



# **URALKALI GROUP**

**Consolidated financial statements  
for the year ended 31 December 2015**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Public Joint Stock Company "Uralkali" and its subsidiaries (collectively - the "Group"), which comprise the consolidated statement of financial position as of 31 December 2015, and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for 2015 year and notes comprising a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management of the Group 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 Russian Federal Auditing Standards and 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 express an opinion on the fair presentation of these consolidated financial statements.

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2015, and its financial performance and cash flows for 2015 in accordance with International Financial Reporting Standards.

*Deloitte & Touche*

11 April 2016

Moscow, Russian Federation

*Natalia Golovkina*

Golovkina Natalia Valerievna, Partner  
(Qualification Certificate No. 01-001596 of 14 January 2013)

ZAO Deloitte & Touche CIS



Audited entity: Public Joint Stock Company "Uralkali"

State Registration Certificate No. 1128 issued on 14 October 1992 by the Berezniki Administration, Perm region

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

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

Independent Auditor: ZAO "Deloitte & Touche CIS"

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

Primary State Registration Number: 1027700425444

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

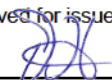
Certificate of membership in "NP "Audit Chamber of Russia" (auditors' SRO) of 20.05.2009 № 3026, ORNZ 10201017407.

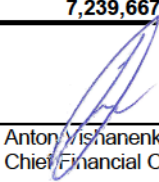
**URALKALI GROUP**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF 31 DECEMBER 2015**  
*(in thousands of US dollars, unless otherwise stated)*



	Note	31 December 2015	31 December 2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	1,682,974	1,899,108
Prepayments for acquisition of property, plant and equipment and intangible assets		134,408	129,981
Goodwill	9	809,397	1,048,573
Intangible assets	10	2,424,983	3,192,065
Deferred income tax asset	29	56,721	14,644
Income tax prepayments	11	82,218	128,983
Other non-current assets		2,810	970
Investment in associate		20,110	21,300
<b>Total non-current assets</b>		<b>5,213,621</b>	<b>6,435,624</b>
<b>Current assets:</b>			
Inventories	12	130,231	143,374
Trade and other receivables	13	407,576	455,283
Advances to suppliers		21,091	25,844
Income tax prepayments		87,671	76,610
Derivative financial assets	21	-	12,994
Other financial assets at fair value through profit or loss	14	67,599	61,209
Restricted cash	15	200,000	-
Deposits	15	-	300,000
Cash and cash equivalents	15	1,111,878	2,155,247
		<b>2,026,046</b>	<b>3,230,561</b>
Non-current assets held for sale		-	3,672
<b>Total current assets</b>		<b>2,026,046</b>	<b>3,234,233</b>
<b>TOTAL ASSETS</b>		<b>7,239,667</b>	<b>9,669,857</b>
<b>EQUITY</b>			
Share capital	16	35,762	35,762
Treasury shares	16	(23,953)	(5,759)
Share premium		1,012,662	4,361,346
Currency translation reserve		(3,706,496)	(3,609,136)
Retained earnings		2,057,321	1,879,243
<b>Equity attributable to the company's equity holders</b>		<b>(624,704)</b>	<b>2,661,456</b>
<b>Non-controlling interests</b>		<b>11,670</b>	<b>9,383</b>
<b>TOTAL EQUITY</b>		<b>(613,034)</b>	<b>2,670,839</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities:</b>			
Borrowings	19	3,579,194	4,418,632
Bonds	20	580,883	580,125
Post-employment and other long-term benefit obligations		28,343	30,967
Deferred income tax liability	29	377,132	459,223
Provisions	17	74,798	45,003
Asset retirement obligations	18	35,084	-
Derivative financial liabilities	21	358,123	525,257
<b>Total non-current liabilities</b>		<b>5,033,557</b>	<b>6,059,207</b>
<b>Current liabilities:</b>			
Borrowings	19	2,325,470	628,030
Bonds	20	3,785	3,847
Trade and other payables	22	204,148	163,858
Advances received		23,166	31,723
Provisions	17	11,176	48,567
Derivative financial liabilities	21	227,480	42,634
Current income tax payable		1,758	694
Other taxes payable		22,161	20,458
<b>Total current liabilities</b>		<b>2,819,144</b>	<b>939,811</b>
<b>TOTAL LIABILITIES</b>		<b>7,852,701</b>	<b>6,999,018</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>7,239,667</b>	<b>9,669,857</b>

Approved for issue and signed on behalf of the Board of Directors on 11 April 2016.

  
Dmitry Osipov  
Chief Executive Officer

  
Anton Vishanenko  
Chief Financial Officer

*The accompanying notes on pages 8 to 43 are an integral part of these consolidated financial statements.*

**URALKALI GROUP**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**  
*(in thousands of US dollars, unless otherwise stated)*



	Note	2015	2014
Revenues	23	3,123,302	3,559,292
Cost of sales	24	(568,758)	(915,967)
<b>Gross profit</b>		<b>2,554,544</b>	<b>2,643,325</b>
Distribution costs	25	(604,264)	(932,771)
General and administrative expenses	26	(156,884)	(209,466)
Taxes other than income tax		(24,826)	(40,826)
Other operating income and expenses, net	27	(43,329)	(102,291)
<b>Operating profit</b>		<b>1,725,241</b>	<b>1,357,971</b>
Finance income	28	61,278	26,967
Finance expense	28	(1,578,920)	(2,138,318)
<b>Profit/(loss) before income tax</b>		<b>207,599</b>	<b>(753,380)</b>
Income tax (expense)/benefit	29	(23,831)	122,524
<b>Net profit/(loss) for the year</b>		<b>183,768</b>	<b>(630,856)</b>
<b>Profit/(Loss) attributable to:</b>			
Owners of the Company		181,242	(627,305)
Non-controlling interests		2,526	(3,551)
<b>Net profit/(loss) for the year</b>		<b>183,768</b>	<b>(630,856)</b>
Weighted average number of ordinary shares in issue (million)		2,199	2,568
<b>Earnings/(loss) per share – basic and diluted (in US cents)</b>		<b>8.24</b>	<b>(24.43)</b>

*The accompanying notes on pages 8 to 43 are an integral part of these consolidated financial statements.*

**URALKALI GROUP**  
**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**  
*(in thousands of US dollars, unless otherwise stated)*



	2015	2014
<b>Net profit/(loss) for the year</b>	<b>183,768</b>	<b>(630,856)</b>
<b>Other comprehensive income/(loss)</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Remeasurement of post-employment benefit obligations	(3,164)	1,545
<b>Items that may be subsequently reclassified to profit or loss:</b>		
Effect of translation to presentation currency	(97,360)	(2,307,812)
<b>Total other comprehensive loss for the year</b>	<b>(100,524)</b>	<b>(2,306,267)</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>83,244</b>	<b>(2,937,123)</b>
<b>Total comprehensive income/(loss) for the year attributable to:</b>		
Owners of the Company	80,718	(2,933,572)
Non-controlling interests	2,526	(3,551)

*The accompanying notes on pages 8 to 43 are an integral part of these consolidated financial statements.*

**URALKALI GROUP**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**  
*(in thousands of US dollars, unless otherwise stated)*



	Note	2015	2014
<b>Cash flows from operating activities</b>			
Profit/(loss) before income tax		207,599	(753,380)
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets	8, 10	220,346	371,292
Expenses related to mine flooding provision	27	10,113	16,408
(Reversal)/Write off of Solikamsk-2 property, plant and equipment	27	(27,248)	38,049
Loss on disposals of property, plant and equipment and write-off of prepayments for acquisition of property, plant and equipment and intangible assets	27	24,804	27,676
Loss on impairment of property, plant and equipment and assets under construction	27	1,558	-
Write-off of bank deposits	27	-	2,857
Accrual of provision for impairment of receivables	27	8,337	3,034
Change in provisions, net		(33,782)	-
Income from redemption of bonds	28	-	(2,364)
Fair value loss on derivative financial liabilities, net	28	232,759	748,936
Foreign exchange loss, net	28	1,038,810	1,166,924
Other finance income and expense, net	28	246,073	179,875
<b>Operating cash flows before working capital changes</b>		<b>1,929,369</b>	<b>1,799,307</b>
Decrease/(increase) in trade and other receivables and advances to suppliers		132,993	(52,192)
(Increase)/decrease in inventories		(29,742)	3,440
Increase/(decrease) in trade and other payables and advances received		77,447	(32,317)
Increase in other taxes payable		11,664	2,196
<b>Cash generated from operations</b>		<b>2,121,731</b>	<b>1,720,434</b>
Interest paid	19, 20	(278,042)	(258,841)
Income taxes paid net of refunds received		(62,601)	(81,117)
<b>Net cash generated from operating activities</b>		<b>1,781,088</b>	<b>1,380,476</b>
<b>Cash flows from investing activities</b>			
Acquisition of intangible assets		(3,461)	(14,220)
Acquisition of property, plant and equipment		(339,169)	(349,411)
Proceeds from sales of property, plant and equipment		-	1,766
Purchase of other financial assets at fair value through profit or loss		(7,792)	(130,790)
Proceeds from sale of other financial assets at fair value through profit or loss		8,367	60,575
Acquisition of other non-current assets		-	(13,263)
Decrease in deposits		370,000	-
Increase in deposits		(70,000)	(296,945)
Increase in restricted cash		(200,000)	-
Deferred payment for the share in associate		(4,000)	-
Interest received		36,632	23,898
<b>Net cash used in investing activities</b>		<b>(209,423)</b>	<b>(718,390)</b>
<b>Cash flows from financing activities</b>			
Repayments of borrowings	19	(929,885)	(2,119,682)
Proceeds from borrowings	19	1,924,709	3,398,756
Syndication fees and other financial charges paid		(32,678)	(28,926)
Purchase of bonds issued	20	-	(65,736)
Purchase of non-controlling interest		-	(733)
Cash proceeds from derivatives	21	49,621	87,744
Cash paid for derivatives	21	(94,337)	(221,651)
Purchase of treasury shares	16	(3,366,878)	(10,506)
Finance lease payments		(476)	(1,326)
Dividends paid to non-controlling interests		(246)	(5,509)
Dividends paid to the Company's shareholders		(259)	(284,570)
<b>Net cash (used in)/generated from financing activities</b>		<b>(2,450,429)</b>	<b>747,861</b>
Effect of changes in foreign exchange rate changes		(164,605)	(184,868)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,043,369)</b>	<b>1,225,079</b>
<b>Cash and cash equivalents at the beginning of the year</b>	15	<b>2,155,247</b>	<b>930,168</b>
<b>Cash and cash equivalents at the end of the year</b>	15	<b>1,111,878</b>	<b>2,155,247</b>

*The accompanying notes on pages 8 to 43 are an integral part of these consolidated financial statements.*



**URALKALI GROUP**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**  
*(in thousands of US dollars, unless otherwise stated)*



	Attributable to equity holders of the Company						Total attributable to owners of the Company	Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium/ (discount)	Retained earnings	Currency translation reserve				
Balance at 1 January 2014	35,762	(5,722)	4,371,815	2,626,946	(1,301,324)	5,727,477	14,133	5,741,610	
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 for the period	-	-	-	(625,760)	(2,307,812)	(2,933,572)	(3,551)	(2,937,123)	
Transactions with owners	-	-	-	(121,943)	-	(121,943)	-	(121,943)	
Dividends declared (Note 16)	-	(37)	(10,469)	-	-	(10,506)	-	(10,506)	
Purchase of treasury shares	-	(37)	(10,469)	(121,943)	-	(132,449)	-	(132,449)	
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	
Profit for the period	-	-	-	181,242	-	181,242	2,526	183,768	
Other comprehensive loss	-	-	-	(3,164)	(97,360)	(100,524)	-	(100,524)	
Total comprehensive income/(loss) for the period	-	-	-	178,078	(97,360)	80,718	2,526	83,244	
Transactions with owners	-	-	-	-	-	-	(239)	(239)	
Dividends declared	-	(18,194)	(3,348,684)	-	-	(3,366,878)	-	(3,366,878)	
Purchase of treasury shares (Note 16)	-	(18,194)	(3,348,684)	-	-	(3,366,878)	(239)	(3,367,117)	
Total transactions with owners	-	(18,194)	(3,348,684)	-	-	(3,366,878)	(239)	(3,367,117)	
Balance at 31 December 2015	35,762	(23,953)	1,012,662	2,057,321	(3,706,496)	(624,704)	11,670	(613,034)	

The accompanying notes on pages 8 to 43 are an integral part of these consolidated financial statements.

## **1 The Uralkali Group and its operations**

Public Joint Stock Company Uralkali (the “Company”) and its subsidiaries (together the “Group”) produce mineral fertilizers, which are extracted and processed in the vicinity of the cities of Berezniki and Solikamsk, Russia. They are distributed both on 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 2015 approximately 82% of total volume of the potash fertilizers was exported (for the year ended 31 December 2014: 84%).

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 licences 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 Polovodovski plot of the Verkhnekamskoye field, which expires in 2028.

As of 31 December 2015 and 31 December 2014 the Group had no ultimate controlling party.

The Company was incorporated in the Russian Federation on 14 October 1992 and has its registered office at 63 Pyatiletki St., Berezniki, Perm region, Russian Federation. Almost all of the Group's production capacities and all long-term assets are located in the Russian Federation. As of 31 December 2015 the Group employed approximately 21.3 thousand employees (31 December 2014: 21.4 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.

Certain prior year balances have been reclassified to conform to the current period presentation (Note 21).

### **2.1 Basis of preparation and presentation**

#### **Compliance with International Financial Reporting Standards**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

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

#### **Going concern**

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

In making this assessment 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 30.5).

As of 31 December 2015 short-term liabilities of the Group exceeded its current assets by US\$ 793,098. Working capital deficit is explained by the devaluation of the Russian Rouble, which led to the breach of financial covenant included in several loan agreements. Prior to the date of the approval of the consolidated financial statements the Group received waivers from the banks confirming that no event of default has occurred (Note 19).

Based on above-stated, the management concluded that the Group is a going concern in the foreseeable future. Accordingly, these consolidated financial statements do not include any adjustments related to the sale of assets and early settlement of liabilities, which would have been necessary in case the Group will not continue in operation within twelve months after the date of approval of these financial statements.

## **2 Basis of preparation and significant accounting policies (continued)**

### ***Basis of presentation***

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

### ***2.2 Consolidated financial statements***

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

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

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

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

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

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

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

### ***2.3 Non-controlling interest***

Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to a parent.

Non-controlling interests are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

### ***2.4 Property, plant and equipment***

Property, plant and equipment are 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.

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.

## **2 Basis of preparation and significant accounting policies (continued)**

### **2.4 Property, plant and equipment (continued)**

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:

	<b>Useful lives in years</b>
Buildings	10 to 60
Mining assets*	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.

\* Mining assets include mine infrastructure and present value of future decommissioning and filling cavities costs. Depreciation methods applied to these mining assets as well as their useful lives are stated in Note 2.23.

### **2.5 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.

### **2.6 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.

### **2.7 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.

## **2 Basis of preparation and significant accounting policies (continued)**

### **2.8 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.

### **2.9 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.

### **2.10 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.

## **2 Basis of preparation and significant accounting policies (continued)**

### **2.10 Financial instruments – key measurement terms (continued)**

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).

### **2.11 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.

### **2.12 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.

### **2.13 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.

### **2.14 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 each of the jurisdictions where the Group's entities are incorporated. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

The Group's uncertain tax positions are assessed by 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.

## **2 Basis of preparation and significant accounting policies (continued)**

### **2.14 Income taxes (continued)**

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.

### **2.15 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. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Distribution costs include transportation expenses that are incurred while distributing goods from the production warehouses to customers. The Group has capitalized distribution costs incurred relating to product inventory stored at production warehouses and terminal facilities in the cost of finished goods.

### **2.16 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.

### **2.17 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.

### **2.18 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 Basis of preparation and significant accounting policies (continued)**

### **2.19 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.

### **2.20 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.

### **2.21 Value added tax**

Output value added tax ("VAT") 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.

### **2.22 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.

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.

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.

### **2.23 Provisions**

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

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

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

The estimated future filling cavities costs, discounted to net present value, are accounted together with the 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 finance 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 Basis of preparation and significant accounting policies (continued)**

### **2.23 Provisions (continued)**

**Provision for asset retirement obligations.** The company recognises provisions for decommissioning obligations (also known as asset retirement obligations) primarily related to mining activities (Note 18). The major categories of asset retirement obligations are restoration costs at its potash mining operations, including decommissioning of underground and surface operating facilities and general cleanup activities aimed at returning the areas to an environmentally acceptable condition.

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

### **2.24 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.

### **2.25 Foreign currency translation**

**Functional and presentation currency.** Functional currency of each company of the Group is the national currency of the Russian Federation, Russian Rouble ("RR"). The presentation currency of these Consolidated Financial Statements is US dollar ("US\$").

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

**Translation to the presentation currency.** The results and financial positions of all Group entities (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.

### **Foreign currency exchange rates**

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

	<b>31 December 2015</b>		<b>31 December 2014</b>	
	US\$	Euro	US\$	Euro
closing rate	72.88	79.70	56.26	68.34
average rate	60.96	67.78	38.42	50.82

## **2 Basis of preparation and significant accounting policies (continued)**

### **2.26 Revenue recognition**

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods under the appropriate INCOTERMS specified in the sales contracts;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

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

### **2.27 Transshipment and transport repairs and maintenance costs**

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

### **2.28 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.

### **2.29 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.

### **2.30 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 other comprehensive income.

### **2.31 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)

### 2.32 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 Chief Executive Officer (hereinafter – “CEO”). It was determined, that the Group has one operating segment – the extraction, production and sales of potash fertilisers.

## 3 Adoption of new or revised standards and interpretations

The following new standards, amendments to standards and interpretations became effective for the Group from 1 January 2015:

<b>New or amended standard or interpretation</b>	<b>Effective date - for annual periods beginning on or after</b>
Amendments to IAS 19 - <i>Defined Benefit Plans: Employee Contributions</i>	1 January 2015
Annual Improvements to IFRSs 2010-2012 Cycle	1 January 2015
Annual Improvements to IFRSs 2011-2013 Cycle	1 January 2015

The application of these amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

## 4 New accounting pronouncements

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

<b>New or amended standard or interpretation</b>	<b>Effective date<sup>1</sup> - for annual periods beginning on or after</b>
IFRS 9 <i>Financial Instruments</i>	1 January 2018
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
IFRS 16 <i>Leases</i>	1 January 2019
Amendments to IFRS 11 - <i>Accounting for Acquisition of Interests in Joint Operations</i>	1 January 2016
Amendments to IAS 1 – <i>Disclosure Initiative</i>	1 January 2016
Amendments to IAS 16 and IAS 38 - <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to IFRS 10 and IAS 28 - <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined by the IASB <sup>2</sup>
Amendments to IFRS 10, IFRS 12 and IAS 28 – <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to IAS 27 - <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
Amendments to IAS 12 – <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017

The Group is currently assessing the impact of all new and revised IFRSs that have been issued but are not yet effective on its consolidated financial statements.

<sup>1</sup> Early adoption is permitted for all new or amended standards and interpretations. IFRS 16 can be early adopted if IFRS 15 Revenue from Contracts with Customers has also been applied.

<sup>2</sup> The amendment was initially issued in September 2014 with the effective date on 1 January 2016. In December 2015 the IASB deferred the effective date of the amendments indefinitely until the research project on the equity method has been concluded.

## **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:

### ***Provisions for mine Solikamsk-2 flooding***

On 18 November 2014, a burst of suprasalt water was detected into the mined-out area of Solikamsk-2, which was caused by the negative development of the 1995 accident related to a mass collapse of the rock and subsequent substantial destruction of the water-proof layer – emergency circumstances which could not be prevented.

Comprehensive mitigation plan was developed immediately and has been executed throughout the 2015.

In line with the accident mitigation plan, the Group continues to comprehensively monitor the situation. Currently the Group is implementing a number of engineering and other arrangements to minimise the impact of the accident and reduce suprasalt water inflows into the mine.

During the twelve months ended 31 December 2015, the Group re-estimated costs required for liquidation of the accident consequences and updated provision for future expenses as of 31 December 2015 (Note 17).

As of the date of approval of consolidated financial statements there are no lawsuits against the Group for reimbursement of expenses resulting from the negative impact of the accident in the Solikamsk-2 mine.

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 2015.

### ***Provisions for mine Berezniki-1 flooding***

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

In January 2007 the Government Committee for the prevention of negative consequences of the accident caused by the flooding of a mine in the Verkhnekamskoye field in Perm Region was set up. The Committee is still working, and a series of measures to prevent any negative consequences of the accident in Berezniki-1 are in place.

PJSC Uralkali conducts constant monitoring of the mined-out area and is involved in other monitoring and prevention activities.

Management believes that as of 31 December 2015 there are no liabilities relating to the Berezniki-1 flooding which are not recorded or not disclosed in the consolidated financial statements for the year ended 31 December 2015.

***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. The main assumptions used in value-in-use calculations are described in Note 9.

## 5 Critical accounting estimates and judgements in applying accounting policies (continued)

**Mining licences.** Management makes estimates, judgements and significant assumptions to assess whether the recoverable amount of the licences 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 2015, management tested the carrying value of the mining licences for impairment due to the Solikamsk-2 flooding and deterioration in the Russian economic environment (Note 30.5). The recoverable amount was assessed with reference to value-in-use models. 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.

Based on the testing results, the recoverable amounts of intangible assets at 31 December 2015 exceeded their carrying amounts.

**Provision for filling cavities.** A provision has been established in the consolidated financial statements for the Group's obligation to replace the ore and waste extracted from the Solikamsk mines and Berezniki-4 mine (Note 17).

Management performs regular mine surveys to measure the volume of cavities created as a result of underground mining activities. The Group calculates and records provision only for the legal liabilities for cavity filling as per the conditions of mining licences. Remeasurement of an existing amount of these cavities that result from changes in estimates of mine surveys is recorded as an asset and is depreciated over its useful life using the straight-line method of depreciation. Unwinding of the discount is recognised in profit or loss in finance income and finance costs. The amount of expenses incurred due to voluntary filling of the cavities is recognised in the current period in the consolidated statement of profit or loss.

The major uncertainties that relate to the amount and timing of the cash outflows related to filling cavities and judgements 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 ore and waste mined 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 ore and waste mined may vary depending on the technology and the cost of methods utilised. Management estimates that the unit cost of replacing a cubic meter of waste and ore mined in future years, for the period of the current filling cavities plan, adjusted for the effect of inflation, will not be materially different from the actual cost incurred in the current period; and
- In 2015 management applied discount rates within the range of 9.7% - 10.1% for different periods (in 2014: 12.7% - 14.8%).

**Restructuring provision.** The Group accrued a provision for the closing down of the processing and carnallite plants 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 dismantling of the processing and carnallite plants at Berezniki 1; and
- In the current period, management applied a discount rate of 10.1% (in 2014: 12.7%).

**Provision for asset retirement obligations.** The Group has recorded a provision relating to asset retirement obligations (Note 18), which will be settled at the end of estimated lives of mines, therefore requiring estimates to be made over a long period. Environmental laws, regulations and interpretations by regulatory authorities, as well as circumstances affecting the Group's operations could change, either of which could result in significant changes to its current mining plans. The recorded provision is based on the best estimate of costs required to settle the obligations, taking into account the nature, extent and timing of current and proposed restoration and closure techniques in view of present environmental laws and regulations. It is reasonably possible that the ultimate costs could change in the future and that changes to these estimates could have a material effect on the Group's consolidated financial statements.

## 5 Critical accounting estimates and judgements in applying accounting policies (continued)

### *Provision for asset retirement obligations (continued)*

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

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

- Mine life estimates. Cash flow payments are expected to occur principally between 2026 and 2069. These estimates are based on the management's current best assessment of the Group's current reserves.
- The extent of the restoration works which will have to be performed in the future may vary depending on the actual environmental situation. Management believes that the legal obligation for decommissioning of the underground and surface complex is consistent with the terms of licences; and
- The future unit cost of decommissioning works may vary depending on the technology and the cost of resources used, as well as the inflation rate.

Management applied a discount rate ranging from 9.3% to 9.52% in a current period.

**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 30.2).

## 6 Related parties

Related parties include shareholders, associates and entities under common ownership and control of the Group's major shareholders and key management personnel. The Company and its subsidiaries, in the ordinary course of their business, enter into various sale, purchase and service transactions with related parties. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

<b>Outstanding balances</b>	<b>Nature of relationship</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Cash and cash equivalents	Related party through significant shareholder	400,423	3,056
Restricted cash	Related party through significant shareholder	200,000	-
Trade and other payables	Associate	12,760	-
Trade and other payables	Related party through significant shareholder	896	187
Prepayments for acquisition of property, plant and equipment and intangible assets	Related party through significant shareholder	605	-
Advances received	Related party through significant shareholder	158	630
Trade and other receivables	Related party through significant shareholder	26	53
Advances to suppliers	Related party through significant shareholder	-	35

Cash and cash equivalents as of 31 December 2015 comprise cash on the brokerage account.

## 6 Related parties (continued)

Transactions	Nature of relationship	2015	2014
Domestic revenue	Related party through significant shareholder	22,243	59,648
Other expenses	Associate	12,760	200
Transshipment	Associate	4,931	7,558
Acquisition of inventories	Related party through significant shareholder	3,745	3,756
Transportation expenses	Related party through significant shareholder	2,743	1,171
Commission for brokerage services	Related party through significant shareholder	1,300	-
Other expenses	Related party through significant shareholder	104	-

Onexim Group participated in a programme to purchase PJSC Uralkali's ordinary shares and Global Depositary Receipts ("GDR") ("Tender Offer") which was approved on 24 April 2015 (Note 16) and as a result, Onexim Group's shareholding in the Company decreased to 20.00%.

### **Cross shareholding**

As of 31 December 2015, JSC Uralkali-Technologia (UK-Technologia) and Enterpro Services Ltd. (Enterpro), wholly owned subsidiaries of the Group, owned 47.58%, 12.61% of which are transferred under the REPO agreement (Note 19) and 0.97% of the ordinary shares of the Company, respectively (31 December 2014: 12.61% and 0.00%).

### **Key management's compensation**

Key management personnel compensation consists of remuneration paid to executive directors and other directors for their services in full- or part-time positions. Compensation is made up of annual remuneration and a performance bonus depending on operating results.

Key management compensation is presented below:

	2015		2014	
	Expense	Accrued liability	Expense	Accrued liability
Short-term employee benefits	9,021	2,822	18,167	7,444
Termination benefits	272	-	1,952	-
<b>Total</b>	<b>9,293</b>	<b>2,822</b>	<b>20,119</b>	<b>7,444</b>

## 7 Segment information

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

It was determined, that the Group has one operating segment – the extraction, production and sales of potash fertilizers.

The financial information reported on operating segments is based on the management accounts which are based on IFRS.

## 7 Segment information (continued)

The CODM performs an analysis of the operating results based on the measurements of:

- revenues;
- revenues net of freight, railway tariff and transshipment costs;
- tonnes of potash sold, in thousands;
- cash cost ("CC") per unit sold (cost of sales adjusted for depreciation and amortisation); and
- cash capital expenditures net of VAT ("Cash CAPEX").

Business segment assets and liabilities are not reviewed by the CODM and therefore are not disclosed in these consolidated financial statements.

a) The following is an analysis of the Group's revenue and results from continuing operations for reportable segment:

	Note	2015	2014
Revenues	23	3,123,302	3,559,292
Revenues net of freight, railway tariff and transshipment costs	23, 25	2,645,414	2,785,343
Tonnes of potash sold in thousands		11,205	12,282
Cash cost per unit sold (USD per tonne)		33	47
Cash CAPEX		342,630	363,631

The measurement of Cash Cost per tonne of potash sold reconciles to the IFRS reported figures on a consolidated basis as follows:

	Note	2015	2014
<b>Cost of sales</b>	24	568,758	915,967
<i>Adjusted for:</i>			
Depreciation and amortization	24	(195,268)	(338,052)
<b>CC</b>		373,490	577,915
Tonnes of potash sold, in thousands		11,205	12,283
<b>CC per tonne of potash sold (USD per tonne)</b>		33	47

b) Geographical information

<b>The analysis of Group sales by region was:</b>	2015	2014
Russia	406,378	388,313
Latin America, China, India, South East Asia	2,007,743	2,335,990
USA, Europe	628,016	746,214
Other countries	81,165	88,775
<b>Total revenue</b>	<b>3,123,302</b>	<b>3,559,292</b>

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 2015 and 2014.



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8 Property, plant and equipment	Cost					Total		
	Buildings	Mining assets	Plant and equipment	Transport	Assets under construction		Other	Land
Balance as of 1 January 2014	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 added to property, plant and equipment (Note 17)	-	23,092	-	-	-	-	-	23,092
Commissioning of assets and 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)
Effect of translation to presentation currency	(392,060)	(373,382)	(738,718)	(139,013)	(385,770)	(18,614)	(3,653)	(2,051,210)
<b>Balance as of 31 December 2014</b>	<b>549,757</b>	<b>550,587</b>	<b>1,056,032</b>	<b>195,426</b>	<b>553,090</b>	<b>25,742</b>	<b>5,049</b>	<b>2,935,683</b>
Additions	66	-	345	7,431	338,988	279	2,838	349,947
Changes in estimates added to property, plant and equipment (Note 17)	-	33,646	-	-	-	-	-	33,646
Recognition of asset related to decommissioning obligations (Note 18)	-	-	-	-	-	-	-	-
Commissioning of assets and transfers	83,245	141,353	27,639	5,315	(258,916)	1,148	16	35,084
Disposals	(6,651)	(2,634)	(24,689)	(7,218)	(6,742)	(591)	(16)	(48,541)
Effect of translation to presentation currency	(137,501)	(126,204)	(242,487)	(45,480)	(137,892)	(6,000)	(1,616)	(697,180)
<b>Balance as of 31 December 2015</b>	<b>488,916</b>	<b>631,832</b>	<b>817,040</b>	<b>155,474</b>	<b>488,528</b>	<b>20,578</b>	<b>6,271</b>	<b>2,608,639</b>

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**8 Property, plant and equipment (continued)**

	Buildings	Mining assets	Plant and equipment	Transport	Assets under construction	Other	Land	Total
<b>Accumulated Depreciation</b>								
Balance as of 1 January 2014	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)
Transfers	-	(5,642)	5,642	-	-	-	-	-
Impairment (Note 27)	651	34,199	9,786	-	11,088	-	-	55,724
Effect of translation to presentation currency	(87,128)	(138,604)	(407,917)	(57,771)	(3,520)	(6,396)	-	(701,336)
<b>Balance as of 31 December 2014</b>	<b>125,435</b>	<b>212,866</b>	<b>596,982</b>	<b>84,555</b>	<b>7,568</b>	<b>9,169</b>	<b>-</b>	<b>1,036,575</b>
Depreciation charge	19,177	43,325	90,833	14,403	-	1,591	-	169,329
Disposals	(1,613)	(839)	(16,841)	(6,628)	-	(230)	-	(26,151)
Transfers	(864)	64,096	(63,232)	-	-	-	-	-
(Reversal of impairment)/impairment (Note 27)	(427)	(21,539)	1,706	-	(5,430)	-	-	(25,690)
Effect of translation to presentation currency	(30,822)	(34,884)	(139,242)	(20,553)	(589)	(2,308)	-	(228,398)
<b>Balance as of 31 December 2015</b>	<b>110,886</b>	<b>263,025</b>	<b>470,206</b>	<b>71,777</b>	<b>1,549</b>	<b>8,222</b>	<b>-</b>	<b>925,665</b>
<b>Net Book Value</b>								
Balance as of 1 January 2014	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
<b>Balance as of 31 December 2015</b>	<b>378,030</b>	<b>368,807</b>	<b>346,834</b>	<b>83,697</b>	<b>486,979</b>	<b>12,356</b>	<b>6,271</b>	<b>1,682,974</b>

In current reporting period the impairment of assets under construction and fixed assets are presented as part of Accumulated depreciation, whereas in 2014 they were presented as write-offs in Gross book value and Accumulated depreciation. Prior year balances have been reclassified accordingly to conform to the current period presentation.

## 8 Property, plant and equipment (continued)

<b>Allocation of depreciation charge for the period:</b>	<b>2015</b>	<b>2014</b>
Cost of sales (Note 24)	144,932	232,107
Distribution costs (Note 25)	13,162	20,353
General and administrative expenses (Note 26)	7,731	10,768
Capitalised within assets under construction	3,504	6,040
<b>Total</b>	<b>169,329</b>	<b>269,268</b>

### *Fully depreciated assets still in use*

As of 31 December 2015 and 31 December 2014 the gross carrying value of fully depreciated property, plant and equipment still in use was US\$ 301,321 and US\$ 318,997, respectively.

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

In 2015, due to decision to continue mining at Solikamsk-2, the Group reversed the impairment of fixed assets and construction in progress with a gross carrying value and accumulated depreciation of US\$ 39,247 and US\$ 11,999, respectively, and recognised an impact of this reversal of US\$ 27,248 in the consolidated statement of income due to the flooding in the Solikamsk-2 mine (Note 27).

## 9 Goodwill

	<b>2015</b>	<b>2014</b>
Gross carrying value at 1 January	1,048,573	1,802,398
<b>Carrying amount 1 January</b>	<b>1,048,573</b>	<b>1,802,398</b>
Effect of translation to presentation currency	(239,176)	(753,825)
<b>Carrying amount at 31 December</b>	<b>809,397</b>	<b>1,048,573</b>
Gross carrying value at 31 December	809,397	1,048,573
<b>Carrying amount at 31 December</b>	<b>809,397</b>	<b>1,048,573</b>

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

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on 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:

	<b>2015</b>	<b>2014</b>
RR/US\$ exchange rate (till 2040)	From 67 to 129	From 72 to 147
Growth rate beyond one year	3% p.a.	3% p.a.
US\$ weighted average cost of capital	12.7% p.a.	12.8% p.a.
Long-term inflation rate	From 3% to 7.5% p.a.	From 3% to 13% p.a.

The Group did not recognise any impairment of goodwill in the consolidated financial statements for the years ended 31 December 2015 and 31 December 2014.

## 10 Intangible assets

	Note	Mining licences	Software	Other	Total
<b>Cost as of 1 January 2014</b>		<b>5,807,302</b>	<b>23,510</b>	<b>18,770</b>	<b>5,849,582</b>
<b>Accumulated amortisation</b>		<b>(372,596)</b>	<b>(19,238)</b>	<b>(449)</b>	<b>(392,283)</b>
<b>Balance as of 1 January 2014</b>		<b>5,434,706</b>	<b>4,272</b>	<b>18,321</b>	<b>5,457,299</b>
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, 25, 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)
<b>Cost as of 31 December 2014</b>		<b>3,465,410</b>	<b>5,119</b>	<b>11,803</b>	<b>3,482,332</b>
<b>Accumulated amortisation</b>		<b>(286,897)</b>	<b>(2,588)</b>	<b>(782)</b>	<b>(290,267)</b>
<b>Balance as of 31 December 2014</b>		<b>3,178,513</b>	<b>2,531</b>	<b>11,021</b>	<b>3,192,065</b>
Additions		-	6,927	988	7,915
Disposals		-	(518)	(89)	(607)
Amortisation charge	24, 25, 26	(50,336)	(1,961)	(2,224)	(54,521)
Disposals of accumulated amortisation		-	504	89	593
Effect of translation to presentation currency		(716,762)	(1,483)	(2,217)	(720,462)
<b>Cost as of 31 December 2015</b>		<b>2,674,962</b>	<b>9,354</b>	<b>9,961</b>	<b>2,694,277</b>
<b>Accumulated amortisation</b>		<b>(263,547)</b>	<b>(3,354)</b>	<b>(2,393)</b>	<b>(269,294)</b>
<b>Balance as of 31 December 2015</b>		<b>2,411,415</b>	<b>6,000</b>	<b>7,568</b>	<b>2,424,983</b>

The table below summarises descriptions and carrying amounts of individually material mining licences, except for fully amortised:

Licensed plot		31 December 2015	31 December 2014
Solikamskiy plot (south part)	SKRU-2	865,333	1,135,013
Novo-Solikamskiy plot	SKRU-3	805,646	1,071,431
Solikamskiy plot (north part)	SKRU-1	61,849	92,555
Polovodovski plot (south part)		170,769	221,639
Polovodovski plot (north part)		503,345	652,080
Romanovski plot		4,473	5,795
<b>Total</b>		<b>2,411,415</b>	<b>3,178,513</b>

The Group temporarily suspended capitalisation of interest expense and foreign exchange loss to Polovodovski plot (north part) since 1 January 2015 until recommencement of construction of mining facilities.

## 11 Income Tax Prepayments

On 16 April 2013 the Company concluded an agreement with the government of Perm Region to maintain minimum income tax payments at certain minimum amount per year in 2013-2015. On 27 August 2015 the Company signed an Addendum to the agreement which determined minimum income tax payments for 2015 at the amount of 2,750 RR mln per year (US\$ 37,732 at the exchange rate on 31 December 2015). Payments for the period of 2016-2017 will be agreed subsequent to the year-end in a new addendum. As a result the Company will utilize its existing income tax prepayments in several years.

As of 31 December 2015 income tax prepayments recoverable in more than 12 months was recorded at amortised cost using the discount rate of 10.1%. As of 31 December 2015 the carrying value of income tax prepayments recoverable in more than 12 months was US\$ 82,218 (31 December 2014: US\$ 128,983 at discount rates from 13.1% to 13.6%).

## 12 Inventories

	31 December 2015	31 December 2014
Raw materials and spare parts	63,589	73,329
Finished products	59,862	62,395
Work in progress	2,933	2,327
Other inventories	3,847	5,323
<b>Total inventories</b>	<b>130,231</b>	<b>143,374</b>

Other inventories mainly consist of residential buildings constructed by the Group for resale.

## 13 Trade and other receivables

	31 December 2015	31 December 2014
Trade receivables	348,223	366,043
Other accounts receivable	12,067	21,757
Less: provision for doubtful debt	(13,191)	(8,052)
<b>Total financial receivables</b>	<b>347,099</b>	<b>379,748</b>
VAT recoverable	51,265	43,354
Other taxes recoverable	2,327	21,259
Other prepayments	6,885	10,922
<b>Total non-financial receivables</b>	<b>60,477</b>	<b>75,535</b>
<b>Total trade and other receivables</b>	<b>407,576</b>	<b>455,283</b>

As of 31 December 2015 trade receivables of US\$ 334,724 (31 December 2014: US\$ 353,050), net of provision for impairment, were denominated in foreign currencies; 85% of this balance was denominated in US\$ (31 December 2014: 83%) and 15% was denominated in Euro (31 December 2014: 17%). Management believes that the fair value of accounts receivable does not differ significantly from their carrying amount.

Movements of the provision for doubtful debt were as follows:

	2015		2014	
	Trade receivables	Other receivables	Trade receivables	Other receivables
<b>As of 1 January</b>	<b>(4,693)</b>	<b>(3,359)</b>	<b>(6,905)</b>	<b>(2,658)</b>
Provision accrued	(6,808)	(2,838)	(1,488)	(3,055)
Provision reversed	837	472	1,431	78
Effect of translation to presentation currency	2,032	1,166	2,269	2,276
<b>As of 31 December</b>	<b>(8,632)</b>	<b>(4,559)</b>	<b>(4,693)</b>	<b>(3,359)</b>

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 27). Amounts charged to the provision account are written off when there is no expectation of recovering additional cash.

### 13 Trade and other receivables and advances to suppliers (continued)

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

	31 December 2015		31 December 2014	
	Trade receivables	Other receivables	Trade receivables	Other receivables
<i>Current and not impaired</i>				
Insured	64,649	-	54,054	-
Not insured or factored	242,019	4,399	242,683	17,455
<b>Total current and not impaired</b>	<b>306,668</b>	<b>4,399</b>	<b>296,737</b>	<b>17,455</b>
<i>Past due but not impaired</i>				
less than 45 days overdue	15,510	1,408	37,097	942
45 to 90 days overdue	2,102	31	16,797	18
over 90 days overdue	15,311	1,670	9,510	-
<b>Total past due but not impaired</b>	<b>32,923</b>	<b>3,109</b>	<b>63,404</b>	<b>960</b>
<i>Impaired (less of provision)</i>				
45 to 90 days overdue	336	46	356	36
over 90 days overdue	8,296	4,513	5,546	3,306
<b>Total amount of impaired accounts receivable (less of provision)</b>	<b>8,632</b>	<b>4,559</b>	<b>5,902</b>	<b>3,342</b>
<b>Total financial receivables (gross)</b>	<b>348,223</b>	<b>12,067</b>	<b>366,043</b>	<b>21,757</b>
Impairment provision	(8,632)	(4,559)	(4,693)	(3,359)
<b>Total financial receivables</b>	<b>339,591</b>	<b>7,508</b>	<b>361,350</b>	<b>18,398</b>

As of 31 December 2015 and 2014 no trade and other receivables were pledged as collateral.

As of 31 December 2015 and 2014 accounts receivable classified as "Not insured or factored" included receivables from key and prominent customers.

As of 31 December 2015, the Group had a residual exposure to factored accounts receivables that had a carrying value of US\$ 953 (as of 31 December 2014: US\$ 11,361), immediately after they were factored for US\$ 9,526 (as of 31 December 2014: US\$ 113,607).

### 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 which are 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 2015	31 December 2014
Fitch Ratings	BB+	28,855	25,991
Fitch Ratings	BBB-	38,744	35,218
<b>Total other financial assets at fair value through profit or loss</b>		<b>67,599</b>	<b>61,209</b>

## 15 Cash and cash equivalents, deposits, restricted cash

	Interest rates	31 December 2015	31 December 2014
<b>Cash on hand and bank balances</b>			
RR denominated cash on hand and bank balances		12,876	53,581
US\$ denominated bank balances		551,739	1,357,881
EUR denominated bank balances		97,308	112,911
Other currencies denominated balances		11,509	16,479
<b>Term deposits</b>			
US\$ term deposits	0,43% (2014: from 1.01% to 4.05 % p.a.)	387,700	556,588
EUR term deposits	2014: 2.00% from 8.49% p.a. to 10.8% p.a.	-	612
RR term deposits	(2014: from 2.14% p.a. to 25% p.a.)	50,746	57,195
<b>Total cash and cash equivalents</b>		<b>1,111,878</b>	<b>2,155,247</b>
US\$ deposits	from 4.26% to 4.27 %	-	300,000
<b>Total deposits</b>		<b>-</b>	<b>300,000</b>
<b>Restricted cash</b>			
Current restricted cash		200,000	-
<b>Total cash and cash equivalents and deposits</b>		<b>1,311,878</b>	<b>2,455,247</b>

As of 31 December 2015 and 31 December 2014, term deposits have various original maturities but may upon request be withdrawn without any restrictions. Restricted cash is cash reserved on the accounts of a related party as of 31 December 2015 for the purchase of treasury shares under Company's open market buyback programme (Notes 6, 16).

## 16 Equity

	Number of ordinary shares (in millions)	Number of treasury shares (in millions)	Ordinary shares	Treasury shares	Total
<b>At 1 January 2014</b>	<b>2,936</b>	<b>(367)</b>	<b>35,762</b>	<b>(5,722)</b>	<b>30,040</b>
Treasury shares purchased	-	(3)	-	(37)	(37)
<b>At 1 January 2015</b>	<b>2,936</b>	<b>(370)</b>	<b>35,762</b>	<b>(5,759)</b>	<b>30,003</b>
Treasury shares purchased	-	(1,055)	-	(18,194)	(18,194)
<b>At 31 December 2015</b>	<b>2,936</b>	<b>(1,425)</b>	<b>35,762</b>	<b>(23,953)</b>	<b>11,809</b>

The number of unissued authorised ordinary shares is 1,730 million (31 December 2014: 1,730 million) with a nominal value per share of 0.686 US cents (0.5 RR) (31 December 2014: 0.889 US cents (0.5 RR)). All shares stated in the table above have been issued and fully paid.

**Treasury shares.** On 23 April 2015 Group approved a tender offer to purchase Company's ordinary shares (including ordinary shares represented by GDRs) in the amount of up to 468,750,000 ordinary shares at a price of US\$ 3.2 per ordinary share (US\$ 16.0 per GDR). Tender offer results were announced on 25 May 2015.

Then on 24 August 2015 Group approved another tender offer to purchase Company's ordinary shares (including ordinary shares represented by GDRs) in the amount of up to 411,042,224 ordinary shares at a price of US\$ 3.2 per ordinary share (US\$ 16.0 per GDR). On 25 September 2015 the Group resolved to increase the maximum number of securities to be purchased to 704,643,813 ordinary shares. Second tender offer results were announced on 28 September 2015.

As a result of two tender offers ordinary shares in the number of 984,649,841 (including ordinary shares represented by GDRs) were purchased in May-June and September-October 2015, which constitutes in the aggregate approximately 33.54% of Company's outstanding ordinary Shares.

## 16 Equity (continued)

On 23 November 2015, the Company's Board of Directors approved an open market buyback programme in respect of shares and GDRs. The programme commenced on 24 November 2015 and expired on 31 March 2016. Since the start of the open market buyback programme an aggregate of 28,428,735 shares and 8,430,936 GDRs, constituting in total 2.40% of the Company's share capital have been purchased by 31 December 2015.

Total amount spent on purchase of ordinary shares and GDRs of the Company equalled to US\$ 3,366,878 including transaction costs directly attributable to the acquisition for the year ended 31 December 2015. The difference between the purchase price of US\$ 3,366,878 and the nominal value of the shares of US\$ 18,194 was accounted for as a decrease in Share premium.

Treasury shares as of 31 December 2015 comprise 1,425,357,033 ordinary shares represented by shares and GDRs of the Company (370,123,777 of which were transferred under the REPO agreement (Note 19)) owned by JSC Uralkali-Technologia and Enterpro, wholly owned subsidiaries of the Group (31 December 2014: 370,123,777).

The listing and admission to trading of the Company's Rule 144A and Regulation S GDRs on the London Stock Exchange have been cancelled with effect from start of trading on 22 December 2015.

**Dividends.** In 2015, the General Meeting of Shareholders of the Company did not approve any 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).

All dividends are declared and paid in RR. In April 2015 the Company adopted a new dividend policy providing flexibility to the Board of Directors in determining the amount of dividend payments.

## 17 Provisions

	Note	Provision for filling cavities	Restructuring provision	Resettlement provision	Mine flooding provision	Total
<b>Carrying amount at 1 January 2014</b>		<b>56,659</b>	<b>12,168</b>	<b>58,287</b>	<b>-</b>	<b>127,114</b>
Changes in estimates added to property, plant and equipment	8	23,092	-	-	-	23,092
Changes in estimates		-	-	2,394	-	2,394
Accrual of provision		-	-	-	20,852	20,852
Utilisation of provision		(11,400)	(2,394)	(18,479)	-	(32,273)
Unwinding of the present value discount		3,514	(911)	-	-	2,603
Effect of translation to presentation currency		(26,899)	(4,041)	(19,272)	-	(50,212)
<b>Current liabilities</b>		<b>7,726</b>	<b>1,005</b>	<b>22,930</b>	<b>16,906</b>	<b>48,567</b>
<b>Non-current liabilities</b>		<b>37,240</b>	<b>3,817</b>	<b>-</b>	<b>3,946</b>	<b>45,003</b>
<b>Carrying amount at 31 December 2014</b>		<b>44,966</b>	<b>4,822</b>	<b>22,930</b>	<b>20,852</b>	<b>93,570</b>

	Note	Provision for filling cavities	Restruc- turing provision	Resettle- ment provision	Mine flooding provision	Legal provision	Total
<b>Carrying amount at 1 January 2015</b>		<b>44,966</b>	<b>4,822</b>	<b>22,930</b>	<b>20,852</b>	<b>-</b>	<b>93,570</b>
Changes in estimates added to property, plant and equipment	8	33,646	-	-	-	-	33,646
Changes in estimates		-	4,675	-	-	-	4,675
Accrual of provision		-	-	-	22,310	17,031	39,341
Utilisation of provision		(10,975)	(2,772)	(21,162)	(24,655)	-	(59,564)
Reversal of provision		-	-	-	(7,546)	-	(7,546)
Unwinding of the present value discount		5,528	361	-	-	-	5,889
Effect of translation to presentation currency		(14,869)	(1,475)	(1,768)	(3,138)	(2,787)	(24,037)
<b>Current liabilities</b>		<b>9,678</b>	<b>438</b>	<b>-</b>	<b>1,060</b>	<b>-</b>	<b>11,176</b>
<b>Non-current liabilities</b>		<b>48,618</b>	<b>5,173</b>	<b>-</b>	<b>6,763</b>	<b>14,244</b>	<b>74,798</b>
<b>Carrying amount at 31 December 2015</b>		<b>58,296</b>	<b>5,611</b>	<b>-</b>	<b>7,823</b>	<b>14,244</b>	<b>85,974</b>



## 17 Provisions (continued)

**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.

**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 provision is for costs of dismantling of the plants which 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 was effected pursuant to the State programme on "Securing quality housing and facilities for the citizens of the Perm Region" and was 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\$ 34,851 (RUB 2,540 mln at the exchange rate on 31 December 2015) by instalments in 2013-2015. In 2015 the liability was paid out in full.

**Mine flooding provision.** During the twelve months ended 31 December 2015, the Group re-estimated costs required for liquidation of the accident consequences and updated the provision for future expenses to the amount of US\$ 7,823 as of 31 December 2015.

## 18 Asset retirement obligations

During 2015, the Group completed its assessment of future costs needed to fulfil its decommissioning obligations for the mines located in Berezniki and Solikamsk. Total estimated provision for asset retirement obligations amounts to US\$ 35,084 as of 31 December 2015 (2014: nil).

Key assumptions used in estimation of decommissioning obligations were as follows:

	2015
Risk-free rates	9.3% - 9.52%
Expected closure date of mines	2026 – 2069
Expected inflation over the period from 2016 to 2019	5.0% - 7.3%
Expected inflation over the period from 2020 onwards	5.0%

## 19 Borrowings

	2015	2014
<b>Bank loans</b>		
Short-term bank loans	2,325,387	628,030
Long-term bank loans	3,572,040	4,409,664
<b>Total bank loans</b>	<b>5,897,427</b>	<b>5,037,694</b>
<b>Finance lease payable</b>		
Short-term finance lease payable	83	-
Long-term finance lease payable	7,154	8,968
<b>Total finance lease payable</b>	<b>7,237</b>	<b>8,968</b>
<b>Total borrowings</b>	<b>5,904,664</b>	<b>5,046,662</b>

## 19 Borrowings (continued)

### Bank loans

As of 31 December 2015 and 31 December 2014 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	2015	2014
<b>Balance at 1 January</b>		<b>5,037,694</b>	<b>4,380,953</b>
Bank loans received, denominated in US\$		1,761,317	3,252,534
Bank loans received, denominated in RR		163,392	146,222
Bank loans repaid, denominated in US\$		(672,371)	(1,061,897)
Bank loans repaid, denominated in RR		(257,514)	(1,057,785)
Interest accrued		269,269	238,509
Interest paid		(254,929)	(235,200)
Recognition of syndication fees and other financial charges		(14,405)	(28,926)
Syndication fees and other financial charges	28	8,010	15,705
Foreign exchange loss, net		1,399,028	1,721,039
Effect of translation to presentation currency		(1,542,064)	(2,333,460)
<b>Balance at 31 December</b>		<b>5,897,427</b>	<b>5,037,694</b>

The table below shows interest rates as of 31 December 2015 and 31 December 2014 and the split of the bank loans into short-term and long-term.

	Interest rates	31 December 2015	31 December 2014
<b>Short-term bank loans</b>			
Bank loans in US\$: floating interest	From 1 month Libor +2.15% to 6 month Libor +5.2% (31 December 2014: From 1 month Libor +1.8% to 3 month Libor +3.1%)	2,108,341	513,554
Bank loans in US\$: fixed interest	2.67%	28,495	-
Bank loans in RR: floating interest	MosPrime Rate 3M+2.59% (31 December 2014: From MosPrime Rate 3M+1.5% to MosPrime Rate 3M+2.59%)	188,551	114,476
<b>Total short-term bank loans</b>		<b>2,325,387</b>	<b>628,030</b>
<b>Long-term borrowings</b>			
Bank loans in US\$: floating interest	From 3 month Libor +3.1% to 6 month Libor +5.2% (31 December 2014: From 1 month Libor +1.8% to 3 month Libor +3.1%)	3,310,399	3,839,689
Bank loans in RR: floating interest	MosPrime 3M + 2.59% (31 December 2014: From MosPrime 3M +1.5% to MosPrime 3M +2.59%)	261,641	569,975
<b>Total long-term bank loans</b>		<b>3,572,040</b>	<b>4,409,664</b>

As of 31 December 2015 no equipment or inventories were pledged as security for bank loans.

As of 31 December 2015, bank loans amounting US\$ 1,268,998 (31 December 2014: US\$ 894,550) were collateralised by future sales proceeds of the Group under export contracts with certain customers.

On 23 September 2015 the Group signed a master agreement and confirmation with respect to a REPO transaction regarding ordinary shares of the Company. As a result of the entry into the REPO transaction the Group obtained financing for a total amount of US\$ 800,000, after transferring 370,123,777 ordinary shares of the Company under the REPO agreement, which constitutes 12.61% of the Company's share capital. The Group also signed a pledge agreement for 43,335,594 GDRs representing 216,677,970 ordinary shares of the Company.

## 19 Borrowings (continued)

On 9 September 2015, the Company signed an agreement to open a non-revolving US\$ 1.5-billion credit line. Funds under the committed credit line are available for utilisation from 9 September 2015 till 3 March 2017. The availability period of the loan assumes proportional increase of the limit in accordance with the Company's cash flows projections and the need in credit resources during 2016-2017. The final maturity date of the facility is 7 September 2020. As of 31 December 2015, the Company has not yet utilised the facility.

The Group's bank borrowings mature as follows:

	31 December 2015	31 December 2014
Not later than 1 year	2,325,387	628,030
Later than 1 year and not later than 5 years	3,322,040	4,058,461
Later than 5 years	250,000	351,203
<b>Total bank loans</b>	<b>5,897,427</b>	<b>5,037,694</b>

Due to the Russian Rouble devaluation as at 31 December 2015, financial covenants that require the Group to maintain a certain net debt/net worth ratio were breached, consequently loans which were subject to this restrictive covenant, in the amount of US\$ 1,528,573 were reclassified from non-current liabilities to current liabilities in the consolidated statement of financial position. The lenders did not request accelerated repayment of the loans. The Group is in the process of amendment of the definition of the covenant to eliminate effect of the devaluation. Prior to the date of approval of these consolidated financial statements, the Group received waiver letters from the banks, confirming that no event of default has occurred.

## 20 Bonds

In April 2013 the Group issued US\$ denominated bonds at the nominal value of US\$ 650 million bearing a coupon of 3.723% p.a. maturing in 2018:

	Note	2015	2014
<b>Balance at 1 January</b>		<b>583,972</b>	<b>650,068</b>
Purchase of bonds denominated in US\$		-	(68,100)
Interest accrued		21,963	23,641
Interest paid		(23,113)	(23,641)
Amortisation of syndication fees	28	422	779
Foreign exchange loss		160,820	366,161
Effect of translation to presentation currency		(159,396)	(364,936)
<b>Balance at 31 December</b>		<b>584,668</b>	<b>583,972</b>

During 2014 year bonds with a nominal value of US\$ 68,100 were purchased by the Group for the amount of US\$ 65,736. The fair value of the outstanding bonds issued at 31 December 2015 was US\$ 545,531 according to Irish Stock Exchange quotations (31 December 2014: US\$ 521,586).

## 21 Derivative financial assets and liabilities

At 31 December 2015, the derivative financial liabilities were represented by the cross-currency interest rate swaps, entered into in conjunction with RR-denominated loans in the notional amount of US\$ 444,052 (31 December 2014: US\$ 677,232).

Discounted cash flows from cross-currency interest rate swaps at the reporting date generated during next 12 months are represented as a current liability. Discounted cash flows from cross-currency interest rate swaps after 12 months are classified as a non-current liability. The prior year balance has been reclassified accordingly to conform to the current period presentation.

The Group pays US\$ at fixed rate 3.23% and floating rate USD-ISDA+4.2% (31 December 2014: fixed rate 3.23% and floating rate USD-ISDA+4.2%) and receives RR at floating rates MosPrime-NFEA 3m+1.5% and MosPrime 3m+2.59% (31 December 2014: floating rates MosPrime-NFEA+1.5% and MosPrime 3m+2.59%). Maturity of the swaps is linked to loans redemption (2016 and 2018).

## 21 Derivative financial assets and liabilities (continued)

	31 December 2015	31 December 2014
<b>Assets</b>		
Current derivative financial assets	-	12,994
<b>Liabilities</b>		
Current derivative financial liabilities	(227,480)	(42,634)
Non-current derivative financial liabilities	(358,123)	(525,257)
<b>Total net derivative financial liabilities</b>	<b>(585,603)</b>	<b>(554,897)</b>

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

	Note	2015	2014
<b>Balance as of 1 January</b>		<b>554,897</b>	<b>133,383</b>
Cash proceeds from derivatives		49,621	87,744
Cash paid for derivatives		(94,337)	(221,651)
Changes in the fair value	28	232,759	748,936
Effect of translation to presentation currency		(157,337)	(193,515)
<b>Balance as of 31 December</b>		<b>585,603</b>	<b>554,897</b>

## 22 Trade and other payables

	31 December 2015	31 December 2014
Trade payables	39,721	20,669
Accrued liabilities	99,200	78,310
Other payables	26,207	20,686
<b>Total financial payables</b>	<b>165,128</b>	<b>119,665</b>
Other non-financial payables	39,020	44,193
<b>Total non-financial payables</b>	<b>39,020</b>	<b>44,193</b>
<b>Total trade and other payables</b>	<b>204,148</b>	<b>163,858</b>

As of 31 December 2015 trade and other accounts payable of US\$ 113,809 (31 December 2014: US\$ 99,695) were denominated in foreign currencies: 94% of this balance was denominated in US\$ (31 December 2014: 93%) and 6% was denominated in Euro (31 December 2014: 7%).

## 23 Revenues

	2015	2014
<b>Export</b>		
Potassium chloride	1,815,532	2,119,681
Potassium chloride (granular)	901,392	1,051,304
<b>Domestic</b>		
Potassium chloride	341,153	291,213
Other revenues	65,225	97,094
<b>Total revenues</b>	<b>3,123,302</b>	<b>3,559,292</b>

## 24 Cost of sales

	Note	2015	2014
Depreciation	8	144,932	232,107
Employee benefits		126,070	204,225
Materials and components		91,436	126,539
Fuel and energy		86,595	147,356
Repairs and maintenance		59,667	74,200
Amortisation of licences	10	50,336	105,945
Transportation between mines by railway		8,081	11,327
Change in work in progress, finished goods and goods in transit		452	8,485
Other costs		1,189	5,783
<b>Total cost of sales</b>		<b>568,758</b>	<b>915,967</b>

## 25 Distribution costs

	Note	2015	2014
Railway tariff and rent of wagons		234,862	365,980
Freight		217,348	362,886
Transport repairs and maintenance		31,269	39,214
Transshipment		25,678	45,083
Employee benefits		17,349	19,728
Commissions and marketing expenses		15,999	38,280
Depreciation	8	9,816	14,917
Other costs		51,943	46,683
<b>Total distribution costs</b>		<b>604,264</b>	<b>932,771</b>

Depreciation in the amount of US\$ 3,346 and amortisation in the amount of US\$ 171 is included into Transport repairs and maintenance and Transshipment costs (2014: US\$ 5,436 and nil respectively).

## 26 General and administrative expenses

	Note	2015	2014
Employee benefits		87,531	114,341
Consulting, audit and legal services		9,853	8,889
Depreciation	8	7,731	10,768
Security		6,574	10,993
Materials and fuel		5,572	6,934
Mine rescue crew		4,891	7,194
Repairs and maintenance		4,226	6,801
Amortisation of intangible assets	10	4,014	2,512
Labour protection		3,228	3,769
Insurance		3,095	5,249
Communication and information system services		2,963	5,136
Rent		1,456	5,745
Bank charges		1,254	1,214
Other expenses		14,496	19,921
<b>Total general and administrative expenses</b>		<b>156,884</b>	<b>209,466</b>

**27 Other operating income and expenses, net**

	Note	2015	2014
Loss on disposals of property, plant and equipment and write-off of prepayments for acquisition of property, plant and equipment and intangible assets		24,804	27,676
Accrual of legal provision	17	17,031	-
Expenses related to mine flooding		10,113	16,408
Social cost and charity		8,452	9,560
Accrual of provision for impairment of receivables	13	8,337	3,034
Loss on impairment of property, plant and equipment and assets under construction		1,558	-
Write-off of bank deposits		-	2,857
(Reversal of impairment)/Impairment of Solikamsk-2 property, plant and equipment	8	(27,248)	38,049
Other expense, net		282	4,707
<b>Total other operating income and expenses, net</b>		<b>43,329</b>	<b>102,291</b>

**28 Finance income and expenses**

	Note	2015	2014
Interest income		36,368	24,364
Fair value gain on investments		24,910	-
Income from redemption of bonds		-	2,364
Income from associates		-	239
<b>Total finance income</b>		<b>61,278</b>	<b>26,967</b>

		2015	2014
Foreign exchange loss		1,038,810	1,166,924
Interest expense		270,841	173,835
Fair value loss on derivative financial liabilities	21	232,759	748,936
Syndication fee and other financial charges		23,401	24,703
Unwinding of the present value discount and effect of changes in discount rates		8,063	6,448
Letters of credit fees		4,167	5,748
Finance lease expense		812	1,326
Loss from associate		67	-
Fair value losses on investments		-	10,398
<b>Total finance expenses</b>		<b>1,578,920</b>	<b>2,138,318</b>

Coupon income from corporate bonds classified as other financial assets at fair value through profit or loss in the amount of US\$ 3,789 is included in interest income (2014: US\$ 3,083).

Capitalised interest expense and foreign exchange loss in the cost of property, plant and equipment and intangible assets were as follows:

	2015	2014
Interest expense	20,391	94,735
Foreign exchange loss	19,332	88,140
<b>Total capitalised borrowing costs</b>	<b>39,723</b>	<b>182,875</b>

## 29 Income tax expense

	2015	2014
Current income tax expense	47,058	31,812
Adjustments recognised in the period for current income tax of prior periods	3,986	(9,411)
Deferred income tax benefit	(27,213)	(144,925)
<b>Income tax expense/(benefit)</b>	<b>23,831</b>	<b>(122,524)</b>

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

	2015	2014
<b>Profit/(loss) before income tax</b>	<b>207,599</b>	<b>(753,380)</b>
Theoretical tax charge/(benefit) at statutory rate of 15.5%	32,178	(116,774)
Corrections of profit tax for prior years	3,986	(9,411)
Tax effect of expenses which are not deductible or assessable for taxation purposes	1,301	6,637
Effect of different tax rates in countries	(9,088)	2,853
Other	(4,546)	(5,829)
<b>Income tax expense/(benefit)</b>	<b>23,831</b>	<b>(122,524)</b>

In the years ended 31 December 2015 and 2014, 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. However, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the end of the reporting period. In 2015, a new law was adopted by Legislative Assembly of Perm region which changed the income tax rate from 15.5% to 17% for 2016 and 18.5% for 2017. However, for those taxpayers which make significant capital investments and/or donate to charity on the territory of Perm region, the tax rate can be decreased by a certain percentage (which is calculated using the formula stated in the law). The decreased tax rate cannot be lower than 15.5% (tax rate for 2015).

The management of the Group performed the analysis using the forecasts of capital expenditure and profits based on which they expect to utilize the tax benefit in full for the Company and the majority of its subsidiaries registered in Perm region. Insignificant part of other entities of the Group registered in Perm region will be subject to the new tax rate with no decrease.

In 2015 and 2014, 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 2015 was the following:

	31 December 2014	Recognized in profit or loss	Effect of translation to presentation currency	31 December 2015
<b>Tax effects of taxable and deductible temporary differences:</b>				
Property, plant and equipment	(107,107)	(25,772)	28,657	(104,222)
Intangible assets	(493,680)	7,300	111,421	(374,959)
Inventories	4,416	32,350	(6,279)	30,487
Borrowings	(3,179)	(1,690)	1,000	(3,869)
Trade and other receivables	4,367	(8,284)	336	(3,581)
Derivative financial instruments	86,009	29,135	(24,382)	90,762
Trade and other payables	24,394	(21,786)	(2,018)	590
Tax loss carry-forward	28,234	1,706	(6,725)	23,215
Provisions	6,970	15,995	(4,209)	18,756
Other	4,996	(1,741)	(845)	2,410
<b>Total net deferred tax liability</b>	<b>(444,580)</b>	<b>27,213</b>	<b>96,956</b>	<b>(320,411)</b>

## 29 Income tax expense (continued)

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 of translation to presentation currency	31 December 2014
<b>Tax effects of taxable and deductible temporary differences:</b>				
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)
Trade and other receivables	7,130	(645)	(2,118)	4,367
Derivative financial instruments	20,694	95,330	(30,015)	86,009
Trade and other payables	21,730	18,102	(15,438)	24,394
Tax loss carry-forward	2,853	34,733	(9,352)	28,234
Provisions	8,782	2,573	(4,385)	6,970
Other	2,445	12,515	(9,964)	4,996
<b>Total net deferred tax liability</b>	<b>(953,896)</b>	<b>144,925</b>	<b>364,391</b>	<b>(444,580)</b>

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

	31 December 2015	31 December 2014
Deferred income tax asset	56,721	14,644
Deferred income tax liability	(377,132)	(459,223)
<b>Deferred income tax liability, net</b>	<b>(320,411)</b>	<b>(444,579)</b>

The Group has not recognised a deferred income tax liability in respect of taxable temporary differences associated with investments in subsidiaries in the amount of US\$ 199,444 (31 December 2014: US\$ 193,713). The Group controls the timing of the reversal of these temporary differences and does not expect their reversal in the foreseeable future.

## 30 Contingencies, commitments and operating risks

### 30.1 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.

### 30.2 Tax legislation

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

Starting from January 1<sup>st</sup>, 2015 according to the amendments introduced into the Russian tax legislation, the 2015 undistributed profits of the Group foreign subsidiaries, recognized as controlled foreign companies, may result in an increase of the tax base of the controlling entities in 2016. Despite the fact that the Group has developed a tax planning strategy with regard to the legislation on controlled foreign companies applicable to the Group foreign subsidiaries, the management of the Group does not exclude the fiscal approach of regulating authorities to the order of determination of taxable profits in controlling entities of the Group in Russia.



### **30 Contingencies, commitments and operating risks (continued)**

#### **30.3 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.

#### **30.4 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 Group's mining activities and the recent mine flooding may cause subsidence that may affect the Group's facilities, and those of the cities of Berezniki and Solikamsk, State organisations and others.

#### **30.5 Operating environment of the Group**

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

The Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014-2015, the oil price decreased significantly, which led to substantial decrease of the Russian Rouble exchange rate. Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. In December 2014, the Central Bank of the Russian Federation significantly increased its key interest rate, which resulted in growth of interest rates on domestic borrowings. In the first quarter of 2015 international credit agencies downgraded Russia's long-term foreign currency sovereign rating to the speculative level with the negative outlook.

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

#### **30.6 Capital expenditure commitments**

As of 31 December 2015 the Group had contractual commitments for the purchase of property, plant and equipment and intangible assets for US\$ 480,484 (31 December 2014: US\$ 277,452) and US\$ 1,760 (31 December 2014: US\$ 5,486) from third parties, respectively. As of 31 December 2015, the Group had contractual commitments for the purchase of property, plant and equipment from related parties in amount of US\$ 835 (31 December 2014: US\$ 1,115).

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.

#### **30.7 Operating lease commitments**

As of 31 December 2015 and 2014 the Group leased property, plant and equipment, mainly land plots. The future minimum lease payments under non-cancellable operating leases are as follows:

	2015	2014
Not later than 1 year	1,677	2,357
Later than 1 year and not later than 5 years	6,960	10,793
Later than 5 years	29,188	38,405
<b>Total operating lease commitments</b>	<b>37,825</b>	<b>51,555</b>

## 31 Financial risk management

### 31.1 Capital management

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

### 31.2 Categories of financial instruments

	Note	31 December 2015	31 December 2014
<b>Financial assets</b>			
Trade and other receivables	13	347,099	379,748
Derivative financial assets	21	-	12,994
Other financial assets through profit or loss	14	67,599	61,209
Deposits	15	-	300,000
Cash and cash equivalents	15	1,111,878	2,155,247
Restricted cash	15	200,000	-
<b>Financial liabilities</b>			
Borrowings	19	5,904,664	5,046,662
Bonds	20	584,668	583,972
Derivative financial liabilities	21	585,603	567,891
Trade and other payables	22	165,128	119,665

### 31.3 Financial risk factors

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

#### (a) Market risk

##### (i) Foreign exchange risk

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

The Group operates internationally and exports approximately 82% of potash fertilizers sales (2014: 84%). As a result the Group is exposed to foreign exchange risk arising from various currency exposures. Export sales are primarily denominated in US\$ or Euro. The Group is exposed to the risk of significant RR/US\$ and RR/Euro exchange rates fluctuations. The Group's operating profit benefits from the weak exchange rate of the RR against the US\$ and Euro, since all the Group major operating expenses are denominated in RR. The net profit suffers from the weak Rouble exchange rate mainly due to the foreign exchange differences on the Group's loans which are predominantly denominated in USD.

For the year ended 31 December 2015, if during the year the RR had strengthened/weakened by 30% against the US\$ and Euro with all other variables held constant, the foreign exchange loss for the year would have been US\$ 1,410,094 lower/higher (year ended 31 December 2014: US\$ 923,590 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.

## **31 Financial risk management (continued)**

### *(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 2015, if LIBOR and ISDA rates on US\$ denominated borrowings had been 200 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been US\$ 85,842 lower/higher (year ended 31 December 2014: the post tax loss – US\$ 76,992 higher/lower). For the year ended 31 December 2015, if MosPrime rates on RR denominated borrowings had been 1,500 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been US\$ 73,372 higher/lower (year ended 31 December 2014: the post tax loss – US\$ 49,406 lower/higher).

The effect is 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 of US\$ 1,726,576 (31 December 2014: US\$ 2,909,198). The Group is exposed to concentrations of credit risk. As of 31 December 2015 the Group had forty one counterparties (31 December 2014: twenty nine), each of them having receivables balances above US\$ 1,372. The total aggregate amount of these balances was US\$ 309,393 (31 December 2014: US\$ 323,654) or 89% of the total amount of financial trade and other receivables (31 December 2014: 85%). 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. 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).

### 31 Financial risk management (continued)

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 2015 and 2014, if otherwise not stated in table below:

<b>Ratings – Moody's, Fitch, Standard&amp;Poor's</b>	<b>2015</b>	<b>2014</b>
From AAA / Aaa to A- / A3	155,572	32,157
From BBB+ / Baa1 to BBB- / Baa3	53,123	428,544
From BB+ / Ba1 to B- / B3	496,943	1,981,225
Unrated*	606,240	13,321
<b>Total cash, cash equivalents, deposits and restricted cash not past due nor impaired</b>	<b>1,311,878</b>	<b>2,455,247</b>

\* 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.

<b>As of 31 December 2015</b>	<b>Note</b>	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Trade and other payables	22	165,128	-	-	165,128
Bank borrowings		2,591,286	3,858,044	337,422	6,786,752
Bonds		20,588	677,356	-	697,944
Finance lease liabilities	19	744	2,976	28,687	32,407
Derivative financial liabilities		218,468	321,713	-	540,181
<b>Total</b>		<b>2,996,214</b>	<b>4,860,089</b>	<b>366,109</b>	<b>8,222,412</b>

<b>As of 31 December 2014</b>	<b>Note</b>	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Trade and other payables	22	119,665	-	-	119,665
Bank borrowings		840,332	4,448,201	398,799	5,687,332
Bonds		25,662	630,521	-	656,183
Finance lease liabilities	19	871	3,485	33,981	38,337
Derivative financial liabilities		(1,485)	347,628	-	346,143
<b>Total</b>		<b>985,045</b>	<b>5,429,835</b>	<b>432,780</b>	<b>6,847,660</b>

### 32 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.

### 32 Fair value of financial instruments (continued)

**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.

**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 2015 and 31 December 2014, the estimated fair value of the current and non-current borrowings, trade and other payables is not materially different from their carrying amounts.

### 33 Principal subsidiaries, associates and joint ventures

The Group had the following principal subsidiaries as of 31 December 2015:

Name	Nature of business	Percentage of voting rights	Percentage of ownership	Country of registration
<b>Subsidiaries:</b>				
LLC "SMT "BSHSU"	Construction	100.00%	100.00%	Russia
LLC "Vagon Depo Balahonzi"	Repair and maintenance	100.00%	100.00%	Russia
LLC "Uralkali-Remont"	Repair and maintenance	100.00%	100.00%	Russia
CJSC "Avtotranskali"	Transportation	100.00%	100.00%	Russia
OJSC "Baltic Bulk Terminal"	Sea terminal	100.00%	100.00%	Russia
LLC "Satellit-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 SIA	Trading	100.00%	100.00%	Latvia
Uralkali Trading Chicago	Trading	100.00%	100.00%	USA

Comparing to 31 December 2014 there were the following changes: foundation of new trading company in Latvia, disposal of 100% share in Uralkali Trading (Gibraltar) and 33.75% share in CJSC "Registrator "Intraco".

### 34 Events after reporting date

31 March 2016, the Group completed an open market buyback programme in respect of Company's ordinary shares (including ordinary shares represented by GDRs). As result of the open market buyback programme 4.89% of the Company's shares has been purchased (Note 16).

The Company's Rule 144A GDR programme was terminated with effect from 12 January 2016 (Note 16).

24 March 2016 the Group signed agreements to obtain two non-renewable credit lines from PJSC "Sberbank" in the total amount of up to US\$ 3.9 billion due in 2023 and 2026. These non-renewable credit lines will be available starting from the end of 2017 to the beginning of 2020 and will be used for refinancing of existing loans received from the bank as well as for other general corporate purposes. 20.0% of the Company's ordinary shares (including ordinary shares represented by GDRs), were pledged as a security of these credit lines. The Group also has an additional obligation to pledge not less than 8.6% of Company's ordinary shares before 1 August 2016.