URALKALI GROUP

Consolidated financial statements
for the year ended 31 December 2021

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Notes to the Consolidated Financial Statements

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Public Joint Stock Company Uralkali and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Key audit matters

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

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Assessment of compliance with covenants Refer to Note 2: Basis of preparation and significant accounting policies, and Note 15: Loans and borrowings. The Group is leveraged with net debt of US$ 4,372,172 thousand as at 31 December 2021 and has to comply with certain financial and non-financial covenants stipulated in loan agreements. In addition to an analysis of compliance with covenants at the reporting date, management prepares financial forecasts to assess going concern and the Group's ability to comply with covenants in the future. These financial forecasts are particularly sensitive to changes in potash prices. Due to the factors above, we consider assessment of compliance with covenants to be a key audit matter.	We obtained an understanding of the process for monitoring compliance with financial and non-financial covenants stipulated in loan agreements. We reviewed the terms and conditions of loan agreements and recalculated covenants. We challenged management's key assumptions used in the financial forecast by: • Assessing covenant compliance forecasts, including stress test scenarios and related mitigation plans; • Testing the appropriateness of management's assumptions including foreign currency exchange rates and potash prices, the inflation rate, and the discount rate based on the available market information; • Performing our own sensitivity analysis to test the adequacy of the available headroom related to covenant compliance. We reviewed the completeness and accuracy of the disclosures in the notes to the consolidated financial statements.

Other Information

Management is responsible for other information. Other information comprises the information included in the Annual report for 2021 and the Issuer's report for the 12 months of 2021, but does not include the consolidated financial statements and the auditor's report thereon. The Annual and the Issuer's reports are expected to be made available to us after the date of the auditor's report.

Our opinion on the consolidated financial statements does not cover other information and we do not express any form of assurance conclusions thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or with our knowledge obtained during the audit or otherwise appears to be materially misstated.

When we read the Annual report for 2021 and the Issuer's report for the 12 months of 2021, if we conclude that there is a material misstatement therein, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Vladimir Biryukov,
(ORNZ № 21906100113),
Engagement partner,
Acting based on the power of attorney issued by the General Director on 24 December 2021 authorizing to sign off the audit report on behalf of AO “Deloitte & Touche CIS”
(ORNZ № 12006020384)

4 March 2022

(in thousands of US dollars, unless otherwise stated)

	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	7	2,775,616	2,781,088
Prepayments for acquisition of property, plant and equipment and intangible assets		213,737	187,529
Goodwill	8	794,036	798,517
Intangible assets	9	2,164,775	2,210,747
Deferred income tax asset	24	5,454	3,273
Investment in associate and joint venture		2,487	2,096
Derivative financial assets	12	14,847	68
Other non-current assets		124,635	108,341
Total non-current assets		**6,095,587**	**6,091,659**
Current assets			
Inventories	10	310,278	121,259
Trade and other receivables	11	660,668	326,353
Advances to suppliers		33,148	38,758
Income tax prepayments		180	436
Derivative financial assets	12	19,867	19,722
Loans receivable		21	966,731
Cash and cash equivalents	13	701,678	1,007,352
Total current assets		**1,725,840**	**2,480,611**
TOTAL ASSETS		**7,821,427**	**8,572,270**
EQUITY			
Share capital	14	21,872	21,872
Preference shares	14	239	239
Treasury shares	14	(4,889)	-
Share (discount) / premium	14	(1,584,575)	50,987
Currency translation reserve		(4,156,995)	(4,103,262)
Retained earnings		6,701,849	5,750,303
Equity attributable to the Company's equity holders		**977,501**	**1,720,139**
Non-controlling interests		11,760	12,201
TOTAL EQUITY		**989,261**	**1,732,340**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	15	4,081,467	4,009,313
Post-employment and other long-term benefit obligations		37,686	42,264
Deferred income tax liability	24	550,871	554,572
Provisions	16	385,890	460,282
Derivative financial liabilities	12	152,074	119,363
Other non-current liabilities		2,439	2,645
Total non-current liabilities		**5,210,427**	**5,188,439**
Current liabilities			
Loans and borrowings	15	992,383	1,193,376
Trade and other payables	17	382,416	279,564
Advances received		69,989	25,861
Provisions	16	97,627	90,471
Derivative financial liabilities	12	175	14,998
Current income tax payable		79,149	47,221
Total current liabilities		**1,621,739**	**1,651,491**
TOTAL LIABILITIES		**6,832,166**	**6,839,930**
TOTAL LIABILITIES AND EQUITY		**7,821,427**	**8,572,270**

Approved for issue and signed on behalf of the Board of Directors on 4 March 2022:

Vitaly Lauk
Chief Executive Officer

Natalia Soboleva
Chief Financial Officer

(in thousands of US dollars, unless otherwise stated)

	Note	2021	2020
Revenues	18	4,154,697	2,696,234
Cost of sales	19	(752,855)	(844,288)
Gross profit		**3,401,842**	**1,851,946**
Distribution costs	20	(879,740)	(749,466)
General and administrative expenses	21	(172,006)	(165,758)
Taxes other than income tax		(31,373)	(14,558)
Other operating expenses, net	22	(94,303)	(49,998)
Operating profit		**2,224,420**	**872,166**
Finance expenses, net	23	(88,677)	(861,426)
Profit before income tax		**2,135,743**	**10,740**
Income tax expense	24	(369,023)	(53,941)
Net profit / (loss) for the period		**1,766,720**	**(43,201)**
Profit / (loss) attributable to:			
Company's equity holders		1,767,161	(42,851)
Non-controlling interests		(441)	(350)
Net profit / (loss) for the period		**1,766,720**	**(43,201)**
Weighted average number of ordinary shares in issue (million)	14	1,060	1,269
Earnings / (loss) per share – basic and diluted (in US cents)	**14**	**89.05**	**(3.38)**

(in thousands of US dollars, unless otherwise stated)

	2021	2020
Net profit / (loss) for the period	**1,766,720**	**(43,201)**
Other comprehensive income / (loss)		
Items that will not be reclassified to profit or loss:		
Remeasurement of post-employment benefit obligations	7,564	(1,253)
Effect of translation to presentation currency	(53,733)	(328,658)
Total other comprehensive loss for the period	**(46,169)**	**(329,911)**
Total comprehensive income / (loss) for the period	**1,720,551**	**(373,112)**
Total comprehensive income / (loss) for the period attributable to:		
Company's equity holders	1,720,992	(372,762)
Non-controlling interests	(441)	(350)

(in thousands of US dollars, unless otherwise stated)

	Note	2021	2020
Cash flows from operating activities			
Profit before income tax		2,135,743	10,740
Adjustments for:			
Depreciation of property, plant and equipment, right-of-use assets and amortisation of intangible assets		295,719	316,107
Loss on disposals of property, plant and equipment and intangible assets	22	5,723	2,951
Write-down of inventories to net realisable value		720	238
Impairment of property, plant and equipment and assets under construction and prepayments for acquisition of property, plant and equipment	7, 22	19,899	9,485
(Reversal of impairment) / impairment of trade and other receivables and advances to suppliers	22	(4,324)	6,263
Change in provisions, net	16	4,718	(1,356)
Fair value (gain) / loss on derivative financial instruments, net	12, 23	(10,528)	149,763
Foreign exchange (gain) / loss, net	23	(82,869)	582,999
Other finance expenses, net	23	182,074	128,664
Operating cash flows before working capital changes		**2,546,875**	**1,205,854**
(Increase) / decrease in trade and other receivables and advances to suppliers		(344,314)	132,960
(Increase) / decrease in inventories		(198,361)	136,762
Decrease in provisions	16	(77,640)	(40,596)
Increase in trade and other payables and advances received		138,277	40,752
Increase in other taxes payable		27,406	2,132
Cash generated from operations		**2,092,243**	**1,477,864**
Interest paid		(164,406)	(184,085)
Income tax paid		(339,414)	(32,633)
Net cash generated from operating activities		**1,588,423**	**1,261,146**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(320,682)	(344,200)
Acquisition of intangible assets		(5,285)	(3,187)
Proceeds from sales of property, plant and equipment		530	1,752
Loans issued		(41)	(537,186)
Proceeds from loans repayments	5	865,169	297,707
Acquisition of investment in joint-venture and prepayment for acquisition of investment		(16,202)	-
Proceeds from sale of subsidiary, net of cash disposed	5	6,139	-
Dividends and interest received		122,781	8,183
Net cash generated from / (used in) investing activities		**652,409**	**(576,931)**
Cash flows from financing activities			
Repayments of borrowings	15	(1,206,468)	(1,234,263)
Proceeds from borrowings	15	1,296,212	941,539
Proceeds from issuance of bonds	15	-	452,302
Redemption of bonds	15	(140,061)	(210,849)
Arrangement fees and other financial charges paid		(24,301)	(20,565)
Cash proceeds from derivatives	12	22,973	10,954
Cash paid for derivatives	12	(8,806)	(50,623)
Purchase of treasury shares	14	(1,640,451)	-
Lease payments		(2,265)	(3,009)
Dividends paid to the Company's shareholders	14	(837,569)	-
Net cash used in financing activities		**(2,540,736)**	**(114,514)**
Effect of changes in foreign exchange rate on cash and cash equivalents		(5,770)	(45,027)
Net (decrease) / increase in cash and cash equivalents		**(305,674)**	**524,674**
Cash and cash equivalents at the beginning of the period	**13**	**1,007,352**	**482,678**
Cash and cash equivalents at the end of the period	**13**	**701,678**	**1,007,352**

(in thousands of US dollars, unless otherwise stated)

		Equity attributable to the Company's equity holders								
	Note	**Share capital**	**Preference shares**	**Treasury shares**	**Share premium / (discount)**	**Retained earnings**	**Currency translation reserve**	**Total**	**Non-controlling interests**	**Total equity**
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		-	-	-	-	(42,851)	-	(42,851)	(350)	(43,201)
Other comprehensive loss		-	-	-	-	(1,253)	(328,658)	(329,911)	-	(329,911)
Total comprehensive loss for the period		**-**	**-**	**-**	**-**	**(44,104)**	**(328,658)**	**(372,762)**	**(350)**	**(373,112)**
Transactions with owners										
Cancellation of treasury shares	14	(13,890)	-	28,126	(348,868)	334,632	-	-	-	-
Total transactions with owners		**(13,890)**	**-**	**28,126**	**(348,868)**	**334,632**	**-**	**-**	**-**	**-**
Balance at 31 December 2020		**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		-	-	-	-	1,767,161	-	1,767,161	(441)	1,766,720
Other comprehensive income / (loss)		-	-	-	-	7,564	(53,733)	(46,169)	-	(46,169)
Total comprehensive income / (loss) for the period		**-**	**-**	**-**	**-**	**1,774,725**	**(53,733)**	**1,720,992**	**(441)**	**1,720,551**
Transactions with owners										
Dividends declared for preference shares	14	-	-	-	-	(823,179)	-	(823,179)	-	(823,179)
Purchase of treasury shares	14	-	-	(4,889)	(1,635,562)	-	-	(1,640,451)	-	(1,640,451)
Total transactions with owners		**-**	**-**	**(4,889)**	**(1,635,562)**	**(823,179)**	**-**	**(2,463,630)**	**-**	**(2,463,630)**
Balance at 31 December 2021		**21,872**	**239**	**(4,889)**	**(1,584,575)**	**6,701,849**	**(4,156,995)**	**977,501**	**11,760**	**989,261**

1 The Uralkali Group and its operations

Public Joint Stock Company Uralkali (hereinafter – 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, Russian Federation. 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 2021, LLC "Uralkali-Invest", 100% subsidiary of the Group, acquired ordinary shares representing 21.84% of the Company's share capital (Note 14). As at 31 December 2021 and 2020, the parent company of the Group is Uralchem. As at 31 December 2021 and 2020, the beneficial owner of Uralchem and the ultimate controlling party of the Group is Mr. D. Mazepin.

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

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

2.1 Basis of preparation and presentation

Compliance with International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard's Board.

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

Going concern

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

In making its going concern assessment the Group has taken into account its financial position, expected commercial results, its borrowings and available but not yet used credit lines, as well as planned capital expenditures and capital commitments and other risks to which the Group is exposed. The Group has sufficient available credit lines (including revolving credit lines with Russian and international banks) to cover short-term liquidity gaps, if any. For more detailed information refer to Note 15.

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

Basis of presentation

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

2 Basis of preparation and significant accounting policies (continued)

2.2 Consolidated financial statements

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

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

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses of an associate or a joint venture equals or exceeds its interest associate and joint venture, the Group discontinues recognising its share of further losses.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in associates and joint ventures are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

2.3 Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment loss. Cost includes all costs directly attributable to bringing the asset to its working condition for its intended use.

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

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

(in thousands of US dollars, unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

Repair and maintenance expenditures are expensed as incurred. Major renewals and improvements are capitalised. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and recognised in the consolidated statement of profit or loss within other operating income or expenses.

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

	Useful lives in years
Buildings	10 to 60
Mining assets[1]	5 to 30
Plant and equipment	2 to 30
Transport vehicles	5 to 15
Other	2 to 15
Land	Not depreciated

Assets' useful lives are reviewed, and adjusted if appropriate, at each reporting date.

2.4 Leases

The Group leases offices, vehicles, land plots, berths and different types of equipment.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The assets are depreciated over the term of the lease using the straight-line method. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. Right-of-use assets are reviewed for indicators of impairment. In the consolidated statement of financial position right-of-use assets are presented within other non-current assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate for the same term as the underlying lease. Lease payments included in the measurement of lease liabilities comprise fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate as at the commencement date. Lease modifications result in remeasurement of the lease liability.

Depreciation is recognised in Distribution costs (Note 20) and General and administrative expenses (Note 21) and interest expense is recognised under Interest income / expenses line in Finance income and expenses (Note 23) in the consolidated financial statements of the Group.

The Group uses the exemption not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets (below US$ 5,000 (RR 300,000)). The payments associated with these leases are recognised as rent expenses on a straight-line basis over the lease term.

2.5 Goodwill

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

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

[1] Mining assets include mine infrastructure and present value of future decommissioning and filling cavities costs. Future decommissioning costs for buildings and equipment are included in Buildings and Plant and equipment groups.

2 Basis of preparation and significant accounting policies (continued)

CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

2.6 Intangible assets

The Group's intangible assets, other than goodwill, have definite useful lives and primarily include mining licences. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software and other intangible assets are amortised using the straight-line method over their useful lives. Mining licences are amortised under a unit of production method.

2.7 Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially recorded at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

A gain or loss on initial recognition is only recorded if there is a difference between the fair value and the transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase or sell the financial assets.

Classification of financial assets and liabilities

The Group classifies its financial assets into the following measurement categories:

(a) Financial assets at fair value through profit or loss ("FVTPL");
(b) Financial assets at fair value through other comprehensive income ("FVTOCI"); and
(c) Financial assets at amortised cost.

The classification and subsequent measurement of financial assets depend on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

The Group classifies its financial assets at amortised cost if both of the following conditions are met:

(a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Otherwise, they are classified as financial asset measured at fair value.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

Financial liabilities have the following measurement categories:

(a) Financial liabilities at FVTPL;
(b) Financial liabilities at amortised cost;
(c) Financial guarantee contracts.

2 Basis of preparation and significant accounting policies (continued)

Subsequent measurement of financial assets

Debt financial assets

Debt financial assets at amortised cost held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest method. Impairment losses are recognised in the consolidated statement of profit or loss.

Debt financial assets at amortised cost comprise trade and other receivables, loans issued, cash and cash equivalents.

Debt financial assets at FVTOCI that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in financial income using the effective interest rate method.

Debt financial assets at FVTOCI include trade receivables under factoring agreements, where the Group's objective is to realise the cash flows primarily through selling.

Financial assets at FVTPL that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss in the period in which it arises.

The Group doesn't have investments into debt financial assets at FVTPL.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

Other financial assets. For all other financial assets, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Other financial assets include loans to related parties and other receivables.

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

Significant increase in credit risk

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

2 Basis of preparation and significant accounting policies (continued)

Definition of default

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

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

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

Derecognition of financial assets

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

Subsequent measurement of financial liabilities

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

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. They are subsequently measured at amortised cost using the effective interest method.

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

The Group measures the pledge similar to financial guarantees at the higher of:

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

Derecognition of financial liabilities

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

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or a part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss within other income and expenses.

2 Basis of preparation and significant accounting policies (continued)

Offsetting financial assets and financial liabilities

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

Derivative financial instruments

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with initial maturities of three months or less that are convertible into known amounts of cash and subject to insignificant risk of changes in value. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flows.

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

Fair value of financial assets and financial liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Valuation techniques such as discounted cash flow models or models based on recent arm’s length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

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

(i) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
(ii) Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
(iii) Level 3 inputs are unobservable inputs for the asset or liability.

Financial assets and liabilities carried at fair value. Derivatives (Level 2) are carried in the consolidated statement of financial position at their fair value. Fair values of derivative financial assets and liabilities were determined using discounting cash flows valuation techniques with inputs (discount rates for RR) and US$, exchange and interest rates) observable in markets.

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

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

2 Basis of preparation and significant accounting policies (continued)

2.8 Income tax

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

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

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

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

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

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

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

2.9 Inventories

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

Cost of finished goods comprises those transport costs that have been incurred in bringing the inventories to their present location and condition for sale, being the Group's own or rented warehouses.

2.10 Share capital

Ordinary shares and non-convertible preference shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recognised as share premium.

2.11 Treasury shares

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders. The par value of such shares purchased is recognised as treasury shares, any excess of the consideration paid over the par value of acquired shares is recognised as share premium.

2 Basis of preparation and significant accounting policies (continued)

2.12 Dividends

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

2.13 Borrowing costs

The Group considers a qualifying asset (asset that necessarily takes a substantial time to get ready for intended use or sale) to be an investment project with an implementation period exceeding one year.

The Group capitalises borrowing costs (interest expenses and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) that could have been avoided if it had not made capital expenditure on qualifying assets. Interest expenses capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised. Foreign exchange differences relating to borrowings to the extent that they are regarded as an adjustment to interest costs are capitalised.

2.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that a cash outflow will be required to settle the obligation and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain.

Net present value of provisions is determined by discounting future real cash outflows associated with the specific past event. The Group determined the yield to maturity of the Russian government bonds as a discount factor for discounting the future real cash outflows associated with provisions to reflect the time value of money.

Provision for filling cavities. The Group recognises provision for filling cavities in respect of the Group's obligation to replace the earth extracted from the mines. The provision is recognised when the Group has a legal or constructive obligation in accordance with the plan of works agreed with the state mine supervisory bodies.

The present value of expected expenses on filling cavities is recognised at property, plant and equipment and respective liabilities. Remeasurement of an existing amount of these cavities that result from changes in estimates of mine surveys is recorded as an addition or disposal of an asset and is depreciated over its useful life using the straight-line method. Unwinding of the discount is recognised in profit or loss in finance income or expenses. The amount of expenses incurred due to filling of the cavities for other reasons is recognised in the current period in the consolidated statement of profit or loss.

Provision for asset retirement obligations. The Group recognises provisions for decommissioning obligations (also known as asset retirement obligations) primarily related to mining activities. The major categories of asset retirement obligations are restoration costs at its potash mining operations, including decommissioning of underground and surface operating facilities and general cleanup activities aimed at returning the areas to an environmentally acceptable condition.

The present value of a liability for a decommissioning obligation is recognised in the period in which it is incurred if a reasonable estimate of present value can be made. The associated costs are capitalised as a separate part of the property, plant and equipment and then depreciated over the estimated remaining useful life of mine. The best estimate of the amount required to settle the obligation is reviewed at the end of each reporting period and updated to reflect changes in the discount and inflation rates and the amount and/or timing of the underlying cash flows. Changes to estimated future costs are recognised in the consolidated statement of financial position by either increasing or decreasing the provision for asset retirement obligations and asset to which it relates. The unwinding of the discount of decommissioning obligations due to the passage of time is included in the consolidated statement of profit or loss as finance expenses.

(in thousands of US dollars, unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

2.15 Foreign currency translation

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

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

Translation to the presentation currency. The results and financial positions of all Group entities that have a functional currency different from the presentation currency are translated to the presentation currency as follows:

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

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

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

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

Foreign currency exchange rates

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

	31 December 2021		**31 December 2020**	
	US$	Euro	US$	Euro
Closing rate	74.29	84.07	73.88	90.68
Average rate	73.65	87.19	72.15	82.45

2.16 Revenue recognition

The Group uses a single five-step revenue recognition model that is applied to all contracts with customers and is based on the transfer of control over goods and services. The Group recognises revenue from sale of potassium and transportation services.

Revenue from sale of potassium is recognised when control of the goods is transferred to the customer.

Contracts with buyers for the supply of potassium use a variety of delivery terms. In a number of contracts the Group is obliged to provide services for the transportation of potassium to a certain place after the control of the goods passed to the buyer. Revenue from rendering such transportation services is treated as a separate performance obligation, which should be recognised over period of time of service.

Generally, the credit period on sales of goods varies from 30 to 180 days depending on the credit assessment of the customers. Most customers from developing countries are supplied on secured payment terms, including letters of credit or insurance. The Group charges interest on overdue outstanding amounts from time to time depending on days of delay and market situation.

Transportation cost related to the revenue from rendering transportation services is included into the Distribution costs.

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

Revenue from sales of products other than potassium chloride (such as carnallite, salts, etc.) is recognised as other revenues.

2 Basis of preparation and significant accounting policies (continued)

2.17 Transshipment, transport repairs and maintenance costs

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

2.18 Employee benefits

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

2.19 Social costs

The Group incurs social costs related to the provision of benefits such as health services and charity costs related to various social programmes. These amounts are charged to other operating expenses.

2.20 Pension costs

In the normal course of business, the Group contributes to the Russian Federation state pension scheme on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed as incurred.

For defined benefit pension plans, the cost of providing benefits is determined using the Projected Unit Credit Method and is charged to profit or loss so as to spread the cost over the service period of the employees. An interest cost representing the unwinding of the discount rate on the scheme liabilities is charged to profit or loss. The liability recognised in the consolidated statement of financial position, in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date. The plans are not externally funded. The defined benefit obligation is calculated annually by independent actuary. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms of maturity approximating the terms of the relevant pension liability.

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

2.21 Earnings / loss per share

Earnings / loss per share are determined by dividing the net income / loss attributable to equity holders of the Company by the weighted average number of participating shares outstanding during the reporting year. For the purpose of calculating basic and diluted earnings per share, amounts attributable to ordinary equity holders of the parent are adjusted for the after-tax amounts of dividends paid to the holders of preference shares.

(in thousands of US dollars, unless otherwise stated)

3 IFRS standards update

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 consolidated financial statements:

Title	Subject	Effect on the consolidated financial statements
Amendments to IFRS 16: Covid-19 Related Rent Concessions	The new amendment to IFRS 16 extends, 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) 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 on the Group's consolidated financial position or performance. Disclosures required by the amendment have been made in the consolidated financial statements.

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

Title	Subject	Effective for annual periods beginning on or after	Expected effect on the consolidated financial statements
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022	Under review
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022	Under review
Amendments to IAS 37	Onerous Contracts – Costs of Fulfilling a Contract	1 January 2022	Under review
Annual improvements to IFRS standards 2018 – 2020		1 January 2022	Under review
IFRS 17	Insurance contracts	1 January 2023	Not applicable
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023	Under review
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023	Under review
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023	Under review
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	Under review
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2023	Under review

4 Critical accounting judgements and key sources of estimation uncertainty

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

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

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (Note 4.2), that the Management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

Remaining useful life of property, plant and equipment and mining licences

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

The Group holds operating mining licences for the production of potassium, magnesium, and sodium salts, which in the past were several times extended beyond their original expiration dates. The Management assesses the remaining useful life of mining licences on the basis of estimated mining reserves (Note 9).

The estimated remaining useful life of certain property, plant and equipment and mineral resources is beyond the expiry date of the relevant mining licences (Note 1). The Management believes that in the future the licences will be further renewed in due course at nominal cost. Any changes to this assumption could significantly affect prospective depreciation and amortisation charges and asset carrying values.

4.2 Key sources of estimation uncertainty

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

Provision for filling cavities

The Group accrued a provision for its obligation to replace ore and waste extracted from the Solikamsk, Berezniki-2, and Berezniki-4 mines (Note 16).

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

- Estimated time to fill cavities. Cash flow payments related to filling cavities existing as of reporting date based on current projection of works are expected to occur principally between 2022 and 2028;
- The extent of the filling cavities work which will have to be performed in the future may vary depending on the actual environmental situation. The Management believes that the legal obligation to replace the ore and waste mined is consistent with the cavities filling plan agreed with Rostechnadzor;
- The future unit cost of replacing one cubic meter of the ore and waste mined may vary depending on the technology and the cost of methods utilised. The Management estimates that the unit cost of replacing a cubic meter of waste and ore mined in future years, for the period of the current filling cavities plan, adjusted for the effect of inflation, will not be materially different from the actual cost incurred in the current period;
- The forecasted inflation rate in the Russian Federation is expected to be in the range of 4.3% to 4.9% for the period starting from 2022 until 2025 (2020: from 2021 untill 2024 in the range of 3.8% to 4.1%). Starting from 2026, the expected inflation rate in the Russian Federation is forecasted to be 4.5% (2020: from 2025 - 4.1%); and
- In 2021, the Management applied discount rates ranging from 8.4% to 8.5% based on government bonds interest rates (2020: from 4.9% to 6.0%).

Solikamsk-2 (“SKRU-2”) mine liquidation project was approved in November 2019. In December 2020 mining works at SKRU-2 were completed. Extraction of the remaining potassium and magnesium salts reserves in the southern part of Solikamsk field will be carried out by new (southern) SKRU-2 mine according to the project schedule. During 2021, filling cavities and dismantlement of mine equipment works were carried out at SKRU-2 underground complex. These work costs were recognised within the respective provisions.

According to the current schedule, during the period from 2022 until the end of first quarter 2024 the Group will continue to carry out filling cavities and dismantlement of mine equipment works. After the end of filling cavities works, the Group will be carrying out mineflooding works, as well as liquidation of shaft barrels and surface complex works.

The Group continues to incur the expenses to mitigate consequences of the accident. During the 2021, the Group recognized expenses within respective provisions (2020: recorded expenses within cost of sales). According to the accident response plan for SKRU-2, all similar expenses are to be incurred by the Group to ensure the safety of filling cavities and liquidation works until 2027 and, accordingly, recognised within the respective provisions.

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

The carrying amount of assets that will be used to both replace ore and waste extracted from the mine and to perform other decommissioning activities are depreciated until the end of first quarter 2024. Management of the Group estimates that the filling cavities activity and a part of decommissioning activities will be completed during that period.

Provision for asset retirement obligations

The Group has recorded a provision relating to asset retirement obligations (Note 16), which will be settled at the end of the estimated lives of mines, therefore requiring estimates to be made over a long period of time.

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

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

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

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

- Mine life estimates. Cash flow payments are expected to be incurred principally between 2022 and 2056 (2020: between 2021 and 2059). These estimates are based on the Management's current best assessment of the Group's reserves;
- The extent of the restoration works that will have to be performed in the future may vary depending on the actual environmental situation. The Management believes that the legal obligation for decommissioning of the underground and surface complex is consistent with the terms of the licences;
- The future unit cost of decommissioning works may vary depending on the technology and the cost of resources used, as well as the inflation rate. The forecasted inflation rate in the Russian Federation is expected to be in the range of 4.3% to 4.9% for the period starting from 2022 until 2025 (2020: from 2021 until 2024 in the range of 3.8% to 4.1%). Starting from 2026, the expected inflation rate in the Russian Federation is forecasted to be 4.5% (2020: from 2025 - 4.1%);
- In 2021, the Management applied discount rates ranging from 8.2% to 8.5% based on government bonds interest rates (2020: from 4.2% to 7.0%).

Accident liquidation expenses for the period from the second quarter of 2024 to the end of 2027 are recognised within the provision for the asset retirement obligations related to the northern part of SKRU-2 in the amount of US$ 53 million (31 December 2020: US$ 67 million).

Provisions for filling cavities and asset retirement obligations are particularly sensitive to discount rate change. As at 31 December 2021, if all other assumptions remain unchanged a decrease in the discount rate of 1% would result in an increase of the recorded amount of these provisions by US$ 32 million (31 December 2020: US$ 37 million).

Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations (Note 25.2).

(in thousands of US dollars, unless otherwise stated)

5 Related parties

Related parties include parent company, major shareholders controlling the Group, with shareholders significant influence over the Group, entities under control of the Group's major shareholders, associates, joint ventures, 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.

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 period until 30 November 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	31 December 2021	31 December 2020
Loan receivable	-	177,939
Interest receivable	-	1,963
Trade and other receivables	136	13
Trade and other payables	(11,336)	(19,230)
Lease liability	(2,430)	(3,999)
Advances received	(116)	(56)

The loan receivable was 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 2021, the loan and interest receivable were repaid in full.

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

Transactions with Uralchem	2021	From 1 December to 31 December 2020
Purchase of inventories and goods for resale	(25,983)	(1,879)
Acquisition of treasury shares (Note 14)	(350,000)	-
Proceeds from sale of subsidiary, net of cash disposed	6,139	-
Revenue (sales of potassium chloride)	16,700	1,123
Other revenue	627	22
Distribution costs	(115)	-
General and administrative expenses	(1,166)	(24)
Other operating (expenses) / income, net	(260)	13
Interest income	4,388	674
Interest expenses	(213)	(14)
Other finance income	8,299	-
Other finance expenses	(76)	(453)

In 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 31 December 2021, the Group pledged ordinary shares of PJSC "Uralkali", representing 21.84% of the Company's share capital (Note 14). The pledge was provided for a fee at market terms.

In December 2021, the Group sold 100% of shares of subsidiary LLC "GEO NPK" to a parent company Uralchem. The consideration received amounted to $7,644. LLC "GEO NPK" was not a separately significant part of business, its results were not presented as discontinued operation. The excess of the consideration over the disposed net assets amounted to $1,578 was recognised in the consolidated statement of profit or loss.

(in thousands of US dollars, unless otherwise stated)

5 Related parties (continued)

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	31 December 2021	31 December 2020
Loans receivable	-	677,889
Interest receivable	-	108,940
Trade and other receivables	6,581	1,588
Trade and other payables	(163,690)	(2,190)
Loan payable including interest payable	-	(40,572)
Advances to suppliers	-	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.

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

Transactions with other related parties	2021	From 1 December to 31 December 2020
Acquisition of treasury shares (Note 14)	(1,290,451)	-
Purchase of inventories and goods for resale	(182,454)	(128)
Purchase of property, plant and equipment and assets under construction	(122)	(6,744)
Revenue (sales of potassium chloride)	82,198	2,949
Other revenue	5,593	216
Distribution costs	(23,358)	(2,627)
General and administrative expenses	(82)	-
Other operating (expenses) / income, net	(415)	18
Interest income	3,565	3,216
Interest expenses	(1,085)	(218)
Other finance income	478	37,507
Other finance expenses	(143)	(2,796)

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

Details of transactions between the Group and its 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	From 1 January to 30 November 2020
Purchase of inventories and goods for resale	(48,494)
Revenue (sales of potassium chloride)	34,527
Other revenue	2,036
Distribution costs	(30,309)
General and administrative expenses	(59)
Other operating expenses, net	(347)
Interest income	33,461
Interest expenses	(2,556)
Other finance income	11,975
Other finance expenses	(12,659)

(in thousands of US dollars, unless otherwise stated)

5 Related parties (continued)

Transactions with associate and joint venture

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

	31 December 2021	31 December 2020
Outstanding balances with associate		
Trade and other payables	(5)	(219)
Advances to suppliers	384	873
Outstanding balances with joint venture		
Prepayments for acquisition of property, plant and equipment and intangible assets	54	-
Trade and other payables	(848)	-

	2021	2020
Transactions with associate		
Distribution costs	(2,191)	(6,352)
Other finance income	-	97
Other finance expenses	(796)	(9)
Transactions with joint venture		
Other finance expenses	(23)	-

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	
	2021	2020	31 December 2021	31 December 2020
Short-term employee benefits	9,685	12,395	2,620	3,618
Termination benefits	2,332	1,417	-	-
Total	**12,017**	**13,812**	**2,620**	**3,618**

(in thousands of US dollars, unless otherwise stated)

6 Segment information

The Group evaluates performance and makes investment and strategic decisions based on a review of the profitability of the Group as a whole, and based on operating segments. The 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	2021	2020
Revenues	18	4,154,697	2,696,234
Revenues net of freight, railway tariff, rent of wagons and transshipment costs	18, 20	3,479,613	2,151,454
Operating profit		2,224,420	872,166
Cash CAPEX		325,967	347,387

(b) Geographical information

The following is an analysis of the Group's sales by regions:

	2021	2020
Russia	694,282	460,219
China, India, South East Asia	1,242,766	1,012,589
Latin America, USA	1,619,221	796,859
Europe, other countries	598,428	426,567
Total revenues	**4,154,697**	**2,696,234**

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

(c) Major customers

In 2021, the amount of revenue from the external customer which contributed more than 10% of the Group's revenue was US$ 645,996. The Group had no external customers which represented more than 10% of the Group's revenues in 2020.

(in thousands of US dollars, unless otherwise stated)

7 Property, plant and equipment

Movements of the cost of property, plant and equipment and related accumulated depreciation for the period are presented below:

	Note	Buildings	Mining assets	Plant and equipment	Transport	Other	Land	Assets under construction	Total
Cost									
Balance at 1 January 2020		**823,185**	**1,603,170**	**1,233,641**	**293,248**	**19,556**	**7,587**	**905,649**	**4,886,036**
Additions		2,581	1	3,401	144	64	61	457,856	464,108
Changes in estimates of provisions	16	17,338	(22,120)	-	-	-	-	-	(4,782)
Commissioning of assets		25,157	428,838	81,809	4,518	1,161	7	(541,490)	-
Disposals		(1,050)	(3,067)	(13,500)	(1,973)	(95)	(11)	(3,539)	(23,235)
Effect of translation to presentation currency		(134,410)	(269,209)	(201,564)	(47,577)	(3,195)	(1,231)	(144,701)	(801,887)
Balance at 31 December 2020		**732,801**	**1,737,613**	**1,103,787**	**248,360**	**17,491**	**6,413**	**673,775**	**4,520,240**
Additions		18	13	-	122	90	-	324,063	324,306
Changes in estimates of provisions	16	(5,800)	(18,387)	-	-	-	-	-	(24,187)
Recognition of asset related to decommissioning obligations		1,608	789	-	-	-	-	-	2,397
Commissioning of assets		33,162	187,315	57,993	10,870	621	-	(289,961)	-
Disposals		(2,248)	(16,595)	(36,338)	(1,041)	(407)	(38)	(4,733)	(61,400)
Disposal of subsidiary	5	(2,046)	-	(3,969)	(219)	-	-	(528)	(6,762)
Effect of translation to presentation currency		(4,324)	(11,067)	(6,346)	(1,477)	(101)	(36)	(4,029)	(27,380)
Balance at 31 December 2021		**753,171**	**1,879,681**	**1,115,127**	**256,615**	**17,694**	**6,339**	**698,587**	**4,727,214**
Accumulated depreciation and impairment									
Balance at 1 January 2020		**(244,487)**	**(563,086)**	**(820,671)**	**(125,474)**	**(12,124)**	**(2,338)**	**(12,388)**	**(1,780,568)**
Depreciation charge		(30,366)	(157,541)	(59,307)	(13,807)	(1,044)	-	-	(262,065)
Disposals		606	2,781	12,251	1,733	74	-	1,095	18,540
Impairment	22	(602)	(5,006)	(324)	-	-	-	(3,553)	(9,485)
Effect of translation to presentation currency		40,324	94,977	134,081	20,613	1,987	379	2,065	294,426
Balance at 31 December 2020		**(234,525)**	**(627,875)**	**(733,970)**	**(116,935)**	**(11,107)**	**(1,959)**	**(12,781)**	**(1,739,152)**
Depreciation charge		(31,636)	(159,461)	(61,574)	(13,633)	(1,103)	-	-	(267,407)
Disposals		1,474	14,437	34,235	983	281	-	3,775	55,185
Impairment	22	(2,138)	(1,427)	(895)	(43)	-	-	(7,986)	(12,489)
Disposal of subsidiary	5	48	-	214	33	-	-	286	581
Effect of translation to presentation currency		1,594	4,781	4,359	765	69	11	105	11,684
Balance at 31 December 2021		**(265,183)**	**(769,545)**	**(757,631)**	**(128,830)**	**(11,860)**	**(1,948)**	**(16,601)**	**(1,951,598)**
Net Book Value									
Balance at 1 January 2020		**578,698**	**1,040,084**	**412,970**	**167,774**	**7,432**	**5,249**	**893,261**	**3,105,468**
Balance at 31 December 2020		**498,276**	**1,109,738**	**369,817**	**131,425**	**6,384**	**4,454**	**660,994**	**2,781,088**
Balance at 31 December 2021		**487,988**	**1,110,136**	**357,496**	**127,785**	**5,834**	**4,391**	**681,986**	**2,775,616**

(in thousands of US dollars, unless otherwise stated)

7 Property, plant and equipment (continued)

Allocation of depreciation charge for the period is presented below:

Allocation of depreciation	Note	2021	2020
Cost of sales	19	181,490	231,175
Depreciation in change in work in progress, finished goods and goods in transit		(4,457)	20,925
Distribution costs	20	9,308	9,535
General and administrative expenses	21	9,315	8,879
Other operating expenses	22	54,054	6,465
Total depreciation in the consolidated statement of profit or loss		**249,710**	**276,979**
Depreciation in change in work in progress, finished goods and goods in transit		4,457	(20,925)
Capitalised within assets under construction		13,240	6,011
Total capitalised depreciation		**17,697**	**(14,914)**
Total depreciation of property, plant, and equipment		**267,407**	**262,065**

As at 31 December 2021 and 31 December 2020, the gross carrying value of fully depreciated property, plant and equipment still in use was US$ 315,545 and US$ 303,958, respectively.

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

Capitalised borrowing costs	2021	2020
Capitalised interest expenses	21,985	34,990
Capitalised foreign exchange losses	20,426	20,856
Total capitalised borrowing costs	**42,411**	**55,846**

In 2021, the Group used average interest capitalisation rate of 2.6% (2020: 3.1%).

8 Goodwill

	2021	2020
Carrying value at 1 January	**798,517**	**952,918**
Effect of translation to presentation currency	(4,481)	(154,401)
Carrying value at 31 December	**794,036**	**798,517**

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

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

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

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

	2021	2020
RR/US$ exchange rate (until 2040)	from 72.0 to 100.4	from 72.0 to 102.9
Long-term growth rates of selling price	4.0% p.a.	4.0% p.a.
US$ weighted average cost of capital	9.6% p.a.	8.8% p.a.
Long-term inflation rate in Russia	4.0%	4.0%

The Group did not recognise any impairment of goodwill in the consolidated financial statements for the years ended 31 December 2021 and 31 December 2020.

(in thousands of US dollars, unless otherwise stated)

9 Intangible assets

	Note	Mining licences	Software	Other	Total
Cost					
Balance at 1 January 2020		**3,149,281**	**18,320**	**10,068**	**3,177,669**
Additions		-	3,198	1,145	4,343
Disposals		-	(187)	(1,176)	(1,363)
Effect of translation to presentation currency		(510,275)	(3,044)	(1,625)	(514,944)
Balance at 31 December 2020		**2,639,006**	**18,287**	**8,412**	**2,665,705**
Additions		-	6,662	2,738	9,400
Disposals		-	(374)	(1,897)	(2,271)
Effect of translation to presentation currency		(14,809)	(157)	(54)	(15,020)
Balance at 31 December 2021		**2,624,197**	**24,418**	**9,199**	**2,657,814**
Accumulated amortisation					
Balance at 1 January 2020		**(486,716)**	**(9,853)**	**(6,144)**	**(502,713)**
Amortisation	19, 21	(33,007)	(2,168)	(656)	(35,831)
Disposals		-	187	1,138	1,325
Effect of translation to presentation currency		79,634	1,643	984	82,261
Balance at 31 December 2020		**(440,089)**	**(10,191)**	**(4,678)**	**(454,958)**
Amortisation	19, 21	(39,680)	(2,370)	(1,125)	(43,175)
Disposals		-	375	1,814	2,189
Effect of translation to presentation currency		2,811	74	20	2,905
Balance at 31 December 2021		**(476,958)**	**(12,112)**	**(3,969)**	**(493,039)**
Net book value					
Balance at 1 January 2020		**2,662,565**	**8,467**	**3,924**	**2,674,956**
Balance at 31 December 2020		**2,198,917**	**8,096**	**3,734**	**2,210,747**
Balance at 31 December 2021		**2,147,239**	**12,306**	**5,230**	**2,164,775**

10 Inventories

	31 December 2021	31 December 2020
Raw materials and spare parts	68,211	68,928
Finished goods	84,663	42,762
Goods for resale	149,157	200
Work in progress	1,277	2,845
Other inventories	6,970	6,524
Total inventories	**310,278**	**121,259**

11 Trade and other receivables

	31 December 2021	31 December 2020
Financial receivables		
Trade receivables at amortised cost	630,977	278,174
Trade receivables at FVTOCI	5,803	5,521
Other receivables	9,945	8,906
Less: allowance for ECL	(7,471)	(13,833)
Total financial receivables	**639,254**	**278,768**
Non-financial receivables		
VAT recoverable	21,133	41,558
Other taxes recoverable	177	2,007
Other non-financial receivables	104	4,020
Total non-financial receivables	**21,414**	**47,585**
Total trade and other receivables	**660,668**	**326,353**

(in thousands of US dollars, unless otherwise stated)

11 Trade and other receivables (continued)

As at 31 December 2021, trade receivables of US$ 602,135 (31 December 2020: US$ 246,896), net of allowance for ECL, were denominated in foreign currencies; 80% of this balance was denominated in US$ (31 December 2020: 83%) and 20% was denominated in Euro (31 December 2020: 17%).

As at 31 December 2021, ECL for other receivables of US$ 5,649 (31 December 2020: US$ 2,681) was measured at an amount equal to 12-month ECL, ECL for other receivables of US$ 4,296 (31 December 2020: US$ 6,225) was measured at an amount equal lifetime ECL.

Movements of the allowance for ECL were as follows:

	2021		2020	
	Trade receivables	**Other receivables**	**Trade receivables**	**Other receivables**
Balance at 1 January	**(7,835)**	**(5,998)**	**(8,513)**	**(7,970)**
Allowance accrued	(2,641)	(1,480)	(6,404)	(1,293)
Allowance reversed	6,011	2,351	1,067	685
Allowance utilised	200	551	5,836	1,679
Reclassification	967	474	-	-
Foreign exchange loss, net	(69)	(26)	(1,213)	(374)
Effect of translation to presentation currency	6	18	1,392	1,275
Balance at 31 December	**(3,361)**	**(4,110)**	**(7,835)**	**(5,998)**

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

Analysis of trade and other receivables by quantity of days overdue is as follows:

31 December 2021	**Current**	**less than 45 days overdue**	**45 to 90 days overdue**	**over 90 days overdue**	**Total**
Gross carrying amount - trade receivables (insured)	248,788	318	-	320	249,426
Gross carrying amount - trade receivables (non-insured)	364,659	11,359	8,271	3,065	387,354
Gross carrying amount - other receivables	4,598	1,051	686	3,610	9,945
Allowance for ECL	(534)	(496)	(334)	(6,107)	(7,471)

31 December 2020	**Current**	**less than 45 days overdue**	**45 to 90 days overdue**	**over 90 days overdue**	**Total**
Gross carrying amount - trade receivables (insured)	123,353	896	477	1,682	126,408
Gross carrying amount - trade receivables (non-insured)	133,188	14,334	534	9,231	157,287
Gross carrying amount - other receivables	2,287	394	165	6,060	8,906
Allowance for ECL	(368)	(17)	(102)	(13,346)	(13,833)

As at 31 December 2021 and 31 December 2020, no trade and other receivables were pledged as collateral.

(in thousands of US dollars, unless otherwise stated)

12 Derivative financial instruments

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

	The Group pays	The Group receives	Issue	Maturity	Notional amount 31 December 2021	Notional amount 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)
Interest rate swap	US$ at fixed rate	US$ at floating rate; nil if rate is negative	2020	2025	US$ 940 mln (RR 69,835 mln)	US$ 940 mln (RR 69,443 mln)
			2020	2024	US$ 601 mln (RR 44,629 mln)	US$ 601 mln (RR 44,378 mln)
			2020	2023	US$ 424 mln (RR 31,521 mln)	US$ 424 mln (RR 31,344 mln)
	Euro at fixed rate	Euro at floating rate; nil if rate is negative	2019	2024	Euro 539 mln (RR 45,277 mln)	Euro 650 mln (RR 58,944 mln)

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

	31 December 2021	31 December 2020
Assets		
Current derivative financial assets	19,867	19,722
Non-current derivative financial assets	14,847	68
Total derivative financial assets	**34,714**	**19,790**
Liabilities		
Current derivative financial liabilities	(175)	(14,998)
Non-current derivative financial liabilities	(152,074)	(119,363)
Total derivative financial liabilities	**(152,249)**	**(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		22,973	10,954
Cash paid for derivatives		(8,806)	(50,623)
Changes in the fair value	23	(10,528)	149,763
Effect of translation to presentation currency		(675)	(3,940)
Derivative financial liabilities, net at 31 December		**117,535**	**114,571**

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

13 Cash and cash equivalents

	Interest rates 31 December 2021	Interest rates 31 December 2020	31 December 2021	31 December 2020
Cash on hand and bank balances				
RR denominated cash on hand and bank balances			52,148	33,477
US$ denominated bank balances			420,177	452,733
EUR denominated bank balances			76,590	72,260
Other currencies denominated balances			689	366
Term deposits				
US$ term deposits	0.05% - 0.75%	0.15% - 0.41%	106,308	441,613
RR term deposits	6.60% - 8.50%	2.85% - 4.21%	45,766	6,903
Total cash and cash equivalents			**701,678**	**1,007,352**

(in thousands of US dollars, unless otherwise stated)

14 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 31 December 2020	**1,268**	**30**	**-**	**21,872**	**239**	**-**	**22,111**
Acquisition of treasury shares	-	-	(284)	-	-	(4,889)	(4,889)
At 31 December 2021	**1,268**	**30**	**(284)**	**21,872**	**239**	**(4,889)**	**17,222**

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 of 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 of 0.5 roubles (31 December 2020: 0.5 roubles) per share according to the Company's Charter.

Acquisition of treasury shares. In 2021, LLC "Uralkali-Invest" acquired 283,587,474 ordinary shares of the Company representing 21.84% of the Company's share capital from related parties for a total cash consideration of US$ 1,640,451. The difference between the total acquisition cost of US$ 1,640,451 and the nominal value of the shares of US$ 4,889 in the amount of US$ 1,635,562 was recognised as an increase in share discount within equity.

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

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

General meetings resolved not to pay any dividends on ordinary and preference shares for 2019 and 2020.

On 1 December 2021, the extraordinary general meeting of the Company's shareholders approved dividends based on the financial results for 9 months ended 30 September 2021 in the amount of RR 2,055 per preference share in total amount of RR 61,650 mln (US$ 823,179) and resolved not to pay any dividends on ordinary shares. Dividends on preference shares were paid in December 2021.

Basic and diluted earnings / (loss) per share attributable to Company's equity holders

Basic and diluted earnings / (loss) per share attributable to the Company's equity holders is shown in the table below.

	31 December 2021	31 December 2020
Net profit / (loss) for the period attributable to Company's equity holders	**1,767,161**	**(42,851)**
Dividends declared for preference shares	(823,179)	-
Net profit / (loss) for the period attributable to Company's ordinary shareholders	**943,982**	**(42,851)**
Weighted average number of ordinary shares in issue (million)	1,060	1,269
Earnings / (loss) per share – basic and diluted (in US cents)	**89.05**	**(3.38)**

(in thousands of US dollars, unless otherwise stated)

15 Loans and borrowings

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

Short-term loans and borrowings	Interest rates	31 December 2021	31 December 2020
Bank loans in US$: floating interest	from 3 month LIBOR + 1.45% to 1 month LIBOR + 2.20%	721,499	698,206
Bank loans in US$: fixed interest	5.22%	-	200,718
Bank loans and other borrowings in RR: fixed interest	2.00%	-	1,516
Bank loans in EUR: floating interest	from 6 month EURIBOR + 1.05% to 1 month EURIBOR + 1.70%	252,181	137,762
Bank loans in RR: floating interest	from the Key Rate of the Bank of Russia - 2.31% to the Key Rate of the Bank of Russia + 2.19%	81	-
Short-term part of long-term bonds quoted on Irish Stock Exchange	4.00%	3,833	3,833
Short-term part of long-term bonds quoted on Moscow Exchange	from 6.85% to 7.70% (2020: from 6.85% to 9.30%)	10,141	147,072
Short-term lease payable		4,648	4,269
Total short-term loans and borrowings and current portion of long-term loans and borrowings		**992,383**	**1,193,376**

Long-term loans and borrowings			
Bank loans in US$: floating interest	from 3 month LIBOR + 1.45% to 1 month LIBOR + 2.20%	2,523,023	2,176,134
Bank loans and other borrowings in US$: fixed interest	3.00% (2020: from 3.00% to 5.22%)	41,152	40,572
Bank loans in EUR: floating interest	from 6 month EURIBOR + 1.05% to 1 month EURIBOR + 1.70%	360,336	663,762
Bank loans in RR: floating interest	from the Key Rate of the Bank of Russia - 2.31% to the Key Rate of the Bank of Russia + 2.19%	39,625	-
Long-term bonds quoted on Irish Stock Exchange	4.00%	497,934	497,184
Long-term bonds quoted on Moscow Exchange	from 6.85% to 7.70% (2020: from 6.85% to 9.30%)	604,934	608,036
Long-term lease payable		14,463	23,625
Total long-term loans and borrowings		**4,081,467**	**4,009,313**
Total loans and borrowings		**5,073,850**	**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$	1,250,000	940,000
Bank loans received, denominated in RR	40,171	1,539
Receipt under letter of credit	6,041	-
Bank loans and other borrowings repaid, denominated in US$	(1,069,613)	(1,232,416)
Bank loans repaid, denominated in EUR	(130,749)	(1,847)
Reimbursement of subsidised bank loan, denominated in RR	(1,489)	-
Repayment under letter of credit	(6,106)	-
Interest accrued	84,795	110,107
Interest paid	(85,976)	(110,008)
Recognition of syndication fees and other financial charges	(18,237)	(14,419)
Amortisation of syndication fees and other financial charges	14,937	10,627
Foreign exchange (gain) / loss, net	(34,871)	761,961
Effect of translation to presentation currency	(29,676)	(685,294)
Balance at 31 December	**3,937,897**	**3,918,670**

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

As at 31 December 2021, bank loans in the amount of US$ 3,788,364 (31 December 2020: US$ 3,586,137) were collateralised by future sales proceeds of the Group under export contracts with certain customers.

(in thousands of US dollars, unless otherwise stated)

15 Loans and borrowings (continued)

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 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 31 December 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 31 December 2021, the credit line was utilised in the amount of US$ 940 million.

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 of the Company operations. 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 31 December 2021, the credit line was fully utilised.

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.

In September 2021, as part of the Corporate Program of Competitiveness Improvement in accordance with the Resolution of the Government of the Russian Federation of February 23, 2019 №191 (hereinafter – the "CPCI"), the Company signed a subsidised agreement with Sberbank for the amount of up to RR 20.9 billion with availability until September 2024. The loan will be used to finance a project for export-oriented production in the territory of the Russian Federation. The interest rate is tied to the key rate of the Central Bank of the Russian Federation and can be reduced by the amount of the subsidy if the conditions of the agreement on the CPCI are fulfilled. As at 31 December 2021, US$ 41,732 (RR 3,100 million) were drawn down.

Bonds

	2021	2020
Balance at 1 January	**1,256,125**	**1,149,734**
Issuance of bonds	-	452,302
Redemption of bonds	(140,061)	(210,849)
Interest accrued	74,456	80,351
Interest paid	(76,318)	(71,583)
Recognition of syndication fees and other financial charges	-	(918)
Amortisation of syndication fees	1,183	1,213
Foreign exchange loss, net	2,774	84,314
Effect of translation to presentation currency, net	(1,317)	(228,439)
Balance at 31 December	**1,116,842**	**1,256,125**

In March 2020, the Company issued RR bonds in the amount of RR 30 billion 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.

In November 2021, RR denominated bonds with nominal value of RR 10 billion issued in 2018 under the Company's exchange bond programme were redeemed.

The Group was in compliance with all financial and non-financial covenants as at 31 December 2021.

(in thousands of US dollars, unless otherwise stated)

16 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	7	(38,736)	33,954	-	-	-	-	(4,782)
Changes in estimates charged to profit or loss		-	-	-	(1,666)	(71)	-	(1,737)
Accrual of provision		-	304	-	-	-	77	381
Utilisation of provision		(36,770)	(1,269)	(1,386)	(1,061)	(85)	(25)	(40,596)
Unwinding of the present value discount		23,344	10,990	154	557	402	-	35,447
Effect of translation to presentation currency		(71,335)	(33,151)	(887)	(1,738)	(1,239)	(10)	(108,360)
Current liabilities		**83,717**	**1,414**	**3,531**	**1,070**	**643**	**96**	**90,471**
Non-current liabilities		**240,585**	**207,660**	**-**	**6,066**	**5,971**	**-**	**460,282**
Balance at 31 December 2020		**324,302**	**209,074**	**3,531**	**7,136**	**6,614**	**96**	**550,753**
Changes in estimates added to property, plant and equipment	7	(3,589)	(20,598)	-	-	-	-	(24,187)
Changes in estimates charged to profit or loss		-	-	-	(325)	(3,539)	-	(3,864)
Accrual of provision		-	2,397	7,934	-	-	648	10,979
Utilisation of provision		(73,330)	(1,307)	(774)	(1,278)	(341)	(610)	(77,640)
Unwinding of the present value discount		17,966	11,551	(225)	364	355	-	30,011
Effect of translation to presentation currency		(1,313)	(1,104)	(79)	(29)	(7)	(3)	(2,535)
Current liabilities		**85,340**	**1,933**	**8,659**	**1,282**	**282**	**131**	**97,627**
Non-current liabilities		**178,696**	**198,080**	**1,728**	**4,586**	**2,800**	**-**	**385,890**
Balance at 31 December 2021		**264,036**	**200,013**	**10,387**	**5,868**	**3,082**	**131**	**483,517**

17 Trade and other payables

	31 December 2021	31 December 2020
Financial payables		
Trade payables	252,282	66,284
Accrued liabilities	26,096	106,502
Salary payable and related accruals	47,001	41,498
Other payables	23,586	38,118
Total financial payables	**348,965**	**252,402**
Non-financial payables		
Other taxes payable	33,451	26,894
Other non-financial payables	-	268
Total non-financial payables	**33,451**	**27,162**
Total trade and other payables	**382,416**	**279,564**

As at 31 December 2021, trade and other payables of US$ 222,433 (31 December 2020: US$ 38,660) were denominated in foreign currencies: 94% of this balance was denominated in US$ (31 December 2020: 87%) and 6% was denominated in Euro (31 December 2020: 13%).

18 Revenues

	2021	2020
Potassium chloride	2,183,932	1,529,249
Potassium chloride (granular)	1,440,880	858,279
Revenue from rendering transportation services	344,179	178,506
Other revenues	185,706	130,200
Total revenues	**4,154,697**	**2,696,234**

(in thousands of US dollars, unless otherwise stated)

19 Cost of sales

	Note	2021	2020
Cost of finished goods sold			
Depreciation of property, plant and equipment	7	181,490	231,175
Employee benefits		163,763	147,166
Materials and components		115,740	108,339
Fuel and energy		92,222	89,048
Repairs and maintenance		66,181	68,706
Amortisation of licences	9	39,680	33,007
Transportation between mines by railway		11,432	10,566
Other costs		21,393	34,115
Change in work in progress, finished goods and goods in transit		(27,416)	80,512
Total cost of finished goods		**664,485**	**802,634**
Goods for resale		88,370	41,654
Total cost of sales		**752,855**	**844,288**

Depreciation of right-of-use assets in the amount of US$ 136 is included into Other costs (2020: nil).

20 Distribution costs

	Note	2021	2020
Freight		372,831	227,288
Railway tariff and rent of wagons		277,902	284,175
Transport repairs and maintenance		32,351	31,861
Transshipment		24,351	33,317
Commissions and marketing expenses		19,431	27,933
Employee benefits		19,040	15,605
Depreciation of property, plant and equipment	7	7,001	7,384
Storage expenses		2,808	19,880
Depreciation of right-of-use assets		502	612
Other costs		123,523	101,411
Total distribution costs		**879,740**	**749,466**

Depreciation of property, plant and equipment in the amount of US$ 2,307 is included into Transport repairs and maintenance and Transshipment costs (2020: US$ 2,151). Depreciation of right-of-use assets in the amount of US$ 385 is included into Transshipment costs (2020: US$ 472).

21 General and administrative expenses

	Note	2021	2020
Employee benefits		98,256	89,103
Depreciation of property, plant and equipment	7	9,315	8,879
Communication and information system services		6,624	4,775
Security		6,192	5,733
Consulting, audit and legal services		6,084	12,474
Materials and fuel		5,171	4,457
Repairs and maintenance		4,622	4,268
Amortisation of intangible assets	9	3,495	2,824
Depreciation of right-of-use assets		1,811	2,213
Other expenses		30,436	31,032
Total general and administrative expenses		**172,006**	**165,758**

(in thousands of US dollars, unless otherwise stated)

22 Other operating income and expenses

	Note	2021	2020
Depreciation of property, plant and equipment	7	54,054	6,465
Social cost and charity		13,661	20,812
Loss on disposals of property, plant and equipment and intangible assets		5,723	2,951
Impairment loss on property, plant and equipment and assets under construction	7	12,489	9,485
Impairment loss on prepayments for acquisition of PPE		7,410	-
(Reversal of impairment) / impairment of trade and other receivables and advances to suppliers		(4,324)	6,263
Resettlement provision	16	7,934	-
Other (income) / expenses, net		(2,644)	4,022
Total other operating expenses, net		**94,303**	**49,998**

23 Finance income and expenses

		2021		2020	
	Note	**Income**	**Expenses**	**Income**	**Expenses**
Foreign exchange gain / (loss)		82,869	-	-	(582,999)
Fair value gain / (loss) on derivative financial instruments, net	12	10,528	-	-	(149,763)
Interest income / (expenses)		11,992	(142,472)	44,136	(157,329)
Loss from unwinding and effect of changes in effective interest rate, net		-	(32,934)	-	(19,610)
Syndication fees and other financial charges		-	(17,315)	-	(13,267)
Letters of credit fees		-	(4,869)	-	(3,801)
Fair value gain on investments		391	-	19,016	-
Other finance income / (expenses)		3,133	-	2,201	(10)
Total finance income / (expenses)		**108,913**	**(197,590)**	**65,353**	**(926,779)**
Total finance expenses, net		**-**	**(88,677)**	**-**	**(861,426)**

24 Income tax

	2021	2020
Current income tax expense	370,279	25,691
Adjustments recognised in the period for current income tax of prior periods	1,893	9,328
Deferred income tax (benefit) / expense	(3,149)	18,922
Income tax expense	**369,023**	**53,941**

Profit before taxation and non-controlling interests for the consolidated financial statements purposes is reconciled to income tax as follows:

	2021	2020
Profit before income tax	**(2,135,743)**	**(10,740)**
Theoretical tax charge at a rate of 16.5%	352,398	1,772
Corrections of income tax for prior years	1,893	9,328
Tax effect of expenses which are not deductible, net	4,028	3,576
Effect of different tax rates in countries and regions	11,481	416
Effect of changes in tax rate	(922)	32,225
Recognition of previously written-off of deferred tax asset and utilisation of tax losses not previously recognised	1,285	(596)
Corporate income tax on distributed dividends	-	5,295
Other	(1,140)	1,925
Income tax expense	**369,023**	**53,941**

As at 31 December 2021, most companies of the Group were registered in the Russian Federation, Perm region and were taxed at a rate from 16.5% to 20%, however, the main income tax temporary differences relate to the Company, which was taxed at a preferential tax rate of 16.5% in 2021.

(in thousands of US dollars, unless otherwise stated)

24 Income tax (continued)

In August 2018, the Legislative Assembly of the Perm region enacted a law, among others, imposing a limitation on minimal income tax rates and cancelling the preferential tax rate application from 2021. In 2016 the Company concluded a regional special investment contract (hereinafter – "SIC") for six years term. Upon expiration of the contract the Company will apply the general income tax rate of 20%.

In 2018 and 2019, the Company entered into 3 federal special investment contracts. These SICs allow the Company to apply 0% income tax rate to profits earned from these investment projects. 0% rate is valid until the expiry of the respective contracts (in 31 December 2027 and 31 December 2028, depending on the contact), but not later than the tax period when the aggregate amount of incentives received from the Russian Federation exceeds 50% of the amount of capital investment provided by the contract.

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

In 2020, the Group reassessed the estimated periods of realisation of temporary differences related to SICs' assets and liabilities, the corresponding differencies were recognised in profit or loss.

In 2021 and 2020, foreign subsidiaries were taxed applying respective national income tax rates.

The tax effect of the movements in the temporary differences for the year ended 31 December 2021 was as follows:

	31 December 2020	Recognised in profit or loss	Disposal of subsidiary	Effect of translation to presentation currency	31 December 2021
Tax effects of taxable and deductible temporary differences					
Property, plant and equipment	(255,148)	11,660	-	1,333	(242,155)
Intangible assets	(433,484)	6,688	-	2,375	(424,421)
Inventories	(2,562)	899	-	7	(1,656)
Borrowings	(7,704)	(1,285)	-	54	(8,935)
Trade and other receivables	3,585	68	-	(21)	3,632
Derivative financial instruments	23,616	717	-	(139)	24,194
Trade and other payables	3,620	(3,400)	-	9	229
Tax loss carry-forward	6,817	(2,964)	(337)	(10)	3,506
Provisions	104,833	(10,357)	-	(500)	93,976
Other	5,128	1,123	-	(38)	6,213
Total net deferred tax liability	**(551,299)**	**3,149**	**(337)**	**3,070**	**(545,417)**

The tax effect of the movements in the temporary differences for the year ended 31 December 2020 was as follows:

	31 December 2019	Recognised in profit or loss	Effect of translation to presentation currency	31 December 2020
Tax effects of taxable and deductible temporary differences				
Property, plant and equipment	(289,029)	(13,261)	47,142	(255,148)
Intangible assets	(489,973)	(23,450)	79,939	(433,484)
Inventories	(8,214)	4,425	1,227	(2,562)
Borrowings	(8,230)	(827)	1,353	(7,704)
Trade and other receivables	8,936	(3,997)	(1,354)	3,585
Derivative financial instruments	2,144	22,342	(870)	23,616
Trade and other payables	4,449	(111)	(718)	3,620
Tax loss carry-forward	23,554	(13,230)	(3,507)	6,817
Provisions	126,814	(1,467)	(20,514)	104,833
Other	(6,297)	10,654	771	5,128
Total net deferred tax liability	**(635,846)**	**(18,922)**	**103,469**	**(551,299)**

(in thousands of US dollars, unless otherwise stated)

24 Income tax (continued)

Deferred tax balances presented in the consolidated statement of financial position were as follows:

	31 December 2021	31 December 2020
Deferred income tax asset	5,454	3,273
Deferred income tax liability	(550,871)	(554,572)
Deferred income tax liability, net	**(545,417)**	**(551,299)**

Taxable temporary differences associated with investments in subsidiaries, when the Group is able to control the timing of the reversal of these temporary differences and when it is probable that they will be not reversed in the foreseeable future, amounts to US$ 135,363 (31 December 2020: US$ 100,295).

25 Contingencies, commitments and operating risks

25.1 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 consolidated financial statements.

25.2 Tax legislation

Laws and regulations affecting business in the Russian Federation continue to change rapidly. The Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for three calendar years preceding the year of tax audit. Under certain circumstances reviews may cover longer periods. The Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects on the consolidated financial statements could be significant.

According to the amendments introduced into the Russian tax legislation, the undistributed profits of the Group foreign subsidiaries, recognised as controlled foreign companies, may result in an increase of the tax base of the controlling entities. According to current forecasts the profits of controlled foreign companies does not increase the taxable profits of the Company due to application of appropriate norms of tax legislation of the Russian Federation. Despite the fact that the Group has developed a tax planning strategy with regard to the legislation on controlled foreign companies applicable to the Group foreign subsidiaries, the Management of the Group does not exclude the fiscal approach of regulating authorities to the order of determination of taxable profits in controlling entities of the Group in Russia.

25.3 Insurance

The Company generally enters into insurance agreements when it is required by statutory legislation. The insurance agreements do not cover the risks of damage to third parties' property resulting from the Group's underground activities and the risks reflected in Note 4.

25.4 Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. In the current enforcement climate under existing legislation, the Management believes that there are no significant liabilities for environmental damage due to legal requirements except for those mentioned in Note 4. The Group's mining activities may cause subsidence that may affect the Group's facilities, and those of the cities of Berezniki and Solikamsk, State organisations and others.

25 Contingencies, commitments and operating risks (continued)

25.5 Operating environment of the Group

The Group operates in the fertilizer industry with production assets in Russia and sales networks in the EU, the 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 EU on certain Russian officials, businessmen and companies. This led to reduced access of the Russian businesses to international capital markets.

In February 2022, the USA, the UK, the EU and certain other countries introduced comprehensive financial and trade sanctions targeting Russian financial system, Russian government officials, Russian defense and security sector, export and import operations. The assets, funds and operations of certain Russian banks, companies and individuals in these countries were either blocked or restricted.

It is expected that the new set of sanctions will significantly limit the ability of the Russian entities to attract financing in the financial markets of the countries that introduced the sanctions and may adversely affect their international trade operations.

The impact of the new sanctions is yet to be evaluated, however, it is likely that they may have considerable negative impact on the Russian economy and global trade operations including logistics chains. Potential tightening of credit, global trade and business environment in which the Group operates may adversely affect Group's future operations and financial position of the Group. The Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 disease a global pandemic the spread of which led to restrictive measures and business disruption in Russia and many countries, which together with other factors triggered to growth of interest rates and inflation, increased volatility of financial markets, including commodity markets, and general economic uncertainty.

During 2021, COVID-19 did not cause 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. During 2021, impact of coronavirus on financial results of the Group was mainly limited to expenses related to measures to prevent risks to the health and safety of all personnel.

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.

25.6 Capital expenditure commitments

As at 31 December 2021, the Group had contractual commitments for the purchase of property, plant and equipment and intangible assets for US$ 190,140 (31 December 2020: US$ 225,378).

The Group 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.

(in thousands of US dollars, unless otherwise stated)

26 Financial risk management

26.1 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to reduce the cost of capital.

26.2 Categories of financial instruments

	Note	31 December 2021	31 December 2020
Financial assets			
Loans receivable (including interests receivable)		21	966,731
Trade and other receivables	11	639,254	278,768
Derivative financial assets	12	34,714	19,790
Cash and cash equivalents	13	701,678	1,007,352
Financial liabilities			
Bank loans and other borrowings	15	3,937,897	3,918,670
Bonds	15	1,116,842	1,256,125
Lease payable	15	19,111	27,894
Derivative financial liabilities	12	152,249	134,361
Financial trade and other payables	17	348,965	252,402

26.3 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. Market risk is the possibility that currency exchange rates, reduction in the prices of potash products and changes in interest rates will adversely affect the value of assets, liabilities or expected future cash flows. Overall risk management procedures adopted by the Group focus on the unpredictability of financial and commodity markets and seek to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is different from the functional currency of the companies of the Group.

The Group operates internationally and exports significant part of potash fertilizers sales. As a result the Group is exposed to foreign exchange risk arising from various currency exposures. Export sales are primarily denominated in US$ or Euro. The Group is exposed to the risk of significant RR/US$ and RR/Euro exchange rates fluctuations. The Group's operating profit benefits from the weak exchange rate of the RR against the US$ and Euro, since all the Group major operating expenses are denominated in RR. The net profit suffers from the weak Rouble exchange rate mainly due to the foreign exchange differences on the Group's loans which are predominantly denominated in USD and revaluation of cross-currency interest rate swaps, where the Group receives RR and pays US$.

The table below shows the increase / (decrease) in net profit of the Group that would have been if US$, Euro and other foreign currencies exchange rates had changed by 20% against the RR as at the reporting date (2020: 20%). Such analysis is based on the foreign exchange rates volatility that the Group considers possible at the end of the reporting period, and on the assumption that all other variables including interest rates are held constant.

	Foreign currencies appreciation against RR		Foreign currencies depreciation against RR	
	2021	2020	2021	2020
Net profit / (loss)				
US$	(632,495)	(431,371)	632,495	431,371
EUR	(72,438)	(118,465)	72,438	118,465
Other currencies	(147)	(115)	147	115
Total	**(705,080)**	**(549,951)**	**705,080**	**549,951**

26 Financial risk management (continued)

(ii) Interest rate risk

The Group's income and operating cash flows are exposed to market interest rates changes. The Group is exposed to fair value interest rate risk through market value fluctuations of interest bearing short- and long-term borrowings, whose interest rates comprise a fixed component. Borrowings issued at variable rates expose the Group to cash flow interest rate risk (Note 15). The Group uses cross-currency interest rate and interest rate swaps to fix interest payments (Note 12). The objective of managing interest rate risk is to prevent losses due to adverse changes in market interest rates. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, the renewal of existing positions and alternative financing.

For the year ended 31 December 2021, if LIBOR rate on US$ denominated borrowings had been 50 basis points higher / lower with all other variables held constant, net profit for the year would have been US$ 5,488 lower / higher (year ended 31 December 2020: net loss for the year would have US$ 5,262 higher / lower).

The effect is mainly a result of higher / lower interest expense on floating rate borrowings and changes in the fair value of derivative financial assets and liabilities with floating rates terms.

As at 31 December 2021, the Group had loan agreements (Note 15) and derivative financial instruments linked to bank LIBOR rates with publication until mid 2023. Among derivative financial instruments, interest rate swaps (Note 12) with carrying amount of US$ 12,436 as at 31 December 2021 that were concluded in 2020 and denominated in US dollars are linked to bank LIBOR rates. The Group's management reviewed the current loan agreements and concluded that all agreements contain "amendment" fallback provisions. In addition, with respect to derivative financial instruments, the applicable Regulator's documents for the transition to the new risk-free rates have been reviewed. As a result of the analysis, the Management of the Group believes that the reform of the base interest rates will not have a material effect on the Group's financial statements.

(b) Credit risk

Credit risk arises from the possibility that counterparties to transactions may default on their obligations, causing financial losses for the Group. The objective of managing credit risk is to prevent losses of liquid funds deposited in counterparties.

Financial assets of the Group entities, which are potentially subject to credit risk, consist primarily of loans issued, trade receivables, cash and bank deposits.

As at 31 December 2021, the maximum exposure to credit risk resulting from financial assets is equal to the carrying amount of the Group's financial assets of US$ 1,375,667 (31 December 2020: US$ 2,272,641).

The Group is not exposed to significant concentrations of credit risk. As at 31 December 2021, the Group had 48 counterparties (31 December 2020: 39 counterparties), each of them having receivables balances above US$ 1,000. The total aggregate amount of these balances was US$ 614,253 (31 December 2020: US$ 225,665) which is 95% of the gross amount of financial trade and other receivables (31 December 2020: 77%). Cash and short-term deposits are placed in banks and financial institutions, which are considered at the time of deposit to have optimal balance between rate of return and risk of default.

Trade receivables are subject to a policy of active credit risk management which focuses on an assessment of ongoing credit evaluation and account monitoring procedures. The objective of the management of trade receivables is to sustain the growth and profitability of the Group by optimising asset utilisation while at the same time maintaining risk at an acceptable level.

The effective monitoring and controlling of credit risk of unsecured customers is performed by the Group's corporate treasury function. Besides this the Group uses different tools to control the credit risk such as debt insurance, letters of credit, irrevocable bank guarantees, sales on a full prepayment basis and others. The credit quality of each new unsecured customer on a deferred payment basis is analysed before the Group enters into contractual agreements. The credit quality of customers is assessed taking into account their financial position, past experience, country of origin and other factors. The Management believes that the country of origin is one of the major factors affecting a customer's credit quality and makes a corresponding analysis (Note 11). Most customers from developing countries are supplied on secured payment terms, including letters of credit or factoring arrangements. These terms include deliveries against opened letters of credit and arrangements with banks on non-recourse discounting of trade receivables.

Although the collection of receivables could be influenced by economic factors, the Management believes that there is no significant risk of loss to the Group beyond the allowance for ECL already recorded (Note 11).

(in thousands of US dollars, unless otherwise stated)

26 Financial risk management (continued)

The table below shows the credit quality of cash, cash equivalents and deposits neither past due nor impaired on the reporting date, based on the credit ratings of independent agencies as at 31 December 2021 and 31 December 2020, if otherwise not stated in table below:

Rating – Moody's, Fitch, Standard&Poor's	31 December 2021	31 December 2020
From AAA / Aaa to A- / A3	204,140	453,610
From BBB+ / Baa1 to BBB- / Baa3	452,172	534,165
From BB+ / Ba1 to B- / B3	36,913	2,120
Unrated*	8,453	17,457
Total cash and cash equivalents, not past due nor impaired	**701,678**	**1,007,352**

* Unrated balance contains cash on hand and other.

(c) Liquidity risk

In accordance with the prudent liquidity risk management, the Management of the Group aims to maintain sufficient cash in order to meet its obligations. Group treasury aims to maintain sufficient level of liquidity based on monthly cash flow budgets, which are prepared for the year ahead and continuously updated during the year.

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

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

At 31 December 2021	Note	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	17	348,965	-	-	348,965
Bank loans and other borrowings		1,053,793	3,095,875	5,142	4,154,810
Bonds		63,090	1,222,435	-	1,285,525
Lease payable		4,826	9,055	37,371	51,252
Derivative financial instruments to be (received) / paid		(20,264)	45,651	-	25,387
Total		**1,450,410**	**4,373,016**	**42,513**	**5,865,939**

At 31 December 2020	Note	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	17	252,402	-	-	252,402
Bank loans and other borrowings		1,123,279	2,931,541	25,203	4,080,023
Bonds		211,250	1,289,619	-	1,500,869
Lease payable		4,530	13,707	68,199	86,436
Derivative financial instruments to be (received) / paid		(11,469)	23,646	-	12,177
Total		**1,579,992**	**4,258,513**	**93,402**	**5,931,907**

(in thousands of US dollars, unless otherwise stated)

27 Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. The Management has used all available market information in estimating the fair value of financial instruments.

The table below discloses the Group's financial liabilities stated at amortised cost within levels of the fair value hierarchy:

		31 December 2021		31 December 2020	
	Level	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities					
Bank loans, lease payable and other borrowings	3	3,957,008	3,817,779	3,946,564	3,911,163
Bonds	1	1,116,842	1,063,744	1,256,125	1,281,995
Total		**5,073,850**	**4,881,523**	**5,202,689**	**5,193,158**

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

28 Principal subsidiaries

The Group had the following principal subsidiaries as at 31 December 2021 and 31 December 2020:

Name	Nature of business	Percentage of voting rights	Percentage of ownership	Country of registration
LLC "SMT "BSHSU"	Construction	100.00%	100.00%	Russia
LLC "Vagon Depo Balahonzi"	Repair and maintenance	100.00%	100.00%	Russia
LLC "Uralkali-Remont"	Repair and maintenance	100.00%	100.00%	Russia
LLC "Avtotranskali"	Transportation	100.00%	100.00%	Russia
JSC "Baltic Bulker Terminal"	Sea terminal	100.00%	100.00%	Russia
JSC "VNII Galurgii"	Scientific institute	85.25%	85.25%	Russia
Uralkali Trading SIA	Trading	100.00%	100.00%	Latvia
Uralkali Trading Chicago	Trading	100.00%	100.00%	USA
United Fertilizers Company Limited	Trading	100.00%	100.00%	Mauritius

29 Events after reporting date

Acquisition of joint venture. In February 2022, the Group acquired 100% of shares in UPI Norte Investimentos S.A. (hereinafter – "UPI Norte"), which owns 50% in share capital of Fertgrow S.A. (hereinafter – "Fertgrow"), a joint venture engaged in production and distribution of mineral fertilizers on a Brazilian market, for a preliminary purchase price of $US 130,000 subject to adjustment based upon actual amounts of working capital and net debt of Fertgrow and UPI Norte at the date of the adjustment that falls on the last calendar day of the month preceding the date of closing. In February 2022, the Group paid cash consideration in the amount of $US 121,534, and the remaining amount which is due to or receivable from the former owners is to be determined and settled upon finalisation of working capital and net debt adjustments. As a result of this acquisition, the Group obtained a joint control over Fertgrow and the investment was accounted for using the equity method from the date of acquisition.

Proceeds from borrowings. In January – February 2022, the Group received US$ 128,235 under signed credit facility agreements with Russian and foreign banks.

Loan to a related party. Subsequently to the reporting date, the Group provided a loan to the parent company in the amount of US$ 300,000 under revolving loan facility for a period until December 2023. The loan was issued at a market rate.