URALKALI GROUP

Consolidated financial statements
for the year ended 31 December 2020

Contents

Page

Notes to the Consolidated Financial Statements

AO Deloitte & Touche CIS
5 Lesnaya Street
Moscow, 125047,
Russia

Tel: +7 (495) 787 06 00
Fax: +7 (495) 787 06 01
deloitte.ru

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 2020, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, its consolidated financial performance, and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

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

Key audit matters

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

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Assessment of compliance with covenants Refer to Note 2: Basis of preparation and significant accounting policies, and Note 15: Loans and borrowings. The Group is highly leveraged with net debt of US$ 4,195,337 thousand as at 31 December 2020 and has to comply with certain financial and non-financial covenants stipulated in loan agreements. In addition to an analysis of compliance with covenants at the reporting date, Management prepares financial forecasts to assess going concern and the Group's ability to comply with covenants in the future. These financial forecasts are particularly sensitive to changes in potash prices. Due to the factors above, we consider assessment of compliance with covenants to be a key audit matter.	We obtained an understanding of the process for monitoring compliance with financial and non-financial covenants stipulated in loan agreements. We reviewed the terms and conditions of loan agreements and recalculated covenants. We challenged Management's key assumptions used in the financial forecast by: • Assessing covenant compliance forecasts, including stress test scenarios and related mitigation plans; • Testing the appropriateness of Management's assumptions including foreign currency exchange rates and potash prices, the inflation rate, and the discount rate based on the available market information; • Performing our own sensitivity analysis to test the adequacy of the available headroom related to covenant compliance.
Expected credit losses for the loan issued Refer to Note 4: Critical accounting judgements and key sources of estimation uncertainty, and Note 5: Related parties. The Group issued loans to a related parties amounting to US$ 966,731 thousand (including accrued interest) as at 31 December 2020. After initial recognition, the loans are measured at amortised cost using the effective interest rate method, less allowance for expected credit losses. This is a key audit matter due to the materiality of the outstanding balance as at 31 December 2020 and the significance of Management's estimates and judgements in assessing the expected credit losses for the loan. These estimates and judgements include projections of potash prices and foreign currency exchange rates.	Our audit procedures included, but were not limited to, understanding the methodology and analysing the valuation model and inputs used by Management to assess the expected credit losses for the loans issued. We evaluated the appropriateness and consistency of Management's judgments and estimates, including the following: • Analysing scenarios of the loans' repayment and corroborating key estimates and assumptions therein with the existing documentary evidence; • Comparing the key assumptions used in the cash flows model to the available market information; • Challenging the historical accuracy of Management forecasts; • Assessing the sensitivity of the model to changes in key parameters. We assessed the financial condition and financial performance of the related parties and evaluated events after reporting date.

Other Information

Management is responsible for other information. Other information comprises the information included in the Annual report for 2020 and the Issuer's report for the first quarter 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 2020 and the Issuer's report for the first quarter 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,
Engagement partner

26 February 2021

Audited entity: Public Joint Stock Company "Uralkali"

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

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

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

Audit Firm: AO "Deloitte & Touche CIS"

Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Primary State Registration Number: 1027700425444

Certificate of registration in the Unified State Register № 77 004840299 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

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

(in thousands of US dollars, unless otherwise stated)

	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	7	2,781,088	3,105,468
Prepayments for acquisition of property, plant and equipment and intangible assets		187,529	307,562
Goodwill	8	798,517	952,918
Intangible assets	9	2,210,747	2,674,956
Deferred income tax asset	24	3,273	35,613
Loan receivable	5	-	657,555
Investment in associate		2,096	2,399
Derivative financial assets	12	68	7,973
Other non-current assets		108,341	112,523
Total non-current assets		**6,091,659**	**7,856,967**
Current assets			
Inventories	10	121,259	336,919
Trade and other receivables	11	326,353	428,538
Advances to suppliers		38,758	81,187
Income tax prepayments		436	1,699
Derivative financial assets	12	19,722	14,318
Loans receivable	5	966,731	-
Cash and cash equivalents	13	1,007,352	482,678
Total current assets		**2,480,611**	**1,345,339**
TOTAL ASSETS		**8,572,270**	**9,202,306**
EQUITY			
Share capital	14	21,872	35,762
Preference shares	14	239	239
Treasury shares	14	-	(28,126)
Share premium		50,987	399,855
Currency translation reserve		(4,103,262)	(3,774,604)
Retained earnings		5,750,303	5,459,775
Equity attributable to the Company's equity holders		**1,720,139**	**2,092,901**
Non-controlling interests		12,201	12,551
TOTAL EQUITY		**1,732,340**	**2,105,452**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	15	4,009,313	3,831,053
Post-employment and other long-term benefit obligations		42,264	46,467
Deferred income tax liability	24	554,572	671,459
Provisions	16	460,282	618,528
Derivative financial liabilities	12	119,363	9,675
Other non-current liabilities		2,645	3,251
Total non-current liabilities		**5,188,439**	**5,180,433**
Current liabilities			
Loans and borrowings	15	1,193,376	1,489,097
Trade and other payables	17	279,564	283,805
Advances received		25,861	15,821
Provisions	16	90,471	51,872
Derivative financial liabilities	12	14,998	21,033
Current income tax payable		47,221	54,793
Total current liabilities		**1,651,491**	**1,916,421**
TOTAL LIABILITIES		**6,839,930**	**7,096,854**
TOTAL LIABILITIES AND EQUITY		**8,572,270**	**9,202,306**

Approved for issue and signed on behalf of the Board of Directors on 26 February 2021:

Vitaly Lauk
Chief Executive Officer

Anton Vishanenko
Chief Financial Officer

The accompanying notes on pages 11 to 47 are an integral part of these consolidated financial statements.

(in thousands of US dollars, unless otherwise stated)

	Note	2020	2019
Revenues	18	2,696,234	2,781,854
Cost of sales	19	(844,288)	(663,891)
Gross profit		**1,851,946**	**2,117,963**
Distribution costs	20	(749,466)	(578,075)
General and administrative expenses	21	(165,758)	(178,498)
Taxes other than income tax		(14,558)	(16,935)
Other operating expenses, net	22	(49,998)	(89,335)
Operating profit		**872,166**	**1,255,120**
Finance (expenses) / income, net	23	(861,426)	175,572
Profit before income tax		**10,740**	**1,430,692**
Income tax expense	24	(53,941)	(224,181)
Net (loss) / profit for the period		**(43,201)**	**1,206,511**
(Loss) / profit attributable to:			
Company's equity holders		(42,851)	1,206,614
Non-controlling interests		(350)	(103)
Net (loss) / profit for the period		**(43,201)**	**1,206,511**
Weighted average number of ordinary shares in issue (million)		1,269	1,270
(Loss) / earnings per share – basic and diluted (in US cents)		**(3.38)**	**95.01**

(in thousands of US dollars, unless otherwise stated)

	2020	2019
Net (loss) / profit for the period	**(43,201)**	**1,206,511**
Other comprehensive (loss) / income		
Items that will not be reclassified to profit or loss:		
Remeasurement of post-employment benefit obligations	(1,253)	(11,726)
Effect of translation to presentation currency	(328,658)	150,337
Total other comprehensive (loss) / income for the period	**(329,911)**	**138,611**
Total comprehensive (loss) / income for the period	**(373,112)**	**1,345,122**
Total comprehensive (loss) / income for the period attributable to:		
Company's equity holders	(372,762)	1,345,225
Non-controlling interests	(350)	(103)

(in thousands of US dollars, unless otherwise stated)

	Note	2020	2019
Cash flows from operating activities			
Profit before income tax		10,740	1,430,692
Adjustments for:			
Depreciation of property, plant and equipment, right-of-use assets and amortisation of intangible assets		316,107	272,019
Loss on disposals of property, plant and equipment and intangible assets	22	2,951	15,335
Reversal of impairment of prepayments for acquisition of property, plant and equipment and intangible assets		-	(517)
Write-down / (reversal of write-down) of inventories to net realisable value		238	(1,586)
Impairment of property, plant and equipment and assets under construction	7, 22	9,485	12,102
Impairment of trade and other receivables and advances to suppliers	22	6,263	286
Change in provisions, net	16	(1,356)	7,619
Fair value loss / (gain) on derivative financial instruments, net	12, 23	149,763	(130,282)
Foreign exchange loss / (gain), net	23	582,999	(417,285)
Other finance expenses, net	23	128,664	371,995
Operating cash flows before working capital changes		**1,205,854**	**1,560,378**
Decrease / (increase) in trade and other receivables and advances to suppliers		132,960	(99,505)
Decrease / (increase) in inventories		136,762	(174,365)
Decrease in provisions	16	(40,596)	(96,558)
Increase in trade and other payables and advances received		40,752	31,514
Increase / (decrease) in other taxes payable		2,132	(1,269)
Cash generated from operations		**1,477,864**	**1,220,195**
Interest paid		(184,085)	(278,021)
Income taxes paid		(32,633)	(197,029)
Net cash generated from operating activities		**1,261,146**	**745,145**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(344,200)	(373,829)
Acquisition of intangible assets		(3,187)	(4,378)
Proceeds from sales of property, plant and equipment		1,752	617
Loans issued		(537,186)	(237,594)
Proceeds from loan repayments		297,707	7,031
Dividends and interest received		8,183	10,606
Net cash used in investing activities		**(576,931)**	**(597,547)**
Cash flows from financing activities			
Repayments of borrowings	15	(1,234,263)	(2,049,640)
Proceeds from borrowings	15	941,539	1,701,758
Proceeds from issuance of bonds	15	452,302	500,000
Arrangement fees and other financial charges paid		(20,565)	(50,510)
Redemption of bonds	15	(210,849)	(800,000)
Cash proceeds from derivatives	12	10,954	33,203
Cash paid for derivatives	12	(50,623)	(96)
Purchase of treasury shares	14	-	(10,089)
Lease payments		(3,009)	(2,813)
Dividends paid to the Company's shareholders	14	-	(48)
Net cash used in financing activities		**(114,514)**	**(678,235)**
Effect of changes in foreign exchange rate on cash and cash equivalents		(45,027)	300
Net increase / (decrease) in cash and cash equivalents		**524,674**	**(530,337)**
Cash and cash equivalents at the beginning of the period	**13**	**482,678**	**1,013,015**
Cash and cash equivalents at the end of the period	**13**	**1,007,352**	**482,678**

(in thousands of US dollars, unless otherwise stated)

	Note	Share capital	Preference shares	Treasury shares	Share premium	Retained earnings	Currency translation reserve	Total	Non-controlling interests	Total equity
		Equity attributable to the Company's equity holders								
Balance at 1 January 2019		**35,762**	**239**	**(27,996)**	**409,814**	**4,264,935**	**(3,924,941)**	**757,813**	**12,654**	**770,467**
Net profit / (loss) for the period		-	-	-	-	1,206,614	-	1,206,614	(103)	1,206,511
Other comprehensive (loss) / income		-	-	-	-	(11,726)	150,337	138,611	-	138,611
Total comprehensive income / (loss) for the period		**-**	**-**	**-**	**-**	**1,194,888**	**150,337**	**1,345,225**	**(103)**	**1,345,122**
Transactions with owners										
Dividends declared for preference shares	14	-	-	-	-	(48)	-	(48)	-	(48)
Purchase of treasury shares	14	-	-	(130)	(9,959)	-	-	(10,089)	-	(10,089)
Total transactions with owners		**-**	**-**	**(130)**	**(9,959)**	**(48)**	**-**	**(10,137)**	**-**	**(10,137)**
Balance at 31 December 2019		**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**

(in thousands of US dollars, unless otherwise stated)

1 The Uralkali Group and its operations

Public Joint Stock Company Uralkali (the "Company") and its subsidiaries (together the "Group") produce mineral fertilizers, which are extracted and processed in the vicinity of the cities of Berezniki and Solikamsk, Russia. They are distributed both on foreign and domestic markets. The Group manufactures various types of products, the most significant being a wide range of potassium salts.

The Company holds operating licences, issued by the Department of Subsoil Use of the Privolzhsky Federal district for the extraction of potassium, magnesium and sodium salts from a number of plots of the Verkhnekamskoye field. The licences expire at different periods until 2055. In addition, the Company holds a licence for geological exploration and evaluation of the Izversky plot.

On 30 November 2020, JSC United Chemical Company Uralchem (hereinafter – "Uralchem") completed the transaction for the acquisition of ordinary and preference shares, amounting to 35.10% of the total number of voting shares of the Company. As a result of this transaction, Uralchem obtained effective control over the Group's activities. The Company's significant shareholders and their voting interest were as follows:

	31 December 2020	**31 December 2019**
Uralchem [1]	81.47%	23.21%
Rinsoco Trading Co. Limited [2]	18.53%	19.99%
JSC Uralkali-Technology [3]	-	56.79%

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

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

[3] On 29 June 2020, JSC Uralkali-Technology was terminated as a result of reorganisation through merger with the Company

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.

2 Basis of preparation and significant accounting policies (continued)

Basis of presentation

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

2.2 Consolidated financial statements

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

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

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

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

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

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

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

2.3 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.

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.

(in thousands of US dollars, unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

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 (Russian Rouble ("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.

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

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

2 Basis of preparation and significant accounting policies (continued)

2.6 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.

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.

2 Basis of preparation and significant accounting policies (continued)

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 Russian Rouble ("RR") and US$, exchange and interest rates) observable in markets.

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

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.

2.8 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.

2 Basis of preparation and significant accounting policies (continued)

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 2020		**31 December 2019**	
	US$	Euro	US$	Euro
closing rate	73.88	90.68	61.91	69.34
average rate	72.15	82.45	64.74	72.50

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 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 2020 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 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	No effect
Amendments to Conceptual Framework	Fair value, improved definitions and recommendations	No effect
Amendments to IFRS 3	Definition of a business	No effect
Amendments to IAS 1 and IAS 8	Definition of material	No effect

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 16	Covid-19 Related Rent Concessions	1 June 2020	Under review
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	Interest Rate Benchmark Reform – Phase 2	1 January 2021	Under review
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

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.

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.

Classification of loans issued to related parties

As discussed in Note 5, at 31 December 2020 and 2019, the Group had loans receivable (including interests receivable) of US$ 966,731 and US$ 657,555 from its related parties. At 31 December 2020 and 31 December 2019, the Management prepared an analysis of the key parameters of the loans including the interest rate, historical payments, maturity, security and recoverability and concluded that the loans were issued at market terms and should be classified as financial assets in the consolidated statement of financial position at reporting dates. At 31 December 2020, loans were classified as current assets as it is expected that they will be settled within twelve months after the reporting date.

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 2021 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 3.8% to 4.1% for the period starting from 2021 until 2024 (2019: from 4.0% to 4.6%). Starting from 2025, the expected inflation rate in the Russian Federation is forecasted to be 4.1% (2019: 4.0%); and
- In 2020, the Management applied discount rates ranging from 4.9% to 6.0% based on government bonds interest rates (2019: from 5.8% to 6.4%).

Solikamsk-2 (“SKRU-2”) mine liquidation project was approved in November 2019. According to the project, extraction of ore with further processing carried out until the end of 2020. As at 31 December 2019, the Management of the Group reassessed production plans in the northern part of SKRU-2 mine, which shifted the projected end of mining from the beginning of 2023 to the end of 2020. In December 2020, in accordance with the plan 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 (South) SKRU-2 mine according to the project schedule.

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

According to the current schedule, during the period from 2021 until the end of first quarter 2024 (2019: the middle of 2025) the Group will be carrying out filling cavities works within running SKRU-2 mine. 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 2020, the Group recorded the above expenses within cost of sales as they relate to the day-to-day operation of the mine. Starting from 2021, 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.

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. The Group's Management estimates the activity on cavity filling and part of decommissioning activities to be completed during the above period. In 2020, the reduction of the estimated period of filing cavities works resulted in decrease in provision for filling cavities of US$ 31,786 and respective increase in provision for asset retirement obligations.

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 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 3.8% to 4.1% for the period starting from 2021 until 2024 (2019: from 4.0% to 4.6%). Starting from 2025, the expected inflation rate in the Russian Federation is forecasted to be 4.1% (2019: 4.0%).
- In 2020, the Management applied discount rates ranging from 4.2% to 7.0% based on government bonds interest rates (2019: from 5.2% to 6.6%).

Accident liquidation expenses for the period from second quarter of 2024 to the end 2027 are recognised within the provision for northern part of SKRU-2 asset retirement obligations. The amount of provision for assets retirement obligation related to the accident liquidation expenses amounted to US$ 67 million (31 December 2019: US$ 60 million).

Provisions for filling cavities and asset retirement obligations are particularly sensitive to discount rate change. As at 31 December 2020, if all other assumptions remain unchanged decrease in the discount rate for 1% would result in increase of the recorded amount of these provisions by US$ 37 million increase (31 December 2019: US$ 58 million).

(in thousands of US dollars, unless otherwise stated)

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

Recoverability of loans issued to related parties

At the end of each reporting period, the Management considers the financial position and financial performance of the debtors to identify whether the loans are recoverable. The ability of the debtors to repay the loans depends on returns from their investments in companies operating in the fertiliser industry. The Management applied a number of significant assumptions in their financial model to assess the recoverability of the loans, which are disclosed in Note 8.

As discussed in Note 29, in February 2021, subsequently to the reporting date, loans issued to related parties in the amount of US$ 756,791 (representing 88% of principal balance at 31 December 2020) and interests receivable in the amount of US$ 113,023 were repaid.

Tax legislation

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

5 Related parties

Related parties include parent company, major shareholders controlling the Group, with significant influence over the Group, entities under control of the Group's major shareholders, associates, key management personnel and entities under their control. The Company and its subsidiaries, in the ordinary course of their business, enter into various sale, purchase and service transactions with related parties. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this Note.

Starting from 30 November 2020, when Uralchem became the controlling shareholder of the Company (Note 1), details of transactions and outstanding balances with Uralchem are disclosed separately. As a result of the obtaining of the control by Uralchem, the Group does not have any shareholders with significant influence over the Group. 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 2020
Loan receivable	177,939
Interest receivable	1,963
Trade and other receivables	13
Trade and other payables	(19,230)
Lease liability	(3,999)
Advances received	(56)

The loan receivable is a US$ denominated unsecured revolving loan facility granted by the Group in 2020 initially for a period until 31 December 2020. In September 2020, this facility was prolonged until December 2021. The loan was issued at a market rate with interests payable at the maturity date.

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

Transactions with Uralchem	From 1 December to 31 December 2020
Revenue (sales of potassium chloride)	1,123
Other revenue	22
Interest income	674
Purchase of inventories and goods for resale	(1,879)
Interest expenses	(14)
General and administrative expenses	(24)
Other finance expenses	(453)
Other income	13

(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 2020
Loans receivable	677,889
Interest receivable	108,940
Trade and other receivables	1,588
Trade and other payables	(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 were repaid in full (Note 29).

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

Transactions with other related parties	From 1 December to 31 December 2020
Revenue (sales of potassium chloride)	2,949
Other revenue	216
Interest income	3,216
Other finance income	37,507
Purchase of inventories and goods for resale	(128)
Purchase of property, plant and equipment and assets under construction	(6,744)
Distribution costs	(2,627)
Interest expenses	(218)
Other finance expenses	(2,796)
Other income	18

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

Outstanding balances with related parties under control of shareholders with significant influence over the Group are disclosed below:

Outstanding balances with related parties under control of shareholders with significant influence over the Group	31 December 2019
Loan receivable	617,501
Interest receivable	40,054
Loan payable including interest payable	(40,560)
Trade and other receivables	10,833
Trade and other payables	(5,279)
Lease liability	(3,746)
Advances to suppliers	7,929

The loan to a related party is a US$ denominated unsecured revolving loan facility granted by the Group in April 2016 initially for a period of two years under market conditions. In 2018, this facility was prolonged until 2023. The loan was issued at a market rate with interests payable at the maturity date.

As at 31 December 2019, the Group pledged ordinary shares of PJSC Uralkali, representing 26.98% of the Company's ordinary shares as primary pledge.

As at 31 December 2019, the Group pledged ordinary shares, representing 28.6% of the Company's ordinary shares as secondary pledge, which were also pledged as primary security for credit facilities received by the Group from JSC Sberbank of Russia ("Sberbank") in 2016 (Note 15). The pledge was provided as security in favour of Sberbank and its subsidiaries for the loan of one of the Group's related parties effective until March 2023 and the agreements related thereto.

On 30 June 2020, as a result of the reorganisation through merger of the Company with JSC Uralkali-Technology and the cancelation of the shares of PJSC Uralkali owned by JSC Uralkali-Technology (Note 14), the above mentioned pledges were terminated.

(in thousands of US dollars, unless otherwise stated)

5 Related parties (continued)

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

Transactions with related parties under control of shareholders with significant influence over the Group	From 1 January to 30 November 2020	2019
Revenue (sales of potassium chloride)	34,527	63,329
Other revenue	2,036	1,479
Interest income	33,461	28,582
Other finance income	11,975	8,657
Purchase of inventories and goods for resale	(48,494)	(26,208)
Purchase of property, plant and equipment and assets under construction	-	(750)
Distribution costs	(30,309)	(28,259)
Interest expenses	(2,556)	(2,960)
General and administrative expenses	(59)	(45)
Other finance expenses	(12,659)	-
Other expenses	(347)	(338)

Transactions with associate

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

Outstanding balances with associate	31 December 2020	31 December 2019
Trade and other payables	(219)	(316)
Advances to suppliers	873	1,269

Transactions with associate	2020	2019
Distribution costs	(6,352)	(5,829)
Other finance income	97	95
Other finance expenses	(9)	-

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	
	2020	2019	31 December 2020	31 December 2019
Short-term employee benefits	12,395	9,574	3,618	3,394
Termination benefits	1,417	51	-	-
Total	**13,812**	**9,625**	**3,618**	**3,394**

(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	2020	2019
Revenues	18	2,696,234	2,781,854
Revenues net of freight, railway tariff, rent of wagons and transshipment costs	18, 20	2,151,454	2,363,805
Operating profit		872,166	1,255,120
Cash CAPEX		347,387	378,207

(b) Geographical information

	2020	2019
Russia	460,219	571,589
China, India, South East Asia	1,012,589	734,534
Latin America, USA	796,859	1,071,275
Europe, other countries	426,567	404,456
Total revenues	**2,696,234**	**2,781,854**

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

(c) Major customers

The Group had no external customers which represented more than 10% of the Group's revenues in 2020. In 2019, the amount of revenue from the external customer which contributed more than 10% of the Group's revenue was US$ 341,516.

(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 2019		**663,114**	**1,124,101**	**1,045,398**	**232,561**	**16,962**	**6,688**	**687,849**	**3,776,673**
Additions		25	17	205	47	313	63	416,232	416,902
Changes in estimates of provisions	16	32,149	228,964	-	-	-	-	-	261,113
Commissioning of assets		44,837	123,348	81,384	34,252	637	18	(284,476)	-
Disposals		(1,523)	(25,567)	(23,742)	(3,442)	(445)	(3)	(3,861)	(58,583)
Effect of translation to presentation currency		84,583	152,307	130,396	29,830	2,089	821	89,905	489,931
Balance at 31 December 2019		**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**
Accumulated depreciation and impairment									
Balance at 1 January 2019		**(192,280)**	**(396,008)**	**(687,985)**	**(100,732)**	**(10,266)**	**-**	**(7,133)**	**(1,394,404)**
Depreciation charge		(26,978)	(126,358)	(68,089)	(15,139)	(895)	-	-	(237,459)
Disposals		807	15,492	22,323	3,251	317	-	1,049	43,239
Impairment	22	(1,276)	(2,630)	(721)	-	-	(2,236)	(5,239)	(12,102)
Effect of translation to presentation currency		(24,760)	(53,582)	(86,199)	(12,854)	(1,280)	(102)	(1,065)	(179,842)
Balance at 31 December 2019		**(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)**
Net Book Value									
Balance at 1 January 2019		**470,834**	**728,093**	**357,413**	**131,829**	**6,696**	**6,688**	**680,716**	**2,382,269**
Balance at 31 December 2019		**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**

(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 charge for the period	Note	2020	2019
Cost of sales	19	231,175	180,497
Distribution costs	20	9,535	10,248
General and administrative expenses	21	8,879	8,230
Other operating expenses	22	6,465	32,883
Capitalised within assets under construction		6,011	5,601
Total		**262,065**	**237,459**

Fully depreciated assets still in use

As at 31 December 2020 and 31 December 2019, the gross carrying value of fully depreciated property, plant and equipment still in use was US$ 303,958 and US$ 365,083, respectively.

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

Capitalised borrowing costs	2020	2019
Capitalised interest expenses	34,990	48,786
Capitalised foreign exchange losses	20,856	4,436
Total capitalised borrowing costs	**55,846**	**53,222**

In 2020, the Group used average interest capitalisation rate 3.1% (2019: 4.3%).

8 Goodwill

	2020	2019
Carrying value at 1 January	**952,918**	**849,151**
Effect of translation to presentation currency	(154,401)	103,767
Carrying value at 31 December	**798,517**	**952,918**

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:

	2020	2019
RR/US$ exchange rate (until 2040)	from 72.0 to 102.9	from 64.9 to 95.1
Selling price growth rate beyond one year	4.0% p.a.	4.0% p.a.
US$ weighted average cost of capital	8.8% p.a.	9.2% p.a.
Long-term inflation rate in Russia	4.0%	4.0% p.a.

The Group did not recognise any impairment of goodwill in the consolidated financial statements for the years ended 31 December 2020 and 31 December 2019.

(in thousands of US dollars, unless otherwise stated)

9 Intangible assets

	Note	Mining licences	Software	Other	Total
Cost					
Balance at 1 January 2019		**2,806,345**	**13,464**	**9,354**	**2,829,163**
Additions		-	4,011	341	4,352
Disposals		-	(1,003)	(722)	(1,725)
Effect of translation to presentation currency		342,936	1,848	1,095	345,879
Balance at 31 December 2019		**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**
Accumulated amortisation					
Balance at 1 January 2019		**(402,800)**	**(6,888)**	**(5,009)**	**(414,697)**
Amortisation	19, 21	(33,178)	(2,760)	(858)	(36,796)
Disposals		-	791	329	1,120
Effect of translation to presentation currency		(50,738)	(996)	(606)	(52,340)
Balance at 31 December 2019		**(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)**
Net book value					
Balance at 1 January 2019		**2,403,545**	**6,576**	**4,345**	**2,414,466**
Balance at 31 December 2019		**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**

10 Inventories

	31 December 2020	31 December 2019
Raw materials and spare parts	68,928	72,907
Finished goods	42,762	252,419
Work in progress	2,845	3,818
Other inventories	6,724	7,775
Total inventories	**121,259**	**336,919**

11 Trade and other receivables

	31 December 2020	31 December 2019
Financial receivables		
Trade receivables at amortised cost	278,174	376,654
Trade receivables at FVTOCI	5,521	723
Other receivables	8,906	14,763
Less: allowance for ECL	(13,833)	(16,483)
Total financial receivables	**278,768**	**375,657**
Non-financial receivables		
VAT recoverable	41,558	47,165
Other taxes recoverable	2,007	951
Other non-financial receivables	4,020	4,765
Total non-financial receivables	**47,585**	**52,881**
Total trade and other receivables	**326,353**	**428,538**

(in thousands of US dollars, unless otherwise stated)

11 Trade and other receivables (continued)

As at 31 December 2020, trade receivables of US$ 246,896 (31 December 2019: US$ 344,159), net of allowance for ECL, were denominated in foreign currencies; 83% of this balance was denominated in US$ (31 December 2019: 85%) and 17% was denominated in Euro (31 December 2019: 15%).

As at 31 December 2020, ECL for other receivables of US$ 2,681 (31 December 2019: US$ 5,497) was measured at an amount equal to 12-month ECL, ECL for other receivables of US$ 6,225 (31 December 2018: US$ 9,266) was measured at an amount equal lifetime ECL.

Movements of the allowance for ECL were as follows:

	2020		2019	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Balance at 1 January	**(8,513)**	**(7,970)**	**(10,819)**	**(8,058)**
Allowance accrued	(6,404)	(1,293)	(5,238)	(1,153)
Allowance reversed	1,067	685	4,948	1,229
Allowance utilised	5,836	1,679	2,757	710
Foreign exchange (loss) / gain, net	(1,213)	(374)	969	233
Effect of translation to presentation currency	1,392	1,275	(1,130)	(931)
Balance at 31 December	**(7,835)**	**(5,998)**	**(8,513)**	**(7,970)**

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 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)

31 December 2019	**Current**	**less than 45 days overdue**	**45 to 90 days overdue**	**over 90 days overdue**	**Total**
Gross carrying amount - trade receivables (insured)	209,219	108	-	23	209,350
Gross carrying amount - trade receivables (non-insured)	138,607	10,651	1,107	17,662	168,027
Gross carrying amount - other receivables	4,967	530	694	8,572	14,763
Allowance for ECL	(697)	(225)	(962)	(14,599)	(16,483)

As at 31 December 2020 and 31 December 2019, 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 2020 and 31 December 2019, the derivative financial instruments were represented by:

	The Group pays	The Group receives	Issue	Maturity	Notional amount 31 December 2020	Notional amount 31 December 2019
Cross-currency interest rate swap	US$ at fixed rate	RR at fixed rate	2020	2025	US$ 454 mln (RR 30,000 mln)	-
			2018	2023	US$ 239 mln (RR 15,000 mln)	US$ 239 mln (RR 15,000 mln)
			2018	2021	US$ 149 mln (RR 10,000 mln)	US$ 149 mln (RR 10,000 mln)
			2017	2020	-	US$ 265 mln (RR 15,000 mln)
Interest rate swap	US$ at fixed rate	US$ at floating rate; nil if rate is negative	2020	2025	US$ 940 mln (RR 69,443 mln)	-
			2020	2024	US$ 601 mln (RR 44,378 mln)	-
			2020	2023	US$ 424 mln (RR 31,344 mln)	-
	Euro at fixed rate	Euro at floating rate; nil if rate is negative	2019	2024	Euro 650 mln (RR 58,944 mln)	Euro 650 mln (RR 45,071 mln)
	US$ at fixed rate	US$ at floating rate	2017	2020	-	US$ 1,000 mln (RR 61,906 mln)

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

	31 December 2020	31 December 2019
Assets		
Current derivative financial assets	19,722	14,318
Non-current derivative financial assets	68	7,973
Total derivative financial assets	**19,790**	**22,291**
Liabilities		
Current derivative financial liabilities	(14,998)	(21,033)
Non-current derivative financial liabilities	(119,363)	(9,675)
Total derivative financial liabilities	**(134,361)**	**(30,708)**

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

	Note	2020	2019
Derivative financial liabilities, net at 1 January		**8,417**	**98,054**
Cash proceeds from derivatives		10,954	33,203
Cash paid for derivatives		(50,623)	(96)
Changes in the fair value	23	149,763	(130,282)
Effect of translation to presentation currency		(3,940)	7,538
Derivative financial liabilities, net at 31 December		**114,571**	**8,417**

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 2020	Interest rates 31 December 2019	31 December 2020	31 December 2019
Cash on hand and bank balances				
RR denominated cash on hand and bank balances			33,477	44,265
US$ denominated bank balances			452,733	100,709
EUR denominated bank balances			72,260	18,957
Other currencies denominated balances			366	241
Term deposits				
US$ term deposits	0.15% - 0.41%	0.90% – 1.60%	441,613	315,430
RR term deposits	2.85% - 4.21%	3.80% – 5.66%	6,903	3,076
Total cash and cash equivalents			**1,007,352**	**482,678**

(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 2019	**2,936**	**30**	**(1,660)**	**35,762**	**239**	**(27,996)**	**8,005**
Treasury shares purchased	-	-	(8)	-	-	(130)	(130)
At 31 December 2019	**2,936**	**30**	**(1,668)**	**35,762**	**239**	**(28,126)**	**7,875**
Cancellation of treasure shares	(1,668)	-	1,668	(13,890)	-	28,126	14,236
At 31 December 2020	**1,268**	**30**	**-**	**21,872**	**239**	**-**	**22,111**

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 2019: 1,730 million) with a nominal value 0.5 roubles (31 December 2019: 0.5 roubles) per share.

The number of unissued authorised preference shares is 120 million (31 December 2019: 120 million) with a nominal value 0.5 roubles (31 December 2019: 0.5 roubles) per share according to the Company's Charter.

Treasury shares. During 2019, the Company purchased 7,594,929 ordinary shares as a result of a mandatory redemption procedure pursuant to Russian Federal Law On Joint Stock Companies. The difference between the total acquisition cost of US$ 10,089 and the nominal value of US$ 130 of the shares was reflected as a decrease in share premium.

Reorganisation of the Company through the merger of JSC Uralkali-Technology

On 29 June 2020, the reorganisation of the Company through merger with JSC Uralkali-Technology, 100% subsidiary of the Group, with the Company was completed. On 30 June 2020, 1,667,429,892 shares of the Company owned by JSC Uralkali-Technology and reflected as Treasury shares were redeemed in accordance with the decision of the extraordinary general shareholders' meeting ("EGM") of the Company dated 4 December 2019 and Merger Agreement approved by the EGM.

The result of the treasury shares redemption is presented below:

	On 30 June 2020
Decrease of share capital	(13,890)
Decrease of treasury shares	28,126
Decrease in share premium	(348,868)
Increase of retained earnings	**334,632**

As at 31 December 2020, as a result of completion of the reorganisation and redemption of treasury shares owned by JSC Uralkali-Technology on 30 June 2020 the Group doesn't own any treasury shares (31 December 2019 the Group owned 1,667,429,892 ordinary shares). In February 2021, after reporting date, the Group repurchased 164,872,689 ordinary shares of the Company (Note 29).

Delisting. The Company's ordinary shares are admitted for trading on the Moscow Exchange. On 18 December 2017, the delisting was approved by the extraordinary general shareholders' meeting. As of the reporting date, the delisting procedure has not been completed yet.

In October 2019, Rinsoco Trading Co. Limited, the shareholder of the Company, completed a buy-out of ordinary shares of the Company owned by minority shareholders. The buy-out procedure resulted in a suspension of trading in the Company's ordinary shares at the Moscow Exchange with effect from 20 September 2019 (however, such trading could be resumed upon request from the Company).

(in thousands of US dollars, unless otherwise stated)

14 Equity (continued)

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. On 30 September 2020, annual general shareholders' meeting resolved not to pay dividends for 2019 on Company's preference shares.

The minimum dividend size is fixed in the Charter and amounts to 0.1 roubles per preference share. In July 2019, the Company paid the minimum dividends for the year ended 31 December 2018 in the amount of US$ 48 to the holders of preference shares.

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

General meetings held in 2020 and 2019 resolved not to pay any dividends on ordinary shares.

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 2020 and 31 December 2019.

Short-term loans and borrowings	**Interest rates**	**31 December 2020**	**31 December 2019**
Bank loans in US$: floating interest	from 3 month LIBOR + 1.45% to 1 month LIBOR + 2.2% (2019: from 3 month LIBOR + 1.45% to 3 month LIBOR + 3.55%)	698,206	478,440
Bank loans in US$: fixed interest	5.22% (2019: from 3.8% to 5.22%)	200,718	752,700
Bank loans in RR: fixed interest	2%	1,516	-
Bank loans in EUR: floating interest	from 6 month EURIBOR + 1.05% to 1 month EURIBOR + 1.7% (2019: 6 month EURIBOR + 1.05%)	137,762	1,920
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 9.3% (2019: from 7.7% to 9.3%)	147,072	247,118
Short-term lease payable		4,269	5,086
Total short-term loans and borrowings and current portion of long-term loans and borrowings		**1,193,376**	**1,489,097**
Long-term loans and borrowings			
Bank loans in US$: floating interest	from 3 month LIBOR + 1.45% to 1 month LIBOR + 2.2% (2019: from 3 month LIBOR + 1.45% to 3 month LIBOR + 3.55%)	2,176,134	1,938,179
Bank loans and other borrowings in US$: fixed interest	from 3.0% to 5.22%	40,572	240,501
Bank loans in EUR: floating interest	from 6 month EURIBOR + 1.05% to 1 month EURIBOR + 1.7%	663,762	726,680
Long-term bonds quoted on Irish Stock Exchange	4.00%	497,184	495,755
Long-term bonds quoted on Moscow Exchange	from 6.85% to 9.3% (2019: from 7.7% to 9.3%)	608,036	403,028
Long-term lease payable		23,625	26,910
Total long-term loans and borrowings		**4,009,313**	**3,831,053**
Total loans and borrowings		**5,202,689**	**5,320,150**

(in thousands of US dollars, unless otherwise stated)

15 Loans and borrowings (continued)

Bank loans and other borrowings

	2020	2019
Balance at 1 January	**4,138,420**	**4,496,415**
Bank loans received, denominated in US$	940,000	800,000
Bank loans received, denominated in RR	1,539	-
Bank loans received, denominated in EUR	-	901,758
Bank loans repaid, denominated in US$	(1,232,416)	(1,878,521)
Bank loans repaid, denominated in EUR	(1,847)	(171,119)
Interest accrued	110,107	195,490
Interest paid	(110,008)	(193,695)
Recognition of syndication fees and other financial charges	(14,419)	(21,680)
Amortisation of syndication fees and other financial charges	10,627	18,544
Foreign exchange loss / (gain), net	761,961	(543,854)
Effect of translation to presentation currency	(685,294)	535,082
Balance at 31 December	**3,918,670**	**4,138,420**

As at 31 December 2020 and 31 December 2019, no equipment or inventories were pledged as security for loans and borrowings.

As at 31 December 2020, bank loans in the amount of US$ 3,586,137 (31 December 2019: US$ 2,977,226) were collateralised by future sales proceeds of the Group under export contracts with certain customers.

In March 2016, credit line agreements with Sberbank were signed in the total amount of up to US$ 3.9 billion for the purpose of refinancing of other loans received from the bank as well as for other general corporate purposes. In November 2019, the Company terminated the US$ 1.9 billion credit line, and in March 2020, the Company terminated the US$ 2 billion credit line due to the absence of utilisation needs. As at 31 December 2019, credit line agreements were secured by way of pledge to Sberbank of the Company's shares constituting 28.6% of the Company's issued ordinary shares. During 2020, pledges were terminated as a result of termination of credit lines.

In March 2019, the Company signed an uncommitted credit facility in the amount of up to EUR 50 million with ING BANK N.V., which is available for 12 months. In 2020, additional agreements were signed and the amount of facility was reduced to EUR 25 million and the availability period was extended to April 2021. As at 31 December 2020, the Company had no outstanding amount under this facility.

In March 2019, the Company signed an uncommitted credit facility in the amount of up to EUR 105 million with Commerzbank, which is available for 36 months. In September 2019, the amount of facility was reduced to EUR 4.9 million. As at 31 December 2020, the Company had no outstanding amount under this facility.

In May 2019, the Company signed a US$ 725 million and EUR 650 million 5-year pre-export facility with 13 international banks. The interest rate is 1 month LIBOR + 1.9% for US$ tranche and 1 month EURIBOR + 1.7% for EUR tranche. The loan was used for refinancing of the Company's existing loans and for general corporate purposes. As at 31 December 2020, the credit line was fully utilised.

In March 2020, the Company signed a credit facility in the amount of up to US$ 1.6 billion with Sberbank for the purpose of refinancing of other loans received from the bank as well as for other general corporate purposes and which is available until December 2021. In November 2020, was signed an additional agreement for restatement of the original credit facility agreement including extending the availability period until November 2022. As at 31 December 2020, 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 2020, US$ 940 million were drawn down.

(in thousands of US dollars, unless otherwise stated)

15 Loans and borrowings (continued)

Bonds

	2020	2019
Balance at 1 January	**1,149,734**	**1,395,870**
Issuance of bonds	452,302	500,000
Repurchase of bonds	(210,849)	(800,000)
Interest accrued	80,351	69,355
Interest paid	(71,583)	(81,852)
Recognition of syndication fees and other financial charges	(918)	(4,641)
Amortisation of syndication fees	1,213	680
Foreign exchange loss / (gain)	84,314	(79,683)
Effect of translation to presentation currency, net	(228,439)	150,005
Balance at 31 December	**1,256,125**	**1,149,734**

In March 2019, US$ denominated bonds at the nominal value of US$ 800 million which were previously sold to JSC VTB Capital were fully redeemed.

In October 2019, the Group issued US$ denominated Eurobonds at the nominal value of US$ 500 million bearing a coupon of 4% p.a. maturing in 2024.

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

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

The Group was in compliance with all financial and non-financial covenants as at 31 December 2020.

16 Provisions

	Note	Filling cavities	Asset retirement obligations	Resettle-ment	Mine flooding	Restruc-turing	Legal	Total
Balance at 1 January 2019		**267,086**	**113,664**	**5,622**	**9,989**	**6,686**	**270**	**403,317**
Changes in estimates added to property, plant and equipment	7	202,052	59,061	-	-	-	-	261,113
Changes in estimates charged to profit or loss		-	-	-	672	(136)	-	536
Accrual of provision		-	472	6,611	-	-	-	7,083
Utilisation of provision		(84,308)	(2,337)	(7,551)	(1,770)	(351)	(241)	(96,558)
Unwinding of the present value discount		23,858	10,406	311	940	586	-	36,101
Effect of translation to presentation currency		39,111	16,980	657	1,213	822	25	58,808
Current liabilities		**42,718**	**1,934**	**5,650**	**1,374**	**142**	**54**	**51,872**
Non-current liabilities		**405,081**	**196,312**	**-**	**9,670**	**7,465**	**-**	**618,528**
Balance at 31 December 2019		**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**

(in thousands of US dollars, unless otherwise stated)

17 Trade and other payables

	31 December 2020	31 December 2019
Financial payables		
Trade payables	66,284	60,509
Accrued liabilities	106,502	105,008
Salary payable and related accruals	41,498	47,923
Other payables	38,118	41,858
Total financial payables	**252,402**	**255,298**
Non-financial payables		
Other taxes payable	26,894	25,860
Other non-financial payables	268	2,647
Total non-financial payables	**27,162**	**28,507**
Total trade and other payables	**279,564**	**283,805**

As at 31 December 2020, trade and other payables of US$ 38,660 (31 December 2019: US$ 23,043) were denominated in foreign currencies: 87% of this balance was denominated in US$ (31 December 2019: 66%) and 13% was denominated in Euro (31 December 2019: 23%).

18 Revenues

	2020	2019
Potassium chloride	1,529,249	1,477,483
Potassium chloride (granular)	858,279	940,688
Revenue from rendering transportation services	178,506	189,140
Other revenues	130,200	174,543
Total revenues	**2,696,234**	**2,781,854**

19 Cost of sales

	Note	2020	2019
Cost of finished goods sold			
Depreciation of property, plant and equipment	7	231,175	180,497
Employee benefits		147,166	161,371
Materials and components		108,339	123,903
Fuel and energy		89,048	94,839
Repairs and maintenance		68,706	71,803
Amortisation of licences	9	33,007	33,178
Transportation between mines by railway		10,566	12,068
Other costs		34,115	21,873
Change in work in progress, finished goods and goods in transit		80,512	(81,497)
Total cost of finished goods		**802,634**	**618,035**
Goods for resale		41,654	45,856
Total cost of sales		**844,288**	**663,891**

(in thousands of US dollars, unless otherwise stated)

20 Distribution costs

	Note	2020	2019
Railway tariff and rent of wagons		284,175	208,302
Freight		227,288	188,469
Transshipment		33,317	21,278
Transport repairs and maintenance		31,861	34,256
Commissions and marketing expenses		27,933	29,011
Storage expenses		19,880	5,787
Employee benefits		15,605	16,306
Depreciation of property, plant and equipment	7	7,384	7,986
Depreciation of right-of-use assets		612	726
Other costs		101,411	65,954
Total distribution costs		**749,466**	**578,075**

Depreciation of property, plant and equipment in the amount of US$ 2,151 is included into Transport repairs and maintenance and Transshipment costs (2019: US$ 2,262). Depreciation of right-of-use assets in the amount of US$ 472 is included into Transshipment costs (2019: US$ 455).

21 General and administrative expenses

	Note	2020	2019
Employee benefits		89,103	96,903
Consulting, audit and legal services		12,474	8,089
Depreciation of property, plant and equipment	7	8,879	8,230
Security		5,733	6,083
Communication and information system services		4,775	6,081
Materials and fuel		4,457	4,667
Repairs and maintenance		4,268	4,664
Mine rescue crew		3,026	6,216
Amortisation of intangible assets	9	2,824	3,618
Depreciation of right-of-use assets		2,213	2,184
Other expenses		28,006	31,763
Total general and administrative expenses		**165,758**	**178,498**

22 Other operating income and expenses

	Note	2020	2019
Social cost and charity		20,812	29,747
Impairment loss on property, plant and equipment and assets under construction	7	9,485	12,102
Depreciation of property, plant and equipment	7	6,465	32,883
Impairment of trade and other receivables and advances to suppliers		6,263	286
Loss on disposals of property, plant and equipment and intangible assets		2,951	15,335
Resettlement provision	16	-	6,611
Other expenses / (income), net		4,022	(7,629)
Total other operating expenses, net		**49,998**	**89,335**

(in thousands of US dollars, unless otherwise stated)

23 Finance income and expenses

		2020		2019	
	Note	Income	Expenses	Income	Expenses
Foreign exchange (loss) / gain		-	(582,999)	417,285	-
Fair value (loss) / gain on derivative financial instruments, net	12	-	(149,763)	130,282	-
Interest income / (expenses)		44,136	(157,329)	38,533	(216,911)
Loss from unwinding and effect of changes in effective interest rate, net		-	(19,610)	-	(40,263)
Syndication fees and other financial charges		-	(13,267)	-	(145,388)
Letters of credit fees		-	(3,801)	-	(9,452)
Fair value gain / (losses) on investments		19,016	-	-	(3,298)
Dividend income		-	-	95	-
Other finance income / (expenses)		2,201	(10)	4,698	(9)
Total finance income / (expenses)		**65,353**	**(926,779)**	**590,893**	**(415,321)**
Total finance (expenses) / income, net		**-**	**(861,426)**	**175,572**	**-**

In 2019, the syndication fees and other financial charges included the write-off of the prepaid commission in the amount of US$ 123,554 related to US$ 1.9 billion and US$ 2.0 billion credit lines from Sberbank. As at 31 December 2019, the Management did not expect to obtain economic benefits from these assets because the related credit lines had not been used and were not expected to be utilised within the availability periods as they are more expensive compared to other available funding options. These credit lines were terminated in November 2019 and March 2020 (Note 15).

24 Income tax

	2020	2019
Current income tax expense	25,691	241,791
Adjustments recognised in the period for current income tax of prior periods	9,328	25,810
Deferred income tax expense / (benefit)	18,922	(43,420)
Income tax expense	**53,941**	**224,181**

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

	2020	2019
Profit before income tax	**(10,740)**	**(1,430,692)**
Theoretical tax charge at a rate of 16.5%	1,772	236,064
Corrections of income tax for prior years	9,328	25,810
Tax effect of expenses which are not deductible, net	3,576	11,848
Effect of different tax rates in countries and regions	416	7,028
Effect of changes in tax rate	32,225	(39,095)
Recognition of previously written-off of deferred tax asset and utilisation of tax losses not previously recognised	(596)	(17,825)
Corporate income tax on distributed dividends	5,295	-
Other	1,925	351
Income tax expense	**53,941**	**224,181**

As at 31 December 2020, 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 2020.

In August 2018, the Legislative Assembly of the Perm region enacted a law, among others, imposing a limitation on minimal income tax rates and cancelling the preferential tax rate application from 2021. However, as in 2016 the Company concluded a regional special investment contract (“SIC”) valid until 2022, the Company is able to apply the minimum income tax rate of 16.5% until 31 December 2022. Starting from 2023, the Company will apply the general income tax rate of 20%.

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.

(in thousands of US dollars, unless otherwise stated)

24 Income tax (continued)

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 2019, the Group revised the impact of 0% income tax rate on the temporary differences related to federal SICs' assets and liabilities that are expected to be realised before SICs expiry, the corresponding difference was recognised in profit or loss. In 2020, the Group reassessed the estimated periods of realisation of temporary differences related to SICs' assets and liabilities, the corresponding difference was recognised in profit or loss.

In 2020 and 2019, 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 2020 was the following:

	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)**

The tax effect of the movements in the temporary differences for the year ended 31 December 2019 was the following:

	31 December 2018	Recognised in profit or loss	Effect of translation to presentation currency	31 December 2019
Tax effects of taxable and deductible temporary differences				
Property, plant and equipment	(220,423)	(39,849)	(28,757)	(289,029)
Intangible assets	(476,885)	43,210	(56,298)	(489,973)
Inventories	489	(8,380)	(323)	(8,214)
Borrowings	(5,994)	(1,437)	(799)	(8,230)
Trade and other receivables	9,419	(296)	(187)	8,936
Prepaid transaction costs on bank facilities	(17,144)	17,144	-	-
Derivative financial instruments	18,218	(17,500)	1,426	2,144
Trade and other payables	1,205	2,961	283	4,449
Tax loss carry-forward	7,823	14,129	1,602	23,554
Provisions	76,636	39,028	11,150	126,814
Other	(401)	(5,590)	(306)	(6,297)
Total net deferred tax liability	**(607,057)**	**43,420**	**(72,209)**	**(635,846)**

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

	31 December 2020	31 December 2019
Deferred income tax asset	3,273	35,613
Deferred income tax liability	(554,572)	(671,459)
Deferred income tax liability, net	**(551,299)**	**(635,846)**

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$ 100,295 (31 December 2019: US$ 209,985).

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.

25.5 Operating environment of the Group

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

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

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

(in thousands of US dollars, unless otherwise stated)

25 Contingencies, commitments and operating risks (continued)

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

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

During 2020, COVID-19 has not caused any material adverse impact on functioning of the Group's operating facilities, personnel, as well as supply chain and sales, since agricultural sector is a defensive industry which addresses the basic needs of food security and stability for countries globally. Health and safety of employees remains the Group's utmost focus. In response to the adverse epidemiological situation, the Company quickly introduced a number of preventative measures to stop the coronavirus from spreading and took preventative steps to minimise risk to the health and safety of all personnel at both industrial and office premises, as well as the residents of the regions in which the Group operates. During 2020, impact of coronavirus on financial results of the Group was mainly limited to expenses related to abovementioned measures.

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

25.6 Capital expenditure commitments

As at 31 December 2020, the Group had contractual commitments for the purchase of property, plant and equipment and intangible assets for US$ 225,378 (31 December 2019: US$ 405,565) from third parties.

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.

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 2020	31 December 2019
Financial assets			
Loans receivable (including interests receivable)	5	966,731	657,555
Trade and other receivables	11	278,768	375,657
Derivative financial assets	12	19,790	22,291
Cash and cash equivalents	13	1,007,352	482,678
Financial liabilities			
Bank loans and other borrowings	15	3,918,670	4,138,420
Bonds	15	1,256,125	1,149,734
Lease payable	15	27,894	31,996
Derivative financial liabilities	12	134,361	30,708
Trade and other payables	17	252,402	255,298

(in thousands of US dollars, unless otherwise stated)

26 Financial risk management (continued)

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 (2019: 10%). 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**	
	2020	**2019**	**2020**	**2019**
Net profit				
US$	(431,371)	(260,835)	431,371	261,252
EUR	(118,465)	(52,507)	118,465	52,507
Other currencies	(115)	(254)	115	254
Total	**(549,951)**	**(313,596)**	**549,951**	**314,013**

(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 2020, 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$ 5,262 lower / higher (year ended 31 December 2019: if LIBOR rate on US$ denominated borrowings had been 100 basis points higher / lower with all other variables held constant net profit for the year would have been US$ 20,269 lower / higher). In 2020, the decrease in LIBOR to 50 basis points for the purpose of interest rate risk analysis was due to significant decrease in rates in the financial markets.

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.

(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.

(in thousands of US dollars, unless otherwise stated)

26 Financial risk management (continued)

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 2020, the maximum exposure to credit risk resulting from financial assets is equal to the carrying amount of the Group's financial assets of US$ 2,272,641 (31 December 2019: US$ 1,538,181).

The Group is not exposed to significant concentrations of credit risk. As at 31 December 2020, the Group had 39 counterparties (31 December 2019: 31 counterparties), each of them having receivables balances above US$ 1,000. The total aggregate amount of these balances was US$ 225,665 (31 December 2019: US$ 337,803) which is 77% of the gross amount of financial trade and other receivables (31 December 2019: 86%). 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.

As at 31 December 2020, the Group has loans issued to a related parties which gives exposure to credit risk at the amount of US$ 966,731 (31 December 2019: loan issued to a related party gave exposure to credit risk at the amount of US$ 657,555).

Loans to related parties (Note 5) involve related parties without publicly available credit ratings. The Management therefore prepared financial models to assess the credit risk associated with loans to related which involved a number of judgements as described in Note 4. The methodology for estimating ECL allowance on loan to related parties is described in Note 2.

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

The effective monitoring and controlling of credit risk of unsecured customers is performed by the Group's corporate treasury function. Besides this the Group use 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 provision already recorded (Note 11).

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 2020 and 31 December 2019, if otherwise not stated in table below:

Rating – Moody's, Fitch, Standard&Poor's	**31 December 2020**	**31 December 2019**
From AAA / Aaa to A- / A3	453,610	74,651
From BBB+ / Baa1 to BBB- / Baa3	534,165	385,816
From BB+ / Ba1 to B- / B3	2,120	39
Unrated*	17,457	22,172
Total cash and cash equivalents, not past due nor impaired	**1,007,352**	**482,678**

* 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.

(in thousands of US dollars, unless otherwise stated)

26 Financial risk management (continued)

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 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 paid / (received)		(11,469)	23,646	-	12,177
Total		**1,579,992**	**4,258,513**	**93,402**	**5,931,907**

At 31 December 2019	Note	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	17	255,298	-	-	255,298
Bank loans and other borrowings		1,352,904	3,009,489	40,794	4,403,187
Bonds		306,706	1,045,147	-	1,351,853
Lease payable		5,300	14,990	83,001	103,291
Derivative financial instruments to be paid / (received)		1,497	(43,326)	-	(41,829)
Total		**1,921,705**	**4,026,300**	**123,795**	**6,071,800**

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 assets and financial liabilities stated at amortised cost within levels of the fair value hierarchy:

		31 December 2020		31 December 2019	
	Level	Carrying value	Fair value	Carrying value	Fair value
Financial assets					
Loans issued (including interests receivable)	3	966,731	966,731	657,555	662,208
Total		**966,731**	**966,731**	**657,555**	**662,208**

		31 December 2020		31 December 2019	
	Level	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities					
Bank loans and other borrowings	3	3,946,564	3,911,163	4,170,416	4,297,877
Bonds	1	1,256,125	1,281,995	1,149,734	1,167,669
Total		**5,202,689**	**5,193,158**	**5,320,150**	**5,465,546**

As at 31 December 2020 and 31 December 2019, the carrying amount of cash and cash equivalents, short-term loans issued, trade and other financial receivables and payables approximated its fair value.

(in thousands of US dollars, unless otherwise stated)

28 Principal subsidiaries

The Group had the following principal subsidiaries as at 31 December 2020 and 31 December 2019:

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 treasury shares

In February 2021, LLC Uralkali-Invest, 100% subsidiary of the Group, repurchased 164,872,689 ordinary shares of the Company from a related party for a total cash consideration of US$ 885,296. As of the date of authorisation of these consolidated financial statements, the Group has no outstanding obligation related to this transaction.

In February 2021, the Group pledged 164,872,689 ordinary shares, representing 12.7% of the Company's ordinary shares. The pledge was provided as security in favour of Sberbank and its subsidiaries for the loan of the Group's parent company effective until 2026 and the agreements related thereto.

Repayment of loans issued to a related parties

In February 2021, loans issued to other related parties (Note 5) and interests receivable up to the date were repaid in full in the total amount of $US 790,734. As a result of this, the Group does not have any outstanding loans issued to other related parties. In addition, in February 2021, the Group received $US 79,080 as a partial repayment of loan issued to the parent company (Note 5).