,000 under pre-export facility agreement signed in May 2021.