URALKALI GROUP

Consolidated Financial Statements
prepared in accordance with
International Financial Reporting Standards (IFRS)
for the year ended 31 December 2014
and Independent Auditor's Report

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of PJSC Uralkali (the "Company", Note 1) and its subsidiaries (together the "Group") which comprise the consolidated statement of financial position as of 31 December 2014 and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

5 March 2015
Moscow, Russian Federation

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(in thousands of US dollars, unless otherwise stated)

	Note	31 December 2014	31 December 2013
ASSETS			
Non-current assets:			
Property, plant and equipment	8	1,899,108	3,235,456
Prepayments for acquisition of property, plant and equipment and intangible assets		129,981	145,689
Goodwill	9	1,048,573	1,802,398
Intangible assets	10	3,192,065	5,457,299
Deferred income tax asset	30	14,644	21,635
Income tax prepayment recoverable after more than 12 months	11	128,983	259,455
Other non-current assets		22,270	21,986
Total non-current assets		**6,435,624**	**10,943,918**
Current assets:			
Inventories	12	143,374	250,495
Trade and other receivables	13	481,127	518,062
Current income tax prepayments		76,610	8,290
Other financial assets at fair value through profit or loss	14	61,209	-
Restricted cash	15	-	3,055
Deposits	15	300,000	-
Cash and cash equivalents	15	2,155,247	930,168
		3,217,567	**1,710,070**
Non-current assets held for sale		3,672	6,311
Total current assets		**3,221,239**	**1,716,381**
TOTAL ASSETS		**9,656,863**	**12,660,299**
EQUITY			
Share capital	16	35,762	35,762
Treasury shares	16	(5,759)	(5,722)
Share premium		4,361,346	4,371,815
Currency translation reserve		(3,609,136)	(1,301,324)
Retained earnings		1,879,243	2,626,946
Equity attributable to the company's equity holders		**2,661,456**	**5,727,477**
Non-controlling interests	36	**9,383**	**14,133**
TOTAL EQUITY		**2,670,839**	**5,741,610**
LIABILITIES			
Non-current liabilities:			
Borrowings	19	4,418,632	2,936,827
Bonds issued	20	580,125	646,035
Post-employment and other long-term benefit obligations	31	30,967	43,394
Deferred income tax liability	30	459,223	975,531
Provisions	17	41,057	86,996
Mine flooding provision	18	3,946	-
Derivative financial liabilities	21	554,897	62,043
Total non-current liabilities		**6,088,847**	**4,750,826**
Current liabilities:			
Borrowings	19	628,030	1,459,564
Bonds issued	20	3,847	4,033
Trade and other payables	22	195,581	556,613
Provisions	17	31,661	40,118
Mine flooding provision	18	16,906	-
Derivative financial liabilities	21	-	71,340
Current income tax payable		694	1,083
Other taxes payable		20,458	35,112
Total current liabilities		**897,177**	**2,167,863**
TOTAL LIABILITIES		**6,986,024**	**6,918,689**
TOTAL LIABILITIES AND EQUITY		**9,656,863**	**12,660,299**

Approved for issue and signed on behalf of the Board of Directors 5 March 2015

Dmitry Osipov
Chief Executive Officer

Anton Vishanenko
Chief Financial Officer

The accompanying notes on pages 6 to 46 are an integral part of these consolidated financial statements.

(in thousands of US dollars, unless otherwise stated)

	Note	2014	2013
Revenues	23	3,559,292	3,322,615
Cost of sales	24	(915,967)	(944,525)
Gross profit		**2,643,325**	**2,378,090**
Distribution costs	25	(932,771)	(879,924)
General and administrative expenses	26	(209,466)	(278,705)
Taxes other than income tax		(40,826)	(39,691)
Other operating income and expenses, net	28	(102,291)	(121,682)
Operating profit		**1,357,971**	**1,058,088**
Finance income	29	26,967	121,792
Finance expense	29	(2,138,318)	(352,972)
(Loss)/profit before income tax		**(753,380)**	**826,908**
Income tax credit/(expense)	30	122,524	(160,580)
Net (loss)/profit for the year		**(630,856)**	**666,328**
(Loss)/profit attributable to:			
Owners of the Company		(627,305)	666,859
Non-controlling interests	36	(3,551)	(531)
Net (loss)/profit for the year		**(630,856)**	**666,328**
(Loss)/earnings per share – basic and diluted (in US cents)	32	**(24.43)**	**24.35**

(in thousands of US dollars, unless otherwise stated)

	Note	2014	2013
Net (loss)/profit for the year		**(630,856)**	**666,328**
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss:			
Remeasurement of post-employment benefit obligations	31	1,545	671
Items that may be subsequently reclassified to profit or loss:			
Effect of translation to presentation currency		(2,307,812)	(621,179)
Total other comprehensive loss for the year		**(2,306,267)**	**(620,508)**
Total comprehensive (loss)/income for the year		**(2,937,123)**	**45,820**
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		(2,933,572)	46,351
Non-controlling interests	36	(3,551)	(531)

(in thousands of US dollars, unless otherwise stated)

	Note	2014	2013
Cash flows from operating activities			
(Loss)/profit before income tax		(753,380)	826,908
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets		371,292	415,304
Accrual/(reversal) of mine flooding provision	28	16,408	(31,399)
Write off of Solikamsk-2 property, plant and equipment	5, 28	38,049	-
Net loss on disposals and write-off of property, plant and equipment	28	27,676	14,082
Write-off of bank deposits	28	2,857	34,070
Accrual of provision for impairment of receivables	28	3,034	346
Net change in provisions	17	-	45,040
Loss from write-off of net assets of BPC	28	-	2,602
Income from redemption of bonds	29	(2,364)	-
Fair value loss on derivative financial liabilities, net	29	836,680	169,538
Foreign exchange loss/(gain), net	29	1,166,924	(33,037)
Other finance income and expense, net		92,131	13,906
Operating cash flows before working capital changes		**1,799,307**	**1,457,360**
(Increase)/decrease in trade and other receivables		(52,192)	84,308
Decrease/(increase) in inventories		3,440	(18,990)
(Decrease)/increase in trade and other payables		(32,317)	170,805
Increase in other taxes payable		2,196	2,618
Cash generated from operations		**1,720,434**	**1,696,101**
Interest paid	19, 20	(258,841)	(273,441)
Income taxes paid net of refunds received		(81,117)	(185,149)
Net cash generated from operating activities		**1,380,476**	**1,237,511**
Cash flows from investing activities			
Acquisition of intangible assets		(14,220)	(10,526)
Acquisition of property, plant and equipment		(349,411)	(416,192)
Proceeds from sales of property, plant and equipment		1,766	1,916
Purchase of other financial assets at fair value through profit or loss		(130,790)	-
Proceeds from sale of other financial assets at fair value through profit or loss		60,575	128,111
Acquisition of associates		-	(1,259)
Acquisition of subsidiaries, net of cash acquired		-	(3,989)
Acquisition of other non-current assets		(13,263)	(15,000)
(Increase)/decrease in deposits and restricted cash		(296,945)	279,853
Interest received		23,898	88,692
Net cash (used in)/generated from investing activities		**(718,390)**	**51,606**
Cash flows from financing activities			
Repayments of borrowings	19	(2,119,682)	(4,800,707)
Proceeds from borrowings	19	3,398,756	5,410,684
Syndication fees and other financial charges paid	19, 20	(28,926)	(40,032)
Proceeds from bonds issued	20, 29	-	650,000
Purchase of bonds issued	20	(65,736)	-
Purchase of non-controlling interest		(733)	-
Cash proceeds from derivatives	21	87,744	86,134
Cash paid for derivatives	21	(221,651)	(21,770)
Purchase of treasury shares		(10,506)	(2,518,078)
Finance lease payments	29	(1,326)	(1,519)
Dividends paid to the Company's shareholders		(290,079)	(429,931)
Net cash from/(used) in financing activities		**747,861**	**(1,665,219)**
Effect of foreign exchange rate changes		(184,868)	(79,974)
Net increase/(decrease) in cash and cash equivalents		**1,225,079**	**(456,076)**
Cash and cash equivalents at the beginning of the year	15	**930,168**	**1,386,244**
Cash and cash equivalents at the end of the year	15	**2,155,247**	**930,168**

(in thousands of US dollars, unless otherwise stated)

	Attributable to equity holders of the Company							
	Share capital	Treasury shares	Share premium/ (discount)	Retained earnings	Currency translation reserve	Total attributable to owners of the Company	Non-controlling interests	Total equity
Balance at 1 January 2013	**35,762**	**(58)**	**6,884,228**	**2,510,337**	**(680,145)**	**8,750,124**	**8,265**	**8,758,389**
Profit/(loss) for the period	-	-	-	666,859	-	666,859	(531)	666,328
Other comprehensive income/(loss)	-	-	-	671	(621,179)	(620,508)	-	(620,508)
Total comprehensive income/(loss) for the period	-	-	-	**667,530**	**(621,179)**	**46,351**	**(531)**	**45,820**
Transactions with owners								
Dividends declared (Note 16)	-	-	-	(550,921)	-	(550,921)	-	(550,921)
Purchase of treasury shares	-	(5,664)	(2,512,413)	-	-	(2,518,077)	-	(2,518,077)
Total transactions with owners	**-**	**(5,664)**	**(2,512,413)**	**(550,921)**	**-**	**(3,068,998)**	**-**	**(3,068,998)**
Non-controlling interest acquired	-	-	-	-	-	-	7,445	7,445
Disposal of non-controlling interest	-	-	-	-	-	-	(1,046)	(1,046)
Balance at 31 December 2013	**35,762**	**(5,722)**	**4,371,815**	**2,626,946**	**(1,301,324)**	**5,727,477**	**14,133**	**5,741,610**
Balance at 1 January 2014								
Loss for the period	-	-	-	(627,305)	-	(627,305)	(3,551)	(630,856)
Other comprehensive loss	-	-	-	1,545	(2,307,812)	(2,306,267)	-	(2,306,267)
Total comprehensive (loss)/income for the period	-	**-**	**-**	**(625,760)**	**(2,307,812)**	**(2,933,572)**	**(3,551)**	**(2,937,123)**
Transactions with owners								
Dividends declared (Note 16)	-	-	-	(121,943)	-	(121,943)	-	(121,943)
Purchase of treasury shares	-	(37)	(10,469)	-	-	(10,506)	-	(10,506)
Total transactions with owners	**-**	**(37)**	**(10,469)**	**(121,943)**	**-**	**(132,449)**	**-**	**(132,449)**
Disposal of non-controlling interest	-	-	-	-	-	-	(1,199)	(1,199)
Balance at 31 December 2014	**35,762**	**(5,759)**	**4,361,346**	**1,879,243**	**(3,609,136)**	**2,661,456**	**9,383**	**2,670,839**

1 The Uralkali Group and its operations

Public Joint Stock Company Uralkali (the "Company") and its subsidiaries (together the "Group") produce mineral fertilizers, primarily potassium based, which are extracted and processed in the vicinity of the cities of Berezniki and Solikamsk, Russia. They are distributed both on domestic and foreign markets. The Group manufactures various types of products, the most significant being a wide range of potassium salts. The Group is a major Russia-based potash manufacturer. For the year ended 31 December 2014 approximately 84% of total volume of the potash fertilizers was exported (for the year ended 31 December 2013: 81%).

The Company holds operating licences, issued by the Perm regional authorities for the extraction of potassium, magnesium and sodium salts from the Durimanskiy, Bigelsko-Troitsky, Solikamskiy (north and south parts) and Novo-Solikamskiy plots of the Verkhnekamskoye field. The licenses were prolonged on 1 April 2013 till 2018 – 2021 at nominal cost. The Company also owns a licence for the Ust'-Yaivinskiy plot of the Verkhnekamskoye field, which expires in 2024, and for the Polovodovskiy plot of the Verkhnekamskoye field, which expires in 2028.

As of 31 December 2014 and 31 December 2013 the Group had no ultimate controlling party.

The Company was incorporated as an open joint stock company in the Russian Federation on 14 October 1992. In accordance with amendments to the Civil code in 2014, which provided new legal forms of entities, on 21 November 2014 the Company changed its legal form to a public joint stock company. The Company has its registered office at 63 Pyatiletki St., Berezniki, Perm region, Russian Federation. Almost all of the Group's production capacities and all long-term assets are located in the Russian Federation. As of 31 December 2014 the Group employed approximately 20.8 thousand employees (31 December 2013: 21.1 thousand).

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention except for certain financial instruments that are measured at fair value as described in Note 2.11.

Group companies maintain their accounting records in Russian Roubles ("RR") and prepare their statutory financial statements in accordance with the Federal Law on Accounting of the Russian Federation, except for Uralkali Trading SA and Uralkali Trading (Gibraltar) which maintain their accounting records in US dollars ("US$") and prepare their financial statements in accordance with IFRS. UKT Chicago, Inc. maintains its accounting records in US$ and prepares its financial statements in accordance with US GAAP. Uralkali Capital Sarl maintains its accounting records in Euro and prepares its financial statements in accordance with Luxemburg GAAP. These consolidated financial statements are based on the statutory records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with IFRS.

2.2 Consolidated financial statements

Subsidiaries represent investees, including structured entities, which the Group controls, as the Group:

(i) has the powers to control significant operations which has a considerable impact on the investee's revenues,

(ii) runs the risks related to variable income on the investee's share or is entitled to such income, and

(iii) is able to use its powers with regard to the investee in order to influence its revenues.

The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than a majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee.

Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee.

Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

2 Basis of preparation and significant accounting policies (continued)

2.2 Consolidated financial statements (continued)

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities assumed or incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated, unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

2.3 Non-controlling interest

Non-controlling interest is that part of the net results and net assets of a subsidiary, including fair value adjustments, which is attributable to interests which are not owned, directly or indirectly, by owners of the parent company of the Group. Non-controlling interest forms a separate component of the Group's equity.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired in a transaction resulting in no change of control is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction directly in equity.

2.4 Joint Arrangements

Investments in joint ventures are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor according to IFRS 11, Joint Arrangements.

The Group has assessed the nature of its joint arrangements and determined them to be joint ventures that are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of asset transferred.

2.5 Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation. Cost includes all costs directly attributable to bringing the asset to its working condition for its intended use. Property, plant and equipment acquired through business combinations are recorded at fair value determined by independent valuation at the date of acquisition, less accumulated depreciation since acquisition date.

At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, the management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss within other operating expenses.

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

(in thousands of US dollars, unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

Repair and maintenance expenditures are expensed as incurred. Major renewals and improvements are capitalised. Gains and losses on disposals determined by comparing proceeds with the carrying amount are recognised in profit or loss.

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

	Useful lives in years
Buildings	10 to 60
Mine development costs	5 to 30
Plant and equipment	2 to 30
Transport vehicles	5 to 15
Other	2 to 15
Land	Not depreciated

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

2.6 Operating leases

Leases where substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged on a straight line basis over the lease term to the profit or loss. Operating leases include long-term leases of land with rental payments contingent on cadastral values regularly reviewed by the government.

2.7 Finance lease liabilities

Where the Group is a lessee in a lease which transfers substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

2.8 Goodwill

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

2 Basis of preparation and significant accounting policies (continued)

2.9 Intangible assets

The Group's intangible assets, other than goodwill, have definite useful lives and primarily include mining licences. Intangible assets are initially measured at acquisition cost or production cost, including any directly attributable costs of preparing the asset for its intended use, or, in the case of assets acquired in a business combination, at fair value as of the date of the combination.

Expenditure on software, patents, trademarks and non-mineral licences are capitalised and amortised using the straight-line method over their useful lives. Mining licences are amortized under a unit of production method.

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less cost to sell.

2.10 Classification of financial assets and liabilities

The fair values of financial instruments traded in an active market are measured with reference to the quoted price for the individual asset or liability and the quantity held by the entity.

The Group classifies its financial assets into the following measurement categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets at fair value through profit or loss which are recognised in this category from the date of the initial recognition.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. Other financial assets at fair value through profit or loss recognised as such upon initial recognition represents derivative financial instruments and other financial assets at fair value through profit or loss.

Derivative financial instruments, represented by cross-currency interest rate swaps, are carried at their fair value. All derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The income received from currency-interest rate swap transactions reduces interest expense. The Group does not apply hedge accounting.

Other financial assets at fair value through profit or loss are financial assets, represented by highly liquid corporate bonds and shares, designated irrevocably, at initial recognition, into this category. Management designates financial assets into this category only if: (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Group's key management personnel.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in the line item fair value gains/(losses) on financial assets at fair value through profit or loss and other investments. Coupon yield from corporate bonds is recognized in the interest income line item.

All other financial assets are included in the available-for-sale category.

Financial liabilities have the following measurement categories: (a) held for trading, which also includes financial derivatives and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year (as finance income or finance costs) in the period in which they arise. Other financial liabilities are carried at amortised cost.

2.11 Financial instruments – key measurement terms

Depending on their classification, financial instruments are carried at fair value, cost or amortised cost, as described below.

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. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair values of financial instruments traded in an active market are measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity.

2 Basis of preparation and significant accounting policies (continued)

2.11 Financial instruments – key measurement terms (continued)

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the Group's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the Group's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including the duration of the Group's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

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 one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,

(ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and

(iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, minus or plus accrued interest, and for financial assets – less any write-down (direct or through the valuation provision account) for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents and advisors, levies by regulatory agencies and securities exchanges, and transfer taxes and duties imposed on property transfer. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

2.12 Initial recognition of financial instruments

Derivatives and other financial assets at fair value through profit or loss are initially recorded at fair value. All other financial assets and liabilities are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price.

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

2 Basis of preparation and significant accounting policies (continued)

2.13 Offsetting financial assets and financial liabilities

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

2.14 Derecognition of financial assets

The Group derecognises financial assets when: (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired; or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets; or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

2.15 Income taxes

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the reporting date in the Russian Federation for entities incorporated in the Russian Federation, in Switzerland for Uralkali Trading SA, in Gibraltar for Uralkali Trading (Gibraltar) Limited, in the USA for UKT Chicago, Inc. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

The Group's uncertain tax positions are assessed by management at every reporting date. Liabilities are recorded for income tax positions that are determined by management as less likely than not to be sustained if challenged by tax authorities, based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting date. Liabilities for penalties, interest and taxes other than on income are recognised based on management’s best estimate of the expenditure 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 on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences arising on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition or subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards 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 provided on post-acquisition retained earnings of subsidiaries, except where 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.

2.16 Inventories

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on a weighted average basis. The cost of finished products and work in progress comprises raw material, direct labour, other direct costs and related production overhead (based on normal operating capacity) but excludes borrowing costs. The cost of finished goods includes transport expenses that the Company incurs in distributing goods from its factory to sea ports, vessels and overseas warehouses as these are costs incurred in bringing the inventory to its present location. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

2 Basis of preparation and significant accounting policies (continued)

2.17 Trade and other receivables

Trade and other receivables are individually recognised at fair value, and are subsequently measured at amortised cost using the effective interest method. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss.

2.18 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less and deposits with original maturity of more than three months held for the purpose of meeting short-term cash needs that are convertible into known amounts of cash and subject to insignificant risk of changes in value. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flows. Restricted balances being exchanged or used to settle liabilities at least twelve months after the reporting date are shown separately from cash and cash equivalents for the purposes of the consolidated statement of financial position and are included in non-current assets.

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

2.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares, other than on a business combination, are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented as share premium.

2.20 Treasury shares

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

2.21 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.

2.22 Value added tax

Output value added tax is payable to the tax authorities on the earlier of (a) collection of the receivables from customers or (b) delivery of the goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where a provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debt, including VAT.

2.23 Borrowings

Borrowings are measured at amortised cost using the effective interest method. Borrowing costs are recognised as an expense on a time-proportion basis using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

The Group capitalises borrowing costs relating to assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) as part of the cost of the asset. The Group considers a qualifying asset to be an investment project with an implementation period exceeding one year.

2 Basis of preparation and significant accounting policies (continued)

2.23 Borrowings (continued)

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

2.24 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 an outflow of resources 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.

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

The estimated future filling cavities costs, discounted to net present value, are added to respective items of property, plant and equipment and corresponding obligations. The additions of property, plant and equipment are depreciated on a straight-line basis over the useful life of the corresponding asset. A change in present value of the obligation is recognised in profit or loss as part of other finance income/costs. Changes to estimated future costs are recognised in the consolidated statement of financial position by either increasing or decreasing the provision for filling cavities and asset to which it relates. The Group reassesses its estimation of filling cavities provision as of the end of each reporting period.

2.25 Trade and other payables

Trade payables are accrued when the counterparty has performed its obligations under contract and are carried at amortised cost using the effective interest method.

2.26 Foreign currency translation

Functional and presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is the national currency of the Russian Federation, RR. The presentation currency of the Group is US$ since the Company's management considers presentation of the financial statements in US$ to be more useful for the users of the financial statements.

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

Group companies. The results and financial positions of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated to the presentation currency as follows:

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

(ii) income and expenses for each statement of profit or loss 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.

At 31 December 2014, the official rate of exchange, as determined by the Central Bank of the Russian Federation (CBRF), was US$ 1 = RR 56.26 (31 December 2013: US$ 1 = RR 32.73). The official Euro to RR exchange rate at 31 December 2014, as determined by the CBRF, was Euro 1 = RR 68.34 (31 December 2013: Euro 1 = RR 44.97). The average official rate of exchange for the twelve months ended 31 December 2014 was US$ 1 = RR 38.42, was Euro 1 = RR 50.82 (for the year ended 31 December 2013: US$ 1 = RR 31.85, Euro 1 = RR 42.31).

2 Basis of preparation and significant accounting policies (continued)

2.26 Foreign currency translation (continued)

Due to higher volatility of RR exchange rate in the fourth quarter of 2014, the average rate for this quarter (US$ 1 = RR 47.42) was used to translate income and expenses for each statement of profit or loss and cash flows. The average exchange rate for the nine months ended 30 September 2014 was US$ 1 = RR 35.39 and it was used to translate income and expenses for each statement of profit or loss and cash flows for that period.

2.27 Revenue recognition

Revenues are recognised on the date of risks transfer under the appropriate INCOTERMS specified in the sales contracts, as this is the date when the risks and rewards of ownership are transferred to the customers. For “Free On Board” (FOB) transactions, the title to goods transfers as soon as the goods are loaded on the ship. For “Delivery At Frontier” (DAF) transactions, the title to goods transfers only when goods cross the Russian border. For “Free Carrier” (FCA) terms, the title transfers when goods are loaded on the first carrier (railway carriages). For “Cost and Freight” (CFR) terms, the title transfers when goods pass the rail of the ship in the port of shipment.

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

2.28 Transhipment costs

Transhipment costs incurred by OJSC Baltic Bulker Terminal (“BBT”), a 100% subsidiary whose activity is related to the transhipment of fertilisers produced by the Group, are presented within distribution costs. These costs include depreciation, payroll, material expenses and various general and administrative expenses.

2.29 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.

2.30 Social costs

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

2.31 Pension costs

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

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

All actuarial gains and losses which arise in calculating the present value of the defined benefit obligation are recognised immediately in profit or loss.

2.32 Earnings per share

Earnings per share are determined by dividing the net income attributable to equity holders of the Company by the weighted average number of participating shares outstanding during the reporting year.

2 Basis of preparation and significant accounting policies (continued)

2.33 Segment reporting

The Group identifies and presents segments in accordance with the criteria set forth in IFRS 8, *Operating segments*, and based on the way the operations of the Company are regularly reviewed by the chief operating decision maker to analyse performance and allocate resources. The chief operating decision-maker has been determined as the Board of Directors. It was determined, that the Group has one operating segment – the extraction, production and sales of potash fertilisers.

2.34 Going concern

Management prepared these consolidated financial statements on a going concern basis. In making this judgement management considered the Group's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the situation in the financial markets on the operations of the Group (Note 33.5).

3 Adoption of new or revised standards and interpretations

The following new standards and interpretations became effective for the Group from 1 January 2014. The amended standards and interpretations did not have any material impact on the Group's consolidated financial statements:

"Offsetting Financial Assets and Financial Liabilities" – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The standard clarified that a qualifying right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

IFRIC 21 – "Levies" (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional.

Amendments to IAS 36 – "Recoverable amount disclosures for non-financial assets" (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment.

Amendments to IAS 39 – "Novation of Derivatives and Continuation of Hedge Accounting" (issued in June 2013 and effective for annual periods beginning 1 January 2014). The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

4 New accounting pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2015 or later, and which the Group has not early adopted.

IFRS 9 "Financial Instruments: Classification and Measurement" amended in July 2014 and effective for annual periods beginning on or after 1 January 2018. The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary. The Group does not intend to adopt the existing version of IFRS 9.

4 New accounting pronouncements (continued)

Amendments to IAS 19 – "Defined benefit plans: Employee contributions" (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The Group does not expect the amendment to have any impact on its financial statements.

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements consist of changes to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to IFRS 1, IFRS 3, IFRS 13 and IAS 40. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact following standards: IFRS 5, IFRS 7, IAS 19 and IAS 34. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's financial statements.

5 Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

5 Critical accounting estimates, and judgments in applying accounting policies (continued)

Provisions for mine Solikamsk-2 flooding. On 18 November 2014 higher levels of brine inflow were detected in Solikamsk-2 mine. The emergency plan was immediately activated. All personnel had been evacuated to above ground. On 18 November 2014 at about 4.00 pm (GMT) a new sinkhole with a diameter of 30-40 meters had been detected on the surface above North-East Panel II. The sinkhole is located to the east of the Solikasmk-2 production site, outside the residential area of Solikamsk town and is mainly associated with the area where the rocks and inter-bed pillars collapsed on 5 January 1995. The danger area around the sinkhole was fenced in immediately, with limited access to people: the perimeter of the danger area is monitored 24/7.

Monitoring activities in the danger area have been expanded: additional on-line monitoring methods have been implemented, observations of the situation developments have been intensified. Special scientific and design organizations – the Mining Institute of the Ural Branch of Russian Academy of Science, OJSC Galurgia and CJSC VNII Galurgia (All-Russian Scientific Research Institute for Mineral Salt Technologies) are involved in the accident mitigation.

In line with the accident mitigation plan, the Company continues to comprehensively monitor the situation: water inflows are monitored through brine level checks, brines are sampled for chemical analysis and to determine salt content alterations; additional water monitoring wells have been drilled in the sinkhole area; ground water levels are monitored using the wells around the sinkhole on a daily basis; gas level monitoring is performed both around the sinkhole and in the mine; the sinkhole is monitored for its growth; seismologic control of the sinkhole area has been set up.

On 29 January 2015 a Commission of the Federal Service for Environmental, Technological, and Nuclear Supervision Service of Russia (hereinafter, the "Commission") completed their investigation of the accident causes in Solikamsk-2. The Commission have analyzed investigation reports for the 1995 accident in the Second Solikamsk Production Unit of OJSC Silvinit, reviewed the monitoring results of the collapse area (the collapse area has been monitored for almost 20 years by the license holders in cooperation with the relevant institutions) and information regarding the implementation of engineering arrangements aimed at accident mitigation and extension of the mine life for as long as possible. The Commission comprises experts from special organizations and relevant scientific institutions.

According to the Technical Investigation Report regarding causes of the accident in the Solikamsk-2 mine of the Company on 18 November 2014, the inflow of fresh water into the mining area of Solikamsk-2 was the adverse consequences of the 1995 accident caused by massive rock deformations with consequent failure of the waterproof complex. Therefore, the accident in Solikamsk-2 that took place on 18 November 2014 resulted from extraordinary circumstances which could not have been prevented in such conditions.

Currently the Company is implementing a number of engineering and other arrangements to minimize the impact of the accident and reduce suprasalt water inflows into the mine. To prevent adverse effects of the accident, the danger area within the mine of Solikamsk-2 has been outlined and outside such danger area backfilling operations are carried out with further monitoring of the situation.

The Group will continue filling cavities of the Solikamsk-2 mine as long as possible and believes this would help to contain and mitigate any consequences of the accident. Overground facilities of Solikamsk-2 will be used in the future for ore processing after new shafts are constructed in the southern part of the Solikamsk plot of Verkhnekamskoye deposit where no mining operations have been performed so far.

The carrying value of the mining license for Solikamsk-2 was US$ 1,135,013, as of 31 December 2014. The impairment test showed that the recoverable amount exceeded the carrying amount of the license (Note 10).

On 29 January 2015 upon completion of the technical investigation of the accident causes in Solikamsk-2 carried out by a committee appointed by the West Ural Administration of Rostekhnadzor the Group evaluated potential costs of the accident remediation. As of 31 December 2014 the Group accrued a provision in the amount of US$ 20,852 to cover the estimated costs for liquidation of the accident consequences (Note 18). The Group has also impaired its fixed assets in the amount of US$ 30,481 and construction in progress in the amount of US$ 7,568 as of 31 December 2014 (Note 8).

As of 5 March 2015 there are no lawsuits against the Group for reimbursement of expenses resulting from the negative effects of the accident in the Solikamsk-2 mine and no provisions have been created.

Management believes that there are no liabilities relating to the Solikamsk-2 flooding other than those disclosed in the consolidated financial statements for the year ended 31 December 2014. Management is currently evaluating risks of the mine flooding, its consequences and costs that the Group may incur in the future. Since those risks are complicated and it is uncertain how the situation in Solikamsk-2 is going to develop, as of the reporting date, the Company's management is unable to evaluate properly future cash outflows associated with the mine flooding and third parties' claims, however this amount may be considerable and may go far beyond the provision accrued as of 31 December 2014.

5 Critical accounting estimates, and judgments in applying accounting policies (continued)

Provisions for mine Berezniki-1 flooding. On 28 October 2006, the Group ceased production operations in mine Berezniki-1 due to natural groundwater inflow that reached a level which could not be properly controlled by the Group.

On 1 November 2006, the commission of Rostekhnadzor issued an act on its technical investigation of the cause of flooding in Mine 1. According to the act, the flooding was caused by a "new kind of previously unknown anomaly in the geological structure" and "the development of two sylvinite layers AB (1964-1965) and Kr II (1976-1977)". The combination of circumstances in the run up to the accident, in terms of source, scope and strength was classified as "being extraordinary and unavoidable events under prevailing conditions not dependent on the will of the parties involved".

In November 2008 a new commission was established by Rostekhnadzor to carry out a second investigation into the cause of flooding in Mine 1. The second commission's report was published on 29 January 2009, concluding that the flooding was caused by a "combination of geological and technological factors".

Management believes that there are no liabilities relating to the Berezniki-1 flooding which should be recorded or disclosed in the consolidated financial statements for the year ended 31 December 2014.

Remaining useful life of property, plant and equipment and mining licences. Management assesses the remaining useful life of property, plant and equipment in accordance with the current technical condition of assets and estimated period during which these assets will be bringing economic benefits to the Group (Note 8).

The Group holds operating mining licences for the production of potassium salts, magnesium and sodium which were extended till 2018-2021 upon their expiry on 1 April 2013. Management assesses the remaining useful life of mining licences on the basis of the expected mining reserves (Note 10).

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

Goodwill. The Group tests goodwill for impairment at least annually (Note 9). The goodwill relates to the acquisition of the Silvinit Group, CJSC Solikamsky Stroitelny Trest, OJSC BBT and CJSC VNII Galurgia. The goodwill is primarily attributable to the expected future operational and marketing synergies of the combined group and is allocated to CGU Uralkali Group (Note 9).

Mining licenses. Management makes estimates, judgments and significant assumptions to assess whether the recoverable amount of the licenses exceeds their carrying value. This largely depends on the estimates about a range of technical and economic factors, including technology for construction of the mines, the level of capital expenditure needed to develop the deposit, the expected start of the production, the future potash prices and exchange rates. Since the assumptions used to estimate the above factors might change from period to period, the results of management estimates might also change from period to period.

As of 31 December 2014, management tested the carrying value of the mining licenses for impairment due to the Solikamsk-2 flooding and deterioration in the Russian operating environment (Note 33). The recoverable amount was assessed with reference to value-in-use models. Based on the testing results, the recoverable amounts of intangible assets at 31 December 2014 exceeded their carrying amounts.

The key assumptions used to determine value-in-use, to which the calculation is most sensitive, include future potash prices, USD exchange rates, the discount rate and the expected start date of production for greenfield projects.

Inventory. The Group engages an independent surveyor to verify the physical quantity of finished products at the reporting dates. In accordance with the surveyor's guidance and technical characteristics of the devices used, the possible valuation error is +/-4-6%. At the reporting date the carrying amount of finished products may vary within this range.

Provision for filling cavities. A provision has been established in the consolidated financial statements for the Group's obligation to replace the earth extracted from the Solikamsk mines (Note 17).

Remeasurment of an existing amount of cavities that result from changes in estimates of mine surveys is recorded as an asset and depreciated over its useful life under the straight-line method of depreciation. The Company makes provision only for the legal liabilities, which are included in the licenses' agreements. Changes in the discount rate are recognised in profit or loss in finance income and finance costs. The amount of expenses incurred due to filling of the cavities for other reasons are recognised in current period in the consolidated statement of profit or loss.

(in thousands of US dollars, unless otherwise stated)

5 Critical accounting estimates, and judgments in applying accounting policies (continued)

The major uncertainties that relate to the amount and timing of the cash outflows related to the filling cavities works and assumptions made by management in respect of these uncertainties are as follows:

- The extent of the filling cavities work which will have to be performed in the future may vary depending on the actual environmental situation. Management believes that the legal obligation to replace the earth in the mines is consistent with the cavities filling plan agreed with the State Mine Supervisory Body;
- The future unit cost of replacing one cubic meter of the earth in the mines may vary depending on the technology and the cost of resources used. Management assumes that the unit cost of replacing a cubic meter of earth in future years, during the period for which the current filling cavities plan is in place, adjusted for the effect of inflation, will not be materially different from the actual cost incurred in 2014;
- Management applied its judgment in determining the rate used in discounting the future real cash outflows associated with the filling cavities works, reflecting the time value of money. In 2014 management applied discount rates of 12.7%, 13.05% and 14.8% for different mines, respectively (In 2013: 6.97%, 7.08%, and 8.15%).

Ongoing filling cavities costs incurred outside of the agreed plan are recognised as expenses when incurred.

Restructuring provision. The Group accrued a provision for the closing down of the ore-treatment plant and carnallite plant subdivision at Berezniki 1 (Note 17).

Major uncertainties that relate to the amount and timing of the cash outflows related to the restructuring works and assumptions made by management in respect of these uncertainties are as follows:

- Estimates were used to determine the costs of dismantling and restoration works for the liquidation of the ore-treatment plant and the carnallite plant at Berezniki 1;
- Management applied its judgment in determining the rate used in discounting the future cash outflows associated with the dismantling works, reflecting the time value of money. In 2014, management applied a discount rate 12.7%.

Income tax prepayment. The Group has recorded an income tax prepayment recoverable after more than 12 months in the consolidated financial statements. There is an uncertainty in terms of using this payment to cover current liabilities of the Company to pay income taxes. As a consequence, the asset carrying amount may vary depending on the Company's financial performance in future periods.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations (Note 33.2).

6 Related parties

Related party disclosure is governed by IAS 24, *Related Party Disclosures*. Parties are considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Key management and their close family members are also considered related parties.

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions only if such terms can be substantiated. The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding are detailed below.

Statement of financial position caption	Nature of relationship	31 December 2014	31 December 2013
Balances			
Cash and cash equivalents	Related party through significant shareholder	3,056	-
Trade and other receivables	Related party through significant shareholder	53	-
Trade and other payables	Related party through significant shareholder	187	-
Advances originated	Related party through significant shareholder	35	
Advances received	Related party through significant shareholder	630	4,887

(in thousands of US dollars, unless otherwise stated)

6 Related parties (continued)

		2014	2013
Transactions			
Acquisition of property, plant and equipment	Associates	-	13,580
Acquisition of property, plant and equipment	Other related parties	-	8,225
Acquisition of inventories	Related party through significant shareholder	3,756	-
Acquisition of inventories	Other related parties	-	2,676

Statement of income caption	**Nature of relationship**	**2014**	**2013**
Export, Potassium chloride	Joint ventures	17,018	-
Domestic revenue	Related party through significant shareholder	59,648	1,730
Repairs and maintenance	Associates	-	4,371
Other expenses	Associate	200	33
Other expenses	Other related parties	-	2,321
Transport expenses	Other related parties	1,171	-
Monitoring costs	Associates	-	1,912

Cross shareholding

As of 31 December 2014 UK-Tehnologia, a 100% owned subsidiary of the Group, owned 12.6% of the ordinary shares of the Company (31 December 2013: 12.5%).

Key management's compensation

Compensation of key management personnel 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.

In December 2013 the Group made a one-time premium payment to top management in amount of US$ 41,629. It was accrued in accordance with the program, implemented in 2011, due to acquisition of Company's shares by JSC United Chemical Company Uralchem and ONEXIM Group. The Group's liability under the key management long-term incentive programme as of 31 December 2014 was estimated to be nil.

Key management compensation is presented below:

	2014		**2013**	
	Expense	**Accrued liability**	**Expense**	**Accrued liability**
Short-term employee benefits	18,167	7,444	21,216	6,069
One-time premium payment	1,952	-	41,629	28,826
Total	**20,119**	**7,444**	**62,845**	**34,895**

7 Segment reporting

The Group identifies segments in accordance with the criteria set forth in IFRS 8 "Operating segments", and based on the way the operations of the Company are regularly reviewed by the chief operating decision maker to analyse performance and allocate resources. The chief operating decision-maker has been determined as the Board of Directors. 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.

a) Segment information for the reportable segment is set out below:

	Note	**2014**	**2013**
Revenues	23	3,559,292	3,322,615
Segment result – net (loss)/profit		**(630,856)**	**666,328**
Depreciation and amortization		(371,292)	(415,304)
Finance income	29	26,967	121,792
Finance expense	29	(2,138,318)	(352,972)
Income tax	30	122,524	(160,580)

(in thousands of US dollars, unless otherwise stated)

7 Segment Reporting (continued)

b) Geographical information

The analysis of Group sales by region was:	**2014**	**2013**
Russia	388,313	523,063
Latin America, China, India, South East Asia	2,335,990	2,159,021
USA, Europe	746,214	594,827
Other countries	88,775	45,704
Total revenue	**3,559,292**	**3,322,615**

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

c) Major customers

The Group had no external customers which represented more than 10% of the Group's revenues in the year ended 31 December 2014 and 2013, respectively.

d) In addition to the above segment disclosures management is analysing additional information that analyses the result of the Potash segment activity between export potash sales, domestic potash sales and other sales. Direct costs, such as cost of sales and distribution costs are allocated proportionally based on revenues. Indirect expenses, such as general and administrative expenses, other operating income and expenses and taxes other than income tax are allocated between categories proportionally based on cost of sales. Some costs are considered as unallocated (loss on disposal of fixed assets, reversal and additions of provisions, mine flooding costs, finance income and expense, income tax expense).

This split for the year ended 31 December 2014 was as follows:

	Potash sales			**Other**	**Unallo-**	
	Export	**Domestic**	**Total**	**sales**	**cated**	**Total**
Tonnes (thousands)	**10,367**	**1,915**	**12,282**	**-**	**-**	**12,282**
Revenues	3,170,979	291,213	3,462,192	97,100	-	3,559,292
Cost of sales	(727,934)	(134,469)	(862,403)	(53,564)	-	(915,967)
Distribution, general and administrative expenses, other operating income and expenses and taxes other than income tax	(1,205,004)	(51,795)	(1,256,799)	(24,985)	(3,570)	(1,285,354)
Operating profit/(loss)	**1,238,041**	**104,949**	**1,342,990**	**18,551**	**(3,570)**	**1,357,971**
Finance income and expense, net					(2,111,351)	(2,111,351)
Loss before income tax	-	-	-	-	-	(753,380)
Income tax	-	-	-	-	-	122,524
Segment result	**-**	**-**	**-**	**-**	**-**	**(630,856)**

This split for the year ended 31 December 2013 was as follows:

	Potash sales			**Other**	**Unallo-**	
	Export	**Domestic**	**Total**	**sales**	**cated**	**Total**
Tonnes (thousands)	**8,006**	**1,861**	**9,867**	**-**	**-**	**9,867**
Revenues	2,799,552	408,201	3,207,753	114,862	-	3,322,615
Cost of sales	(720,462)	(167,433)	(887,895)	(56,630)	-	(944,525)
Distribution, general and administrative expenses, other operating income and expenses and taxes other than income tax	(1,197,166)	(77,072)	(1,274,238)	(41,561)	(4,203)	(1,320,002)
Operating profit	**881,924**	**163,696**	**1,045,620**	**16,671**	**(4,203)**	**1,058,088**
Finance income and expense, net					(231,180)	(231,180)
Profit before income tax	-	-	-	-	-	826,908
Income tax	-	-	-	-	-	(160,580)
Segment result		**-**	**-**	**-**	**-**	**666,328**

(in thousands of US dollars, unless otherwise stated)

8 Property, plant and equipment

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

	Buildings	Mine development costs	Plant and equipment	Transport	Assets under construction	Other	Land	Total
Cost								
Balance as of 31 December 2013	923,212	824,808	1,687,938	322,783	865,583	44,134	8,652	4,677,110
Additions	-	-	67	16,342	335,403	131	-	351,943
Changes in estimates adjusted against property, plant and equipment (Note 17)	-	23,092	-	-	-	-	-	23,092
Transfers	32,908	77,804	134,575	-	(246,353)	640	103	(323)
Disposals	(14,303)	(1,735)	(27,830)	(4,686)	(15,773)	(549)	(53)	(64,929)
Write-off of fixed assets (Note 5, 28)	(561)	(35,721)	(9,787)	-	(7,568)	(3)	-	(53,640)
Effect of translation to presentation currency	(392,060)	(373,382)	(738,718)	(139,013)	(385,770)	(18,614)	(3,653)	(2,051,210)
Balance as of 31 December 2014	**549,196**	**514,866**	**1,046,245**	**195,426**	**545,522**	**25,739**	**5,049**	**2,882,043**
Accumulated Depreciation								
Balance as of 31 December 2013	189,084	265,310	851,560	122,152	-	13,548	-	1,441,654
Depreciation charge	26,835	58,517	159,695	21,962	-	2,259	-	269,268
Disposals	(4,007)	(914)	(21,784)	(1,788)	-	(242)	-	(28,735)
Write-off of fixed assets (Note 5, 28)	(103)	(12,382)	(3,105)	-	-	(1)	-	(15,591)
Transfers		(5,642)	5,642					
Effect of translation to presentation currency	(86,935)	(127,744)	(404,813)	(57,771)	-	(6,398)	-	(683,661)
Balance as of 31 December 2014	**124,874**	**177,145**	**587,195**	**84,555**	**-**	**9,166**	**-**	**982,935**
Net Book Value								
Balance as of 31 December 2013	**734,128**	**559,498**	**836,378**	**200,631**	**865,583**	**30,586**	**8,652**	**3,235,456**
Balance as of 31 December 2014	**424,322**	**337,721**	**459,050**	**110,871**	**545,522**	**16,573**	**5,049**	**1,899,108**

(in thousands of US dollars, unless otherwise stated)

8 Property, plant and equipment (continued)

	Buildings	Mine development costs	Plant and equipment	Transport	Assets under construction	Other	Land	Total
Cost								
Balance as of 31 December 2012	899,224	749,565	1,719,456	311,473	925,611	54,826	8,017	4,668,172
Additions	-	-	-	12,669	390,809	-	-	403,478
Changes in estimates adjusted against property, plant and equipment (Note 17)	-	(14,955)	-	-	-	-	-	(14,955)
Transfers	85,287	148,446	135,749	24,192	(388,333)	(5,414)	73	-
Disposals	(6,471)	(704)	(41,558)	(2,632)	(2,566)	(1,622)	(20)	(55,573)
Acquisition of subsidiaries	12,119	-	662	450	6,520	73	1,110	20,934
Effect of translation to presentation currency	(66,947)	(57,544)	(126,371)	(23,369)	(66,458)	(3,729)	(528)	(344,946)
Balance as of 31 December 2013	**923,212**	**824,808**	**1,687,938**	**322,783**	**865,583**	**44,134**	**8,652**	**4,677,110**
Accumulated Depreciation								
Balance as of 31 December 2012	174,338	232,444	754,682	108,654	-	12,926	-	1,283,044
Depreciation charge	29,772	50,876	190,788	24,224	-	2,909	-	298,569
Disposals	(1,718)	96	(35,389)	(2,313)	-	(1,325)	-	(40,649)
Effect of translation to presentation currency	(13,308)	(18,106)	(58,521)	(8,413)		(962)		(99,310)
Balance as of 31 December 2013	**189,084**	**265,310**	**851,560**	**122,152**	**-**	**13,548**	**-**	**1,441,654**
Net Book Value								
Balance as of 31 December 2012	**724,886**	**517,121**	**964,774**	**202,819**	**925,611**	**41,900**	**8,017**	**3,385,128**
Balance as of 31 December 2013	**734,128**	**559,498**	**836,378**	**200,631**	**865,583**	**30,586**	**8,652**	**3,235,456**

(in thousands of US dollars, unless otherwise stated)

8 Property, plant and equipment (continued)

Fully depreciated assets still in use

As of 31 December 2014 and 31 December 2013 the gross carrying value of fully depreciated property, plant and equipment still in use was US$ 317,997 and US$ 456,043, respectively.

Property, plant and equipment write-off due to the accident at Solikamsk-2.

In 2014, the Group wrote off fixed assets and construction in progress with a gross carrying value and accumulated depreciation of US$ 53,640 and US$ 15,591, respectively, and recognised a loss of US$ 38,049 in the consolidated statement of income due to the flooding in the Solikamsk-2 mine (Note 5, 28).

9 Goodwill

	2014	2013
Gross carrying value at 1 January	1,802,398	1,939,538
Accumulated impairment losses at 1 January	-	-
Carrying amount 1 January	**1,802,398**	**1,939,538**
Acquisition of subsidiaries	-	2,502
Effect of translation to presentation currency	(753,825)	(139,642)
Carrying amount at 31 December	**1,048,573**	**1,802,398**
Gross carrying value at 31 December	1,048,573	1,802,398
Accumulated impairment losses at 31 December	-	-
Carrying amount at 31 December	**1,048,573**	**1,802,398**

The goodwill is primarily attributable to the expected future operational and marketing synergies arising from the business combination and not to individual assets of the subsidiaries and was allocated to cash generated unit (CGU) – Uralkali Group.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period are extrapolated using estimated growth rates. The growth rates do not exceed the long-term average growth rate for the industry in which the Group operates.

Management determined budgeted gross margin based on past performance and its market expectations. The weighted average growth rates used are consistent with the forecasts included in industry reports.

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

	2014	2013
RR/US$ exchange rate (till 2040)	From 72 to 147	From 33 to 39
Growth rate beyond one year	3% p.a.	3% p.a.
After-tax discount rate	11.1% p.a.	10.3% p.a.
Long-term inflation rate	From 3% to 13% p.a.	From 2% to 6% p.a.

The Group did not recognise any impairment of goodwill in the consolidated financial statements for the years ended 31 December 2014 and 31 December 2013.

(in thousands of US dollars, unless otherwise stated)

10 Intangible assets

	Note	Mining licences	Software	Other	Total
Cost as of 1 January 2013		**6,127,042**	**25,681**	**461**	**6,153,184**
Accumulated amortisation		**(278,876)**	**(19,392)**	**-**	**(298,268)**
Balance as of 1 January 2013		**5,848,166**	**6,289**	**461**	**5,854,916**
Additions		-	596	1,672	2,268
Acquisition of subsidiary		-	385	17,444	17,829
Capitalised borrowing costs		124,797	-	-	124,797
Disposals		-	(1,270)	(284)	(1,554)
Amortisation charge	24, 26	(116,969)	(2,488)	(1,240)	(120,697)
Disposals of accumulated amortisation		-	1,270	779	2,049
Effect of translation to presentation currency		(421,288)	(510)	(511)	(422,309)
Cost as of 31 December 2013		**5,807,302**	**23,510**	**18,770**	**5,849,582**
Accumulated amortisation		**(372,596)**	**(19,238)**	**(449)**	**(392,283)**
Balance as of 31 December 2013		**5,434,706**	**4,272**	**18,321**	**5,457,299**
Additions		9,215	1,617	1,253	12,085
Capitalised borrowing costs		120,225	-	-	120,225
Disposals		-	(11,401)	(49)	(11,450)
Amortisation charge	24, 26	(105,945)	(1,476)	(1,036)	(108,457)
Disposals of accumulated amortisation		-	11,359	113	11,472
Effect of translation to presentation currency		(2,279,688)	(1,840)	(7,581)	(2,289,109)
Cost as of 31 December 2014		**3,465,410**	**5,119**	**11,803**	**3,482,332**
Accumulated amortisation		**(286,897)**	**(2,588)**	**(782)**	**(290,267)**
Balance as of 31 December 2014		**3,178,513**	**2,531**	**11,021**	**3,192,065**

The table below summarises descriptions and carrying amounts of individually material mining licences:

Licensed plot		**31 December 2014**	**31 December 2013**
Solikamskiy plot (south part)	SKRU-2	1,135,013	1,996,792
Novo-Solikamskiy plot	SKRU-3	1,071,431	1,898,447
Solikamskiy plot (north part)	SKRU-1	92,555	177,359
Polovodovskiy plot (south part)		652,080	300,611
Polovodovskiy plot (north part)		221,639	1,061,497
Romanovskiy plot		5,795	-
Total		**3,178,513**	**5,434,706**

In March 2013, simultaneously with the mining licenses prolongation, the Company submitted new technical specifications for the Solikamskiy plot mines development. According to those specifications, potash reserves were reallocated between mines and licenced plots. On the basis of the change in the expected pattern of production, Uralkali has grouped the licences of Solikamskiy plot (south part), Solikamskiy plot (north part) and Novosolikaskiy plot for the purposes of calculating the amortization charge for the respective licences. This resulted in the change of depletion rates starting from 1 April 2013.

The Polovodovo mine plot was divided into south and north parts. The south part will be developed from SKRU-3, while a new mine will be constructed for the north part.

The changes in amortization rates were accounted for as changes in estimates and resulted in a decrease of the amortization expense for the year ended 31 December 2013 in the amount of US$ 50,447 in comparison with the previous method. If the change in pattern of production occurred from 1 January 2013 the amortization expense would have decreased by a further US$ 18,538. Amortisation expenses from licenses plots for the year ended 31 December 2014 decreased in the amount of US$ 61,927 resulted from relocation potash reserves between mines.

(in thousands of US dollars, unless otherwise stated)

11 Income tax prepayment – amount recoverable after more than 12 months

On 16 April 2013 the Company concluded an agreement with the government of Perm Region to maintain minimum income tax payments of at least RR 6 billion (US$ 106,651) per year in 2013 – 2015. As a result it will utilize its existing income tax prepayments in several years.

As of 31 December 2014 tax prepayments recoverable in more than 12 months was recorded at amortised cost using a discount rates from 13.05% to 13,57%. As of 31 December 2014 its carrying value was US$ 128,983 (31 December 2013: US$ 259,455 at a discount rate of 6.97%).

12 Inventories

	31 December 2014	31 December 2013
Raw materials and spare parts	73,329	112,542
Finished products	62,395	122,585
Work in progress	2,327	2,538
Other inventories	5,323	12,830
Total inventories	**143,374**	**250,495**

Other inventories mainly consist of residential building constructed by the Group.

13 Trade and other receivables

	31 December 2014	31 December 2013
Trade receivables	366,043	348,191
Other accounts receivable	21,757	23,374
Less: provision for impairment	(8,052)	(9,563)
Total financial receivables	**379,748**	**362,002**
VAT recoverable	43,354	75,773
Other taxes recoverable	21,259	35,778
Advances to suppliers	25,845	37,642
Other prepayments	10,921	6,867
Total trade and other receivables	**481,127**	**518,062**

As of 31 December 2014 trade receivables of US$ 353,050 (31 December 2013: US$ 330,255), net of provision for impairment, were denominated in foreign currencies; 83% of this balance was denominated in US$ (31 December 2013: 86%) and 17% was denominated in Euro (31 December 2013: 14%). Management believes that the fair value of accounts receivable does not differ significantly from their carrying amount.

Movements of the provision for impairment of trade and other receivables were as follows:

	2014		2013	
	Trade receivables	Other receivables	Trade receivables	Other receivables
As of 1 January	**(6,905)**	**(2,658)**	**(7,175)**	**(2,401)**
Provision accrued	(1,488)	(3,055)	(440)	(1,319)
Provision acquired	-	-	(157)	-
Provision reversed	1,431	78	565	848
Effect of translation to presentation currency	2,269	2,276	302	214
As of 31 December	**(4,693)**	**(3,359)**	**(6,905)**	**(2,658)**

The accrual and reversal of the provision for impairment of receivables have been included in other operating expenses in the consolidated statement of profit or loss (Note 28). Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

(in thousands of US dollars, unless otherwise stated)

13 Trade and other receivables (continued)

Analysis by credit quality of trade and other receivables is as follows:

	31 December 2014		31 December 2013	
	Trade receivables	**Other receivables**	**Trade receivables**	**Other receivables**
Current and not impaired				
Insured	54,054	-	50,902	-
Not insured or factored	242,683	17,455	255,735	12,405
Total current and not impaired	**296,737**	**17,455**	**306,637**	**12,405**
Past due but not impaired				
less than 45 days overdue	37,097	942	22,763	6,905
45 to 90 days overdue	16,797	18	1,711	-
over 90 days overdue	9,510	-	9,380	1,375
Total past due but not impaired	**63,404**	**960**	**33,854**	**8,280**
Impaired (less of provision)				
45 to 90 days overdue	356	36	1,711	61
over 90 days overdue	5,546	3,306	5,989	2,628
Total amount of impaired accounts receivable (less of provision)	**5,902**	**3,342**	**7,700**	**2,689**
Total financial receivables (gross)	**366,043**	**21,757**	**348,191**	**23,374**
Impairment provision	(4,693)	(3,359)	(6,905)	(2,658)
Total financial receivables	**361,350**	**18,398**	**341,286**	**20,716**

As of 31 December 2014 and 2013 no trade and other receivables were pledged as collateral.

As of 31 December 2014 and 2013 accounts receivable classified as “Neither insured nor factored” included receivables from key and prominent customers.

At 31 December 2014, the Group had a residual exposure to factored accounts receivables that had a carrying value of US$ 11,361 (as of 21 December 2013 – US$ 9,139), immediately after they were factored for US$ 113,607 (as of 31 December 2013 – US$ 93,993). The associated liabilities were recognised as other. The Group is exposed to late payment risk, as it guaranteed payment of interest over a period of up to 240 days from the past due date, after 240 days additional interest will be charged.

14 Other financial assets at fair value through profit or loss

Other financial assets at fair value through profit or loss are represented by highly liquid corporate bonds neither past due nor impaired. Analysis by credit quality of other financial assets at fair value through profit or loss is as follows:

Rating agency	**Rating**	**31 December 2014**	**31 December 2013**
Fitch Ratings	BB+	25,991	-
Fitch Ratings	BBB-	35,218	-
Total other financial assets at fair value through profit or loss		**61,209**	**-**

15 Cash and cash equivalents, deposits and restricted cash

Cash and cash equivalents, deposits and restricted cash comprise the following:

	Interest rates	31 December 2014	31 December 2013
Cash on hand and bank balances			
RR denominated cash on hand and bank balances		53,581	71,624
US$ denominated bank balances		1,357,881	757,956
EUR denominated bank balances		112,911	26,486
Other currencies denominated balances		16,479	18,694
Term deposits			
US$ term deposits	from 1.01% to 4.05 % p.a. (2013: 4% p.a.)	556,588	2,312
EUR term deposits	2% p.a. (2013: 2%)	612	17,832
RR term deposits	from 2.14% p.a. to 25% p.a. (2013: from 4.38% p.a. to 9.25% p.a.)	57,195	35,264
Total cash and cash equivalents		**2,155,247**	**930,168**
US$ deposits	from 4.26% to 4.27 %	300,000	-
Total deposits		**300,000**	-
Restricted cash			
Current restricted cash	2013: 9% p.a.	-	3,055
Total cash and cash equivalents, deposits and restricted cash		**2,455,247**	**933,223**

As of 31 December 2014 and 31 December 2013, term deposits, except those included in restricted cash, have various original maturities but may upon request be withdrawn without any restrictions.

16 Shareholders' equity

	Number of ordinary shares (in millions)	Ordinary shares	Treasury shares	Total
At 1 January 2013	**2,936**	**35,762**	**(58)**	**35,704**
Treasury shares purchased	**-**	-	(5,664)	(5,664)
At 1 January 2014	**2,936**	**35,762**	**(5,722)**	**30,040**
Treasury shares purchased	**-**	-	(37)	(37)
At 31 December 2014	**2,936**	**35,762**	**(5,759)**	**30,003**

The number of unissued authorised ordinary shares is 1,730 million (31 December 2013: 1,730 million) with a nominal value per share of 0.889 US cents (0.5 RR) (31 December 2013: 1.528 US cents (0.5 RR)). All shares stated in the table above have been issued and fully paid.

Treasury shares. Treasury shares as of 31 December 2014 comprise 370,123,777 (as of 31 December 2013 comprise 367,165,972) ordinary shares of the Company owned by CJSC UK-Technology, a wholly owned subsidiary of the Group. Treasury shares were redeemed during 2014 and 2013.

Profit distribution. In accordance with Russian legislation, the Company distributes profits as dividends or transfers them to reserves. The Company's statutory accounting reports are the basis for profit distribution and other appropriations. Russian law identifies net profit as the basis for distribution. For the year ended 31 December 2014, the current period net statutory profit of the Company, as reported in the published annual statutory reporting forms, was US$ 262,648 (for the year ended 31 December 2013: US$ 983,548) and the closing balance of the accumulated profit including the current period net statutory profit totaled US$ 1,176,495 (31 December 2013: US$ 2,057,396). However, this legislation and other statutory laws and regulations are open to legal interpretation and accordingly management believes, at present, that it would not be appropriate to disclose the amount of the distributable reserves in these consolidated financial statements.

The Company's dividend policy allows distributing, as dividends, not less than 50% of net profit, as determined in the IFRS consolidated financial statements, at least twice a year.

(in thousands of US dollars, unless otherwise stated)

16 Shareholders' equity (continued)

Dividends. In June 2014 the General Meeting of Shareholders of the Company approved dividends (based on 2013 financial results) amounting to US$ 142,302 (5 US cents per share).

In December 2014 the General Meeting of Shareholders of the Company did not approve any further interim dividends.

In June 2013 the General Meeting of Shareholders of the Company approved dividends (based on the financial results for the year ended 31 December 2012) amounting to US$ 357,283 (12 US cents per share).

In December 2013 the General Meeting of Shareholders of the Company approved interim dividends amounting to US$ 197,433 (7 US cents per share).

The total amount of dividends attributable to treasury shares has been eliminated in consolidated statement of changes in equity. All dividends are declared and paid in RR.

17 Provisions

	Note	Provision for filling cavities	Restructuring provision	Resettlement provision	Total
Balance at 1 January 2013		**82,410**	**16,944**	**-**	**99,354**
Changes in estimates adjusted against property, plant and equipment	8	(14,955)	-	-	(14,955)
Accrual of provision		-	-	77,926	77,926
Utilisation of provision		(10,697)	(4,163)	(18,026)	(32,886)
Unwinding of the present value discount and effect of changes in discount rates		5,203	507	-	5,710
Effect of translation to presentation currency		(5,302)	(1,121)	(1,613)	(8,036)
Current liabilities		**8,550**	**1,732**	**29,836**	**40,118**
Non-current liabilities		**48,109**	**10,436**	**28,451**	**86,996**
Balance at 31 December 2013		**56,659**	**12,168**	**58,287**	**127,114**
Balance at 1 January 2014		**56,659**	**12,168**	**58,287**	**127,114**
Changes in estimates adjusted against property, plant and equipment	8	23,092	-	-	23,092
Changes in estimates		-	-	2,394	2,394
Accrual of provision		-	-	-	-
Utilisation of provision		(11,400)	(2,394)	(18,479)	(32,273)
Unwinding of the present value discount and effect of changes in discount rates		3,514	(911)	-	2,603
Effect of translation to presentation currency		(26,899)	(4,041)	(19,272)	(50,212)
Current liabilities		**7,726**	**1,005**	**22,930**	**31,661**
Non-current liabilities		**37,240**	**3,817**	**-**	**41,057**
Balance at 31 December 2014		**44,966**	**4,822**	**22,930**	**72,718**

Provision for filling cavities. A provision for filling cavities is recorded in respect of the Group's obligation to replace the earth extracted from the mines.

A technical program for mining operations was agreed with the local State mine supervisory body in 1997 – 1998. Based on this framework program, the Group prepares annual mining plans and agrees them with the local State mine supervisory body.

The balance of the provision at the reporting date equals the total of expected future discounted cash outflows associated with replacing the earth extracted from the mine in accordance with the plan of filling cavities work agreed with the State mine supervisory body. The relevant cash flows are discounted at a rate reflecting the time value of money.

(in thousands of US dollars, unless otherwise stated)

17 Provisions (continued)

Restructuring provision. In 2011 the Board of Directors decided to abandon the ore-treatment plant and carnallite plant at Berezniki 1. The decision to abandon the plants was driven by the lack of the raw materials base due to the flooding of Mine 1. This allowed the Company to reduce operational costs. The Company ceased production at the plants at the end of 2011 and commenced dismantling them. The dismantling is expected to be completed in 2018.

Resettlement provision. In 2013 the Government of the Perm Region and the Administration of the town of Berezniki signed an agreement outlining the financing plan for the period between 2013 and 2015 for the relocation of people living in inadequate housing facilities in Berezniki, including the construction of new infrastructure facilities and demolition of the vacated buildings. The agreement will be effected pursuant to the State programme on “Securing quality housing and facilities for the citizens of the Perm Region” and is in line with the decisions adopted by the Governmental Commission on 24 May 2013. As part of its commitment to corporate social responsibility, the Group had undertaken to provide to the Perm Region and the town of Berezniki with a total of US$ 45,149 by instalments in 2013-2015.

18 Mine flooding provision

	Note	2014	2013
Balance at 1 January		-	**32,924**
Provision for Solikamsk-2	5	20,852	-
Reversal of provision	28	-	(31,399)
Effect of translation to presentation currency		-	(1,525)
Current liabilities		**16,906**	**-**
Non-current liabilities		**3,946**	**-**
Balance at 31 December		**20,852**	**-**

In March 2010, the Board of Directors of the Company approved voluntary compensation to OJSC “Russian Railways”, as a part of its social responsibility, of additional expenditures in relation to the construction of a 53-kilometer railway bypass in the amount of US$ 32,924. The Company has not paid any amount of this voluntary compensation and the Company has no contractual obligation to proceed with payment of this compensation. At 31 December 2013 the Company evaluated the possibility of compensation being paid as “remote” and, accordingly, reversed the provision.

19 Borrowings

	2014	2013
Bank loans	5,037,694	4,380,953
Finance lease payable	8,968	15,438
Total borrowings	**5,046,662**	**4,396,391**

a) Bank loans

As of 31 December 2014 and 31 December 2013 the fair value of the current and non-current borrowings is not materially different from their carrying amounts.

The Group uses cross-currency interest rate swaps to reduce interest payments (Note 21). The Group does not use hedge accounting.

	Note	2014	2013
Balance at 1 January		**4,380,953**	**3,925,691**
Bank loans received, denominated in US$		3,252,534	3,296,046
Bank loans received, denominated in RR		146,222	2,114,638
Bank loans repaid, denominated in US$		(1,061,897)	(3,223,308)
Bank loans repaid, denominated in RR		(1,057,785)	(1,577,399)
Interest accrued		238,509	263,434
Interest paid		(235,200)	(260,858)
Recognition of syndication fees and other financial charges		(28,926)	(35,330)
Amortisation of syndication fees and other financial charges	29	15,705	22,844
Foreign exchange loss, net		1,721,039	152,247
Effect of translation to presentation currency		(2,333,460)	(297,052)
Balance at 31 December		**5,037,694**	**4,380,953**

(in thousands of US dollars, unless otherwise stated)

19 Borrowings (continued)

a) Bank loans (continued)

The table below shows interest rates as of 31 December 2014 and 31 December 2013 and the split of the bank loans into short-term and long-term.

Short-term borrowings	Interest rates	31 December 2014	31 December 2013
Bank loans in US$: floating interest	From 1 month Libor +1.8 to 3 month Libor +3.1% (31 December 2013: From 1 month Libor +1.8 to 1 month Libor +3.1%)	513,554	394,006
Bank loans in RR: floating interest	From MosPrime Rate 3M+1.5% to MosPrime Rate 3M+2.59% (31 December 2013: From MosPrime Rate 3M+1.5% to MosPrime Rate 3M+2.59%)	114,462	106,668
Bank loans in RR: fixed interest	nil (31 December 2013: 9.05%)	-	958,890
Total short-term bank loans		**628,016**	**1,459,564**

Long-term borrowings	Interest rates	31 December 2014	31 December 2013
Bank loans in US$: floating interest	From 1 month Libor +1.8% to 3 month Libor +3.1% (31 December 2013: From 1 month Libor +1.8% to 1 month Libor +3.1%)	3,839,689	1,770,061
Bank loans in RR: floating interest	From MosPrime 3M +1.5% to MosPrime 3M +2.59% (31 December 2013: from MosPrime 3M +1.5% to MosPrime 3M +2.59%)	569,989	1,151,329
Total long-term bank loans		**4,409,678**	**2,921,390**

As of 31 December 2014 and 31 December 2013 no equipment or inventories were pledged as security for bank loans.

Bank loans of US$ 894,550 (31 December 2013: US$ 1,293,432) were collateralised by future sales proceeds of the Group under export contracts with certain customers acceptable to the banks.

The Group’s bank borrowings mature as follows:

	2014	2013
- within 1 year	628,016	1,459,564
- between 2 and 5 years	4,058,461	2,788,057
- after 5 years	351,217	133,332
Total bank loans	**5,037,694**	**4,380,953**

b) Finance lease payable

In December 2009, OJSC BBT entered into a new financial lease agreement with Federal State Unitary Enterprise Rosmorport for 49 years. Under this agreement, BBT has leased berth No. 106 and renegotiated the lease terms for berth No. 107. As of 31 December 2014, the leased berths were included in property, plant and equipment with a net book value of US$ 7,857 (31 December 2013: US$ 13,836).

Minimum lease payments under finance leases and their present values are as follows:

	2014	2013
- within 1 year	871	1,498
- between 2 and 5 years	3,485	5,991
- after 5 years	33,981	59,907
Minimum lease payments at the end of the year	**38,337**	**67,396**
Less future interest charges	(29,369)	(51,958)
Present value of minimum lease payments	**8,968**	**15,438**

(in thousands of US dollars, unless otherwise stated)

20 Bonds issued

In April 2013 the Group issued US$ denominated bonds at the nominal value of US$ 650 million bearing a coupon of 3.73% p.a. maturing in 2018:

	Note	2014	2013
Balance at 1 January		**650,068**	**-**
Issue of bonds denominated in US$		-	650,000
Redemption of bonds denominated in US$		(68,100)	-
Interest accrued		23,641	16,200
Interest paid		(23,641)	(12,583)
Recognition of syndication fees		-	(4,702)
Amortisation of syndication fees	29	779	627
Foreign exchange loss		366,161	30,810
Effect of translation to presentation currency		(364,936)	(30,284)
Balance at 31 December		**583,972**	**650,068**

During 2014 year bonds with a nominal value of US$ 68,100 were redeemed for the amount of US$ 65,736.
The fair value of the outstanding bonds issued at 31 December 2014 was US$ 521,586 according to Irish Stock Exchange quotations (31 December 2013: US$ 626,750).

21 Derivative financial liabilities

At 31 December 2014, the derivative financial liabilities were represented by the cross-currency interest rate swaps, entered in conjunction with RR-denominated loans in the notional amount of US$ 743,000 (31 December 2013: US$ 2,239,682):

	31 December 2014	31 December 2013
Liabilities		
Current	-	71,340
Non-current	554,897	62,043
Derivative liabilities	**554,897**	**133,383**

The Group pays US$ at fixed rate 3.23% and floating rate USD-ISDA+4.2% (for the year ended 31 December 2013: 2.77% to 3.80%) and recieves RR at floating rates MosPrime-NFEA+1.5% and MosPrime 3m+2.59% (for the year ended 31 December 2013: fixed rate 9.05%).

Movements of the carrying amounts of derivative financial liabilities were as follows:

	Note	2014	2013
Balance as of 1 January		**133,383**	**2,695**
Cash proceeds from derivatives	29	87,744	86,134
Cash paid for derivatives		(221,651)	(21,770)
Changes in the fair value	29	748,936	70,139
Effect of translation to presentation currency		(193,515)	(3,815)
Balance as of 31 December		**554,897**	**133,383**

22 Trade and other payables

	31 December 2014	31 December 2013
Trade payables	96,976	208,407
Accrued liabilities	2,003	2,475
Dividends payable	3,989	205,046
Other payables	16,697	21,170
Total financial payables	**119,665**	**437,098**
Accrued liabilities	26,112	65,416
Advances received	31,723	25,421
Other payables	18,081	28,678
Total trade and other payables	**195,581**	**556,613**

(in thousands of US dollars, unless otherwise stated)

22 Trade and other payables (continued)

As of 31 December 2014 trade and other accounts payable of US$ 99,695 (31 December 2013: US$ 132,804) were denominated in foreign currencies: 93% of this balance was denominated in US$ (31 December 2013: 95%) and 7% was denominated in Euro (31 December 2013: 5%).

23 Revenues

	2014	2013
Export		
Potassium chloride	2,119,681	1,763,216
Potassium chloride (granular)	1,051,304	1,036,336
Domestic		
Potassium chloride	291,213	408,201
Other	54,130	65,018
Transportation and other revenues	42,964	49,844
Total revenues	**3,559,292**	**3,322,615**

24 Cost of sales

	Note	2014	2013
Depreciation		232,107	259,961
Employee benefits	27	204,225	213,952
Fuel and energy		147,356	143,758
Materials and components used		126,539	125,949
Amortisation of licences	10	105,945	116,969
Repairs and maintenance		74,200	68,845
Transportation between mines by railway		11,327	11,851
Change in work in progress, finished goods and goods in transit		8,485	(1,127)
Other costs		5,783	4,367
Total cost of sales		**915,967**	**944,525**

25 Distribution costs

	Note	2014	2013
Railway tariff and rent of wagons		365,980	374,593
Freight		327,148	225,038
Freight and transshipment of river vessels		35,738	21,422
Transhipment		45,083	36,567
Transport repairs and maintenance		39,214	48,532
Commissions and loyalty fees		38,280	69,020
Employee benefits	27	19,728	25,704
Depreciation		14,917	16,448
Rent expenses		2,979	13,060
Other costs		43,704	49,540
Total distribution costs		**932,771**	**879,924**

(in thousands of US dollars, unless otherwise stated)

26 General and administrative expenses

	Note	2014	2013
Employee benefits	27	114,341	144,642
Security		10,993	10,911
Depreciation		10,768	10,846
Consulting, audit and legal services		8,889	26,514
Mine-rescue crew		7,194	8,029
Repairs and maintenance		6,801	5,902
Materials and fuel		6,934	8,478
Rent		5,745	11,113
Insurance		5,249	5,013
Communication and information system services		5,136	4,670
Amortisation of intangible assets	10	2,512	3,728
Bank charges		1,214	6,266
Other expenses		23,690	32,593
Total general and administrative expenses		**209,466**	**278,705**

27 Employee benefits

	Note	2014	2013
Employee benefits – Cost of sales	24	**204,225**	**213,952**
Wages, salaries, bonuses and other compensations		154,873	163,907
Contribution to social funds		45,817	48,416
Post-employment benefits	31	3,535	1,629
Employee benefits – Distribution costs	25	**19,728**	**25,704**
Wages, salaries, bonuses, other compensations and contribution to social funds		19,728	25,704
Employee benefits – General and administrative expenses	26	**114,341**	**144,642**
Wages, salaries, bonuses and other compensations		88,711	119,716
Contribution to social funds		23,745	24,570
Post-employment benefits	31	1,885	356
Total labour costs		**338,294**	**384,298**

28 Other operating income and expenses, net

	Note	2014	2013
Write off Solikamsk-2 property, plant and equipment	5	38,049	-
Loss on disposals of property, plant and equipment		27,676	14,082
Accrual/(reversal) of mine flooding provision	18	16,408	(31,399)
Social cost and charity		9,560	18,179
Monitoring costs due to accident at Berezniki-1		3,570	4,203
Accrual of provision for impairment of receivables	13	3,034	346
Write-off of bank deposits		2,857	34,070
Litigation settlements		1,150	1,385
Other expenses, net		(13)	7,966
Resettlement provision		-	77,926
Loss from write-off of net assets of BPC's		-	2,602
Net loss on sales of Belaruskali goods		-	737
Negative goodwill recognised as income		-	(4,013)
Revaluation of existing interest in acquires		-	(4,402)
Total other operating income and expenses, net		**102,291**	**121,682**

(in thousands of US dollars, unless otherwise stated)

28 Other operating income and expenses, net (continued)

In May and October 2013 the Company placed deposits totalling US$ 35,000 with CJSC CB "Eurotrust" (Eurotrust). On 20 January 2014 a part of these deposits totalling US$ 930 was returned. The Company had filed a claim with Moscow Arbitration Court totalling US$ 34,070 including late payment interest and penalties. On 11 February 2014 the Central Bank of Russia withdrew ZAO CB "Eurotrust's" licence for banking operations and appointed a temporary administrator to liquidate the bank. The Company filed a claim with the temporary administration of the bank with a request to be included in the list of creditors. As of 21 March 2014 ZAO CB "Eurotrust" was declared bankrupt.

29 Finance income and expenses

	Note	2014	2013
Interest income, net		24,364	82,734
Income from redemption of bonds		2,364	-
Income from associates		239	-
Foreign exchange income, net		-	33,037
Fair value gain on investments		-	6,021
Finance income		**26,967**	**121,792**

		2014	2013
Foreign exchange loss, net		1,166,924	-
Fair value loss on derivative financial liabilities, net	21	836,680	169,538
Interest expense, net		86,091	92,852
Syndication fee and other financial charges		24,703	28,494
Fair value losses on other investments		10,398	-
Unwinding of the present value and effect of changes in discount rates		6,448	54,630
Letters of credit fees		5,748	5,939
Finance lease expense		1,326	1,519
Finance expenses		**2,138,318**	**352,972**

Significant foreign exchange loss incurred in 2014 was caused by significant weakening of RR rate to US$ and Euro in the fourth quarter of 2014.

The interest expense was reduced by the income received from currency-interest rate swap transactions in the total amount of US$ 87,744 (for the year ended 31 December 2013: US$ 86,134) (Note 21).

In 2013 fair value loss on derivative financial instruments includes loss on conversion of dual currency deposits in the amount of US$ 13,265.

Coupon income from corporate bonds classified as other financial assets at fair value through profit or loss in the amount of US$ 3,083 is included in interest income (for the year ended 31 December 2013: US$ 4,821).

Interest expense in the total amount of US$ 94,735 was capitalised in the cost of property, plant and equipment and intangible assets for the year ended 31 December 2014 (for the year ended 31 December 2013: US$ 104,093).

Foreign exchange loss in the total amount of US$ 88,140 was capitalised for the year ended 31 December 2014 (for the year ended 31 December 2013: loss of US$ 60,235).The capitalisation rate was 5.8% (for the year ended 31 December 2013: 6.04%).

(in thousands of US dollars, unless otherwise stated)

30 Income tax expense

	2014	2013
Current income tax expense	31,812	187,282
Adjustments recognised in the period for current income tax of prior periods	(9,411)	5,355
Adjustments recognised in the period for deferred income tax of prior periods	-	(11,710)
Deferred income tax	(144,925)	(20,347)
Income tax (credit)/expense	**(122,524)**	**160,580**

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

	2014	2013
(Loss)/Profit before income tax	**(753,380)**	**826,908**
Theoretical tax (credit)/charge at statutory rate of 15.5%	(116,774)	128,171
Corrections of profit tax for prior years	(9,411)	(6,339)
Tax effect of expenses which are not deductible or assessable for taxation purposes	6,637	30,325
Effect of different tax rates in countries	2,853	1,969
Other	(5,829)	6,454
Income tax (credit)/expense	**(122,524)**	**160,580**

In the year ended 31 December 2014 and 2013, respectively, most companies of the Group were registered in the Russian Federation, Perm region and were taxed at the rate of 15.5% on taxable profits. In 2014 and 2013, 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 2014 was the following:

	31 December 2013	(Charged)/ credited to profit or loss	Effect on translation to presentation currency	31 December 2014
Tax effects of taxable and deductible temporary differences:				
Property, plant and equipment	(189,928)	3,723	79,098	(107,107)
Intangible assets	(845,738)	(2,137)	354,195	(493,680)
Inventories	6,807	726	(3,117)	4,416
Borrowings	11,329	(19,995)	5,487	(3,179)
Accounts receivable	7,130	(645)	(2,118)	4,367
Derivative financial instruments	20,694	95,330	(30,015)	86,009
Accounts payable	21,730	18,102	(15,438)	24,394
Tax loss carry forward	2,853	34,733	(9,352)	28,234
Provision for filling cavities	8,782	2,573	(4,385)	6,970
Other	2,445	12,515	(9,964)	4,996
Total net deferred tax liability	**(953,896)**	**144,925**	**364,391**	**(444,580)**
Reflected in the consolidated statement of financial position as follows:				
Deferred income tax asset	21,635			14,644
Deferred income tax liability	(975,531)			(459,223)
Deferred income tax liability, net	**(953,896)**			**(444,579)**

(in thousands of US dollars, unless otherwise stated)

30 Income tax expense (continued)

The tax effect of the movements in the temporary differences for the year ended 31 December 2013 was the following:

	31 December 2012	Business combination	(Charged)/ credited to profit or loss	Effect on translation to presentation currency	31 December 2013
Tax effects of taxable and deductible temporary differences:					
Property, plant and equipment	(195,994)	(1,844)	(6,422)	14,332	(189,928)
Intangible assets	(907,456)	(3,038)	(680)	65,436	(845,738)
Inventories	11,567	(24)	(4,011)	(725)	6,807
Borrowings	165	-	11,486	(322)	11,329
Accounts receivable	2,266	-	5,166	(302)	7,130
Derivative financial assets and liabilities	159	-	21,279	(744)	20,694
Accounts payable	4,879	19	17,660	(828)	21,730
Tax loss carry forward	16,092	-	(12,415)	(824)	2,853
Provision for filling cavities	12,773	-	(3,157)	(834)	8,782
Other	(872)	52	3,151	114	2,445
Total net deferred tax liability	**(1,056,421)**	**(4,835)**	**32,057**	**75,303**	**(953,896)**
Reflected in the consolidated statement of financial position as follows:					
Deferred income tax asset	23,465				21,635
Deferred income tax liability	(1,079,886)				(975,531)
Deferred income tax liability, net	**(1,056,421)**				**(953,896)**

The Group has not recognised a deferred income tax asset in respect of taxable temporary differences associated with investments in subsidiaries in the amount of US$ 73,447 (31 December 2013: US$ 280,831). The Group controls the timing of the reversal of these temporary differences and does not expect their reversal in the foreseeable future.

31 Post-employment and other long-term benefit obligations

In addition to statutory pension benefits, the Group also has several post-employment benefit plans, which cover most of its employees.

The Company provides financial support of a defined benefit nature to its pensioners. The plans provide for the payment of retirement benefits starting from the statutory retirement age, which is currently 55 for women and 60 for men. The amount of the benefit depends on a number of parameters, including the length of service in the Company at retirement. The benefits do not vest until, and are subject to, the employee retiring from the Company on or after the above stated ages. This plan was introduced in the Collective Bargaining Agreement concluded in 2007. The Company further provides other long-term employee benefits such as lump-sum payments upon death of its current employees and pensioners and a lump-sum payment upon retirement of a defined benefit nature.

(in thousands of US dollars, unless otherwise stated)

31 Post-employment and other long-term benefit obligations (continued)

As of 31 December 2014 and 2013, net obligations under the defined benefit plan and other post-employment benefit programmes were as follows:

	2014		2013	
	Post-employment	**Other long-term**	**Post-employment**	**Other long-term**
Present value of defined benefit obligations as of 1 January	**35,294**	**8,100**	**35,965**	**8,044**
Current service cost	1,818	717	1,877	650
Interest cost	2,304	975	2,622	615
Past service cost	503	-	-	42
Remeasurement (gains)/losses:				
Actuarial (gains)/losses - Experience	1,264	(769)	(934)	(281)
Actuarial (gains)/losses arising from changes in financial assumptions	2,607	3,056	(1,280)	(652)
Actuarial losses arising from changes in demographic assumptions	(1,609)	95	1,543	349
Benefits paid	(2,488)	(96)	(2,325)	(130)
Liabilities assumed in a business combination	-	-	453	54
Effect of translation to presentation currency	(16,155)	(4,649)	(2,627)	(591)
Present value of defined benefit obligations as of 31 December	**23,538**	**7,429**	**35,294**	**8,100**

The amount of net expense for the defined benefit pension plans recognised in the consolidated statement of income (Note 27) was as follows:

	2014		2013	
	Post-employment	**Other long-term**	**Post-employment**	**Other long-term**
Service cost				
Current service cost	1,818	717	1,877	650
Past service loss from settlements and curtailments	503	-	-	42
Net interest expenses	2,304	975	2,622	615
Remeasurement gains (other long term benefits only)	-	2,382	-	(584)
Components of defined benefit costs recorded in statement of income	**4,625**	**4,074**	**4,499**	**723**

Amounts recognized in other comprehensive income in respect of these defined benefit plans were as follows:

	2014		2013	
	Post-employment	**Other long-term**	**Post-employment**	**Other long-term**
Remeasurement (gains)/losses – experience	1,264	-	(934)	-
Remeasurement losses – changes in assumptions	998	-	263	-
Components of defined benefit costs recorded in Other comprehensive income	**2,262**	**-**	**(671)**	**-**

(in thousands of US dollars, unless otherwise stated)

31 Post employment and other long-term benefit obligations (continued)

Movements in net liability for the year ended 31 December 2014 and 2013 were as follows:

	2014		2013	
	Post-employment	Other long-term	Post-employment	Other long-term
Opening net liability arising from defined benefit plans	**35,294**	**8,100**	**35,965**	**8,042**
Components of defined benefit costs recorded in statement of income	4,625	4,074	4,499	723
Components of defined benefit costs recorded in Other comprehensive income	2,262	-	(671)	-
Contributions from the employer	(2,488)	(96)	(2,325)	(130)
Increase in liabilities as a result of disposal	-	-	453	54
Effect of translation to presentation currency	(16,155)	(4,649)	(2,627)	(589)
Closing net liability arising from defined benefit obligation	**23,538**	**7,429**	**35,294**	**8,100**

Sensitivity of post-employment benefits at the end of the reporting period was as follows:

	2014	2013
Growth in discount rate by 1%	(1,551)	(2,424)
Decline in discount rate by 1%	1,814	2,836
Growth in salary growth by 1%	1,835	1,088
Decline in salary growth by 1%	(1,593)	(381)
Growth in rate of employee turnover by 1%	(904)	(1,298)
Decline in rate of employee turnover by 1%	1,026	1,473

As of 31 December 2014 and 2013, respectively, the principal actuarial assumptions for the post-employment benefit plans were as follows:

	2014	2013
Discount rate	13.5%	7.75%
Duration of defined benefit obligation	6	5.5
Salary increase	11.8%	6.00%
Inflation	11.4%	5.60%
Benefits increase (fixed-amount)	11.4%	5.60%
Mortality tables	Russian popln (2010)	Russian popln (2010)

32 Loss/(earnings) per share

Basic (loss)/earnings per share are calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares bought back from the shareholders (Note 16). The Company has no financial instruments convertible into ordinary shares and having a dilutive potential on earnings per share.

	2014	2013
(Net loss)/profit attributable to owners of the Company	(627,305)	666,859
Weighted average number of ordinary shares in issue (millions)	2,568	2,739
(Loss)/earnings per share (expressed in US cents per share)	**(24.43)**	**24.35**

33 Contingencies, commitments and operating risks

33.1 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.

33 Contingencies, commitments and operating risks (continued)

33.2 Tax legislation

The activity of the Group is subject to tax in Russia and in other countries.

Russian tax, currency and customs law are subject to varying interpretations and changes, which can occur frequently. Management believes that the accompanying statements fairly present the tax liabilities of the Group, however, there is a risk that the interpretation of the tax and customs authorities of the provisions of such legislation as applied to the transactions and activity of the Group may not coincide with their interpretation of the Group's management. The tax authorities may be taking a more assertive position in the interpretation of the legislation and to submit claims for those transactions and accounting methods, which were not previously presented. As a consequence, they may assess additional taxes, penalties and interest. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation provides the possibility for the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Transfer pricing rules, as in force from 2012, lay on the taxpayer the burden of proof for market rates, applied in a controlled transaction.

Tax liabilities arising from transactions between Group companies are determined on the basis of actual transaction price. Management has implemented internal controls to be in compliance with this transfer pricing legislation. There is a possibility that in course of evolution of transfer pricing rules application, these prices can be challenged. The impact of any challenge of the Group's transfer prices cannot be reliably estimated, however, if challenged, it may be significant to the financial position and/or the overall operations of the Group.

The Group's management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency legislation and customs positions will be sustained. Accordingly, as of 31 December 2014 and 31 December 2013, no provision for potential tax liabilities had been recorded. Management will continue to monitor the situation as legislation and practice evolve in the jurisdictions in which the Group operates.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

In 2015, the Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties), income will be subject to a 20% tax rate if CFC is a legal entity and 13% if CFC is an individual.

In addition to the above matters, management estimates that the Group has other possible obligations from exposure to other than remote tax risks in amount of US$ 2,640 as of 31 December 2014 (31 December 2013: US$ 4,538). These exposures are estimates that result from uncertainties in interpretation of applicable legislation and related documentation requirements. Management will vigorously defend the entity's positions and interpretations that were applied in determining taxes recognised in these financial statements if these are challenged by the authorities.

33.3 Insurance policies

The Company generally enters into insurance agreements when it is required by statutory legislation. The insurance agreements do not cover the risks of damage to third parties' property resulting from the Group's underground activities and the risks reflected in Note 5.

33.4 Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage due to legal requirements except for those mentioned in Note 5. The Company's mining activities and the recent mine flooding may cause subsidence that may affect the Company's facilities, and those of the cities of Berezniki and Solikamsk, State organisations and others.

(in thousands of US dollars, unless otherwise stated)

33 Contingencies, commitments and operating risks (continued)

33.5 Operating environment of the Group

The Russian Federation displays certain characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations.

The political and economic turmoil witnessed in the region, including the developments in Ukraine have had and may continue to have a negative impact on the Russian economy, including weakening of the RR and making it harder to raise international funding. At present, there is an ongoing threat of sanctions against Russia and Russian officials the impact of which, if they were to be implemented, are at this stage difficult to determine. The financial markets are uncertain and volatile. These and other events may have a significant impact on the Group's operations and financial position, the effect of which is difficult to predict.

Management assessed possible impairment of the Group's property, plant and equipment, goodwill and intangible assets by considering the current economic environment and outlook (Note 5). The future economic and regulatory situation may differ from management's current expectations.

33.6 Capital expenditure commitments

As of 31 December 2014 the Group had contractual commitments for the purchase of property, plant and equipment for US$ 277,452 (31 December 2013:US$ 358,141) and intangible assets for US$ 5,486 (31 December 2013: US$ 12,594) from third parties. As of 31 December 2014, the Group had contractual commitments for the purchase of property, plant and equipment from related parties in amount of US$ 1,115 (31 December 2013: US$ nil).

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

33.7 Operating lease commitments

As of 31 December 2014 and 2013, respectively, the Group leased property, plant and equipment, mainly land plots. The future minimum lease payments under non-cancellable operating leases are as follows:

	2014	**2013**
Not later than 1 year	2,357	4,052
Later than 2 year and not later than 5 years	10,793	18,552
Later than 5 years	38,405	69,429
Total operating lease commitments	**51,555**	**92,033**

34 Financial risk management

34.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value risk, cash flow risk and price risk), credit risk and liquidity risk. 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 approximately 84% of potash fertilizers produced. 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 maintains a balance between US$ and Euro sales in order to mitigate the risk of significant US$/Euro exchange rate fluctuations. The Group is exposed to the risk of significant RR/US$ and RR/Euro exchange rates fluctuations. The Group benefits from the weak exchange rate of the RR against the US$ and Euro, since all the Group major expenses are denominated in RR.

34 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

As of 31 December 2014, if during the year the RR had weakened/strengthened by 20% against the US$ and Euro with all other variables held constant, the post-tax loss for the year would have been US$ 597,560 higher/lower (31 December 2013: the post-tax profit – US$ 699,514 lower/higher), mainly as a result of foreign exchange gains/losses on the translation of US$ and Euro denominated trade receivables, cash in bank, deposits, foreign exchange losses/gains on the translation of US$ denominated borrowings and bonds issued and changes of fair value of derivative financial assets and liabilities.

(ii) Price risk

The Group is not exposed to commodity price risk, since the Group does not enter in any operations with financial instruments whose value is exposed to the value of commodities traded on the public market.

(iii) Interest rate risk

The Group's income and operating cash flows are exposed to market interest rates changes. The Group is exposed to fair value interest rate risk through market value fluctuations of interest bearing short- and long-term borrowings, whose interest rates comprise a fixed component. Borrowings issued at variable rates expose the Group to cash flow interest rate risk (Note 19, 20). The objective of managing interest rate risk is to prevent losses due to adverse changes in market interest rate level. 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 2014, if LIBOR and ISDA rates on US$ and MosPrime rates on RR denominated borrowings had been 200 and 1,500 basis points higher/lower respectively with all other variables held constant, post-tax loss for the year would have been US$ 76,992 and US$ 49,406 higher/lower respectively (year ended 31 December 2013: the post tax profit – US$ 47,162 and US$ 89,027 lower/higher respectively), mainly as a result of higher/lower interest expense on floating rate borrowings and changes of 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 or invested in such counterparties. Financial assets, which potentially subject Group entities to credit risk, consist primarily of trade receivables, other financial assets at fair value through profit or loss, derivative financial assets, cash and bank deposits. The maximum exposure to credit risk resulting from financial assets is equal to the carrying amount of the Group's financial assets – US$ 2,918,474 (31 December 2013: US$ 1,300,952).

The Group is exposed to concentrations of credit risk. As of 31 December 2014 the Group had twenty nine counterparties (31 December 2013: twenty five) with aggregated receivables balances above US$ 1,778. The total aggregate amount of these balances was US$ 323,654 (31 December 2013: US$ 257,503) or 85% of the total amount of financial trade and other receivables (31 December 2013: 80%). Cash and short-term deposits are placed in banks and financial institutions, which are considered at the time of deposit to have optimal balance between rate of return and risk of default. The Group has no other significant concentrations of credit risk. Trade receivables are subject to a policy of active credit risk management which focuses on an assessment of ongoing credit evaluation and account monitoring procedures. The objective of the management of trade receivables is to sustain the growth and profitability of the Group by optimising asset utilisation while at the same time maintaining risk at an acceptable level.

The effective monitoring and controlling of credit risk is performed by the Group's corporate treasury function. The credit quality of each new customer is analysed before the Group enters into contractual agreements. The credit quality of customers is assessed taking into account their financial position, past experience, country of origin and other factors. 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 13). Most customers from developing countries are supplied on secured payment terms, including letters of credit or factoring arrangements. These terms include deliveries against opened letters of credit and arrangements with banks on non-recourse discounting of promissory notes received from customers. Only customers with a high reputation are supplied on a credit basis.

(in thousands of US dollars, unless otherwise stated)

34 Financial risk management (continued)

(b) Credit risk (continued)

Although the collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provision already recorded (Note 13).

The table below shows the credit quality of cash, cash equivalents, letters of credit and deposits balances neither past due nor impaired on the reporting date, based on the credit ratings of independent agencies (for the cash balances held on accounts in Russia the locally tailored ratings are used) as of 31 December 2014 and 2013, if otherwise not stated in table below:

Ratings – Moody's, Fitch, Standard&Poor's	2014	2013
National scale (Russian banks)	**2,249,529**	**712,187**
From AAA / Aaa to A- / A3	2,249,019	711,115
From BBB+ / Baa1 to BBB- / Baa3	510	1,072
International scale (International banks)	**192,397**	**213,261**
From AAA / Aaa to A- / A3	32,157	87,942
From BBB+ / Baa1 to BBB- / Baa3	86,755	117,641
From BB+ / Ba1 to B- / B3	73,485	7,678
Unrated*	**13,321**	**7,775**
Total cash, cash equivalents, deposits and restricted cash not past due nor impaired	**2,455,247**	**933,223**

* Unrated balance contains cash on hand and other cash equivalents.

(c) Liquidity risk

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

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

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

As of 31 December 2014	Note	Less than 1 year	Between 2 and 5 years	Over 5 years	Total
Trade and other payables	22	119,665	-	-	**119,665**
Bank borrowings		840,332	4,448,201	398,799	**5,687,332**
Bonds issued		25,662	630,521	-	**656,183**
Provisions		31,101	41,549	45,459	**118,109**
Finance lease liabilities	19	871	3,485	33,981	**38,337**
Derivative financial liabilities		(1,485)	347,628	-	**346,143**
Total		**1,016,146**	**5,471,384**	**478,239**	**6,965,769**

As of 31 December 2013	Note	Less than 1 year	Between 2 and 5 years	Over 5 years	Total
Trade and other payables	22	437,098	-	-	**437,098**
Bank borrowings		1,673,116	3,101,237	136,904	**4,911,257**
Bonds issued		4,033	762,274	-	**766,307**
Provisions		41,299	84,365	40,212	**165,876**
Finance lease liabilities	19	1,498	5,991	59,907	**67,396**
Derivative financial liabilities		(20,984)	109,434	-	**88,450**
Total		**2,136,060**	**4,063,301**	**237,023**	**6,436,384**

(in thousands of US dollars, unless otherwise stated)

34 Financial risk management (continued)

34.2 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.

The capital employed ratios as of 31 December 2014 and 31 December 2013 were as follows:

	31 December 2014	**31 December 2013**
Total bank borrowings (Note 19)	5,037,694	4,380,953
Total equity and bank borrowings	7,708,533	10,122,563
Capital employed ratio	**65%**	**43%**

35 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. Market quotations may be outdated or reflect distress sale transactions, and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial assets and liabilities carried at fair value. Derivatives (Level 2) and other financial assets at fair value through profit or loss (Level 1) are carried in the consolidated statement of financial position at their fair value. Fair values of corporate bonds and shares were determined based on prices quoted in an active market. Fair values of derivative financial assets and liabilities were determined using discounting cash flows valuation techniques with inputs (discount rates for RR and US$) observable in markets. To determine the fair value of derivative financial instruments, the company uses interest rate curves S179, S237 and S23.

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on the credit risk of the counterparty. Carrying amounts of trade and other financial receivables approximate fair values. Cash and cash equivalents are carried at amortised cost which approximates current fair value.

Liabilities carried at amortised cost. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. As of 31 December 2014 and 31 December 2013, the estimated fair value of the current and non-current borrowings, trade and other payables is not materially different from their carrying amounts.

36 Principal subsidiaries, associates and joint ventures

The Group had the following principal subsidiaries and associates as of 31 December 2014, comparing to 31 December 2013 there were not significant changes:

Name	Nature of business	Percentage of voting rights	Percentage of ownership	Country of registration
Subsidiaries:				
LLC “CMT “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
CJSC “Avtotranskali”	Transportation	100.00%	100.00%	Russia
OJSC “Baltic Bulk Terminal”	Sea terminal	100.00%	100.00%	Russia
LLC “Satelit-Service”	IT services	100.00%	100.00%	Russia
CJSC VNII Galurgii	Scientific institute	80.00%	80.00%	Russia
OJSC Galurgia	Scientific institute	85.25%	85.25%	Russia
Uralkali Trading S.A.	Trading	100.00%	100.00%	Switzerland
Uralkali Trading Chicago	Trading	100.00%	100.00%	USA
Associates:				
CJSC “Registrator “Intraco”	Share register	33.75%	33.75%	Russia

Joint ventures

Uralkali Trading SA (subsidiary of the Group) has concluded an agreement in December 2013 with Federal Land Development Authority of Malaysia (FELDA) to create a joint venture for potash distribution. Operations with joint venture disclosed in Note 6.

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group:

In thousands of US	Place of business	Proportion of non-controlling interest	Proportion of non-controlling interest’s voting rights held	Profit or loss attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends paid to non-controlling interest during the year
Year ended 31 December 2014						
CJSC Solikamskii Stroitelnii Trest	Russia	27.95%	27.95%	(4,306)	1,769	-
OJSC Galurgia	Russia	14.75%	14.75%	952	6,250	344
CJSC VNII Galurgii	Russia	20.00%	20.00%	(197)	1,364	241
Year ended 31 December 2013						
CJSC Solikamskii Stroitelnii Trest	Russia	27.95%	27.95%	(531)	6,689	-
OJSC Galurgia	Russia	26.75%	26.75%	-	5,642	-
CJSC VNII Galurgii	Russia	20.00%	20.00%	-	1,802	-

36 Principal subsidiaries, associates and joint ventures (continued)

The summarised financial information of these subsidiaries was as follows at 31 December 2014:

In thousands of US	**Current assets**	**Non-current assets**	**Current liabilities**	**Non-current liabilities**	**Revenue**	**Loss/ (Profit)**	**Total compre-hensive income**
Year ended 31 December 2014							
CJSC Solikamskii Stroitelnii Trest	10,619	10,194	(8,235)	(1,540)	(15,585)	14,544	14,544
OJSC Galurgia	10,764	18,242	(11,013)	(1,767)	(22,948)	(5,350)	(5,350)
CJSC VNII Galurgii	6,144	5,610	(7,286)	(981)	(11,775)	818	818
Year ended 31 December 2013							
CJSC Solikamskii Stroitelnii Trest	37,739	37,446	(34,899)	(2,759)	31,238	(1,901)	(1,901)
OJSC Galurgia	15,000	27,777	(14,391)	(3,142)	-	-	-
CJSC VNII Galurgii	10,414	8,966	(8,653)	(1,715)	-	-	-

37 Events after reporting date

The CBRF exchange rate fluctuated between RR 56.26 per USD and RR 69.66 per US$.

Russia's credit rating was downgraded by Fitch Ratings in January 2015 to BBB-, whilst Standard & Poor's cut it to BB+, putting it below investment grade for the first time in a decade.

The CBRF key refinancing interest rate decreased from 17.0% p.a. to 15% p.a.

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict.